

minds until the time just before retirement. This is far too late to make needed plans to enhance retirement income and further secure their financial security.

I am a strong advocate of any change in our Nation's savings habits which would further strengthen the retirements of women and minorities. These two groups are disproportionately affected by low savings rates because of a much lower earnings rate on average than white males.

If we are to overcome the disparities in the retirement habits of our Nation, we must deal with income levels and the cost of living in different regions around the Nation.

The average annual pay in the city of Houston in 1994 was \$30,000. A \$30,000 a year income in Houston for a family of four would allow for little savings. Cost of living from region to region or even within States are not equal and this should be taken into account as we work to encourage greater savings and retirement planning.

I ask my colleagues to support this effort to encourage greater savings among our Nation's workers. I would also ask that as other opportunities arise for use to raise the earnings potential or savings rates of minorities that we act.

Mr. PAUL. Mr. Speaker, I rise in opposition to H.R. 1377, the Savings are Vital to Everyone's Retirement Act [SAVER]. Although I applaud the good intentions of the sponsors of this bill, I must oppose H.R. 1377 for two reasons.

First, the proper level of savings should be determined by the free choices of individuals acting in the market. Saving should be a voluntary decision, undertaken because individuals value the greater future rate of return from saving over the value of present consumption not because the Government instructed them that they needed to save. We in Washington cannot judge what the correct level of savings is for any individual much less the entire country. I ask my colleagues, if this program increases the rate of savings beyond the level Congress considers necessary, will we then enact a "Spending is Vital" bill to encourage greater consumption?

Second, and perhaps more importantly, H.R. 1377 ignores the primary reason Americans forgo savings: Government policies that discourage the American people from saving. Even creating a Department of Labor-run education program and spending a million dollars on a series of White House conferences will further reduce the rate of savings as payment for these new initiatives will come either from taxes paid directly by the American people or from inflating the currency to monetize the national debt, thus eroding American's purchasing power. Either way, working Americans will be left with less funds available for saving.

I respectfully suggest that it is not the people who need a savings education. They especially do not need it from a government which, the recent claims of the leadership and the administration notwithstanding, cannot balance its own books. Rather, Congress needs to be educated on how the interventionist policies of this Government are eroding the people's standard of living and making it nearly impossible for many Americans to save an adequate amount for their retirement, or any other vital needs, such as their children's education.

Today, the average American pays more than 40 percent of this income in Federal,

State, and local taxes. Thus, before the average American even has a chance to consider saving, a substantial portion of his paycheck is stripped from him in order to fund the welfare-warfare state. Federal tax policy further discourages savings through the exorbitant Federal taxes on capital gains, estates taxes, and the double taxation on corporate dividends.

Government policy further reduces incentives Americans have available for savings through the inflationary policies of the Federal Reserve, which erode the average consumer's purchasing power. The average consumer must spend an ever-increasing share of his or her income purchasing necessities, meaning they have less income available to devote to savings. Today, prices are more than 15 times higher, in normal terms, than when the Federal Reserve was established.

This diminishing purchasing power also creates a disincentive to save. When one's earnings will purchase more today than they will in the future, the rational action may very well be to spend the funds in the present. After all, who would trade a dollar's worth of goods today for 50 cents worth of goods in 20 years?

Clearly, a major reason why the United States has a low rate of saving is the crushing tax burden imposed on the American people by the Government and the erosion of their purchasing power. Yet, rather than address how Government policy is destroying American's ability to save, Congress is planning to spend more taxpayer money to educate the American people on the importance of saving.

Mr. Speaker, the American people neither need nor want Congress to spend another penny of their hard-earned tax dollars on educating them on the importance of savings, and they certainly do not need the Federal Government to spend a million dollars to create a conference on savings. Rather, Congress must cease all unconstitutional spending, cut taxes, and prohibit the Federal Reserve from debasing the currency.

Therefore, I urge my colleagues to vote against H.R. 1377, and instead join me in working to eliminate the true obstacle to savings: the unconstitutional leviathan state that is jeopardizing the economic future of America and destroying the American people's incentive to save.

Mr. PAYNE. Mr. Speaker, I yield back the balance of my time.

□ 1130

The SPEAKER pro tempore [Mr. COBLE]. The question is on the motion offered by the gentleman from Illinois [Mr. FAWELL] that the House suspend the rules and pass the bill, H.R. 1377, as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

A motion to reconsider was laid on the table.

#### GENERAL LEAVE

Mr. FAWELL. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on H.R. 1377.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Illinois?

There was no objection.

#### RIEGLE-NEAL CLARIFICATION ACT OF 1997

Mrs. ROUKEMA. Mr. Speaker, I move to suspend the rules and pass the bill (H.R. 1306) to amend the Federal Deposit Insurance Act to clarify the applicability of host State laws to any branch in such State of an out-of-State bank, as amended.

The Clerk read as follows:

H.R. 1306

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

#### SECTION 1. SHORT TITLE.

This Act may cited as the "Rieggle-Neal Clarification Act of 1997".

#### SEC. 2. INTERSTATE BRANCHING.

Subsection 24(j) of the Federal Deposit Insurance Act (12 U.S.C. 1831a(j)) is amended to read as follows:

"(j) ACTIVITIES OF BRANCHES OF OUT-OF-STATE BANKS.—

"(1) APPLICATION OF HOST STATE LAW.—The laws of a host state, including laws regarding community reinvestment, consumer protection, fair lending, and establishment of intrastate branches, shall apply to any branch in the host State of an out-of-State State bank to the same extent as such State laws apply to a branch in the host State of an out-of-State national bank. To the extent host State law is inapplicable to a branch of an out-of-State State bank in such host State pursuant to the preceding sentence, home State law shall apply to such branch.

"(2) ACTIVITIES OF BRANCHES.—An insured State bank that establishes a branch in a host State may conduct any activity at such branch that is permissible under the laws of the home State of such bank, to the extent such activity is permissible either for a bank chartered by the Host State (subject to the restrictions in this section) or for a branch in the host State of an out-of-State national bank.

"(3) COORDINATION WITH SECTION 44.—No provision of this subsection shall be construed as affecting the applicability of any State law of any home State under subsection (b), (c), or (d) of section 44.

"(4) DEFINITIONS.—The terms 'host State', 'home State', and 'out-of-State bank' have the same meanings as in section 44(f)."

The SPEAKER pro tempore. Pursuant to the rule, the gentlewoman from New Jersey [Mrs. ROUKEMA] and the gentleman from Minnesota [Mr. VENTO] each will control 20 minutes.

The Chair recognizes the gentlewoman from New Jersey [Mrs. ROUKEMA].

Mrs. ROUKEMA. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, we are here today to consider very important legislation to clarify the Rieggle-Neal Interstate Banking Branching Efficiency Act of 1994. H.R. 1306 will help to protect the dual banking system by preserving the State banking charter as a viable and effective option for State banks that wish to operate in an interstate environment.

It is essential, Mr. Speaker, I stress, to pass this legislation by June 1. On that date, interstate branching becomes effective in 48 out of the 50 States. In the interstate environment

that will exist after that date, State banks will be at a distinct disadvantage to national banks if we fail to take this action today. Failure to remedy this disadvantage will certainly have a negative and counterproductive effect on our dual banking system.

The essence of this legislation is to provide parity between State-chartered banks and national banks. This bill does not authorize, and I stress this, does not authorize new powers for State banks. It preserves the right of a State to decide how banks that it chartered and supervises are operated and what activities those banks can conduct. For example, a New Jersey bank branching into New York State will have to comply with New Jersey law concerning the composition of its board of directors. Another example is that if a New Jersey State-chartered bank branches into New York and is permitted to sell securities in New Jersey, it may do so in New York if New York State banks are permitted to do so or national banks in New York may do so.

This legislation is critical to the survival of the dual banking system. The dual banking system provides an important choice between the State or national bank charters and has served this country well for over 100 years. I believe it deserves to be reinforced.

In addition, a strong State banking system is necessary for the economic well-being of the individual States and for innovation in financial institutions. It is well known in financial circles how innovative and creative State-chartered banks have been, indeed, setting standards that have ultimately been established at the national level.

This legislation is also important for consumers, because if we do not enact this legislation, State banks will likely convert to a national charter. Certainly the incentive will be there. The end result could be that there will be no consumer protection at the State level. Those protections are sometimes stronger than the basic consumer protections of Federal law. In addition, it preserves the viability of the State charter option for banks that want to branch into other States.

Some at the State level claim that this legislation will harm States rights, but I must stress there should be no misunderstanding that this legislation will preserve that right and, more important, the ability of the States to charter banks and decide how those banks will operate and what activities they will conduct. It enhances that. Moreover, it recognizes the importance of host State laws by requiring all out-of-State banks to comply with host State laws in four key areas, community reinvestment, consumer protection, fair lending, and intrastate branching, unless the State law has been preempted by national banks. In that instance the law of the State which issued the charter will prevail.

In recognition of the importance of H.R. 1306 and preserving the State

banking system and the fundamental rights of the States to charter banks, this legislation has broad and overwhelming support from many State representatives. I want to stress this. It is an indication of how it does protect the dual banking system. We have received the wholehearted endorsement of the National Governors Association, which represents the views of all the 50 State Governors, and, by the way, many of those State Governors, a minimum of 35, have individually endorsed this legislation. The Conference of State Bank Supervisors supports this legislation, and 35 State banking commissioners have made their voices heard with additional individual letters of support. The IBAA, the Independent Bankers, a number of State banking associations, and the Federal Reserve have all expressed support for this legislation. I would add that even the opposition, initial opposition, I stress initial opposition, from the State legislators is not complete. We have received many letters and testimony of support from individual State legislators.

The legislation today incorporates three changes to further clarify the original intent of Riegle-Neal.

First, the bill clarifies the home State law of a State bank must be followed in situations in which a specific host State does not apply to a national bank. For example, if a Minnesota State-chartered bank branches into Wisconsin, it will be required to follow the lending limits established by Minnesota, not Wisconsin.

The second point that I wish to clarify is that H.R. 1306 ensures that when a State bank conducts activities in a host State, it will meet the conditions applicable to the exercise of the activity by either the State banks or the national banks.

Finally, this legislation reiterates that certain provisions of Riegle-Neal relating to antitrust, State filing requirements, and taxation are not changed by this amendment.

I certainly want to thank the gentleman from Iowa [Mr. LEACH], chairman of the Committee on Banking and Financial Services, certainly our colleagues on the other side, the gentleman from Minnesota [Mr. VENTO] and the gentleman from New York [Mr. LAFALCE] for their cooperation and continued willingness to work in a bipartisan manner to craft this bill. I believe that it is a good bill that will go a long way to preserving the integrity of the dual banking system in an interstate climate.

Mr. Speaker, I include for the RECORD the endorsements from the National Governors Association, the individual Governors' letters, the Conference of State Bank Supervisors, the Independent Bankers Association of America, and the Federal Reserve Board endorsements of this legislation, as follows:

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Washington, DC, April 30, 1997.

Hon. MARGE ROUKEMA,

Chairwoman, Subcommittee on Financial Institutions and Consumer Credit, Committee on Banking and Financial Services, House of Representatives, Washington, DC.

DEAR MADAM CHAIRWOMAN: You have requested the Board's views on the Riegle-Neal Clarification Act of 1997. In 1994, Congress enacted the Riegle-Neal Interstate Banking and Branching Act (Riegle-Neal Act) to establish a framework that would govern interstate branching. Beginning on June 1, 1997, the Riegle-Neal Act permits banks to establish branches on an interstate basis through mergers with other banks, unless a state has affirmatively chosen by that date not to permit interstate branching within that state. To date, 48 states will permit interstate branching by merger on June 1, 1997.

The Riegle-Neal Clarification Act of 1997 is an effort to create parity between national and state-chartered banks in operating out-of-state branches. The Riegle-Neal Act created an ambiguity for state-chartered banks with interstate branches that puts state banks at a disadvantage in operating interstate branches. The ambiguity involves the types of state laws that would apply to the operation and activities of interstate branches of that state bank. The Riegle-Neal Clarification Act of 1997 seeks to clarify this ambiguity by subjecting the interstate branches of state banks to the same laws of the host state that apply to interstate branches of national banks. Under the Riegle-Neal Clarification Act of 1997, state banks and national banks would equally be subject to the community reinvestment, consumer protection, fair lending, and intrastate branching laws of the state in which the branch operates.

The Board believes that this legislation is important in maintaining the health of the dual banking system. It removes an unnecessary obstacle to interstate branching by state banks while at the same time preserving the ability of states to establish uniform practices for all interstate branches in areas that are of particular concern to the states. Accordingly, the Board supports passage of the Riegle-Neal Clarification Act of 1997 and urges Congress to enact this legislation prior to the June 1, 1997, effective date of the Riegle-Neal Act.

Sincerely,

ALAN GREENSPAN,  
Chairman.

INDEPENDENT BANKERS  
ASSOCIATION OF AMERICA,  
Washington, DC, May 15, 1997.

DEAR REPRESENTATIVE: On May 7, the Financial Institutions Subcommittee of the House Banking Committee unanimously voted out H.R. 1306, the Riegle-Neal Clarification Act of 1997. The bill is designed to correct an oversight in the Riegle-Neal Interstate Banking and Branching Act that harms the dual banking system by giving national banks a decided edge over state chartered banks that operate interstate. The Independent Bankers Association of America is the only national trade association that exclusively represents the interests of our nation's community banks.

Currently, national banks are subject to the same rules in every state in which they operate. State banks, in contrast, are subject to different operating rules in every state in which they have branches. Therefore, there is no consistency in the operations of an interstate bank with a state charter. This is an incentive to any bank that wishes to operate on an interstate basis to do so from a national charter.

The Riegle-Neal Clarification Act clarifies that generally, state chartered banks will operate under the laws of their chartering state wherever they do business, up to the powers of national banks. State chartered banks would remain subject to host state laws on intrastate branching, community re-investment, consumer protection, and fair lending laws.

The dual banking system has helped to create the strongest, most efficient, and safest banking system in the world. As we enter the age of interstate branching, it is important that the impact of the states be felt, through state chartered banks, to insure that the positives of the dual banking system are felt in the interstate arena.

Therefore, the IBAA urges you to support H.R. 1306 when it comes up for a vote. Thank you.

Sincerely,

RONALD K. ENCE,  
*Director of Legislative Affairs.*  
PETER M. KRAVITZ,  
*Legislative Counsel.*

NATIONAL GOVERNORS ASSOCIATION,  
*Washington, DC, April 30, 1997.*

Hon. MARGE ROUKEMA,  
*Chair, Financial Institutions and Consumer Credit Subcommittee, Committee on Banking and Financial Services, U.S. House of Representatives, Washington, DC.*

Hon. BRUCE VENTO,  
*Ranking Member, Financial Institutions and Consumer Credit Subcommittee, Committee on Banking and Financial Services, U.S. House of Representatives, Washington, DC.*

DEAR MADAM CHAIR AND REPRESENTATIVE VENTO: We are writing to express our support for the Riegle-Neal Clarification Act of 1997, which is designed to ensure that implementation of the Riegle-Neal Interstate Banking Act does not unintentionally disadvantage state chartered banks.

During negotiations over the act, the Governors worked to ensure that states had ample time to develop state implementing legislation on an issue in which Congress had taken ten years to reach consensus. The three-year timeline for states was ambitious, but all states have now considered interstate banking and branching legislation. In addition, state banking commissioners, through the Conference of State Bank Supervisors, have developed regulatory agreements that permit state banks to use a one-stop approach for application, approval, and supervision when branching interstate. This ensures that states retain control over the conduct of state-chartered banking operations and that state banks remain competitive with the national bank system.

However, Governors believe legislation is needed to ensure that state-chartered banks that branch interstate can remain competitive with national bank branches. Specifically, state-chartered banks need to be certain which host state laws they are subject to and which powers they may exercise consistently. National banks have certainty or consistency in both of these areas. Policy adopted by the National Governors' Association asserts that federal law must not disadvantage state-chartered banks.

The existence of a competitive state charter is the foundation of our dual banking system. The dual banking system has been the source for almost all the major innovations in our banking industry, from deposit insurance to branch banking to interstate branching. Weakening the state charter can only harm the dual banking system, harming both consumers and the industry. The proposed legislation will restore balance to our dual banking system by ensuring that a state charter provides the same certainty and consistency as its federal counterpart.

Therefore, we urge Congress to adopt the Riegle-Neal Clarification Act as law before the nationwide trigger to interstate branching on June 1, 1997.

Please call on us if we can be of any further assistance in supporting this legislation. Thank you for your consideration in this matter.

Sincerely,

GOV. PAUL E. PATTON,  
*Chair, Committee on Economic Development and Commerce.*  
GOV. EDWARD T. SCHAFER,  
*Committee on Economic Development and Commerce.*

STATE OF ARIZONA,  
EXECUTIVE OFFICE,  
*Phoenix, AZ, April 3, 1997.*

Hon. MARGE ROUKEMA,  
*Chairwoman, Subcommittee on Financial Institutions and Consumer Credit, House Banking Committee, Washington, DC.*

DEAR CONGRESSWOMAN ROUKEMA: Thank you for scheduling your Subcommittee so that you may receive testimony on the legislative proposal which seeks clarification of the Riegle-Neal Interstate Banking and Branching bill. I want to be certain that our state chartered banks can remain competitive in our dual banking system.

Our Arizona State Banking Department is continuing to receive applications for new banks. If these amendments are not approved by Congress, it is quite possible that new applications would all be for a national charter.

It is my recommendation that you and your Committee respond positively to these amendments as proposed by the Conference of State Bank Supervisors.

Sincerely,

FIFE SYMINGTON,  
*Governor.*

STATE OF MISSISSIPPI,  
OFFICE OF THE GOVERNOR,  
*Jackson, MS, February 4, 1997.*

Hon. TRENT LOTT,  
*U.S. Senate, Washington, DC.*

DEAR SENATOR LOTT: I am writing to ask for your support concerning the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994. This Act will have a significant impact on the viability of State bank charters for financial institutions that wish to operate in more than one state.

The trigger date for nationwide interstate branching is June 1, 1997. Banks that operate in more than one state are deciding whether a National or State bank charter would better meet their needs in this new environment. To preserve the State charter as an attractive choice for all banking organizations, all 50 states, the FDIC, and the Federal Reserve have signed agreements to recognize a multi-state bank's home state as the primary authority for supervision and regulation.

Unfortunately, some believe that Riegle-Neal is ambiguous on the application of host state laws to the branches of out-of-state, State-chartered banks, leading to uncertainty on the part of many banks. Certainty about the legal requirements for host state branches is an important consideration in the choice of a National or State charter.

We are asking Congress to provide this certainty and to eliminate any ambiguity with an amendment clarifying that, in general, home state law applies to out-of-state branches of State-chartered banks and that host state law applies only to those branches to the same extent that it applies to out-of-state branches of National banks. In addition, host state branches should also be al-

lowed to exercise powers granted by their home state, at least to the extent allowed for national banks operating in that state.

Resolving these perceived problems is critical to the survival of State-chartered interstate banks and ultimately to the well-being of the dual banking system. The banking industry currently perceives that Riegle-Neal gives an advantage to national banks in the interstate environment. Federal legislation to resolve this problem will restore the balance necessary to maintain our dual banking system, especially if enacted before the June 1st trigger date for nationwide interstate branching. In his letter to you, Acting Commissioner John S. Allison included background materials, talking points, the amendment, and the changes to current law. I encourage you to support this effort.

Sincerely,

KIRK FORDICE,  
*Governor.*

STATE OF NEW JERSEY,  
OFFICE OF THE GOVERNOR,  
*Trenton, NJ, March 31, 1997.*

Hon. MARGE ROUKEMA,  
*House of Representatives, Rayburn House Office Building, Washington, DC.*

DEAR REPRESENTATIVE ROUKEMA: I understand that as chair of the House Banking and Financial Services Committee's Subcommittee on Financial Institutions and Consumer Credit, you will soon be introducing legislation to clarify a provision of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994. Your legislation will preserve the viability of the state banking charter for those banks in our state that wish to operate in other states.

For decades, the nation's dual banking system has served consumers and businesses well. Many of the innovations we now take for granted—including checking accounts, ATMs, and adjustable rate mortgages—were all initiated by state banks. In addition, giving financial institutions the choice between seeking a state or a national charter has helped keep regulatory agencies efficient and regulatory costs lower.

Under the provisions of Riegle-Neal, state banking systems were given until this June to prepare for interstate banking. However, many state systems have been facing difficulties in meeting this deadline because Riegle-Neal is unclear regarding the issue of which state law applies to an interstate branch of a bank holding a state charter. To put it simply, it did not fully address whether, for example, the branch of a New Jersey state-chartered bank operating in New York would be governed by New Jersey state banking law or New York state banking law.

Your bill would clear up the ambiguity in Riegle-Neal by making it clear that, in general, the state in which a bank is chartered will govern the activities of all of that bank's branches, even those operating in other states. This provision would apply only to the extent that either a host state law allows or to the extent allowed for a national bank. Your legislation provides state chartered banks the certainty necessary to make the decision whether or not they want to branch out into another state.

As a Governor, I believe it is important that states retain the ability to decide what activities banks it charters and supervises can undertake. This legislation does not grant state banks any new powers, it simply retains authority that has long been theirs.

I am writing to the New Jersey delegation and your colleagues on the Banking and Financial Institutions Committee urging them to express their support for our dual banking system—and for the important role of the

state banking system in our national economy—by cosponsoring your legislation.

Sincerely,

CHRISTINE TODD WHITMAN,  
Governor.

GOVERNOR PETE WILSON,  
STATE CAPITOL,  
Sacramento, CA, May 9, 1997.

Hon. JIM LEACH,  
House of Representatives,  
Washington, DC.

DEAR JIM: I am writing to ask for your support on the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, which will have a significant impact on the viability of state bank charters for financial institutions wanting to operate in more than one state.

June 1st is the trigger date for nationwide interstate branching, and banks operating in more than one state are deciding whether a national or state bank charter would better meet their needs in this new environment. To preserve the state charter as a viable choice for all banking organizations, all 50 states, the Federal Deposit Insurance Corporation and the Federal Reserve have signed agreements to recognize a multi-state bank's home state as the primary authority for supervision and regulation.

Unfortunately, some believe that Riegle-Neal is ambiguous on the legal application of host state laws to the branches of out-of-state and state-chartered banks. This ambiguity is causing uncertainty on the part of some banks. Certainty about the legal requirements for host state branches is an important consideration in the choice of a national or state charter. As a result we are asking Congress to provide this certainty and eliminate the ambiguity with an amendment.

Fixing these perceived problems is critical to the survival of state-chartered interstate banks, and ultimately to the well-being of the dual banking system. The banking industry currently perceives that Riegle-Neal gives an advantage to national banks in the interstate environment. Federal legislation to resolve this problem will restore the balance necessary to maintain our dual banking system, especially if enacted before the June 1st trigger date. I urge you to support this legislation.

Sincerely,

PETE.

OFFICE OF THE GOVERNOR,  
STATE CAPITOL,  
Des Moines, IA, April 23, 1997.

Hon. MARGE ROUKEMA,  
Chairwoman, Subcommittee on Financial Institutions and Consumer Credit, House of Representatives, Washington, DC.

DEAR CONGRESSWOMAN ROUKEMA & MEMBERS OF THE SUBCOMMITTEE: I am writing to express my strong support for the swift passage of H.R. 1306, your legislation to clarify the Riegle-Neal Interstate Branching Efficiency Act.

My concern about the law as it currently stands is that Iowa state-chartered banks feel uncertain about which laws apply to them when they branch across state lines. National banks in Iowa feel no such uncertainty. Like all businesses, banks prefer to operate in an environment of certainty. If we cannot remedy this situation, state-chartered banks that want to operate across state lines will convert to national charters.

As a Governor, I am Iowa's top economic development officer. I am the individual ultimately responsible for ensuring and protecting the economic opportunity for all of Iowa's citizens and businesses. I believe that it is critical to the economic well being of my state to maintain a strong state banking

system. In Iowa, there are 57 national banks and 408 state chartered banks. Your legislation is necessary to keep the state banking charter a viable option for state chartered institutions that wish to operate in an interstate environment.

Riegle-Neal clearly establishes that host state law applies to the branches of out of state banks in four key areas: intrastate branching, community reinvestment, consumer protection, and fair lending. This important provision ensures that our state can continue to protect our citizens through legislation that applies equally to all banks.

In other areas, it seems simplest to follow the "home state/host state" model created by Riegle-Neal. An Iowa state-chartered bank is an Iowa state-chartered bank no matter where it operates; therefore, it makes sense that it continue to operate under Iowa laws, except in those four areas carved out for both national and state-chartered banks.

The reason for our dual banking system is that both state and federal governments recognize banks as powerful tools of economic policy. If Iowa loses its ability to supervise and regulate banks—or even if Iowa is left with only the smallest banks to regulate—it also loses its ability to affect public policy and economic development through banking law and regulation.

The National Conference of State Legislatures has expressed concern about ceding some of the individual state legislature's authority over institutions chartered by other states. Without these amendments, however, I believe that the legislatures and the governor's offices around the country will lose even more of their authority over their own state chartered institutions, as these institutions opt for a federal charter.

Iowa has done an excellent job in crafting a state banking charter that meets the needs of our communities and contributes to the economic well being of the state. Unfortunately, without your legislation, this perceived advantage to having a national bank charter when a bank chooses to operate in more than one state will lead to these institutions opting for a national charter. Unintended policies that create artificial incentives to convert to a national charter are devastating to the dual banking system, and threaten state economic policy.

A meaningful choice between a state or a national banking charter is the essence of the dual banking system. The dual banking system has served this country well for over 100 years and has promoted an efficient, flexible and innovative delivery system for financial services around this country. Your legislation will restore balance to our dual banking system by ensuring that a state charter provides the same consistency and certainty as its federal counterpart. Therefore, I urge Congress to adopt your legislation as law before the nationwide trigger to interstate branching on June 1.

Sincerely,

TERRY E. BRANSTAD,  
Governor of the State of Iowa.

STATE OF NEBRASKA,  
Lincoln, NE, April 18, 1997.  
Representative JACK LEACH,  
Rayburn House Office Building, Washington, DC

DEAR REPRESENTATIVE LEACH: I am writing to share my thoughts and ask for your support on an important issue concerning the impact Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 will have on the continuing viability of the state bank charter for financial institutions that wish to operate in more than one state. I have always been a strong supporter of the dual banking system and feel it needs to be preserved.

As the law stands now, Riegle-Neal creates an unintended incentive for a state-chartered bank to switch to a national charter in order to enjoy the full benefits of interstate branching. Current law may disadvantage host state branches of state-chartered banks in the area of powers. Under current law, state-chartered banks whose home states authorize powers comparable or superior to those of national banks relinquish these powers when they branch into states where bank powers are more restrictive than those of national banks.

When confronted with these situations, it is not difficult to imagine a state-chartered bank in the home state switching to a national charter in order to facilitate their branching plans. A solution to this problem would be to allow a host state branch of a state-chartered bank to exercise home state powers to the same extent as a national bank or a bank chartered by the host state, whichever is greater. This would ensure that host state branches of state-chartered banks would not be at a competitive disadvantage to host state branches of a national bank.

Fixing this anticipated problem in Riegle-Neal before the June 1, 1997 trigger date for nationwide banking is important to the survival of state-chartered interstate banks. Fortunately, federal legislation to clarify this provision of Riegle-Neal has been introduced by Congresswoman Roukema in the House and Senator D'Amato in the Senate. In its simplest form, the issue boils down to parity for financial institutions operating in an interstate environment and, ultimately, the well being of the dual banking system.

Sincerely,

E. BENJAMIN NELSON,  
Governor.

SOUTH DAKOTA DEPARTMENT OF  
COMMERCE AND REGULATION,  
March 19, 1997.

NEIL MILNER, CAE, CEO,  
Pierre, SD, Conference of State Bank Super-  
visors, Washington, DC.

DEAR NEIL: I am sure you are aware the Governor is snowed under with legislation and other concerns, however, he did ask me to respond to your letter to him regarding the amendments proposed for Riegle-Neal, he supports CSBS's position, and he will be glad to help in any way he can. He had already directed me to contact each of congressional delegates and request their support which I have done. He also wanted me to thank you for your kind comments regarding his efforts and that he looks forward to seeing you and JC sometime soon.

The Governor also wanted me to specifically congratulate you on your new position and the work you are doing and that he looks forward to working with you in achieving the goals you have set for CSBS.

Very truly yours,

RICHARD A. DUNCAN,  
Director of Banking.

STATE OF WASHINGTON,  
OFFICE OF THE GOVERNOR  
Olympia, WA, April 7, 1997.

Hon. MARGE ROUKEMA,  
U.S. House of Representatives,

DEAR REPRESENTATIVE ROUKEMA: I am writing to ask for your support on an important issue concerning the impact the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 will have on the viability of the state bank charter for financial institutions that wish to operate in more than one state.

The trigger date for nationwide interstate branching is June 1 of this year. Banks that operate in more than one state are deciding whether a national or state bank charter would better meet their needs in this new environment. To preserve the state charter as

an attractive choice for all banking organizations, all 50 states, the FDIC and the Federal Reserve have signed agreements to recognize a multi-state bank's home state as the primary authority for supervision and regulation.

Unfortunately, some believe that Riegle-Neal is ambiguous on the application of host state laws to the branches of out-of-state, state-chartered banks, leading to uncertainty on the part of many banks. Certainty about the legal requirements for host state branches is an important consideration in the choice of a national or state charter.

We are asking Congress to provide this certainty and eliminate any ambiguity with an amendment that clarifies that, in general, home state laws applies to out-of-state branches of state-chartered banks, and that host state law only applies to those branches to the same extent that it applies to out-of-state branches of national banks. In addition, host state branches should also be allowed to exercise powers granted by their home state, at least to the extent allowed for national banks operating in that state.

Fixing these perceived problems is critical to the survival of state-chartered interstate banks, and ultimately to the well-being of the dual banking system. The banking industry currently perceives that Riegle-Neal gives an advantage to national banks in the interstate environment. Federal legislation to resolve this problem will restore the balance necessary to maintain our dual banking system, especially if enacted before the June 1st trigger date for nationwide interstate branching. Enclosed are background materials, talking points, the amendment and the changes to current law. It is my understanding that Senator D'Amato is working on passing this important amendment. I urge you to support this effort.

Sincerely,

GARY LOCKE,  
Governor.

STATE OF UTAH,  
OFFICE OF THE GOVERNOR,  
Salt Lake City, UT, April 22, 1997.

Hon. MARGE ROUKEMA,  
Chairwoman, Subcommittee on Financial Institutions and Consumer Credit, House Banking Commission, Washington, DC.

DEAR REPRESENTATIVE ROUKEMA: Thank you for sponsoring H.R. 1306, THE RIEGLE-NEAL CLARIFICATION ACT OF 1997, whose purpose is to preserve the viability of a state banking charter for those banks wanting to operate branches in other states. I understand the bill has twenty cosponsors, including Utah's representative, the Honorable Merrill Cook.

A strong state banking system is necessary to the economic well-being of my state. In particular, the state component of the dual-banking system has been valuable to the Utah economy. Utah has experienced a vibrant economy throughout the past decade. Both in response to and as a facilitator of the economy, the state has chartered five local commercial banks within the past five years. In contrast, in the last year alone, two large state-chartered banks operating in multiple states, including Utah, have converted to a national bank charter. My Commissioner of Financial Institutions, Edward Leary, informs me that the primary reason for the conversions was the uncertainty of law and powers facing state-chartered banks operating across state borders.

As a former businessman, I fully understand bankers' desire for certainty when operating in a multi-state environment. It seems to me that this bill ensures that states continue to have a strong voice in shaping both the current and future banking industry across this nation. It does so by re-

storing balance in the dual-banking system—something the Riegle-Neal Interstate Banking and Branching Act of 1994 expressly intended to maintain.

I respectfully urge you and your committee to respond positively to this bill as proposed by the Conference of State Bank Supervisors.

Sincerely,

MICHAEL O. LEAVITT,  
Governor.

STATE OF NEW YORK,  
EXECUTIVE CHAMBER,  
Albany, NY, April 29, 1997.

Hon. JIM LEACH,  
Chairman, House Banking and Financial Services Committee, Washington, DC.

DEAR CHAIRMAN LEACH: I urge you to support the passage of H.R. 1306, the Riegle-Neal Clarification Act of 1997. This bill would amend the Riegle-Neal Banking and Branching Efficiency Act of 1994 ("Riegle-Neal") to help maintain the viability and attractiveness of state banking charters as the era of nationwide interstate branching commences on June 1, 1997.

Riegle-Neal may be unclear as to whether consistent rules are used to determine what laws and powers apply to the out-of-state branches of state and federally-chartered banks. To the extent it remains uncertain that Riegle-Neal establishes rough parity between charters in this regard, some may conclude that the national bank charter is the preferable option.

H.R. 1306 would resolve any such ambiguity by making two important clarifications to Riegle-Neal. First, it would establish that a host state's law would apply to the out-of-state branches of a state-chartered bank only to the same extent that those laws apply to the branches of out-of-state national banks located in the host state. Second, it would make clear that host state branches would be allowed to exercise powers granted by their home state if such powers are permissible for either banks chartered by the host state or for national bank branches in that host state.

The recent decision by KeyCorp to consolidate its operations into one bank under a federal charter should serve as a wake up call to all of us who committed to the preservation of the dual banking system. I ask you to give H.R. 1306 your full support.

Very truly yours,

GEORGE E. PATAKI,  
Governor.

STATE OF DELAWARE,  
OFFICE OF THE GOVERNOR,  
March 27, 1997.

Hon. MARGE ROUKEMA,  
Chairwoman, Subcommittee on Financial Institutions and Consumer Credit, House Banking Commission, Washington, DC.

DEAR CONGRESSWOMAN ROUKEMA: I commend you on scheduling the subcommittee hearing to receive testimony on a legislative proposal which seeks clarification to the Riegle-Neal Interstate Banking and Branching bill. Under current law there is a strong incentive for state-chartered banks, with branches in other states, to convert to national banks. This perverse incentive was not contemplated by Congress when it passed Riegle-Neal in 1994 and should be clarified immediately.

The goal of the clarifying amendment is to keep the state banking charter a viable choice in an interstate environment, while keeping the state banking system flexible enough to remain laboratories for innovation in the financial services industry. The amendment is carefully crafted to allow a state-chartered bank to operate in a consistent manner across state lines, while not in-

fringing on state sovereignty any more than is allowed by current law. Furthermore, the proposed amendment would clarify that certain compliance and consumer protection laws would continue to apply equally to national and state-chartered bank branches.

Without this amendment, a state bank that wants to conduct an activity that its home law allows, and which is also allowed for national banks, may switch to a national charter if it cannot conduct this activity as a state-chartered bank in a host state. This amendment only gives that bank the option of remaining a state chartered bank if it wishes to conduct the activities authorized by its own charter in all of the states in which it operates.

Thank you again for scheduling this important hearing. It is an important first step in Congress's attempt to clarify the intent of Riegle-Neal.

Sincerely,

THOMAS R. CARPER,  
Governor.

STATE OF MICHIGAN,  
OFFICE OF THE GOVERNOR,  
Lansing, MI, May 14, 1997.

Hon. BART STUPAK,  
Washington, DC.

DEAR CONGRESSMAN STUPAK: I am writing to ask your support of the Riegle-Neal Clarification Act of 1997 (H.R. 1306), introduced by Representatives Roukema, Leach, and LaFalce. This important legislation concerns the impact the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 will have on the viability of the state bank charter for financial institutions that choose to operate in more than one state. This is an issue of significance to Michigan and Michigan state-chartered banks.

The trigger date for nationwide interstate branching is June 1 of this year. Banks that operate in more than one state are now deciding whether a national or state bank charter would better meet their needs in this new environment. To preserve the state charter as a viable choice for all banking organizations, all fifty states, the FDIC and the Federal Reserve have signed agreements to recognize a multi-state bank's home state as the primary regulator.

The problem addressed by the Clarification Act is ambiguity in Riegle-Neal on the application of host state laws to the branches of out-of-state, state-chartered banks, which has led to uncertainty on the part of many banks. Certainty about legal requirements for host state branches is a critical element in the choice of a national or state charter.

The proposed Clarification Act provides this certainty and eliminates any ambiguity. It clarifies, in general, that home state law applies to out of state branches of state-chartered banks, and that host state law only applies to those branches to the same extent that it applies to out of state branches of national banks. Additionally, host state branches would be allowed to exercise powers granted by their home state, at least to the extent allowed for national banks operating in that state.

Michigan Financial Institutions Bureau Commissioner Patrick McQueen and I support this legislation. We believe that the Clarification Act is critical to the survival of state-chartered interstate banks, and ultimately to the well-being of the dual banking system.

I urge you to support the Riegle-Neal Clarification Act of 1997 (H.R. 1306).

Sincerely,

JOHN ENGLER,  
Governor.

COMMENTS OF SENATOR MARGARITA PRENTICE, WASHINGTON STATE SENATOR, 11TH DISTRICT—BEFORE THE U.S. HOUSE OF REPRESENTATIVES SUBCOMMITTEE ON FINANCIAL INSTITUTIONS AND CONSUMER CREDIT—APRIL 30, 1997

Good afternoon. I am Margarita Prentice, a state legislator from the state of Washington and the Ranking Minority member of our Senate Financial Institutions Committee. I very much appreciate the invitation to appear before this Committee and to have the opportunity to discuss banking policy in our state. I am here today to support H.R. 1306, the Riegle-Neal Clarification Act of 1997.

In 1996, I chaired the Committee that shepherded interstate branching legislation successfully through the state legislature. We enacted a bill to "opt in" early, and Washington state is now open to interstate branching.

I traveled 3,000 miles to be here today to support the efforts of the Washington Director of Financial Institutions, John Bley, and his colleagues from around the country in asking for your support for early passage of a clarifying amendment to Riegle-Neal.

Washington has always been a strong dual banking state. We currently have 21 national banks, 63 state-chartered banks, 15 state-chartered savings banks and seven federal savings and loans. We also have seven foreign banks offices, which have made a tremendous contribution to our development as a major trading center. The last three years, the state issued seven charters to new community banks seeking to serve our citizens.

The state charter has always been an important factor in Washington state's economic development policy. We have been able to provide credit to an expanding economy because we have an active banking sector. Economic development through credit availability was a priority of our former Governor, Mike Lowry, and continues to be a priority for Governor Gary Locke.

I applaud this Committee for the state options that you provided in Riegle-Neal. In fashioning Riegle-Neal in this manner, Congress ensured that each state could consider a wide range of policy choices, and then craft legislation that would meet the needs of each state. Giving the states this ability to carefully consider the issue and to make the policy decisions that were right for them helped the process and encouraged states to opt-in to nationwide branching.

We took the policy options you gave us and over a six month consensus building process worked out a bill for our state on a non-controversial, bipartisan basis with the support of all financial institutions, large and small.

We knew that the challenge to make the state chartered banking system viable in an interstate environment would be tremendous, not only to our state but to all states.

We were especially pleased that Director Bley was appointed to chair the Interstate Task Force set up through CSBS. For the past three years, this Task Force has worked to develop a system to make interstate branching work for state-chartered banks as well as national banks.

As you know, the nation's state bank supervisors have signed a historic cooperative agreement to make interstate branching work. Every state will be a home state and a host state. Unfortunately, if Congress does not pass H.R. 1306, this work may all have been for naught. Without a change in current law, banks may turn disproportionately to a national charter, making it difficult for local legislatures to set banking policy.

One of the most effective tools states have for economic development is their jurisdiction over state-chartered banks. If these in-

stitutions move toward a national charter, states will lose a great deal of their current ability to influence economic growth and productivity. Furthermore, the banking industry as a whole will lose the benefit of innovations that may begin at the state level and are later adopted on a national level.

When we considered how interstate branching was going to affect our citizens in the state of Washington, we understood the policy of "home state supervision" that you set forth in Riegle-Neal.

We understood that if a bank were headquartered in our state, our laws would apply to that institution wherever it chose to operate except in the areas of consumer protection, fair lending, community reinvestment and intrastate branching. We understood that host state law would apply to the same extent to both a national bank and an out-of-state, state-chartered bank. This means that banks chartered in Washington would have confidence in the laws applied to them when they branch out of state, and our consumers would have confidence in the laws that protect them when they use any bank, state or national, in our state.

We understood that the home state was the primary regulator, which was determined by where the charter was issued. Therefore, we believed that a bank chartered in Washington state, opening branches in California, would comply with the laws relating to the corporate governance of its Washington charter. California's laws in the area of consumer protection, community reinvestment, fair lending and intrastate branching would apply just like the system you have set up for national banks.

The dual banking system is important because it promoted efficiency, flexibility, innovations in our banking system industry. The states have been the testing ground for interest bearing checking accounts, adjustable rate mortgages and ATMs.

While the states have worked very hard to keep the state system competitive in our interstate environment, I'm here today to discuss with you the reality of what we are finding in Washington State. We opted in to interstate branching early, on June 6, 1996.

To date, only a very small number of banks have chosen to branch and keep a state charter. These are very small institutions that have crossed the border into Idaho.

However, we have also "lost" several large institutions who have chosen a national charter, and will be conducting a banking business in our state. These banks told us that the ambiguity in Riegle-Neal caused them to switch to a national charter because the national charter provides more certainty.

We do not believe this was your intention when the bill was passed.

Some have asserted that if you change Riegle-Neal now, the states that have already opted-in will have opted in under different rules. However, when we opted in, we believed that home states had the primacy over their institutions and therefore this amendment strengthens that view.

It has also been asserted that states could individually "fix" the problem that this amendment attempts to address. In Washington state, we have already authorized our banks to conduct, at any location, any activity that we have authorized.

Our problem is that time is running short. June 1, the nationwide trigger date, is upon us. It would be very difficult, if not impossible, for 50 state legislatures to enact this change. In our state, the legislature has already adjourned for this year. Even if 50 state legislatures were able to act, the federal law problem would still exist.

Our local communities and the state's role in public policy formation will suffer if Con-

gress does not adopt these clarifying amendments to Riegle-Neal. It is true that traditionally, the states seek to defend their absolute authority over the financial institutions that operate within their borders. Some see these proposed amendments as a dangerous preemption of that authority. However, states will lose much more authority if they are no longer supervising state-chartered financial institutions, or are supervising only the smallest, community-based institutions. We must abandon our pursuit of the perfect to preserve the good; and our dual banking system has brought a great deal of good to our citizens, our businesses, and our banking industry.

The virtue of our dual banking system is that the states have the ability to affect economic development through policy decisions for our state-chartered banks. Clearly, if our largest, most influential banking institutions feel they must convert to national charters, this will seriously reduce our ability to affect our own economic destiny.

State-chartered institutions, and state regulation, are intimately connected to their local communities in a unique way. We want to make sure that all of Washington state's institutions have the opportunity to choose this connection. We want to make sure that federal law does not interfere with any bank's ability to choose freely between equally attractive state and federal charters.

I urge you to enact H.R. 1306 as quickly as possible to restore the necessary balance to the dual banking system and ensure that state charters remain a viable option for any financial institution that values its connection to its community.

Thank you for your attention. I would be pleased to answer any questions you may have.

Mrs. ROUKEMA. Mr. Speaker, I reserve the balance of my time.

Mr. VENTO. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in support of this measure. The legislation will maintain the dynamic balance between the chartering of national and State banks and banking systems. This is a necessary measure. It must be enacted to clarify and ensure the viability of America's dual banking system. This banking system has served our Nation well. The increased competition, intrinsic within the context of the dual banking system, has produced many new products for consumers, expanded credit opportunities for local communities and produced a vibrant American banking system.

However, with June 1 approaching, the implementation date for interstate branching, there is a concern that the law will lead to disparate treatment of national and out-of-State State chartered banks in a host State. Congress must act to address that possibility.

While I strongly support America's dual banking system, I do not believe that such a system should be maintained at any price. I recognized when we passed the law in 1994 that a consequence of the Riegle-Neal interstate banking and branching law which this legislation addresses could place State-chartered banks at a competitive disadvantage. However, if the cost of correcting this deficiency had been an overall sacrifice of consumer and community protection laws, overriding

States rights or granting broad, new authority for banks, I would have objected to this measure.

This measure does not sacrifice consumer or States rights to maintain a viable dual banking system. Working with the gentlewoman from New Jersey [Mrs. ROUKEMA], subcommittee chairman, and the gentleman from Iowa [Mr. LEACH], the chairman, and others, the committee has been able to narrow and clarify the legislation. Instead of an overly broad approach, we have crafted a bill that will maintain a viable State banking system without unduly infringing on States rights and prerogatives.

Under this bipartisan legislation, State laws, particularly those affecting consumer protection, community reinvestment, fair lending, and intrastate branching will be preserved.

Only under the limited circumstances in which the Comptroller preempts host State laws for national banks will out-of-State State-chartered banks similarly be exempted from the laws of the host State. In those cases, the out-of-State bank will be required to follow its own home State laws as regards such activity.

Mr. Speaker, importantly we should keep in mind that in those instances, the home State law cannot be weaker than the Federal law. In fact, Federal law will be the floor and any home State law will be an additional protection for consumers within the host State.

Clearly, concerns still exist about the impact of the basic Riegle-Neal interstate law upon the State consumer protection, community reinvestment and fair lending laws. However, the basis of those concerns go to the original act, and the preemption authority of the Comptroller. This measure, H.R. 1306, the proposal we are considering, does not expand that authority. Rather, this measure harmonizes those actions to ensure that out-of-State State-chartered banks are treated the same as host State banks or national banks.

Mr. Speaker, when Congress did consider the original Riegle-Neal law, we did debate the national preemption authority. The House version of the interstate bill did eliminate the override authority. However, the House did not sustain that position in conference with the Senate.

I believe that both the gentleman from Iowa [Mr. LEACH], the chairman, and the gentlewoman from New Jersey [Mrs. ROUKEMA], subcommittee chairman, agree with me that the preemption authority of the Comptroller should not be liberally used. There must be a clear and overwhelming rationale for the exercise of such Comptroller power.

In the absence of this measure, however, most State banks with out-of-State bank branches will likely change to a national charter causing the atrophy of the dual banking State-national banking system. This measure clarifies the authority of State banks to engage

in activities to the extent to which they can conduct any activity in a host State. This bill does not grant banks new powers. It respects home and host State regulatory authority with the appropriate Federal oversight to determine bank powers. The bill does provide a safeguard to limit the extent to which a bank may exercise its authority geographically and ensures a level playing field within a host State between banks.

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Mr. Speaker, the House Committee on Banking and Financial Services supports the bill banking system. This bipartisan bill is a needed step to ensure that our State banks remain a viable force in the marketplace, able to meet the needs of consumer and local communities.

I urge my colleagues to support this measure.

Mr. Speaker, I reserve the balance of my time.

Mrs. ROUKEMA. Mr. Speaker, I yield 2 minutes to the distinguished gentleman from Washington [Mr. METCALF].

Mr. METCALF. Mr. Speaker, I rise today in support of this important legislation that preserves States' authority over a crucial area of their economic well-being while establishing greater competition in the banking industry.

As a member of the Committee on Banking and Financial Services in the House and in my previous experiences in the State senate, I have seen major changes in the financial and banking arena in the last few years. I have great concern about some changes because they allow large, out-of-State national banks to branch into almost any State. This may be good for the large, but many of us see it as a huge threat for many smaller State-chartered banks, the very same banks that make their livelihood in small towns making small loans to small businesses which, in my opinion, is the backbone of the Nation. The Riegle-Neal Clarification Act corrects this imbalance by preserving the State charter as a viable option for banks that seek to branch across State lines.

H.R. 1306 levels the playing field for small financial institutions and helps to maintain the dual banking system, which is an objective for many Members of this House. A vote for H.R. 1306 will be a vote for States rights, retaining State control over their economic direction. I urge my colleagues to vote for this important bill.

Mrs. ROUKEMA. Mr. Speaker, I yield such time as he may consume to the gentleman from Nebraska [Mr. BEREUTER].

(Mr. BEREUTER asked and was given permission to revise and extend his remarks.)

Mr. BEREUTER. Mr. Speaker, I rise in support of H.R. 1306, and I urge its adoption.

Mr. Speaker, this Member rises in strong support of this important legislation which pre-

serves the State bank charter as a viable, competitive alternative to the national bank charter. The dual banking system in the United States has been vital to the development of the world's strongest banking system. State-chartered banks are often the laboratory where new, innovative products are tested and perfected. Checking accounts, electronic funds transfers, and bank insurance sales were all introduced by State-chartered banks.

However, the dual banking system has come under assault recently. The Clinton administration has tried on no less than five occasions to impose Federal examination fees, or taxes, on State-chartered banks, only to have them rejected overwhelmingly by the House Banking Committee. Now, there is opposition to this legislation which was introduced to ensure that the Riegle-Neal Interstate Banking and Branching Efficiency Act will be implemented in a manner which meets its intended goal, which is to permit State-chartered banks to branch across State lines.

This Member was intimately involved in the original Riegle-Neal Act, and was concerned at that time that States' rights were protected. That's why this Member proposed and was joined by his distinguished colleague from Minnesota, Mr. VENTO, in offering the opt out provision which was eventually included in that act. However, this Member most certainly does not agree with the argument, being made by groups ranking from the Consumer Federation of America to Consumers Union and the National Conference of State Legislatures, that the bill is an assault on States' rights. This Member believes that this measure actually reinforces States' rights by maintaining the viability of the State charter by ensuring parity with the national bank charter.

Therefore, Mr. Speaker, this Member will vote in favor of this legislation and urges his colleagues to join him in approving this important protection of the dual banking system.

Mr. VENTO. Mr. Speaker, I yield such time as he may consume to the distinguished gentleman from New York [Mr. LAFALCE].

Mr. LAFALCE. Mr. Speaker, I thank the gentleman from Minnesota for yielding this time to me.

Mr. Speaker, I would encourage all my colleagues to support this bill which I am very proud to have been an original cosponsor of and to support it because I do believe its passage is vital to maintain the dual banking system. It is the dual banking system that by giving banks a choice of Federal or State charters has helped to ensure that our U.S. banking industry has remained strong and competitive. By allowing this choice the dual banking system has created a healthy tension, indeed a competition, if my colleagues will, between the Federal bank charter and the State bank charter, and this has ensured that both Federal and State charters remain flexible, remain open to incorporating new market innovations. Indeed, many of the banking products which are commonplace today were first introduced under State charters and later incorporated into the Federal charter.

Now, when Congress passed the Interstate Banking and Branching bill of 1994, it did not, in my judgment, adequately anticipate the negative impact

that it might have on State-chartered banks interested in branching outside their home States. However, in the 2½ years since that legislation passed it has become clear that State-chartered banks wanting to branch outside their home States are at a significant disadvantage relative to national banks branching outside their home State.

Why so? Well, it is due to the fact that the national bank regulator has the authority to permit national banks to conduct operations in all the States with some level of consistency. In contrast, under the existing interstate legislation State banks branching outside their home State must comply with a multitude of different State banking laws in each and every State in which they operate.

So the complications of complying with so many different State laws in order to branch interstate has led many State banks to conclude, and might lead even more to conclude, that it would be much easier to switch to a national Federal charter. It could get so bad that it could bring about the demise of the dual banking system. The legislation we are considering today attempts to prevent this from occurring.

Despite comprehensive agreements reached last year between all 50 State bank regulators, which attempted to equalize the situation between State and national banks, many State banks continue to find that there are simply too many legal complications and uncertainties to deal with in trying to determine applicable law.

The Interstate Clarification Act of 1997, today's bill, makes it clear that generally State-chartered banks branching outside their home State will operate under the laws of the host State except in narrow instances where host State law is inapplicable for the branches of an out-of-State national bank. Now this should contribute significantly to providing State banks with some degree of certainty and consistency as they conduct business in various States and should not artificially disadvantage either State or nationally chartered institutions.

It should be emphasized though that the new legislation does nothing to change the original law which requires both national banks and State banks to comply with the laws of the host State in four important areas of law, community reinvestment, consumer protection, fairer lending, and intrastate branching. Those host State laws must still apply.

Mr. VENTO. Mr. Speaker, I reserve the balance of my time.

Mrs. ROUKEMA. Mr. Speaker, I yield 1 minute to the distinguished gentleman from Delaware [Mr. CASTLE], a valuable member of the committee.

Mr. CASTLE. Mr. Speaker, I thank the gentlewoman for yielding me the time.

Mr. Speaker, I rise in strong support of H.R. 1306, which will clarify the Riegle-Neal Interstate Banking Act to protect the viability of the State banking charter.

Our Nation has always had a dual banking system. A bank can choose a State charter or a national charter. As a former Governor, I can tell you how important maintaining a State charter is. An attractive State bank charter helps attract banking and business to a State. It helps produce jobs and revenue that help all citizens. This has been important to the success of Delaware and many other States.

As we enter the age of interstate banking and branching it is necessary to ensure that State banks can compete fairly with national banks as more banking is done between States and across the Nation. This legislation will ensure that there is a level playing field between State banks and national banks. At the same time, it will protect consumers and maintain all necessary safety and soundness standards for all banks.

This is an excellent bill that enjoys bipartisan support. I congratulate the gentlewoman from New Jersey [Mrs. ROUKEMA], the chairman, the gentleman from Minnesota [Mr. VENTO], ranking member, and the members of the committee and urge its passage.

Mr. VENTO. Mr. Speaker, I reserve the balance of my time.

Mrs. ROUKEMA. Mr. Speaker, I yield such time as he may consume to the gentleman from Iowa [Mr. LEACH], the distinguished chairman of the full Committee on Banking and Financial Services.

Mr. LEACH. Mr. Speaker, I thank the gentlewoman for yielding this time to me, and I will be very brief, and I just would like to thank her very much for her fine work in shepherding this bill through her subcommittee and would stress that, A, it has the strong support of the committee, it is procompetitive, it enhances competition between State and national banks and therefore is very proconsumer because it will give consumers more options and more places to do business. It makes prudential sense; it makes competitive sense. It is a modest bill, but nonetheless a significant bill, and because the timing in which certain other laws go into place, it is brought in a very timely basis to this floor, and I urge its adoption.

Mr. VENTO. Mr. Speaker, I have no further requests for time. I reserve the balance of my time.

Mrs. ROUKEMA. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I would just like to conclude by again thanking my ranking member and all the members on the committee. We worked in a very positive bipartisan way to clarify any ambiguities that existed, we have refined those applications of the law with respect to consumers, and above all, we have, I think with this action, protected the dual banking system while at the same time gaining the advantages of interstate banking.

Mr. VENTO. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I just want to thank the gentlewoman from New Jersey [Mrs.

ROUKEMA] again for her work in terms of her managing this bill within the subcommittee, and the hearings that were requested, I think, were very helpful in terms of shaping and finally resolving some of the questions that I and other Members have and the leadership of our colleague from New York, one of the principle sponsors of this bill, a bill so important to his State he obviously gave great detail on that.

Mr. Speaker, again I would ask Members to support the bill.

Mr. BACHUS. Mr. Speaker, I rise today in support of H.R. 1306, the Riegle-Neal Clarification Act of 1997. I commend Chairwoman ROUKEMA for taking the lead on this issue and acting forcefully to make sure that interstate branching does not result in artificial impediments to the continued growth of State chartered banks. This bill will simply clarify the original intent of the Riegle-Neal Interstate Branching and Efficiency Act of 1994 which I cosponsored. This law, which goes into effect June 1, needs this clarification to fully address the issue of various State banking regulations and how this would affect a bank headquartered in one State operating a branch in another.

Mr. Speaker, we have heard almost unanimous testimony that the unfortunate and unintended consequences of our failure to make these clarifications will be the devaluation of State bank charters in favor of national charters and the gradual decline of the State banking system. I am a firm believer in the dual banking system of State and federally chartered institutions and I am certain that the innovation and tremendous strength enjoyed by the American financial marketplace is due in part to the dynamic created by these separate charters. It will be indeed unfortunate if a vibrant State bank is unwilling or unable to take advantage of interstate branching. Many State banks will simply not expand rather than compete with national banks in another State or convert to a national charter in order to grow. Therefore, Mr. Speaker, I urge my colleagues to vote for H.R. 1306.

Mr. VENTO. Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore [Mr. BARRETT of Nebraska]. All time has expired.

The question is on the motion offered by the gentlewoman from New Jersey [Mrs. ROUKEMA] that the House suspend the rules and pass the bill, H.R. 1306, as amended.

The question was taken; and (two-thirds having voted in favor thereof) the rules were suspended and the bill, as amended, was passed.

A motion to reconsider was laid on the table.

#### GENERAL LEAVE

Mrs. ROUKEMA. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks and include extraneous material on H.R. 1306, the bill just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentlewoman from New Jersey?

There was no objection.