



**House
Legislative
Analysis
Section**

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MOBILE BRANCH BANKS

Senate Bill 641 as passed by the Senate
Sponsor: Sen. Joel D. Gougeon

Senate Bill 643 as passed by the Senate
Sponsor: Sen. Jim Berryman

Senate Committee: Corporations and
Economic Development
House Committee: Business and Finance

First Analysis (6-15-93)

THE APPARENT PROBLEM:

Reportedly, some financial institutions are interested in using "mobile branches", branch offices that move from place to place (typically on a regular and publicized schedule), as a means of providing branch banking-type services in locations where they might otherwise not be available. According to those knowledgeable in the field, federal bank regulators have already approved one Michigan bank's request to operate a mobile branch, but state regulators do not believe the practice is permitted under state law. One way to resolve this conflict (and to ensure that nationally chartered and state chartered banks follow the same rules), is to make the state law clear on the subject of mobile branches. Some banks are similarly interested in operating messenger services, which state law does not specifically permit now.

THE CONTENT OF THE BILLS:

The bills would permit in statute certain financial institutions (1) to establish a mobile branch and (2) to own and operate a messenger service or to own or invest in a corporation that operates a messenger service. Senate Bill 641 would amend the Savings and Loan Act of 1980 (MCL 491.112 et al.). Senate Bill 643 would amend the Banking Code (MCL 487.305 et al.).

Mobile branches. An application to establish a mobile branch would have to contain a statement by the applying bank or savings and loan association that it intended to move the location of the physical structure of the branch from time to time. A branch established under the bill would be considered a mobile branch from the date the

application was approved by the commissioner of the financial institutions bureau. An advance notice or schedule showing the location of a mobile branch would not be required. The term "mobile branch" would mean "a branch office in which the location of the physical structure of the branch office is moved from time to time." (Currently, a branch cannot be moved from one location to another without the written approval of the commissioner. This provision would not apply to a mobile branch.)

Messenger services. A bank or savings and loan association would specifically be permitted to own and operate a messenger service or to own or invest in a corporation operating a messenger service. The bills would specify that the receipt of deposits by a messenger service or the delivery by a messenger service of items representing deposit account withdrawals or of loan proceeds would not be considered the establishment or operation of a branch, whether or not the service was owned or operated by the financial institution. A messenger service could be owned and operated by one or more depository institution or affiliate or by a third party.

The term "messenger service" would refer to "a service such as a courier service or an armored car service that picks up from or delivers to customers of one or more depository institutions or one or more affiliates of a depository institution cash, currency, checks, drafts, securities, or other items relating to transactions between or involving a depository institution or affiliate of a depository institution and those customers, or that transfers [those items] between depository institutions or affiliates of depository institutions."

Senate Bills 641 and 643 (6-15-93)

The term "depository institution" means a state or national chartered bank, a state or federal chartered savings and loan association, a state or federal chartered savings bank, or a state or federal chartered credit union.

FISCAL IMPLICATIONS:

There is no information at present.

ARGUMENTS:

For:

By specifically permitting banks and savings institutions to use mobile branches, the bills permit the extension of financial services to locations where perhaps permanent branches could not be justified. A mobile branch that appears at a set location at regular intervals (or even once a year, such as at a county fair) could be a convenience for consumers and an effective marketing tool for financial institutions. The bill also would specifically permit financial institutions to operate messenger services (such as courier services or armored car services), where deposits would be collected and withdrawals or loan proceeds disbursed and specify that they are not a form of branch office. This too could make certain financial transactions more convenient for consumers.

Against:

Some concerns have been raised about how mobile branches will be established and their effect on current activities. Will they be used to get around zoning restrictions in local communities? Will they be used to compete unfairly against established branches, for example by setting up a mobile trailer in the parking lot of a strip mall where a competitor has a brick-and-mortar branch? Will these mobile branches lead to fewer permanent local branches, meaning local jobs will be lost and local influence on bank operations will diminish?

Response:

Representatives of financial institutions say that the use of mobile branches will allow the extension of financial services to locations where they otherwise would not exist. They say it would be more advantageous to maintain a regular branch office where one is viable. The mobile branches are just another marketing tool. (Besides, the state's interest ought mainly to be in the safety and soundness of institutions, not in preventing competition.)

POSITIONS:

The Financial Institutions Bureau, within the Department of Commerce, supports the bills. (6-9-93)

The Michigan Bankers Association supports the bills. (6-9-93)

The Michigan League of Savings Institutions supports the bills. (6-9-93)

The National Bank of Detroit (NBD) supports the bills. (6-9-93)