BRADLEY NAMED TO ADVISORY POST

Gilbert F. Bradley, recently named Chairman and Chief Executive Officer of Valley National Bank of Arizona, has been appointed to the Federal Advisory Council by the Board of Directors of the Federal Reserve Bank of San Francisco.

As a member of the FAC, Bradley will represent the Twelfth Federal Reserve District on the 12-member council. The FAC, which consists of one representative from each of the Federal Reserve Districts, meets four times a year in Washington, D.C., with the Board of Governors of the Federal Reserve System. The Council confers with the Board on economic and banking matters and makes recommendations regarding System operations and policies.

Valley National Bank is the largest bank in Arizona and one of the largest in the Southwest United States. It is headquartered in Phoenix and serves Arizona through more than 150 offices. Bradley’s predecessor on the Council, James B. Mayer, was also his predecessor as chairman of Valley National.

Active in business, professional and community affairs, Bradley is a past-president of the Arizona Bankers Association and the Tucson Clearing House Association. He has served as a Director of the Tucson Chamber of Commerce and Tucson Better Business Bureau. Bradley is a member of the American Legion, the Navy League, the Air Force Association, the Masons, the Elks and the Rotarians.

BALLES NOTES STRENGTH OF BANKING SYSTEM

A strong vote of confidence in California’s banks and their ability to finance a solid economic recovery was cast by President John J. Balles, of the Federal Reserve Bank of San Francisco, at the annual meeting of the Independent Bankers Association of Northern California.

In what he termed a “health report” on California banking, the Fed president told the bankers that “we have both a strengthening economy and a sound banking system in California. There should be no doubts about these basic facts.” He added that from information he had received from other parts of the nation, banking elsewhere is similarly gaining strength.

“According to the Federal Deposit Insurance Corporation, on January 1, 1976, only 121 banks out of 15,000 banks in this country were regarded as having serious problems,” he said.

“The FDIC emphasized that no bank with $1 billion or more in deposits was in their ‘serious problem’ category.”

Balles said that recently published reports created an erroneous impression of serious weakness in the nation’s banking system. The banks and bank holding companies named in recent press leaks involved examination data from 1974 and were at least a year out of date.

In retracing the events of the last few years, Balles emphasized that the economy had passed through a period of extreme inflation followed by the most serious recession since the World War II period. He said banks—like everyone else—were adversely affected by these general economic conditions.

“By mid-1974, funds for the expansion of bank credit were available only at record interest rates, as money and capital markets tightened drastically in the face of double-digit inflation,” Balles noted. “Commercial banks became virtually the only source of credit for many borrowers. The resultant heavy loan demand in this period strained the liquidity of many banks.”

Although the managements of some banks may have been overly aggressive in extending credit, Balles said, the banking system as a whole performed remarkably well in difficult circumstances. These conditions merited close attention, of course, but they never were a serious threat to the solvency of the banking system.

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NEW MEMBER BANKS WELcomed to DISTRICT

Nothing better illustrates the diversity of Western banking than new member banks like Ben Franklin National Bank in Washington and Capistrano National Bank in southern California. Both of them also exhibit one other characteristic Western trait — imagination.

Ben Franklin National Bank is housed in a remodeled Safeway Store in downtown Pasco, Washington. Two years ago, President Tom Sellsted led the drive to organize a locally owned community bank. Support soon came from local citizens who became board members: Chairman Robert W. Pis chel, a yearbook publisher; Otto Geisert, manager of an agricultural shipping business; Spense Jilek, proprietor of drug stores and gift shops; J.C. Peters, a highway contractor; E.L. Ray, an insurance broker, and Howard Young, owner of a women's apparel store. The original offering for the sale of 25,000 shares of stock and a total capitalization of $1 million was over-subscribed in short order.

Pasco is one of the Tri-Cities along with Kennewick and Richland, and is located not far from the Oregon border about midway between Seattle and Spokane. Over 100,000 persons live in this area, which thrives on a healthy mix of nuclear-energy development, transportation and agriculture. Reclamation of hundreds of thousands of acres is underway as farmers turn the vast arid area into land blooming with high crop yields. Growth seems to be what this area is all about. In just its first five months, deposits at Ben Franklin National Bank reached $3 million.

President Tom Sellsted sums it up: "It is appropriate that our banking facility is housed in a former Safeway site. After all, our motto could well be 'Since we're neighbors, let's be friends.'"

Almost 1,000 miles away in sunny San Juan Capistrano, another imaginative banking operation is in full swing. As President Joe Munger puts it: "Our bank hopes to attract as many customers as the famed attraction that draws thousands of visitors to our city." Only a few blocks away from Capistrano National Bank is the Mission San Juan Capistrano, where visitors each year flock to see the famed swallows return on March 19.

The idea for the new locally-owned independent bank was conceived in 1973 by a small group of citizens active in community affairs. Two years later, with capitalization of $1 1/2 million and Chairman of the Board Donald W. Douglas, Jr., at the helm, Capistrano National Bank was ready to engage in business.

Backing up President Munger are Arthur W. Tate, Vice President and Loan Administrator, Richard Ward, Vice President and Cashier, and a staff of nine. The facility boasts such features as sit-down teller stations that provide individualized customer service and a private Merchants Room where local businessmen benefit from express service in complete privacy.

"San Juan Capistrano is a growing community," says President Munger. "We are near the attractions of Los Angeles 60 miles to the north, but still far enough away to enjoy our small-town style of living. By 1980 we expect close to 20,000 people will be living in this area."

FED BOARD CLARIFIES FOREIGN BOYCOTT RULES

In a clarification to an earlier statement concerning foreign boycott practices, the Federal Reserve Board of Governors said it did not intend to impose legal obligations upon member banks beyond those which already exist under the Export Administration Act. The Board said that primary responsibility for implementing this act rests with the Commerce Department.

The act prohibits exporters and related service organizations from directly or indirectly taking any action that has the effect of furthering restrictive trade practices that may discriminate against U.S. citizens or firms, or firms on the basis of race, color, religion, sex or national origin. Banks are considered "related service organizations" under the law. Firms that are requested to participate in discriminatory practices are required to report such requests to the Commerce Department's Office of Export Administration.

The Board said its intention was not to create new legal obligations for banks, but rather to ensure that they are familiar with their existing obligations. The Board added that it "expects member banks will give serious and good faith consideration to U.S. policy...and fully comply with those portions of the Commerce Department regulations that are mandatory."

SAVINGS BOND STOCK RECALL

All Series E Bonds of pre-bicentennial design have been recalled by the Treasury Department, and thus should be treated as spoils and returned for credit.

The stock to be returned can be identified by its green color and the presidential portraits that appear on the face of the bonds. The new bicentennial bonds, which were introduced nationwide last summer as a replacement to mark the nation's 200th birthday, are blue and feature commemorative vignettes.

Spoiled bonds that are returned should be separated. Each bond and original stub should be stamped with the issuing-agent stamp and marked "void" or "cancelled." The bonds should not be cancelled by perforation.

Both spoiled bonds and stubs can be shipped by first-class mail to this bank with Form PD 3252 in lots of 200 pieces or less. The stubs should be assembled separated in the same order as the bonds.
AMERICAN INDIAN NAMED TO PORTLAND BOARD

On any given day Ken Smith might be huddled in a tribal council—or locked in a vastly different kind of powwow at the Portland Branch of the Federal Reserve Bank of San Francisco. “Conferring with chiefs of one sort or another seems to be my bag nowadays,” says Smith in his typical low-key manner. “I spend my time galloping between tepees and corporate boardrooms.”

Ken Smith moves with equal ease in several worlds separated by cultural and economic gulfs that could easily give a lesser individual a terminal case of “Future Shock.” But for Smith it’s just another day on the job. He is like any other energetic young executive; the only difference is that he is an executive of a slightly different stripe. Ken Smith is a Wasco Indian, and the first westerner of American Indian ancestry to serve as a director with the nation’s central bank.

A graduate of the University of Oregon, Smith majored in finance and accounting. Starting from the bottom 16 years ago, he worked his way up the federally chartered corporation that manages the business enterprises of the Confederated Tribes of Warm Springs Reservation, and eventually became General Manager of the multi-million-dollar tribal enterprise. He reports directly to a Tribal Council consisting of three chiefs and eight elected officials. At one point he served a term on the Tribal Council himself, and he has also served on the governing boards of a host of Indian and non-Indian charitable and community groups. In 1970 he was named as one of Oregon’s five outstanding young men by the Jaycees.

Home base for Smith is the Warm Springs Reservation—over 600,000 acres of timber, mountains and streams covering five Oregon counties. Some 1,600 Indians from the Warm Springs, Paiute and Wasco Tribes own the reservation, and about 500 or so live off the reservation in neighboring towns. They have banded together under the name of the Confederated Tribes.

Smith has been instrumental in turning a modest Indian enterprise into a corporation with revenues approaching $25 million and net annual income averaging around $5 million. As many as 1,000 Indians and non-Indians are employed on the reservation, drawing a payroll of over $6 million.

Smith is chief executive, mayor and banker all rolled into one. As General Manager, he runs a diversified range of ventures—a sawmill complex, an assembly plant for electronic testing equipment, and a year-round luxury resort, among other activities.

Nowhere is the diverse but profitable mix better illustrated than at Warm Springs’ oscilloscope assembly plant. Here in the shadow of tepees and virgin timber, as many as 25 jet-age Indians turn out these highly sophisticated graph-charting instruments. Not far away from this operation, tourists can bed down in their choice of 24 tepees, a 144-room luxury lodge, or a village with 24 modern units. Facilities at this $8-million resort include mineral hot springs, two pools, restaurants, camping areas with trailer hook-ups, horseback riding, and trout fishing. The lodge caters to conventions and association meetings, and draws organizations from as far away as Canada.

To assist its members, the Confederated Tribes have organized a $6½-million credit service to make real estate, home improvement, automobile, personal, and business loans. In 1975 the credit service made nearly $2 million in loans to Indians on the reservation.

“We are into everything here for the social betterment of the tribes,” he said. “Our goal is to provide quality education, training and care for all 2,200 of our members, from newborns to senior citizens.”

Smith is now conducting a marketing study to determine the feasibility of building a shopping center on the reservation. Already under construction is a new administrative center to provide office space for the growing Warm Springs operations. The Indian corporation has simply outgrown its old offices.

Smith is on the Board of Directors of the American Indian Lawyer Training Program, the Oregon Heart Association, the Oregon Historical Society, and Prometheus College in Tacoma, Washington. He is also a member of the Oregon State Board of Education. One of his “side ventures”—as he calls it—is participation in a year-long study by the American Indian Policy Review Commission.

“We’re analyzing the economic problems of Indians on the reservation. First we will attempt to get a precise picture of the adversities Indians are facing. Then we will analyze them and, hopefully, recommend some solutions. We realize that to live in a modern society, Indians must change their ways to some extent. But we also intend to nurture and cherish the rich tradition of our cultural heritage and values. I think you can do both in America today.”

Angelo Carella, Vice President and Officer in Charge of the Portland Branch, sums up Smith’s accomplishments this way. “Ken Smith would be an extraordinary individual in any context. In the short period that he has been on our board, he has contributed significantly to our deliberations with his insight and hard business sense. His heritage only makes him a more interesting person. He happens to be a director, who is also an Indian.”
(continued from page 1)

Balles also clarified the role of examination reports. "The term 'problem bank' is imprecise," he said. "In most cases, it means that a problem exists for bank's management, not that there is an immediate threat to the solvency of the bank... In virtually every case, criticism of assets and suggested corrective action do not mean that a bank is in any immediate danger of failure."

The Fed president said that on the basis of information available to him, California banks have acted to correct most of the weakness that surfaced in 1974 and early 1975. Banks in California have rebuilt their liquidity, have instituted more cautious credit policies, and are gradually working their way out of problem loan situations, he added.

"The ability of banks to make needed adjustments indicates strength, not weakness, and the fact of these adjustments shows that examination procedures of various regulatory agencies are having their desired effect," Balles concluded. "I believe that the process has been accomplished in an orderly manner that will make tomorrow's banking system even stronger and more responsive to the nation's financial needs."

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**FTC PROPOSES CURB ON DUE-COURSE DOCTRINE**

The Federal Reserve Board of Governors has requested comment by March 31 on a proposed regulation issued by the Federal Trade Commission which would limit the holder-in-due-course doctrine—the doctrine that a consumer must honor his obligation to a creditor regardless of any dispute with a merchant. The Fed would apply to banks the same type of regulation issued by the FTC for nonbank institutions.

Under the proposed regulation, it would be unlawful for a bank to take or receive a consumer-credit contract which fails to contain the following provision in at least 10-point, boldface type: "Any holder of this consumer credit is subject to all claims and defenses which the debtor could assert against the seller of goods and services obtained pursuant hereto or with the proceeds hereof. Recovery hereunder by the debtor shall not exceed amounts paid by the debtor hereunder."

The Fed proposal applies only to loans in which a seller refers customers to the bank, the seller is affiliated with the creditor by common control, contract or business arrangement, or the bank extends credit in connection with a sale.

The Board noted that it was interested in receiving comments concerning the following points: what consumer benefits would arise from the proposal; whether the practices are deceptive or unfair when engaged in by banks; whether the proposal would interfere with the Federal Reserve's role as monetary policymaker; what specific operational problems could arise from the proposal; and what alternative methods are available for dealing with the preservation of consumers' claims and defenses. Copies of all comment should also be sent to the FTC.

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**NOW YOU CAN DIAL DIRECT**

The San Francisco office this month converted to a Centrex telephone system that features direct dialing. Centrex facilitates communications by automatically switching calls directly to the individual or department you wish to reach.

A new Centrex brochure has been mailed to all banking institutions and business contacts, listing the Centrex numbers callers need to reach San Francisco bank personnel quickly.

For further information on all our Centrex numbers, dial the main number for the San Francisco office: (415) 544-2000.