

INFORMATION TO USERS

This was produced from a copy of a document sent to us for microfilming. While the most advanced technological means to photograph and reproduce this document have been used, the quality is heavily dependent upon the quality of the material submitted.

The following explanation of techniques is provided to help you understand markings or notations which may appear on this reproduction.

1. The sign or "target" for pages apparently lacking from the document photographed is "Missing Page(s)". If it was possible to obtain the missing page(s) or section, they are spliced into the film along with adjacent pages. This may have necessitated cutting through an image and duplicating adjacent pages to assure you of complete continuity.
2. When an image on the film is obliterated with a round black mark it is an indication that the film inspector noticed either blurred copy because of movement during exposure, or duplicate copy. Unless we meant to delete copyrighted materials that should not have been filmed, you will find a good image of the page in the adjacent frame.
3. When a map, drawing or chart, etc., is part of the material being photographed the photographer has followed a definite method in "sectioning" the material. It is customary to begin filming at the upper left hand corner of a large sheet and to continue from left to right in equal sections with small overlaps. If necessary, sectioning is continued again—beginning below the first row and continuing on until complete.
4. For any illustrations that cannot be reproduced satisfactorily by xerography, photographic prints can be purchased at additional cost and tipped into your xerographic copy. Requests can be made to our Dissertations Customer Services Department.
5. Some pages in any document may have indistinct print. In all cases we have filmed the best available copy.

University
Microfilms
International

300 N. ZEEB ROAD, ANN ARBOR, MI 48106
1A BEDFORD ROW, LONDON, WC1R 4EJ, ENGLAND

7908821

DIKEMAN, NEIL JUDE, JR.
MARKETING CRITERIA FOR CHARTERING BANKS IN
UNIT BANKING STATES.

THE UNIVERSITY OF OKLAHOMA, D.B.A., 1978

University
Microfilms
International 300 N ZEEB ROAD ANN ARBOR, MI 48106

© 1979

NEIL JUDE DIKEMAN, Jr.

ALL RIGHTS RESERVED

THE UNIVERSITY OF OKLAHOMA

GRADUATE COLLEGE

MARKETING CRITERIA FOR CHARTERING BANKS

IN UNIT BANKING STATES

A DISSERTATION

SUBMITTED TO THE GRADUATE FACULTY

in partial fulfillment of the requirements for the

degree of

DOCTOR OF BUSINESS ADMINISTRATION

BY

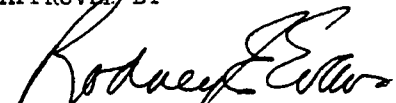
NEIL JUDE DIKEMAN, JR.

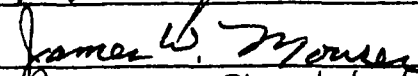
Norman, Oklahoma

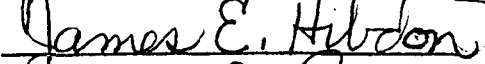
1978


MARKETING CRITERIA FOR CHARTERING BANKS
IN UNIT BANKING STATES


APPROVED BY











DISSERTATION COMMITTEE

ACKNOWLEDGEMENTS

Sincere appreciation is extended to Dr. Rodney E. Evans, Professor of Marketing and Chairman of my Advisory Committee for his guidance and encouragement during the preparation of this dissertation. Of special value was Dr. Evans' advice and counseling throughout much of the entire doctoral program at the University of Oklahoma.

Other members of the Committee: Dr. James E. Hibdon, Professor of Economics; Dr. James M. Kenderdine, Associate Professor of Marketing; Dr. James W. Mouser, Associate Professor of Environmental Analysis and Policy and Dr. Marion C. Phillips, Professor of Business Administration deserve my gratitude not only for their advice and suggestions but also for their patience and understanding during the period within which this study was prepared.

Special acknowledgement is due the late Dr. Jim E. Reese, Professor of Economics, for his friendship and his guidance during the term of my doctoral studies.

Words of appreciation are also expressed to Dr. Malcolm L. Morris, Professor of Marketing for his guidance during the early phases of this dissertation and for sharing his knowledge of marketing with me during the course of my studies. Special thanks also are expressed to Dr. James A. Constantin, David Ross Boyd Professor of Marketing, for his assistance in expediting portions of the dissertation review process.

The assistance and encouragement of these and untold others provided the impetus for completing this dissertation and each has earned my deepest gratitude.

Neil J. Dikeman, Jr.
November 1978
Norman, Oklahoma

TABLE OF CONTENTS

| | Page |
|--|------|
| LIST OF TABLES | vi |
| LIST OF ILLUSTRATIONS | viii |
| Chapter | |
| I. INTRODUCTION | 1 |
| II. AN EXAMINATION AND ASSESSMENT OF EXISTING MATERIAL | 13 |
| III. METHODOLOGY | 46 |
| IV. A SURVEY AND ANALYSIS OF BANKING CODES AND FRANCHISING ARRANGEMENTS | 86 |
| V. CHANGES IN BANKING STRUCTURES IN TWELVE UNIT BANKING STATES | 102 |
| VI. EVALUATING NEED | 116 |
| VII. SUMMARY AND CONCLUSIONS | 143 |
| BIBLIOGRAPHY | 157 |
| APPENDICES | 168 |

LIST OF TABLES

| Table | Page |
|---|------|
| 1. The Probabilities of Households Becoming Customers of a New Bank in Oklahoma City Suburbs | 68 |
| 2. Distance Between the Proposed Site and Existing Banks | 69 |
| 3. Calculation of Service Area Boundaries . . | 71 |
| 4. Economic Factors to be Considered in Granting State Bank Charters in Unit Banking States | 89 |
| 5. Procedures for Application and Acquisition of State Bank Charters | 95 |
| 6. Number of Commercial Banks, Capital, Deposits and Population in all Banks in Unit Banking States | 104 |
| 7. Distribution of Banks by Type of Charter in Unit Banking States | 107 |
| 8. Percentage Change in Total Number of Banks Chartered, Banks Chartered in Urban Centers and Population Growth of Urban Centers, Unit Banking States | 108 |
| 9. Banking Ratios and Changes in Unit Banking States, 1960-1974 | 109 |
| 10. Percentage of Households which are Bank Deposit Customers by Income Category . . . | 110 |
| 11. Bank Charter Applications, Charters Approved and Per Capita Disposable Income | 112 |
| 12. Applications and Charters Granted by State Regulatory Boards in Unit Banking States | 113 |

| Table | Page |
|--|------|
| 13. Income Distribution of a Selected Area, Oklahoma City, Oklahoma, 1969 | 118 |
| 14. Potential Number of Individual Checking and Savings Accounts and Account Bal- ances by Income Groups | 120 |
| 15. A Summary of Estimated Deposit Potentials of a Proposed New Bank | 122 |
| 16. Households and Potential Residential Cus- tomers of a Proposed New Bank | 126 |
| 17. A Comparison of Deposit Estimates for a Proposed New Bank | 128 |
| 18. A Comparison of Loan Estimates for a Pro- posed New Bank | 134 |
| 19. Probabilities of Residential Patronage of a Supermarket by Distance from the Pro- posed Site and Competition | 141 |
| 20. A Comparison of Estimates of Supermarket Sales with the Actual Sales Volume of a Supermarket | 142 |

LIST OF ILLUSTRATIONS

| Figure | Page |
|--|------|
| 1. Maslow's Hierarchy of Needs | 14 |
| 2. Service Area of a Proposed New Bank in Oklahoma City | 70 |
| 3. Service Area of Proposed Super Market . . . | 140 |

MARKETING CRITERIA FOR CHARTERING BANKS
IN UNIT BANKING STATES

CHAPTER I

INTRODUCTION

Society and the individuals which make up the social order are characterized by a number of commonalities among which is "need." "Need" may be characterized as a continuum ranging from a universally acknowledged "absolute necessity" to a single individual's perceived need for the satisfaction of some desire not objectively essential to preservation of life and health. For example, an individual may require some form of personal transportation. This need may be satisfied objectively by owning a bicycle. However, to save time, or to acquire comfort or safety, or to project some desired image, the individual may, instead, acquire a luxury model automobile costing substantially more than the bicycle required to satisfy the basic need. In essence, what constitutes "need" and what constitutes an acceptable satisfaction of a "need" are to a great extent related to, and are functions of, the perceptions of the individual faced both with the need and the alternative means of satisfaction offered by the market.

In general, developed social groups provide for the satisfaction of needs through private, "free," enterprise, government regulated private enterprise, government operation of economic activities or some combination

of these. The economy of the United States is characterized by the use of all these forms of need satisfaction. Most retailing and wholesaling activities belong in the "free enterprise" category wherein competition tends to insure that wide varieties of choice, both in terms of quality and price, are available to consumers. The "service trades" likewise thrive under a competitive system, although many service establishments are regulated to some degree by peer groups (e.g., barbers, beauticians, morticians, etc.). Professional services, such as medical care, legal representation and accounting services are largely directed and extensively regulated by a peer group organization. Still another group of activities, because of their high investment requirement or their responsibilities to society, are regulated by either local, state or federal government agencies or combinations of these levels of government. Utilities belong to the former group while banks, thrift institutions and insurance companies are included in the latter group. The high investment required by public utilities--particularly in the production and distribution of electricity--has in fact resulted in some government operation and marketing of these services. This is especially true in providing electrical energy to rural areas, a market which privately owned (but governmentally franchised) utilities were unable or unwilling to enter. Because of their social responsibilities, banks and other financial institutions are, in a like manner, granted charters to operate by either state or federal governmental regulatory agencies. However, the number of charters granted by either level of government is limited in varying degrees by the regulatory agency's perception of need.

Thus, in the United States a variety of enterprise forms are used

in satisfying the needs of individuals. When private enterprise cannot provide for needs or when private enterprise has historically not acted responsibly in satisfying these needs, society's agent--government--has entered the scene either as a regulator, a franchiser or as a provider.

Definition of Need

Need can be defined in a variety of ways. Needs can be general, as in the case of food, or they can be individual, as in someone's perceived necessity to maintain the approval of a peer group. A very general definition of need, then, could be: "The requirement for goods and services in satisfaction of both real and perceived desires."

Some needs are defined implicitly by the success or failure of a provider of goods and services. This method of defining "need" translates "need" into the demand for the particular good or service. Since demand is a function of many factors including wants, size of the market, adequacy of vendor management among others, this method of measuring need is not altogether adequate. For example, a store selling necessary goods or services may fail due to poor service, high price, poor quality or inept management while another supplier at the same location, without the faults of the first, may, and often does, succeed.

Demand, or need, for several types of semi-essential goods and services is readily apparent due to a high concentration of population and a relatively stable source of income. These demands are best recognized by requirements for utilities, such as gas, water, electricity, sewer and telephones.

Demand for a third set of goods and services is less readily defined and not as discernible as that for essential or semi-essential

goods and services and thus, the definition for their needs has been somewhat controversial and inconsistent. This group includes the need for banking and other financial services. This is especially true with banks, since bank operations and services are both diverse and complex.

Banks offer their customers a wide variety of "products" and services--ranging from demand deposits (checking accounts) through a multitude of loans and savings arrangements to physical security for important documents and small valuable possessions (safety deposit boxes). Consumers buy these "products" and services from banks to solve different sorts of problems, thus there is not universal factor which governs or controls all decisions relating to the demand for financial "goods" and services.

The selection of a depository for demand deposit accounts by individuals or households is usually based to some extent on convenience: Many bank patrons maintain personal checking accounts in or near areas where they work, live or shop. Conversely, they tend to "shop" for institutions in which they maintain time deposits and from which they obtain loans. In these latter cases, "price" or interest rates often are the determining factors. Thus, need for banks and banking services may arise when: (a) no bank is available within a reasonable distance, (b) consumers believe that existing banks within a reasonable distance do not offer the services for which they were chartered, (c) some portion of a community is of the opinion that additional facilities are needed to augment those in existence or (d) consumers desire some service that was not envisioned when existing banks were chartered (e.g., trust services) and thus are not allowed to provide.

To date, a number of attempts have been made to establish guidelines which will define the need for purveyors of goods and services. In the case of most retail, wholesale and service establishments, conventional marketing research techniques will establish the need and thus, the probability of successful operation of a given type of provider. Management and ownership then reach a decision concerning need based on the extent to which society will support the concern. If the results of the research indicate that the concern will prove profitable, need is implied and the operation will be established. In the case of those providers of goods and services supervised by government agencies, the concerned regulatory board will determine need in some fashion usually based on population density and economic activity and intensity of competition and will also franchise a particular supplier to serve that market. This latter situation involves both financial institutions as well as suppliers of utilities.

Attempts to Determine Need

While the definition of need for certain goods and services-- particularly those adapted to and provided by private enterprise whose operations and establishment are not directly controlled by government-- seems to be provided by formal and/or informal marketing research, little additional discussion need be given that area of service to society. However, lack of standard definitions and perceptions among the various governmental regulatory authorities with respect to need for such requirements as banking services suggests that a method for determining need-- either implicitly or explicitly--for these services is a matter of some concern.

The regulations under which national and many state bank charter-granting agencies operate mention that "need for" a bank in a given locale is one of several criteria they will consider in deciding on the merits of a charter application in that location. The extent to which criteria for defining what constitutes need have been established varies widely among the various agencies. Where they exist, appellate bodies (in many instances, courts of law) to these chartering agencies have been a little more specific in their definitions of need. Some appellate decisions have given their opinions on what need is not, but have not constructively defined need. Therefore, a standard and accepted legal, or even quasi-legal, definition of need for new bank services is not apparently universally available. Moreover, the degree to which marketing concepts and definitions of need are given weight by the regulatory bodies or appellate bodies when reaching a decision is not always apparent. Possibly the only standard for need which is widely used arises in the case where there is no bank in a community. In that instance, need for such facilities implicitly exists.

Purpose

Banks are regulated by society both to insure the customers safety of funds deposited with them and to provide potential customers, as nearly as possible, optimal access to financial services. Both of these objectives are not only desirable in and of themselves, they are also prerequisites for the efficient operation of our economic system. Without an adequate definition of "need," the second objective--optimal access--is achieved more through chance than through design.

The purpose of this study is to attempt to provide both a

definition of what constitutes need for financial services and to suggest possible research methodologies for measuring need in a community.

The Research Problem

The pivotal role of banks in a free market economy resulted in the creation of both a formal process and a set of rigid requirements for the chartering of bank offices. Every state has passed laws regulating the issuance of bank charters. These laws reflect the beliefs of the state's legislative body as to the conditions under which a bank should be established. In addition, the United States Comptroller of the Currency, who is also the administrator of national banks, operates under a set of requirements established by the National Banking Act of 1932 (Title 12 USC 36) which must be met if a national bank charter is to be granted. The existence of fifty state banking codes and a National Banking Act suggests the first research problem: "To what extent do state banking codes and national bank chartering regulations recognize 'need' as a criterion for granting bank charters?"

The first research problem has yet another facet: "How do the definitions of 'need' for new banking facilities relate to 'demand' for goods and services in the marketing concept?" This, in effect, asks the question: Have state and national regulatory agencies viewed the granting of bank charters from a marketing perspective or purely from a position of social protection?

Ancillary to this problem is a second topic of investigation: "If need is recognized as a criterion for chartering, is a definition of 'need' provided? Moreover, if defined, how do these definitions of 'need' compare and contrast?"

The second research problem deals with two factors: (1) how is "need" for new banks defined and determined and (2) is it possible to develop both empirical and qualitative methods for determining the degree of "need" (or demand) for banking services which are also applicable to other types of goods and services? In short, can bank market demand models (with some modification) be readily adapted to the solution of problems of other types of "needs?"

Sources of Information

Literature in the area of consumer needs as these relate to services will be explored. This literature will include not only standard works in the area of actual and perceived wants and marketing research, but will also encompass texts and papers on the subject of consumer behavior and social psychology.

Documents, work papers and tabulations accumulated during the conduct of more than thirty bank location studies will also provide background material for this study. Of particular importance will be histories of charter applications and approvals, comparisons of bank study results with actual experiences of new bank charters and Federal Deposit Insurance Corporation reports.

Federal banking codes and banking regulations in twelve unit banking states will be examined and compared to determine the extent to which need is a consideration in the bank chartering procedure and, as such, is legally and clearly defined. Unit banking states are chosen because the authorization of individual banks (as opposed to authorizing branches of existing banks) involves greater amounts of capital and so should call for more precise definitions of need and thus for additional

study and deliberation. Implicitly, then, banking codes and regulations in these states should be more explicit, rigid, precise and thorough.

Limitations

The scope of this study is subject to a number of limitations:

1. The methods for evaluating the feasibility of new banks during the course of this study will be applicable only in unit banking states.
2. Data to test the methods came exclusively from Oklahoma City; application of these techniques to other communities will require some modification.
3. Only the banking codes of unit banking states were analyzed.

Analytical Procedures

This study first reviews "need" in its various perceptions. Next, state banking codes from unit banking states are examined in an effort both to determine the extent to which "need" is a criterion for considering bank charters, and to determine the definitions of "need" set forth in the various codes. These definitions of "need" are compared with "demand" from the marketing viewpoint.

Three methods for determining need for new banking facilities will be tested against the operating experience of a new bank in Oklahoma City in 1970. This test will utilize data collected in 1970 and 1971 and will determine the extent to which a new bank met the expectations developed by each method and thus met one or more criteria of "need." Finally, these methods were applied to a supermarket also located in the Oklahoma City area to determine the extent to which such methods apply to other types of consumer-oriented establishments.

Definition of Terms

Throughout this study certain terms are used frequently. For ease in understanding the study and for the preservation of the continuity of meaning, the following definitions are offered.

Bank

A financial institution which accepts both demand and time deposits, provides loans of several types including personal, installment, commercial and real estate. These institutions are assumed to be corporate entities chartered either under the laws and regulations of the state in which they operate or associations operating under the national banking laws and codes. The banks studied and described herein exclude mutual savings banks, savings and loan associations, trust companies and any other financial institutions not included under the category of "commercial banks" as shown in Federal Deposit Insurance Corporation annual reports.

Bank Charter

The official certificate authorizing the organization and operation of a commercial bank. Bank charters may be issued by state regulatory agencies or by the Comptroller of the Currency.

Bank Market Area

That area from which a bank obtains at least 75 percent of its deposit customers. This area will vary in size with population density, competition and accessibility to residents and businesses. Less conventionally, this area is sometimes called the "bank service area."

Competing Banks

Existing commercial banks which also draw a significant level of patronage from the market area served by another commercial bank or to be served by a proposed new bank. Competing banks may be in peripheral areas to the subject bank market area or may be located within that area.

National Bank

A commercial bank chartered by the U.S. Comptroller of the Currency under the National Banking Code. National banks will always have the term "national" in their title or the term "national association" following their title, viz., Fidelity Bank, National Association (or N.A.).

Organizers

Those persons providing the initial capital necessary to establish a new bank. These persons are signatory to the charter application, are initial stockholders and share the costs incident to the formulation and submission of a bank charter application.

State Bank

A commercial bank chartered under state codes and regulations. State banks may not use the terms "national" or "federal" in their titles.

State Banking Codes

The regulations and laws governing the chartering, operation and location of state chartered banks. These codes and regulations are usually administered by a state agency head usually with guidance from a board or commission.

Organization of the Study

Pertinent works on needs, wants and consumer behavior, and market demand models are examined in Chapter II. A description of the methodology used in the study appears in Chapter III and existing state banking laws in twelve unit banking states as well as the national banking code are reviewed and analyzed in Chapter IV. Chapter IV also includes a comparison of the requirements for obtaining bank charters with the practices commonly employed in granting other types of retail and service establishment franchises. The changes in banking structures of the twelve unit banking states since 1970 and a comparison of these changes with variations in the economic structure of these states are discussed in Chapter V. Three methods for constructing bank demand models and tests of the resultant models using information obtained in Oklahoma City are explored in Chapter VI. An application of these models to a particular type of retailing operation is also shown in Chapter VI. The results and findings of this study are summarized in Chapter VII. Appendices of material relevant to this study and a bibliography conclude this study.

CHAPTER II

AN EXAMINATION AND ASSESSMENT OF EXISTING MATERIAL

Three principal areas of knowledge are pertinent to this dissertation and will be examined in this section: First, because the establishment of any business is, at least theoretically, dependent upon "need", the subject of "need" will be described and explored from a psychological viewpoint, and will be related to the various aspects of business establishment. Next, "need" will be examined from a marketing viewpoint. Both the psychological and the marketing viewpoints will then be integrated and related to the founding of a business enterprise. Finally, the existing techniques used to translate "need" into business location and economic feasibility decisions will be evaluated. Methods for and rationales of expressing "need" in quantitative terms for use in these techniques will also be reviewed.

The Psychological Definitions of Need

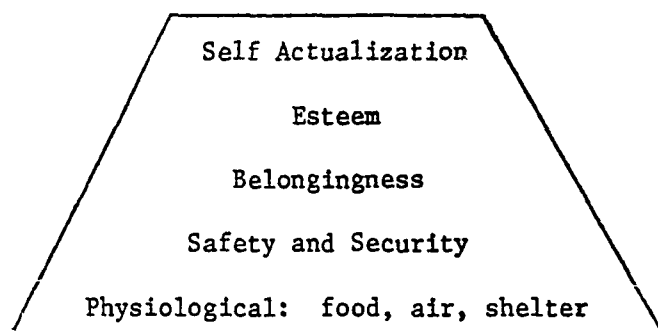
One classic source of information relative to "need" and motivation is the work of A. H. Maslow.¹ Maslow developed a "need hierarchy" as shown in Figure 1.

It should be noted that these needs are order in a hierarchy

¹A. Maslow, "A Theory of Human Motivation," Psychological Review, 50 (July 1943): 370-396.

FIGURE 1

Maslow's Hierarchy of Needs



Source: Don Hellreigel, and J. W. Slocum, Jr., (eds.) Organizational Behavior, Contingency Views (New York: West Publishing Co., 1976), 252.

ranging from the most basic needs, i.e., those required for survival, to the highest which are those required for an individual or group to realize their full potential. Obviously, individuals will satisfy the more basic needs before needs of lesser importance are recognized.

The need hierarchy developed by Maslow suggests a high degree of interdependence and interrelationship between each need category. This is to say that a complete satisfaction of one type of need leads to the recognition of the next higher order to need. The term "complete satisfaction" deserves further comment. As employed by Maslow, "complete satisfaction" means long term or established satisfaction of a need. For example, a person driven by hunger to actively seek food is not completely satisfied merely with a full stomach. Rather, he only becomes completely satisfied once his hunger is appeased; he has located a regular source of food and developed a means for exploiting that source on a frequent and "as-needed" basis. Once this complete satisfaction has been achieved, the person's attention is then directed to higher needs such as safety, belongingness, etc.

It is equally true that the need hierarchy is not fixed. This is to say that not every person has the same need priorities. Severally, physiological (or life sustaining) needs are basic to all but once these needs are completely satisfied, priorities of the remaining categories may vary by individual. For example, the more daring person with an inflated ego may consider "esteem" or status more important to his perceived life style than safety. One example of this type of individual is exemplified by drivers of racing cars. However, it is usually true that the individual will expend more effort and be more highly motivated to completely satisfy the more basic of two needs. In other words he will want the most basic needs.

Maslow indicates that needs are largely unconscious and become wants only when they are recognized by the individual. At the time needs become wants, the individual is then motivated to seek satisfaction. Physiological needs, being the most basic, are usually recognized first and thus become wants before those needs which are less basic.

Needs of Individuals

Historically, entrepreneurs have established businesses to satisfy all of the five categories of needs identified by Maslow. Food stores satisfy physiological needs essentially, but may also help fill the need for esteem and self actualization by converting these latter needs to wants through advertising. These esteem and self actualization need satisfactions may come about for example, as a result of purchasing more expensive cuts of meat or exotic foods in lieu of the cheaper cuts or more basic commodities necessary to meet basic physiological requirements.

The same argument presented for food can be applied to clothing stores and residential builders. In these instances, both need for esteem and self actualization can be partially satisfied by "trading up" from the level of expenditure required to meet simple, physiological need satisfaction. These latter needs become recognized as wants only after more basic physiological and safety needs are met.

The establishment of a bank, however, requires deeper probing into need definition and criteria. Man as an individual does not require a bank for survival, yet banking facilities do provide satisfaction of both safety and security needs for those utilizing the bank as a depository. Some measure of security is also offered society in general by the use of banks as depositories for public funds. However, this satisfaction of the need for security is less direct than the security afforded individual depositors.

Banks tend to satisfy other individual needs as well. To some ethnic and cultural groups, the bank represents a "club" which one can join by becoming a patron of a bank.² In such a case the bank, besides offering the security and safety desired for protecting funds, also represents a means for satisfying a need to belong.

For the more ambitious individual, the bank represents one vehicle for acquiring some satisfaction of the need for self esteem. In many instances, the name, location and/or size of a bank are, in themselves, attractions to some customers.³ The image perceived by

²A. G. Homan and N. J. Dikeman, Jr., "The Image of the First State Bank and Trust Company of Oklahoma City," an unpublished report, Bureau of Business and Economic Research, University of Oklahoma, 1970.

³The Feasibility of a New Bank in Nichols Hills, an unpublished report, Business Research Center, Oklahoma City University, 1972.

customers of banks due to size, location or name is that they are members of an elite clientele and thus have their needs for safety, belonging and esteem satisfied by one institution. This is closely akin to the patronization of exclusive clothing stores where both the physiological and esteem needs may be satisfied simultaneously.

Finally, banks provide the means for satisfying the need for self actualization in those instances where access to money, in the form of loans, is required to satisfy these needs. Those persons motivated to acquire material assets to achieve the goal of self actualization often rely on funds borrowed from the bank. In fact, many personal fortunes have been founded (and personal self actualization achieved) through the use of bank loans.

Needs of Organizations

Thus far, only the needs and need satisfactions of individuals have been discussed. The treatment of needs, however, would not be complete without also examining institutional needs and the role of banks in satisfying them.

Although institutions are social structures designed to organize the efforts of individuals to provide the mechanisms necessary to satisfaction of needs and thus draw their origins, purposes and existence from individuals, they nevertheless have a life expectancy that transcends any individual or group of individuals involved in their operation.⁴ This suggests that while an institution consists of individuals, its operation and existence is independent of specific individuals and it

⁴D. Katz and R. Kahn, The Social Psychology of Organizations (New York: John Wiley & Sons, 1966), pp. 30-70.

therefore has certain needs which must be satisfied if it is to remain viable.

As was the case with individuals, Maslow's hierarchy of needs is widely used in the study of organizational needs.⁵ It can be said, then, that organizations have physiological needs (although not in the same context as individuals), needs for safety, belonging, esteem, and self actualization. The physiological needs of the organization include its resources, the capabilities for transforming those resources into need satisfying products, and a market for the products. Each of these requirements is a basic managerial concern for any institution. A deficiency in any area will impair the ability of the institution to function. Institutional management concerns itself primarily with the extent to which the needs of an organization's human resources are satisfied; its interest in the remaining resources is focused on the presence of each resource and the quality and quantity of those resources.⁶

Some organizational needs must be satisfied internally. For example, most organizations are responsible for acquiring and training a labor force, developing markets, creating income sufficient to satisfy both operating needs and needs for physical facilities and equipment. Facility construction and equipment are usually provided by the organization from external sources, guided by the needs and desires of the institution.

A bank's role in satisfying the physiological needs of an

⁵ D. Hellreigel and J. W. Slocum, Jr., Organizational Behavior, Contingency Views (New York: West Publishing Co., 1976), pp. 251-289.

⁶ Ibid.

organization are two-fold: (a) provide capital for buildings, equipment and inventory and (b) provide funds for operation. Banks perform these services through their loan departments and deposit services. Bank loans for capital investments are long term in nature, and may be used by an organization to finance all or some of plant and equipment acquisition. Shorter term bank loans may be used to purchase inventory or to temporarily finance operating costs. The deposit function of a bank provides an organization with a means for aggregating and controlling those sums of money accruing from daily operations necessary to conduct business, retire debts, acquire other facilities and accumulate profits. Thus, a bank plays an important, if not essential, role in the life and survival of a modern institution by providing a means for satisfying a major portion of its physiological needs.

An organization also has a need for safety and security. This need includes both safeguarding its physical and human resources and the security of its financial resources. The safety of the organization's physical property is usually provided by public agencies which may be augmented by internal arrangements (viz. security alarms, private police or watchmen).

The organization, if it is of any size, must, however, rely on outside sources for the security of its financial resources. Most often this service is provided by the banking system.

A bank's role in satisfying the organization's need for belonging and esteem is less clearly defined than in the case of either physiological or safety need satisfaction. In some instances, newly formed organizations may select a specific bank as its financial representative

because of the contacts with other businesses which may be available through that bank or because of the regional or national reputation of that bank.⁷

A bank may play an important role in the satisfaction of the self actualization needs of the organization. This need satisfaction role can be accomplished by the lending policies of the bank which provide the funds necessary to expand or otherwise enhance the organization. Many major organizations today rely heavily on bank loans for plant expansion, plant modernization, market expansion and corporate diversification, all of which are indicators of attempts by organizations to achieve self actualization.

Other Factors

Recent studies of new banks and the rationale for their establishment found that the most important factor in the choice of banks among individuals is "convenience of location."⁸ The categorization of "convenience" as a need is somewhat subjective but appears to be classifiable both as a physiological and a safety need. The logic for characterizing convenience as physiological need comes from the time requirements imposed on some individuals to fulfill their physiological needs. For example, a person holding a job some distance from home may not have the time required to conduct banking activities unless banks are convenient either to home or work. This individual is likely to choose either a

⁷ Verbal communication to the author by Mr. R. L. Burns, Executive Vice President, Lakewood Bank and Trust, Dallas, Texas, 14 June 1969.

⁸ A. J. Yeats, E. D. Irons, and S. Rhodes, "An Analysis of New York Bank Growth," Journal of Business, 45 (April 1975), pp. 199-203.

bank near home or work, or to forego the use of banks in order to provide the time necessary to earn income. Since the need for safety (in this case, the safeguarding of his funds) is a motivator, a person with appreciable assets will usually elect the former option so long as the time required to patronize a bank does not unduely restrict their ability to fulfill other physiological and/or safety needs. In addition, convenience implies overtones of safety, since the less distance a person must travel to a bank, the less they are exposed to the possibility of loss. This latter consideration is becoming less important in areas where employers (and even the Social Security Administration) offer payroll deposit services.⁹

Convenience, when applied to the needs of organizations, becomes less a factor insofar as banking is concerned except for those enterprises with large daily cash receipts and only minimal in-store security facilities. Here, safety is the over-riding need represented by convenience since the organization's main concern is to place these large amounts of money in a secure depository with minimal exposure to external dangers and expenditure of time.

There are other banking services which are offered to satisfy organizational needs. The factoring of accounts receivable by banks, for example, provides a means for maintaining the level of cash needed by an organization for daily operations. Additional services such as "floor-planning" (i.e., inventory loans), and night depositories, also extend the operating capabilities and increase the security of organizations,

⁹W. T. Anderson, E. P. Cox, and D. G. Fulcher, "Bank Selection Decisions and Market Segmentation," Journal of Marketing, 40 (January 1976), pp. 40-46.

both of which are recognized needs.

The Marketing View of Need

As a general practice, marketing goals include the translation of psychological needs into wants by making the consumer aware of these needs. Marketing practices and policies then provide goods and services designed to satisfy the wants created by the basic human needs. In the marketing arena, it is generally recognized that "needs" are abundant but that "wants" tend to be lacking.¹⁰ The role of the marketing manager, then, is to make the consumer aware of his needs and thus create wants. This suggests then that wants are created by needs.¹¹ To accomplish this transformation, the marketer relies to some extent on advertising, which is not a subject of this paper, but deserves mention as one mode of transforming needs to wants and thus to demand.

Needs, especially when recognized and transformed into "wants" (or demand), become motives for acquiring those goods and services necessary to their satisfaction.¹² In an effort to analyze the motivations of consumers, researchers in the field of consumer behavior have isolated six motivating factors that are believed to affect consumer behavior. These factors are: (a) ego-related, (b) status-related, (c) emotional,

¹⁰Wroe Alderson, Marketing Behavior and Executive Action (Homewood: Irwin Press, 1957), pp. 280ff.

¹¹Wants can also be created by informing consumers that needs long recognized but unsatisfied can be satisfied through new activities such as credit purchases, new products, etc.

¹²B. Berelson, and G. Steiner, Human Behavior (New York: Harcourt, Brace and World Co., 1964), pp. 13-18.

(d) rational, (e) patronage.¹³ The first four of these factors usually tend to govern the selection of products, or brands of products, while the fifth relates more directly to store selection. Since, however, the products (services) "sold" by banks are non differentiable, all motivating factors tend to bear on both the selection of bank services desired as well as on the selection of the bank itself.

John Kenneth Galbraith takes some issue with certain aspects of the marketing function particularly in the translation of "needs" to wants.¹⁴ Galbraith's thesis in this regard is that advertising and salesmanship--two principal marketing tools--have as their central function the creation of desires. In effect this thesis suggests that advertising and salesmanship are designed to assist the consumer in recognizing needs, thereby creating wants and desires. Galbraith carries this further when he states that "when needs must be actively translated into wants, desires and demand, these needs are not urgent." In other words, "the competitive manipulation of consumer desire is only possible when such need is not strongly felt."

Ego Related Motives

In essence, ego related motives deal with the consumer's self interest, his desire for an improved self image and ultimately a desire for status.¹⁵ Implicitly these forms of motivation relate closely to

¹³D. J. Schwartz, Marketing Today: A Basic Approach (New York: Harcourt, Brace, Jovanovich, Inc., 1973), pp. 142-181.

¹⁴John K. Galbraith, The Affluent Society (Boston: Houghton Mifflin Co., 1969), p. 138ff.

¹⁵Ibid.

the psychological needs of esteem and to a lesser degree, self actualization.

The ego related motive infers that the individual--whether a consumer of goods or services--is motivated to follow a course of action which enhances his self-conception, thereby sustaining his ego. For this reason, a person might choose a bank which occupies the more ostentatious building or a bank with the more impressive title in an effort to satisfy his ego-related needs. Studies of bank images in Oklahoma reflected that, in some instances, even the changing of a bank title (i.e., from "State" to "National") lent an aura of greater security and status to a bank. This "simple" change caused the bank to become more acceptable to some individuals.¹⁶ The location of a bank in prestigious neighborhoods of a city (such as Quail Creek and Nichols Hills in Oklahoma City) may increase the ego-building benefits which may accrue to customers who become patrons.

In some situations, the individual may be ego motivated to become a customer of the smallest bank knowing or believing that he is more likely to be viewed as an "important customer," and thus will probably receive more consideration than were he a customer of a larger or more prestigious bank. He may also prefer the smaller bank on an ego basis because of the greater amount of personal service he can receive.

In some cases, the ego-need may motivate the individual to become a part of bank ownership either through the purchase of stock or through the organization of a new banking facility.

¹⁶"The Feasibility of Changing the Name of a Bank in Oklahoma City," an unpublished report, Bureau of Business Research, University of Oklahoma, 1960.

Status-Related Motives

Status-related motives of individuals are closely akin to ego-related motives in that as one achieves status, he may tend to improve his self image. However, the need for status and recognition extends to the external environment whereas the ego motives tend to be internal. Job promotions, brand choices of such symbols of success as clothing and automobiles, and club memberships, are important indicators of status and thus may become the goals of behavior undertaken because of this motivation.¹⁷ When motivated by this form of psychological need, a person may select a bank on the basis of its size and influence in the community, as well as for its name and location. While the individual's inner ego may be quietly satisfied by being able to present checks on banks located in prestigious areas, his status needs may be better met by being publicly and actively associated with the largest bank in the area.

As was the case with ego-related factors, status-related factors may motivate the individual to acquire stock in a bank, possibly enough so that the individual is asked to be a director of that bank. This would give public notice of his active interest and involvement in the financial affairs of the community.

Organizations take a somewhat different course in satisfying their status-related needs with regard to banking. Most organizations perceive a status advantage (in addition to other advantages) in selecting a large nationally chartered bank as the depository for their

¹⁷D. J. Schwartz, Marketing Today: A Basic Approach, p. 144.

funds.¹⁸ Such a decision may be perceived as an indication of sound management both locally and throughout the organization's area of influences.

Emotional Motives

Individuals are more prone to be susceptible to emotional motives in their buying or selection of stores than are organizations because emotional motives are more clearly related to psychological drives than to physiological needs. Some of the more common emotion-related motives are the care of loved ones; to be "different" from one's peer group in a way that creates admiration; to win social acceptance; to be superior; to provide safety (thus overcoming fear) or to follow a leader.¹⁹ There are, of course, other selection motives which are emotional in nature but those listed tend to relate more closely to Maslow's hierarchy and to what research has shown to be individuals' criteria for selecting banks.

The care of loved ones compares closely with Maslow's concept of safety in both the selection of a particular bank and in the specific banking services consumed (and fair degree of use). Other things being equal, a strong desire to protect loved ones leads an individual to the selection of the strongest (i.e., usually the largest in terms of assets) bank available to him. In addition, as this motive increases in intensity, it will cause the individual to place a greater proportion

¹⁸D. C. Motter, "Bank Formation and the Public Interest," National Banking Review, 2, United States Treasury Department (March 1965), pp. 299-304.

¹⁹D. J. Schwartz, Marketing Today: A Basic Approach, p. 144.

of his assets in savings accounts or other secure, money-earning investments to provide for his loved ones in times of emergency. It can also lead to individuals' use of such additional safety services as safety deposit boxes to protect papers, documents and other valuables.

The emotional motive to be "different" from one's peer group may, at times, conflict with other emotional motives. This conflict may be extensive enough either to subvert other, conflicting, emotional motives or to cause this motive to be subverted. In any case, this desire to be different can result in the selection of a bank not patronized by others in his peer group so as to establish the individual as "being equal to but different from" the group. This desire can be exemplified more clearly in the purchase of goods such as automobiles, where the individual can purchase a product of equal (or higher) price but of a different brand than his peers, and command attention because "he dared to be different."

In some stages the emotional desire to win social acceptance may conflict with the individual's desire to be different, while at other times, this motive can reduce or enhance social acceptance. If, for example, the bank selected by the individual in his effort to be different has been touched by scandal, or has taken an unpopular political posture, or is not viewed with favor for some other reason by the peer group, the individual selecting the bank may lose some of his social acceptance. In fact, such a selection could jeopardize the security (in a social context) sought for loved ones. This eventuality compares closely with the individual who purchased an Edsel to be different. The withdrawal of that product from the market signaled its lack of acceptance

and, owners of Edsels (for a short time at least) were the subject of numerous types of humor. If, however, the bank selected by the individual in his desire to be different has developed and maintained a desirable public image, it can provide social acceptance to the individual using it and enhance his desired image.

Since the emotional desire for social acceptance is closely related to psychological needs for belonging and esteem, it can be a more pervasive motive for selecting a bank than the need to be perceived as being "different." Thus, the individual will usually attempt--if he desires to be different--to select a bank which, although different from that selected by a peer group is at least equal in social acceptance to those patronized by the group from which he seeks positive recognition.

The desire to be perceived as "superior" relates closely to the psychological need for esteem. This desire motivates the individual to be "the best" in some area of his social and/or economic life.²⁰ Many satisfy this motive by purchasing the largest or most expensive products, by engaging in expensive or exotic hobbies such as collecting antiques, by patronizing the most exclusive clubs or shops, or by developing an image of being patrons of the arts. In the selection of banking facilities, the desire to be superior leads the individual to choosing the largest or most pretentious bank as his depository and source of banking services. The importance of this motive--or, more correctly, bankers' perception of its importance--can be seen in the continual attempts of banks to upgrade their physical facilities and increase their assets

²⁰D. J. Schwartz, Marketing Today: A Basic Approach, p. 144.

and/or deposits, particularly in areas where there is significant banking competition.

The need to overcome fear relates (implicitly) to the psychological need for safety, and thus is also a strong buying or store selection motive. In the case of bank selection, the role of motive has been somewhat reduced by the requirement that each bank be a member of the Federal Deposit Insurance Corporation. There is still, however, a tendency for many individuals to select banks with larger asset balances in an effort to mitigate their fear of losing their deposits through a bank failure. The need to eliminate, or overcome, fear plays a strong role among members of society in the use or non-use of banks. Most individuals today become customers of banks to overcome the fear of losing deposits and, in turn, select the particular bank they will do business with on some other motive or basis. Conversely, there remains within our society a small group, usually consisting of older persons, who mistrust all banks because of earlier losses suffered by bank failure before the insurance of deposits. In this case, the need to overcome fear results in the rejection of banks as a depository of funds.²¹

Leadership is an essential ingredient in the developmental processes of any society. Certainly, the need to be led, felt by some, is a strong motive in the buying and/or selection process. In the bank selection process, this motive can cause an individual to select the bank which has leading members of the community on its board of directors or as its principal depositors. Such a selection not only provides the

²¹N. J. Dikeman, Jr., The Image of the May Avenue Bank and Trust Company, an unpublished report, The Bureau of Business and Economic Research, University of Oklahoma, 1972.

individual with a feeling of safety but also a sense of belonging and, indirectly, esteem.

The foregoing discussions of the emotional motives of product or bank selection have omitted mention of the effect of emotional motives on organizational or institutional behavior. Purportedly (and often mistakenly) organizational behavior is attributed to actions of the "head and not the heart"--i.e., the organization is presumed to be without emotion.

While it may be true that organizational decisions are more rational than those of individuals, it is also true that organizations are owned and managed by individuals and thus the emotions of managers do play a part in many organizational decisions.²² Probably the emotional motives of care for loved ones (if translated to care for stock holders), survival of the firm, superiority, following a leader and conquering fear are the most powerful of these types of motives in an organizational sense. The emotional impulses which trigger decisions based on these motives are most generally defensive in nature, and in some cases, stem from needs so deep that the individual making the decision is unaware of their existence.²³

Care for stockholders which, in essence, means concern for the preservation of owner's equity, is of paramount concern in most organizational decisions. This consideration leads management to the selection of a bank which can provide maximum safety for assets, while still

²²D. Katz and R. Kahn, The Social Psychology of Organizations (New York: John Wiley and Sons, 1966), pp. 94-102.

²³Ibid.

supplying other services required by the organization.

Many organizations, like individuals, strive for some form of superiority (i.e., largest share of the market, highest sales, largest profit margin, etc.). Superiority in this sense is closely akin to the need for esteem felt by the individual. In striving for superiority, the organization may select a bank which itself claims a form of superiority (largest capital structure, largest depository, etc.) and in so doing also satisfies its perceived need for safety and security.

The need for leadership in the selection of a bank by an organization may apply to the smaller or newer organization but may also apply to the larger organization. Once again a need on the part of management for guidance and leadership is often the triggering mechanism to "following a leader." The bank selected on the basis of this motive tends to have the same characteristics as those banks selected for safety and superiority. In this instance an emotional motive tends to reinforce decisions reached on other bases.

Of the emotional motives guiding organizational behavior, the extent to which conquering fear (or need for safety) is important is inversely related to the economic size of the organization. The small organization with limited resources is likely to seek the strongest, safest depository for its funds if that depository can (and is willing to) provide the other financial services needed by the organization, such as financial counseling, inventory loans, etc. Conversely, the larger organization may react to this motive by utilizing several banks of varying size both as a hedge against loss, as a form of leverage, and to maximize the number and geographic scope of banking services to which it has access.

Rational Motives

Motives for selecting products or providers of services which are based on logical considerations of economic or social consequences are termed "rational" motives. Appeals to rational motives are usually phrased in such terms as "quality," "guaranteed," or "economical." The three motives related closely to man's ability to reach logical conclusions are economy, efficiency and dependability.²⁴

Economic motives (or the search for economy) may justify selecting low priced goods, or, in other cases, selecting the highest priced goods. In the selection of routinely purchased products, such as groceries, lower prices tend to be more important to the purchaser than brand or store. In higher priced goods, such as apparel, furniture and automobiles, some compromises must often be reached between purchase price and style, comfort, appearance and brand. Frequently trade-offs must be made between price, and the attributes of the product most important to the consumer. Here, as in other decisions, emotional motives tend to temper or condition the more rational motive of economy.

Economic motives are probably stronger in organizational and institutional decisions than in individual decisions. Since profits are of great importance to the firm, purchase of goods and services by the firm are implicitly more conditioned by economic motives than with the average individual.

A bank has been described by some as a financial department store which serves both the "convenience" and the "shopping" aspects of

²⁴D. Katz and R. Kahn, The Social Psychology of Organizations, pp. 120.

consumers' needs.²⁵ The convenience services are those services which are performed by the bank routinely at some minimum charge, such as demand deposit accounts, provision of safety deposit boxes, drive-in and night depository services, to mention just a few. Often, the individual bank customer will select the bank most convenient to him for these services so long as service charges are not appreciably higher than those of less convenient banks. This type of bank shopping is performed much as the consumer shops for staples. However, the consumer, in his search for economy, will select those banks in which to place his savings accounts or from which to obtain loans that either maximize the return on his investment or minimize his loan costs. This requires "shopping" for terms much in the same manner that the consumer shops for high priced items in his product purchasing activities.

The organization, as noted above, is highly motivated by its desire for economy, however, in some cases its definition of economy differs from that of the individual. Most successful organizations generally maintain demand deposit balances well in excess of levels below which bank service charges are assessed, and thus are not concerned with this type of cost. Some economy motives which are important to the organization include relative costs of having certain accounting functions performed for the organization by the bank; costs of long term financing; and brokerage costs and discount rates on installment paper and inventory financing rates. As discussed earlier, the economic motivation to optimize these costs and benefits may be conditioned by other motives, emotional and rational, but in most cases, the economic motivation will

²⁵A. J. Yeats, E. O. Irons, and S. A. Rhoades, "An Analysis of New Bank Growth," Journal of Business, University of Chicago, 48 (April 1975), p. 201.

tend to be most influential in the organization's decision process.

Efficiency is also a particularly strong rational motive for selecting products and services. One of the basic thrusts of our society has been to find better (less time consuming) methods for accomplishing work. This desire for efficiency has led to "wash and wear" fabrics, automatic dish and clothes washers, automatic garage door openers and a host of other similar conveniences. This same desire for efficiency has also impacted banks, although it has only been within the past decade that they have begun to react to this motive on a broad scale.

The consumer, in seeking efficiency from a bank, looks first at the frequency and accuracy of its deposit reports (i.e., customer's statements). The more frequent the statement (and the more accurate) the less time the customer must spend in balancing his own financial records. The general perception of many urban Oklahoma bank customers today is that banks which utilize computers in their day-to-day operations are more efficient than those which rely on older methods of posting accounts.²⁶

Another area of bank operation upon which individuals base their perceptions of bank efficiency is in the speed with which banks negotiate personal loans, and open deposit accounts. Slow service in either of these activities suggests inefficiency, indecision, or both, on the part of the bank.²⁷

²⁶N. J. Dikeman, Jr., The Image of the May Avenue Bank and Trust Company, an unpublished report, Bureau for Business and Economic Research, University of Oklahoma, 1971.

²⁷Ibid.

The organization also seeks efficiency in the banking services it uses in much the same way as individuals. The services and reports provided by the bank should be timely and accurate, and its decisions prompt and reasonable.

Dependability of both product and service is important to the consumer but often less so--especially in product selection--than other rational or emotional motives. The tendency of other motives to be stronger than dependability is evidenced by the fact that some of the finest automobiles ever sold in the United States are no longer offered either because the styling and appearance were not acceptable, as was the case with the Packard automobile, or because they were not considered as economical to operate as competitors, which was the case with the Stutz.

In the selection of a bank, dependability is an important consideration, especially among older consumers who experienced bank closings during the 1929-1935 era. The perception regarding the dependability of a bank is that it will provide a secure repository for the customers' funds, that it will maintain accounts accurately and that, in time of need, the bank can be counted on as a source of funds. These views are probably common both to the individual and to the organization, although little can be found in published works to substantiate this thesis.

Patronage Motives

Emotional and rational motives tend to explain directly why consumers select specific products and indirectly suggest why a store was chosen. The selection of a specific product frequently dictates the store from which it is purchased. In the case of banking services which

offer a non-differentiable product and are tightly controlled by regulatory agencies (to the point that they become oligopolistic in nature), emotional and rational motivations effectively dictate the bank to be selected. In large communities, where there may be some choice among banks with equivalent emotional and rational attributes, a third set of motives come into play. These motives deal with patronage and include price, location, quality, service, integrity, variety, and competent personnel. These same motives also condition the selection of stores from which products are purchased.

Price motives are probably the strongest of the patronage motives and are related directly to the rational "economy" motive noted earlier.²⁸ In some social strata, price and economy are synonymous. Therefore, portions of society select certain stores because they are perceived to be consistently lower in price than are competitors. This motive has helped the growth of the discount store within our distribution structure but has had a lesser impact on financial institutions, with the exception of price as it relates to the interest costs of installment loans. In this latter context price (interest rates) relates to economy. In prior years, some banks advertised special low interest rates on certain types of loans in an effort to increase their share of these types of loans. Much the same is true today but in reverse. Present practices of a large number of banks include the offering of special savings plans at relatively high interest rates in an effort to increase the bank's savings account balances. This practice has succeeded in convincing customers to select banks paying higher interest as a location for their savings. At the

²⁸D. J. Schwartz, Marketing Today: A Basic Approach, p. 144ff.

same time, however, these practices have led to changes in the demand/savings account balances ratios of consumers as the return on savings deposits grew large enough to offset the perceived costs of commitment. As a result, total banking costs have risen.

Organizations are less likely to be motivated by price as it relates to interest on savings accounts in their selection of a bank than by other motives particularly since such rational motives as economy and efficiency and those emotional motives dealing with image are more nearly in consonance with many organizational goals. Interest rate on loans (the price of money), however, can be a strong influence on bank selection particularly for the rapidly expanding organization.

Location can be an extremely strong attraction to the individual seeking banking services. Location as a motive is supported by the emotional motives of security and convenience and the rational motive of efficiency. In some instances, this motive can be even stronger than price, particularly if people can secure the desired banking services with less effort. Probably, location is a more important motive in the selection of a bank for deposit than it is in selecting a source for loans.

Location is a less important motivating force to the large organization in bank selection than to the smaller organization, just as the importance of convenience of banking facilities varied between these two groups. Where the large organization may tend to conduct much of its business by telephone or mail and a large share of its daily receipts is in the form of checks, the smaller organization may conduct its business

in a more personal atmosphere and operate on a cash basis.²⁹ Thus, the smaller organization may prefer to bank near its place of business for the sake of security.

Quality, a third patronage motive, has strong appeal particularly for those who seek enhanced self image and the recognition of their peers. While this motive is separate and distinct insofar as the purchase of goods is concerned, it is less evident and more closely intertwined with other motives in the acquisition of services. This confusion stems from the fact that no tangible product is received by the purchaser and thus, the term "quality," as it relates to bank services, varies widely among individuals. To some, quality is judged by the appearance of the bank and its personnel; to others, accuracy of statements is the criterion for judging quality, while a third set may view quality in terms of social perceptions of the institution.³⁰ This indistinctness of quality as a motivating factor for choosing a bank probably relegates it to a minor role both on the part of the individual as well as by organizations.

Another motivating factor--service--when considered in the context of purchase of goods, means extra attractions (such as credit, or delivery) offered the customer by the store, usually without an extra charge. These added conveniences have a cost, and usually the stores that offer such amenities are also those with higher prices. Thus, when a purchase is motivated by this factor, it usually means that price is less important than other motivating factors. In the selection of a

²⁹Particularly since most nation-wide firms have checks from customers mailed to either a central bank or to regional banks offering the firm "safety deposit box" services.

³⁰W. T. Anderson, E. P. Cox and D. G. Fulcher, "Bank Selection Decisions and Market Segmentation," Journal of Marketing, 40 (January 1976), pp. 40-46.

bank whose only product is service, it is not usually the subtle "extras" that motivate individuals in choosing a bank, but rather the total package of services available to them and the promptness with which their transactions are handled. This suggests that the rational motives of efficiency and location as discussed earlier are the important criteria in choosing a bank.

While integrity is important in the choice of a seller of products it is doubly important in the choice of a bank. The psychological need for safety, the rational motive of dependability and emotional need to conquer fear each come into play and are, in part, aggregated in the evaluation of the integrity of a store or bank.

Department and variety stores proved the efficacy of offering a variety of products to individuals in order to attract large volumes of customers demonstrating the power of variety as a motivating factor in the choice of a store. Many banks, in an effort to utilize this as a motive, adopted a program known as "Full Service Banking." Since most banks, even smaller rural banks, offered all the services requested by their constituencies, this particular attempt to capitalize on variety as a motive was not as effective as it might have been had a variety of types and qualities of products been involved.

To the organization, variety of services can be a strong motivating force in the selection of a bank. As a general rule, the larger the organization, the more diverse their banking needs and for this reason, other factors being equal, the organization will be strongly motivated by service variety.

In terms of individual motivation, the presence of likeable and

competent personnel tends to provide a strong influence on market penetration. This is to say that the store which can compete in other areas of motivation but which is perceived as being superior in terms of the friendliness and competency of its personnel will have more success in attracting customers than will stores with less friendly and/or less competent personnel. This is also generally true with banks, particularly those which cater primarily to individual accounts. A recent survey of residents of a medium sized southwestern city revealed that of 15 criteria for selecting a bank, friendliness of bank personnel ranked fourth and was actually more important than such other motives as variety of services, location, interest rates on time deposits and service charge rates on checking accounts.³¹

To the organization, which is generally impersonal, friendliness and competence of personnel is less important than to the individual. Daily dealings between banks and organizations seldom occur between management of the organization and the bank customer service personnel, and thus those within the organization who make decisions regarding the selection of a bank have little information on which to evaluate this motive. Also, because the interface between the two is only occasional, the motive is less strong than when the interface is regular and frequent.

Techniques for Determining Need

For at least three decades, marketing management has recognized the usefulness of quantitative methods in determining potential demand

³¹W. T. Anderson, E. P. Cox, and D. G. Fulcher, "Bank Selection Decisions and Market Segmentation," The Journal of Marketing, 40 (January 1976), pp. 40-46.

for goods and services. In this context, demand is generated by wants which, in turn, are simply perceived needs. Early techniques, such as that developed in 1931 by William Reilly, concentrated their attention on the determination of trade or market areas and were based essentially on population and income concentrations.³² Later research in trade area delineation expanded the number of variables used to include traffic flows, trade barriers, store and product mix, and store compatibility.³³ The major thrust, however, continued to be focused on the geographic definition of trade or market areas. Little emphasis was placed on determining the probability of demand within the defined area for the particular product or product mix.³⁴ In short, early attempts to construct demand models were more geographic than economic in nature, the assumption being that markets existed where people and money were located. This is not to infer that researchers were completely satisfied with the techniques being developed, but given the available data and knowledge, the best proven tools available until the late 1950's were trade area definition techniques.

In the late 1950's, trade area determination methods were supplemented by other quantitative techniques utilizing variables other than

³²P. D. Converse, "New Laws of Retail Gravitation," Journal of Marketing (October 1949), pp. 47-66.

³³See, for examples: Reavis Cox, "Consumer Convenience and the Retail Structure of Cities," Journal of Marketing (April 1959), pp. 355-362; J. Brunner and J. Mason, "The Influence of Driving Time Upon Shopping Center Preference," Journal of Marketing 32 (April 1968), pp. 57-61; and B. Berry, Geography of Market Centers and Retail Distribution (Englewood Cliffs, N.J.: Prentice Hall, Inc., 1967).

³⁴Richard Nelson, Retail Site Location (New York: F. W. Dodge Corp., 1962), pp. 78-127.

population, income and distance. Some of these techniques involved detailed studies of the consumers of certain types of products. The purpose of such studies was to provide a "profile" of the average purchaser of the product being considered and then, through the use of published socio-economic data, quantify the potential market.³⁵ Still other techniques which attempt to quantify market potentials have been developed since 1960. Among these is the "Central Place" theory which was later modified by the transportation cost concept.³⁶ One major implication of this theory is that improvement of transportation facilities in and around the Central Place, the area served by the Central Place will expand, thus increasing its total potential market. One outstanding example of the more sophisticated techniques developed during the 1960's was the retail trading area model developed by Donald L. Thompson.³⁷ This model not only defined--in geographic terms--retail trade areas, but also provided a technique for forecasting changes in trade area boundaries and in retail sales potentials for the trade area. The model utilized population density, distance, retail sales, purchasing power and retail space as variables, the relationships of which were analyzed by multiple regression techniques. Later still, ecological considerations were included in the variables considered, thus resulting in the

³⁵United States Bureau of the Census, "Use of Census Tract Data for Locating Retail Limits," Papers presented at the Census Tract Conference, December 29, 1964, Working Paper No. 27, pp. 18-19.

³⁶A. Losch, The Economics of Location (New Haven, Conn.: Yale University Press, 1954).

³⁷Donald L. Thompson, Analysis of Retailing Potential in Metropolitan Areas (Berkeley: The Institute of Business and Economic Research, University of California, June 1964).

"Ecological Theory,"³⁸ This approach suggests that trade centers are affected by their environments and that the areas served by these centers change with the change in the environment of the trade center. Later work in the ecological impact area was based on the assumption that differing socio-economic structures foster different types of retailing and service structures and compositions.³⁹

An innovative advance beyond mere spatial delineation of market or trade areas has been the introduction of behavioral concepts into the procedure for trade area definition. One such approach introduces learning theory into Central Place and Gravitational Theory, thus creating dynamic sets of trade area parameters rather than static or semi-static boundaries developed by earlier processes.⁴⁰

Further refinement in the development of retail trade area and sales potential estimating techniques was made in the decade of the sixties by including probabilistic measurements in the modeling exercise. The rationale underlying the work in this direction was behavioral in nature and was based on the thesis that as new shopping alternatives arose, the spatial behavior of consumers changed. These changes were measured in probabilistic terms and were modeled in terms of the utilities or benefits of added shopping facilities as perceived by consumers.⁴¹

³⁸ Gerald Hodge, "The Prediction of Trade Center Viability in the Great Plains," Papers of the Regional Science Association 15 (1965), 87-115.

³⁹ G. D. Bruce, "The Ecological Structure of Retail Institution," Journal of Marketing Research, 6 (February 1969), 48-53.

⁴⁰ R. G. Golledge, "Conceptualizing the Market Decision Process," Journal of Regional Science, 7 (Supplement 1967), 239-58.

⁴¹ Fred D. Reynolds and William Wells, Consumer Behavior (New York: McGraw Hill Book Company, 1977), pp. 366-370.

Finally, the use of sample surveys of consumers has grown rapidly in recent years due to refinements which have been made in sampling techniques and methodologies. Currently, the use of both personal and telephone interviews as research tools is widely accepted, particularly in studies which attempt to explain buying behavior and attitudes.⁴²

To date, there has been little published information regarding methods specifically designed to evaluate potential "need" or "demand" for a bank. Most of the published work today assesses the growth experiences and past operations of existing banks. The probable reason for the dearth of published studies on new bank potential is that most of the research has been proprietary in nature and has been prepared for internal use. A sampling of studies contained in files of state and federal bank regulatory agencies reveals that the studies appended to charter applications range from a mere statistical tabulation of social, economic and demographic data of proposed service area to sophisticated studies employing more modern econometric modeling, sample surveying, market segmentation and multiple variance analysis techniques.

The most prevalent studies of this type pay little attention to the potential customers and their attitudes from a micro perspective but rather view the market as a macro system, emphasizing numbers of potential customers and lists of businesses. Such states as Missouri, Montana and Nebraska require little more than a statement to the effect that "the public convenience will be served" by a new bank. Minnesota and North Dakota require proof that there is public demand for banks and thus state

⁴² Martin Collins, "Sampling," Consumer Market Research Handbook, R. M. Worchester, ed. (New York: McGraw Hill Book Company, 1972), pp. 52-69.

specifically the need for some form of evaluation of demand. Illinois, Iowa, Kansas, Oklahoma and Texas require proof of public need. In Kansas, Texas and Oklahoma, sample surveying has been the most widely employed tool to evaluate need during the past decade.

Only two published works were located which provided guidance on evaluating the economic feasibility of proposed new banks. These were:

1. A Guide to Selecting Bank Locations, the Marketing Department, The American Bankers' Association, New York, 1965, and
2. A Practical Approach to Analyzing the Feasibility of a Commercial Bank, A. G. Horman and N. J. Dikeman, University of Oklahoma, 1971.

In addition to these published works, there are a wide variety of bank location models in existence. However, since these are proprietary and are consultive tools, no explanations or descriptions of these models are available.

CHAPTER III

METHODOLOGY

This study addresses two basic marketing problems:

1. To what extent do state and national banking codes and regulations recognize "need" as a criterion for granting bank charters; how do these agencies define "need" and how does their definition and recognition compare with that of other businesses, chartering agencies or groups?
2. If "need" is a criterion for the establishment of new banks, how is it determined, and can methods for making this determination be applied to the establishment of purveyors of other types of goods and services?

The First Problem

The first problem will be approached by analyzing the banking codes and regulations of the federal government and the unit banking states to determine the extent to which "need" for a bank is recognized as a criterion for granting a new bank charter. These codes and regulations will also be examined to determine how and to what extent "need" is defined. Next, the explicit or implicit definitions of "need" as contained in the banking codes and regulations will be compared with the definitions of "need" contained in Chapter II. Then, the degree to which

the various bank chartering agencies have responded to evidences of need by granting bank charters will be developed. The purpose of this latter analysis will be to attempt to determine the effects of an expanding market (in terms of population and income) on the rate at which new bank charters are granted.

A second approach to this problem will be an analysis of bank chartering procedures and requirements in unit banking states with the establishment of business franchises which is also a form of chartering. The purpose of this analysis will be to compare and contrast "need" as perceived by bank chartering agencies with its perceptions by franchisors of other types of entry-regulated businesses.

The Second Problem

The second problem will be approached more quantitatively. The data base will consist of both the published material on determining the feasibility of new banks and a group of studies which attempted to measure the demand for new banking facilities. These studies were conducted in Oklahoma City to determine the extent to which proposed new banks would be patronized by residents of areas to be served.

The determination of the growth and profitability potential of new banks as a measure of need implicitly suggests that stated intentions on the part of consumers that they will use a new bank denotes "need" for a new bank. The stated intentions to use a new bank can be readily tested by data compiled during the course of more than thirty bank studies by the Center for Economic and Management Research, College of Business Administration, University of Oklahoma. Each of these "bank feasibility" studies contains forecasts of deposits and numbers of customers

during the first year and the subsequent four years of the new bank's operation. These forecasts can be compared statistically with the actual experience of the twenty-seven banks in this group which received charters. This comparison will measure the extent to which a priori intentions to use a new bank matched actual use a posteriori.¹ One such study is used as a case study comparing a new bank's actual experience with the estimates derived from each of four approaches to determine the feasibility of a new bank. Finally, these same methods are applied to the determination of feasibility of a retail establishment. The resulting sales estimates are compared with the store's sales at the end of the first year.

The three procedures used in estimating first year deposits for the case study bank are outlined in the following discussion.

Method I

Method I is described in some detail in A Guide to Selecting Bank Locations.² The first step of this method involves establishing the parameters of the trade or service area of the proposed bank. The next

¹It should be noted that responses by individuals were not cross checked against bank depositor lists to determine whether or not individuals who stated an intention to use the bank actually did so. Rather, numbers of depositors within each bank's predetermined service area as shown by actual depositor lists were compared with forecasts of depositors derived for the bank's service area.

In addition, in some instances, the new bank management as defined at the time of charter application changed, thereby altering the type of clientele attracted by the bank at its opening. This change in clientele resulted in a variation in per household deposits when the income of the altered clientele varied significantly from the income levels of the potential clientele at the time the charter was applied for.

²A Guide to Selecting Bank Locations (New York: Marketing Department, American Bankers' Association, 1965).

step requires the acquisition of certain secondary data pertinent to the service area and the third step is the analysis of the data and the synthesizing of information necessary to assess the potential market for the bank.

Determining the Trade or Service Area

The trade or service area of a bank is defined as:

. . . that geographic region in which it can conveniently serve potential customers and from which the largest portion of business will be generated. Trading areas are often referred to as general service areas.³

The size of a bank's service area may vary widely depending on the market which the bank proposes to serve. If the proposed bank is located in a small community, its service area may encompass the entire town and some of the rural region contiguous to the town. Location of competing banks will, of course, modify the size of the service area. If a bank is to be located in a developed area (neighborhood) of an urban community, its service area may be constrained to a much smaller geographic region because of the condition of arterial streets, the traffic flows on those arterials and other natural or man-made barriers including the constraints imposed by competing banks. If the bank is to be located in the downtown business district of a large city, the service area is usually limited to the extent of travel after commuters have arrived at work.⁴

In any event, the general rule for establishing a service area

³ A Guide to Selecting Bank Locations, pp. 12-13.

⁴ Ibid.

is to extend the area only "that distance which people will customarily travel to the proposed location for shopping or business purposes."⁵

Physical factors, of course, bear heavily on this determination. For example, traffic barriers such as rivers, parks, major highway intersections, cemeteries, narrow streets, or railroad crossings may limit the boundaries of a service area.

The pattern of traffic flow may likewise affect the distance from the location to the service area boundaries. For example, the existence of a major arterial with proper traffic controls near a proposed location may make the bank more accessible to persons using the arterial than banks closer either to their residence or place of work. Thus, the boundary of the service area in the direction of the arterial could be extended significantly.

In the past, distance--in terms of measurement--has usually been less important than driving time when considering service area boundaries. Implicitly, both barriers and traffic flow patterns influence driving time. However, impending fuel shortages and the enforcement of lower speed limits may reduce the importance of driving time in the determination of service area boundaries.

Public transportation routes and stops (if public transportation facilities are available) also condition the extent of service areas since these factors affect the volume of pedestrian traffic. This is another element which should be more important if the supplies of gasoline become limited.

The density of population near the proposed bank site has an

⁵ A Guide to Selecting Bank Locations, pp. 12-13.

inverse effect on the geographic size of the service area. As areas increase in population, there is a tendency for more bank charter applications to be granted for those areas. This, then, results in the establishment of competitive banks, all of which will create service areas of their own, through offering greater convenience to some segments of the population of the original area. While a proposed new bank may establish a service area which penetrates the areas of other nearby banks, it is unlikely that the existing service areas would be completely taken over.

Finally, as inferred earlier, the location of competition has a dampening effect on service area size. Previous studies in Oklahoma and elsewhere have shown that in areas where there are no banks, or where there are limited services, people will generally travel farther to conduct their banking business than will people in an area with greater access to existing banks.⁶

While these guidelines assist in establishing service area boundaries, most are highly subjective. Some researchers have preferred to use driving times from the (proposed) locations to nearby competing banks, divided by 2, as a first approximation of the proposed service area. These approximate boundaries are then modified by the other factors discussed earlier. This procedure tends to provide adequate results in densely populated urban areas. In smaller towns, researchers may prefer to use a modification of one of the gravitational models to establish

⁶The Economic Feasibility of a New Bank in Cashion, Oklahoma (Norman, Oklahoma: Bureau for Business and Economic Research, University of Oklahoma, 1974), pp. 14-15.

approximate service area boundaries.⁷

Defining the Characteristics of the Residential Population

Residential population, as the term implies, is the number of persons living within the boundaries of the proposed bank service area. Since most residential banking is not generally conducted by individuals per se but by household units, the population unit considered most applicable to a bank service area is the household. For this reason, the population of a bank service area is usually quoted in terms of the number of households, even though a household may have several accounts. Often the term "family" is used synonymously with "household." However, there is a very real difference between the family unit and the household unit since the latter refers to groups of persons residing in separate dwellings. Generally speaking, there are more households in an area than there are families, thus the average size of the household is smaller. This variance between the two measures arises as a result of single members of families taking separate residences and thereby forming a new household unit within a family.

Because the normal residential banking unit is the "household," the characteristics of the residential population should be defined in terms of the household. Thus, such items as income, age, employment and other socio-economic data should be stated in terms of households. Ideally, the data necessary to properly define the residential population to be served by a new bank would include--but not be limited to--

⁷See Donald L. Thompson, Analysis of Retailing Potential in Metropolitan Areas, Journal of Marketing (Berkeley: Institute for Business and Economic Research, University of California, June 1964), pp. 30-47.

the following:⁸

- A. Population (both in terms of persons and households)
 1. Historical for census periods
 2. Recent, valid intercensal estimates
 3. Projections for 5 and 10 year periods
 4. Average size of households, both historically and for the the future
- B. Personal Income (both total and median household income)
 1. Historical for census periods
 2. Recent, valid intercensal estimates
 3. Sources of income
 4. Distribution by numbers of households
- C. Employment and Labor Force
 1. Size
 2. Occupations of residents
 3. Types of industries
 4. Place of employment
 5. Number (and percentage) unemployed, retired, and not able to work
- D. Housing Statistics
 1. Single family dwellings, owner occupied
 - a. Number
 - b. Value
 - c. General condition
 - d. Approximate age

⁸ A Guide to Selecting Bank Locations, pp. 14-15.

2. All other dwellings, renter occupied

- a. Number of dwelling units
- b. Average monthly rent
- c. General condition
- d. Approximate age

E. Age Distribution

1. Age of heads of households
2. Age of household members

The acquisition of these statistics will enable the analyst to categorize the population with some precision, assuming that reasonably recent data are available. The task of assessing the population and its need for, and ability to support, a new bank will, however, be far less onerous if further data relating to the population are obtained. These additional statistics include:

A. Automobile Ownership

1. Number of cars, by type
2. Age of cars

B. Composition of Households

1. Number of children
2. Number of adults

C. Educational Levels Attained

D. Ethnic Groupings

E. Other Characteristics

1. Banking habits
2. Mobility
3. Attitudes towards banks
4. Loyalty to existing banks

The above data serve two distinct purposes: first, they can be used to modify trade area boundaries, plan promotional policies, design certain aspects of the banking facility and determine the types of banking services to be offered. Of greater importance is their use as determinants of deposit and loan potentials for the proposed bank.

Defining the Characteristics of the Working Population

Many urban and suburban bank service areas are a combination of residential, commercial and industrial neighborhoods. In this event, persons living outside the proposed service area may work in the area. This commuting work force is popularly known as the "daytime population" and represents an additional market for the services of a new bank. In rural areas or small towns, this component of the potential market may be small, but in larger communities it may represent a significant addition to the existing market. To properly evaluate this market segment, the following data are needed:

- A. Size of the daytime population
- B. Origins, or places of residence
- C. Occupations and wage scales
- D. Methods of reaching place of employment
- E. Major employers in the area
 1. Frequency of pay
 2. Existing banking relationships
 3. Economic conditions in these industries
 4. Hours of work
 5. Location with respect to the proposed bank site
- F. Banking habits and attitudes of the daytime population

As was the case in the assessment of the residential population, the data listed in A through F (above) will enable the analyst to estimate the deposit and loan volume available from this market segment and will also provide information which will assist the bank in creating policies that will attract this market.

Defining the Characteristics of the Business Population

The business population of a bank service area may consist of commercial establishments located in the area. This type of potential bank customer consists of retail, wholesale, industrial and service establishments. The data needed to assess the potential contributions of these types of businesses to the proposed bank include:

- A. Number of commercial establishments by type
- B. Location
- C. Economic Factors
 - 1. Chains or brand offices versus independent commercial establishments and their predetermined outside banking ties
 - 2. Employment
 - 3. Payroll
 - 4. Growth in numbers of establishments by type
 - 5. Trends in sales volume
 - 6. Estimates of bankable funds
 - 7. Credit offered and required by type of store
- D. Future Considerations
 - 1. Effects of present and potential zoning ordinances
 - 2. Land availability
 - 3. Plans of trade associations

These data, when combined with other estimates, will not only enable the analyst to construct deposit and loan estimates for the commercial sector but will enable bank management to structure the services the bank should offer if it obtains a charter.

Projecting the Future Growth

Since potential growth of a service area is a salient factor in charter application deliberations, it is essential that factors affecting growth be studied. The economic and social indicators which can provide some basis for forecasts of growth are construction activity, available land in the area, city zoning ordinances applicable to the available land and the plans of developers in the area.

The construction data to be studied should include all phases--residential, commercial, industrial and highway/street construction. Specific data to be gathered for this analysis are number and sizes of units, by type (i.e., residential, office, manufacturing plant), price/rent ranges and locations. Any plans for rehabilitation of existing structures or changes in types of structures should be included in the forecasts.

Zoning ordinances should be compared with present and proposed land uses in the area to determine the types of new developments possible in the service area. These possibilities can then be combined with plans of developers to provide further bases for forecasting the probable future growth in the area.

Once these data are gathered and analyzed, future construction in the area can be projected--at least for a short-run period. The methods of projection may be simple linear extrapolations or more complex non-

linear regression models or time series forecasts. Currently, there are several land-use models available which can assist the analyst in this type of forecast.⁹

After projecting the volume of construction by type of building in the area, the analyst can then apply averages of persons per unit (in the case of residential), or employees, payrolls and productivity per square foot (for commercial and industrial activities) to arrive at future estimates of both residential and daytime population and business activity for the area.

Traffic plans and flows, including trends in traffic counts along the major arterials in the area, are required in order to determine the extent to which new residents/businesses are likely to use the proposed bank. When possible, commuter traffic passing through the area should be identified and quantified since a limited proportion of this type of traffic might logically be expected to be a part of the proposed bank's market.

Finally, the future growth of the area should be examined in light of the competition which the proposed bank will face if it is chartered. The deposit and loan growth of a new bank will depend in large measure on the acceptance it will receive from area residents and businesses. While the acceptance a new bank might receive from present area residents is not necessarily what it might obtain from new residents moving into the area, it nevertheless provides a basis for estimating a future market potential.

⁹ D. B. Kohlhepp and Elton Scott, "A Computer Assisted Decision Model for Optimal Land Use Allocation," Paper presented at the Annual Meeting of the American Real Estate and Urban Economics Association, Dallas, Texas, 28 December 1975.

Among other items, the historical trends in deposits, loans and loan to deposit ratios of competing banks should be gathered and analyzed. All special features of existing banks such as drive-in facilities, hours of operation, parking facilities, special savings club programs, and interest rates, should also be studied since these are the services which tend to attract customers.

Also helpful in an analysis of competition is information relating to the attitudes and desires of service area residents towards banks and bank services, including preferences as to location of their bank (i.e., near home vs. near work). These factors are best estimated by survey research methods, although the American Banking Association's guide suggests the use of census and other secondary data to arrive at these estimates.¹⁰

Preparing Estimated Deposit Potential

After the various components of the proposed bank's markets are estimated, it is necessary to translate these estimates into potential deposit and loan volumes. Household deposits are generally estimated by using the income distributions reported by the latest census of population. If, during the interval since the last census, the economy has been unduly affected by economic conditions (i.e., severe inflation, unemployment, immigration, etc.) the analyst may prefer to alter the reported incomes proportionately with the changes which have occurred.

Deposit potentials are computed separately both by type of potential customer and by type of deposit account (e.g., savings and demand).

¹⁰ A Guide to Selecting Bank Locations, pp. 25-26.

This procedure for savings deposits is outlined in the steps which follow:¹¹

1. Determine from census publications the number of families in the service area in each income group. These data for metropolitan areas are found in Table 89, "General Social and Economic Characteristics," Census of Population. Census tract data for metropolitan areas are found in Table P-4, "Census Tracts," Census of Population and Housing.
2. Multiply the number of families in each income group in the service area by proportion of families in each group which maintain savings accounts. The result of this calculation is then multiplied by the average savings potential for¹² that income group as reported in the Survey of Consumer Finances.
3. Add the products of all income groups to obtain the residential savings potential of the service area.
4. Since "families" do not include some types of spending units, determine the number of households not included in families by dividing the population in households by the population per household as shown in Table P-1, "Census Tracts," to obtain the number of households in the area. Subtract from this the number of families in the area to determine the number of unattached households not included in the family income distribution.
5. Household income distributions are not reported in Census Publications, therefore all households not included in the family distributions will be assumed to receive the median household income as reported in the "Census Tracts" publication. The number of such households will be multiplied by the proportion of families in this income group maintaining savings accounts. This result is then multiplied by the savings potential for this income category.
6. Savings potentials for all residential units will be aggregated to provide total residential savings potential.
7. Estimates of the net daytime (or working) population in the area should be categorized by income levels based on wage scales of area businesses and industries.
8. Multiply the number of workers in each income category by the proportion maintaining savings accounts and the savings potential for the appropriate categories.

¹¹ A Guide to Selecting Bank Locations, pp. 25-26.

¹² Survey of Consumer Finances, 1971-1972 (Ann Arbor: Survey Research Center, University of Michigan, 1973), pp. 112-120.

9. Sum these potentials to obtain the gross savings potential for the daytime or working population.
10. The results of steps 6 and 9 will be combined into one total residential savings potential.

The procedure for estimating demand deposit balances follows essentially the same procedure as that of savings deposit balances except that the numbers of area families/households in each income category are multiplied by average account balances for the appropriate income category.¹³

Procedures for estimating deposit potentials for businesses in a service area are not routinized in this method and the procedure followed in each study may differ depending on the types of businesses in the area. In the case of manufacturing establishments, year-end statements of conditions--if published--can provide a guide as to deposit estimates. In the case of retail and service establishments, while not specifically stated, a sample survey of firms to determine attitudes and deposits is implied.

These estimates, when added to the residential estimates, provide the total estimated deposit potential for the proposed bank during its first year of operation. To determine that part of the market which might be available to the new bank in the short-term, deposits of competitors in the area can be subtracted from the potential deposits of the service area. Of course, if the secondary data gathered during the course of the study are supplemented by sample surveys of residents and businesses, more precise estimates of potential deposits available to the bank can be developed from responses to bank preference and intention questions.

¹³Survey of Consumer Finances, pp. 112-120.

Estimating Future Deposit Growth

Projections in the growth of future deposits and deposit potentials can be developed by applying the growth factors obtained from analyses of construction patterns and activities, development plans and growth trends in the commercial sector to the first year deposit potential estimates. In the residential sector, income distributions of new residents are assumed to follow the same pattern as existed in the area at the time of the most recent Census.

Estimates of future deposit potentials are developed in constant dollars. These estimates can be inflated by extrapolating the trend in inflation, and applying this to each income category or to the savings and account balance potential of each income group. Estimates of commercial deposit potentials follow generally the same procedure. Generally, potential deposit projections are made for a five year period.

Estimating the Lending Potential

For a commercial bank to be profitable, it must have a reasonably extensive market for loans. In fact, one state banking code--Oklahoma--requires that the organizers demonstrate that an opportunity for use of bank funds be present in the area to be served by the new bank.

The technique for estimating loans using Method I followed closely the method for estimating deposits. Instead of adjusting the total area population for proportions having checking and savings deposits, however, the population is adjusted for the probabilities of households having installment loans by income category. These numbers of potential installment loan customers are then multiplied by the levels of installment loans

which will be maintained by each income category.¹⁴ The installment totals derived from this approach then became the residential installment loan potential of the proposed new bank.

The estimated commercial or business loan potential of the new bank relies on the experience of a "control" bank located in a similar service area. The proportion of business deposit customers of the control bank which maintained loans was applied to the estimated number of business deposit customers of the new bank to obtain an estimate of the number of business loans the new bank could expect during its first year of operation. The average dollar value of each business loan made by the "control" bank was then multiplied by the estimated number of business loan customers of the proposed new bank to obtain business loan estimates for the new bank. Aggregating these with installment loans provided a total loan estimate for the new bank during its first year of operation.

Projections of future loan volumes for the residential sector can follow the same techniques as are used in forecasting deposits. This entails the application of ratios of loan customers to total population projections and then multiplication of these estimated numbers of loan customers by their loan potentials. Estimates of future commercial loans will be based on developmental plans for the service area and on the estimated share of the commercial loan market which the proposed new bank is expected to obtain.

Method II

Method II relies heavily upon sample survey techniques, supported by data obtained from secondary sources. For this reason, the data are

¹⁴A Guide to Selecting Bank Locations, Amended Table 3.

more current and the results probably more precise than are estimates developed from Method I. In addition, there is less need for subjective judgments in assigning deposits to the proposed bank than was the case in the use of Method I.

Defining the Service Area

As in Method I, the first step in the use of Method II is the definition of the area to be served by the proposed new bank. This step is essential if a meaningful study of area residents and businessmen and their banking habits is to be conducted. It is also necessary if the general economy of the service and growth potential of the bank is to be described and analyzed.

While it is true that bank service areas grow with age and overlap with those of other banks, it is also true that in a bank's early and formative years it does attract most of its customers from a rather restricted area. The size of the area and establishment of approximate boundaries depends in large measure on distances to other banks, density of population and barriers in and around the area which either inhibit growth or preclude easy entry to and exit from the area.

A Definition of the Service Area

A general approximation of the description of a bank service area is "that area from which the bank will obtain 75 percent of its deposits and loan accounts." This definition, unfortunately, does not provide a means for establishing boundaries. Under this concept one could draw a circle of 50 mile radius and assume that from this area it would obtain at least three-fourths of its business. Such a method, however, provides

an unwieldy area to analyze and, while it may be realistic in time, it also invites undue opposition from other banks within the area. Further, an area so arbitrary could tend to overstate the early potential for success of the bank if chartered.

Current Methods of Approximation

The aim of the analyst in approximating trade area boundaries should be to define, as closely as possible, that area which the bank will actually serve effectively in its early years of operation (probably no more than its first three years). A conservative but effective definition of this area might be "that area within which approximately one-half of the households would or might become customers of the new bank." A number of methods have been employed in attempting to determine new bank service areas. Among these are adaptations of Reilly's law of retail gravitation where deposits of existing banks are substituted for retail sales in the measurement of service area boundary divisions. This method is most useful for approximating bank service areas in communities not already served by existing banks. A second method involves the use of scheduled sequential random sampling from the proposed bank location outward in all directions.¹⁵ This sampling continues until less than half of the area residents and businesses would or might become customers of the proposed new bank. A third method, employed by many, arbitrarily sets service area boundaries and analyzes the potential of a new bank serving that and only that area.

Some bank service area analysts maintain that a new bank should

¹⁵ Robert Ferber, D. Blankertz and S. Hollander, Marketing Research (New York: The Ronald Press Co., 1964).

be expected to obtain customers from within a one mile radius of the bank regardless of the location of existing banks, types of employers, the existence of barriers to the area or density of population. Based on this assumption, the analyst then proceeds to draw a circle with a radius of one mile and refers to this circular area as the bank service area. This procedure overlooks the fact that few, if any, cities or developments are circularly designed and that traffic arteries and patterns are generally rectangular in layout. Thus, a circular area of any radius is not necessarily realistic in terms of urban design nor of customer behavior.

An Alternate Method of Approximation

None of the current methods of establishing service area boundaries have proven entirely effective or precise when attempting to define service areas in neighborhoods of large cities. In an attempt to provide a more viable method of determining approximate service area boundaries for new banks in urban areas or neighborhoods already served by banks, data from twelve separate bank studies conducted in Oklahoma City and Tulsa were analyzed from the point of view of the respondents' addresses and locations vis à vis the proposed new bank, existing banks and their intentions toward becoming customers of the new bank. The procedure used requires a detailed block map of the area within which the bank is to be located. This map should include beginning and ending house or lot numbers by block if it is to be an effective and useful tool. Census tract and block maps are available for larger communities and may be used if they are sufficiently current to adequately represent the development of the area. If such maps are aged, they can be updated by

adding new developments and plats which can be obtained from the community's city engineer or planning department, or in small towns, the local postmaster can provide this information.

The first step in this method of service area approximation is to locate the site of the proposed bank and competing banks on the map. The addresses on each completed sample survey questionnaire are then compared with the address of the proposed site and existing banks and the distances and directions from the proposed bank and from each of the existing banks closest to the proposed bank are affixed to the questionnaires. Distances are computed in terms of "road" or "street" distances.

These distances are then tabulated in terms of the intentions of the residents towards use of the proposed bank which are, in turn, reduced to percentages of the total population within each range of distances. These tabulations can be prepared by hand or by electronic data processing equipment. Use of this latter procedure simplifies the task of tabulating the responses of the residents against the distance factors and thus eases the task of constructing the probability tables. Results of this analysis for the twelve banks in Oklahoma City and Tulsa are summarized in Table 1.

Using the probabilities derived aggregatively from the results of twelve bank studies shown in Table 1, it is noted that 34 percent of the households living less than one-half mile from the proposed bank site and less than one mile from an existing bank (by street or road) will or might become customers of the new bank. Conversely, only 17 percent of the households living between one and one and one-half miles from the proposed bank site and less than one mile from an existing bank will or might become customers of the new bank.

TABLE 1

The Probabilities of Households Becoming Customers of a New Bank in Oklahoma City Suburbs
By Distance of Household from New Bank Site and Distance
Of Households from Competing Banks

| Distance of Household from Proposed Bank Site | Distances of Customers from Competitors ¹ | | | | | | | | | Ave. |
|---|--|---|---|--|--|--|--|--|------------------|------|
| | Less than $\frac{1}{2}$ mile | $\frac{1}{2}$ mile but less than 1 mile | 1 mile but less than $1\frac{1}{2}$ miles | $1\frac{1}{2}$ miles but less than 2 miles | 2 miles but less than $2\frac{1}{2}$ miles | $2\frac{1}{2}$ miles but less than 3 miles | 3 miles but less than $3\frac{1}{2}$ miles | $3\frac{1}{2}$ miles but less than 4 miles | 4 miles and more | |
| Less than $\frac{1}{2}$ mile | .34 | .45 | .50 | .52 | .55 | .62 | .68 | .73 | .77 | .57 |
| $\frac{1}{2}$ mile but less than 1 mile | .25 | .41 | .47 | .50 | .53 | .56 | .60 | .64 | .68 | .52 |
| 1 mile but less than $1\frac{1}{2}$ miles | .17 | .33 | .44 | .48 | .49 | .52 | .54 | .55 | .56 | .45 |
| $1\frac{1}{2}$ miles but less than 2 miles | .12 | .29 | .40 | .44 | .47 | .50 | .52 | .53 | .53 | .42 |
| 2 miles but less than $2\frac{1}{2}$ miles | .04 | .25 | .37 | .42 | .45 | .48 | .50 | .50 | .50 | .39 |
| $2\frac{1}{2}$ miles but less than 3 miles | .01 | .21 | .34 | .38 | .41 | .45 | .47 | .47 | .47 | .36 |
| 3 miles but less than $3\frac{1}{2}$ miles | .00 | .19 | .30 | .36 | .40 | .42 | .44 | .44 | .44 | .35 |
| $3\frac{1}{2}$ miles but less than 4 miles | .00 | .14 | .28 | .35 | .39 | .41 | .41 | .41 | .41 | .31 |
| 4 miles and more | .00 | .02 | .14 | .26 | .35 | .37 | .37 | .37 | .37 | .25 |
| AVERAGE | .17 | .25 | .36 | .41 | .45 | .48 | .50 | .52 | .53 | .41 |

¹All distances are measured in terms of road or street miles by the shortest feasible routes.

An example of the use of Table 1 in establishing approximate and preliminary service area boundaries for a proposed new bank is shown in Figure 2. Table 2 shows distances between the proposed bank and existing banks while Table 3 indicates the service area boundaries for the proposed bank.

TABLE 2
Distance Between the Proposed Site
And Existing Banks¹

| Direction | Distance to Nearest Bank |
|------------------------------|--------------------------|
| A | 1.5 miles |
| D | 2.75 miles |
| E | 4.3 miles |
| East (Not shown on map) | 5.5 miles |
| Southeast (Not shown on map) | 5.2 miles |
| Southwest (Not shown on map) | 13.4 miles |
| West (Not shown on map) | 22 miles |
| C | 3.5 miles |
| B | 2.2 miles |
| South (Not shown on map) | 7 miles |

¹See Figure 2, p. 70.

It is noted from Figure 2 that to the north, east and south, the boundaries for the market area will be severely restricted for various reasons. To the north and northwest, the boundary will be restricted by competing banks A, B and C. However, to the east and south, the constraints to the service area boundaries are the completed portions of

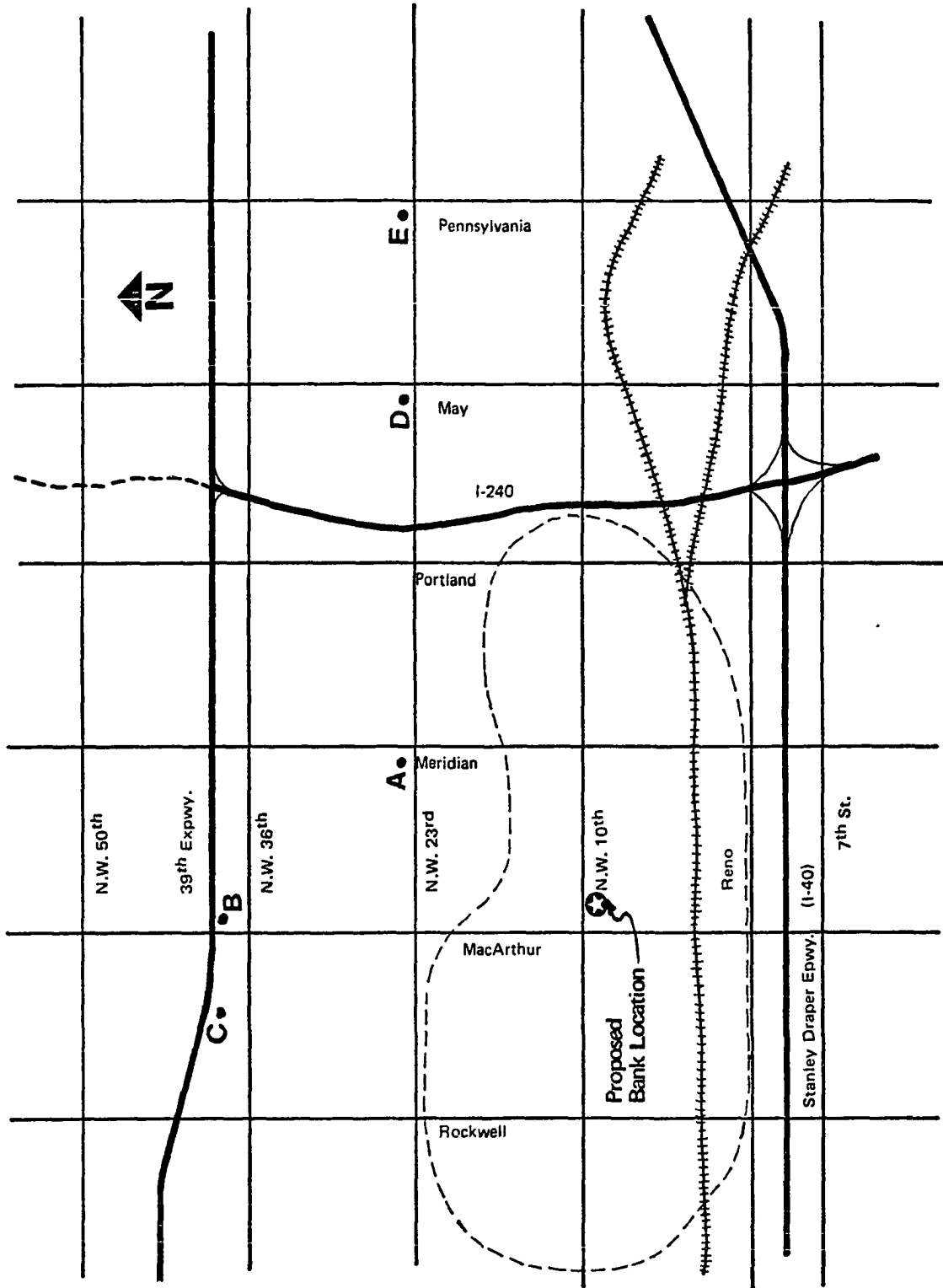


Figure 2
Service Area of a Proposed New Bank
in Oklahoma City

- - - outline of bank service area
- existing banks

Interstate 240 and Interstate 40 both of which impede access to the proposed bank. To the west, the boundary is limited only by the fact that less than one half of the households beyond the 2.5 mile limit indicated an intention to become customers of the new bank.

The original premise about the proposed bank's service area was that it should include that area within which approximately 50 percent of the households would or might become customers. Since the 45 percent level of probable patronization which occurs within one-half mile of the proposed site (row 1, column 2 of Table 1) does not vary significantly from the original premise, that distance was taken as the breaking point for the northern boundary of the proposed bank's service area.

In a like manner and by use of Table 1, boundaries in other directions can be calculated. The results of these calculations are summarized in Table 3.

TABLE 3

| Calculation of Service Area Boundaries ¹ | |
|---|---|
| Direction | Distance of Boundary from Proposed Site |
| North | 0.5 miles |
| Northeast | 2.25 miles |
| East | 1.60 miles |
| Southeast | 2.20 miles |
| Southwest | 2.75 miles |
| West | 2.50 miles |
| Northwest | 2.0 miles |
| South | 1.25 miles |

¹See Figure 2, p. 70.

The field supervisor of the survey can examine the distribution of responses to questions dealing with household attitudes and intentions of becoming customers of the new bank. If in those areas along the peripheral boundaries, more than one-half the respondents indicate they will or might become customers of the new bank, the field supervisor will call for additional sampling beyond the calculated boundary until the point is reached beyond which less than half of the respondents indicate any willingness to become customers of the new bank. In those areas where less than half of the respondents near the initial boundary will or might become customers of the new bank, the field supervisor will examine survey schedules sequentially back toward the proposed bank site until a boundary is reached which includes the requisite distribution of responses.

Surveying the Residential Area

After the service area has been approximated, the next step in this method is to conduct a sample survey of area residents. A sample consisting of personal interviews with residents (heads of households) and the managers of commercial establishments in the area is an excellent method to obtain the data necessary to determine whether there is a "need" for a new bank. The first step in a study of this type is to obtain as much knowledge as possible about the approximate service area, its economic life and its sources of income. An intensive background study should therefore always be made of the area, including its residents, and its commercial community. This entails the use of both personal interviews with key people in the community and a review of secondary material about the portion of the community affected by the proposed bank.

After the research team has become sufficiently familiar with the study area, a random sample is designed which will provide coverage of the study area. The sample is composed of a sufficient number of residents to provide the precision needed in the study. A three stage random sampling technique is suggested, wherein the first stage is the Census Tract, the second stage is the block and the third stage is household within the block, thus the household is the tertiary sampling unit. Elements of each stage should be chosen randomly. Thus, the household is the sampling unit. Samples should also be taken of businesses in the area. These can be chosen in a two stage procedure when the type of business is the first stage and the individual firm, the second stage.

The Sample

Sampling is a widely accepted method of obtaining data from groups too large to canvass completely. Sampling can be accomplished at a significant savings of time and money, and the results can be as precise as the analyst wishes.

A sample, if drawn properly, is actually a miniature replica of the population. Therefore, inferences drawn from the results of sampling can be applied to the entire population. Moreover, the validity of the sample can be measured objectively using statistical tests. The critical portion of this technique, however, is the proper selection and questioning of the sampling units which are drawn to represent the population. The ultimate sampling units chosen for this type of study are typically the household for the residential portion and the individual firm for the business segment.

Sampling the Household Sector

After the approximate service area boundaries are established, it is then necessary to determine the number and location of residentially developed blocks and the population of the area in terms of households. On-site surveys supplemented by Census Tract and block data (when available) will provide this information. Next, the residential sample is selected. One means for selecting respondents from this segment of the population is outlined below:

1. Each of the blocks in the service area is assigned a four digit number beginning with 0001 and ending with n. (n - number of residentially developed blocks.)
2. The degree of precision required in the results is determined on the basis of that prescribed by the proposed bank organizers. Normally, a reliability coefficient of 95 percent with a 5 percent sampling error is sufficient for studies of this type.
3. After the size of the population to be studied and the desired accuracy has been established, the size of the sample to be drawn from the service area is determined mathematically, using one of the equations designed for this purpose. One such equation is (assuming a "sampling with replacement" procedure):¹⁶

$$S_p = \sqrt{\frac{PQ}{N}} \quad \text{or} \quad NS_p^2 = PQ$$

where

S_p = standard error of the estimate,

P = probability that residents in the area patronize a bank,

Q = probability that residents in the area do not patronize a bank, and

N = size of the sample.

4. After the size of the sample is determined, it is then necessary to select the blocks from which each sample unit is to be obtained. Since the size of the sample was determined to be N households, a

¹⁶Ya Lun Chou, Statistical Analysis (New York: Holt, Rinehart and Winston, 1969), pp. 247-92.

total of N blocks should be randomly selected from the service area. This selection entails either the generation by a computer of N random numbers whose parameters are, as shown above, 0001 to N or the selection of N random numbers from a table of random numbers.

5. Each such number generated by either of these methods represents a block in the study area from which one household is to be interviewed.
6. The blocks so chosen are then plotted on a detailed map of the area to insure that all segments of the area are represented.
7. Each block selected should be examined by cursory survey to insure that it is a residential area.
8. The last two digits in each of the random numbers chosen in step 4 (above) are used to select the household within the block to be interviewed. Houses in each block are numbered from 1 to n beginning at the northeast corner of the block and proceeding counterclockwise around the block. Note (in this case): n = number of houses in the block. Cluster sampling procedures can be used if desired.¹⁷

Sampling the Business Sector

During the course of the on-site survey conducted for the purpose of insuring that all blocks in the area are developed, the research team should inventory and locate the business and industrial concerns in the area. These should then be categorized by type of business, plotted on a map of the service area and each firm should be assigned a separate five digit number. The first two of the five digits represents the type of business; the last three digits represent the firm's identification number.

Then a stratified sample of n business establishments should be selected from this group. Usually, a ten percent sample of businesses is selected at random and the results of this sample are tested for

¹⁷Robert Ferber, D. Blankertz and S. Hollander, Marketing Research (New York: Ronald Press, 1964), pp. 209-211.

representativeness and validity. If this sample size is not representative of the population, further sampling is required. Selection of the business firms to be sampled is often by use of a table of random numbers much in the fashion that residential households are selected.

Designing the Questionnaire

Concurrent with the selection of the sample, it is necessary to design questionnaires which will elicit the information required to evaluate the "need" for the proposed bank. Copies of a questionnaire used in this type of study appear in Appendix A. In addition, there is a need for reference information about the service area by which the results of the survey can be validated. This can be accomplished by inserting questions into the questionnaires whose answers, when aggregated, can be compared with facts known about the area. The results of the comparison of sample results with population characteristics indicate whether the sample adequately depicts the compositions of the service area as a whole.

During the design of the questionnaire, every effort should be made to eliminate the possibility of respondent or interviewer bias. Questions are stated so as not to "lead" the respondent to predetermined answers and should be arranged in a sequence which prevents psychological barriers to the respondent early in the interview. Thus, more personal questions (such as income, banking habits, etc.) are asked later after the interviewer has established rapport with the respondent.

Prior to its actual use in the field, the questionnaire should be pretested to insure that the questions are comprehensible, and that they will obtain the desired information.

Selecting and Training the Interviewers

It is always desirable to use trained interviewers to perform a study of this type. These interviewers should have previous experience in this type of work and, ideally, should be thoroughly familiar with the study area.

Prior to their assignment to the field, the interviewers should be given intensive training in the meaning of the questions, the areas to be studied and the methods of observing other pertinent facts. They are then assigned segments of the study area from which to obtain interviews. It is advisable to discuss with them the results on the first series of interviews so that subsequent interviews will be compatible with the needs of the study. In order to preclude the possibility of respondent bias entering the answers given at no time during the interviewing process should these interviewers be aware of the name of the sponsor of the study.

Tabulation

Upon completion of the interviewing process, questionnaires should be edited and tabulated. If electronic data processing equipment is available, the completed answers can be transcribed to punched electronic data processing cards. All tabulations then can be made by computing equipment.

Validating the Sample

Before any inferences can be drawn from the sample, it is necessary to determine the degree to which the sample is representative of the population. This is accomplished by comparison of sample character-

istics with known characteristics of the population. Some of the characteristics which can be chosen for use in testing the sample's validity are employment and personal income. These data are available from a variety of sources including the state employment agency and the Bureau of Economic Analysis, United States Department of Commerce. Tests which can be used to test the validity of the sample are the students "t" test, the Z test and/or the Chi-Square Test.

Evaluating Bank Patrons

The extent to which a respondent indicates a "need" for a new bank, and the type of patronage which that respondent would offer the new bank, can be evaluated on the basis of respondents' replies to questions posed during the interview. All who indicated that they do not see a need for a new bank are aggregated with those who indicate a need but are not now bank customers to comprise a group that does not "demand" or "need" new banking facilities. The remaining replies (i.e., those who indicated "need" for a new bank and who are bank customers) can then be analyzed to determine the following:

1. What is the source and size of their present income?
2. How would they use the new bank (i.e., checking account, savings account, safe deposit box, check cashing, borrowing, etc.)?

Those replies which indicated that the respondent would use the bank only to cash checks or for other nonincome-producing activities (from a bank's point of view) should be included with the earlier group, those who indicated that they do not have need for and are not customers of a bank. This procedure insures that those respondents who indicated need for the bank are willing to become deposit and/or loan customers of the proposed institution.

After these data have been developed and the validity of the sample established, the results of the sample can be inferred to the population of the proposed service area as a whole. Thus, the total service area can then be categorized by income group and deposit potentials established using the latest data available from Survey of Consumer Finances, developed by the Institute of Social Research, University of Michigan. Growth estimates for the future periods will follow generally the patterns of estimates as described in Method I.

Estimating the Lending Potential

Loan estimates for Method II rely on the experiences of peripheral banks serving the proposed new bank's service area at the time the study was conducted. In this approach, the average (mean) loan to deposit ratio of the bank or banks currently serving the area will be computed for each of the first five years these banks were in operation. These ratios are then applied to deposit estimates of the new bank for the appropriate years to obtain estimates of total loan volumes for these early years of operation. These loan totals will then be distributed between business loans and household loans based on the average distributions of such loans made by the existing bank(s) as reflected in the detailed statements for the appropriate years.

Method III

The probability factors contained in Table 1 can be adapted to uses other than to merely define a service area for a new bank. If the research team has reasonably current and precise block or census tract population and income data available for the proposed service area--however

defined--it can apply the ratios contained in Table 1 to the populations of areas at the varying distances to arrive at the probable number of customers a new bank would receive from each of these areas. This table was developed from actual customer lists of new banks chartered in Oklahoma City between 1970 and 1974. The Oklahoma City Planning Agency had available, updated population data by census tracts for 1973 and 1974 which allowed the development of reasonably accurate probabilities by distances from the new bank location. These probabilities compared closely with probabilities developed from the results of sample surveys conducted to determine the need and feasibility of these same banks and thus have reliability as estimating devices.

When the probabilities have been applied to household population data for the service area by distance and direction from the proposed bank site, the parameters of the service area and the proportion of the residential market within that area which the bank can expect to capture will be obtained. This population can then be categorized by income grouping. In grouping the population within the service area by income categories, it is assumed that the residential customers developed from the probabilities in Table 1 will have the same income characteristics as the population as a whole. In the event that a recent income distribution matrix is not available for the area, the mean household income estimates for the area can be used. This latter figure has been developed for each census tract of many of the larger cities for recent years by the planning agencies for these cities. This mean household income estimate is used to determine average deposit potentials in the same manner as discussed in Methods I and II. The household or residential

bank customers are then multiplied by the deposit potentials to arrive at the first year residential deposit estimate for the new bank. Commercial and working population deposit estimates are developed in the same manner as in Method II.

Forecasts of future growth in deposits in the proposed bank are based on the planned developments in the area as was the case in Method I except that development estimates are constructed by distance from the proposed bank site and the probabilities for residential developments within the distances shown in Table 1 are applied to the expected population growth. These are aggregated by year to provide estimates in the growth of residential customers. Next, the current mean family income for the area is used to determine the future average deposit potentials for the area, the conditions here being that future deposits will be stated in constant dollars based on the most recent year for which income estimates are available. Finally, these constant dollar household deposit potentials will be multiplied by the annual number of residential customers in the service area to obtain annual estimates of residential deposit potential for the proposed bank.

The future growth in commercial accounts will be developed on the basis of expected commercial expansion in the service area. This information can be obtained through contacts with developers, city planning departments and real estate dealers operating in the area. Expected increases in the number of commercial establishments will be multiplied by the average deposits of firms in the area who, through the use of a sample survey, have indicated that they will become customers of the bank. This procedure provides estimates of future commercial deposit potentials in constant dollars.

The future growth in daytime or working population is based on the expected or projected growth in commercial and/or industrial establishments and the average employment in existing commercial and industrial establishments in the area. The projected growth in the number of firms arrived at as described earlier will be multiplied by the average employment in the service area. The assumption next is made that the proportion of these employees living outside the service area will be the same as currently is the case. These incremental increases will be added to the working population of the service area that now exists. Finally, it is assumed that the same proportion of the projected new commuters into the area will become customers of the bank as presently indicate a willingness to become customers. These new potential customers are assumed to have the same deposit potential as those now in the area.

Aggregating these deposit potentials of the various market segments (i.e., residential, daytime population and commercial) by year provides total annual forecasts of probable deposit balances available to the new bank. In turn, these data provide the basis for estimating income and expenditures of the proposed new bank.

The probability concepts used in establishing service area boundaries and estimating numbers of customers is similar in many respects to the spatial model developed by David Huff.¹⁸ The Huff Model is based on the premise that consumer behavior is probabilistic in nature and that the consumer will choose a shopping facility based on the utility that facility offers him relative to the utilities offered by all other

¹⁸David Huff, Determination of Intra-Urban Retail Trade Areas (Los Angeles: Division of Research, Graduate School of Business, University of California at Los Angeles, 1962).

competing facilities. These utilities are then converted to probabilities by use of the equation

$$P_j = \frac{U_j}{\sum_{j=1}^n U_j}$$

where

P_j = Probability of consumers choosing shopping facility j and

U_j = Utility of facility j to the consumer and j = a set of shopping facilities available to the consumer ($j = 1 \dots n$).

Estimating the Lending Potential

Determining the lending potential of a proposed new bank using Method III follows a modification of the Method I approach. The modification involves a change in the method by which the number of potential loan customers is calculated. Here, the ratio of the number of residential loan customers to residential deposit customers of a "control" or reference bank located in an area similar to that to be served by the proposed bank is applied to the estimated number of residential depositors of the new bank. This results in estimates of the number of residential loan customers which the new bank might expect during its first year of operation. This same ratio will also be applied to estimates of the number of residential depositors for the second through fifth years of operation of the new bank to arrive at the estimated number of residential loan customers of the new bank during those years. These numbers of customers will be translated to residential loan volumes by multiplying these numbers of customers by the installment loan potential of customers receiving incomes similar to those of the proposed bank's service

area.¹⁹

Commercial loan estimates for the new bank can be developed from ratios of commercial depositors to commercial borrowers experienced by the "control" bank and from average loan volumes per commercial customer also obtained from the experience of the "control" bank. These will be applied sequentially to the estimated numbers of commercial depositors to obtain estimates of commercial loans which the new bank might expect during its first through fifth years of operation.

Summary of Methods

Each of the three methods outlined in this chapter uses a somewhat different approach both to defining the bank's service area and to determining deposit and loan potentials of the proposed new bank. Method I relies almost solely on secondary data as a basis for estimating the extent to which a new bank would be used. Some primary data are gathered in this procedure to assist in determining the size of the "daytime" population of the service area and in projecting the area's future growth pattern.

Method II, conversely, relies heavily on primary data gathered by use of random sampling survey techniques to provide the information necessary to establish both "need" and the potential usage of a new bank by residents of a proposed service area. Primary data may also be used to delineate the service area of the proposed bank. Secondary data used in this method is limited principally to factors used in estimating deposit balances which will be maintained in the proposed new bank.

¹⁹ A Guide to Selecting Bank Locations, Amended Table 3.

Method III utilizes secondary data modified by predetermined probabilities developed from primary data and observations to determine both the service area boundaries and probable household deposit balances. However, other estimates such as commercial deposits, loan volumes and potential growth depend on the compilation of both primary and secondary data.

It should be noted that neither Method I nor Method III provides any measure of stated "need" for a new bank except through utilizing probability or possibility estimates of use of the bank as a surrogate measure of "need." However, Method II, through the use of survey research, can provide real measures of perceived "need" and reasons therefore. Either Method I or Method III could be supplemented by use of shortened survey instruments to reduce this deficiency in these methods.

CHAPTER IV

A SURVEY AND ANALYSIS OF BANKING CODES AND FRANCHISING ARRANGEMENTS

Similarities exist between the chartering of new banks and the issuance of franchises both to retail and service establishments, and to some public services such as utilities and transportation companies. In each situation, the franchisor (whether public or private), examines the way in which the good or service will be used by the market the franchisee proposes to serve, evaluating the probability of successful operation of the proposed establishment.

This chapter will begin with an analysis of bank chartering regulations and practices in twelve unit banking states, and the federal statutes governing the establishment of national banks. Next, franchising arrangements for retail and service establishments will be discussed and analyzed. Then, franchising agreements between social units (such as cities) and providers of public services will be described and discussed. Finally, the basic factors affecting the granting of these three types of franchises will be compared and contrasted.

Bank Chartering

Currently in the United States there are twelve states which explicitly prohibit branch banking, and which are referred to as "unit

banking states."¹

Geographically, these states are located for the most part in the Mid- and Southwest, although two are southern states and two are located in the Rocky Mountain area. Curiously, only three of the twelve states are recognized as having a broad manufacturing base.² The remainder of the states in this category rely heavily on mineral production, agriculture, tourism or combinations of these industries for their major sources of income.

Economic Considerations in the Chartering Process by States

In essence, the banking regulations of the twelve unit banking states aggregatively examine seven basic economic factors in considering the application for a new bank charter.

These seven factors are:

1. Public need
2. Probability of successful operation
3. Public convenience
4. Adequate representation of the state banking system
5. Public demand
6. Impact on other banks
7. The existence of a viable local market for loans.

None of the states under study include all seven factors in their deliberations. Only one state--Oklahoma--considers as many as five, while five states only list three of the factors as being important. Three

¹These states are: Illinois, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, North Dakota, Oklahoma, Texas, West Virginia and Wyoming.

²Illinois, Missouri and Texas.

states list two factors and three states list one factor as providing sufficient basis for granting new bank charters in those states. Table 4 details the economic considerations specified by state banking law for each of the states studied.

It is significant that nine of the twelve states listed in Table 4 require that either public need or public demand for a new bank be proven before a charter is granted. Four of these states also stipulate that in addition to public need or demand, the public convenience must also be served. These latter states have clearly recognized in their statutes the difference between need/demand and convenience and thus have exercised knowledge of a marketing concept, viz., that need/demand and convenience are not synonymous. Four states indicate by their banking laws that public convenience must be served but no explicit mention is made of need or demand. It is assumed that these states have taken a broad definition of convenience (i.e., an action taken to satisfy material wants)³ in developing their banking laws and thus have implicitly recognized want satisfaction by use of this term. Conversely, one state mentions the importance of public demand but does not couple demand with either need or convenience. The implication here is clear that demand is equated with need.

Seven of the twelve states require some proof that the proposed new bank will have a probable chance of success in the future. These states recognize a second marketing dictum, that a provider of goods or services should be located in an area which has growth potential which affords the firm a reasonable opportunity to participate and share in

³Webster's Third New International Dictionary of the English Language, Unabridged Edition (Springfield: G & C Merriam Co., 1971), p. 497.

TABLE 4

Economic Factors to be Considered in Granting State Bank Charters
In Unit Banking States by State

| State | Public Need | Public Demand | Public Convenience Service | Adequate Representation of State System | Impact on Other Banks | Probability of Successful Operation | Opportunity To Employ Bank Funds | Total Factors Considered |
|--------------------------|----------------|------------------|----------------------------------|--|--------------------------------|--|--|--------------------------------|
| Illinois | X | -- | X | -- | -- | -- | -- | 2 |
| Iowa | X | -- | X | -- | -- | X | -- | 3 |
| Kansas | X | -- | -- | X | -- | -- | -- | 2 |
| Minnesota | -- | X | -- | -- | X | X | -- | 3 |
| Missouri | -- | -- | X | -- | X | X | -- | 3 |
| Montana | -- | -- | X | -- | -- | -- | -- | 1 |
| Nebraska | -- | -- | X | -- | -- | -- | -- | 1 |
| North Dakota | -- | X | X | -- | -- | X | -- | 3 |
| Oklahoma | X | -- | X | -- | X | X | X | 5 |
| Texas | X | -- | -- | -- | -- | X | -- | 2 |
| West Virginia | -- | -- | X | -- | -- | -- | -- | 1 |
| Wyoming | X | -- | X | -- | -- | X | -- | 3 |
| Total States Required | 6 | 2 | 9 | 1 | 3 | 7 | 1 | -- |

Source: Banking laws and regulations of the listed states.

this growth. This concept is particularly important to a bank since the investment in building, equipment and personnel is of such magnitude that from one to three years of operation are often required before the income of the bank is sufficient of offset expenses.

It is also significant that only three states recognize and consider the fact that a newly chartered bank will have an impact on other banks serving the area. These states apparently recognize the futility and danger in increasing the number of banking facilities if this proliferation will endanger or weaken the banking structure of the area to be served. Each of these three states considers also the probability of future successful operation of the new bank which, when taken with the evaluation of the impact on existing banks, suggests that the regulatory agencies in these states tend to grant new charters in rapidly growing areas which minimize the impact of new banks on existing banks and also offer all banks a chance for growth.

Two states have requirements unique to only those states. Kansas, for example, states that one factor to be considered in granting a new state bank charter is the adequacy of the state banking system in the area for which a new bank charter application has been received. This implies that state charters might be more easily obtained for areas served only by national banks than for areas served by state banks or both state and national banks. Otherwise, Kansas regulations do not require that the impact of new banks on other banks be considered and thus provide no safeguards against "overbanking" other than the judgment of the state charter granting agency.

Oklahoma, too, has a unique requirement of bank organizers which

is that the opportunity for use of bank funds should be present in the community in which a new state bank is proposed. This is to say that a local loan market should be identifiable if the bank is to be established. This requirement serves two purposes: First, it insures that the new bank will have an opportunity to maintain a profitable loan portfolio and second, this requirement adds further emphasis to "need" from the supply of funds viewpoint (i.e., need for loans) which is also a factor to be considered by the regulatory agency in Oklahoma.

The above discussion indicates that all unit banking states recognize need, however they define it, as a factor to be considered in chartering a new bank. In six instances, states are explicit in this requirement. In two states, public demand is equated to public need and in four states, public convenience is taken to include the satisfaction of wants or perceived needs.

Economic Considerations in the Federal Chartering Process

It is interesting to compare the economic factors considered by state bank charter granting agencies in unit banking states with those considered by the Comptroller of Currency in his deliberations on national bank charter applications. Of course, federal regulations allow branch banking in those states whose laws permit branch banking. However, where state regulations prohibit branch banking, these laws usually obtain and only unit national banks can be formed.⁴ It should be noted that, except for conformance with state banking laws, national banks are chartered

⁴Currently four branch banking applications for Oklahoma have been submitted to the Comptroller of Currency. At the time of this writing, the Comptroller has withheld his decision pending the actions of the Oklahoma State Legislature on clarification and/or alteration of its banking code.

under federal laws and state regulatory mechanisms have no jurisdiction over the granting of national charters. Applications for national bank charters are filed with the Regional Supervisor of National Banks who then conducts the hearings and forwards the application, with his recommendations, to the Comptroller of Currency for final decision.

National banking laws require that the applicants for a new charter prove that a new bank is needed, that it has a high probability of successful operation, that it serve the convenience of the public and that there is public demand for the new bank. Further, the impact of a new bank on existing banks must not be of such severity that it endanger any of the existing banks. In short, federal laws recognize that need for a new bank must exist but also that need must be demonstrated by an indication of demand and probable use. Also, federal laws, and the historic interpretation of these laws, consider convenience in its most basic form (which is closeness to the market to be served) as a demonstration of need for a new bank. Finally, federal laws recognize the necessity of future growth of a new bank to a healthy banking system by considering the growth potential of the proposed bank's service area. Thus, where banking laws in most of the unit banking states recognize "need" through implication or broad word definitions, federal laws leave little doubt as to their perceptions of "need" and the differences between "need," demand and public convenience.

Procedures for Charter Acquisition

As was the case in economic factors considered by state regulatory agencies in their deliberations on bank charter applications, there are some commonalities in the charter application and acquisition procedures

among the unit banking states. For example, all twelve states included in this study require that organizers of proposed new banks complete application forms and submit such forms to the titular head of the agency. From this point, however, the procedures tend to vary. In six of the states (see Table 5), public hearings are required before a charter is granted. During these hearings both the proponents of and opponents to the proposed new bank present their arguments vis à vis the charter application after which the decision to grant or refuse the charter is reached. In only one of the six states requiring public hearing is the decision concerning the charter made by the head of the regulatory agency. In the remaining five states, the decision is made by the regulatory board of which the head (be he called Commissioner, Chairman, etc.) is a member.

Six states (see Table 5) do not require public hearings on state bank charters. The decisions in such cases are reached either by regulatory boards (two states) or by the titular head of the agency acting alone (four states).

Seven states also have provisions for appealing the decisions reached concerning the granting or refusal of a charter application. The appeal in two of these states is submitted to the state banking board, commission or the equivalent. Two additional states allow appeals to district courts and two states allow appeals directly to the State Supreme Court.

Only one state, Oklahoma, has established a special appellate body to consider bank charter appeals. Appeals from state banking board decisions in Oklahoma are first heard by the Court of Bank Review (the

members of which are appointed by the Governor) whose decision may then be further appealed to the Oklahoma State Supreme Court. Thus, Oklahoma has an appeal route involving two appellate bodies. Unfortunately, however, decisions rendered by these appellate bodies in Oklahoma have the effect of granting or refusing charters which ultimately means that three charter granting bodies exist in that state. Laws of other states with appellate procedures directed to courts of law stipulate that the appellate bodies are merely that and that their decisions, along with the trial records, return to the charter granting agency for consideration during a rehearing if such is ordered. Table 5 details the charter granting procedures of the various unit banking states.

Federal bank regulations make no provision for appeal. In the case of national bank charters, the decision of the Comptroller of Currency is final and no appeal may be made. Several attempts have been made to use Federal District Courts as appellates to decisions of the Comptroller of Currency. These, however, have failed as invariably the Federal Courts have refused to hear such appeals.

Retail Franchising

In many respects, franchising of retail and/or service establishments closely approximates the chartering of a private bank. In each case, the charter (or license) to operate has as a major purpose the control of quality of product or service dispensed by the franchisee. In the case of banks, the chartering agency tends to have greater interest in controlling quality of service for the sake and protection of the public. A franchise, however, is granted to control quality of product

TABLE 5

Procedures for Application and Acquisition
Of State Bank Charters
(Unit Banking States)

| State | File Application | Commissioner Decides | Board Decides | Public Hearing | Appeal Allowed |
|---------------|------------------|----------------------|---------------|----------------|----------------|
| Illinois | X | X | -- | -- | 0 |
| Iowa | X | X | -- | X | A |
| Kansas | X | -- | X | -- | 0 |
| Minnesota | X | -- | X | X | C |
| Missouri | X | X | -- | -- | B |
| Montana | X | X | -- | -- | 0 |
| Nebraska | X | -- | X | X | D |
| North Dakota | X | -- | X | -- | 0 |
| Oklahoma | X | -- | X | X | E |
| Texas | X | -- | X | X | B |
| West Virginia | X | -- | X | X | C |
| Wyoming | X | X | -- | -- | 0 |
| Total | 12 | 5 | 7 | 6 | 7 |

Source: State Banking Codes.

Key: X = Requirement
 0 = Not required
 -- = Not mentioned in code
 A = Appeal to District Court, Polk County, Iowa
 B = Appeal to State Banking Board or equivalent
 C = Appeal to State Supreme Court
 D = Appeal to District Court
 E = Appeal to Court of Bank Review and State Supreme Court

for the sake of the franchisor as well as for the protection of society. In addition to the factor of quality control, the franchising of retail activities has other purposes such as the control of a marketing process, the achievement of cost efficiencies, the guarantee of a uniform product with a known quality standard and the minimization of investments and personnel requirements of the corporate channel. The chartering of a new bank, of course, does not directly accomplish any of these latter goals in a unit banking state.

Franchising of distributors of goods and services has yet another and probably more important function in the marketing scheme. This function is to "provide each reseller with a large enough sales and market potential to keep the reseller interested in aggressively selling the line."⁵ Bank chartering, as pointed out earlier, has an entirely different function, which is ultimately twofold: (1) the protection of society while still providing needed service and (2) the protection of stockholders' investments and equity.

Where the bank charter is the foundation and key essential of a new bank, so the license is the heart of the franchise. Only through the elements of such a contract can a continuing relationship between franchisor and franchisee be maintained. The bank charter itself differs significantly from the franchise license. The principal differences which exist between the two are essentially due to the differing locations of control. In the case of the bank charter, control of such elements as accounting method, interest rate ceilings, qualifications of officers and other similar elements are controlled by government regula-

⁵H. L. Hansen, Marketing: Text, Cases and Reading, rev. ed. (Homewood, Ill.: Richard D. Irwin, 1961), p. 465.

tory authorities. All other aspects such as quality of service, appearance of the operating quarters, hours of operation, etc., are controlled by the owners through management. In the case of the franchise, the franchisor in effect controls the channel of distribution. This control extends to all or nearly all elements of the operation from the site, suppliers, quality of product or service, advertising, down to such mundane factors as appearance of employees and method of delivery. The franchisee (or local management) serves primarily as a policy and procedure implementor and has little choice in the mode of operation except in the hiring and firing of employees. In short, the franchisee in accepting a franchise agrees to perform the marketing function in a specified manner. Thus, the franchising arrangement at the retail level represents a method for creating a total vertical distribution system which is centrally administered.⁶

Franchises, because of some earlier excesses, have come under increasing regulation by both Federal and State governments. Some of the areas in which franchises are now regulated are in price setting (either for the finished product or materials purchased from the franchisor), setting trade or service territories and tying agreements where the franchisee can purchase only from the franchisor. In a sense, then, the franchisor undergoes some of the same regulatory constraints as the bank in that the regulations imposed upon them are for the good of the public.

Unlike the banking industry where only two types of bank charters exist, viz., state and national, five general types of franchises are

⁶P. R. Stephenson and R. G. House, "A Perspective on Franchising," Business Horizons, 14 (August 1971), pp. 35-42.

currently is being and operational in the United States.⁷ These are:

1. Manufacturer--Retailer; as noted in the automobile and service station sectors
2. Manufacturer--Wholesaler; prevalent in the soft-drink bottling industry
3. Wholesaler--Retailer; as noted in hardware and automotive parts
4. Trademark (Tradenname)--Retailer; as noted in business services, fast food, convenience groceries, hotels, etc.
5. Other; as noted in vending machines.

The growth in the population and economic strength of the country has provided the impetus for expansion in each of the five distinct types of franchising. A wide variety of factors has contributed to this growth, not the least of which has been the desire on the part of some wholesalers to combine their purchasing power with others and thus receive benefits from the economies of scale. Usually, these groupings were made in franchise arrangements so as to compete with larger chains. A second important reason for this rapid growth is the high mobility and brand consciousness of the American public.

The brand consciousness of the American public toward such products as automobiles, brands of gasoline, certain types of clothing and house furnishings, to mention only a few, does not generally extend, at least in Oklahoma, to bank names or logotypes. This phenomenon might be expected in a unit banking state since no apparent relationships, either managerial or operational, exist between banks in different communities even though the names are identical (or similar). Several bank image studies conducted by the Center for Economic and Management Research,

⁷C. L. Vaughn, Franchising (Lexington: Lexington Brooks, 1973), pp. 10ff.

University of Oklahoma, in various areas of Oklahoma indicate rather that bank customers rely more on bank location in making their initial choices of banks.⁸ In fact, less than 20 percent of the customers of banks for which such studies were conducted indicated that "brand" as represented by bank name had any effect on their choice of banks or on their continued patronage of a bank. Thus, it is safe to assume that at least in one unit banking state, the growth in the number of banks was to no degree dependent upon brand consciousness. In fact, the reverse was probably true since, ostensibly at least, each bank in a community is independent from all others in that community insofar as ownership and management is concerned. This suggests that banks, unlike franchisees of other goods and services, do not have the comfort of brand consciousness nor loyalty in support of their growth in terms of numbers.

Retail outlets are franchised presumably because there is a demand for the product or service offered by the outlet. This is to say that a retail franchise outlet delivers goods or services to the public where those goods or services are needed, when desired, in quantities and varieties demanded and at a price commensurate with the public's perception of the value of the good or service. Implicit in all of this is that the operation will succeed only if the public demands its product, and will patronize the store. The franchisor is much less sensitive to the impact of a new store on existing stores than are bank chartering agencies. Conversely, the franchisor appears to be much more sensitive to satisfying demand than are bank chartering agencies.

⁸N. J. Dikeman, Jr., "The Image of the May Avenue Bank and Trust Company," Unpublished report, Bureau of Business and Economic Research, University of Oklahoma, 1973.

Municipal Franchising

Municipal franchising is as similar to bank chartering as it differs from retail franchising. In this concept of franchising, society in the form of a local, state or federal government agency grants a right and authority to operate certain facilities or perform certain services which a person or group otherwise is prohibited from doing. Specifically, it is a grant of authority, usually by a vote of the people, to use certain public facilities for the purpose of carrying on business of a nature which is for public benefit. This conforms closely to the bank charter which grants individuals or groups of individuals the opportunity and authority to conduct business otherwise not available to them. While usually banks do not require the use of public facilities or easements to conduct this business, they are, nevertheless, in much the same category as public utilities.

In addition to the chartering / enfranchising similarities, the controls placed on banks and public utilities are likewise very similar. In both cases, the scope of the business to be conducted is clearly defined, certain business ethics are prescribed, maximum rates of charges and payments established and other practices defined and regulated.

In terms of the marketing concept and satisfying public demand, the granting of franchises for public utilities is more responsive than are bank chartering agencies. This is due in part to the fact that the public has a greater voice in defining and obtaining the services, and in determining the length of service of public utilities than is the case in bank chartering. In addition, regulatory bodies supervising and controlling public utilities have more immediate and effective means of

regulating the activities and rates of public utilities than is the case with agencies regulating banks. It goes without saying that most publicly franchised utilities--with the possible exception of transportation and communication--are essential to the life and well being of the public they serve. Thus, demand and need are synonymous and universal within the territory served by the enfranchised utility.

CHAPTER V

CHANGES IN BANKING STRUCTURES IN TWELVE UNIT BANKING STATES

One test of the responsiveness of any type of business structure to the needs of the portion of society it serves is the relationship which exists between the changes, over time, in the number, size and types of business establishments, and the changes in the segment of society the business structure desires to serve. In most consumer oriented businesses, the response to changes in the location, size and makeup of the business' market are almost automatic. This is to say, that as a specific consumer market moves or grows, the trades and services serving that market either move to the new market area, or they expand their operation to meet the growth. This is a reflex action on the part of the business community in recognition of the need of society for the goods and services offered by the particular business.

Business entities, such as banks, whose decision making powers are subject to review and approval by a regulatory body, may or may not respond to the needs and demands of society to the same extent and with the same alacrity as those which are purely entrepreneurial in nature.

In this sort of a situation, a high level of market satisfaction, i.e., a feeling on the part of most of the potential consumers in some market that their needs are being met, depends on both executives in the

banks serving the market and the decision makers in the regulatory agencies possessing a sophisticated understanding of what the needs and wants of the public are regarding banking services. If either of these groups fails to have this understanding, then both the quality and the quantity of the banking services being provided consumers will be less than might be satisfactory to society.

The present study, focusing on unit banking states, offers an opportunity to explore the degree to which bank regulatory agencies exhibit an awareness of the need for any business (regulated or not) to be responsive to the needs and wants of the customers it serves. One test of the degree of responsiveness of the bank charter granting agency to the needs (wants) of society is the extent to which that regulatory agency has allowed the banking industry to grow and expand in response to demographic and economic growth.

Population in the twelve unit banking states as a whole has grown by 8.2 million persons since 1960.¹ This growth represents an average annual rate of 1.1 percent per year compounded. During this same period, the number of banks in these states grew from 5,746 to 6,702, which also represents an annual growth rate of 1.1 percent per year. Thus, on the basis of sheer absolute growth, it appears that bank chartering agencies in the unit banking states have permitted banking facilities to grow with the population (see Table 6).

The growth in banking facilities in these states was due to increases in both state chartered and nationally chartered institutions.

¹Census of Population, 1960 and 1970, Bureau of the Census, U.S. Department of Commerce; and Population Estimates of the United States, 1974, Series P-25, Number 684, May 1977, U.S. Department of Commerce.

TABLE 6

Number of Commercial Banks, Capital, Deposits and Population
In All Banks in Unit Banking States by State
1960 and 1974

| State | 1974 | 1960 | Percent Change |
|--------------------------|------------|------------|-------------------|
| Illinois | | | |
| Number of Banks | 1,183 | 960 | 23.2 |
| Capital Accounts (\$000) | 4,606,094 | 1,518,013 | 203.4 |
| Deposits (\$000) | 58,609,992 | 17,467,743 | 235.5 |
| Population (000) | 11,178 | 10,086 | 10.8 |
| Iowa | | | |
| Number of Banks | 657 | 635 | 3.5 |
| Capital Accounts (\$000) | 884,896 | 303,853 | 191.1 |
| Deposits (\$000) | 10,588,706 | 3,065,856 | 345.3 |
| Population (000) | 2,853 | 2,756 | 3.5 |
| Kansas | | | |
| Number of Banks | 612 | 583 | 5.0 |
| Capital Accounts (\$000) | 762,785 | 229,872 | 231.7 |
| Deposits (\$000) | 7,964,225 | 2,409,676 | 230.5 |
| Population (000) | 2,270 | 2,183 | 4.0 |
| Minnesota | | | |
| Number of Banks | 742 | 679 | 9.2 |
| Capital Accounts (\$000) | 1,157,486 | 407,090 | 184.3 |
| Deposits (\$000) | 13,887,051 | 4,509,246 | 208.1 |
| Population (000) | 3,901 | 3,425 | 13.9 |
| Missouri | | | |
| Number of Banks | 694 | 610 | 13.7 |
| Capital Accounts (\$000) | 1,498,972 | 573,406 | 161.4 |
| Deposits (4000) | 16,161,768 | 6,150,277 | 162.7 |
| Population (000) | 4,772 | 4,326 | 10.3 |
| Montana | | | |
| Number of Banks | 152 | 119 | 27.7 |
| Capital Accounts (4000) | 204,604 | 62,538 | 225.4 |
| Deposits (4000) | 2,615,725 | 829,004 | 149.2 |
| Population (000) | 735 | 679 | 8.2 |
| Nebraska | | | |
| Number of Banks | 448 | 392 | 14.3 |
| Capital Accounts (\$000) | 500,100 | 161,877 | 208.6 |
| Deposits (\$000) | 5,766,599 | 1,652,371 | 249.1 |
| Population (000) | 1,540 | 1,417 | 8.7 |

TABLE 6 (Continued)

| State | 1974 | 1960 | Percent Change |
|--------------------------|-------------|------------|----------------|
| Oklahoma | | | |
| Number of Banks | 455 | 389 | 17.0 |
| Capital Accounts (\$000) | 822,954 | 262,000 | 214.1 |
| Deposits (\$000) | 9,209,678 | 2,710,000 | 239.8 |
| Population (000) | 2,683 | 2,336 | 14.8 |
| North Dakota | | | |
| Number of Banks | 168 | 153 | 9.8 |
| Capital Accounts (\$000) | 186,730 | 56,759 | 228.1 |
| Deposits (\$000) | 2,234,538 | 650,091 | 243.8 |
| Population (000) | 634 | 634 | 0.0 |
| Texas | | | |
| Number of Banks | 1,306 | 990 | 31.9 |
| Capital Accounts (\$000) | 3,660,864 | 1,072,937 | 241.0 |
| Deposits (\$000) | 42,515,844 | 12,283,598 | 246.1 |
| Population (000) | 12,017 | 9,624 | 24.9 |
| West Virginia | | | |
| Number of Banks | 214 | 181 | 18.2 |
| Capital Accounts (\$000) | 471,607 | 146,504 | 221.1 |
| Deposits (\$000) | 4,979,614 | 1,266,203 | 293.4 |
| Population (000) | 1,783 | 1,853 | - 3.8 |
| Wyoming | | | |
| Number of Banks | 74 | 55 | 34.5 |
| Capital Accounts (\$000) | 122,369 | 36,300 | 238.9 |
| Deposits (\$000) | 1,421,772 | 421,109 | 237.8 |
| Population (000) | 361 | 331 | 9.1 |
| TOTAL | | | |
| Number of Banks | 6,705 | 5,746 | 16.4 |
| Capital Accounts (\$000) | 14,879,461 | 4,831,149 | 208.0 |
| Deposits (\$000) | 175,955,512 | 53,415,174 | 229.4 |
| Population (000) | 44,727 | 39,650 | 12.8 |

Source: Annual Report of the FDIC, 1960, 1974, Tables 103, 104 and 107; Bank Operating Statistics, 1974, Federal Deposit Insurance Corporation; Statistical Abstract of the United States, 1977, U.S. Superintendent of Documents.

State banks increased from 3,856 banks in 1960 to 4,581 banks by the end of 1974--an annual rate of increase of 0.8 percent. This suggests that both the federal and state chartering bodies were cognizant of social needs for banking facilities. In fairness to the national banking system, it should be noted that during the latter portion of 1960 and the early 1970's, a large number of national bank charters were changed to state charters due in part to the more stringent reserve requirements of the federal system.

In most unit banking states it appears that the state charter granting agencies have recognized the demand and need for new banking facilities and have acted accordingly. Where state agencies have tended to show reluctance in authorizing new banks, the office of the Comptroller of Currency has apparently provided some relief. It would not be fair, however, to judge the activities of the two chartering sources merely on the basis of charters granted since, in most states, applications for state charters far exceed those for federal charters. Table 7 records the number of state and national banks by state for 1960 and 1974.

The rates of increase in banks in unit banking states is not universal throughout all twelve states although in most cases, the rates parallel those of population changes. Only in the cases of West Virginia, where the population declined while the number of banks increased 18 percent, and in North Dakota, where the population remained relatively unchanged while the number of banks rose 10 percent, were the patterns different.

To better appraise the reaction of state and federal bank regulatory authorities to demographic and social changes, the location of the

TABLE 7

Distribution of Banks by Type of Charter in Unit Banking States
1960 and 1974

| State | Nationally Chartered | | State Chartered | | Total | |
|---------------|-------------------------|-----------|--------------------|-----------|-----------|-----------|
| | 1960 | 1974 | 1960 | 1974 | 1960 | 1974 |
| Illinois | 400 | 420 | 560 | 763 | 960 | 1,183 |
| Iowa | 96 | 99 | 539 | 558 | 635 | 657 |
| Kansas | 167 | 171 | 416 | 441 | 583 | 612 |
| Minnesota | 179 | 202 | 500 | 540 | 679 | 742 |
| Missouri | 77 | 110 | 533 | 584 | 610 | 694 |
| Montana | 42 | 55 | 77 | 97 | 119 | 152 |
| Nebraska | 121 | 121 | 271 | 327 | 392 | 448 |
| North Dakota | 38 | 43 | 115 | 125 | 153 | 168 |
| Oklahoma | 200 | 193 | 189 | 262 | 389 | 455 |
| Texas | 468 | 522 | 522 | 784 | 990 | 1,306 |
| West Virginia | 77 | 100 | 104 | 114 | 181 | 214 |
| Wyoming | <u>26</u> | <u>44</u> | <u>29</u> | <u>30</u> | <u>55</u> | <u>74</u> |
| TOTAL | 1,891 | 2,080 | 3,855 | 4,625 | 5,746 | 6,705 |

Source: Annual Report of the FDIC, 1960 and 1974.

new banks chartered in these states must be analyzed. If most of the new charters issued are for banks which will be situated in growth centers, then the agencies are implicitly, at least, considering the demand factor in their decision making process. If, however, the new banks are located in other than growth centers, possibly other considerations enter more heavily into their decisions.

For the twelve states as a whole, 23 percent of the new banks chartered between 1960 and 1974 were located in major cities (see Table 8).

TABLE 8

Percentage Change in Total Number of Banks Chartered,
Banks Chartered in Urban Centers and
Population Growth of Urban Centers,
Unit Banking States
1960-1974

| State | State Population | New Banks Chartered | Changes in Banks in Urban Centers | Population Change, Urban Centers |
|---------------|---------------------|------------------------|---|--|
| Illinois | 11 | 23 | 17 | 13 |
| Iowa | 4 | 3 | 4 | 11 |
| Kansas | 4 | 5 | 41 | 12 |
| Minnesota | 15 | 9 | 23 | 19 |
| Missouri | 10 | 14 | 22 | 14 |
| Montana | 9 | 28 | 0 | 10 |
| Nebraska | 9 | 14 | 22 | 19 |
| North Dakota | 0 | 10 | 8 | 23 |
| Oklahoma | 15 | 17 | 36 | 19 |
| Texas | 25 | 32 | 30 | 24 |
| West Virginia | -4 | 18 | 0 | -4 |
| Wyoming | <u>9</u> | <u>35</u> | <u>20</u> | <u>7</u> |
| TOTAL | 9 | 14 | 23 | 21 |

Source: American Bank Directory, Spring 1975, McFadden Business Publications, Norcross, Georgia; Census of Population, 1960, U.S. Bureau of the Census; and Population Estimates of the United States, Series P-25, Number 684, May 1977, U.S. Department of Commerce.

Locations of new banks in five of the twelve states equalled or exceeded this average. Several examples of apparent consideration given by bank chartering agencies for the location of banks near growing population centers were Kansas, where 41 percent of the new banks chartered during the period were located in urban centers, and Oklahoma, in which 36 percent of the new banks were authorized for urban centers.

The extent to which the number of banking facilities in the unit banking states has kept pace with population growth is further exemplified by the fact that, where in 1960 there were 7,380 persons per bank in these states, by 1974 this ratio had dropped to 7,123 persons per bank (see Table 9).

TABLE 9
Banking Ratios and Changes in Unit Banking States
1960-1974

| Ratio | Units | 1960 | 1974 | Percentage Change |
|---|------------|-------|--------|-------------------|
| Persons per Bank | Number | 7,380 | 7,123 | -3.5 |
| Deposits per Bank | \$000 | 9,578 | 26,982 | 181.7 |
| Capital per Bank | \$000 | 858 | 2,303 | 168.4 |
| Deposits as Share of Personal Income | Percentage | 60.9 | 70.6 | -- |
| Deposits per Person | \$ | 1,298 | 3,788 | 191.8 |

Source: Annual Report of the Federal Deposit Insurance Corporation, 1960 and 1974, Washington, D.C.; Census of Population, 1960, Bureau of the Census, Washington, D.C., Bureau of Economic Analysis, U.S. Department of Commerce.

Population alone is not a sufficient measure of need for new banking facilities. Rather, population and income taken together are far more indicative of social needs for and potential support of new banks. Studies conducted over time have borne out the obvious fact that a large proportion of households and individuals in higher income categories are customers of banks than in the lower categories.² The distribution of bank deposit customers by income category according to the latest of these studies is shown in Table 10.

²George Katona, et al., Surveys of Consumers, 1971-72 (Ann Arbor: Institute of Social Research, University of Michigan, 1973), p. 7ff.

TABLE 10

Percentage of Households which are Bank
Deposit Customers by Income Category

| Annual Income | Percentage |
|------------------|------------|
| Under \$1,000 | 21 |
| 1,000 - 1,999 | 38 |
| 2,000 - 2,999 | 50 |
| 3,000 - 3,999 | 50 |
| 4,000 - 4,999 | 60 |
| 5,000 - 5,999 | 62 |
| 6,000 - 7,499 | 65 |
| 7,500 - 9,999 | 75 |
| 10,000 - 14,999 | 81 |
| 15,000 and above | 93 |

Source: Survey of Consumers, 1971-72, Institute of Social Research, University of Michigan.

Comparing the deposit growth in banks in the unit banking states with income growth reveals that while personal income in these states increased by 198 percent, bank deposits rose 231 percent. As a result of these varying rates of increase, bank deposits in these twelve unit banking states received an increasing share of income. Deposits as a percentage of income in 1960 amounted to 60.9 percent, whereas by 1974 deposits accounted for 70.6 percent of personal income. This indicates that as banks became more accessible and income rose, society made greater use of these facilities. Of equal significance is the fact that in 1960, deposits per person in unit banking states averaged \$1,298 and by 1974 this had increased to \$3,788, a rise of 192 percent.

Based on the data previously presented, the growth of banks and banking facilities in unit banking states and the increased utilization of banks by residents of these states suggests that the bank regulatory agencies in these states have recognized changing demographic structures

and have granted new facilities to satisfy these changes. Other types of analyses, however, suggest that this recognition may not have been as absolute as the data so far might suggest.

Increased population accompanied by gains in income are the important ingredients to the creation of new demands and needs for banks as well as other businesses. An acceptable proxy for these two variables is per capita disposable income. Comparing per capita disposable income for the twelve states and the number of bank charter applications (during the period 1970-1974) through regression analysis reveals that there is a negative relationship between the number of bank charter applications submitted to bank regulatory authorities in these states and the level of per capita disposable income.

This would seem to indicate that as per capita income rises, fewer charter applications are filed. Moreover, the same negative relationship apparently exists between per capita income and the number of bank charters granted. Thus, potential organizers of new banks have apparently not based their decisions to submit bank charter applications on changes in population and income, as is witnessed by the negative relationship between the changes in application submissions and per capita income. In addition, bank regulatory authorities apparently place even less emphasis on these factors in granting charters. Table 11 details the number of charter applications, the number of charters granted and the per capita disposable income in the 12 unit banking states between 1970 and 1974.

Measuring the changes in charter approvals against changes in charter applications reveals that only slightly more than 39 percent of the changes in approvals are due to changes in applications. This suggests

TABLE 11

Bank Charter Applications, Charters Approved and Per Capita
Disposable Income in Twelve Unit Banking States
1970-1974

| Year | Charter Applications | Charter Approvals | Percentage Approved | Per Capita Disposable Income |
|------|----------------------|-------------------|---------------------|------------------------------|
| 1970 | 187 | 76 | 40.6 | \$3,255 |
| 1971 | 178 | 88 | 49.4 | 3,471 |
| 1972 | 199 | 93 | 46.7 | 3,661 |
| 1973 | 198 | 59 | 29.8 | 3,110 |
| 1974 | 147 | 43 | 29.2 | 4,318 |

Source: State bank chartering agencies.

Note: The coefficient of correlation of Per Capita Disposable Income and Charter Applications = -0.45 . The coefficient of correlation of Per Capita Disposable Income and Charter Approvals = -0.80 . The coefficient of correlation of Charter Applications and Charter Approvals = 0.63 .

that state bank chartering agencies are guided by the total number of applications they process to a greater degree than the quality of the applications themselves. This tendency is further borne out by the fact that, with two exceptions, an average of 45.6 percent of the total applications received in unit banking states between 1970 and 1974 were approved.

The rates and patterns of approval noted above were not general throughout all unit banking states during the period analyzed. For example, during the period 1970-1974, the Iowa State Department of Banking approved 60 percent of the charters applied for while the Texas Department of Banking approved only 27 percent of the charter applications in this period. Table 12 details these data by state.

TABLE 12

Applications and Charters Granted by State Regulatory Boards
In Unit Banking States
1970-1974

| State | Applications ¹ | Charters ¹ Approved | Percentage Granted |
|---------------|---------------------------|-----------------------------------|-----------------------|
| Illinois | 249 | 105 | 41.7 |
| Iowa | 11 | 7 | 63.6 |
| Kansas | 35 | 14 | 40.0 |
| Minnesota | 54 | 21 | 38.9 |
| Missouri | 60 | 36 | 60.0 |
| Montana | 21 | 17 | 54.8 |
| Nebraska | 38 | 20 | 52.8 |
| North Dakota | 4 | 1 | 25.0 |
| Oklahoma | 58 | 29 | 50.0 |
| Texas | 343 | 93 | 27.1 |
| West Virginia | 30 | 14 | 46.7 |
| Wyoming | <u>6</u> | <u>2</u> | <u>33.3</u> |
| TOTAL | 909 | 359 | 39.2 |

¹Includes applications and approvals for charter change from National to State.

Source: State Banking Commissions and Annual Report of the Federal Deposit Insurance Corporation, 1970 and 1974.

These data suggest that banking structures in unit banking states have reacted sluggishly to changes in socio-economic conditions in those states. The reasons for this slow reaction time are varied and ill defined. Moreover, the causal factors for this situation are so intertwined as to be almost inseparable. First, based on the relatively low relationship between charter applications and per capita income changes, potential bank organizers apparently are not able to match growth in potential new demand with requests for new bank locations. This lack of

reaction to change on the part of bank entrepreneurs may be due to the stringent charter application requirements in most unit banking states and the highly problematical results of making such applications, or it may be due to a more conservative business outlook among bankers--they may require the potential demand "to prove itself" before they act.

Bank charter granting agencies in these states likewise do not fully recognize the need for new bank services brought about by social and economic change. This lack of recognition is witnessed by the almost complete absence of a cause and effect relationship between per capita income changes and new bank charters-issued. This apparent absence of need awareness is possibly due, first, to the dominance of the membership of many of the decision making boards by bankers who prefer to protect existing banks from possible aggressive competition. It is also likely that a number of charter applications are not of sufficient quality (i.e., they do not provide the charter granting groups with proof of need, etc.) to merit favorable consideration. Finally, some charter granting groups may have an unspoken understanding about the proportion of applications to be approved each year. Data received from the various unit banking states pertaining to charter applications and approvals lend some weight to this possibility. Political consideration may also be an important factor in charter granting decisions but this area is not a topic of research addressed during this project.

In the final analysis, then, it can be said that neither the entrepreneurial segment of society nor the charter granting groups in unit banking states are completely responsive to social needs for new banking facilities occasioned by demographic and/or economic change.

Apparently, the only stimulus to which the charter granting agencies in these states react is the number of applications they receive. This being so, only greater interest by potential bank organizers (evidenced by increased charter applications) will result in the authorization of the new banks needed by society.

CHAPTER VI

EVALUATING NEED

As pointed out in Chapter IV, the state banking codes in unit banking states which recognize need (either implicitly or explicitly) and the regulations under which national bank charters are granted tend to assume that new banks are needed if the economic feasibility of new banks can be established. Possibly for this reason, methodologies designed to determine only the "need" for new banks have not been developed. Rather, methods for determining the economic feasibility of proposed new banks are used. In recognition of the widespread use of "feasibility studies" in lieu of "need" studies, this chapter presents three approaches to the evaluation of the feasibility of a new bank.

In this section, the methods discussed in Chapter III were applied to a situation involving the chartering of a new bank in Oklahoma City. As pointed out earlier, the first method was developed by the Marketing Department of the American Bankers Association,¹ and relies principally on secondary social, demographic and economic data coupled with the results of national studies of consumer finances.² The second method used

¹ A Guide to Selecting Bank Locations (New York: Marketing Department, American Bankers Association, 1965).

² 1972 Survey of Consumer Finances (Ann Arbor: Survey Research Center, University of Michigan, 1973).

in this determination is a marketing research tool commonly used to determine the feasibility of any retail purveyor of goods and services. This approach depends basically on primary data gathered by sample surveys within a proposed bank service area. The third method employed is based on the probabilities developed by examining the depositor records of ten neighborhood banks in Oklahoma City, Oklahoma. For the purposes of discussion, these methods shall be referred to as Methods I, II and III.

Application of Methods to a Bank Charter Application

Because of the differences in the approach of the three methods of determining the feasibility of a new bank, equally significant differences in results should not be unexpected. To test this possibility, each of the three methods were used to evaluate the deposit potential of a new bank in Oklahoma City which was chartered in 1970. This bank was chartered on the west side of Oklahoma City and was located in a neighborhood with good apparent growth potential both from a residential as well as a commercial point of view. In each case the same service area was assumed. This service area was developed by the use of driving times from the proposed location to existing banks and dividing this by 2 and using the resulting driving time figure to develop service area boundaries.

Estimates of Deposits Using Method I

The service area developed for use in this example generally included Oklahoma City census tracts 1069.04 and 1069.5. According to the Census of Housing, 1970, these tracts had a population of 12,051 persons in 3,964 households. Based on the amount of vacant land and the proximity

of this area to the industrial sectors of Oklahoma City, developers in the area estimated that approximately 2,200 additional dwelling units would be constructed in this area within the ensuing five-year period. The area contained 313 commercial establishments including 167 service establishments, 111 firms involved in the trades, 23 manufacturers and 12 construction companies. Analyses of the employment patterns of these firms suggested that 3,500 persons employed by these organizations resided outside the area.

The Census of Population, 1970, reported a family income distribution of this area's residents as follows:

TABLE 13

Income Distribution of a Selected Area
Oklahoma City, Oklahoma
1969

| Category | Number of Families | Percentage |
|---------------------|--------------------|-------------|
| Less than \$1,000 | 18 | 0.6 |
| \$1,000 - \$1,999 | 49 | 1.5 |
| \$2,000 - \$2,999 | 57 | 1.8 |
| \$3,000 - \$3,999 | 87 | 2.7 |
| \$4,000 - \$4,999 | 143 | 4.4 |
| \$5,000 - \$5,999 | 105 | 3.2 |
| \$6,000 - \$7,499 | 282 | 8.7 |
| \$7,500 - \$9,999 | 490 | 15.1 |
| \$10,000 - \$14,999 | 1,061 | 32.6 |
| \$15,000 and over | <u>960</u> | <u>29.4</u> |
| TOTAL | 3,252 | 100.0 |

Source: Census of Population and Housing Census Tracts, 1970, Oklahoma City, United States Department of Commerce, Bureau of the Census.

The 712 households (not defined as families) in this area had a mean income of \$5,968 per year. It will be recalled from the explanation of Method I that the number of households includes families and unrelated individuals living in separate housing. Income distributions are provided for families but not for unrelated individuals in the Census of Population. Thus, deposit potentials can be computed by income category for families but must be computed for unrelated individuals as a group based on the mean income of the group. Combining the average income of these two groups results in a mean household income for the whole area of \$9,685.

The next step in this series of calculations is to estimate the number of families and households in the area which will maintain bank accounts. This is accomplished by applying the probable percentage of families and households maintaining checking and savings accounts in each income group as reported by the American Bankers Association to the number of families and households shown in Table 13 above. These calculations appear in Table 14.

These calculations shown in Table 14 indicate that residents of this area will maintain 2,990 checking accounts totaling \$2,042,515 and 2,510 savings accounts amounting to \$7,133,099. Adding these to the potential checking and savings balance of the non-family households in the area brings total potential residential checking account balances to \$2,170,846 and potential residential savings account balances to \$7,817,731.

These residential accounts must then be supplemented by the deposit potentials of the net working population in the area. Of the 3,500

TABLE 14

Potential Number of Individual Checking and Savings Accounts
And Account Balances by Income Groups in a Selected Area
Oklahoma City, Oklahoma

| Annual Income (\$) | Number of Families | Percentage Having Checking Accounts | Number of Checking Accounts | Percentage Having Savings Accounts | Number of Savings Accounts | Estimated Checking Account Balances (\$) | Estimated Savings Account Balances (\$) |
|--------------------|--------------------|-------------------------------------|-----------------------------|------------------------------------|----------------------------|--|---|
| Less than 1,000 | 18 | 21 | 4 | 22 | 4 | 536 | 1,972 |
| 1,000 - 1,999 | 49 | 38 | 19 | 31 | 15 | 3,553 | 22,215 |
| 2,000 - 2,999 | 57 | 50 | 28 | 32 | 18 | 9,800 | 14,220 |
| 3,000 - 3,999 | 87 | 50 | 44 | 45 | 39 | 14,306 | 66,456 |
| 4,000 - 4,999 | 143 | 60 | 86 | 43 | 61 | 24,252 | 80,581 |
| 5,000 - 5,999 | 106 | 62 | 65 | 47 | 49 | 18,915 | 88,984 |
| 6,000 - 7,499 | 282 | 65 | 183 | 58 | 149 | 44,103 | 285,335 |
| 7,500 - 9,999 | 490 | 75 | 368 | 64 | 314 | 121,072 | 477,908 |
| 10,000 - 14,999 | 1,061 | 81 | 859 | 72 | 764 | 397,717 | 2,236,228 |
| 15,000 and above | <u>960</u> | <u>93</u> | <u>893</u> | <u>75</u> | <u>720</u> | <u>1,408,261</u> | <u>3,859,200</u> |
| TOTAL | 3,252 | 78 | 2,549 | 66 | 2,133 | 2,042,515 | 7,133,099 |

Source: Table 13 and A Guide to Selecting Bank Locations, American Bankers Association.

Note: The 712 households had an average annual income of \$5,968. This group falls in the \$5,000 - \$5,999 income category in which 62% maintain checking accounts and 47 percent maintain savings accounts. Thus these households generate 441 checking accounts totaling \$128,331 and 377 savings accounts totaling \$684,632.

persons working in the area but living elsewhere, an analysis of the daytime traffic flow based on automatic traffic counters operated by the Oklahoma City Planning Department in the daytime hours indicated that 30 percent of the traffic between 7:30 a.m. and 9:00 a.m. flowed on arteries adjacent to the proposed bank. On this basis it was assumed that 1,050 of these vehicles (i.e., 3,500 x .30) would be potential customers of the bank. Further analysis of the traffic flow data indicated that most, if not all, of the net working population were employed in the trades and services which, in 1970, received average weekly wages of \$122.13.³ This, in turn, is translated to \$6,106 annually. Applying the appropriate multiplier to these data results in checking account potential for this group of \$164,482 and a savings potential of \$1,065,698. These bring the total first year individual deposit account potentials to:

In personal checking accounts - \$2,335,328

In personal savings accounts - \$8,883,429

The potential of the business community in the area is more difficult to assess in retrospect than was the residential population, especially since the area being studied was one of recent development and records of commercial change in the area were almost non-existent.

For the purpose of this analysis, first year deposit records of a bank in a similar area of Oklahoma City were used to synthesize deposit estimates for these firms. These records indicated that the average deposit balance per trade and service firm was \$7,316 while the average deposit balance per manufacturing firm was \$22,110 and each construction

³Oklahoma Labor Market (Oklahoma City: Oklahoma Employment Security Commission, July 1970), pp. 22-24.

firm averaged \$10,167 in monthly deposit balances. Applying these averages to the establishments in the area resulted in the following average demand or checking deposit balances:

| | |
|--------------------|----------------|
| Trade and Services | \$2,033,848 |
| Manufacturing | 508,530 |
| Construction | <u>122,004</u> |
| TOTAL | \$2,664,382 |

Adding these balances to the potential as shown for the residential and net working population sectors results in the following first year deposit potentials:

| | |
|-------------------------|------------------|
| In checking accounts | \$4,999,710 |
| In savings accounts | <u>8,883,429</u> |
| TOTAL DEPOSIT POTENTIAL | \$13,883,139 |

These data are summarized in Table 15 below.

TABLE 15

A Summary of Estimated Deposit Potentials of a Proposed New Bank
In Western Oklahoma City by Source and Type of Deposit¹

| Source | Type of Deposit | | |
|---------------------------------|------------------|-------------|------------------|
| | Checking | Savings | Total |
| Families | \$2,042,515 | \$7,133,099 | \$ 9,175,614 |
| Other Household | 128,331 | 684,632 | 812,963 |
| Working Population ² | 164,482 | 1,065,698 | 1,230,180 |
| Commercial ³ | <u>2,664,382</u> | <u>--</u> | <u>2,664,382</u> |
| TOTAL | \$4,999,710 | \$8,883,429 | \$13,883,139 |

¹Based on Method I procedures.

²Population working in the area but resideing outside the area.

³Includes industrial establishments.

While the potential market for bank deposits in this service area approaches \$14 million, it should be noted that (a) residents now in the area have established banking habits which may be hard to change; (b) not all members of the net working population will desire banking services in the area in which they work; and (c) portions of the business community either are committed to existing banks through credit or payroll arrangements or by decisions made by their headquarters, if they are a branch. Thus, the proposed new bank will have access to only a portion of this potential market at least during the first few years of operation. To estimate the possible extent to which the proposed new bank can penetrate this market, records of an existing bank in a similar location were relied on. The reference bank was founded in 1963 and thus its depositor records must be compared with 1960 census tract records since those were the closest available in terms of time.

The reference bank was established in an area which contained 2,768 households and 217 business concerns of various types. First year records indicate that this bank had acquired 1,022 household or personal demand deposit accounts, 548 residential savings accounts and 39 commercial accounts. This suggests that, on the basis of the experience of a similar bank, the proposed new bank using Method I as a feasibility measure could expect to acquire 37 percent of the households as demand depositors, 20 percent as savings depositors and 18 percent of the business establishments as depositors. Since no data were available on the income distribution of these depositors, average deposit balances developed from the potential total market are used to estimate probable balances. The average balance of commercial deposit accounts in the

control bank was \$8,512. This was used to compute commercial deposit balances. The numbers of accounts by type and the estimated balances of each are computed below.

Residential Demand Accounts:

3,964 households in service area X .37 = 1,467 potential demand customers

3,964 households X .20 = 793 potential savings customers

313 businesses X .18 = 56 potential commercial customers.

The translation of these numbers of depositors to deposits is as follows:

1,467 potential demand deposit accounts X \$463 (average checking account balance) = \$679,221

793 potential savings accounts X \$2,927 (average savings, potential) = \$2,321,111

56 commercial accounts X \$8,512 (average commercial account balance) = \$476,672.

Since no estimates of commuter deposits could be made, it was assumed that the total potential of this group of customers as developed earlier (i.e., \$164,482 in checking and \$1,065,698 in savings accounts) would be acquired by this bank. Summing these totals results in an estimate of total checking account balance of \$1,320,375 with savings account balances of \$3,386,809 and total deposits of \$4,707,184. This represents 34 percent of the total deposit potential of the area.

Estimates of Deposits Using Method II

Applying sample survey techniques described in Method II to this same population revealed that more than 33 percent of the 3,964 households in the area (1,308 households) indicated that they would probably become depositors in the new bank (a copy of the questionnaires used in this study appear in Appendix A). Based on the income distribution and

median household income of these area residents which was \$11,260, the Survey of Consumer Finances for 1970 indicated that the average checking account potential for these residents was \$463 per month. These same residents had income levels sufficient to maintain average annual savings potential of \$2,227 if they maintained only savings accounts but only \$1,760 if both savings and demand deposit accounts were maintained. Of these customers 708 or 54 percent indicated that they would maintain checking account balances while 35 percent (458) would maintain both checking and savings accounts and 11 percent or 140 will maintain only savings accounts.

In addition to this residential potential, a sample survey of the net working population indicated that 420 of the 3,500 commuters into the area would also become deposit customers of the bank. These potential customers would maintain only checking accounts and, based on the income levels of these individuals, as shown in Method I, each has a checking account potential of \$329 per month. Aggregating these data results in individual (household) checking accounts of \$678,058 and savings balances of \$1,117,860 for a total deposit level of \$1,795,918 at the end of the first year of operation.

A randomly selected sample of the business establishments in the area was also surveyed. The results of this survey indicated that 132 establishments would become deposit customers of the proposed new bank with an average deposit balance of approximately \$7,200 per firm. Thus, the commercial sector would contribute checking account balances of \$950,400, bringing the total deposit potential of the new bank to \$2,746,318--or 19 percent of the potential deposit market in the service area.

Estimates of Deposits Using Method III

The application of Method III (and probabilities shown in Table 1) to the service area of the proposed new bank requires reference to 1970 census tract information on Oklahoma City. The proposed service area contained 127 developed blocks occupied by 4,129 dwelling units (of which 3,964 were inhabited) and 12,051 persons. An examination of the blocks in the service area, measurements of their distances from the proposed site, from existing banks, and, an analysis of their population results in the following distribution.

TABLE 16

Households and Potential Residential
Customers of a Proposed New Bank
Oklahoma City, Oklahoma

| Distance from Proposed Site | Total Households | Probabilities | Number of Households Who Will Become Customers ¹ |
|--------------------------------|---------------------|---------------|--|
| Less than ½ mile | 249 | .57 | 142 |
| ½ mile but less than 1 mile | 1,015 | .52 | 528 |
| 1 mile but less than 1½ miles | 120 | .45 | 54 |
| 1½ miles but less than 2 miles | 1,251 | .42 | 525 |
| 2 miles or more | <u>1,329</u> | <u>.25</u> | <u>332</u> |
| TOTAL | 3,964 | -- | 1,581 |

¹Total number of households (column 1) multiplied by the probability of those households becoming customers (column 2).

After calculating the probable number of deposit customers which will patronize the proposed bank as shown in Table 16, the next step is the conversion of these customers to deposit balance estimates. This task was accomplished by first assuming that the income received by the

1,581 households who would become customers was comparable to the income distribution of the area as shown in Table 14. Based on this assumption the mean annual household income in the service area was \$11,260. Data developed by the University of Michigan indicate that 81 percent of the households with annual incomes this high will maintain checking accounts and 72 percent will maintain savings accounts.⁴ Applying these ratios to the 1,581 households who probably will become customers suggests that 1,280 will maintain demand deposit or checking accounts and 1,140 will maintain savings accounts.

Further reference to the consumer finance data developed by the University of Michigan indicates that households with this level of income will maintain average checking account balances of \$463 and will acquire savings account balances of \$1,689 during the first year of operation.⁵ Applying these averages to the customer potential results in the following:

| | |
|--|------------------|
| Estimated Residential Checking Account balance | \$ 592,640 |
| Estimated Residential Savings Account balance | <u>1,925,460</u> |
| TOTAL RESIDENTIAL DEPOSITS | \$2,518,100 |

Since this method is not applicable to the treatment of commercial and commuter population deposits, the data for these groups developed in Method II will be used here. These were:

| | |
|---------------------|----------------|
| Commercial Deposits | \$ 950,400 |
| Commuter Deposits | <u>138,180</u> |
| TOTAL | \$1,088,580 |

⁴1972 Survey of Consumer Finances.

⁵\$1,689 represents an interpolation of annual savings potential in income class \$10,000-\$14,999 as shown in 1972 Survey of Consumer Finances.

Aggregating these totals results in total deposits of \$3,606,680 which is 27 percent of the deposit potential of the area.

Comparison and Analysis

Applying the three methods of estimating deposit balances for a new bank results in estimates which differ significantly from each other. These are shown in Table 17.

TABLE 17

A Comparison of Deposit Estimates for a Proposed New Bank
In Oklahoma City by Method and Type of Deposit
(\$000)

| Type of Deposit | Method | | | Actual Experience ³ | Variation from Actual | | |
|-----------------------------------|--------------|--------------|--------------|-----------------------------------|--------------------------|------------|-------------|
| | I | II | III | | I | II | III |
| Residential Checking ¹ | 844 | 678 | 731 | 706 | +138 | -28 | +25 |
| Residential Savings ¹ | 3,387 | 1,118 | 1,925 | 1,158 | +2,229 | -40 | +767 |
| Commercial | <u>476</u> | <u>950</u> | <u>950</u> | <u>922</u> | <u>-446</u> | <u>+28</u> | <u>+28</u> |
| TOTAL² | 4,707 | 2,746 | 3,606 | 2,786 | +1,921 | -40 | +820 |

¹Includes Commuter deposits.

²Excluding deposits of other banks and of government agencies.
Gross Deposits = \$3,344,000.

³At the end of the first year of operation.

It is clear from the data comparisons contained in Table 16 that the results of Method II provided a more accurate estimate of deposits of individuals, partnerships and corporations than did either of the other methods examined. It should be pointed out, however, that the techniques of Method II did not uniformly provide better estimates for each of the

three categories of deposits examined than the other methods. For example, Method III procedures resulted in estimates of residential checking deposits which were closer to the actual experience of the new bank at the end of the first year of operation than the other estimating techniques.

It should also be noted that the proposed new bank actually achieved total deposits of \$3,344,000 at the end of its first year of operation. The difference between this total and the total reflected in Table 17 represents deposits of government agencies and other banks. Viable methods for estimating these components of total deposits are not available since both types of these deposits depend in large measure on local politics and on the relationships between new bank organizers and owners of other existing banks.

Testing the Results

In order to determine the differences of the extent to which the results of each of the estimating methods differed from the actual experience of the bank, the Chi Square (χ^2) test was employed. In these tests the number of degrees of freedom was assumed to be 2 and the level of significance was 0.01. The hypothesis to be tested was that no significant difference exists between the results (deposit level estimate) of the method (being tested) and the actual experience of the bank.

The results of the Chi Square tests conducted below indicate that Method II provided deposit estimates which did not differ significantly from the actual experience of the new bank at the end of its first year of operation. Conversely, Methods I and III provided deposit estimates which varied significantly from those obtained by the bank.

Test of Method I

| Category | Observed (f) | Expected (f _c) | (f-f _c) | (f-f _c) ² | $\frac{(f-f_c)^2}{f_c}$ |
|----------------------|-----------------|-------------------------------|---------------------|----------------------------------|-------------------------|
| Residential Checking | 706 | 500 | 206 | 42,436 | 84.9 |
| Residential Saving | 1,158 | 2,004 | -846 | 715,716 | 357.1 |
| Commercial | <u>922</u> | <u>282</u> | <u>640</u> | <u>409,600</u> | <u>1,452.5</u> |
| TOTAL | 2,786 | 2,786 | -- | -- | 1,894.5 |

$\chi^2 = 1,894.5 > 9.2$ therefore the hypothesis is rejected and the difference between the results of Method I and the actual experience is highly significant.

Test of Method II

| Category | Observed (f) | Expected (f _c) | (f-f _c) | (f-f _c) ² | $\frac{(f-f_c)^2}{f_c}$ |
|----------------------|-----------------|-------------------------------|---------------------|----------------------------------|-------------------------|
| Residential Checking | 706 | 688 | 18 | 324 | 0.5 |
| Residential Saving | 1,158 | 1,134 | 24 | 576 | 0.5 |
| Commercial | <u>922</u> | <u>964</u> | <u>-42</u> | <u>1,764</u> | <u>1.8</u> |
| TOTAL | 2,786 | 2,786 | -- | -- | 2.8 |

$\chi^2 = 2.8 < 9.2$ therefore the hypothesis is accepted and the difference between the results of Method II and the actual deposit experience of the new bank is not significant.

Test of Method III

| Category | Observed (f) | Expected (f _c) | (f-f _c) | (f-f _c) ² | $\frac{(f-f_c)^2}{f_c}$ |
|----------------------|-----------------|-------------------------------|---------------------|----------------------------------|-------------------------|
| Residential Checking | 706 | 564 | 142 | 20,164 | 35.7 |
| Residential Saving | 1,158 | 1,487 | -329 | 108,241 | 72.8 |
| Commercial | <u>922</u> | <u>735</u> | <u>187</u> | <u>34,969</u> | <u>47.6</u> |
| TOTAL | 2,786 | 2,786 | -- | -- | 156.1 |

$\chi^2 = 156.1 > 9.2$ therefore the hypothesis is rejected insofar as the results of Method III are concerned since they do not accurately represent the experience of the new bank after one year of operation.

Estimates of Loans

Nearly all banking codes of unit banking states either implicitly or explicitly indicate that new banks should have a reasonable outlook for successful operation if they are to be granted a charter. For a bank to operate successfully, it must have a viable and continuing market for loans. The procedures outlined thus far do not provide a recommended method for estimating loan levels. However, potential loan markets and levels can be assessed using an approach similar to that used to estimate deposits. This procedure involves the use of loan demand data contained in 1972 Survey of Consumer Finances published by the Survey Research Center, University of Michigan, which reports the proportion of households with installment mortgage debt and the average debt per household by income category. Thus, utilizing the income distribution developed in Method I (see Table 13) and the average installment debt data developed by the University of Michigan, reasonable approximations of loan potentials for the clientele of this proposed bank can be obtained.

Loan Estimates Using Method I

For Method I, it was estimated that 1,467 families and households would become customers of the proposed bank. These families and households had an average annual income of \$9,685. On average, 62 percent of the households with income distribution similar to that of the proposed service area had installment debts which average \$1,387 per household. Based on these averages, the proposed bank could expect 910 installment loan customers (including commuter customers) with a loan balance of \$1,262,170.

The estimation of commercial loans requires the use of "control"

or reference bank as was the case with commercial deposits. The experience of the same bank used to estimate commercial deposits was used to estimate the commercial loan potential of this proposed bank. The experience of the reference bank indicated that the average commercial firm maintained larger average loan balances than did households. These commercial loans included construction loans, loans for inventory, loans for operating capital and loans for equipment. Generally these loans are short term in nature (one to three years) and--for the reference bank--averaged \$11,100 per loan. Applying this average to the 56 commercial firms that will become customers of the new bank results in a commercial loan volume of \$621,600 and brings the total loan potential for the new bank to \$1,883,770 or 40 percent of total expected deposits.

Loan Estimates Using Method II

The approach applied to the data collected during the study utilizing Method II procedures employed the experience of competing banks on the periphery of the proposed bank service area. During the first year of operation, the three banks then serving the new bank's service area had an average loan to deposit ratio of 58 percent. Applying this to the deposit estimate of the proposed new bank during its first year of operation resulted in a first year loan volume estimate of \$1,592,000. An examination of the legal statements of these banks at the end of their first years of operation indicated that 83 percent of their loans were of the installment variety and 17 percent were to commercial establishments. Thus, installment loans were estimated to be \$1,321,920 and commercial loans were estimated to be \$270,080.

Loan Estimates Using Method III

When Method III is applied to the problem of determining the feasibility of a new bank, the technique for estimating the loan market used in the calculations under Method I was modified only by the number of customers who will become loan customers of the bank. The proportion of total potential residential deposit customers who will also become borrowers was obtained from the experience of the reference bank used to estimate potential deposits in Method I (i.e., 56 percent of deposit customers).

Assuming that 56 percent of the deposit customers will also become installment credit borrowers results in an estimated number of installment loans of 792 customers. Since these customers had an average annual income of \$9,685, they will carry an average installment debt of \$1,720. Applying this average to the 792 borrowers indicates that the bank can obtain a total installment loan volume of \$1,362,240.

Neither the commercial nor the commuter loan volumes can be estimated from the probability table on which residential deposits are computed. These estimates are arrived at by using ratios obtained from the reference bank which indicated that 29 of the commuter customers, each of which could support installment loans of \$1,783 and 85 commercial establishments with average loans of \$11,100 would supplement the bank's loan market. The conversion of those latter data to loan volumes results in:

| | |
|---------------------|----------------|
| Loans to commuters | \$ 51,707 |
| Loans to businesses | <u>943,473</u> |
| TOTAL | \$995,180 |

Adding this market for loans to the installment loan market of an area residents provides a total loan potential of \$2,357,420 (or 61 percent of deposits) for the new bank.

Comparison of Loan Estimates

As was the case with deposits, the three methods used to estimate loans had widely varying results. These results are compared with actual loan volumes of the new bank after one year's operation in Table 18.

TABLE 18

A Comparison of Loan Estimates for a Proposed New Bank
In Oklahoma City by Method and Type of Loan.
(\$000)

| Type of Loan | Method | | | Actual Experience | Variation from Actual | | |
|--------------|------------|------------|------------|----------------------|--------------------------|-------------|-------------|
| | I | II | III | | I | II | III |
| Installment | 1,262 | 1,322 | 1,413 | 1,385 | -323 | -263 | +28 |
| Commercial | <u>622</u> | <u>270</u> | <u>944</u> | <u>805</u> | <u>+17</u> | <u>-335</u> | <u>+139</u> |
| TOTAL | 1,884 | 1,592 | 2,357 | 2,190 | -306 | -598 | +167 |

Apparently none of the loan estimating techniques employed in this study adequately reflected the experience of the proposed new bank although in the aggregate, Method III procedures represented the best approximation. The application of Chi Square tests to the loan estimates derived by each method resulted in a rejection of the hypothesis that loan estimates did not differ significantly from the actual experience of the new bank.

Application of Methods to a Supermarket

At the outset of this study it was conjectured that methods used

to determine the feasibility of new banks at specified locations could, with minor modification, be applied to other types of retailing activity. As a test of this assumption, a study was conducted to determine the economic feasibility of locating a supermarket in a suburban district of Oklahoma City. Both Methods I and II were used in this study and a matrix of probabilities by distance from the site was developed using the results of Method II. The results of these approaches are described in the discussions which follow.

The Market Setting

The area which was to be served by the proposed supermarket is a suburban community which, in 1970, had a population of 27,100 persons. A large proportion of this population was of the middle income category and in 1970 had a median family income of \$10,165 per year. Many are employed at a nearby military installation.⁶

The community was not established until 1943, thus all of the housing in the area is 33 years old or less and most of it is less than 20 years old. Housing in the area consists of single family dwellings, apartments and mobile homes. The apartment complexes and mobile home developments are of recent origin, mostly dating back to no earlier than 1965.

The community developed along a major east-west artery with much of the business community lining that street in the form of "strip" development. Housing developed to the north and south of the business

⁶"The Feasibility of Establishing a Supermarket in Del City, Oklahoma," Unpublished report, Bureau for Business and Economic Research, University of Oklahoma, 1972.

section and older housing is situated nearest the business strip development. In recent years, housing has been built both to the north and south although development to the north has been restricted by an interstate highway and the city limits of Oklahoma City. New housing, particularly in the form of apartment complexes, has been added to the south so that now, most of the residents of the area live well south of the original townsite.

All of the grocery stores of the supermarket variety were located either on the main artery around which the town developed or in the more northern residential areas. The southern area of the community was served by small neighborhood grocery stores or by quick service food franchises (of the 7-Eleven variety). It was for a supermarket located to serve this southern portion of the town that the test study was conducted. This southern area had a population of 8,126 persons in 2,317 households. The average household income was \$10,644 in 1970.⁷

Method I

The first step was the definition of the trade area to be served by the store. This was accomplished by use of driving times from fifty locations in the southern portion of the town to the site and to the competing supermarket closest to that location. The originations chosen for use in determining time-distance measurements to the destination (store location) were dispersed randomly throughout the area. The area so derived consisted of 60 square blocks all of which were residentially

⁷U.S. Department of Commerce, Bureau of the Census, Nineteenth Census of the United States, 1970: Social and Economic Characteristics of the Population: Oklahoma, PC (1) - c38.

developed. The population of this trade/service area, according to the 1970 census of population was approximately 6,500 persons in 1,851 households. The average household income of the residents of this trade area was \$11,399. In 1970, retail sales of groceries in the community were estimated to be \$12,556,200. On a per capita basis, this volume of sales averages \$475 per year or \$9.13 per week.⁸ In 1970, there were 5 supermarkets located in the community which resulted in a per capita weekly food sales per store of \$1.83. This average is well above the Oklahoma County per capita weekly average of \$1.58 per store and, coupled with the then current location of existing stores, suggests that an additional store located near the new southern residential developments would be feasible.

Since the establishment of an additional supermarket would reduce the potential per capita weekly sales per store by 17 percent, a new store located well south and west of existing stores could expect weekly sales of \$1.53 per person. This sales potential although reduced remains comparable with the average for the county as a whole and translates to an average weekly sales volume of \$9,945 and an annual estimate of \$517,140. Thus, employing a modification of Method I, the potential annual sales volume for a proposed new store was estimated to be more than \$517,000. It should be noted that this is a minimum estimate since only the potential sales to customers in what might be termed a "primary" trade area were developed. Since Method I (described earlier) does not include the delineation and consideration of "secondary" bank trade areas, supermarket

⁸ Statistical Abstract of Oklahoma, 1972 (Norman: Center for Economic and Management Research, University of Oklahoma, 1973), p. 78.

sales for such an area were likewise not included in these computations.

Method II

Concurrently with the development of estimates utilizing Method I, a sample survey of 240 residents of the 60 block trade area was conducted. The purpose of this sample survey was to determine the degree to which residents of this area wanted (felt need for) and would become customers of a new supermarket located more closely to them than existing supermarkets. The questionnaire used was also designed to obtain the income distribution of area residents as well as average weekly household grocery expenditures. A copy of this questionnaire is attached as Appendix A to this document.

The results of this survey indicated first, that 42 percent of the households in the area both felt a need for and would become customers of the proposed supermarket. A total of 38 percent would use that store as their main source of grocery purchases assuming the store was competitive in price, quality and selection.

The mean annual household income of the residential sample was \$11,276 which compares closely to that reported by the United States Bureau of the Census of \$11,399. Finally, those households who would use this store as their major source of grocery purchases averaged spending \$28.76 per week for food to be consumed at home (i.e., groceries). Those who would use the proposed supermarket as a secondary source of supply estimated that they would spend on average no more than \$5.10 per week at the store. Translating these data to sales estimates results in the following:

Number of households = 1,851

Number who would use the proposed store as primary source of groceries = 704

Weekly purchases by primary customers = $704 \times 28.76 = \$20,247$

Number who would use proposed store as secondary source = 74

Weekly purchases by secondary customers = $74 \times 5.10 = 377$

Estimated total weekly grocery purchases = \$20,624

Estimated annual grocery sales = \$1,072,448

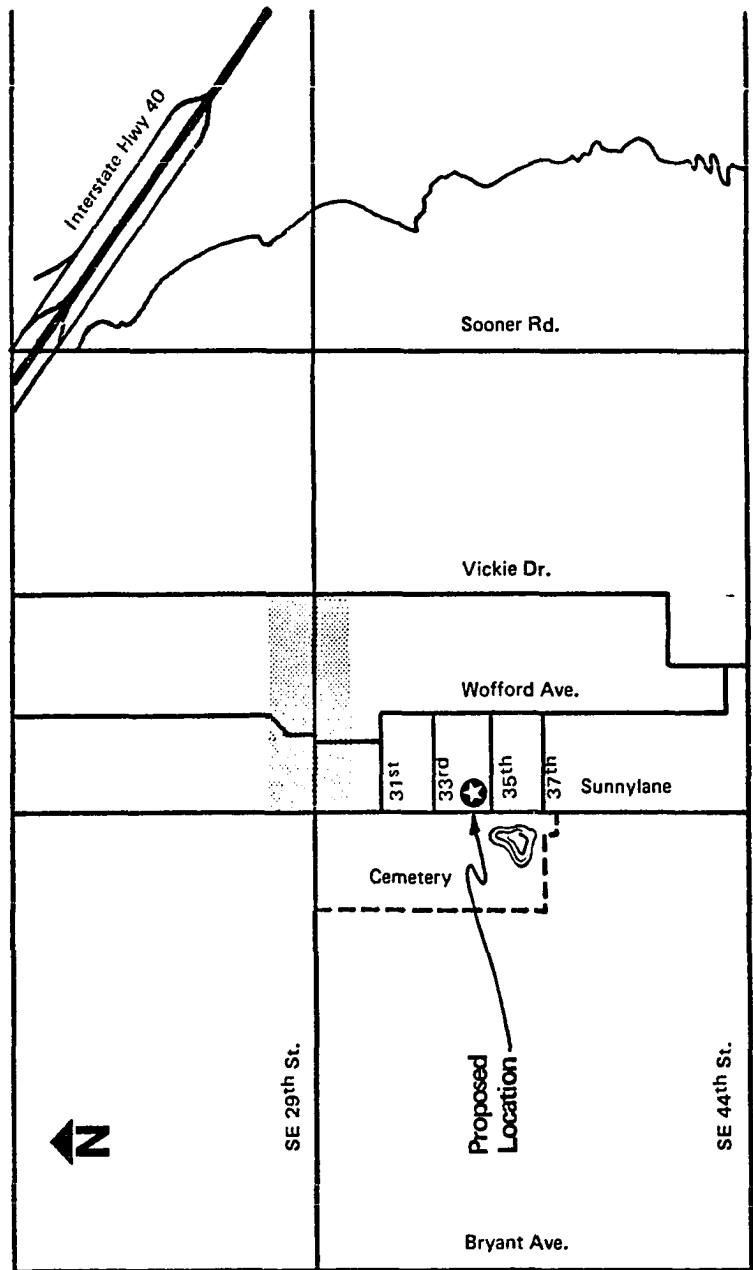
Once again, this estimate reflects only the intentions of residents in what might be termed the "primary" trade area of the store. Method II, like Method I (when applied to banks), only treats one specific trade/service area, thus, to maintain comparability between bank feasibility studies described earlier and the application of similar methods to other retail establishments, the "secondary" market area for the supermarket was not considered.

Method III

Only the results of the study as described in Method II (above) were used to construct the matrix shown in Table 19. Therefore, estimates of sales of a supermarket derived from this matrix were identical with those developed from Method II. However, future studies of supermarket location might rely to some extent on the probabilities developed by this study.

Comparison

The store for which the study was conducted had total sales of \$1,117,450 at the end of the first year of operation. This represents a sales volume more than double the estimate of \$517,000 obtained from



Original Strip
Development

Figure 3
Service Area of Proposed Super Market

TABLE 19

Probabilities of Residential Patronage of a Supermarket
By Distance from the Proposed Site and Competition

| Distance from Proposed Store (miles) | Distance from Competitors (miles) | | | | | Average |
|---|-----------------------------------|-------------------|--------------------|--------------------|---------------|---------|
| | Less Than $\frac{1}{2}$ | $\frac{1}{2} - 1$ | $1 - 1\frac{1}{2}$ | $1\frac{1}{2} - 2$ | 2 and More | |
| $\frac{1}{2}$ mile | .58 | .67 | .67 | .87 | .98 | .74 |
| $\frac{1}{2}$ mile but less than 1 | .36 | .51 | .63 | .77 | .82 | .60 |
| 1 but less than $1\frac{1}{2}$ | .41 | .21 | .49 | .58 | .70 | .40 |
| $1\frac{1}{2}$ but less than 2 | .05 | .14 | .20 | .39 | .59 | .22 |
| 2 miles and more | .01 | .09 | .11 | .29 | .41 | .14 |
| Average | .16 | .22 | .28 | .55 | .67 | .38 |

Source: "The Feasibility of Establishing a Supermarket in Del City, Oklahoma," Bureau for Business and Economic Research, University of Oklahoma.

Method I and is 4.2 percent greater than that of \$1,072,448 obtained from Method II (see Table 20). Since the clientele served by the store included customers from the primary and secondary trade areas as well as "drop-in" customers, an underestimation of this magnitude is not unexpected. Thus, a comparison of these estimates with the actual experience of the store during its first full year of operation revealed that, as was the case with bank feasibility studies, estimates obtained from Method II most closely approximated the store's market penetration capability.

TABLE 20

A Comparison of Estimates of Supermarket Sales
With the Actual Sales Volume of a Supermarket
In the Oklahoma City Metropolitan Area
By Method of Estimation

| Method | Annual Sales | Difference Actual - Estimate |
|--------|-----------------|---------------------------------|
| I | \$ 517,140 | \$700,310 |
| II | 1,072,448 | 45,002 |
| III | 1,072,448 | 45,002 |
| Actual | 1,117,450 | -- |

CHAPTER VII

SUMMARY AND CONCLUSIONS

Needs and need satisfaction are common to all social orders. Needs exist in a variety of degrees and forms depending on the perceptions of members of the particular social order.

Social groups provide for need satisfaction through several institutional arrangements ranging from uncontrolled private enterprise through governmentally controlled private enterprise to the complete nationalization (or socialization) of need satisfying enterprises. The economy of the United States is characterized by a mixture of these forms of need satisfaction. It should be noted that government has entered this arena of activity only in those instances where private enterprise has either not acted responsibly or has not acted at all.

Summary

Banks and the banking system represent a form of private enterprise which is controlled by government agencies from inception throughout its active life span. The mere growth of an area has not necessarily proven to be a signal that either bank entrepreneurs will ask for or that bank chartering agencies will allow a bank to be established. Bank chartering institutions examine and assess the proposed service area to determine need (in some context) and the likelihood of successful operation.

The term "need" in bank chartering parlance is relatively undefined in both state banking codes. The definition is somewhat clearer in national bank chartering guidelines. In some cases it is couched in such terms as "convenience," "for the public good" and in others, it is implicit in such statements as "has reasonable opportunity for successful operation." In short, when mentioned at all, the term "need" becomes a matter of judgement on the part of bank chartering groups.

The purpose of this dissertation, then, is four-fold:

1. To explore the term "need" as defined and categorized by psychologists, and marketers
2. To attempt to relate the various expressed and implicit statements of need in unit state banking codes to the definitions set forth by psychologists and marketers
3. To examine changes in unit state banking structures and relate such changes to changes in the economies of these various states
4. To develop methods for determining need for new banking facilities and adapt these methods for application to other types of consumer-oriented establishments.

The scope of this work insofar as banks and banking structures is concerned is the 12 states presently considered to be "unit" banking states in the continental portion of the United States.

The methodologies used in the determination of demand (or need) for new banking facilities involved three approaches. The first utilized inferences of the experiences of other new banks to relatively current population, income and commercial data for a proposed bank service area. The second approach relied on sample surveying techniques which probed

residential and commercial attitudes towards need and likely support for a proposed new bank. The third approach utilized a table of probabilities of use for a new bank, by distances from the new bank and from existing banks. These probabilities were applied to reasonably current population and income data to arrive at the degree to which a new bank would be used and the area it could be expected to serve.

"Need" Defined

Many psychologists base their views and definitions of individual need on Maslow's hierarchy of needs. This ordering proceeds from the most basic physiological requirements of air, food, shelter, etc., through safety and security, belongingness, esteem to the highest need--that of self actualization. Organizational needs, as viewed by psychologists, also stem in large measure from the work of Maslow although with some modification. For example, the physiological needs of an organization include shelter of its plant and equipment; food--which includes its inventory and machinery--and its human resources. The safety and security needs of the organization are closely akin to those of the individual as are its needs to belong to some group or groups. This latter need has brought about such ancillary institutions as trade associations, labor unions and, to a lesser degree, civic clubs. The base for the remaining organizational needs of esteem and self actualization also differ little from those of the individual and are usually generated in the organization by the individuals who comprise the organization.

The banking industry plays a definite role in the satisfaction of each of the needs of the individual and the organization. While the bank's functions are less oriented to the satisfaction of physiological

needs, it can, through its lending function, provide the funds necessary to satisfy even these requirements. Its principal stated function, however, is to provide safety and security. The satisfaction of these needs is provided through its depository functions. Banks have lesser roles in the satisfaction of the higher needs although larger, more prestigious banks can contribute to some measure of satisfaction in the categories of belongingness, esteem and self actualization both for the individual as well as for the organization.

The marketing profession views need in much the same manner as do psychologists. This profession, however, also recognizes that needs must be translated into wants before a market is actually developed. Generally, from the marketing viewpoint "needs" are translated into wants by motives which are categorized into ego-related, status-related, emotional, rational and patronage groupings. These motives act both on individuals and organizations in the translation of needs to perceived wants.

Each of the motives which assist in the perception of wants is applicable in some measure to the selection of banking services. However, since banking services are relatively non-differentiable, these motives have impact on the selection of the individual bank rather than on the decision to become customers of banks. These motives for bank and bank service selection affect individuals and organizations in varying degrees with ego, emotional and patronage related motives having greater impact on individual's decisions. Status-related and rational motives, conversely, weigh more heavily on bank selection by organizations.

Need Quantified

Once "needs" or wants, with respect to banking services in general and specific banks in particular, have been defined and identified, it next becomes important to quantify these needs. In earlier times, specialists in the location of purveyors of goods and services relied principally on market or trade area definition. Once the trade area was defined, estimates of sales potentials (or deposit potential in the case of banks) were inferred to the area based on national or regional averages applied to the population and income of the area.

During the past two decades, trade area definition methodologies have been supplemented by other quantitative techniques. Some of these methods "profiled" the average customer and estimated the number of such customers in a trade area. It was in this period also that survey techniques, now common to many types of feasibility and location studies, became a popular means for identifying market areas and quantifying consumers' needs. Today, econometric modeling and other sophisticated methods for determining the extent to which consumers have perceived needs are in existence. Unfortunately, those which are bank-specific are for the most part proprietary in nature and are not available for discussion in a paper of this type.

State Banking Codes and Franchising Agreements

The chartering of banks, which is a license to operate a bank, is similar to the granting of franchises for the operation of both retail firms and of public utilities. In all cases, the operator of the enterprise--be it bank, retail or service establishment or utility--recognizes

the existence of needs (or wants), transmits this recognition to the franchisor and, if successful in his bid to receive a charter or franchise, is authorized to begin operation under specified constraints. For the purpose of this study, the bank chartering laws of the 12 unit banking states are examined to determine the extent to which "need" plays a role in obtaining a charter.

The 12 unit banking states aggregatively examine seven basic economic factors when considering a new bank charter application. These seven factors are not all included in each state's requirements but some are common to all states. These factors are:

1. Public need
2. Probability of successful operation
3. Public convenience
4. Adequate representation of the state banking system
5. Public demand
6. Impact on existing banks
7. Opportunity to employ bank funds.

It is quickly evident that three of these factors directly relate to need or want. Obviously, public need, public convenience and public demand refer explicitly to the wishes, and wants, of the persons and organizations located in the area to be served by the new bank. On the surface, it might appear that the terms "public need" and "public demand" are synonymous. However, in the context of the regulations from which these terms are taken, "public need" refers more to safety and security while "public demand" refers primarily to the extent to which the public would use the proposed bank. Convenience, as it is used in bank chartering

regulations, is identical with convenience as defined by marketers and is a motive related to patronage.

Less directly, probability of successful operation and the opportunity to employ bank funds also relate to social wants. The attitude of the states that have the requirement for a "high probability of successful operation" view this as proof of need since, in their opinion, "a bank which is not needed will not be used and thus will not have a high probability of successful operation." The opportunity to employ bank funds is a reflection of a potential demand (or need) for loans by the community to be served by the bank.

The remaining economic factors, "adequate representatives of the state banking system" and "impact on other banks," do not relate either directly or indirectly to social needs or wants. Rather, these two requirements relate to the possible effects on the local banking system incurred by the establishment of a new bank. Implicitly, those states considering these factors attempt to protect the existing structure, possibly to the point of penalizing society.

In the final analysis, all 12 unit banking states recognize need/wants in some form and to some degree. Some equate demand (or ability to share in the market) to need while others utilize marketing concepts such as "convenience" and "public good" in their recognition of need.

The United States Comptroller of the Currency, who regulates and charters national banks, requires that a new bank be "needed" before a charter will be granted. Also required of new banks are that they have high probability of successful operation, that they serve the convenience of the public and that there is public demand for the new bank. Each of

PLEASE NOTE:

In all cases this material has been filmed in the best possible way from the available copy. Problems encountered with this document have been identified here with a check mark .

1. Glossy photographs _____
2. Colored illustrations _____
3. Photographs with dark background _____
4. Illustrations are poor copy _____
5. Print shows through as there is text on both sides of page _____
6. Indistinct, broken or small print on several pages throughout

7. Tightly bound copy with print lost in spine _____
8. Computer printout pages with indistinct print _____
9. Page(s) _____ lacking when material received, and not available
from school or author _____
10. Page(s) _____ seem to be missing in numbering only as text
follows _____
11. Poor carbon copy _____
12. Not original copy, several pages with blurred type _____
13. Appendix pages are poor copy _____
14. Original copy with light type _____
15. Curling and wrinkled pages _____
16. Other _____

these latter requirements relate either directly or indirectly to need/wants as defined both psychologically and from the marketing view. The one federal requirement not related to need is that the formation of a new bank must not endanger the existing banking structure in the area to be served by the new bank. Thus, federal banking laws place great emphasis on the needs/wants of society while at the same time protecting the existing banking structure.

Changes in Banking Structure

One test of the degree to which bank chartering agencies are sensitive to public needs/wants is the extent to which the banking structure changes with changes in the socio-economic structure of the area for which the agency is responsible. When compared with the growth in population, the expansion of banking facilities in unit banking states compares favorably. In addition, the expansion of the banking structure has generally occurred where the population growth has been most significant.

Population growth, taken by itself, is not an adequate measure of need for new banking facilities. Rather, population combined with the income distribution among that population, and changes therein, are the best indicators of need for new banks. Comparing both population and income changes (using changes in per capita income as a proxy for the two independent variables--population and income) reveals that only about one percent of the changes in bank structure in the 12 unit banking states was attributable to changes in per capita disposable personal income.

The next question to be posed is: To what extent does the private sector attempt to charter new banks on the basis of changes in population and income? The answer here is best described by the fact that less than

2 percent of the changes in bank charter applications are explained by changes in per capita disposable personal income. Thus, the failure of the bank structures in the 12 unit banking states to keep pace with changes in the socio-economic structures of these states is apparently as much the responsibility of the private sector as with the regulatory authorities. This is especially true since about 37 percent of the charters granted were explained by variations in charter applications.

This situation varies by state. During the past 4 years, such unit banking states as Iowa, Missouri, Montana and Nebraska have granted charters for more than half of the applications received. Other states such as Wyoming, North Dakota, and Texas have granted bank charters for one-third or less of the charter applications. Nonetheless and for whatever reasons, both the private and public sectors of the 12 states now classified as unit banking states have been slow to react to public needs/wants for new banks.

Evaluating Need for a New Bank

The three methods by which need for a new bank can be determined were applied to an actual bank feasibility problem in Oklahoma City. The results of applying Method I to this problem indicated that a new bank in the location proposed by the organizers should expect first year deposits of \$4,707,000.

The application of Method II to this same problem area resulted in first year deposit estimates of \$2,746,000. The results of Method III when applied to this problem indicated that the proposed new bank could expect first year deposits of \$3,606,000.

The actual experience of the new bank during its first year of operation was a deposit total of \$3,344,000. This suggested that, of the three methods, Method III provided the best estimates. However, it should be pointed out that each of these three methods estimated only deposits of individuals, partnerships and corporations which, in most new banks, represent a portion of the bank's deposit accounts. An analysis of the deposit composition of the new bank revealed that of the \$3,344,000 in total deposits obtained during the first year of operation, \$2,786,000 were deposits of individuals, partnerships and corporations while \$558,000 were deposits from other banks and governmental units. On this basis, then, Method II became the best estimating device.

The need for a bank as a depository for funds represents only a part of the reason society utilizes banking facilities. A second, and equally important need, is for a lending agency. Applying each of the three approaches as represented by Method I, II and III to the estimation of loan levels of a new bank during its first year of operation resulted in the following loan projections:

| | |
|-------------------|-------------|
| From Method I | \$1,884,000 |
| From Method II | 1,592,000 |
| From Method III | 2,357,000 |
| Actual Experience | 2,190,000 |

A comparison of these data suggests the results of the loan estimating techniques of each method differ significantly from the actual experience of the bank. However, the projections obtained from Method III were superior to those developed from either Methods I or II.

Application of Methods to a Retailing Problem

Slight variations of Methods I and II were applied to the determination of the feasibility of a supermarket, also in Oklahoma City. Insufficient case studies were available to construct the matrix of probabilities required for the implementation of Method III.

The application of the procedures required by Method I indicated that a new supermarket located in a suburb of Oklahoma City could be expected to experience annual sales slightly in excess of \$517 thousand per year (in 1970 dollars). The results of Method II, when applied to this same problem, indicated an annual sales volume estimate of \$1,072,448 (also in 1970 dollars).

Comparing these results from Methods I and II with the actual sales volume of \$1,117,450 reveals that in this use also Method II was more nearly indicative of the market potential for a new operation than was Method I.

Conclusions

Needs motivate wants which, in turn, create demand. Over time, marketing concepts and practices have been developed which will assist society in perceiving their wants and, concurrently, in satisfying the resultant demands. The purposes of this dissertation were:

1. To describe and analyze the various definitions of "need" as perceived by psychologists and marketers
2. To examine and define "need" as perceived by bank chartering agencies
3. To compare bank chartering practices with practices of other franchizing organizations and agencies

4. To describe methods for determining needs for new banks and apply these methods to determining needs for another type of consumer-oriented activity.

The findings of this study indicate that bank chartering agencies do little, if anything, to assist in the perception of wants (needs) as these wants pertain to new banking facilities. These same findings also show that bank regulatory agencies react sluggishly to satisfying the demand for new bank facilities once the need for those services has been recognized. However, the private sector of the economy in unit banking states which must act to establish banks has been equally lax in this regard since it has not attempted to provide the new facilities needed to supply the banking services needed.

Some of the problems arising in the acquisition of bank charters could be alleviated by restructuring and clarifying both state and national banking codes. First, a clear definition of "need" should be included in these codes. This definition should be so clearly stated that succeeding members of regulatory authorities and boards would not have the opportunity to impose differing perceptions to this important aspect of charter granting. Next, the charter granting agencies should have access to independently conducted research pertaining to the areas in which new bank charters are proposed. This research should explore the economy of the proposed bank's service area, the degree to which it is being served by existing banks and its outlook for future economic growth. This research can be conducted in-house or by an independent agency but, regardless of the source, it should be performed for the regulatory body to insure its credibility and lack of bias.

As pointed out earlier, the private sector (i.e., the entrepreneur) is not without blame in the evident lag in the provision of adequate banking services. A portion of the reticence of the private sector to enter into the bank charter application scenario is possibly due to the difficulties and expense incurred in forming new banks. This can be solved in part by changing the structures of the regulatory bodies so as to insure the inclusion of more non-banking persons and fewer bankers, and second, by reducing or eliminating the appellate provisions in state banking codes. The inclusion of an increased proportion of non-bankers on state regulatory bodies would serve to reduce the possibility of the tendency of bankers to protect their peers and associates by minimizing the number of new banks chartered because non-bankers can relate more easily to the needs of the remainder of society--the bank customers. The reduction or elimination of the ability to appeal new bank charters would reduce the expenditures and uncertainties on the part of organizers incurred in applying for new charters.

The remainder of the problem of attracting new bank organizers may be due to two factors: (a) the large capital investment needed and (b) the lack of information available on bank earnings. These problems can be partially solved by first encouraging wider stock distributions (and thus less investment per organizer) in proposed new banks and second, by requiring that periodic statements of bank conditions more clearly spell out earnings per share of stock.

Further findings of this study revealed that three methods now generally available for defining need for and determining the deposit potentials of proposed new banks can, with slight modification, be used

to assist in the determination of need of other types of consumer-oriented activity. Of the three methods applied to the problem, the conventional sample survey of consumer attitudes and needs proved to be the most effective both for new bank studies as well as for studies of other retailing activities.

The three methods examined herein, however, were not capable of providing reasonably precise estimates of proposed bank loan potentials. This deficiency is due in part to the fact that loan markets for banks differ from their markets for deposits in that while bank depositors may also be borrowers, their loans may have been obtained from banks other than those in which they are depositors. In addition, depositors in new banks may not become loan customers of that bank within its first year of operation even though they may in later years. Additional research into the methods for estimating loan volumes is required if more precise and valid methods are to be available.

The three methods have a second deficiency which deals with deposit estimates. This shortcoming is the fact that none provide a means for estimating either deposits of government agencies or interbank deposits. In some instances, particularly new banks, these components of the deposit structure can be very important as is noted in the bank referred to in the study where these types of deposits amounted to 15 percent of first year levels. Here, too, additional research will be required if an adequate method of forecasting the total deposit acquisitions of a new bank is to be available.

BIBLIOGRAPHY

Books

- Alderson, Wroe. Marketing Behavior and Executive Action. Homewood: Richard D. Irwin, 1958.
- Alhadeff, David A. Monopoly and Competition in Banking. Berkeley: University of California Press, 1954.
- Arndt, Johan, ed. Insights into Consumer Behavior. Boston: Allyn and Bacon, Inc., 1968.
- Berelson, B. and Steiner, G. Human Behavior. New York: Harcourt, Brace and World Company, 1964.
- Bernstein, Peter L. A Primer on Money, Banking and Gold. New York: Random House, 1968.
- Berry, Brian, J. L. Geography of Market Centers and Retail Distribution. Englewood Cliffs: Prentice-Hall, Incorporated, 1967.
- Berry, Brian, J. L. and Pred, Allen. Central Place Studies: A Bibliography of Theory and Application (including supplement through 1964). Philadelphia: Regional Science Research Institute, 1965.
- Bliss, Perry, ed. Marketing and Behavioral Sciences. Boston: Allyn and Bacon, Incorporated, 1967.
- Chou, Ya Lun. Statistical Analysis. New York: Holt, Rinehart and Winston, Inc., 1969.
- Collins, Martin. "Sampling," Consumer Market Research Handbook, ed. by R. M. Worchester. New York: McGraw Hill, 1972.
- Conoyer, Helen G. Selecting a Store Location. Washington, D.C.: United States Department of Commerce, Bureau of Foreign and Domestic Commerce, Economic Series 56, 1946.
- Davisson, C. N. and Taggart, H. F. Two Studies in Automobile Franchising. Michigan Business Studies, Vol. 1, No. 1, University of Michigan, 1974.

- Draper, Jean E. and Lingman, Jane S. Mathematical Analysis. New York: Harper and Row Publishers, 1967.
- Farley, John U.; Howard, John A. and Ring, L. W. Consumer Behavior. Boston: Allyn and Bacon, 1974.
- Fine, Isadora V. Retail Trade Area Analysis. Madison: University of Wisconsin Press, 1954.
- Fischer, Gerald C. America Banking Structure. New York: Columbia University Press, 1968.
- Frazier, William Johnson. Introduction to the Analytics and Institutions of Money and Banking. Princeton: Van Nostrand, 1966.
- Galbraith, John Kenneth. The Affluent Society. Boston: Houghton Mifflin Co., 1969.
- Goldberg, Samuel. Probability. Englewood Cliffs: Prentice-Hall, Inc., 1963.
- Gramley, L. E. A Study of Scale Economics in Banking. Kansas City: Federal Reserve Bank of Kansas City, 1962.
- Grossack, Martin M. Consumer Psychology for Harmonized Bank Marketing. Hull: Institute for Consumer Psychology, distributed by Schenkman Publishing Company, Cambridge, 1971.
- Haines, George H., Jr. Consumer Behavior: Learning Models of Purchasing. New York: Free Press, 1969.
- Hansen, H. L. Marketing: Text, Cases and Reading. Homewood: Richard D. Irwin, 1961.
- Hellreigel, D. and Slocum, J. W., Jr. Organizational Behavior: Contingency Views. New York: West Publishing Company, 1976.
- Hutchinson, Harry D. Money, Banking and the United States Economy. New York: Appleton-Century Crofts, 1971.
- Kane, B. J., Jr. A Systematic Guide to Supermarket Location Analysis. New York: Fairchild Publications, Inc., 1966.
- Katona, George; Mandell, Lewis; Morgan, James and Schmederkamp, Jay. Surveys of Consumers. Ann Arbor: Institute of Social Research, University of Michigan, 1973.
- Katz, D. and Kahn, R. The Social Psychology of Organizations. New York: John Wiley and Sons, 1966.
- Kelley, Eugene J. Shopping Centers--Locating Controlled Regional Centers. Saugatuck: The Eno Foundation for Highway Traffic Control, 1956.

- Kent, Calvin; Oppendahl, R. and Stephens, L. Municipal Franchising and Regulation: An Evaluation of Policy-Related Research. Public Finance Project, Business Research Bureau, University of South Dakota (December 1974).
- Lamb, Ward Ralph. Group Banking. New Brunswick: Ruttgers University Press, 1961.
- Lindquist, Robert. The Bank and its Publics. New York: Harper Publishing Company, 1956.
- Livingston, Homer J. Management Policies in American Banks. New York: Harper Press, 1956.
- Mager, S. D. The Cost of Funds to Commercial Banks. New York: Duneller Press, 1971.
- Marcus, Edward. Monetary and Banking Theory. New York: Pitman Publishing Corporation, 1965.
- Marks, Leonard. Cases in Commercial Bank Management. New York: McGraw-hill, 1962.
- Morgan, Irving. The Bank Book. Boston: Little, Brown, 1973.
- Nelson, Richard. Retail Site Location. New York: F. W. Dodge Corporation, 1962.
- Oppenheim, A. N. Questionnaire Design and Measurement. New York: Basic Books, Inc., Pub., 1966.
- Prochrow, Herbert V. The Changing World of Banking. New York: Harper and Rowe, 1973.
- Reed, Edward Wilson. Commercial Bank Management. New York: Harper and Rowe, 1963.
- Reilly, W. J. The Law of Retail Gravitation. New York: William J. Reilly, 1973.
- Reynolds, Fred and Wells, William. Consumer Behavior. New York: McGraw-Hill Book Co., 1977.
- Rockefeller, David. Creative Management in Banking. New York: McGraw-Hill Book Co., 1964.
- Schreier, Fred T. Modern Marketing Research. Belmont: Wadsworth Publishing Co., Inc., 1963.
- Schwartz, D. J. Marketing Today: A Basic Approach. New York: Harcourt, Brace and Jovanovic, Inc., 1973.

Schwartz, George, ed. Development of Marketing Theory. Cincinnati, Ohio: South-Western Publishing Co., 1963.

Shaun, Philip A., ed. Federal Banking Laws. Boston: Warren, Gorham, and Lamont, 1969.

Spofford, Gavin. Guidepost of Banking Expansion. New Brunswick: Rutgers University Press, 1961.

Thompson, Donald L. Analysis of Retailing Potential in Metropolitan Areas. Institute of Business and Economic Research, Berkeley, California, 1964.

Vaughn, C. L. Franchising. Lexington: Lexington Books, 1973.

Vaughn, C. L. Franchising: Its Nature, Scope, Advantages, and Development. Lexington, Massachusetts: Lexington Books, 1974.

Websters Third New International Dictionary of the English Language, Unabridged Edition. Springfield: G & C Merriam Company, 1971.

Yamane, Taro. Elementary Sampling Theory. Englewood Cliffs: Prentice Hall, Inc., 1967.

Bank Administration. American Institute of Banking, 1972.

Studies in Banking Competition and the Banking Structure. Washington: Administration of National Banks, United States Treasury, 1966.

Published Reports

Bucklin, Louis B. "The Economic Base of Franchising." Working Paper Series, Research Program in Marketing, University of California, Berkeley. No. 62, 1970.

Dikeman, N. J., Jr. Trade Areas of Oklahoma. Bureau of Business Research, University of Oklahoma, 1962.

Gup, Benton E. "A Study of Banking Structure." Occasional Papers II, University of Tulsa (October 1970).

Homan, A. G. and Dikeman, N. J., Jr. A Practical Approach to Analyzing the Feasibility of Commercial Banks. Monograph 12, Bureau for Business and Economic Research, University of Oklahoma, 1971.

LaLonde, Bernard. Differentials in Supermarket Drawing Power. Marketing and Transportation Paper No. 11. East Lansing: Bureau of Business and Economic Research, Michigan State University, 1962.

- Lewis, B. I. Franchising, a Selective Bibliography. Graduate School of Business Administration, University of Minnesota, 1966.
- Lewis, Edwin Henderson. The Franchise System of Distribution. Prepared at the University of Minnesota under the Small Business Administration Management Research Grant Program by Edwin H. Lewis and Robert S. Hancock, 1963.
- Mertes, John E. Creative Site Evaluation for the Small Retailer. University of Oklahoma, 1962.
- Pariser, D. B. "Structure and Performance of the North Dakota Commercial Banking System, 1962-1971," University of North Dakota.
- Thompson, D. N. "Franchising and Franchise Systems; the Marketing, Management, and Economic Literature." Franchising Today, report of the Fourth International Management Conference on Franchising, sponsored by the Boston College Center for the Study of Franchise Distribution, Farnsworth publishers: 1969: 353-67.
- Federal Deposit Insurance Corporation. Bank Operating Statistics 1974. Washington, D.C.: Federal Deposit Insurance Corporation, 1974.
- "What Does It Take to Build a Bank?" Republic National Bank of Dallas, Dallas, 1950.

Articles in Journals

- Alhadeff, D. A. "Barriers to Bank Entry." Southern Economic Journal, 40 (1974).
- Anderson, W. T.; Cox, E. P. and Fulcher, D. G. Journal of Marketing, 40 (January 1976): 40-46.
- Applebaum, William. "A Technique for Constructing a Population and Urban Land Use Map." Annals of the Association of American Geographers. March 1936.
- Applebaum, William and Cohen, Saul B. "The Dynamics of Store Trading Areas and Market Equilibrium." Annals of the Association of American Geographers (March 1961).
- Applebaum, William; Cohen, Saul B.; Epstein, Bart J.; Green, Howard L.; Imus, Harold R.; and Ramsome, Jack C. "Store Location and Development Studies." Economic Geography (January 1961).
- Applebaum, William and Richard F. Spears. "How to Measure a Trading Area." Chain Store Age (January 1951).

- Cableigh, I. U. "Franchising Companies." Commercial and Financial Chronicle, 211 (February 1970): 600-608.
- Clabault, J. M. "Antitrust Problems in Franchising." Conference Board Records, 7 (July 1970): 57-60.
- Cohen, Saul B. and Lewis, George K. "Form and Function in the Geography of Retailing." Economic Geography (January 1964): 1-42.
- Converse, P. D. "New Laws of Retail Gravitation." Journal of Marketing (October 1949): 379-384.
- Cox, W. E., Jr. "Other Dimensions Involved in Shopping Center Preference." Journal of Marketing (October 1970): 12-17.
- DiMarco, J. J. and Kapsik, P. L. "Relationship of Life Style and Interpersonal Need Orientation." Psychology, 86 (January 1974): 13-15.
- Fetter, Frank A. "The Economic Law of Market Areas." Quarterly Journal of Economics, 38 (1924): 520-529.
- Fretzsch, D. J. "Consumer Response Information--A Potential Tool for Regulatory Decision Makers." Transportation Journal, 14 (Winter 1974): 22-26.
- Goodwin, William. "Sales Performance Maps for Marketing Geography." The Professional Geographer (September 1967): 263-267.
- Green, Howard L. "The Structure of Outlying Retail Centers: Where Do Retail Functions Belong?" Journal of Retailing (Winter 1968): 54-60.
- Green, P. E. and Wind, Y. "New Way to Measure Consumers' Judgements." Harvard Business Review, 53 (July 1975): 107-117.
- Hanford, L. D. "Problems and Financing Trends in Franchising." Appraisal Journal, 39 (April 1971): 222-30.
- Huff, David L. "A Probability Analysis of Shopping Center Trading Areas." Land Economics, 53 (February 1963): 81-90.
- Hunt, Shelby D. "The Socioeconomic Consequences of the Franchise System of Distribution." Journal of Marketing, 36 (July 1972): 32-38.
- Hunt, S. D. "Trend Toward Company-operated Units in Franchise Chains." Journal of Retailing, 49 (Summer 1973): 3-12.
- Hunt, S. D. and Nevin, J. R. "Power in a Channel of Distribution: Sources and Consequences." Journal of Marketing Research, 11 (May 1974): 186-193.

- Hunt, Shelby D. and Nevin, John R. "Tying Agreements in Franchising." Journal of Marketing, 39 (July 1975): 20-29.
- Hyson, C. D. and W. P. "The Economic Law of Market Areas." Quarterly Journal of Economics, 64 (1959): 319-327.
- Jack, N. W. "Salaries in the Banking Industry with Tables." Monthly Labor Review, 94 (April 1971): 57-59.
- Jolson, M. A. and Spath, W. F. "Understanding and Fulfilling Shoppers' Requirements: An Anomaly in Retailing?" Journal of Retailing, 49 (Summer 1973): 38-50.
- Leland, N. E. "Theory of the Firms Facing Uncertain Demand." American Economic Review, 62 (July 1972): 278-291.
- Markland, R. E. and Furst, R. W. "Conceptual Model for Analyzing Discrete Alternative Franchising Portfolios: Design and Validation." Operational Research Quarterly, 25 (June 1974): 267-281.
- Maslow, A. "A Theory of Human Motivation." Psychological Review, 50 (July 1943): 370-396.
- Massey, William F. "Forecasting the Demand for New Convenience Products." Journal of Marketing Research, 6 (November 1969): 405-412.
- McGuire, E. P. "State Franchising Regulations." Conference Board Records, 7 (October 1970): 29-32.
- McGuire, E. P. "Franchising--Some Hurdles Ahead." Conference Board Records, 7 (July 1970): 54-56.
- Michellini, R. L. "Influence of Psychological Needs on Human Behavior." Journal of Psychology, 91 (November 1975): 253-258.
- Motter, D. C. "Bank Formation and Public Interest." National Banking Review, 2, United States Treasury Department (March 1965): 299-304.
- Nevin, J. R. "Laboratory Experiments for Estimating Consumer Demand, A Validation Study." Journal of Marketing Research (August 1974): 261-269.
- Olson, R. S. "Franchise Agreement." Management Accounting, 52 (June 1971): 37-44.
- Pelzman, Sam. "Bank Entry Regulation: Its Impact and Purpose." National Banking Review, 3 (March 1966).
- Plotkin, Manuel D. "The Use of Credit Accounts and Computers in Determining Store Trading Areas." New Directions in Marketing, Chicago: American Marketing Association, 1965.

- Plummer, Joseph T. "Life Style Patterns and Commercial Bank Credit Card Usage." Journal of Marketing, 35 (April 1971): 35-41.
- Pyle, J. Freeman. "Determination of Location Standard for Retail Concerns." Harvard Business Review, No. 4 (1926): 303-312.
- Renshon, S. A. "Psychological Needs, Personal Contract and Political Participation." Journal of Political Sciences (March 1975): 107-116.
- Salby, E. L., Jr. "The Structure of Banking in Georgia." Georgia Business, 36, 6 (December 1974): 1-8.
- Snyder, J. D. "Franchises: Selling the Hustings Instead of Headquarters." Sales Management, 108 (January 1972): 19-22.
- Stephenson, P. R. and House, R. G. "A Perspective on Franchising." Business Horizons, 14 (August 1971): 35-42.
- Thompson, Donald L. "Future Directions in Retail Area Research." Economic Geography (January 1966): 1-18.
- Trevor, H. S. "Guidelines for Lending to Franchisors/Franchisees." Bankers Monthly, 88 (February 1971): 20-23.
- Van Fleet, D. D. "Need Hierarchy and Theories of Authority." Human Relations, 26 (1973): 567-580.
- Weighland, R. E. and Wasson, H. C. "Arbitration in the Marketing Channel." Business Horizons, 17 (October 1974): 39-47.
- Wells, William D. "Measuring Readiness to Buy." Harvard Business Review, 39 (July-August 1961): 81-87.
- Weston, Fred and Hasking, W. L. "Geographic Aspects of Market Structures and Performance in Banking." Journal of Business Research, 1 (Summer 1973): 31-42.
- Wotruka, T. R. and Duncan, P. L. "Are Consumers Really Satisfied?" Business Horizons, 18 (February 1975): 85-90.
- Wright, P. "Consumer Choice Strategies: Simplifying vs. Optimizing." Journal of Marketing Research, 12 (February 1975): 66-67.
- Wrighton, Fred. "Banking in Louisiana." The Louisiana Economy, 6, 2 (November 1972).
- Yeates, A. J. "Further Evidence on the Structures-Performance Relation in Banking." Journal of Economics and Business, 26 (Winter 1974): 95-100.

- Yeates, A. J.; Irons, E. D.; and Rhoades, S. "An Analysis of New Bank Growth." Journal of Business, 45 (April 1975): 179-203.
- Yeh, Y. "Consumer Preferences and Gains from Trade." American Economic Review, 64 (July 1974): 473-477.
- "An Evaluation of Current Store Location Research." New Directions in Marketing (1965): 243-250.
- "Bank Competition and Michigan Banking Structure." Michigan State Economic Record, 14 (September-October 1972): 1-8.
- "Chain Store Location Strategy and the Profit S-Curve." New Directions in Marketing, American Marketing Association (1965): 283-294.
- "Evaluating Store Sites and Determining Store Rents." Economic Geography (January 1960): 1-35.
- "Can Store Location Research be a Science?" Economic Geography (July 1965): 234-237.
- "Business of Your Own?" The Economist, 235 (May 1970): 52.
- "Franchisee's Find Friend (F.T.C.)" Sales Management, 107 (December 1971): 8.
- "How to Measure a Trading Area." Chain Store Age (January 1951).
- "Interstate Banking: The New York Initiative." Review of Business, 11 (March/April 1974): 1-2.
- "Marketing Strategies: American Training: Learn, Then Sell." Sales Management, 110 (April 1973): 12.
- "Minority Groups Help Spearhead Franchising Industry Upsurge." Commerce Today, 3 (February 1975): 25.
- "Potential Competition in Banking." Address, March 19, 1973. D. I. Boken. Vital Speeches 39: 405-9, April 15, 1973.
- "Store Location Research--A Survey by Retail Chains." Journal of Retailing (Summer 1964): 53-56.
- "Toward a Better Understanding of Store Site Evaluation and Rentals." The Frontiers of Marketing Thought and Science. American Marketing Association, 1957.

Articles in Other Periodicals

- Diamond, S. A. "Franchise System Charged in Anti-Trust Violation." Advertising Age, 42 (November 1971); 44.

- Furst, R. W. and Markland, R. E. "Evaluating Franchising Opportunities: A Problistic Approach." Financial Executive, 38 (February 1970): 70-75.
- Murray, D. J. "Cautious Boom in Franchising." Dun's Review, 100 (November 1972): 45-49.
- "Chain of Laws for Franchising." Business Week, April 4, 1970: 26.
- "Changing Pattern for the Franchise Boom, with Tables." U.S. News and World Report, April 25, 1972.
- "Ever Tighter Limits on Franchising Power." Business Week, May 25, 1974.
- "Franchising's Busy Helpers: Franchiser Consultants." Business Week, February 1970.
- "Franchising Goes on the Griddle." Business Week, January 3, 1970.
- "How a Social Conscience Shapes Banking." Business Week, September 15, 1973.
- "Law Shapes Up on Franchising." Business Week, January 1970.
- "Line is Drawn on Banks; Administration Bill to Regulate One-Bank Holding Comapnies." Business Week, March 29, 1969.
- "New Banking: Special Report." Business Week, September 15, 1973.
- "Shutting the Gates on Area Franchisers." Business Week, January 23, 1971.
- "Bank Franchises the Cashless Society." Business Week, May 26, 1975.
- "Battle Over Banking Limits." Business Week, December 5, 1970.

Unpublished Material

- Dikeman, N. J., Jr. The Image of the May Avenue Bank and Trust Company, an unpublished report, Bureau for Business and Economic Research, University of Oklahoma, 1972.
- Homan, A. G. and Dikeman, N. J., Jr. The Image of the First State Bank and Trust Company of Oklahoma City, an unpublished report, Bureau for Business and Economic Research, University of Oklahoma, 1970.
- Feasibility of a New Bank in Nichols Hills, Oklahoma, an unpublished report, Business Research Center, Oklahoma City University, 1972.

The Economic Feasibility of a Bank in the Shepherd Mall Shopping Center in Oklahoma City, an unpublished report, Bureau of Business Research, Norman, Oklahoma, University of Oklahoma, 1966.

The Feasibility of Changing the Name of a Bank in Oklahoma City, an unpublished report, Bureau for Business Research, University of Oklahoma, 1960.

Reports and Hearings

United States Bureau of the Census. "Use of Census Tract Data for Locating Retail Limits." Paper presented at the Census Tract Conference, December 29, 1964, Working Paper 27, 18-19.

Statutory

Illinois, Banking Act (1973), Section 13.

Iowa, Iowa Banking Act of 1969 (1969), C. 301.

Kansas, Banking Laws (1974), Article 8.

Minnesota, Banking Laws and Related Statutes (1973), C. 48.

Missouri, Laws Relating to Banks and Trust Companies (1967), C. 362.

Montana, Laws Relating to Banks and Banking (1971), Table 5.

Nebraska, Banking Laws (1974), Section 8-120.

North Dakota, Uniform Commercial Code (1966), C. 41-04.

Oklahoma, Banking Code (1965), Article III.

Texas, Banking Code (1943), C. II.

West Virginia, Banks and Banking (1969), C. 31-A-2-5.

Wyoming, Laws Relating to Banks and Banking (1974), C. 1.

APPENDIX A

APPENDIX A

CONFIDENTIAL - BANK QUESTIONNAIRE

OKLAHOMA CITY, OKLAHOMA

Code Number 180

Address _____

Interviewer _____

Date _____

1. Origin: W B O
2. Size of Household _____
3. Occupation of Head of Household _____
4. Where does he (she) work?
_____ Downtown Oklahoma City
_____ Bethany
_____ Will Rogers Airport
_____ Meridian Industrial Area
_____ Other (Specify) _____
5. What is the approximate age of the head of the household? _____
6. How many automobiles does the household own? _____
7. Where do you normally purchase these goods?

| Type of Goods | Okla. City (Name of Store) | Out of Town (Name of City) |
|------------------|-------------------------------|-------------------------------|
| Food | _____ | _____ |
| Clothing | _____ | _____ |
| Automobiles | _____ | _____ |
| Furniture | _____ | _____ |
| Appliances | _____ | _____ |
| Farm Machinery | _____ | _____ |
| Other (specify): | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |

OKLAHOMA CITY BANK STUDY

8. At which type of establishment do you usually buy these goods?

| | Downtown | Discount | Shopping Center |
|------------------|----------|----------|-----------------|
| Food | _____ | _____ | _____ |
| Clothing | _____ | _____ | _____ |
| Automobiles | _____ | _____ | _____ |
| Furniture | _____ | _____ | _____ |
| Appliances | _____ | _____ | _____ |
| Farm Machinery | _____ | _____ | _____ |
| Other (Specify): | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |

9. Do you have a checking account? _____ If yes, give the bank's name and location _____

10. a) Do you have a savings account? _____ If yes, give the bank's name and location _____

b) Does your bank provide the services and conveniences you desire? _____

c) If no, what other services or conveniences do you desire? _____

d) Do you have more than one savings account? _____ If yes, where? (Name) _____

11. Is there any particular reason for banking where you now bank? _____ If yes, what is it? _____

12. How often do you visit your bank?

Weekly: _____ Once _____ Twice _____ Three Times _____ Four Times

Monthly: _____ Once _____ Twice _____ Three Times _____ Four Times

13. What services do you wish a bank to provide?

_____ Drive-In Window

_____ Automatic Savings

_____ Mail Banking

_____ Night Depositories

_____ Other (Specify):

OKLAHOMA CITY BANK STUDY

14. Do you bank where you shop? _____ Work? _____ Reside? _____ Neither? _____
 a) Do you have more than one checking account at a bank? _____ If yes, in what bank (s) are these accounts located? _____

15. Would you rather bank where you shop? ___ Work? ___ Reside? ___ No preference? ___
16. Does the husband or wife do the banking? _____
17. What time of the day is most convenient for your banking needs? _____
18. Does distance influence your choice of banks? _____
19. Would adequate parking affect your choice of banks? _____
20. Are you satisfied with the attitude of local bankers in providing you with services you want? _____ If not, give your reasons. _____

21. Would you bank at a new bank located in the vicinity of the intersection of Northwest 10th and Purdue? _____
22. If the answer to number 21 was yes, what banking services would you use? (Check those applicable).

- _____ Checking Account
 _____ Savings Account
 _____ Safety Deposit Box (Lock Box)
 _____ Loans
 _____ Financial Advice
 _____ Check Cashing
 _____ Other (Specify):

23. What is your approximate annual income?

- _____ Less than \$3,000
 _____ \$3,000 to \$4,999
 _____ \$5,000 to \$7,999
 _____ \$8,000 to \$9,999
 _____ \$10,000 to \$11,999
 _____ \$12,000 or over
 _____ Refused
 _____ Don't know

OKLAHOMA CITY BANK STUDY

24. What is the educational level of the household, in other words, the number of years he attended school?

_____ Grades, _____ years
_____ High School
_____ College, _____ years
_____ Post Graduate

SCHEDULE OF QUESTIONS
FOR AREA BUSINESSMEN

Interview
Date

Code Number 180

1. Type of Business (observed) _____
2. Is that the main store or a branch? _____
3. Number of employees _____
4. Trade area served (mile radius or street limits) _____
5. Approximate number of customers per week (if retail or service) _____

6. Where is closest bank? (observed and owner/manager opinion) _____

7. How far is this bank from your store? (Observed and owner/manager opinion)

8. Where do you now bank? (name of banks) _____

9. If not the closest bank, why do you use this bank (s)? _____

10. Does your present bank(s) provide the services you need? _____ Yes
_____ No If no, what additional services do you desire? _____

11. Would you become a depositor in a new bank located at Northwest 10th and
Purdue?
 - a. Why? _____
 - b. If yes, what services should this bank offer? _____

 - c. Do you think a new bank at this location is needed? _____ Yes _____ No
_____ Don't Know _____ Refused
 - d. Why? _____
12. If you would become a customer of the proposed new bank, approximately how
much would your average monthly deposits amount to? _____

CONFIDENTIAL
SUPERMARKET QUESTIONNAIRE

ADDRESS _____

INTERVIEWER _____

DATE _____

1. Ethnic Group _____

1. White 2. Negro 3. Indian 4. Asiatic

2. Size of Family _____

1. 1 3. 3 5. 5
2. 2 4. 4 6. 6 or more

3. What is occupation of head of household? _____

1. Construction
2. Finance, real estate, insurance
3. Manufacturing
4. Trade
5. Government
6. Service, including professional
7. Transportation, communication, utilities
8. Retired
9. Unemployed
10. Other, including student

4. Where does he or she work? _____

1. Oklahoma City (Downtown) _____

2. Oklahoma City (Other) _____

3. Del City _____

4. Midwest City (FAA) _____

5. Tinker AFB _____

6. Other (Specify) _____

5. What is the age of the head of the household? _____

1. 0 - 20

4. 41 - 50

7. 71 - up

2. 21 - 30

5. 51 - 60

3. 31 - 40

6. 61 - 70

6. How many years of school has the head of the household completed? _____

1. 8th grade or less

4. Some college

2. Some high school

5. College graduate

3. High school graduate

6. Masters

7. Doctorate

7. How many automobiles does the family own? _____

1. 1

2. 2

3. 3

4. 4

5. 5 or more

8. What type of grocery store do you prefer? (Check those applicable)

Supermarket _____

Regular Grocery/meat market _____

Neighborhood Grocery Store _____

Fast Service (7-11 type) Store _____

Grocery Department in Discount Store _____

Other _____

9. Where do you now purchase most of your groceries? (Name and give approximate location of Store) _____

10. Where do you now purchase most of your meat? (Name and give location of store) _____

11. How often do you visit this grocery store (given in 9 above)?

12. How often do you visit this meat store (given in 10 above)?

13. Do you ever purchase groceries at fast service stores?

Yes _____ No _____

13a. Why? _____

14. Do you ever have reason to travel on Sooner Road near the intersection of Southeast 29th Street?

Yes _____ No _____

14a. If yes, how frequently? _____

15. Approximately how much do you spend each week for groceries?

\$ _____; for meat? \$ _____.

16. Would you become a customer of a supermarket handling a full line of groceries and meats at competitive prices located at the intersection of Southeast 30th Street and Sooner Road?

Yes _____ No _____ Don't know _____

16a. If yes, would you be a regular or occasional customer?

Regular _____ Occasional _____

17. What is your approximate annual income?

Less than \$5,000

\$5,000 but less than \$7,500

\$7,500 but less than \$10,000

\$10,000 but less than \$15,000

\$15,000 but less than \$20,000

\$20,000 and above

APPENDIX B

BANK CHARTER APPLICATIONS

UNITED STATES



THE ADMINISTRATOR OF NATIONAL BANKS

WASHINGTON, D.C. 20220

Office of the
Comptroller of the Currency

Instructions Regarding
Application to Organize a National Bank
and Supplementary Forms

Mr. _____

Dear Mr. _____:

You and your associates have expressed an interest in organizing a National Bank. Before undertaking action of any nature to effectuate your purpose, including execution of the enclosed documents, you are urged to discuss your proposal with the following named Regional Administrator of National Banks for the National Bank Region in which you intend to locate the proposed bank:

Such consultation will save you time and expense.

In developing your proposal for presentation to the Regional Administrator, bear in mind that the statutory minimum invested capital requirements for organization of a National Bank vary according to the population of the city, town, village, or other place in which the bank is to be located. In general, in a place having a population of not more than 6,000, capital of not less than \$50,000 is required. In a place having a population in excess of 6,000 but less than 50,000, capital of not less than \$100,000 is required. In a city the population of which is in excess of 50,000, a minimum capital of \$200,000 is required. The Comptroller of the Currency, however, ordinarily requires a substantially larger amount of initial capital, depending upon the facts developed in an investigation.

In addition to paid-in capital, a National Bank is required to have an amount of paid-in surplus equal to not less than twenty percent of its capital. Moreover, the Comptroller of the Currency always requires an amount of paid-in undivided profits, over and above capital and paid-in surplus, adequate to meet organizational and other expenses and still provide a margin of safety until the operations of a new bank become profitable.

The following enclosed documents are to be executed and submitted to the Regional Administrator of National Banks in accordance with the instructions hereinafter set forth:

Application to Organize a National Bank and
Representations of Applicants (Three Copies)

Appointment of Agent (Three Copies)

Financial Report (Three Copies)

Biographical Report (Three Copies)

If additional copies of these documents are required, please advise the Regional Administrator. The purpose of these documents is to seek the preliminary approval of the Comptroller to organize the proposed bank.

The Application to Organize a National Bank and Representations of Applicants must be completed and signed, in duplicate, by at least five adult natural persons and the Appointment of Agent must be completed and signed, in duplicate, by the same persons who signed the application to organize. The latter document should also be signed, in duplicate, at the appropriate place by the person designated as agent for those signing the application to organize, whether or not the person designated as agent is one of those signing the application to organize.

A Financial Report and a Biographical Report must be completed and signed, in duplicate, by each person who signed the application to organize.

When properly executed, the application to organize, the appointment of agent, and financial and biographical reports for each applicant, all in duplicate, must be mailed to the Regional Administrator. Do not deliver them by hand or otherwise. If desired, an applicant may forward, by mail, his financial and biographical reports directly to the Regional Administrator so as to arrive at or about the same time as the other documents are delivered to the Regional Administrator. If all financial and biographical reports do not accompany the application to organize and appointment of agent, the application to organize will not be acted upon in any manner by the Regional Administrator until all such reports are received by the Regional Administrator.

The fee for filing an application to organize is \$2,500. A check in this amount, payable to the Comptroller of the Currency, must be transmitted to the Regional Administrator with the application to organize. Refund with respect to this filing fee will be made only as follows:

1. If the application is withdrawn by you before a field investigation is undertaken by this Office, \$2,000 will be refunded.
2. If the application is withdrawn by you after a field investigation is undertaken by this Office but before the Comptroller renders a decision with respect to preliminary approval of the application, \$500 will be refunded.

Your attention is particularly directed to the several representations and warranties set forth in the application to organize. Read these representations and warranties carefully. Be certain you understand them fully. Their importance cannot be overemphasized. The information set forth by you in the application to organize, and in the appointment of agent and biographical and financial reports is subject to verification through investigation. A misrepresentation in or omission of a material fact from these documents may subject you to severe criminal penalties, including those provided for by 18 U.S.C. 1001. Moreover, discovery of a misrepresentation or omission of a material fact will ordinarily result in no further action being taken by the Comptroller of the Currency in connection with the application or if discovered after the proposed bank has achieved corporate existence or has commenced the business of banking, may result in action to revoke the bank's corporate existence or its authority to do business.

Also enclosed is an outline of the minimum information which must be developed and submitted to the Regional Administrator of National Banks within 30 days after filing of the application. Failure to meet this requirement or to be otherwise prepared for personal interviews or to assist in the investigation may result in your application being considered as abandoned.

While ordinarily unnecessary, you may, if you choose, employ professional assistance such as attorneys, economic researchers, and other specialists, to aid you in connection with your application. You are, however, advised that all charges for organization expenses must be reasonable in amount.

No such expense or charge except minor organizational expenses may be paid until full details, including dates, nature of services, and the charges therefor, are submitted to the Comptroller of the Currency and the Comptroller has expressly approved payment. Moreover, if the Comptroller of the Currency approves payment, payment shall ultimately be paid only out of bank funds and reflected on the books of the bank.

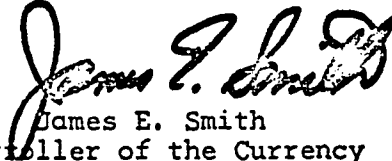
Funds to pay for organizational expenses should not be borrowed by the proposed bank or the applicants from any source. If necessary, minor organizational expenses incurred by you should be paid out of your personal funds subject to reimbursement by the bank and later approval by the Comptroller.

In no event shall the amount of or payment of an expense or charge be solely contingent upon any action, decision, or forbearance on the part of the Comptroller of the Currency. A contingent expense or charge will ordinarily result in the Comptroller of the Currency's refusal to grant preliminary approval, or the Comptroller's withdrawal of such approval if the same has already been granted. A contingent charge, however, is not one where an additional charge will be made to cover additional work resulting from action by the Comptroller of the Currency.

You will be notified by letter when your application has been accepted for filing. Within fifteen days after receipt of such notification you must publish the proposals contained in the application and the names of the signatories to the application one time in a local newspaper of general circulation. Immediately thereafter, supply the Regional Administrator with a tearsheet or clipping evidencing such publication.

The acceptance for filing of your application to organize should not be construed as evidence that your application will receive the preliminary approval of the Comptroller of the Currency. In addition, the Comptroller of the Currency may grant preliminary approval and yet disapprove some persons who have participated in submitting the application to be shareholders in the bank or to be affiliated with the bank in any other way. Consequently, until you receive a written authorization from the Comptroller of the Currency, do not enter into any binding agreements, written or oral, among yourselves or with any other person regarding subscriptions for or purchase of stock, in the proposed bank or regarding election of directors of the proposed bank.

Until further notice by the Comptroller of the Currency or the Regional Administrator of National Banks, do not take any other action of any kind with respect to organization of the bank. In the event preliminary approval is granted, complete additional instructions will be given to you at that time.

A handwritten signature in cursive script, appearing to read "James E. Smith".

James E. Smith
Comptroller of the Currency



COMPTROLLER OF THE CURRENCY
THE ADMINISTRATOR OF NATIONAL BANKS

SUMMARY OF INFORMATION TO BE SUBMITTED TO THE REGIONAL
ADMINISTRATOR OF NATIONAL BANKS WITHIN 30 DAYS AFTER THE
FILING OF AN APPLICATION TO ORGANIZE A NATIONAL BANK

- (1) Population of city, town, county, village or municipality in which the proposed bank is to be located as of the last decennial census and a present estimate.
- (2) (a) Estimated population of the service area, for last decennial census and a present estimate from which the proposed bank is expected to generate 75% or more of its loans and deposits.

(b) This area extends from the proposed bank location approximately _____ miles north; _____ miles east; _____ miles south; _____ miles west.
(Area must be outlined on the maps and aerial photographs submitted)
- (3) Provide the following information with respect to each competitive bank and branches thereof located within the service area of the proposed bank (if complete branch figures are not available use consolidated figures). In nonpar, so indicate.

| * Location marker number, names and addresses | Date established if within three years | Deposits | Loans |
|---|--|--|--|
| Distance by road mileage and direction from proposed bank | Interest rates paid on savings deposits and certificates of deposits | Interest rates normally received on short-term business and instalment loans | Rate of return on capital for previous three years |
| Hours of business | Estimate of commercial bank share of mortgage loan business | Loan-deposit ratio | |

- (4) Provide handy-sized duplicate maps (with a scale of miles and compass points) of the city or area appropriately labeled to show the location of the proposed bank and the names and locations of all banks and branches, including applications pending and those approved but not opened. Aerial photographs of reasonable coverage, including expected service area are helpful, and if available, one so labeled should be submitted. The expected service area of the proposed bank should be clearly outlined on the maps and on aerial photographs.

*Include applications pending and those approved but not opened.

- (5) Provide the following information with respect to Savings and Loan, Building and Loan, and Mutual Savings Banks located within the proposed service area.

| Names and Addresses | Date established if within three years | Share Accounts | Loans | Distance by road mileage and direction from proposed bank |
|------------------------|--|-------------------|-------|--|
|------------------------|--|-------------------|-------|--|

- (6) Indicate the number of the following institutions within the proposed service area three years ago and the number of each at the present: Credit Unions, Finance companies, Insurance companies granting loans, and other institutions granting loans.
- (7) Indicate degree of intensity of competition in service area by Savings and Loan, Mutual Savings Banks, Credit Banks, etc.
- (8) Provide a copy of any survey made preliminary to filing the application for the proposed bank and also the cost for any such survey.
- (9) Comment on the economic character of the area to be served.
- A. If area is largely residential, state whether homes are generally owner-occupied, the extent of housing development, type, quality, price level, average age, number of unsold new homes, and prospect for continued development.
 - B. If primarily industrial or business, state the number and general types of business, and in the cases of principal employers, give the name of each company or firm, number of employees, and payroll, and comment on the consistency of employment and special skills required.
 - C. Shopping center locations should be fully described. State the number of units, size as to total land and building area, number of individual parking spaces, accessibility to surrounding communities, the extent to which signed leases have been obtained, the names of principal lessees, and provide information as to their financial responsibility, if not national concerns.
 - D. Provide information regarding population growth potential; new businesses recently established or planned, etc. Discuss the traffic pattern, the street and road facilities, and their adequacy. Describe geographical barriers, if any.
- (10) If no bank in community, where is banking business conducted by residents?

- (11) Past banking history of community.
- (12) Proposed ownership of stock, is it to be widely distributed or closely held. Amounts to be taken by organizers, proposed directors, officers and their families.
- (13) Financial position of city, town, village, school districts and county. Discuss tax collections, showing total levy, percentage collected and arrears, etc.
- (14) List the major types of loaning demands proposed bank expects to serve.
- (15) Give estimates of the volume of total deposits, showing the amount of public funds included in total and total loans expected at the end of the first year of operations, second and third year.
- (16) A detailed projection of earnings and expenses must be submitted showing the breakdown of income and expenses for each of the first three years of operations.
- (17) Give the following information regarding banking house and equipment as it applies:
 - (a) If to be purchased, the separate costs of land, building, furniture and fixtures, and vault.
 - (b) If to be leased, give terms in brief and describe the quarters.
 - (c) If property is to be purchased or leased from a director, officer, or large shareholder, state name and other pertinent data.
 - (d) Give expiration date of any option to purchase or lease.
 - (e) If new construction, furnish anticipated completion date.
 - (f) If a temporary location is planned, furnish exact address, distance and direction from permanent location, and period it will be occupied.
 - (g) State the approximate period of time that will be required to place bank in operation in temporary and/or permanent site.
- (18) What plans have been made to obtain fidelity insurance covering all individuals authorized to collect, receive or deposit funds from stock subscriptions?

ILLINOIS

IOWA

Application to Organize a State Bank

Superintendent of Banking
Department of Banking
Des Moines, Iowa

Dear Sir:

We, the undersigned prospective incorporators, being natural persons and of lawful age, hereby make application to the Superintendent of Banking to organize a State Bank under the title of "_____

_____ " to be located at _____ (STREET ADDRESS)

_____ County of _____, State of Iowa, pursuant applicable provisions of the 1971 Code of Iowa and amendments thereto.

In connection with this Application we hereby submit the proposed Articles of Incorporation for the new bank and applicable fees for filing and recording such articles with the Secretary of State as required by Section 496A.124, 1971 Code of Iowa. You are further advised that proof of publication of the notice required by Section 524.304 of the Code will be forwarded within thirty (30) days.

We have, in connection with this Application, read the following provisions of the Code of Iowa which govern the organization of new State banks, namely:

"Sec. 524.301 Incorporators. A state bank may be incorporated under this chapter by not less than five individuals nineteen years of age or older, a majority of whom shall be citizens of this state and all of whom shall be citizens of the United States."

"Sec. 524.302 Articles of Incorporation. The articles of incorporation of a state bank, in the form prescribed by the superintendent, shall set forth the following:"

"Sec. 524.303 Application for Approval. The incorporators shall make an application to the superintendent for approval of a proposed state bank in the manner prescribed by the superintendent and shall deliver to the superintendent, together with such application: 1. The articles of incorporation. 2. Applicable fees, payable to the secretary of state as specified in section 496A.124 of the Code, for the filing and recording of the articles of incorporation. Within thirty days after delivery of the foregoing items, the incorporators shall also deliver to the superintendent proof of publication of the notice required by section 524.304 by affidavit of the publisher of the newspaper in which it was made."

"Sec. 524.304 Publication of Notice. The incorporators of a state bank shall publish notice of their intention to deliver, or the delivery of, the articles of incorporation to the superintendent, once each week for two successive weeks in a newspaper of general circulation published in the municipal corporation which is proposed as the principal place of business of the state bank, or if there is none, a newspaper of general circulation published in the county, or in a county adjoining the county in which the proposed state bank is to have its principal place of business. The first publication of the notice shall appear prior to, or within seven days after, the date of delivery of the articles of incorporation to the superintendent and shall set forth: 1. The name of the proposed state bank. 2. A statement that it is to be incorporated under this chapter. 3. The purpose or purposes of the state bank. 4. The names and addresses of the incorporators and of the members of the initial board of directors as they appear, or will appear, in the articles of incorporation. 5. The date of the delivery of the articles of incorporation to the superintendent."

"Sec. 524.401(2) Minimum Capital. 2. The minimum capital of a state bank originally incorporated pursuant to the provisions of this chapter shall not be less than one hundred thousand dollars or such higher amount which the superintendent may deem necessary in view of the deposit potential of the state bank and current banking standards relating to total capital requirements."

"Sec. 524.402(1) Surplus. 1. A state bank originally incorporated pursuant to the provisions of this chapter shall establish, prior to receiving an authorization to do business from the superintendent, a paid in surplus as required by the superintendent, in an amount not less than fifty percent of its capital."

"Sec. 524.403 Undivided Profits. A state bank originally incorporated pursuant to the provisions of this chapter shall establish, prior to receiving an authorization to do business from the superintendent, a fund to be denominated undivided profits in an amount to be determined by the superintendent, but in no event less than twenty percent of the capital required by subsection two of section 524.401. The superintendent shall estimate the amount of initial expenses to be incurred by the state bank in determining the amount of the fund required by this section."

In support of this Application, we hereby make the following statements and representations and submit the following information for the purpose of inducing the Superintendent of Banking to approve the organization of the proposed State Bank:

(1) FINANCIAL HISTORY AND CONDITION

A statement of the estimated assets and liabilities of the proposed State Bank, as of the beginning of business, is as follows:

The following is a detailed description of the premises to be occupied by the State Bank. It includes name of owner and annual rental, if by lease; date of construction, original cost, price to be paid, and from whom acquired, if by purchase; or the estimated costs, if new construction.

There is set forth below a brief history of the operations of any banking institution the assets and liabilities of which are to be assumed in whole or in part by the proposed State Bank, such banking institution being hereinafter referred to as Predecessor Institution. This history includes the date of organization and full information on any mergers, consolidations, conversions, reorganizations, recapitalization programs, guaranties or guaranty bonds executed, capital contributions, liability or deposit assumptions, deposit waivers, deposit deferment or restriction agreements, subordinations of claims on deposits, and so forth, which have occurred during the past twenty years.

(2) ADEQUACY OF CAPITAL STRUCTURE

The capital structure of the Applicant Bank as of the date of this Application is as follows:

| | NUMBER OF SHARES | PAR VALUE PER SHARE | AMOUNT |
|---|-------------------------|---------------------|--------|
| Preferred capital | | | |
| Common capital | | | |
| Capital notes and/or debentures | | | |
| Surplus | | | |
| Undivided profits | | | |
| Other segregations of the capital account | | | |
| | Total capital structure | | |

It is estimated that after the beginning of business the State Bank will have a normal deposit volume as follows:

One year, \$ _____ : Two years, \$ _____ : Three years, \$ _____ .

The applicant State Bank will at all times maintain adequate total capital accounts in relation to the true value of its total assets.

The proposed State Bank upon organization will not refinance, either directly or indirectly any loan, advance, or credit extension made to any prospective shareholder by any existing financial institution or by others, if such loan, advance, or credit extension was originally made to the prospective shareholder to obtain funds to purchase stock in the proposed State Bank.

(3) FUTURE EARNINGS PROSPECTS

It is the opinion of the undersigned that the earnings of the proposed State Bank will be sufficient within a reasonable period after commencement of business, to cover all operating expenses, losses, and charge-offs and to provide a reasonable return to shareholders.

There follows a statement of the current operating earnings and expenses of the Predecessor Institution for the last calendar year or for the twelve months ending _____; or, if there is no Predecessor Institution, there follows a statement of estimated current operating earnings and expenses of the proposed State Bank for the first twelve months following the beginning of business:

| Current Operating Earnings | Current Operating Expenses |
|---|---|
| (a) Interest and discount on loans | (a) Interest on time and savings deposits |
| (b) Interest and dividends on securities | (b) Interest and discount on borrowings |
| (c) Commissions, fees, and collection, exchange, and service charges | (c) Salaries and wages |
| (d) Other current operating earnings | (d) Taxes (other than on net income) |
| Gross Current Operating Earnings | (e) Other current operating expenses |
| | Total Current Operating Expenses |

Annual charges for regular depreciation to be taken on bank premises will approximate _____ % of original cost. Annual charges for depreciation on furniture and fixtures will average approximately _____ % of original costs to the State Bank. Annual charges for regular depreciation on bank premises of \$ _____ and furniture and fixtures of \$ _____ are included in the above statement under item (e).

(4) MANAGEMENT

The proposed directors and officers are listed below. Following the name of each of the proposed officers is a brief resume or outline of his past business and banking experience and other qualifications as well as a brief statement of his proposed duties in connection with the operation of the State Bank.

| Name, address and occupation | Age | Title & duties | Net Worth | Annual Salary | Par value of stock owned Preferred Common |
|---|-----|----------------|-----------|---------------|---|
| <div style="font-size: 4em; opacity: 0.5; position: absolute; top: 50%; left: 50%; transform: translate(-50%, -50%); pointer-events: none;"> [Large handwritten mark/initials] </div> | | | | | |

No changes are contemplated in the proposed directorate or active management of the State Bank, within the first year of operation with the following possible exceptions:

None of the proposed directors, officers or employees of the proposed State Bank has been convicted of any criminal offense involving dishonesty or a breach of trust.

There is detailed below (a) the indebtedness of each of the above Directors and Officers and their unincorporated companies to any Predecessor Institution, (b) the indebtedness to any Predecessor Institution of corporations in which any of the above Directors or Officers are substantially interested, (c) securities held by any Predecessor Institution issued by corporations in which any of the above Directors or Officers are substantially interested, and (d) the indebtedness or portions thereof of others to any Predecessor Institution, collateralized by securities issued by corporations in which any of the above Directors or Officers are substantially interested: (the term indebtedness includes both direct and indirect liabilities).

There is listed below each prospective shareholder (excluding Directors and Officers) subscribing 10 per centum or more of the aggregate par value of stock to be issued, together with the aggregate par value of common or preferred stock each will purchase.

The Applicant State Bank will at all times maintain sufficient surety bond coverage on its active officers and employees to conform with generally accepted banking practices.

(5) CONVENIENCE AND NEEDS OF COMMUNITY

Existing banks and branches of banks located in same city or town as proposed State Bank and existing banks and branches of banks located within a radius of twenty-five miles of proposed State Bank are as follows:

The approximate population of the town or city in which the proposed State Bank will be located is _____

The approximate population of the trade area to be served is _____

The principal industries of the community are:

The principal agricultural, mineral, and other products of the territory to be served are:

The approximate average annual value of the above products during the past three years is:

Other supporting information relative to the factor of convenience and needs of the community is as follows :

CERTIFICATE

The undersigned hereby certify, jointly and severally, that the statements contained in this Application are true to their best knowledge and belief, and that they are made for the purpose of inducing the Superintendent of Banking to grant his approval for the organization of the proposed State Bank.

Dated:

Signed:

Address:

Four horizontal lines for signature and address information.

INFORMATION FOR APPLICANT

- 1. Any prospective incorporator desiring to qualify his certificate may do so by attaching hereto any statement which may be required to make his certificate accurate.
2. Schedules or inserts may be attached to this Application wherever the space provided is insufficient. Such attached schedules or inserts are a part of this Application and likewise must be signed by the prospective incorporators. All schedules or inserts should preferably be on paper the same size as this page. Applications are to be securely bound at the top of the page.
3. This application is to be executed in triplicate, two signed Applications to be forwarded to the Superintendent of Banking and the other Application to be retained by the prospective incorporators.
4. It is recommended that the prospective incorporators review all of Chapter 524 of the Code of Iowa and any amendments thereto before delivering this Application to the Superintendent of Banking.
5. If in any instance it is not clear as to what information is necessary to complete this Application, a letter or telephone call to the Office of the Superintendent of Banking will bring a prompt and informative reply.

KANSAS

APPLICATION FOR THE
INCORPORATION/CHANGE-OF-LOCATION
OF

THE _____
OF _____

To: Kansas State Banking Board, Topeka, Kansas

SIRS:

The undersigned hereby respectfully request your approval for the incorporation/change of location of a state bank to be named, or named, _____ the same to be located, or relocated, at _____, in the County of _____, State of Kansas.

This application is made in good faith and with the intention of incorporating and engaging in the banking business within one year after approval hereof. Should this application be approved by the banking board the applicants agree to meet the requirements for capital funds and other matters required by the Board prior to commencing operations. The applicants further agree that should the proposed bank not be in operation within one year, any approval given this application by the board shall be cancelled and withdrawn, except that such approval may be extended by the board on timely request being made before expiration of said period and for good cause being shown.

A deposit of \$500.00 is being made with the Bank Commissioner to defray the expenses of the regular statutory investigation in connection with this application, and a further like sum will be deposited, if requested.

In support of this application we submit the following information: The capital structure of this bank, as of the beginning of business, will consist of _____ shares of common stock having a par value of \$ _____ each. Total
Surplus (paid in)
Undivided profits account (paid in)
Total capital structure.....

BANK PREMISES

Here give a description of the premises to be occupied, stating whether the same are to be constructed, purchased or leased, and giving the expenses thereof or the rental thereon:-

PUBLIC NECESSITY

Here give the information under the appropriate heads for each bank—national and state—located within a radius of twenty-five miles of the proposed banks

| NAME OF BANK | LOCATION | DISTANCE | POPULATION | DEPOSITS |
|--------------|----------|----------|------------|----------|
|--------------|----------|----------|------------|----------|

OFFICERS AND DIRECTORS

Here give the required information concerning each proposed officer and director, which shall include a brief statement of his past business experience and other qualifications; and also include a brief statement of the duties and responsibilities of each proposed officer naming specifically the managing officer of the proposed bank.

| | |
|--|--|
| 1. Name: Salary: Age: Net Worth: Occupation and Previous Experience, giving Dates: | Office: Number of shares owned: Address: |
| 2. Name: Salary: Age: Net Worth: Occupation and Previous Experience, giving Dates: | Office: Number of shares owned: Address: |
| 3. Name: Salary: Age: Net Worth: Occupation and Previous Experience, giving Dates: | Office: Number of shares owned: Address: |
| 4. Name: Salary: Age: Net Worth: Occupation and Previous Experience, giving Dates: | Office: Number of shares owned: Address: |
| 5. Name: Salary: Age: Net Worth: Occupation and Previous Experience, giving Dates: | Office: Number of shares owned: Address: |
| 6. Name: Salary: Age: Net Worth: Occupation and Previous Experience, giving Dates: | Office: Number of shares owned: Address: |
| 7. Name: Salary: Age: Net Worth: Occupation and Previous Experience, giving Dates: | Office: Number of shares owned: Address: |
| 8. Name: Salary: Age: Net Worth: Occupation and Previous Experience, giving Dates: | Office: Number of shares owned: Address: |
| 9. Name: Salary: Age: Net Worth: Occupation and Previous Experience, giving Dates: | Office: Number of shares owned: Address: |

INCORPORATORS

Here give the required information concerning each Incorporator:

| | | |
|---|---------------------------------|------------|
| 1. Name: Address: Occupation and Previous Experiences: | Age: Number of Shares Owned: | Net Worth: |
| 2. Name: Address: Occupation and Previous Experiences: | Age: Number of Shares Owned: | Net Worth: |
| 3. Name: Address: Occupation and Previous Experiences: | Age: Number of Shares Owned: | Net Worth: |
| 4. Name: Address: Occupation and Previous Experiences: | Age: Number of Shares Owned: | Net Worth: |
| 5. Name: Address: Occupation and Previous Experiences: | Age: Number of Shares Owned: | Net Worth: |
| 6. Name: Address: Occupation and Previous Experiences: | Age: Number of Shares Owned: | Net Worth: |
| 7. Name: Address: Occupation and Previous Experiences: | Age: Number of Shares Owned: | Net Worth: |
| 8. Name: Address: Occupation and Previous Experiences: | Age: Number of Shares Owned: | Net Worth: |
| 9. Name: Address: Occupation and Previous Experiences: | Age: Number of Shares Owned: | Net Worth: |
| 10. Name: Address: Occupation and Previous Experiences: | Age: Number of Shares Owned: | Net Worth: |
| 11. Name: Address: Occupation and Previous Experiences: | Age: Number of Shares Owned: | Net Worth: |

12. Name: _____ Age: _____ Net Worth: _____
Address: _____ Number of Shares Owned: _____
Occupation and Previous Experiences: _____

13. Name: _____ Age: _____ Net Worth: _____
Address: _____ Number of Shares Owned: _____
Occupation and Previous Experiences: _____

14. Name: _____ Age: _____ Net Worth: _____
Address: _____ Number of Shares Owned: _____
Occupation and Previous Experiences: _____

15. Name: _____ Age: _____ Net Worth: _____
Address: _____ Number of Shares Owned: _____
Occupation and Previous Experiences: _____

16. Name: _____ Age: _____ Net Worth: _____
Address: _____ Number of Shares Owned: _____
Occupation and Previous Experiences: _____

17. Name: _____ Age: _____ Net Worth: _____
Address: _____ Number of Shares Owned: _____
Occupation and Previous Experiences: _____

18. Name: _____ Age: _____ Net Worth: _____
Address: _____ Number of Shares Owned: _____
Occupation and Previous Experiences: _____

19. Name: _____ Age: _____ Net Worth: _____
Address: _____ Number of Shares Owned: _____
Occupation and Previous Experiences: _____

20. Name: _____ Age: _____ Net Worth: _____
Address: _____ Number of Shares Owned: _____
Occupation and Previous Experiences: _____

IN WITNESS WHEREOF we hereunto subscribe our names this _____ day of _____, 19____

APPLICATION FOR AUTHORITY TO
ENGAGE IN BANKING BUSINESS

_____, 19____

STATE BANKING BOARD
818 Kansas Avenue
Suite 600
Topeka, Kansas 66612

Gentlemen:

We, the undersigned, do hereby make application to the Bank
Commissioner and the State Banking Board for permission to organize
a bank and for authority to engage in the banking business at
_____, Kansas, said bank to be known as

(Name of Bank)

In support of said application, we submit the following information:

1. Name of proposed bank _____
2. The capital stock of said bank will be divided into _____
shares at the par value of \$ _____ each, totaling
\$ _____
3. Surplus \$ _____
4. Undivided Profits \$ _____
 - A. Do you agree to keep capital accounts to National
Average WITHOUT issuance of capital notes for the first
five (5) years of operation? Yes or No
5. Legal description of location _____

6. Names and addresses on Incorporators or Organizers and cash
investment. Submit the following on each person:
 - A. Financial Statement. Provide confidential financial
statement on each incorporator and if stock in any cor-
poration or ownership of a business or partnership
comprises over 25% of an individuals net worth, submit
a financial and operating statement on that Corporation or
business.

12. Names and addresses of officers. (Evidence of the character and ability of the managing officer must be attached to this application and identified as Exhibit C together with his employment record.)

| <u>Name</u> | <u>Address</u> | <u>Office</u> |
|-------------|----------------|---------------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |

13. Furnish _____ maps of the town, city, suburban area, or county and surrounding trade territory showing location of proposed bank, location of existing banks, and the distance of each existing bank from the proposed bank. In cities or suburban areas of 10,000 population or more, draw circles on map showing radius of 1 mile, 2 miles, 3 miles, 4 miles and 5 miles from proposed location of new bank. Where trade territory is largely rural show on map radius distances of 5 miles, 10 miles, 15 miles, 20 miles and 25 miles from proposed bank.

Furnish list of banks in above area, giving total deposits, total loans, distance from proposed bank and population.

14. Names of other financial institutions, such as building and loan associations, credit unions and finance companies, located with primary trade areas.

| | |
|-------|-------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

22. Submit herewith a check in the amount of \$ _____ to cover expenses incurred by the Banking Department in connection with this application.
23. The incorporators represent that a majority of the incorporators are residents of the State of Kansas and citizens of the United States.
24. Attach projected balance sheet and income and expense statements for a five (5) year period.
25. The undersigned incorporators represent that the capital stock of the proposed bank has been fully subscribed as reflected in Item 9 of this application.

STATE OF KANSAS)
)
 COUNTY OF _____) ss:

Before me, a Notary Public in and for the County and State above named, personally appeared

and that each of them stated under oath that all of the matters herein contained are true and correct to their best knowledge and

belief.

Subscribed and sworn to before me this _____ day of
_____, 19____.

NOTARY PUBLIC

SEAL

My Commission Expires: _____, 19____.

MINNESOTA

STATE OF MINNESOTA

Commerce Commission

Banking Division

Instructions for Completing and Filing an Application and Supporting Data for a Certificate of Authorization to Transact Business as a Bank.

- A. The application and required Supplemental Data shall be completed and submitted to the Banking Division, Metro Square Building, 5th Floor, 7th and Robert Streets, St. Paul, Minnesota 55101, pursuant to the following procedure:
1. Application for Certificate authorizing Bank to Transact Business.
 - a. Four copies of the attached Application for Authorization must be completed in full, and executed by (three) or more incorporators. (See Minnesota Statutes, Section 300.025).
 - b. The name of the proposed bank must be listed in order of preference, and must be such as to distinguish it from all other corporations doing business in the State and must contain the words "State Bank." The name should be accepted by the Commissioner of Banks before the application is filed with the Commerce Commission. (See Minnesota Statutes, Section 47.11).
 - c. The capitalization of the proposed bank must include a Surplus Account equal to at least 20% of the Capital and an Undivided Profits Account. The Banking Division will assist you in determining the amount of Undivided Profits which should be set up. (See Minnesota Statutes, Section 48.02).
 - d. Before filing your application, indicate in the space provided, the name and address of the person to whom you wish all instructions and notices to be sent.
 - e. A check for \$1,000 payable to the State Treasurer, in payment of the filing fee, and a check for \$500, payable to the Commissioner of Banks, in payment of the investigation fee, shall accompany the application.
 2. Required supporting data (Consists of an eight page questionnaire and Exhibits A and B).
 - a. The name (first choice) and exact location of the proposed bank shall be disclosed in the manner prescribed in questions #1 and #2 of the application.
 - b. Question #3 and #4 call for the present name, residential address, age, net worth and business or employment of each of the proposed directors, officers and key employees of the proposed bank. An Affidavit on Ownership and Participation in the Business Activities of the Proposed Bank,

(See Exhibit A), and a Biographical Statement (See Exhibit B) must be completed individually by each person listed in question #3 and #4, and filed with the application.

- c. All persons listed in questions #3 and #4 are required to file detailed financial statements with the application. This detailed financial information is needed in addition to the net worths shown.
- d. Copies of all working papers containing figures or information used in arriving at the estimated or projected figures required to answer questions #5 through #11, shall be retained and made available, upon request, to the Commerce Commission or any party to the hearing no later than seven days prior to hearing date.

4. If the information called for in Question #24 is not supplied with the original application, the incorporators shall sign their names and date the document in the spaces provided. Four copies of Question #24 and Exhibits A & B signed by the proposed managing officer may then be filed within the time specified.

B. Hearing on the Application

1. Upon the filing of the Application and required supporting data with the Commerce Commission, a date for hearing will be set within the next 60 days.
2. The Commerce Commission, by its executive secretary, will notify the applicants of the date of hearing, furnish the applicants with a proper form of notice to be published and give instructions as to the manner of publication and procedure to be followed.
3. Upon completing the typewritten transcript, the hearing will be closed after which the Commerce Commission has 90 days in which to either grant or deny the application.

- C. Rules and Regulations applicable to financial institution hearings have been adopted by the Commerce Commission, copies may be ordered through the Documents Section, Department of Administration, Room 140 Centennial Building, St. Paul, Minnesota 55101.

IMPORTANT

THIS APPLICATION MUST BE EXECUTED BY AT LEAST THREE INCORPORATORS, OR PROPOSED INCORPORATORS, AND FILED WITH THE COMMISSION IN QUADRUPPLICATE. ALL SUPPORTING DATA FURNISHED WITH REFERENCE TO THE APPLICATION MUST ALSO BE IN QUADRUPPLICATE.

STATE OF MINNESOTA

C o m m e r c e C o m m i s s i o n

APPLICATION FOR

CERTIFICATE AUTHORIZING BANK TO TRANSACT BUSINESS

To The Department of Commerce
of the State of Minnesota
St. Paul, Minnesota

Shares of Stock
Subscribed for:

_____ residing at _____, Minnesota _____

_____ residing at _____, Minnesota _____

_____ residing at _____, Minnesota _____

_____ residing at _____, Minnesota _____

_____ residing at _____, Minnesota _____

hereby make application to transact business as a State Bank, and propose:

1. That, in order of preference, said state bank have one of the following titles: (Corporate name must include city or village named in application)

2. That the proposed site of said state bank be located at _____, in the _____ (City, Village, Township) of _____, County of _____, State of Minnesota.

3. That said state bank be authorized to issue _____ shares of capital stock, for a total consideration of \$_____.

4. That the above-named individuals have subscribed for a total of _____ shares at \$_____ per share. (verified and sworn financial statements must be filed by each person listed above together with a Biographical Statement (See Exhibit A) and Business Activities Statement (See Exhibit B).)

5. That balance of the capital stock of the proposed bank that is to be disposed of shall be (has been) offered as follows:

(A verified and sworn financial statement must be furnished by all subscribers of 10% or more of the capital stock.)

6. That the total consideration received by said state bank for shares issued by it be allocated as follows:

Common Capital \$ _____ (divided into _____ shares of par value of \$ _____ each.)

Surplus \$ _____
Undivided Profits \$ _____
Total Consideration \$ _____

7. That the proposed capital structure complies with the minimum requirements of Section 48.02 Minnesota Statutes and that the Commissioner of Banks may require additional funds in accord with current banking standards if circumstances warrant.

8. That the application, supporting data, questionnaire, verified and sworn financial statements, _____ copies of Exhibit A, and _____ copies of Exhibit B, are true and correct statements of fact and are submitted pursuant to statute and regulations for the purpose of aiding the Commerce Commission in passing upon our application.

STATE OF MINNESOTA)
) ss.
COUNTY OF: _____)

being first duly sworn, each for himself deposes and says that he is one of the incorporators of the above-named bank; that he has read the foregoing application and knows the contents thereof; that the facts stated therein are true and except as to the matters stated on information and belief deponents know them to be true.

INCORPORATORS - APPLICANTS

Subscribed and sworn to before me this

_____ day of _____, 19____

(NOTARIAL SEAL)

Notary Public, _____ County,
Minnesota

My commission expires _____

DATE OF HEARING

_____, 19____

SEND THE NOTICE OF HEARING AND LETTER OF INSTRUCTIONS TO:

_____ M

Name: _____

Street: _____

City: _____

To the Commerce Commission:
 5th Floor, Metro Square Bldg.
 St. Paul, Minnesota

The following supporting data is hereby supplied by the Incorporators-Applicants in support of their application for a Certificate to Transact Business as a State Bank.

1. Name of Proposed Bank: _____
 (First choice)

2. Location: _____, MINNESOTA
 (City, Village or Town) (County)

3. Proposed Board of Directors:

| No. | Name | Address | Age | Net Worth | Business or Occupation |
|-----|------|---------|-----|-----------|------------------------|
| 1. | | | | | |
| 2. | | | | | |
| 3. | | | | | |
| 4. | | | | | |
| 5. | | | | | |
| 6. | | | | | |
| 7. | | | | | |

4. Proposed Officers and Key Employees:

| No. | Name | Address | Age | Net Worth | Business or Occupation |
|-----|------|---------|-----|-----------|------------------------|
| 1. | | | | | |
| 2. | | | | | |
| 3. | | | | | |
| 4. | | | | | |
| 5. | | | | | |
| 6. | | | | | |

5. Proposed Salaries to Active Officers and Employees for the First Three Years:

| Title | 1st Year | 2nd Year | 3rd Year |
|-----------------------------|----------|----------|----------|
| President | \$ _____ | \$ _____ | \$ _____ |
| Vice President | _____ | _____ | _____ |
| Cashier | _____ | _____ | _____ |
| Assistant Cashier | _____ | _____ | _____ |
| Tellers | _____ | _____ | _____ |
| Bookkeepers & Clerical Help | _____ | _____ | _____ |
| Totals | _____ | _____ | _____ |

6. ESTIMATED INCOME OF PROPOSED BANK FOR FIRST THREE YEARS:

| | <u>1st Year</u> | <u>2nd Year</u> | <u>3rd Year</u> |
|-------------------------------------|-----------------|-----------------|-----------------|
| Interest & Discount on Loans | \$ _____ | \$ _____ | \$ _____ |
| Interest & Discount on Securities | \$ _____ | \$ _____ | \$ _____ |
| Service Charges on Deposit Accounts | \$ _____ | \$ _____ | \$ _____ |
| Other Misc. Commissions & Fees | \$ _____ | \$ _____ | \$ _____ |
| <hr/> | | | |
| Total Earnings | \$ _____ | \$ _____ | \$ _____ |

7. ESTIMATED EXPENSES OF PROPOSED BANK FOR FIRST THREE YEARS:

| | <u>1st Year</u> | <u>2nd Year</u> | <u>3rd Year</u> |
|--|-----------------|-----------------|-----------------|
| Salaries & employee benefits | \$ _____ | \$ _____ | \$ _____ |
| Interest on Time & Savings Deposits | \$ _____ | \$ _____ | \$ _____ |
| Interest & Discount on Borrowings | \$ _____ | \$ _____ | \$ _____ |
| Taxes (Other than on income) | \$ _____ | \$ _____ | \$ _____ |
| Recurring Depreciation on Fixed Assets | \$ _____ | \$ _____ | \$ _____ |
| Advertising, Travel & Promotional Exp. | \$ _____ | \$ _____ | \$ _____ |
| Supplies & Contractual Expenses | \$ _____ | \$ _____ | \$ _____ |
| Rent of Banking Quarters & Equipment | \$ _____ | \$ _____ | \$ _____ |
| Other Current Operating Expenses | \$ _____ | \$ _____ | \$ _____ |
| <hr/> | | | |
| Total Expenses | \$ _____ | \$ _____ | \$ _____ |

8. PROPOSED INTEREST RATES:

We expect to charge: _____% on Agricultural Loans
 _____% on Commercial Loans
 _____% on Installment Loans
 _____% on Farm Real Estate Loans
 _____% on City Real Estate Loans

We expect to pay: _____% on Savings Accounts
 _____% on Savings Certificates & Time Certificates

9. We propose to adopt a uniform schedule of bank service charges: Yes _____ No _____.

10. ESTIMATED DEPOSITS OF PROPOSED BANK FOR FIRST THREE YEARS: (In Thousands)

| | <u>Demand Deposits</u> | <u>Time Deposits</u> | | <u>Public Funds</u> | <u>Total Deposits</u> |
|-----------|------------------------|-----------------------|------------------------|---------------------|-----------------------|
| | | <u>Savings Accts.</u> | <u>Savings Certif.</u> | | |
| 6 Months | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| 12 Months | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| 18 Months | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| 24 Months | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| 30 Months | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| 36 Months | \$ _____ | \$ _____ | \$ _____ | \$ _____ | \$ _____ |

11. ESTIMATED LOANS & DISCOUNTS OF PROPOSED BANK FOR FIRST THREE YEARS: (In Thousands)

| | <u>Commercial Loans</u> | <u>Installment Loans</u> | <u>Real Estate Loans</u> | <u>Total Loans</u> |
|-----------|-------------------------|--------------------------|--------------------------|--------------------|
| 6 Months | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| 12 Months | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| 18 Months | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| 24 Months | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| 30 Months | \$ _____ | \$ _____ | \$ _____ | \$ _____ |
| 36 Months | \$ _____ | \$ _____ | \$ _____ | \$ _____ |

12. It is understood that deposit estimates are based on the assumption that FDIC deposit insurance will be applied for and that the hearing before the Commerce Commission will be conducted on the basis that the bank will not be opened until such FDIC deposit insurance is in effect. (Yes) _____ (No) _____.

13. Population of the community in which the proposed bank is to be located as of:
 1960 _____ 1970 _____ Present estimate _____.

a. Estimated population of the proposed service area from which the proposed bank is expected to generate 75% or more of its loans and deposits as of:
 1960 _____ 1970 _____ Present estimate _____.

b. The proposed service area extends from the proposed bank site approximately _____ miles north; _____ miles south; _____ miles east; and _____ miles west.

14. List name, location (city, town, village) and total loans and deposits of all financial institutions that serve the proposed bank's service area from their existing locations, and the distance of each financial institution from the proposed bank site. (Use separate sheet and refer to it as Appendix A.)

15. Outline on a recent map (with a scale of miles and compass points) the boundaries of the proposed bank's service area, and indicate by appropriate markings the exact location of the proposed bank site and the location of all existing financial institutions listed above. (Use separate sheet and refer to it as Appendix B).

16. Community Facilities:

Number of schools in proposed service area bank expects to serve: _____
 Number of students in these schools: _____
 Teachers and Administrative Personnel in these schools: _____
 Types of public transportation available: _____

Utilities that are available to residents of proposed service area, and percentage of proposed service area that is served by these utilities: _____

17. Survey of Farming Operations in Proposed Service Area (When applicable).

Number of owner-operated farms: _____
 Number of tenant-operated farms: _____
 Total Farms: _____
 Average acreage of all farms: _____
 Value of farm products sold last year: _____
 Average farm income last year: _____
 Average farm income for past five years: _____
 Rural Mail Routes running out of community where proposed bank site is to be located: _____
 Other Rural business or commercial development: _____
 Type: _____
 Average Annual Income: _____
 Type: _____
 Average Annual Income: _____

Type: _____
 Average Annual Income: _____

Type: _____
 Average Annual Income: _____

18. Principal Business Institutions in Proposed Service Area and Gross Sales of Each.

| <u>Business Name</u> | <u>Nature of Business</u> | <u>Number of Employees</u> | <u>Gross Sales Previous Yr.</u> | <u>Prev. 5 Yr. Average Gross Sales</u> |
|----------------------|---------------------------|----------------------------|---------------------------------|--|
|----------------------|---------------------------|----------------------------|---------------------------------|--|

19. Number of Business Institutions in Proposed Service Area.

Agricultural equipment and supply sales and service firms: _____
 Automobile and truck sales and service firms: _____
 Entertainment centers: _____
 Hospitals: _____
 Hotels and Motels: _____
 Newspapers: _____
 Professional offices: _____
 Public utilities: _____
 Radio and television stations: _____
 Real Estate and insurance offices: _____
 Retail stores: _____
 Other: _____

Total number: _____

20. FACILITIES OF PROPOSED BANK

- a. Will a bank building be constructed or an existing structure utilized by the proposed bank _____
- b. If the proposed bank will own the building please indicate:
- (i) Size of building _____
- (ii) Size of area within building to be utilized by proposed bank _____
- (iii) Ownership of building (describe in detail) _____

(iv) Cost of land and building and from whom purchased _____

(v) If a portion of the building is to be leased to third parties, state the
estimated income and to whom income will be credited _____

c. If facility will be leased by proposed bank, please indicate:

(i) Area (square footage) that will be leased by proposed bank _____

(ii) Terms and duration of lease _____

(iii) From whom the proposed bank will lease its facilities _____

d. Please attach recent photograph of proposed bank site and surrounding area.

e. Please indicate whether the proposed banking facility will include the following
services within the first year of its existence:

(i) Off-street parking? _____ If yes, how many automobiles will be
accommodated? _____

(ii) Vault and night depository? _____ If yes, state the estimated cost
of each _____

(iii) Security Program. _____ If yes, describe fully and include a cost
breakdown. _____

(iv) Safety deposit boxes? _____ If yes, state the number that will be
installed the first year, and the estimated cost. _____

(v) Drive-in tellers? _____ If yes, state the number that will be
installed within the first two years, and the estimated cost. _____

21. What plans have been made to obtain fidelity insurance covering all individuals authorized to collect, receive, or deposit funds from stock subscriber?

22. Identify any feasibility study, statistical or economic survey or similar detailed data that will be introduced into the record at the hearing.

Do you agree to supply, upon request, copies of the data listed above to the Commission and any objector of record no later than seven (7) days prior to the hearing date?
Yes: _____ No: _____

23. If purchase of stock has been or will be pledged, give the following information:

| <u>Name</u> | <u>Address</u> | <u>Number of Shares</u> |
|-------------|----------------|-------------------------|
|-------------|----------------|-------------------------|

24. IMPORTANT: Information required on this page pertains to the proposed managing officer and must be completed in all detail and filed together with Exhibit A and Exhibit D, no later than 15 days prior to the hearing date.

For the sole information of the Commerce Commission, we hereby furnish the following information with reference to the proposed managing officer of the bank named in the application:

Name: _____ Address: _____

Age: _____ : Married: _____ Dependents: _____

Where now employed: _____ Present Salary \$ _____

Describe in detail the duties, responsibilities and proposed starting salary of the proposed managing officer.

Have copies of Exhibit A been executed by the proposed managing officer and filed with the application? Yes: _____ No: _____

Have copies of Exhibit B been executed by the proposed managing officer and filed with the application? Yes: _____ No: _____

To be signed, if information called for on this page is not filed with original application.

The incorporators hereby certify and agree that the information called for on this page together with Exhibits A and B will be filed within 15 days prior to the hearing date, and that failure to file said information within the time required will, unless expressly waived by the Commerce Commission, result in the summary denial of the application.

(INCORPORATORS - APPLICANTS)

Dated: _____

Wa, the undersigned incorporators-applicants understand that before the Commerce Commission may grant a charter the statutory requirements as set forth in Minnesota Statutes Section 45.07 must be established.

1. That the applicants are of good moral character and financial integrity,
2. That there is a reasonable public demand for such bank in such location,
3. That the organization expenses paid by the subscribing shareholders do not exceed the necessary legal expenses incurred in drawing incorporation papers and publication and recording thereof, as required by law,
4. That the probable volume of business in such location is sufficient to insure and maintain the solvency of the new bank, and the solvency of the then existing bank or banks in such locality, without endangering the safety of any bank in said locality as a place of deposit of public and private money,
5. That the proposed bank will be properly and safely managed.

The undersigned incorporators, therefore, respectfully request that the Commission issue its order directing the Commissioner of Banks to issue a certificate of authorization as provided by law.

STATE OF MINNESOTA)
) ss.
 COUNTY OF _____)

being first duly sworn, each for himself deposes and says that he is one of the incorporators of the above named bank; that he has read the foregoing application and knows the contents thereof: that the facts stated therein are true and except as to the matters stated on information and belief deponents know them to be true.

Incorporators - Applicants

Subscribed and sworn to before me this _____ day of _____

(NOTARIAL SEAL)

Notary Public, _____ COUNTY, MINN.

My commission expires _____

5. Under your present financial circumstances have you entered into any contract or understanding or do you intend within five (5) years to sell, assign, hypothecate or encumber any of said shares to be purchased by you? _____ If your answer is "Yes", explain fully.

6. Did you review the financial statement which you signed and filed with the application, and is it true and correct as of the date appearing on the statement? Yes: _____; No: _____.

7. Do you contemplate using the business or facilities of the bank for your own personal gain, directly or indirectly, in connection with any other business in which you may engage? _____ (If your answer is "Yes", explain fully.)

I hereby acknowledge and agree that any misrepresentation or omission of a material fact with respect to the foregoing representations or with respect to any other documents or papers which contain my signature and have been submitted in connection with the application of _____

(Name of proposed bank)

for a Certificate of Authority to operate as a state bank shall, unless expressly waived by the Commerce Commission, constitute fraud in the inducement and grounds for denial of a state bank charter in this or any other matter: grounds to require my resignation as a director or officer of said state bank, and may subject me to other legal sanctions.

DATED: _____

(Signature)

Proposed: _____

(Applicant-Incorporator,
Director, Officer)

Subscribed and sworn to before me

this _____ day of _____

Notary Public, _____ County,
Minnesota

My Commission expires: _____

THIS IS A SAMPLE

BIOGRAPHICAL STATEMENTS MUST FOLLOW THIS FORM

INSTRUCTIONS:

1. Submit in quadruplicate; sign all copies
2. Answer all questions. If more space is needed to answer any questions, attach additional sheet and identify the question by number.

BIOGRAPHICAL STATEMENT OF APPLICANT -

INCORPORATOR, DIRECTOR, OFFICER, STOCKHOLDER OR EMPLOYEE OF

(Name and Location of Proposed State Bank)

1. Full Name: _____

2. Other names you have used or are now using: (If none, so state).

3. General Information:

a. Date of Birth: _____

b. Place of Birth: _____

c. Current Marital Status: _____

4. Business Address: _____

Phone: _____

5. Residence Address: _____

Phone: _____

6. List previous residences during the past ten years.

7. Education:

a. High school: _____
Name Address (Years attended)

b. Colleges or other schools: (Describe in detail giving name, address, years attended, field of study, and degree received)

8. Military Service:

- a. Set forth in reverse chronological order, all your present and past United States military service, whether active or reserve service. (Include branch of service, years served, grade or rank.)

- b. Set forth in reverse chronological order, complete information regarding all discharges from United States military service, other than honorable discharges.

9. Present occupation or business activities: (Describe in detail, giving name, address, and type of business.)

10. Past occupations and business activities: (Describe in detail)

a. Have you ever been discharged from employment for reasons other than lack of work?
Yes _____ No _____. If answer is "Yes" explain fully. _____

b. Have you ever been required by a former employer to tender your resignation?
Yes _____ No _____. If answer is "Yes", explain fully. _____

11. List all interests and the extent thereof now held by you or held by you within the past five (5) years in the following:

a. Financial Institutions:

(1) Any state-chartered bank:

(2) Any other financial institutions:

b. Business allied to real estate sales and development:

c. Building construction business:

d. Insurance:

e. Business allied to installment lending activities:

12. Have you ever been affiliated with any proposed domestic, foreign, state or federal bank or savings and loan association which did not become operative? Yes: ___ No: ___. If answer is "Yes", explain extent of interest and nature of affiliation:

13. Have you ever been arrested? _____

If answer is "YES", give full history of charge, the year thereof, place and final disposition:

14. (a) Have you ever filed a voluntary petition in bankruptcy? _____

Have you ever had an involuntary petition in bankruptcy filed against you? _____

Have you ever been involved in a forced liquidation? _____

Have you ever been involved in an equitable receivership? _____

Have you ever been involved in any proceeding similar to those above? _____

(b) If the answer to any of the foregoing is "Yes", give full details thereof, including date, place, name of business, final disposition:

15. Describe any pending civil litigation of any nature in which you are involved as plaintiff or defendant: (State nature of case and court in which pending.)

16. Are you now serving or have you ever served in the following capacities? If yes, give full details, including circumstances and dates services commenced and terminated. (If voluntary resignation so state):

(a) Trustee: _____

(b) Guardian: _____

(c) Executor: _____

(d) Administrator: _____

(e) Similar Fiduciary Capacity: _____

17. Provide two (2) credit references*:

| <u>Name</u> | <u>Address</u> |
|----------------|----------------|
| a. Bank: _____ | _____ |
| b. _____ | _____ |

18. Give names and addresses of three (3) individual character references:

| <u>Name</u> | <u>Address</u> |
|-------------|----------------|
| a. _____ | _____ |
| b. _____ | _____ |
| c. _____ | _____ |

19. Any other matters you feel bear upon your character, experience and general fitness to engage in the banking business (civic, professional, church or social affiliations):

*If possible your banking connection, and the report of a credit reporting agency such as Dun & Bradstreet.

I hereby acknowledge and agree that any misrepresentation or omission of a material fact with respect to the foregoing representations or with respect to any other documents or papers which contain my signature and have been submitted in connection with the application of _____

(Name of proposed bank)

for a Certificate of Authority to operate as a state bank shall, unless expressly waived by the Commerce Commission, constitute fraud in the inducement and grounds for denial of a state bank charter in this or any other matter; grounds to require my resignation as a director or officer of said state bank, and may subject me to other legal sanctions.

DATED: _____

(Signature)

Proposed: _____
(Applicant-Incorporator,
Director, Officer)

Subscribed and sworn to before me

this _____ day of _____

Notary Public, _____ County,
Minnesota

My Commission Expires:

MISSOURI

GENERAL INFORMATION AND INSTRUCTIONS

1. The original and two copies of this application must be submitted to the Missouri Commissioner of Finance. Should the decision of the Commissioner be appealed to the Missouri State Banking Board, applicant will be required to furnish duplicates of this application for each member of the Board.
2. All pages of this application must be submitted on legal size paper. Pages shall be numbered consecutive with numbers appearing at the bottom of each page.

A three inch margin must be left at the top of each page of the application.

All exhibits larger than legal size paper should be bound separately. When submitted for filing this application must be appropriately indexed showing the subject and page numbers of each section.

3. Certain information specified in particular exhibits and material that identifies confidential relationships with parties unrelated to this application deemed to be of a confidential nature, should be separately bound and labeled "Confidential" with only a general reference made thereto under the appropriate question. The Commissioner will determine whether information submitted as confidential will be so regarded, and will advise applicant of any decision to make available to the public, information labeled "Confidential" (This office generally considers financial statements, correspondence with federal agencies, and inter-office memos as confidential.)
4. The formal schedules and questions in this application are not intended to limit applicant's presentation on any of the statutory factors. Supplemental statements with respect to any or all of these factors, setting forth the basis for applicant's judgement, may accompany this application. This office reserves the right to require the submission of additional information.
5. Conclusions or opinions unsubstantiated by facts will be given consideration as such.
6. Applications will not be accepted as "Completed Files" until all information requested by this office is submitted.

This application will be acted upon in the order that it was accepted as a "Completed File." The only exception to this policy is when this or another application, in the opinion of the Commissioner, effects the same geographical area. In that event, all applications affecting similar areas will be considered concurrently.

7. The completed application and all supplemental information must be MAILED to this office.

SUMMARY OF INFORMATION TO BE SUBMITTED
TO THE COMMISSIONER OF FINANCE WHEN
FILING APPLICATION FOR A BANK CHARTER

Articles of Agreement and Subscription Agreement

- A. The Articles of Agreement are to be attached. (See Form # 1)

Submit three originals to this office. We will review the document as to form and return a copy to you for recording in the Recorder of Deeds Office. The copy evidencing the recordation must then be returned to this office.

- B. Submit a copy of the Subscription Agreement detailing name and address of each subscriber, the number of shares each shareholder has subscribed for, the purchase price of each share, and any restricting clauses.

- C. Form # 2 should be completed, signed and notarized by each incorporator and by all other subscribers who will own more than 10% of the outstanding shares. The completed forms should be submitted as part of the application and will become part of the public file.

- D. Form # 3 is self-explanatory. The form should be completed under the same terms as (C) above.

FORM FOR INCORPORATING A STATE BANK OR TRUST COMPANY
(Form #1)
ARTICLES OF AGREEMENT

Know all men by these presents:

That we, the undersigned, desirous of forming a corporation under the laws of the State of Missouri, and more particularly under the provisions of Chapter 362, RSMo. thereto, for the purpose of establishing a (bank), have entered into the following agreement:

First-That the name of this corporation shall be

Second-That the bank shall be located at (Street) _____

_____ in (Town or City) _____

County of _____, Missouri.

Third-That the amount of the capital stock of the corporation shall be divided into _____ shares of the par value of _____ dollars each; that the same has been bona fide subscribed and is actually paid up in lawful money of the United States and is in the custody of the persons hereinafter named as the first board of directors; that the surplus will be _____ and the Undivided Profits will be _____.

Fourth-That the names and places of residence of the several shareholders and the number of shares subscribed by each are as follows:

| NAME | RESIDENCE | NUMBER OF SHARES |
|-------|-----------|------------------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |

Fifth-That the board of directors shall consist of _____ shareholders, and the following are the names of those agreed upon as the first directors:

_____, _____,
_____, _____

Sixth-The duration of the corporation shall be _____

Seventh-The purpose for which this corporation is formed is to have exercise all rights and powers of a bank, except fiduciary powers requiring a separate Certificate of Authority from the Commissioner of Finance pursuant to Section 362.115, under Chapter 362. RSMo.

I, _____, being a director and/or officer and/or shareholder of the proposed _____ of _____, Missouri, do hereby certify that the shares of stock in said proposed bank which I have subscribed are for my own investment and that I do not serve as a straw party in this regard for any other individual, group of individuals, corporation, partnership or entity of any description.

I further certify that I have no plans or intentions to sell or otherwise dispose of said shares of stock and that I have not in the past nor am I presently negotiating for the sale or transfer of said shares of stock to any individual, group of individuals, corporation, partnership or entity of any description.

The above statement is true and correct to the best of my knowledge and belief.

(Name)

(Address)

(City)

Subscribed and sworn to me this _____ day of _____, 1975.

Notary Public

My Term Expires

Date

Division of Finance
Jefferson City,
Missouri 65101

RE:

Gentlemen:

In connection with captioned application, the following information is submitted and certified to be true and correct:

NAME _____

1. Total Number of Shares Subscribed
2. Total Par Value of Subscription
3. Total Cost of Subscription
4. Amount to be Borrowed or the total Cost
5. Lending Institution
6. Interest Rate
7. Collateral to be Pledged to Secure # 4
8. of the above (7) the number of shares of proposed bank to be pledged as collateral
9. Repayment terms

Subscribed and sworn to be this _____ day of _____,

1975.

Notary Public

My term expires

Management

- A. Submit a detailed and complete resume for each director, managing officer and any shareholder owning more than 10% of the total shares authorized. Include a complete and detailed financial statement for each individual. Provide full details on each director's borrowings in connection with the stock subscribed for. (Forms are enclosed to be completed and submitted). Submit financial statements under separate cover at the same time application is filed.

In those cases where the statements submitted reflect that 10% or more of the maker's total assets are in the form of shares of stock, notes or debentures of a company, corporation or other entity, the value of which is not readily determinable through stock market quotes, submit a current audited financial statement and earnings report of that organization.

- B. What plans have been made to obtain fidelity insurance covering all individuals authorized to collect, receive or deposit funds from stock subscriptions?
- C. Describe in detail, the management policies the proposed bank will follow. (i.e. Committees, their members and policies; authority will managing officer will have with regard to loans, securities, etc.; Dividend policies; director's fees; bonus paid to employees and directors; character of the bank business that applicant will strive for, (i.e. commercial or consumers etc.)
- D. Provide complete details of contemplated changes in directors and management during the first three years of operation.

FIXED ASSET INVESTMENT

- A. Submit a legal description of the land to be utilized.
- B. Detail the size of the lot to be utilized. (optional-supplement with plats, maps, and photographs.)
- C. State the cost of the land, from whom it was purchased, and the terms of the purchase. If the ground is to be leased, submit a lease to be signed and a signed option to lease. (Be sure the lease includes the lease termination clause as required by this office.) If the land was purchased or leased from an incorporator, submit full details on the circumstances of his acquisition & his cost.
- D. If the bank plans to occupy temporary quarters, supply the following:
 1. The cost of occupying temporary quarters including a lease and a signed option to lease.
 2. Address of the temporary quarters and the distance from the proposed permanent quarters.
 3. The length of time before temporary quarters could be occupied after the charter is granted and the length of time these quarters will be used.
 4. Detail the costs of leasehold improvements to be capitalized and include plans for depreciation.
 5. Insurance coverage to be carried including premium cost.
 6. List of the equipment, cost and depreciation schedule to be utilized in these quarters.
 7. Submit a detailed explanation of the facilities and services to be offered from these quarters.
- E. Furnish maps and/or drawings showing the location of the building on the land to be utilized by the proposed bank.
- F. Submit drawings, indicating size of the building, its appearance and parking area. Include a description of the facilities available in the building (i.e. drive-up windows, teller windows, vaults, etc.)
- G. Provide contractor bids or estimates for the construction, paving, and landscaping of the premises.
- H. If there are plans to lease permanent banking quarters, submit the following:
 1. Copy of the lease to be signed, which includes the termination clause as required by this office.
 2. A signed option to lease.
 3. Detailed plans for any leasehold improvements to be capitalized each of the first three years. (Include a depreciation schedule.)
 4. State expiration date of the lease or option to lease.
 5. Insurance coverage to be carried including premium cost.
 6. List of the equipment, cost and depreciation schedule to be utilized by the proposed bank.
 7. Submit a detailed explanation of the facilities and services to be offered from these quarters.
- I. Submit a depreciation schedule to be used for the bank premises.
- J. Submit a detailed list of furniture, fixtures and equipment to be used. Indicate the cost of each and plans for depreciation. (verify that the estimated cost of each is reasonable by bids or estimates from the appropriate equipment supplies.)
- K. If electronic data processing (EDP) is to be used by the applicant, submit a list of bank equipment and its cost, that will be needed for this operation. In addition, provide a bid from an EDP firm, indicating the cost of this service the first three years of operation. Indicate the bookkeeping functions to be performed by the service center.

FIXED ASSET INVESTMENT - Cont'd

- L. Submit an attorney's letter giving his opinion on the proposed site's zoning. Will any special permits be needed for the bank to operate at this location.

PROBABLE EARNINGS AND VOLUME OF BUSINESS

- A. Submit a pro-forma balance sheet as it will appear the day the bank opens.
- B. Project the volume of deposits to be generated at the end of each of the first three years of operations. In making these projections, supply a step by step explanation of how these were determined. A footnote should show the volume of deposits each director has committed for deposit in the bank. In addition deposits should indicate a breakdown of public funds included in the total.
- C. Complete the following form which will indicate the incorporator's estimate of the probable earnings of the proposed bank. Using the numbers on the left side of this schedule, footnote the schedule as to what factual determination was used in arriving at each figure. For the purpose of this schedule, all figures, beginning with Item 5 should reflect yearly averages and not year end figures.

- (1) Average Interest Rate on Loans..... _____
- (2) Average Interest Rate on Securities..... _____
- (3) Average Interest Rate on Time (C/D & Savings)... _____

| | First Year | Second Year | Third Year |
|---|------------|-------------|------------|
| (4) Projected Deposits (Year End)... | _____ | _____ | _____ |
| <u>Average Available Funds</u> | | | |
| (5) Demand..... | _____ | _____ | _____ |
| (6) Time..... | _____ | _____ | _____ |
| Total Deposits..... | _____ | _____ | _____ |
| (7) Capital..... | _____ | _____ | _____ |
| Subtotal..... | _____ | _____ | _____ |
| (8) Less Fixed Assets..... | _____ | _____ | _____ |
| Subtotal..... | _____ | _____ | _____ |
| (9) Reserve Requirements..... | _____ | _____ | _____ |
| Subtotal(Funds Avail- for investment)..... | _____ | _____ | _____ |
| (10) Loans..... | _____ | _____ | _____ |
| (11) Securities..... | _____ | _____ | _____ |
| <u>Income</u> | | | |
| (12) Interest on Loans & Discounts.. | _____ | _____ | _____ |
| (13) Interest on Securities..... | _____ | _____ | _____ |
| (14) Service Charge, Commissions, Fees & Other Income..... | _____ | _____ | _____ |
| Total Income..... | _____ | _____ | _____ |
| <u>Expenses</u> | | | |
| (15) Interest on Savings..... | _____ | _____ | _____ |
| (16) Interest on Certificates of Deposits..... | _____ | _____ | _____ |
| Total Interest..... | _____ | _____ | _____ |

| | Title | Salary | First Year | Second Year | Third Year |
|------|--|--------|------------|-------------|------------|
| (17) | Salaries (officers) | _____ | _____ | _____ | _____ |
| | | _____ | _____ | _____ | _____ |
| | | _____ | _____ | _____ | _____ |
| | | _____ | _____ | _____ | _____ |
| | | _____ | _____ | _____ | _____ |
| | Total Officer's Salaries | _____ | _____ | _____ | _____ |
| (18) | Salaries (employees) | _____ | _____ | _____ | _____ |
| | | _____ | _____ | _____ | _____ |
| | | _____ | _____ | _____ | _____ |
| | | _____ | _____ | _____ | _____ |
| | | _____ | _____ | _____ | _____ |
| | Total Employee's Salaries..... | _____ | _____ | _____ | _____ |
| (19) | Bonus..... | _____ | _____ | _____ | _____ |
| (20) | Director's Fees..... | _____ | _____ | _____ | _____ |
| (21) | Stationary & Supplies..... | _____ | _____ | _____ | _____ |
| (22) | Payroll Tax (5.85%..... | _____ | _____ | _____ | _____ |
| (23) | Utilities (light-heat-water)..... | _____ | _____ | _____ | _____ |
| (24) | Insurance (BBB-Bldg-Equip-Auto, etc.) | _____ | _____ | _____ | _____ |
| (25) | FDIC Insurance (1/24 of 1% of average total deposits)..... | _____ | _____ | _____ | _____ |
| (26) | *State Assessment..... | _____ | _____ | _____ | _____ |
| (27) | Advertising (Including bank sign). | _____ | _____ | _____ | _____ |
| (28) | Travel & Entertainment..... | _____ | _____ | _____ | _____ |
| (29) | Telephone..... | _____ | _____ | _____ | _____ |
| (30) | Building Depreciation..... | _____ | _____ | _____ | _____ |
| (31) | F & F Depreciation (Include Auto). | _____ | _____ | _____ | _____ |
| (32) | Personal Property Tax..... | _____ | _____ | _____ | _____ |
| (33) | Real Estate Tax..... | _____ | _____ | _____ | _____ |
| (34) | Dividends..... | _____ | _____ | _____ | _____ |
| (35) | Postage..... | _____ | _____ | _____ | _____ |
| (36) | Legal Fees..... | _____ | _____ | _____ | _____ |
| (37) | Audit Fees..... | _____ | _____ | _____ | _____ |
| (38) | Collection Fees..... | _____ | _____ | _____ | _____ |
| (39) | Leased Equipment..... | _____ | _____ | _____ | _____ |
| (40) | Service Contracts..... | _____ | _____ | _____ | _____ |

(41) EDP Service..... _____
 (42) Rent on Premises..... _____
 (43) Other Expenses (a)..... _____
 (b)..... _____
 (c)..... _____
 (d)..... _____
 (e)..... _____
 Total Other Expenses..... _____

Summary of Earnings

Total Income..... _____
 Total Expense..... _____
 Net Income (Before Taxes)..... _____
 (44) Income Taxes..... _____
 Net Income (After Taxes)..... _____
 Retained Earning..... _____

Examination Fee:

| <u>*TOTAL ASSETS</u> | <u>BASIC FEE</u> | <u>RATE PER 1M OVER 100M</u> |
|-------------------------|------------------|----------------------------------|
| Up to 750,000 | 123.00+ | .30497 |
| 750,000 to 5,000,000 | 160.00+ | .24804 |
| 5,000,000 to 10,000,000 | 761.00+ | .12539 |
| 10,000,000 or more | 1,091.00+ | .09206 |

D. Submit documentation showing the amount, cost and extent of blanket bond insurance coverage, the bank will have each of the first three years. Verify 1,000,000.00 Special Dishonesty Coverage will be acquired immediately after the charter is granted.

Needs & Convenience

- A. Describe the proposed site location in relation to other banks and financial institutions, business establishments, traffic patterns, residential areas and growth areas.

State any changes such as relocations of main banking house or facility, additions of facility, or proposed charters which you believe are contemplated by other banking institutions which would effect your service area.

State, in order, the banks (and the reasons) which it is expected will be the most competition with the proposed bank.

Provide the following information with respect to each competitive bank and facility in or near the PSA:

1. Location (Names & Address)
 2. Date established
 3. Volume of deposits.
 4. Volume of loans.
 5. Distance by road miles and direction from proposed bank.
 6. Interest rates paid on time money.
 7. Interest rate normally received on short-term business and installment loans.
 8. Rate of return on capital (basic capital, surplus, undivided profits and valuation reserves) for the last three years (Available from FDIC).
 9. Hours of business.
 10. Loan to Deposit Ratio for last three years.
- B. Define the primary service area (that area from which you will receive 75% of individuals, partnerships and corporation deposits.) Include maps and an explanation of what factors you used and considered in determining the boundaries of the PSA.
- C. Submit a general history of the PSA with emphasis on growth and development. Include a history of financial institutions in the area, and past banking history.
- D. What material developments effecting the PSA are likely to take place in the next five years? Explain the effect these developments will have and the probability they will occur.
- E. Provide a complete and demographic analysis of the primary service area.
1. Include estimates of current population in the PSA with an explanation of how these figures were determined. Census figures for the PSA for 1950-1960-1970 and an estimate of present should be included.

Provide additional breakdowns on the daytime working population and the residential population of the PSA. Describe traffic patterns, street and road facilities and their adequacy. Describe geographical barriers, if any, and their effect on the PSA.
 2. The analysis should show the number of households, average value of homes, average size of families and average family income, average age of population, extent of housing development and number of unsold homes and prospect for continued development.
 3. The analysis should include a presentation on employment in the PSA showing where people work and a short history of employment and unemployment growth.
 4. A presentation of commercial and industrial activity in and around the PSA. Stating Number of employees, payroll and plans for continuing in the area should be submitted.

Include a listing of schools and other public buildings in the PSA.

Effect On Existing Banks

- A. Submit a list of banks and their facilities within a 25 mile radius of the proposed site. The listing should include the size of the bank and the distance from the proposed site in road miles.
- B. What effect will the proposed bank have on each of the existing banks? Explain what factors were considered in reaching your conclusions.
- C. Estimate the loss in deposits each existing bank will experience.
- D. Project the effect the proposed bank will have on existing bank's earnings.
- E. In what way will the proposed bank effect the existing banks' ability to offer complete banking services.
- F. Comment upon the reputation existing banks have in the community.

MONTANA

APPLICATION FOR CERTIFICATE OF
AUTHORIZATION TO ORGANIZE A NEW MONTANA BANK

19

Montana State Banking Board
Department of Business Regulation
805 North Main
Helena, Montana 59601

Gentlemen:

Pursuant to Chapters 2 & 6 of Title 5, R.C.M. 1947, we, the undersigned proposed incorporators, request a certificate of authorization to proceed with the incorporation and organization of a new Montana bank. Said bank proposes to conduct business at _____, Montana, and will be known as _____

(Name of Bank)

We submit the following for your information in support of this application.

I. STOCKHOLDERS.

Attached as exhibit number 1 are the names, addresses, principal businesses and net worths of the stockholders of the proposed new bank.

II. OFFICERS.

Attached as exhibit number 2 are the names, positions, experience and references of the proposed officers of the new bank.

III. PUBLIC NECESSITY AND DEMAND.

Attached as exhibit number 3 is evidence demonstrating a persuasive showing of reasonable public necessity and demand for the proposed new bank. (Refer to Rule 8-3.22(6)-S1000.)

IV. PROPOSED CAPITAL STRUCTURE.

| | |
|--|-------|
| Capital | _____ |
| Surplus | _____ |
| Undivided Profits | _____ |
| Par value per share of capital stock | _____ |
| Organizational cost assessment per share | _____ |

VII. ADDITIONAL EXHIBITS. (continued)

- Exhibit 7 Articles of Agreement.
- Exhibit 8 Legal description and street address of proposed site for bank building.
- Exhibit 9 If building or land is to be leased, a copy of proposed lease agreement.
- Exhibit 10 List of equipment, furniture, etc. to be leased, with annual cost of each lease agreement.
- Exhibit 11 Detail of employees to be on payroll at opening of bank, with salary estimate for each position.

VIII. A NON-REFUNDABLE APPLICATION FEE OF \$1,000 MUST ACCOMPANY THIS APPLICATION. (Make remittance payable to the State of Montana.

In witness whereof, we have hereunto set our hands this _____ day of _____.

19__.

| | |
|--|--|
| | |
| | |
| | |
| | |
| | |

State of Montana)
) ss.
 County of _____)

Before the undersigned, a notary public for Montana, personally appeared _____

the proposed incorporators of the above named bank, to me known, who severally acknowledged that they executed the foregoing application for the purpose therein mentioned.

Witness my hand and official seal this _____ day of _____, 19__.

 Notary Public in and for the State of Montana
 residing at _____, Montana.
 My commission expires _____.

NEBRASKA

CERTIFICATE OF RESOLUTION

I, President _____ of the _____
(Name of Banking Corporation)
_____, _____
(Address of Resident Agent) (City or Town)

Nebraska, hereby certify that the following is a true and correct copy of a resolution duly adopted by the Board of Directors of the said corporation at a meeting of said Board regularly called and held on _____; and entered in the minutes of that meeting;

Whereas, the President of the _____
(Name of Banking Corporation)
_____, _____
(Address) (City or Town), Nebraska, a corporation duly

organized under the laws of the State of Nebraska, is hereby authorized to make application to the Department of Banking on behalf of said corporation for a charter to transact the business of a commercial bank;

Now, Therefore it is Resolved, that the Board of Directors of this Corporation hereby approves the action of the President in preparing and presenting to the Department of Banking said Application, and hereby ratifies and confirms the same, with the same force and effect as if said Application had been made in behalf of the Banking Corporation by this Board;

Resolved, that a true copy of said Application shall be and the same is hereby made a part of the minutes of this meeting; that all of the written statements and representations therein made by the President and all of the written information therein contained, submitted by him upon the several factors enumerated in Section 8-120 R.R.S. Nebr. 1943, as amended, together with additional information therein, for the purpose of inducing said Department to grant a charter to transact a business of a commercial bank, be and the same are hereby adopted, ratified, and confirmed as statements, representations, and information submitted by this Board, except as hereinafter noted, with like effect as though made and submitted by it:

Resolved, that the President is hereby authorized and directed to prepare and transmit to the Department of Banking, the following documents:

- (1) One copy of this Resolution;
- (2) A Certified copy of the Articles of Incorporation.

Date: _____

(Name of Applicant Bank)

(Location)

(Seal)

By _____
(President)

Attest: _____
(Secretary)

APPLICATION FOR A BANK CHARTER
(Preliminary Statement)

To: STATE OF NEBRASKA
DEPARTMENT OF BANKING & FINANCE

I, _____ President of the _____

_____, a corporation duly organized under the laws of the State of Nebraska, do hereby make application to transact the business of a commercial bank in accordance with the provisions of law pertaining thereto.

In support of this application, I hereby make the following statements and representations and submit the following information upon the several factors enumerated in Section 8-120 R.R.S. Nebraska, 1943.

1. The name of the proposed bank is _____.
2. A certified copy of the Articles of Incorporation of the proposed bank as filed in the office of the Secretary of State is attached hereto.
3. The names of the stockholders are:

| Stockholders:* | No. Shares | Residence | Occupation |
|----------------|------------|-----------|------------|
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |

*If space is not sufficient, attach schedule.

4. The county, city, or village and the exact location in which the proposed bank is to be located:

_____ Street Address _____ City or Village
 _____ County _____ State of Nebraska

Legal Description: * _____

*If additional space is required, attach this information on a separate sheet.

5. The general character or type of business which will be exercised by the bank will be: (Check all appropriate items.) () Commercial Banking; () Executor or Administrator of Estates; () Full Trust Powers; () Personal Loan Business; () Others. Specify: _____

6. The proposed amounts of paid-up capital stock, surplus and undivided profits shall be:

Paid-up capital stock.....\$.....
 Surplus\$.....
 Undivided Profits.....\$.....
 Total Capital Account.....\$.....

The following amounts of actual cash and property, as reported and approved at the meeting of the stockholders, are included in the above capital account.

Cash.....\$.....
 Property.....\$.....
 Total Capital Account.....\$.....

7. The undersigned hereby certifies that at least twenty percent (20%) of the amounts comprising the total capital account (as set forth in item 6 above) have been paid in to the corporation by its stockholders.

In addition to the required statutory information above we offer the following information pursuant to Regulation 8-120.01 as investigative information to the Director:

I MANAGEMENT

The proposed directors and officers are listed below. Following the name of each of the proposed officers is a brief resume or outline of his past business and banking experience and other qualifications as well as a brief statement of his proposed duties in connection with the operation of the Bank.

| Name, address, and occupation | Age | Title and Duties | Annual salary | Par value of stock to be subscribed | |
|-------------------------------|-----|------------------|---------------|-------------------------------------|--------|
| | | | | Preferred | Common |

No changes are contemplated in the proposed directorate or active management of the Bank, within the first year of operation, with the following possible exceptions:

None of the proposed directors, officers or employees of the proposed Bank has been convicted of any criminal offense involving dishonesty or a breach of trust.

Please submit with this application signed current financial statements of all officers, directors and principal stockholders. In addition please include a statement from each stockholder whether or not it will be necessary for him to borrow funds for the purchase of his stock. If it is the intention of the stockholder to borrow funds for said purpose, please indicate the amount to be borrowed, the lender, and the term of repayment. This information is considered confidential by the Department and is offered for its use only. It is accepted on that basis and is not considered part of this application for public distribution. (This includes the financial statement and statement of borrowings.)

II FUTURE EARNINGS PROSPECTS

It is the opinion of the undersigned that the earnings of the proposed Bank will be sufficient within a reasonable period after commencement of business to cover all operating expenses, losses, and charge-offs and to provide a reasonable return to shareholders.

The following is a statement of anticipated operating earnings and expenses of the proposed Bank:

| | <u>First Year</u> | <u>Second Year</u> | <u>Third Year</u> |
|--|-------------------|--------------------|-------------------|
| <u>Estimated Operating Income</u> | | | |
| (a) Interest on securities, average _____% | _____ | _____ | _____ |
| (b) Interest on loans, average _____% | _____ | _____ | _____ |
| (c) Income from commissions, fees, and collection, exchange, and service charges, _____% of estimated average total assets | _____ | _____ | _____ |
| (d) Other current operating income | _____ | _____ | _____ |
| Gross Operating Income | _____ | _____ | _____ |
| <u>Estimated Operating Expenses</u> | | | |
| (e) Salaries, wages, and fees | _____ | _____ | _____ |
| (f) Interest on time and savings deposits, _____% | _____ | _____ | _____ |
| (g) Interest and discount on borrowings | _____ | _____ | _____ |
| (h) Taxes (other than on income) | _____ | _____ | _____ |
| (i) Recurring depreciation on banking house, furniture and fixtures | _____ | _____ | _____ |
| (j) Other operating expenses | _____ | _____ | _____ |
| Total Operating Expenses | _____ | _____ | _____ |
| Net Operating Income | _____ | _____ | _____ |

Annual charges for regular depreciation to be taken on bank premises will approximate _____% of original cost. Annual charges for depreciation on furniture and fixtures will average approximately _____% of original costs to Bank. Annual charges for regular depreciation on bank premises of \$ _____ and furniture and fixtures of \$ _____ are included in the above statement under item (i).

Detailed Estimates of Other Operating Expenses as noted above under Item (j)

Attorney fee in organization _____

Charter fee and filing _____

Investigation fee _____

Other organization expenses _____

Rent of banking quarters _____

Premiums on blanket bond _____

Premiums on other insurance _____

Stationery and supplies _____

Postage _____

Advertising _____

Lights and water _____

Telephone and telegraph _____

FUTURE EARNINGS PROSPECTS (continued)

| | <u>First Year</u> | <u>Second Year</u> | <u>Third Year</u> |
|--|-------------------|--------------------|-------------------|
| Memberships, dues and donations | _____ | _____ | _____ |
| FDIC assessments | _____ | _____ | _____ |
| Examination fees | _____ | _____ | _____ |
| Repairs, maintenance, and machine and time lock contracts | _____ | _____ | _____ |
| Microfilm machine rent and film | _____ | _____ | _____ |
| Miscellaneous | _____ | _____ | _____ |
| Totals | _____ | _____ | _____ |
| Other estimated averages during each year: | | | |
| Total Deposits | _____ | _____ | _____ |
| Total assets (Estimated average total deposits plus proposed capital structure) | _____ | _____ | _____ |
| Total securities (_____ % of estimated average total assets) | _____ | _____ | _____ |
| Total loans (_____ % of estimated average total assets) | _____ | _____ | _____ |
| Time and savings deposits (_____ % of estimated average total deposits) | _____ | _____ | _____ |

III FINANCIAL HISTORY AND CONDITION OF THE BANK

Pro Forma Statement

| <u>Assets</u> | | <u>Liabilities</u> | |
|----------------------------|----------|--------------------|----------|
| Cash and due from banks | _____ | Common Capital | _____ |
| Banking house | _____ | Surplus | _____ |
| Leasehold improvements | _____ | Undivided profits | _____ |
| Furniture and fixtures | _____ | | |
| Expenses | _____ | | |
| Prepaid expenses | _____ | | |
| Federal Reserve Bank stock | _____ | | |
| Total | \$ _____ | | \$ _____ |

Banking House

Location:

Description:

Banking House (continued)

Cost of land \$ _____ Date purchased _____
Cost of building \$ _____ Purchased from _____
Purchase option _____

Assessed value \$ _____ Insurance to be carried \$ _____
Date of construction _____ Estimated useful life of building _____
Completeness of title papers _____
Tax status _____ Outstanding liens _____
Repairs to be made:

If quarters are to be leased:

Name of owner _____ Date of lease _____
Term of lease _____ Annual rental \$ _____
Renewal option _____

Purchase option _____

Option to lease _____

Repairs to be made by bank and carried as leasehold improvements:

Estimate of Furniture and Fixtures Account

| | |
|--|----------|
| Vault door | \$ _____ |
| Vault ventilator | _____ |
| Safe | _____ |
| Grill work, tellers' chests, etc., for vault | _____ |
| Safe deposit boxes | _____ |
| Number _____ @ \$ _____ per box | _____ |
| Drive-in tellers' windows (Number _____) | _____ |
| Night depository | _____ |
| Counter and cage fixtures | _____ |
| _____ Posting machines | _____ |

Estimate of Furniture and Fixtures Account (continued)

| | | |
|-------|--------------------------------------|----------|
| _____ | Tellers' machines | \$ _____ |
| _____ | Proof machines | _____ |
| _____ | Adding machines | _____ |
| _____ | Typewriters | _____ |
| | Microfilm machines | _____ |
| | Officers' desks | _____ |
| | Other desks | _____ |
| | Directors' table | _____ |
| | Chairs | _____ |
| | Lobby equipment | _____ |
| | Carpating and draperies | _____ |
| | Check writer | _____ |
| | Cancelling machine | _____ |
| | Filing cabinets, ledger stands, etc. | _____ |
| | Heating system | _____ |
| | Air conditioning system | _____ |
| | Miscellaneous | _____ |
| | Total | \$ _____ |

Insurance to be carried on furniture and fixtures \$ _____

Depreciation and amortization of fixed assets:

| | | |
|------------------------|--------------------|------------|
| Bank building | _____ % - \$ _____ | per annum. |
| Leasehold improvements | _____ % - \$ _____ | per annum. |
| Furniture and fixtures | _____ % - \$ _____ | per annum. |

Organization and Other Preliminary Expenses

| | |
|---|----------|
| Attorney fees (obtain definite agreement on this item) | \$ _____ |
| Investigation fee | \$ _____ |
| Advertising | \$ _____ |
| Charter fee and filing | \$ _____ |
| Travel and telephone | \$ _____ |
| Miscellaneous | \$ _____ |
| Total | \$ _____ |

IV CONVENIENCE AND NEEDS OF COMMUNITY

Existing banks located in same city or town as proposed bank and existing banks located within a radius of twenty-five miles of proposed bank are as follows:

| Name of bank | Location | Population | Approximate deposits | Distance from proposed bank |
|--------------|----------|------------|----------------------|-----------------------------|
|--------------|----------|------------|----------------------|-----------------------------|

CONVENIENCE AND NEEDS OF COMMUNITY (Continued)

The approximate population of the town or city in which the proposed bank will be located is _____.

The approximate population of the trade area to be served is _____.

The principal industries of the community are:

| Name | Type | Approximate number of employees | Approximate annual payroll | Approximate annual sales |
|------|------|---------------------------------|----------------------------|--------------------------|
|------|------|---------------------------------|----------------------------|--------------------------|

The principal agricultural, mineral, and other products of the territory to be served are:

The approximate average annual value of the above products during the past three years is:

Other supporting information relative to the factor of convenience and needs of the community is as follows:

| | |
|---|--|
| Year | Assessed valuation: |
| Business licenses | Town |
| Retail stores | County |
| Doctors | School District |
| Dentists | Bonded debt: |
| Hospitals | Town |
| Colleges (and enrollment) | County |
| Public Schools (enrollment) | School District |
| Hotels | Other debt: |
| Telephones | Town |
| Water connections | County |
| Electric connections | School District |
| Gas connections | Tax rates: |
| Postal receipts | Town |
| <u>Other Miscellaneous Information:</u> | State and County |
| | School District |
| | Agricultural production of _____ (area): |
| | Year |
| | Products |

CONVENIENCE AND NEEDS OF COMMUNITY (Continued)

Volume of loans made in area by Government Agencies:

Business or economic factors that will affect future prospects of proposed bank:

Do existing banks produce satisfactory earnings:

Services to be offered by proposed bank: (Available at existing banks?)

Checking accounts
Savings and time deposits
Safe deposit department
Safekeeping
Trust department
Drive-in windows
Parking
Other

V MISCELLANEOUS

Trust Department - Yes No

If "Yes", obtain detailed information on the following:

Trust powers requested and to which bank will be confined:

Amount of capital and surplus required under State law:

Give name, age, title, and salary, and elaborate fully on duties, experience and qualifications of (1) Trust Officer, (2) Trust Committee, (3) Legal Counsel:

2. Estimate of additional expenses to be incurred through establishment of Trust Department for first three years of operation:

Estimate of Trust Department earnings for first three years of operation:

Estimate of volume and types of business that may be obtained in a period of three years:

Outline bank's proposed program for soliciting Trust business:

List competing banks exercising Trust powers, and comment on size, powers exercised, and the adequacy of such facilities:

8. Do you plan to submit an application for membership in the Federal Deposit Insurance Corporation? Yes No

9. The proposed bank upon organization will not refinance, either directly or indirectly, any loan advance or credit extension made to any prospective shareholder by any existing financial institution or by others, if such loan, advance, or credit extension was originally made to the prospective shareholder to secure funds with which to purchase stock in the proposed bank.

APPLICATION FOR A BANK CHARTER (Preliminary Statement) (Continued)

I, _____ President of the proposed bank declare that no premium, bonus, commission, compensation, reward, salary, or other form of remuneration has been paid, or promised to be paid, to any person for selling the stock of such bank or for inducing in any manner any subscription for such stock.

Bank

By _____
President

STATE OF NEBRASKA)
)
) ss.
_____ County)

_____, being first duly sworn, on oath says that he is the duly elected President of the _____
Bank

_____, Nebraska, and that the foregoing detailed statement is true and correct.

Subscribed in my presence and sworn to before me this _____ day of _____, 19____

My commission expires _____
Notary Public

INSTRUCTIONS

(Read Carefully)

The Application for Authority to Engage in Banking Business is a five-section application as follows:

Section I is the formal application which sets out the proposed name, location, incorporators, directors, proposed capital, etc., and includes the warranties to the State Banking Department, as well as the appointment of an agent, and certification that the organizational expense has been paid and also the one percent (1%) subscription of the incorporators. This section must be completed in every detail and signed twice by the incorporators.

Section II is the section which contains the statements of the incorporators and directors, that support their character and ability. Attached to this section should be the financial statements of each, which will be detached in this department and maintained in a confidential file. All other parts of the application, except the financial statements, are public information.

Section III is the section to show the need for the new bank, the community support of the new bank, and statistical data. This section must be completed in every detail. (see last paragraph.)

Section IV is the section to be completed only if the applicants are also applying for trust powers. If the bank is not applying for trust powers, this section can be omitted.

The Board may deny the application for trust powers and approve the bank application, but in no case will trust powers be granted unless the application for the proposed bank is approved.

Section V is the section to be completed only after authority has been granted, either by the Banking Board or a court of competent jurisdiction, in order to make a verified application to obtain a Certificate of Authority. Adequate records should be maintained to complete this section later. This section also provides the name (s) of the management, qualifications of management, and request for approval.

* * * * *

Submit herewith a check in the amount of \$2,000.00 to cover expenses incurred by the Banking Department in connection with the application.

In accordance with the provisions of Title 6 O.S., § 303, attach to each copy of this application a copy of the proposed Articles of Incorporation, duly signed by each of the incorporators and sworn to before an officer authorized by the laws of this State to administer oaths.

In accordance with the provisions of Title 6 O.S., § 305, attach to each copy of this application a copy of the proposed bylaws of the corporation.

Submitting Sections I and II in quintuplicate, with above attachments and other documents requested throughout these various sections, shall constitute filing as provided for in Title 6 O.S., § 306. Section III (and IV if applicable) may be filed at this time; however, the incorporators may prefer to file these sections with the Commissioner immediately prior to the hearing, as provided for in Title 6 O.S., § 306 C.

NORTH DAKOTA

STATE OF NORTH DAKOTA,
County of _____ } ss.

On this _____ day of _____ in the year A. D. One Thousand Nine Hundred and _____ before me _____ a Notary Public in and for _____ County, North Dakota, personally appeared _____

known to me to be the persons whose names are subscribed to the foregoing instrument, and they severally duly acknowledged to me that they executed the same.

Notary Public.
My commission expires _____ 19____

CERTIFICATE OF OFFICER AS TO AMOUNT OF THE PAID UP CAPITAL STOCK OF THE

_____ State Bank.
_____ being duly sworn, deposes and says that he is the identical _____ named in the copy of the Articles of Association of the _____ State Bank hereto attached; that he is the _____ of said State Bank; that the Capital Stock of said Association as stated in said Articles is _____; and that the said State Bank has in cash the sum of _____ paid up Capital Stock.

_____ of the
_____ State Bank.
Subscribed and sworn to before me this _____ day of _____
19____

Notary Public.
My commission expires _____ 19____

Articles of Association
of

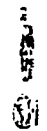
STATE BANK

STATE OF NORTH DAKOTA
Department of State.

Filed for record and certificate issued the _____ day of _____ 19____ and recorded in Volume _____ of _____ on page _____

By _____ Secretary of State.
Deputy.

Official No. _____
Certificate No. _____
Fee Collected \$ _____



ORGANIZATION CERTIFICATE

OF THE

STATE BANK.

KNOW ALL MEN BY THESE PRESENTS, That we, whose names are hereunto subscribed, have this day united ourselves together to form an association for carrying on the business of banking under the laws of the State of North Dakota, and have adopted and executed Articles of Association, in duplicate for that purpose, and have duly forwarded such articles to the Secretary of State of North Dakota; that we do hereby under our hand make and file the following as our Certificate of Organization:

FIRST

The name of said corporation is _____

SECOND

The place where the business of discount and deposit are to be carried on is _____

THIRD

The amount of the capital stock and the amount into which its shares are to be divided is: _____

FOURTH

The names and residence of the shareholders and the number of shares held by each of them are as follows:

| Name | Residence | Number of Shares |
|------|-----------|------------------|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |

FIFTH

The period at which this corporation shall commence business shall be within one year from date of its charter, or upon date of preliminary examination and delivery of charter by State Examiner.

IN WITNESS WHEREOF, We have hereunto set our hands and seals, each for himself, this _____ day of

_____, A. D. 19_____

_____(SEAL)

_____(SEAL)

_____(SEAL)

_____(SEAL)

_____(SEAL)

_____(SEAL)

_____(SEAL)

STATE OF NORTH DAKOTA,
County of _____ } ss.

On this _____ day of _____ 19____, before me personally appeared _____

known to me to be the persons who are described in and who executed the foregoing certificate of organization, and they and each of them acknowledged to me that they executed the same.

Notary Public.

My commission expires _____ 19____

**Organization Certificate
OF THE**

STATE BANK

STATE OF NORTH DAKOTA
Department of State

Filed for record and certificate issued the

day of _____

19____ and recorded in Volume _____

of _____

on page _____

Secretary of State.

By _____
Deputy.

Official No. _____

Certificate No. _____

Certificate of Record by Register of Deeds
of your county should appear in above space.

 1913

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
X NORTH DAKOTA STATE BANKING BOARD X
X X
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

APPLICATION

FOR

PROPOSED NEW BANK

INFORMATION FOR APPLICANT

CONFIDENTIAL SECTION

The State Banking Board has determined that Application information is likely to be of such confidential nature, when meeting any of the three following categories:

1. Trade secrets and commercial or financial information obtained from a person and privileged or confidential.
2. Personnel and medical files and similar files the disclosure of which would constitute a clearly unwarranted invasion of personal privacy.
3. Information contained in the application form which is in the nature of examination report information.

However, the determination of the question of confidentiality and the discretion to release information which is exempt resides with the State Banking Board and the specific information you include in this section may be made available for public review in the sole discretion of the Board.

III. FUTURE EARNINGS PROSPECTS

ESTIMATE OF SALARIES AND WAGES

| POSITION | FIRST YEAR | SECOND YEAR | THIRD YEAR |
|--------------------------|------------|-------------|------------|
| Chairman of the Board | | | |
| President | | | |
| Executive Vice President | | | |
| Vice President(s) | | | |
| Cashier | | | |
| Assistant Cashier(s) | | | |
| Auditor | | | |
| Tellers | | | |
| Bookkeepers | | | |
| Secretaries | | | |
| Clerks | | | |
| Janitor | | | |
| All Others | | | |
| TOTAL | | | |

ESTIMATED LOAN DIVERSIFICATION

| TYPE OF LOAN | FIRST YEAR | | SECOND YEAR | | THIRD YEAR | |
|--------------------------|--------------------------|------------------------|--------------------------|------------------------|--------------------------|------------------------|
| | ESTIMATED AVERAGE VOLUME | AVERAGE PERCENT RETURN | ESTIMATED AVERAGE VOLUME | AVERAGE PERCENT RETURN | ESTIMATED AVERAGE VOLUME | AVERAGE PERCENT RETURN |
| Commercial | | % | | % | | % |
| Instalment | | % | | % | | % |
| Real Estate | | % | | % | | % |
| Term | | % | | % | | % |
| Purchased Participations | | % | | % | | % |
| TOTAL | | | | | | |

INTEREST RATE TO BE PAID ON TIME DEPOSITS % INTEREST RATE TO BE PAID ON SAVINGS DEPOSITS %

EXCHANGE AND SERVICE CHARGE POLICIES TO BE FOLLOWED

COMMENTS (Include other information supporting income and expense estimates reported in the Public Section of this application.)

IV. GENERAL CHARACTER OF THE MANAGEMENT

NOTE: Financial and Personal History Statement, for each Director, each Officer, and each person owning or subscribing to 5% or more of the total capital.

| PROPOSED OFFICERS | | | | |
|-------------------|---------|-----|------------|-------|
| NAME | ADDRESS | AGE | OCCUPATION | TITLE |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

| | | |
|--|-------|----|
| 1. Has any proposed director, officer, or employee been convicted of any criminal offense involving dishonesty or a breach of trust? (If "Yes," explain below.) | CHECK | |
| | YES | NO |
| 2. Do stock option plans exist? (If "Yes," explain in "Comments" below.) | | |
| 3. If stock option plans exist, has full disclosure been made, in writing, to all shareholders? NOTE: Include a copy of the disclosure statement with your application. | | |
| 4. Have correspondent bank relationships been established? (If "Yes," list below.) LIST NAMES AND ADDRESSES OF ALL CORRESPONDENT BANKS | | |
| | | |
| 5. If "Yes," are there any agreements with correspondent banks, written or oral, establishing balances required in connection with loans to any Director, Officer, Employee, or 5% stockholder for the purpose of financing the purchase of stock in the proposed bank? (If "Yes," explain in "Comments" below.) | | |

COMMENTS (Furnish any necessary details to the above questions. Refer by Item No. whenever possible.)

XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX.
X
X NORTH DAKOTA STATE BANKING BOARD X
X
XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX

APPLICATION

FOR

PROPOSED NEW BANK

INFORMATION FOR APPLICANT

PUBLIC SECTION

1. **Organization Certificate - Per Sections 6-02-04 and 6-02-05, North Dakota Century Code.**
Articles of Association - Per Section 6-02-02, North Dakota Century Code.
(Note: Attach hereto 3 copies each)
2. **Any prospective incorporator desiring to qualify his certificate may do so by attaching hereto any statement which may be required to make his certificate accurate.**
3. **Schedules or inserts may be attached to this Application whenever the space provided is insufficient. Such attached schedules or inserts are a part of this Application. All schedules or inserts should be on paper the same size as this page. Applications are to be securely bound.**
4. **This Application is to be executed in six (6) copies. Forward all copies to Department of Banking and Financial Institutions.**
5. **Requests for clarification as to what information is necessary to complete this Application should be directed to the Department of Banking and Financial Institutions.**
6. **You may provide any information in addition to that requested by the State Banking Board which, in your opinion, might aid in the disposition of your Application. However, any such unsolicited information will be accepted for consideration with the understanding that it may be made public.**

APPLICATION FOR PROPOSED NEW BANK

DATE

Proposed Title

Street and Number

City

County

North Dakota

Zip Code

Type of Business (Check all which apply)

Commercial Banking

Trust Business

Other (Specify)

We, the undersigned prospective incorporators, being natural persons and of lawful age, intend to organize a State banking association as indicated above. We hereby make application to the North Dakota State Banking Board on behalf of the proposed bank.

It is understood that the State Banking Board in applying the factors set out in Chapters 6-02 and 6-03, North Dakota Century Code, will consider the application only with respect to the general character or type of business above stated and that the Bank will not engage in any other business without the prior written consent of the State Banking Board.

The factors to be considered by the State Banking Board shall be the following: Adequacy of the proposed association, capital structure, proposed location is in need of further banking facilities, whether the proposed association is adapted to the filling of such need, whether the proposed incorporators are possessed of such character, integrity, reputation, and financial standing as shown by a detailed financial statement to be furnished by them, that their connection with the banking association will be beneficial to the public welfare of the community in which such bank is proposed to be established, qualifications of management shall include adequate experience.

We hereby make the following statements and representations and submit the following information upon the several factors enumerated in Chapter 6-02, North Dakota Century Code, for the purpose of inducing the State Banking Board to approve the proposed Bank.

THE UNDERSIGNED HEREBY CERTIFY, JOINTLY AND SEVERALLY, that the statements contained herein are true to their best knowledge and belief.

Signature and Place of Residence

Signature and Place of Residence

Multiple horizontal lines for signature and address input.

I. FINANCIAL HISTORY AND CONDITION

A. PREMISES TO BE OCCUPIED BY BANK

INSTRUCTIONS: Complete all appropriate sections below. Where not applicable insert N.A. or None. When the disclosure of any information may adversely affect ongoing negotiations, include such information in the Confidential Section of this application. Copies of any completed contracts and leases should also be submitted and, unless otherwise provided by State law, leases must include clauses similar to those with which you, the applicants, have been provided. The use of these leases and contracts by the State Banking Board will remain confidential.

1. TYPE OF OCCUPANCY (Check all which apply to indicate both type of quarters at opening and contemplated permanent quarters)

Permanent quarters leased (Complete 2 and 3 below) Permanent quarters owned (Complete 2 and 4 below) Temporary quarters (Complete 5 below)

2. DESCRIPTION OF PREMISES

| | | | | |
|----------------------------------|------------------------|----------------|--------------------|-----------------------|
| DIMENSIONS OF LOT | DIMENSIONS OF BUILDING | NO. OF STORIES | NO. PARKING SPACES | NO. TELLER'S STATIONS |
| TYPE OF CONSTRUCTION OF BUILDING | | | | |

DETAILS OF BUILDING INTERIOR (Mention all employee facilities and size of lobby area)

3. PREMISES LEASED

| | |
|--|-------------------------|
| NAME OF OWNER | INSURANCE TO BE CARRIED |
| COST AND DESCRIPTION OF LEASEHOLD IMPROVEMENTS | ANNUAL RENTAL |
| | ANN. AMORTIZATION |
| TERMS OF LEASE | |

RENEWAL OPTIONS

4. PREMISES OWNED

EXISTING STRUCTURE

| | | | |
|---|------------------|------------------|--------------|
| NAME OF SELLER | DATE CONSTRUCTED | EST. USEFUL LIFE | COST TO BANK |
| COST AND DESCRIPTION OF NECESSARY REPAIRS AND ALTERATIONS | | | |

| | | |
|--------------------|-------------------------|-------------------------------|
| ASSESSED VALUATION | INSURANCE TO BE CARRIED | ESTIMATED ANNUAL DEPRECIATION |
|--------------------|-------------------------|-------------------------------|

PROPOSED STRUCTURE

| | | |
|------------------------------|-------------------------|-------------------------------|
| NAME OF SELLER OF LOT | COST OF LOT TO BANK | CONSTRUCTION COST |
| ESTIMATED ASSESSED VALUATION | INSURANCE TO BE CARRIED | ESTIMATED ANNUAL DEPRECIATION |

5. TEMPORARY QUARTERS

| | |
|---|------------------------|
| NAME OF OWNER | COST OR MONTHLY RENTAL |
| LOCATION (Include distance and direction from permanent quarters) | |

DESCRIPTION

I. FINANCIAL HISTORY AND CONDITION (Continued)

D. ORGANIZATION EXPENSES

INSTRUCTIONS: List all expenses related to the organization of the bank. Include all expenses paid, additional costs anticipated prior to the opening date, and include any expenses for work performed during the organization phase for which disbursement has been deferred beyond the opening date. Attorney fees will require a detailed account of actual legal work performed.

| NAME OF RECIPIENT | ASSOCIATION WITH BANK (Mark appropriate col.) | | | TYPE OF RELATIONSHIP (Specify Director, Officer, 5% stockholder, or their relatives. Designate any business interests of the aforementioned.) | AMOUNT |
|--|--|----------|------|--|--------|
| | Direct | Indirect | None | | |
| Attorney Fees: | | | | | |
| | | | | | |
| | | | | | |
| 1. TOTAL ATTORNEY FEES | | | | | |
| Consultant Fees: | | | | | |
| | | | | | |
| | | | | | |
| 2. TOTAL CONSULTANT FEES | | | | | |
| 3. TOTAL PRE-OPENING SALARIES | | | | | |
| 4. TOTAL PRE-OPENING TRAVEL AND ENTERTAINMENT | | | | | |
| 5. TOTAL APPLICATION AND INVESTIGATION FEES | | | | | |
| Other Expenses: (Describe in detail any item in excess of \$1,000) | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| 6. TOTAL OTHER EXPENSES | | | | | |
| Total Organization Expenses (Sum of lines 1 thru 6 above.) | | | | | |
| Pre-opening Income | | | | | |
| NET TOTAL | | | | | |

DESCRIBE SOURCE OF PRE-OPENING INCOME

DESCRIBE HOW ORGANIZATION EXPENSES WILL BE PAID

II. ADEQUACY OF THE CAPITAL STRUCTURE

A. PROPOSED PAID-IN CAPITAL STRUCTURE

IMPORTANT: Upon organization, the proposed bank will not refinance, directly or indirectly, any loan, advance, or credit extension originally made by any existing financial institution, or others, to any subscriber of shareholder for the purpose of obtaining funds to purchase stock in the proposed bank.

| DESCRIPTION | AMOUNT |
|---|--------|
| Common capital (_____ no. of shares @ \$ _____ par value) | |
| Surplus | |
| Other capital segregations | |
| TOTAL | |

NOTE: Attach a copy of the stock subscription form and prospectus, if any, which will be used in connection with the issuance of capital stock. A substantially complete list of stock subscribers will have to be submitted before the application can be processed.

| LIST AMOUNTS AND RECIPIENTS OF ANY FEES OR COMMISSIONS PAID IN CONNECTION WITH THE SALE OF STOCK | SALE PRICE PER SHARE |
|--|----------------------|
| | |

II. ADEQUACY OF THE CAPITAL STRUCTURE (Continued)

B. ESTIMATED DEPOSITS

| TYPE OF DEPOSIT | ESTIMATED VOLUME AT END OF | | |
|---|----------------------------|-------------|------------|
| | First Year | Second Year | Third Year |
| INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS: | | | |
| Demand deposits | | | |
| Savings Deposits | | | |
| Time Deposits | | | |
| PUBLIC FUNDS: | | | |
| Demand Deposits | | | |
| Time Deposits | | | |
| DEPOSITS OF BANKS AND OTHER FINANCIAL INSTITUTIONS: | | | |
| Demand Deposits | | | |
| Time Deposits | | | |
| TOTAL DEMAND DEPOSITS | | | |
| TOTAL TIME AND SAVINGS DEPOSITS | | | |
| TOTAL DEPOSITS | | | |

THE ABOVE ESTIMATES ARE BASED ON THE FOLLOWING DATA AND ASSUMPTIONS:

IMPORTANT: *The bank will at all times maintain adequate capital accounts in relation to the true value of its total assets.*

III. FUTURE EARNINGS PROSPECTS

THE AFORESAID ARE OF THE OPINION THAT, within a reasonable period after commencement of business as an insured bank, the earnings of the Proposed Bank will be sufficient to cover all operating expenses, losses, and charge offs and to provide a reasonable return to shareholders.

A. ESTIMATED AVERAGE DEPOSITS AND ASSETS

INSTRUCTIONS: Average deposits for the second and third years are computed by adding figures at the end of the preceding year to the totals at the end of the subject year and dividing by two (Refer to II B)

| DESCRIPTION | AVERAGE DURING | | |
|---|----------------|-------------|------------|
| | First Year | Second Year | Third Year |
| AVERAGE DEPOSIT VOLUME: | | | |
| A. Demand deposits | | | |
| B. Time and Savings deposits | | | |
| Total estimated average deposit volume | | | |
| Capital paid in (Should agree with II A.) | | | |
| Total estimated average assets | | | |

B. ESTIMATED INCOME AND EXPENSES

INSTRUCTIONS: Gross income is calculated by multiplying the estimated return on assets by the total estimated average assets above.

| DESCRIPTION | ESTIMATED AMOUNT | | |
|--|------------------|-------------|------------|
| | First Year | Second Year | Third Year |
| Gross income (@ %) | | | |
| EXPENSES: | | | |
| 1. Salaries and benefits | | | |
| 2. Interest on time and savings deposits | | | |
| 3. Net occupancy expense (details below) | | | |
| 4. Furniture and equipment (depreciation, rental, maintenance, etc.) | | | |
| 5. Other operating expenses: | | | |
| Advertising | | | |
| Telephone | | | |
| Legal | | | |
| Postage | | | |
| Computer services | | | |
| Miscellaneous | | | |
| 6. Net organization expenses (1st year only. Should agree with IE.) | | | |
| Total estimated expenses | | | |
| ESTIMATED NET PROFIT OR (LOSS) | | | |

| | | | |
|---|--|--|--|
| OCCUPANCY EXPENSES: | | | |
| Rent | | | |
| Depreciation | | | |
| Repairs | | | |
| Maintenance (including building staff salaries) | | | |
| Insurance | | | |
| Taxes on real estate | | | |
| Utilities (heat, light, power, etc.) | | | |
| Other occupancy costs | | | |
| Total Occupancy Expenses | | | |
| Less: Rental Income | | | |
| Net occupancy cost (should agree with line 3 above) | | | |

COMMENTS

IV. GENERAL CHARACTER OF THE MANAGEMENT (Continued)

CHANGES CONTEMPLATED IN THE PROPOSED DIRECTORATE OR ACTIVE MANAGEMENT DURING THE FIRST YEAR (If none, so state)

IMPORTANT: Prompt written notification must be given to the Department of Banking and Financial Institutions if changes in the directorate, active management, or in the ownership of stock of 5% or more of the total are made prior to opening.

B. COMMITTEES

| LOAN | |
|------------------|--------|
| NAMES OF MEMBERS | DUTIES |
| | |

| INVESTMENT | |
|------------------|--------|
| NAMES OF MEMBERS | DUTIES |
| | |

| AUDIT | |
|------------------|--------|
| NAMES OF MEMBERS | DUTIES |
| | |

C. REPRESENTATIONS

1. Are the prospective incorporators acting as representative of or on behalf of any other person, partnership, association, or corporation? (If "Yes," explain in "Comments" below.) Yes No
2. Are the prospective incorporators, directly or indirectly, party to any written or oral agreement or understanding providing for the sale of the assets of the proposed bank to, or merging or consolidating the proposed bank with, any other financial institution? (If "Yes," explain in "Comments" below.) Yes No

COMMENTS

V. CONVENIENCE AND NEEDS OF THE COMMUNITY TO BE SERVED

INSTRUCTIONS: The applicants are responsible for developing the legal factor *Convenience and Needs of the Community* in a way which clearly shows the economic support and justification for the proposed bank. Include a map of the trade area pinpointing the location of offices of the nearest bank and/or competing bank(s). Submit such data relating to the trade area which you feel is relevant to the proposal. If an economic survey or feasibility study has been prepared it may provide most of the information requested. Such information submitted in support of your application will be included in the public file.

THE AFORESAID ARE OF THE OPINION THAT the interests of the residents of the proposed trade area would be served by the establishment of the proposed bank. Data to support this opinion is presented below and in other information submitted with this application.

A. DESCRIPTION OF THE AREA TO BE SERVED

DESCRIBE THE TRADE TERRITORY WHICH THE PROPOSED BANK WILL SERVE (Include the geographic boundaries within which all or most of the proposed bank's potential customers reside.)

B. ECONOMIC AND DEMOGRAPHIC DATA

DESCRIBE THE ECONOMIC CHARACTERISTICS OF THE TRADE TERRITORY SPECIFIED ABOVE. (Include manufacturing, agricultural, and other industrial data. Also include information covering, but not limited to: population, income, construction activity, and retail and wholesale sales. This information, as a minimum should cover the most recent 5-year period.

| NO. OF HOUSING STARTS WITHIN PAST 5 YEARS (Indicate year) | | | | |
|---|----|----|----|----|
| 19 | 19 | 19 | 19 | 19 |
| | | | | |

1. PRINCIPAL BUSINESSES AND INDUSTRIES OF THE AREA

| NAME OF COMPANY | TYPE OF BUSINESS | NUMBER OF EMPLOYEES | APPROXIMATE ANNUAL PAYROLL | ANNUAL SALES |
|-----------------|------------------|---------------------|----------------------------|--------------|
| | | | | |

OKLAHOMA

SECTION I

APPLICATION FOR AUTHORITY TO ENGAGE IN BANKING BUSINESS

STATE OF OKLAHOMA
STATE BANKING DEPARTMENT



NAME _____

LOCATION _____

Title 6 O.S., § 303 (Oklahoma Banking Code), provides that five or more individual incorporators desiring to organize a bank or trust company shall file with the Commissioner, in quintuplicate, an application to organize, setting forth the information required by § 305 and attaching a copy of the proposed articles of incorporation, both of which instruments shall be duly signed by each of the incorporators and sworn to before an officer authorized by the laws of this state to administer oaths.
(Instructions are furnished for this application)

_____, 19__

We, the undersigned, do hereby make application to the Bank Commissioner and the State Banking Board for permission to organize a bank and for authority to engage in the banking business, _____ trust powers. (If with trust powers, add supplemental Section IV to application) at _____, Oklahoma, said bank to be known as

1. _____
(Name of bank)

2. That said bank is to be located at _____

Town or City of _____

County of _____, State of Oklahoma.

3. That said bank be authorized to issue _____ shares of stock at a par value of \$ _____ each, and to be subscribed to for \$ _____ each; that the total consideration received for the shares is to be allocated as follows:

| | |
|-------------------|----------|
| Capital | \$ _____ |
| Surplus | \$ _____ |
| Undivided Profits | \$ _____ |
| Total | \$ _____ |

4. That _____, whose address is _____

act as agent to receive all correspondence and documents with respect to this application, in accordance with the annexed appointment of agent.

5. That the evidence of the need and advisability of granting this authority is

8a. Will you obtain professional management and what requirements will you have as to his qualifications, experience, ability, and character?

8b. What salary range do you anticipate having to pay to obtain management?

8c. How much stock will be available to the chief executive officer?

9. That with respect to stock issued by said bank to obtain the total consideration set forth above, none of the shares of said stock will be sold by the bank for a price other than \$ _____ per share, without prior written approval having been obtained from the State Bank Commissioner.

10. That with respect to stock issued by the bank to obtain the total consideration set forth above, none of said stock will be sold through an underwriter, broker or dealer, nor will any commission or other fee be paid to any person or company in connection with the sale of said stock, without prior written approval having been obtained from the State Bank Commissioner.

11. That the undersigned have not directly or indirectly paid to or received from any person, partnership, association, or corporation, any money or other thing of value as a fee, commission or other compensation for any service rendered or to be rendered or for any property transferred or to be transferred, in connection with the organization of said bank, except as follows:

12. That the undersigned are not acting in the premises as representative of or on behalf of any person, partnership, association or corporation undisclosed to the State Bank Commissioner.

13. That the undersigned acknowledge that any misrepresentation or omission of a material fact with respect to the foregoing representations or with respect to any other documents or papers submitted by the undersigned to the State Bank Commissioner or State Banking Board in connection with the organization of this bank shall, unless expressly waived by the State Bank Commissioner, constitute fraud in the inducement and be grounds for denial of a state bank charter in this or any other matter, and grounds to require the resignation of the undersigned as directors of said bank.

14. That the capital stock has been fully subscribed as indicated in Item No. 6, and that each incorporator, as required by Title 6 O.S., § 303; has paid in full in cash for stock, the total subscription price of which is not less than one percent (1%) of the minimum capital and paid-in surplus requirements, as provided in § 302.

15. That all information contained in this application or in attachments or supplements hereto is true and correct to the best of our knowledge and belief.

IN WITNESS WHEREOF, the undersigned have set their hands this _____ day of _____, 19____.

STATE OF OKLAHOMA)
) ss.
COUNTY OF)

Before me, a Notary Public in and for the County and State above named, personally appeared

and that each of them stated under oath that all of the matters herein contained are true and correct to their best knowledge and belief.

Subscribed and sworn to before me this ____ day of _____, 19__.

Notary Public

(SEAL)

My Commission expires: _____, 19__.

APPOINTMENT OF AGENT

KNOW ALL MEN BY THESE PRESENTS, that the undersigned, being all the incorporators of an Application for Authority to Engage in Banking Business, dated _____, 19____, do hereby make, constitute, appoint, and designate

(First Name) (Middle Name) (Last Name)

of

(Number and Street) (City and State)

(Area Code) (Telephone Number)

as our agent, as hereinafter set forth, hereby revoking any and all previous appointments of agent heretofore executed in the premises.

SAID AGENT is hereby authorized to represent and appear for the undersigned before the Bank Commissioner and the State Banking Board of the State of Oklahoma, in relation to the aforesaid application and, except in instances where the Bank Commissioner and the Banking Board shall require personal actions by the undersigned, said agent is hereby empowered and authorized to do and perform all and every act of things whatsoever requisite or necessary in connection with the aforesaid application, as fully and to all intents and purposes as the undersigned might or could do if personally present at the doing thereof, and to receive all correspondence and documents from the Bank Commissioner in connection with the aforesaid application.

THE AGENCY CREATED HEREUNDER shall automatically terminate upon the date the proposed state bank shall become a body corporate and the directors thereof appointed in accordance with law.

THE AGENCY CREATED HEREUNDER is and shall be irrevocable except by resolution adopted by a majority plus one of the undersigned, which resolution shall be certified to the Bank Commissioner by the undersigned voting for the same.

THE UNDERSIGNED jointly and severally represent and warrant to the Bank Commissioner and the Banking Board that the complete terms of the agreement of the undersigned with the said agent pertaining to compensation of said agent for services performed and to be performed by said agent in connection with the aforesaid application are as follows, and that the undersigned are not directly or indirectly party to any other written or oral agreement or understanding with said agent relating to such compensation.

IN WITNESS WHEREOF, the undersigned have hereunto set their hands on this _____ day of _____, 19____.

CERTIFICATE OF AGENT

THIS IS TO CERTIFY and warrant to the Bank Commissioner and the Banking Board of the State of Oklahoma, that the undersigned is not directly or indirectly a party to any written or oral agreement with the signators of an APPOINTMENT OF AGENT, dated _____, 19____, under the terms of which the undersigned has been paid or will be paid any money or other thing of value that is not disclosed herein.

AGENT

DATE

CERTIFICATION OF DEPOSIT: (Organizational Expense Account)

This is to certify that there is on deposit in this financial institution the sum of \$ _____, in the name of

The following are authorized to make withdrawals:

Dated this ____ day of _____, 19 ____.

(Name of financial institution)

By: _____

(Title)

CERTIFICATION OF DEPOSIT: (Subscription Account)

This is to certify that there is on deposit in this financial institution the sum of \$ _____, in the name of

The following are authorized to make withdrawals:

Dated this ____ day of _____, 19 ____.

(Name of financial institution)

By: _____

(Title)

INSTRUCTIONS FOR SECTION II

(Read Carefully)

Attach a biographical sketch similar to the one attached, for each incorporator and each proposed director.

Attach a current financial statement on each. NOTE: This financial statement is confidential and will be removed from the section at the time of filing with the Banking Department, and will not be made public. Only one set of financial statements need be submitted.

Have each incorporator and proposed director prepare a statement over his/her signature, setting forth the reason why he/she has indicated an interest in the organization of this bank, and give evidence of his/her character and ability.

SUPPLEMENTAL SECTION II
to
APPLICATION FOR AUTHORITY TO ENGAGE IN BANKING BUSINESS

NAME _____

ADDRESS _____

STATEMENT OF INCORPORATORS AND PROPOSED DIRECTORS

BIOGRAPHICAL

Date of birth _____ Social Security No. _____

Place of birth _____

Citizenship _____ Marital Status _____

Husband's full name: _____
Wife's Full (Maiden) Name: _____

No. of children & ages: _____

If divorced, give name of former spouse and current alimony arrangements: _____

Educational background: _____

Residential background within past 15 years: (List cities with period covered by each) _____

Occupation: _____

Employers: (List all within past 15 years, including any period(s) of self-employment) _____

List all banks and other financial institutions in which you are currently an officer, director, or employee: (State which) _____

List other businesses in which you are an officer, director, employee, or partner, or major stockholder; (State which) _____

Date: _____

FINANCIAL STATEMENT

of _____

Date: _____

ASSETS

LIABILITIES

| | |
|----------------|--------------------|
| | Net Worth \$ _____ |
| TOTAL \$ _____ | TOTAL \$ _____ |

Statement of Income

Year _____

| | |
|---------------------------------------|----------------|
| Net Income from Salaries & Wages | \$ _____ |
| Net Income from Commissions & Fees | \$ _____ |
| Net Income from Investments | \$ _____ |
| Net Income from Other (specify) _____ | \$ _____ |
| | TOTAL \$ _____ |

| | |
|-----------------------------------|----------|
| Taxes paid for year _____ Federal | \$ _____ |
| State | \$ _____ |

Are all current and prior years' taxes paid? _____

Schedule of Real Estate

Schedule of Investments

Schedule of Borrowings

Have you ever taken bankruptcy? (If so, give title and nature of proceedings, name of Court, and disposition) _____

Do you have any unsatisfied judgments? _____

Do you have any suits against you pending? _____

I certify the information contained herein has been carefully examined by me and is true, correct and complete.

INSTRUCTIONS FOR SECTION III

Among other prerequisites, the Banking Board must determine that the public need and advantage will be promoted by the establishment of the proposed bank, that conditions in the community in which the bank would transact business afford reasonable promise of successful operation, and that there is public support.

Section III is designed to assist the Board in making this determination. The information requested in questions such as 2, 6, 8, 9, 10, 11 and 12 must be substantiated by evidence which reasonable men may be expected to believe and not mere conjecture, whim or caprice. The Board can put little weight in obscure and indefinite facts. It must determine how many people will patronize or use the proposed bank with their accounts, investments, or borrowings.

This section is not to suggest a proper manner in which a random sampling survey should be made or even to infer that one must be made, but is given to impress on the applicants that the Board must make its decision upon substantial evidence and facts which can be supported.

SUPPLEMENTAL SECTION III
to
APPLICATION FOR AUTHORITY TO ENGAGE IN BANKING BUSINESS

NAME _____

ADDRESS _____

NEED - COMMUNITY SUPPORT - STATISTICAL DATA

The information provided in this Supplemental Section is true and correct to the best of my knowledge and belief.

AGENT

1. Population of city or town in which proposed bank is to be located.

Last Decennial Census _____ Present Estimate _____

2. Give the boundaries of the primary service area (that area where the proposed bank can reasonably expect to generate 75% or more of its loans and deposits.) (Attach a map or aerial photograph outlining primary service area.)

3. List all banks within the primary service area and give the following information on each. (Use additional sheets if necessary, using same format.)

| | |
|--|-----------------------------------|
| Name _____ | Date Established _____ |
| Location mark number on map _____ | Distance from proposed bank _____ |
| Rate paid on savings _____ | % Total Deposits \$ _____ |
| Rate paid on C.D.'s _____ | % Total Loans \$ _____ |
| Business Hours _____ | Deposit/Loan Ratio _____ |
| Rate charged normally on business loans _____ | % |
| Rate charged normally on installment loans _____ | % |
| Estimated share of area's commercial bank business _____ | % |

| | |
|--|-----------------------------------|
| Name _____ | Date Established _____ |
| Location mark number on map _____ | Distance from proposed bank _____ |
| Rate paid on savings _____ | % Total Deposits \$ _____ |
| Rate paid on C.D.'s _____ | % Total Loans \$ _____ |
| Business Hours _____ | Deposit/Loan Ratio _____ |
| Rate charged normally on business loans _____ | % |
| Rate charged normally on installment loans _____ | % |
| Estimated share of area's commercial bank business _____ | % |

| | |
|--|-----------------------------------|
| Name _____ | Date Established _____ |
| Location mark number on map _____ | Distance from proposed bank _____ |
| Rate paid on savings _____ | % Total Deposits \$ _____ |
| Rate paid on C.D.'s _____ | % Total Loans \$ _____ |
| Business Hours _____ | Deposit/Loan Ratio _____ |
| Rate charged normally on business loans _____ | % |
| Rate charged normally on installment loans _____ | % |
| Estimated share of area's commercial bank business _____ | % |

| | |
|--|-----------------------------------|
| Name _____ | Date Established _____ |
| Location mark number on map _____ | Distance from proposed bank _____ |
| Rate paid on savings _____ | % Total Deposits \$ _____ |
| Rate paid on C.D.'s _____ | % Total Loans \$ _____ |
| Business Hours _____ | Deposit/Loan Ratio _____ |
| Rate charged normally on business loans _____ | % |
| Rate charged normally on installment loans _____ | % |
| Estimated share of area's commercial bank business _____ | % |

6. Indicate number of financial institutions in primary service area 3 years ago, compared to present, and indicate degree of intensity of competition.

7. Was a preliminary survey made prior to filing? _____

8. Comment on the economic and general condition of the primary service area, both residential and commercial, indicating industry, employment, payrolls, vacancies, land use and potential growth and development.

9. Give past banking history of community and, if no bank in community, indicate where residents presently bank.

10. Give an estimate of the percent of deposit and loan volume that can reasonably be expected by the proposed bank over the next 5 years. Include types of loans and deposits and indicate the bases or premises upon which estimates are made. (See instructions this section.)

11. Attach a 5-year projected statement of condition of the proposed bank, showing figures for each year. (Attach on sheet same size.)

12. Attach a 5-year pro forma statement showing the breakdown of income and expenses for each year. (Attach on sheet same size.)

13. Give the following information regarding banking house and equipment as it applies.

| Name of Seller or Lessor if associated with proposed bank in any way. | Item sold or leased | | | Association with this bank Dir.-Off.-5% SH |
|---|---------------------|-------|-----------|---|
| | Land | Bldg. | Equipment | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

How will bank occupy premises? Owner () Lessor ()

| <u>If owner</u> | <u>If lessor</u> |
|--|--|
| Name of seller _____ | Name of owner _____ |
| Date purchased _____ (Or attach option agreement, inserting expiration date) | Term of lease _____ |
| Cost estimate of improvements, under current conditions. (Include fixtures, vault and door, and security equipment - see Note A) | Renewal option _____ |
| | Annual rental _____ (Attach copy of lease - see Note B) |
| | Furn. & Fixt. furnished by owner |
| | |
| | |
| | If rental not included above, what is additional rent \$ _____ |
| | Furn. & Fixt. furnished by bank (and cost estimate) |
| | |
| | |

Annual depreciation \$ _____ Annual depreciation \$ _____
 Insurance to be carried \$ _____ Insurance to be carried \$ _____

Note A: This estimate of cost can be prepared by management of proposed bank, based on its general knowledge of cost per square foot, cost of banking equipment, etc. Use the same basis on which any occupancy expense was determined in the pro forma requested in Item #12. Outline the basis and assumption used.

SUPPLEMENTAL SECTION IV
to
APPLICATION FOR AUTHORITY TO ENGAGE IN BANKING BUSINESS

NAME _____

ADDRESS _____

APPLICATION FOR TRUST POWERS IN CONJUNCTION
WITH APPLICATION FOR A NEW BANK ONLY

The information provided in this Supplemental Section is
true and correct to the best of my knowledge and belief.

1. State the need in the community for fiduciary services and the probable volume of such fiduciary business.

2. Will you obtain a qualified trust officer and what requirements will you have as to his qualifications, experience, ability, and character?

3. Name the trust committee; indicate if they are directors of the proposed bank, and list their qualifications and experience in trust activities.

4. Who will be the available trust counsel?

5. Estimate the annual expenses of the bank, resulting from the establishment of a trust department, and the period of time which will elapse before the income from the trust department will approximate the cost of its operation. Provide supporting information to estimates.

6. Who is now providing fiduciary services for the area?

INSTRUCTIONS FOR SECTION V

After final approval has been obtained by either the Banking Board or a court of competent jurisdiction, and as a portion of Section V, the incorporators should designate the proposed managing officer and have their agent submit his name and qualifications to the Banking Board for consideration. This can be done prior to or simultaneously with the remainder of Section V; however, a Certificate of Authority will not be issued by the Bank Commissioner until consideration has been given by the Board.

The financial data requested from the managing officer shall be confidential.

SUPPLEMENTAL SECTION V
to
APPLICATION FOR AUTHORITY TO ENGAGE IN BANKING BUSINESS

NAME _____
ADDRESS _____

VERIFIED APPLICATION
for
CERTIFICATE OF AUTHORITY

TO BE USED ONLY AFTER FINAL APPROVAL OF APPLICATION

THIS IS TO CERTIFY:

1. That the first meeting of the stockholders of _____, located at _____, City or Town of _____, County of _____, State of Oklahoma, was held on _____, 19____, and that the following directors were elected.

| <u>Name</u> | <u>Address</u> |
|-------------|----------------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

(Attach resume' of business and professional affiliations)

2. That the entire capital, surplus and undivided profits have been paid in and the statement of condition as of this date is as follows:

| <u>ASSETS</u> | | <u>LIABILITIES & CAPITAL</u> | |
|---------------|-----------------|----------------------------------|-----------------|
| Cash | \$ _____ | Capital | \$ _____ |
| Investments | _____ | Surplus | _____ |
| " | _____ | Und. Profits | _____ |
| " | _____ | Earnings | _____ |
| " | _____ | Other | _____ |
| F&F | _____ | | |
| Land & Bldg. | _____ | | |
| Other | _____ | | |
| TOTAL | \$ _____ | TOTAL | \$ _____ |

3. That the names and addresses of each stockholder, together with number of shares held by each, are as follows:

| <u>Name</u> | <u>Address</u> | <u>No. Shares</u> |
|-------------|----------------|-------------------|
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |
| _____ | _____ | _____ |

8. That the bank will open on or about _____, 19____,
at a permanent/temporary location at _____,
Town or City of _____, County of _____,
State of Oklahoma.

9. We, the undersigned, certify that the information contained
in this Verified Application for Certificate of Authority, as
well as the Request for Approval of Managing Officer, is true and
correct to the best of our knowledge and belief.

President

ATTEST:

Secretary

REQUEST FOR APPROVAL OF
MANAGING OFFICER OF

Proposed Bank

We submit to you _____
as the proposed managing officer of this bank. The organizers propose
to pay him the annual salary of \$ _____, and have
agreed to the following as additional consideration or compensation:

He now resides at _____

and is presently employed by _____

He will purchase _____ shares from _____
_____ at \$ _____ per share.

The incorporators believe he has the character, financial responsibility,
and ability to manage said bank because _____

AGENT

TEXAS

NOTE: (The following affidavit is to be completed by any party appearing before the State Banking Board, Banking Commissioner of Texas, or Department of Banking on behalf of any client, in accordance with the provisions of Art. 6252-23, Vernon's Annotated Civil Statutes)

THE STATE OF TEXAS
COUNTY OF _____

Before me, the undersigned authority, on this day personally appeared _____, who after being by me duly sworn upon his oath, deposes and says:

1. My name is _____.
2. My address is _____.
3. My occupation is _____.
4. I am representing _____
(Name)

(Address)
5. I was employed on _____
by _____.
6. I (am to receive) (have received) the following specific fee, gifts or things of value: (if none, so state) _____
_____.
7. Are there any contingent fees or benefits to be derived in the event the Charter is granted? _____.
8. The above referred to fees, gifts or things of value (were) (are to be) paid by _____
(Name)

(Address)
9. I (have) (have not) contacted any member of the State Banking Board, Banking Commissioner of Texas, Department of Banking, any Legislator, or State Official, either directly or indirectly, concerning this matter. If you have contacted any such party, list the party, date of contact, and the nature of said contact.

_____.

(Signature)

Sworn to and subscribed before me, the undersigned authority, on this the _____ day of _____, A.D. 19 _____.

Notary Public in and for

County and State

THE STATE OF TEXAS |

COUNTY OF _____ |

BEFORE ME, the undersigned authority, on this day personally appeared _____, who after being by me duly sworn, upon his oath, deposes and says:

- 1) My name is _____.
- 2) My address is _____, _____, _____.
Street City State
- 3) I am a subscriber of _____ shares of _____ (bank) _____, Texas, and am to pay \$ _____ as total compensation therefor.
- 4) The names, identity, title and address of any other persons who will be beneficial owners of such stock or otherwise share an interest or ownership in said stock (other than spouse), or who will pay any portion of the consideration therefor are:

- 5) I (will) (will not) obtain a loan for the purpose of purchasing such stock. (If a loan will be made the following must be answered.)
 - (a) The amount of the loan is _____.
 - (b) The name and address of any person or corporation which has committed to loan, or from whom a loan is intended, for the purpose of purchasing such stock is _____.
 - (c) The specific collateral for the loan is _____.
 - (d) The name of any cosigner, guarantor, partner, or other person liable for the repayment of such loan is _____.

If the information required by any of the above is not available at this time, an amendment to the form, by letter, must be furnished the Department within the time required by the Banking Board Rule on amendments.

EXECUTED this _____ day of _____, 19 _____.

Signature

SWORN TO and SUBSCRIBED BEFORE ME, the undersigned authority, on this the _____ day of _____, 19 _____.

Notary Public _____
County, _____.

Charter No.....

CHARTER

.....

.....

.....

Capital Stock \$.....

Filing Fee \$.....

Franchise Tax \$.....

Filed in Department of Banking this
.....day of....., 19....

.....
Banking Commissioner of Texas

INDIVIDUAL STATEMENT

To be executed by each Director and Officer of the Charter Application identified below:

I, _____
Name Address

having been selected as _____ of the proposed
Title of Office

_____ at _____
Bank

Texas, submit herewith the following information and a complete and correct statement of my financial condition as of _____
 _____, 19____

| Assets | Liabilities |
|---|--|
| (a) Cash on hand and in banks _____ | (a) Accounts payable _____ |
| (b) Notes and accounts receivable—considered good and collectible _____ | (b) Notes payable to banks and others, including relatives _____ |
| (c) Notes and accounts receivable—considered doubtful and included at estimated value _____ | (c) Chattel mortgages payable _____ |
| (d) Merchandise and inventory owned and on hand—at lower of cost or market value _____ | (d) Real estate mortgages payable _____ |
| (e) Livestock—at current market value _____ | (e) Interest and taxes due and unpaid _____ |
| (f) Grain and farm products owned and on hand—at current market value _____ | (f) Loans payable on life insurance _____ |
| (g) Bonds, stocks, and other securities owned—at current market or estimated actual value _____ | (g) Judgments outstanding against me _____ |
| (h) Mortgages owned — considered good and collectible _____ | (h) Other debts and liabilities (Itemize) _____ |
| (i) Mortgages owned—considered doubtful and included at estimated value _____ | |
| (j) Life insurance (Face amount \$_____) Cash surrender value _____ | |
| (k) Real estate owned—at fair market value _____ | |
| (l) Farm machinery and equipment — at estimated value _____ | |
| (m) Business or industrial machinery and equipment—at cost, less depreciation _____ | (i) Total liabilities _____ |
| (n) Other assets _____ | (j) Net Worth _____ |
| (o) Total assets _____ | (k) Total Liabilities and Net Worth _____ |

Included value of assets not recorded solely in my name \$ _____

Assets pledged or hypothecated valued at \$ _____ are pledged to secure notes or obligations aggregating \$ _____

I have additionally endorsed, guaranteed or am contingently liable for debts of others amounting to \$ _____, of which it is probable that I will be called upon for payment of \$ _____

I offer the following named references as to my ability:

I have been identified with the banking profession _____ years, having served in the capacities shown in the following named banks:

Age _____ Number of years in community where now residing _____

Principal Occupation and Title _____

Signed at _____, this the _____ day of _____, 19____

Signature

WEST VIRGINIA

DEPARTMENT OF BANKING
STATE OF WEST VIRGINIA
CHARLESTON

APPLICATION
FOR
CERTIFICATE OF AUTHORITY

To: The Commissioner of Banking of the State of West Virginia.

SIR:

The undersigned corporation hereby applies to the Commissioner of Banking for authority to engage in the business of a _____
_____ under the statutory provisions of _____
_____ of the West Virginia Code.

Corporate Name _____

Address _____

By (signature) _____

Official Title _____

Signed this _____ day of _____, 19____.

Please provide the following information:

- (a) Were your Articles of Incorporation approved by either the West Virginia Board of Banking and Financial Institutions, the Commissioner of Banking or the Department of Banking? _____
Attach a certified copy of your corporate charter.

(b) Give the date and county in which your charter is recorded. _____
- When were your bylaws adopted? _____. Attach a certified copy of the minutes of the meeting at which the bylaws were adopted and include a copy of the bylaws if not a part of the minutes.
- When were your present directors elected? _____
Attach a certified copy of the minutes of the meeting at which your directors were elected.

4. List the name and residence of each of your directors:

5. When were your present officers elected? _____.
Attach a certified copy of the minutes of the meeting at which your officers were elected.

6. List the title, name, residence and salary of each of your officers:

7. Give the following information concerning your capital stock:

Par value of one share: \$ _____

Number of shares authorized by corporate charter: _____

Number of shares issued at this time: _____

8. Give your present capital structure:

| | |
|-----------------------------|----------|
| Capital Stock | \$ _____ |
| Surplus | \$ _____ |
| Undivided Profits | \$ _____ |
| Capital Notes or Debentures | \$ _____ |
| Other Capital Accounts: | |
| _____ | \$ _____ |
| _____ | \$ _____ |
| TOTAL CAPITAL ACCOUNTS | \$ _____ |

Attach a statement of your financial condition (balance sheet) duly verified under oath by your president or vice-president and your cashier or secretary.

9. On what date do you propose to start doing business as a financial institution:

10. Will your place of business be completed, furnished, and all security systems installed and operating on the above date? _____ If no, explain.

The information contained herein is true and correct to the best of my knowledge and belief.

Signed _____

Title _____

ATTEST:

Title _____

Date _____

WYOMING

APPLICATION TO ORGANIZE
A STATE BANK AND
REPRESENTATIONS OF APPLICANTS

Dated

_____, 19____

THE STATE EXAMINER
Cheyenne, Wyoming

APPLICATION

WE, THE UNDERSIGNED, intending to organize and operate a State Bank in Wyoming in accordance with the provisions of Wyoming Statutes 1957, Section 13 - 1 through 211, as amended, do hereby make application to the State Examiner for permission to organize said State Bank, and propose as follows:

1. That the State Bank be located at _____,
Street and number
of _____, County of _____,
City - Town
State of Wyoming.

2. That said State Bank shall have the following title:

3. That said State Bank be authorized to issue _____ shares of capital stock, _____ of said shares to be issued in connection with the organization of said State Bank for a total consideration of \$ _____ to be fully paid.

4. That the total consideration received by said State Bank for the shares issued by it be allocated as follows:

| | |
|---------------------|----------|
| Capital | \$ _____ |
| Surplus | _____ |
| Undivided Profits | ===== |
| Total Consideration | \$ _____ |

5. That _____

of _____,

County of _____, State of _____, act as sole and exclusive Agent to represent and appear for the undersigned before the State Examiner, and to receive all correspondence and documents, in respect to this Application, in accordance with the annexed Appointment of Agent.

REPRESENTATIONS

THE UNDERSIGNED, for the purpose of inducing the State Examiner to permit the organization of said State Bank, upon the terms and conditions set forth in the aforesaid Application or upon such other or additional terms and conditions as may be required by the State Examiner, and with the intention that the State Examiner shall rely upon the following, do, for the benefit of the State Examiner, hereby jointly and severally represent and warrant to the State Examiner as follows:

FIRST, that with respect to Stock issued by the said State Bank to obtain the total consideration set forth above, the undersigned, as Directors or Shareholders of the said State Bank or otherwise, will not vote for or in any other manner approve of or consent to any sale thereof by the said State Bank for any price other than \$ _____ per Share, unless the State Examiner shall have approved the same in writing.

SECOND, that the undersigned, as Directors or Shareholders of the said State Bank or otherwise, will not vote for or in any other manner approve of or consent to any sale by the said State Bank of any Stock in the said State Bank to or through any underwriter, broker or dealer, unless the State Examiner shall have approved the same in writing.

THIRD, that the undersigned have not directly or indirectly paid to or received from any person, partnership, association, or corporation, any money or other things of value as a fee, commission, or other compensation for any service rendered or to be rendered or for any property transferred or to be transferred, in connection with the organization of the said State Bank, except as follows:

| Name(s) of Payor(s) | Name(s) of Payee(s) (If none, so state) | Reason | Date | Amount Paid |
|---------------------|--|--------|------|----------------|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

FOURTH, that the undersigned are not directly or indirectly party to any written or oral agreement or understanding to directly or indirectly pay to or receive from any person, partnership, association, or corporation, any money or other thing of value as a fee, commission, or other compensation for any service rendered or to be rendered or for any property transferred or to be transferred, in connection with the organization of the said State Bank, except as follows:

| Name(s) of Pavor(s) | Name(s) of Payee(s) | Date and Terms of Agreement(s) | Amount to be paid |
|---------------------|---------------------|--------------------------------|-------------------|
| (If none, so state) | | | |
| | | | |
| | | | |
| | | | |
| | | | |

FIFTH, that the undersigned, as Directors or Shareholders of the said State Bank or otherwise, will not personally pay and will not vote for or in any other manner approve of, consent to, or participate in payment of any charge or expense incurred by the undersigned or the said State Bank in connection with the organization of the said State Bank, unless the State Examiner shall have approved the same in writing and, in such event, the charge or expense will be paid only by the said State Bank out of funds of the said State Bank.

SIXTH, that the undersigned are not acting in the premises as representative of or on behalf of or on behalf of any person, partnership, association, or corporation undisclosed to the State Examiner.

SEVENTH, that the undersigned are not directly or indirectly party to any written or oral agreement or understanding providing for the undersigned or any other person, partnership, association, or corporation to directly or indirectly purchase any Stock of the said State Bank or providing for the sale, pledge, transfer, or other disposition of any Stock in the said State Bank to be legally or equitably owned by the undersigned to or for the benefit of any person, partnership, association or corporation, except as follows:

| Name(s) of undersigned Party to the Agreement | Name(s) of other Party(ies) to the Agreement | Date and Term of Agreement |
|---|--|----------------------------|
| (IF NONE, SO STATE) | | |
| | | |
| | | |
| | | |
| | | |

EIGHTH, that the undersigned are not directly or indirectly party to any written or oral agreement or understanding, undisclosed to the State Examiner, providing for the sale of the assets of the said State Bank to, or merging or consolidating the said State Bank with any other financial institution.

NINTH, that the undersigned acknowledge that any misrepresentation or omission of a material fact with respect to the foregoing representations or with respect to other documents or papers submitted by the undersigned to the State Examiner in connection with the organization of the said State Bank shall, unless expressly waived by the State Examiner, constitute fraud in the inducement and be grounds for denial of a State Bank Charter in this or any other matter, grounds to require the resignation of the undersigned as Directors of the said State Bank, and may subject the undersigned to other legal sanctions, including those provided for in Title 13, Wyoming Statutes 1957.

IN WITNESS WHEREOF, the undersigned have hereunto set our hands on the date first above written.

Signature _____

Typed Name _____

Typed Address _____

Signature _____

Typed Name _____

Typed Address _____

Signature _____

Typed Name _____

Typed Address _____

Signature _____

Typed Name _____

Typed Address _____

Signature _____

Typed Name _____

Typed Address _____

Signature _____

Typed Name _____

Typed Address _____

Signature _____

Typed Name _____

Typed Address _____

Signature _____

Typed Name _____

Typed Address _____

Signature _____

Typed Name _____

Typed Address _____

Signature _____

Typed Name _____

Typed Address _____

MARKETING CRITERIA FOR CHARTERING BANKS

IN UNIT BANKING STATES

By Neil J. Dikeman, Jr.

Major Professor: Rodney E. Evans, Ph.D.

This study was concerned first with the degree to which bank chartering agencies in unit banking states recognized, either explicitly or implicitly, the marketing concept in the chartering of banks. Secondly, the study examined the degree to which three methods for evaluating the economic feasibility of establishing banks was applicable to other types of providers of consumer oriented goods and services.

The establishment of a bank involves a number of steps which are unique to most business ventures. Because it is a repository for public and private funds, society has dictated that certain safeguards be provided and certain conditions be met before a charter for a new bank can be granted. These conditions, formalized in various state banking codes and in the National Bank Act (Title 12, U.S.C. 36), are such that entry into this field is highly restricted and thus are not based on purely demand and supply relationships but also include such other considerations as the character of management, the character of organizers, and the potential impact of a new bank on existing banks. Thus, by regulation a bank may not be established purely on marketing nor economic considerations. However, each of the banking codes promulgated by the various unit banking

states and the federal government recognize, in varying degree, the importance of demonstrating demand or "need" for banking services as a part of the charter granting process.

A comparison of the number of bank charters granted with population and income growth and concentration in unit banking states revealed that little relationship existed between these series during the period 1970 through 1974. Since population and income are generally accepted determinants of demand for consumer oriented goods and services, the lack of relationship between the establishment of new banks and growth in demand suggests that the demand for banking services in unit banking states is only subsidiary to other bank charter qualifications.

Application of methodologies used to forecast the feasibility (i.e., the demand for and likely support of) of new banks in a unit banking state to another type of retail stores proved to be less efficient than other methods now in use. One of the major reasons for the failure of bank feasibility measurement methods to accurately forecast the trade potential of other types of retail stores lies in the fact that where the major portion of the clientele of a retail store are individuals to whom convenience is important, the bank must often rely heavily on commercial and industrial customers who consider convenience to be a relatively unimportant factor.