

May 13, 1987

LB 375

SENATOR PAPPAS: Yes, I rise to oppose the bracket motion and, if he would, I'd like to ask either Senator Miller or Senator Elmer a question or two.

SPEAKER BARRETT: Senator Miller, or Elmer, excuse me, would you respond?

SENATOR PAPPAS: Senator Elmer, you're very familiar with rural banking, et cetera, and you and Senator Korshoj and Senator Miller talked about there is no need for it, the money is not lent out and everything else. Would you agree with me that the size of farms are becoming larger in the State of Nebraska?

SENATOR ELMER: As an average, of course.

SENATOR PAPPAS: Okay. Tell me what happens, tell me what happens on a rural bank that has, let's say, \$10 million in total assets or deposits and as the farms become larger and a farmer goes in and asks for a \$750,000 line of credit.

SENATOR ELMER: He goes in and asks for \$750,000 credit from a bank with a \$10 million asset, he can borrow 100,000 from that bank and the balance has to be overlined with a correspondent bank.

SENATOR PAPPAS: Where do the overlines come from?

SENATOR ELMER: The overlines come from a correspondent bank of their choice. It could be St. Louis, it could be Chicago, it could be Omaha, Lincoln.

SENATOR PAPPAS: Out-of-state banks?

SENATOR ELMER: Of course.

SENATOR PAPPAS: Out-of-state banks loan money in this state?

SENATOR ELMER: Sure will.

SENATOR PAPPAS: Okay. This is one thing I want to strive upon. We talk about the small rural banks are only 25 to 40 percent loaned up. That is true. That is very true, but there is a lot of large loans that they cannot handle that are going out of state now. They are going out of state. They are not being serviced by instate banks. They are not being serviced. This is one of the problems we have. That's one of the benefits of