<u>INTERPRETIVE LETTER 91-14 (JULY 8, 1991)</u>

State bank that purchases branches pursuant to Section 31 retains branching rights it possessed before purchase.

This is in response to your letter of * regarding the proposed acquisition by * of * Federal Savings & Loan.

As I understand the facts involved, * would organize an undercapitalized <u>de</u> <u>novo</u> savings and loan association as a wholly-owned subsidiary of *. This de novo savings and loan association would then purchase the assets and assume the liabilities of three branches of * Federal Savings & Loan. The de novo savings and loan association would then sell all of its assets and liabilities to * Bank, a wholly-owned subsidiary of *. * Federal Savings Bank would then be merged into *, a wholly-owned subsidiary of *. You have requested confirmation that as a result of this transaction, * Bank may retain the 3 branch locations of * Federal Savings & Loan without affecting * Bank's branching authority as provided in Section 5(15) of the Illinois Banking Act ("Act").

Section 31(e)(1) of the Act provides as follows:

> (1) a state bank that purchases the main banking premises, the main office or any existing branches of an eligible depository institution...may, subject to the written approval of the Commissioner, retain and maintain the main banking premises, main office and any existing branches of the eligible depository institution that are located in Illinois as branches of the purchasing bank...provided that the eligible depository institution established such main banking premises, main office or branch at its existing location prior to August 9, 1989 and maintained it at such location on such date...and provided further, that except as provided in this Section, the purchasing bank shall only have the right to establish and maintain any additional branches to the extent that a state bank is authorized and permitted to do so pursuant to and in compliance with paragraph (15) of Section 5 of this Act.

On the basis of this language and the understanding that the existing branches of * Federal Savings & Loan were established at their present locations prior to August 9, 1989, it is the position of this Agency that the acquisition by * Bank of * Federal Savings & Loan and its three branches would not affect the future branching rights of * Bank.

I have enclosed an application for an emergency purchase and assumption transaction pursuant to Section 31 of the Act. This application should be completed and returned to * for the Commissioner's approval.