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## Introduction

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## INTRODUCTION

*The world of banking—commercial banks, savings and loans, savings banks, and credit unions—is a world in upheaval. New products are introduced at dizzying speed . . . . The revolution in banking today presents both a challenge and an opportunity for the student and the practitioner of banking law. The challenge is to keep abreast of fast-paced developments in the law and the marketplace. The opportunity is to think creatively about how banking law is evolving in order to assist clients in protecting their interests and positioning themselves to take advantage of new market opportunities.*<sup>1</sup>

### I. PREFACE

The practitioners' Articles and students' Notes and Comments that follow this Introduction demonstrate just how much change is occurring in today's banking industry. North Carolina banks have accepted the challenge of their changing industry by stepping forward to lead the innovation—to forge their own future direction rather than wait and be subjected to the uncertain effects of the industry's changes.

This Introduction surveys some of those changes, innovations, and actions that took place in the North Carolina banking industry in 1996. First, this Introduction provides some general statistical information regarding the 1996 North Carolina banking community.<sup>2</sup> This Introduction then reviews various important actions taken by both the North Carolina banking industry and its individual institutions with regard to consolidation of trade associations,<sup>3</sup> mergers and acquisitions,<sup>4</sup> and technological developments.<sup>5</sup>

Although there is a large number of North Carolina banks that have contributed significantly to the banking industry over the past year, this Introduction focuses primarily on North Carolina's larger

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1. JONATHAN R. MACEY & GEOFFREY P. MILLER, *BANKING LAW AND REGULATION* 1-2 (1992).

2. *See infra* notes 6-18 and accompanying text.

3. *See infra* notes 19-28 and accompanying text.

4. *See infra* notes 30-58 and accompanying text.

5. *See infra* notes 62-82 and accompanying text.

institutions, including NationsBank, N.A. (NationsBank), First Union National Bank of N.C. (First Union), Wachovia Bank of N.C., N.A. (Wachovia), Branch Banking and Trust (BB&T, whose holding company is Southern National Corp.), First Citizens Bank and Trust (First Citizens), and Centura Bank (Centura).

## II. GENERAL STATISTICS

As of September 30, 1996, the North Carolina Office of the Commissioner of Banks reported fifty-eight national- and state-chartered banks in North Carolina.<sup>6</sup> These fifty-eight banks had combined total assets in North Carolina of nearly \$180 billion and over \$115 billion in deposits in North Carolina.<sup>7</sup> Of these banks, NationsBank ranked first with approximately \$70.2 billion in assets and \$43.4 billion in deposits.<sup>8</sup> NationsBank is followed by First Union with approximately \$32.1 billion in assets and \$18.7 billion in deposits.<sup>9</sup> Wachovia ranks third with \$27.4 billion in assets and \$13.6 billion in deposits.<sup>10</sup> BB&T is fourth with \$16.4 billion in assets and \$11.8 billion in deposits.<sup>11</sup> First Citizens ranks fifth with \$7.6 billion in assets and \$6.7 billion in deposits.<sup>12</sup> Finally, Centura, with \$5.8 billion

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6. See North Carolina Office of the Commissioner of Banks, 1995 Annual Report (1996) [hereinafter Comm'r of Banks]; see also North Carolina Office of the Commissioner of Banks, Commercial Banks in North Carolina Ranked by Total Assets and Deposits, September 30, 1996 (1996). 1996 year-end statistics were not available at the time of writing. Except for NationsBank, these statistics are assets and deposits in North Carolina only. NationsBank includes both North and South Carolina assets and deposits.

7. See Comm'r of Banks, *supra* note 6. In comparison, total assets and deposits, on December 31, 1995, were approximately \$181 billion and \$111 billion respectively. See *id.* While recognizing that the total assets and total deposits of a bank are only two of numerous other ways to evaluate the size of the banking industry and its institutions, the following statistics do focus on the assets and deposits of North Carolina banks. In addition, it is important to note that these September 30, 1996 statistics do not reflect any of the mergers or acquisitions that may have been announced prior to September 30 but not yet completed by that date.

8. See *id.* For comparison, on December 31, 1995, NationsBank had \$79.2 billion in assets and \$45.5 billion in deposits. See *id.* These NationsBank statistics include both North and South Carolina assets and deposits. See *id.*

9. See *id.* First Union's September 1996 assets and deposits in North Carolina increased from its 1995 holdings of \$27.4 billion in assets and \$15.8 billion in deposits. See *id.*

10. See *id.* Wachovia had total North Carolina assets of \$26.9 billion and deposits of \$12.4 billion on December 31, 1995. See *id.*

11. See *id.* BB&T's total assets in North Carolina were \$16 billion and total deposits in North Carolina were \$11.5 billion at the end of 1995. See *id.*

12. See *id.* Total North Carolina assets and deposits for First Citizens are up from \$6.9 billion and \$6.1 billion respectively, on December 31, 1995. See *id.*

in assets and \$4.5 billion in deposits, ranks sixth.<sup>13</sup>

These six banks accounted for almost 89% of all North Carolina bank assets in September 1996, compared to approximately 90% of total assets in 1995.<sup>14</sup> These banks also accounted for over 85% of the total deposits in September 1996, compared to 86% of the total deposits in 1995.<sup>15</sup>

Forty-eight of the fifty-eight banks operating in North Carolina on September 30, 1996 were state-chartered banks with total assets of \$47.8 billion and total deposits of \$38.4 billion.<sup>16</sup> From March 31, 1987 to September 30, 1996 total combined assets of North Carolina state-chartered banks increased approximately 293%, which is an average annual growth rate of nearly 15.5%.<sup>17</sup> During this ten-year span, the North Carolina state-chartered banks have been active. Twenty-three new state-chartered banks opened, 3 converted from national-chartered banks and 3 from savings and loan charters, 6 state-chartered banks merged into 3 new state-chartered banks, 20 merged into existing state-chartered banks, 3 merged into other banks, 2 ceased operation, and 1 failed.<sup>18</sup>

These statistics demonstrate the continued strength of the banking industry in North Carolina in 1996. However, these statistics do not reflect all of the mergers, acquisitions, and consolidation by North Carolina banks.

### III. MERGERS, ACQUISITIONS, AND CONSOLIDATION

Mergers, acquisitions, and consolidation in the banking industry continued at a rapid pace in 1996, and many of North Carolina's banks were at the forefront of this trend. Even North Carolina's two banking trade associations could not escape this phenomenon as they merged into one organization.

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13. *See id.* Centura had total North Carolina assets of \$5.3 billion and deposits of \$4.1 billion at the end of 1995. *See id.* Centura moved from seventh place in the deposit rankings in 1995 to sixth place as of September 30, 1996. *See id.*

14. *See id.*

15. *See id.*

16. For purposes of comparison, at the end of 1995, the North Carolina Office of the Commissioner of Banks reported that there were 50 North Carolina state-chartered banks with total assets of \$44.9 billion and total deposits of approximately \$36 billion. *See id.*

17. *See id.*

18. *See id.*

A. *The New North Carolina Bankers Association and North Carolina Association of Financial Institutions*

In December 1996, the Community Bankers Association (the CBA) and the North Carolina Bankers Association (the NCBA) agreed to merge into one entity and to serve the North Carolina banking industry under the name of the North Carolina Bankers Association (the new NCBA).<sup>19</sup> The CBA traditionally represented North Carolina's smaller banks, while the NCBA represented the larger banks. In recent years, these two organizations have experienced some overlap in membership and in the services they provided to their members.<sup>20</sup> Part of the impetus for combining these two entities was the elimination of such overlap in order to provide the North Carolina banking community with a better and more efficient industry trade group.<sup>21</sup> The establishment of the new NCBA was also driven by the consolidation trend which has infected the North Carolina banking industry and caused membership at both organizations to decline in recent years.<sup>22</sup> In addition, the merger will allow the new organization to continue providing and expanding its already broad spectrum of services.<sup>23</sup>

However, North Carolina's five largest banks did not join the new NCBA, but instead formed their own trade group.<sup>24</sup> Nations-Bank, First Union, Wachovia, BB&T, and First Citizens created the North Carolina Association of Financial Institutions (the NCAFI).<sup>25</sup> Headquartered in Raleigh, North Carolina, the NCAFI's "purpose [is] to provide members a forum for state and federal government relations and to address issues of mutual interest."<sup>26</sup> The formation of the NCAFI may also be explained as a response by the larger banks to the equal voting power the smaller banks have in the new

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19. Community Bankers Ass'n N.C. Bull. (Community Bankers Ass'n of N.C., Raleigh, N.C.), Dec. 26, 1996, at 1. The merger became effective on January 1, 1997. *See id.*

20. *See* News Release from the North Carolina Bankers Association and Community Bankers Association of North Carolina, 1 (Dec. 26, 1996) [hereinafter NCBA News Release].

21. *See id.*

22. *See id.*; *see also* L. Scott Tillet, *Two State Bank Groups Talking Merger Again*, TRIANGLE BUS. J., Aug. 30, 1996.

23. *See* NCBA News Release, *supra* note 20, at 1.

24. *See* Kyle Marshall & Su-Jin Yim, *Biggest Banks Split From League*, NEWS & OBSERVER, Dec. 21, 1996, at D1.

25. *See id.*

26. News Release from the North Carolina Association of Financial Institutions 1 (Dec. 20, 1996) (announcing the formation of the North Carolina Association of Financial Institutions (NCAFI)).

NCBA.<sup>27</sup> An alternative explanation for the NCAFI's creation may be that the five largest North Carolina banks wanted an industry organization committed specifically to securing government relations rather than to offering the broad array of services, training, and education the new NCBA provides.<sup>28</sup>

No matter what the justifications, the NCAFI's establishment once again divides the North Carolina banking industry to some degree. Only future evaluation will determine whether this division will produce positive or negative effects on the North Carolina banking industry, its institutions, and its customers. However, the formation of this separate group may at least indicate the continuing differences of philosophy and strategy of big banks versus small banks throughout the industry and may also reveal the ongoing positioning for power and survival in the banking industry by banks of all sizes.<sup>29</sup>

### *B. Bank Mergers, Acquisitions, and Consolidations*

Mergers and acquisitions in the United States banking industry continued in 1996 at a frenzied pace.<sup>30</sup> Some of North Carolina's largest banks made national headlines through mergers or acquisitions that were completed or announced in 1996. NationsBank, First Union, and Southern National Corp., the holding company of BB&T, were involved in some of the nation's largest transactions. One journalist observed, "[a]ll this upheaval and talk of survival is bankers' response to an increasingly competitive market, made more so by the nationwide interstate-banking law Congress passed . . . [the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the Riegle-Neal Act)]."<sup>31</sup>

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27. See Marshall & Yim, *supra* note 24, at D1.

28. See *id.*

29. See *infra* notes 30-58 and accompanying text.

30. Locally, the number of banks "keeps dropping: from 78 in March '93 to 71 in December '93 to 69 in June '94 [to 58 in September 1996]. The number of North Carolina banks gets smaller practically every quarter as the banks merge and converge at a rapid clip." *Industries: The Fewer the Better—As Their Numbers Diminish, The State's Banks Get Bigger and Stronger*, BUS. N.C., Feb. 1, 1995, at 55 [hereinafter *The Fewer the Better*]. "Acquisitions are also proceeding of nonbank entities like mutual funds, leasing companies, investment banks, and finance companies. As rates of return in traditional banking diminish, banks are looking to fee-based businesses that can generate healthier margins." Daniel Kaplan, *Is Merger Game Ending or Is This Only Halftime*, AM. BANKER, July 29, 1996, at 2A.

31. *The Fewer the Better*, *supra* note 30, at 55. In 1994, Congress passed the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, which "lets banks in one state own branches in another without having to maintain a separate company there." *Id.*

These mergers or acquisitions allow banks to rapidly expand their banking operations and their market share, while also effectively consolidating overlapping branches or banking functions. The following transactions either completed or announced in 1996 by NationsBank, First Union, and Southern National demonstrate the continued trend in today's banking industry.<sup>32</sup>

### 1. NationsBank

At the beginning of 1996, NationsBank Corp. acquired Atlanta's Bank South Corp. for \$1.69 billion.<sup>33</sup> Just eight months after completing this acquisition, NationsBank announced plans to buy Boatmen's Bancshares, Inc. of St. Louis, Missouri for \$8.7 billion.<sup>34</sup> This transaction will make NationsBank the fourth largest bank in the nation with total assets of \$230 billion.<sup>35</sup> The acquisition of Boatmen's allows NationsBank to extend its network of operations to additional states outside the Southeast region, including Missouri, Kansas, Arkansas, Oklahoma, and New Mexico.<sup>36</sup> Due to the merger NationsBank expects to realize annual cost savings of \$335 million, which is approximately five percent of the combined expenses of the two banks.<sup>37</sup>

NationsBank, in its attempt to effectively consolidate its operations with Boatmen's, faces many challenges, including the possible difficulty of "integrating Boatmen's decentralized operations into its own centralized structure,"<sup>38</sup> combining the nearly 87,000 total employees while avoiding large layoffs, and establishing an executive

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The Riegle-Neal Act "will allow a bank with branches in several states to act as a single entity. The law gave states the choice of opting-in to the federal branching scheme on or before the June 1, 1997 federal trigger date, or opting out entirely." *42 States, D.C., and Puerto Rico Have Laws Regarding Interstate Branching, CSBS Says*, Banking Daily (BNA), Sept. 27, 1996, at d7 available in LEXIS, Banking Library, BNABD File.

32. See *infra* notes 33-58 and accompanying text.

33. See Nikhil Deogun, *NationsBank Corp. Buys Bank South and Layoffs Loom*, WALL ST. J., Jan. 10, 1996, at B4. Total assets include all assets, not just those in North Carolina.

34. See Zach Coleman, *NationsBank Plans Merger*, WINSTON-SALEM J., Aug. 31, 1996, at A1.

35. See *id.*

36. See *id.* "Mr. McColl's desire to go all the way West—he [would] get only as far as New Mexico through the pending acquisition of Boatmen's Bancshares—reflects his belief that continually adding retail customers is the key to revving up profits." Kelly Greene, *What's Next for NationsBank? McColl Sees California as the Way to Grow*, AM. BANKER, Nov. 1, 1996, at 1.

37. See *id.*

38. Coleman, *supra* note 34, at A1.

management succession plan.<sup>39</sup> If NationsBank's track record is any indication of its ability to successfully integrate its acquisitions, then the Boatmen's acquisition should prove to be a valuable strategic move.

## 2. First Union National Bank

In January 1996, First Union completed its \$5.6 billion acquisition of First Fidelity Bancorp., of Newark, New Jersey, creating the nation's sixth-largest bank with \$126 billion in assets.<sup>40</sup> The completion of this transaction extends First Union's banking operations from Florida to Connecticut.<sup>41</sup> First Union has a strong industry reputation for realizing maximum cost savings through consolidation, therefore it should have little difficulty reaching its forecasted savings in consolidating the First Fidelity operations.<sup>42</sup>

In January 1996, just six months after completing the First Fidelity acquisition, First Union announced that it would purchase Center Financial Corp., of Waterbury, Connecticut, for \$379 million in stock and Home Financial Corp., of Hollywood, Florida, for \$336 million in stock.<sup>43</sup> These purchases demonstrate First Union's continuous effort to expand within its 12-state market.<sup>44</sup>

First Union also announced in 1996 that it has agreed to purchase Keystone Investments, Inc., a Boston mutual-fund company that manages \$11.6 billion in assets, for \$186 million in stock and the assumption of \$106 million in debt.<sup>45</sup> This acquisition of Keystone Investments will make First Union the third-largest bank manager of mutual funds in the United States.<sup>46</sup> First Union's purchase of Keystone Investments reflects an ongoing strategy to aggressively compete with mutual fund companies.<sup>47</sup> With an estimated target of \$100 billion in mutual fund assets by the year 2000, First Union has

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39. *See id.*

40. *See First Union Corp.: First Fidelity Acquisition Results in Wider Territory*, WALL ST. J., Jan. 3, 1996, at B6.

41. *See id.*

42. *See Lisa Davis, You Get What You Need: Our Mover and Shaker Gets His By Giving What Other Side Wants*, BUS. N.C., Jan. 1, 1996, at 18.

43. *See Nikhil Deogun, First Union to Buy Center Financial, Home Financial in Stock Transactions*, WALL ST. J., June 18, 1996, at B8.

44. *See id.*

45. *See Nikhil Deogun & Robert McGough, First Union to Buy Keystone in Stock Pact*, WALL ST. J., Sept. 9, 1996, at C23.

46. *See id.*

47. *See id.*

made a clear commitment to expanding its mutual fund activity.<sup>48</sup> Much of this expansion may be the result of additional acquisitions.<sup>49</sup>

### 3. Southern National Corp.

Southern National Corp. (Southern National) was formed in early 1995, with the merger of Southern National and BB&T Financial. This merger made Southern National the sixth largest bank in the Southeast with nearly \$20 billion in assets.<sup>50</sup> Southern National operates under the name Branch Banking & Trust Co (BBT).<sup>51</sup>

In November 1996, Southern National announced its agreement to buy United Carolina Bancshares Corp. (UCB), headquartered in Whiteville, North Carolina, for approximately \$1 billion.<sup>52</sup> The acquisition of UCB will establish BB&T as the largest bank deposit holder in North Carolina.<sup>53</sup> Although Southern National has agreed to pay what may be a high price by industry standards, it expects to offset this price with cost savings by consolidating operations, eliminating jobs, and closing UCB branches.<sup>54</sup> Such consolidating and cost-cutting efforts are projected to produce approximately \$65 million in savings.<sup>55</sup> It appears that the acquisition of UCB "is part of Southern National's strategy to make itself too big for any of its larger state brethren to devour, while at the same time making it profitable enough to survive as an independent or sell to an out-of-state bidder at a hefty premium."<sup>56</sup>

Also in 1996, Southern National acquired Richmond, Virginia's Fidelity Financial Bankshares for \$59.4 million in stock.<sup>57</sup> This acquisition marks Southern National's strategy to extend its operations beyond North Carolina and to create a \$1 billion-asset bank in Vir-

48. *See id.*

49. *See id.*

50. *See FDIC Clears Way For N.C. Bank Merger To Have Been Formed Via Merger Of BB&T Financial, Southern National*, CHARLOTTE OBSERVER, at 1D.

51. *See id.*

52. *See Joel B. Obermayer, Southern National To Buy UCB*, NEWS & OBSERVER, Nov. 5, 1996, at D1.

53. *See Zach Coleman, BB&T, UCB Agree To Merge*, WINSTON-SALEM J., Nov. 5, 1996, at A1. In addition, this acquisition gives Southern National approximately \$25 billion in assets, making it the thirtieth largest bank holding company in the nation. *See Obermayer, supra* note 52, at D1.

54. *See Obermayer, supra* note 52, at D1.

55. *See id.*

56. *Id.*

57. *See Kenneth Cline, Southern National Planning \$1B Presence in Va.*, AM. BANKER, Aug. 27, 1996, at 4.

ginia.<sup>58</sup>

While it appears that the banking industry will continue to experience mergers and acquisitions and consolidation in 1997, banks realize that in the future, they cannot just be bigger in order to be better. North Carolina banks recognize that they must successfully digest these acquisitions, most notably stomaching all of the challenges that integration and cost cutting bring.<sup>59</sup>

#### IV. TECHNOLOGY BASED BANKING

A better bank in the future also means continuing to meet the demands of customers through constant development of new product lines, including mutual funds, capital market instruments, insurance, and others.<sup>60</sup> Banks also face the challenge of creating new and more efficient ways of delivering and servicing these products through innovative measures, such as automated, computer, or electronic banking.<sup>61</sup> This section examines how some of these products are now being offered by North Carolina banks through technological innovations that are likely to revolutionize how all banks deliver and service their products in a changing marketplace.

According to one recent study, "the number of consumers utilizing on-line banking access to their financial institutions could double or triple in the next 12 months."<sup>62</sup> Approximately 2.1 million households use their personal computers (PCs) to perform banking transactions.<sup>63</sup> The number of new home-banking customers may reach 2.5 to 4.7 million households during 1997.<sup>64</sup> In short, "[a]s many as 95% of all homes could be banking in cyberspace within 15 years."<sup>65</sup> This home-banking phenomenon is driven by two factors. The first factor is that banks can earn wide profit margins by cutting expenses through the reduction of their branch infrastructures.<sup>66</sup> Electronic banking is less expensive than traditional branch bank-

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58. *See id.*

59. For further discussion, *see supra* notes 33-58 and accompanying text.

60. *See infra* notes 62-82 and accompanying text.

61. For further discussion, *see infra* notes 62-82 and accompanying text.

62. Community Bankers Ass'n N.C. Bull. (Community Bankers Ass'n of N.C., Raleigh, N.C.), Oct. 31, 1996, at 4.

63. *See id.*

64. *See id.*

65. Hugh L. McColl, Jr., NationsBank Chairman, Remarks to the N.C. Bankers Association Annual Meeting, 6 (May 11, 1996).

66. *See* Edward Martin, *Net Worth: North Carolina Banks Are Rushing Into Electronic Banking*, BUS. N.C., Nov. 1, 1995, at 46.

ing.<sup>67</sup> The second factor is the existence of the new information and computer age generation.<sup>68</sup> To satisfy the demands of this new generation, it seems imperative that banks need to offer their customers electronic banking services.<sup>69</sup> As a result of these two factors, there may be no greater area of change and challenge facing the banking industry today than addressing the role technology will play in the development and delivery of financial products in the future. As Hugh L. McColl, Jr., CEO of NationsBank, stated in July 1996, “[t]he strategy that has taken us this far has been a very good strategy, but it’s not going to take us any further. We need a new strategy and it’s got to be a technology-based strategy.”<sup>70</sup>

NationsBank is committing resources to research, development, and implementation of new technology in order to maintain and further its position in the banking industry.<sup>71</sup> Early in 1996, NationsBank introduced its “NationsBank PC Banking”<sup>72</sup> which has proven very successful thus far. NationsBank has distinguished itself from many of its competitors by acquiring its own software company rather than relying on Intuit, Inc.’s “Quicken” PC banking software.<sup>73</sup> NationsBank, Bank of America, and at least four other major banks have purchased interests in Meca Software LLC, producer of the “Managing Your Money” software that competes with Quicken.<sup>74</sup> NationsBank is betting that its customers who sign on to use the Managing Your Money software will remain loyal to NationsBank rather than shop for other software programs that allow access to PC banking.<sup>75</sup> NationsBank has made this bet under the assumption that on-line banking, by the year 2000, may produce 30% of the banking

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67. See *id.* “Not only that, but with falling interstate banking barriers, ... [banks are] going to have a lot of opportunities in areas in which [they] don’t have a physical presence.” *Id.* In particular, banks will be able to tap into large numbers of customers nationwide via on-line home-banking and the Internet. See *id.*

68. See Obermayer, *supra* note 52, at D1.

69. See *id.*

70. David Mildenberg, *Midwest Could Be Chilly To McColl*, BUS. J. CHARLOTTE, Sept. 9, 1996 (statement of Hugh L. McColl, Jr., CEO of NationsBank) (internal quotation marks omitted).

71. Nikhil Deogun, “I’m Afraid Of Losing Time,” WALL ST. J., July 25, 1996, at A1.

72. David Mildenberg, *PC Banking Adds Up For NationsBank*, BUS. J. CHARLOTTE, Aug. 5, 1996. “PC banking helps computer-savvy customers do a variety of chores from their homes, such as reconciling checkbooks and transferring money between accounts.” *Id.*

73. See *id.*

74. See *id.*

75. See *id.*

industry's retail profits.<sup>76</sup>

Other technological innovations offered in 1996 by North Carolina banks include the announcement by NationsBank that, under a new test program, it will install automated-loan machines (ALMs), from Affinity Technology Group Inc.<sup>77</sup> The ALMs enable people to apply for and receive unsecured personal loans of up to \$10,000 in a matter of minutes.<sup>78</sup> Also in 1996, as part of this trend to offer financial products through alternative channels of distribution, several North Carolina banks announced that they had reached agreements to provide banking centers in grocery stores.<sup>79</sup> Grocery store branches are generally less expensive than traditional bank branches, and they are convenient for consumers.<sup>80</sup>

Other North Carolina banks have also taken a leadership role in accepting and embracing the technological change in the banking industry.<sup>81</sup> In 1995, Centura signed agreements with both Intuit Inc.

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76. *See id.* The purchasers of Meca Software LLC, including NationsBank, have joined other large banks and IBM Corporation (IBM) to form a company called INET, which plans to "offer a complete home-banking service" beginning in 1997. Bart Ziegler, *IBM, 10 Banks Are Setting Up A Concern to Offer Full Home-Banking Service*, WALL ST. J., May 15, 1996, at B6. This cooperative effort between IBM and the banks illustrates the kind of response that may become common and necessary to combat "the threat posed by the banking plans of Microsoft and Intuit Inc.," or other non-banking, computer technology companies that see a new cyberspace playing field on which they may compete for banking market share. *Id.*

77. *See* Zach Coleman, *NationsBank To Test Push-button Loans*, WINSTON-SALEM J., July 3, 1996, at C6.

78. *See id.* Customers access the ALMs by using a touch screen to input the loan request, address, income, Social Security number and other information. The machine verifies the information through electronic credit reports and other databases. It then compares the applicant's profile against the lender's underwriting standards. The ALM takes a digital picture of the applicant, and the applicant signs using an electronic pen and pad. Approved applicants can have the ALM print a check or deposit the money to their bank account. The machine prints out loan documents with the applicant's picture and signature. Some applicants are approved for more or less money than they asked for. Rejected applicants are usually referred to a loan officer.

*Id.*

79. *See id.*

80. *See id.*

81. "Wachovia and BB&T are both preparing on-line banking services scheduled to be available to customers by the first [1997]." Community Bankers Ass'n N.C. Bull. (Community Bankers Ass'n of N.C., Raleigh, N.C.), Sept. 19, 1996, at 3. "In a move showing the growing acceptance of on-line banking, First Citizens Bank announced [in November 1996] that its customers can now access their accounts by computer." Joel B. Obermayer, *First Citizens Adapts, Puts Banking On-line*, NEWS & OBSERVER, Nov. 26, 1996, at D1.

and Microsoft Inc., world leaders in computer home-banking programs, which established the first, most comprehensive computer-banking program in North Carolina.<sup>82</sup>

## V. CONCLUSION

For North Carolina banks and the banking industry in general, 1996 will be remembered for a variety of accomplishments, innovations, and changes that have had a great impact on the industry. The most notable change may be a “major paradigm shift”<sup>83</sup> from rapid and extensive consolidation to “[t]he new paradigm [that] measures how well [banks] understand [their] customers . . . and how effective [banks] are in meeting their [customers’] new definitions of convenience and value.”<sup>84</sup>

For the North Carolina banks that have made or will complete mergers or acquisitions in 1997, this shift will involve effectively consolidating the merged operations in order to realize the greatest cost savings and efficiencies possible. The other important challenge for these banks is to properly assess the role of technology for the banking industry’s future. It may be that “the most successful competitors will be those that marry knowledge of their customers with knowledge of technology to pinpoint customer needs and respond with the right product at the right time through the right channel.”<sup>85</sup>

DAVID P. BROUGHTON<sup>†</sup>

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82. See Martin, *supra* note 66, at 46.

83. Hugh L. McColl, Jr., Bridging Today and Tomorrow, Remarks to the Bank Administration Institute Retail Delivery Conference, 4 (Dec. 4, 1995).

84. *Id.*

85. Ken Lewis, President, NationsBank, Building and Defining a Bank for the Future, 3 (Mar. 4, 1996).

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