WHY NO BIG BANKS HAVE THEIR HOME OFFICE IN ILLINOIS

Have you ever wondered why Illinois has no banks that own banks out of Illinois? Illinois is a perfect example of what happens when you do not allow banks to grow.

In my opinion, one could also extrapolate this to our nation. If we do not allow banks to grow and expand world wide, then banks and financial institutions, in other countries will eventually own and control our financial institutions. I am not against small banks. I believe small banks can better serve consumers. Large banks can better serve larger customers and businesses. For those who don't know me, I grew up in a banking family. My father worked in for small bank from the late 40's until he retired. He worked in Urbana, Mt. Vernon, Decatur, Owensboro, KY, and Morristown, TN. He was the 2nd Pres. of Soy Capital Bank. I worked for 1st National and 1st State Bank of Pekin and Madison Park Bank. I think there is a place for both small and big banks. I also managed a small community credit union before owning a collection agency and a small credit bureau. My CB sold credit reports to over 100 banks, CUs and finance companies and many land lords and municipalities. I have experienced the slow growth and demise of many banks in Illinois. I have seen how the loan processors, some even called themselves loan officers, at many of the branches of out of state banks, have no clue on how make loans and talk to or even help customers. I have written several articles on credit and scores for the Peoria IBI magazine in Peoria.

I believe the movement by many politicians to limit the growth and size of our larger banks can only spell disaster for the USA's financial future. (just like banking in Illinois failed) I also can not believe the poor quality and ignorance of many of the people we have elected and continue to elect.

This is my take on the evolution of banking in Illinois.

From the Illinois Department of Financial & Professional Regulation: "The Illinois Constitution of 1870 specifically prohibited branch banking. The only movement in the direction of branching was in 1967 when banks were permitted to have a drive-in facility within 1500 feet of the "Unit Bank"....

The Illinois legislature passed a "free banking" law in 1851 in which a bank no longer had to obtain a charter from the legislature but could secure a general incorporation charter from the secretary of state. The first Chicago bank under the new constitution, the Marine Bank, appeared that same year and developed close ties with William Ogden and other influential Chicago leaders in railroads, industry, and real estate. The appearance of the Marine Bank was followed shortly by the Merchants and Mechanics Bank, then, rapidly, eight more institutions. As a result of the new law, Illinois banking capital nearly quadrupled in the mid-1850s. (from the Encyclopedia of Chicago)

....While Continental Illinois recovered temporarily, the importance of the integrated and international market was apparent: Chicago banks would no longer stand isolated as the "kings" of Midwest banking. Without branching, it was only a matter of time before Chicago's largest banks became relatively small and therefore takeover targets. During the merger waves of the 1980s and 1990s, Continental's many business interests were split; its commercial banking business became part of First National. The National Bank of Detroit (NBD) merged with First National to form First Chicago NBD, and the resulting firm then joined Banc One, a Columbus, Ohio, firm that moved its headquarters to Chicago. The Harris Trust was acquired by the Bank of Montreal, while the LaSalle Bank was purchased by ABN-AMRO, a Dutch firm. This left the Northern Trust as the only one of Chicago's major banks that retained Chicago ownership, and it has increased rapidly the number of its branches. These acquisitions effectively marked the end of Chicago's regional advantage as a financial center, due in large part to Illinois' limitations on branch banking. The rise of the Internet and electronic banking might have given Chicago's banks some advantages that the law denied them. For example, with electronic/Internet banking, branches became less important, and Chicago banks could have engaged in "interstate banking" without having physical branches. However, electronic banking remained in its infancy and did not mature fast enough to keep the large Chicago banks independent of outside interests. (from the Encyclopedia of Chicago)

Nov. 5, 1891 - 62 bankers gathered to organize the association - three of those original member banks are still in existence under their original charters and names and still very active and proud members of the IBA: First National Bank in Beardstown, First National Bank in Litchfield and Havana National Bank.
In 1976, Public Act 79-1388 permitted banks to establish a second facility within 3500 yards of the bank....

A third "community service facility" within the same county was allowed beginning in 1982....

In 1985 Public Act 84-129 provided branching of up to five facilities, one of which had to be within 500 yards of the main bank, the second within 3500 yards, and the remaining three had to be within the same county.

A branch could be located outside the county if it was within ten miles of the main bank.

In 1987, Public Act 85-204 changed the term "facility" to "branch" and repealed Section 6 of the Illinois Banking Act, which prohibited branch banking....

In 1988 Public Act 85-1358 allowed for the resulting bank of a merger to maintain the branches of the merging bank provided that both banks at the time of the merger were owned or controlled by the same bank holding company.

One year later, Public Act 86-952 authorized state banks to buy branches from troubled banks and thrifts regardless of branching limitations. Also in 1989 Public Act 86-912 allowed banks to purchase the assets and assume the liabilities of another bank whereby such bank became a branch of the purchasing bank without restriction of the branching limitations....

In 1990, Public Act 86-1178 authorized ten branches in the home county, five in each contiguous county and five in any other county within ten miles of the main banking premises.

And finally in 1993, Public Act 88-4 authorized branching without limitations on location or number.... Public Act 93-0965, effective 08/20/04, provides for de novo interstate bank branching and eliminates age restrictions on charters subject to reciprocity provisions.

Chicago Tribune 1/16/2004: “Industry watchers say Illinois' traditionally parochial approach to banking regulation is the main reason the state will be without even one top-25 bank, and Chicago's prestige as a financial center may be jeopardized, when Bank One Corp.'s (NBD Bank, Detroit and 1st Nat’l. Chicago merged in 1995) sale is complete.”

For years, Illinois law allowed banks to operate only from single offices, restricting their ability to open branches in other towns. At one time, more than 1,200 banks operated within the state.
So restrictive was the law, that banks were not permitted to operate full-service branches until 1985. Even then, banks were permitted only to open five branches within the county where they were located or within 10 miles of their main office.
It wasn't until 1993 that the branch banking restrictions were abolished.

Before the changes in the late 1980s, Illinois banks couldn't even acquire other Illinois banks.
When the state abolished the branch limits, "banks in other states were in a much stronger position to acquire than Illinois banks," said Linda Koch, vice president of the Illinois Bankers Association, a lobbying organization that represents the state's largest banks.

Left behind
Because Illinois was so slow to unravel the branch restrictions, banks in neighboring states already had expanded and could afford to make large acquisitions, such as the purchase of the First National Bank of Chicago by Michigan's NBD Bank in 1995. Illinois banks were largely left out of the industry consolidation in the 1980s and 1990s."

Tribune 12-1-1992: "After a decade of steady progress toward a modern banking system, Illinois is being pushed into a potentially nasty, regressive fight.
The instigator is the Office of the Comptroller of the Currency, the Washington regulator of national banks. Last month, it gave First of America Bank the go-ahead to convert the offices of a Bloomington-based savings and loan it acquired into branches."

The smaller "community banks" have fought the larger banks for decades. Both groups ignored, then when it was too late, turned against the credit unions. Because of the in-fighting, Illinois banks were never allowed to grow large enough to expand out of state.

The figures don't lie. Whether it was Continental Bank, 1st Nat'l of Chicago, Harris, Amcore, Midwest Financial Group, just to name a few, none could ever grow enough to expand and they were all taken over by out of state banks. There were and are several causes. 1st the Illinois constitution, 2nd, the conflict between the banking groups, and 3rd, the politicians.

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