MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

JANUARY, 1970

ANNUAL
OUTLOOK
ISSUE

Bank of America's Clausen, Peterson—page 62

You ask about . . . motor clubs

Q How may I offer my customer a motor club membership with the most complete coverage of benefits now available in the State of Oklahoma?

A Thirty-seven of our correspondent banks are now offering or preparing to offer motor club memberships to their customers. If you, too, would like to know more about how a motor club service may increase your earnings with very little additional expense, just ask your Southwestern Division officer at your Liberty. He will make arrangements for a special presentation on motor clubs for you and your officers.

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NATIONAL BANK & TRUST COMPANY
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OKLAHOMA CITY, OKLAHOMA 73125
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

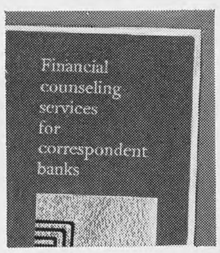
Have a question? Get the answer in the Southwestern Division . . . at your Liberty.

Pete Dowling | Gordon Greer | Ron Leavell | Dale Schroeder | Olen Treadway | Gene Wheeler

New business.

Who can help you break the ice?

Ask the men who wrote the book.



When a new plant or office moves into your area, it can be very helpful to have someone assist you in breaking the ice. The right introductions often can put you in position to provide the banking services the new company will need.

That's one reason to Trust Northern. When you are a correspondent of The Northern Trust, our extensive contacts are on your side.

The Northern Trust can help you obtain new business in many other ways, too. You can draw upon the Bank to assist with your marketing, sales, and promotional planning...to help develop officer calling programs, or employee training in customer relations.

To learn more about these services, write for our booklet on Northern Trust counseling services for correspondent banks. Or call N. Hall Layman, Vice President.

Trust Northern... All your money matters matter to us!

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MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 66, No. 1 January, 1970

Franklin National to Move Headquarters to Park Ave. Upon Completion of Bldg.

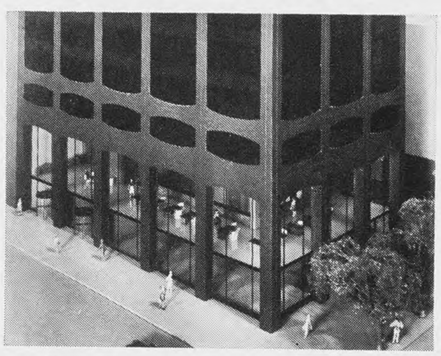
NEW YORK—Franklin National has announced plans to relocate its executive headquarters to a 32-story building now under construction on Park Avenue at 57th Street in Manhattan.

The move, scheduled for 1971, is being made to "give greater definition to the national and international scope of Franklin's present banking relationships," according to Harold V. Gleason, bank president. Franklin National will be the fifth major bank to establish headquarters on Park Avenue.

The bank has occupied executive offices at 410 Madison Avenue since it entered New York City in 1964. The metropolitan division and New York City branch division will remain at 410 Madison Avenue.

The bank's four top management executives will relocate to the new building, along with the national division and the offices of Franklin New York Corp., the one-bank holding company whose major subsidiary is the bank. A banking office will be located on the second floor level of the new building, with other bank offices located on the six floors immediately above the banking level.

Also scheduled for 1971 is the establishment of the international division and a major branch office of the bank in the new Manhattan World Trade Center. The bank's legal head office will continue to be located in Mineola on Long Island, along with the real estate division, central development, operations and finance division and personal lending services.



Franklin Nat'l will occupy second through seventh floors of new 450 Park Avenue building. Shops will occupy first floor level.

■ CINCINNATI—Fifth Third Bank has appointed Julius W. Reif head of the trust department. He will succeed Milton M. Gatch, who plans to retire this spring but will serve as an adviser and handle special projects. Mr. Reif joined the bank in 1967.

FEATURES

DEPARTMENTS

STATE NEWS

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THE BANKING SCENE

By Dr. Lewis E. Davids
Hill Professor of Bank Management
University of Missouri

MAPS—Reversing the Growth of Float

THERE is an old cliche about two people viewing a glass with liquid at the midpoint. One, an optimist, describes the glass as half *full*. The other, a pessimist, says it is half *empty*.

"Float" in some respects may be viewed optimistically or pessimistically, depending upon whether one is benefiting from it or being financially hurt by it. Actually float is much more complicated in its implications than the mere level of liquid in a glass.

The rapid changes that have occurred in this area are only a vestige of the change we likely will experience in a relatively short period of time.

For clarification, perhaps it would be helpful to spell out *one* definition of float: *A term used to describe the amount of funds in the process of collection represented by checks in the possession of one bank but drawn on other banks, either local or out-of-town. The "true available balance" of a depositor's account is generally computed by deducting the float from the "ledger balance" as shown on the bank's books. High-speed transportation facilities have measurably reduced the number of days' float, for today the common expression in banks is "one-day, two-day or three-day float." Banks maintain separate accounts in the general ledger for "items in transit and in process of collection" (which is a contingent asset account) and "due from banks" (which is a real available asset account). When the totals of transit letters are adjusted daily on the basis of one-day, two-day, or three-day float by being charged into the "due from banks" account and out of the "items in transit and in process of collection" account, the funds are available as collected items in the bank's reserve account.*

Float is an important factor in computing service charges under the "measured activity analysis method." Let us assume that a depositor has made several deposits during the month, which have included cash, local bank items, out-of-town transit items, and items drawn upon his depository bank, called "on us" checks. The cash and "on us" checks are available for immediate credit and so are not considered in the float. The local items are generally one-day float items, but the transit items may be one-day, two-day, or three-day float items.

Bankers can determine the number of days float on any item by knowing the geographical location of the drawee bank (as indicated by the ABA routing symbol) and the transportation time to that location. The amount of each transit item is multiplied by the number of days float to reduce it to a *one-day float figure*. (A three-day transit item for $100 is computed as $300 *float for one-day.*) Assume that the depositor's *average daily balance* is $500. (Average daily balance is computed by adding all daily balances for 30 days and dividing by 30; in this case the total of all daily balances in this depositor's account was $15,000 which when divided by 30 days, results in an average daily balance of $500.) Suppose that the total float on a *one-day basis* for this depositor's account amounts to $7,908 for the month. The *average daily float* is $7,908 divided by 30 days, which equals $263. Assume that the bank must maintain a legal reserve on the depositor's account of 25%. On a $500 daily average balance, the reserve would then be 25% of $500 which equals $125.

The bank then makes the following computation:

Average daily balance	$500.00
Average daily float	263.00
	$237.00
Less: Legal Reserve (25%)	$ 59.25
Net earning balance to bank	177.75

If this $177.75 were loaned at 10%, the bank's interest earnings would be $17.78 per year, or $1.48 per month. This $1.48 becomes a "service credit" to the depositor. The bank computes the monthly service charge on the depositor's account based on the activity of that account. It then deducts the $1.48 "service credit" from the gross service charge to arrive at the NET service charge, which is charged to the depositor for the maintenance of his account. The above is just one example of many ways that float is used in banks.

We should recognize, however, that under the present Federal Reserve deferred-availability schedule, member banks are given credit of clearing checks no later than two days even though the actual period on clearing many *transit* items will range from four to nine days.

With high interest rates (such as prevail today) there is great motivation on the part of all who would benefit from float to increase it.

That float has increased substantially can be shown in a few figures from a current Federal Reserve Bulletin. Float for member banks has gone from a low of $12 million in June, 1933, to $83 million in December, 1939, to $170 million in December, 1941, to $652 million in 1945, to $1,117 million in 1950, $1,665 million in 1960. Today it fluctuates at around $2.5 billion.

Just how much is the $2.5 billion of float worth to the banking structure? If you are conservative and use a 5% rate you get $125 million. If viewed incrementally at the federal funds market or Eurodollar market rate, one gets a figure of better than $200 million. From another aspect, for the average bank (among the slightly less than 6,000 Fed members) the float is worth from $20,000 to $50,000 per year.

While it is recognized that this should be evaluated in light of the non-earning reserve requirements of the Fed member banks, it does represent a significant item which if removed (or more likely, reduced) would have an adverse effect on all member banks—and in a more circuitous way on all banks.

While a crude trend analysis of the 35-year growth in float would infer that float might tend to increase (especially in light of larger GNP and continuing inflation), a series of technological developments seems likely to *reverse* the trend.

To appreciate the potential it is appropriate to turn back the banking clock a century to the establishment of the national banking system—and the attendant federal tax on notes issued by state-chartered banks. The tax, it was thought, would force conversion of all state banks to national charters.

The theory was good, but many state-chartered note-issuing banks did not convert their charters. They did stop issuing bank notes, but they stayed in business. The reason? A major modification of the payment mechanism then came into widespread use—checks.

More Checks

The use of checks has jumped fantastically. In the last decade the growth of check-use has been possible only because the adoption of MICR and computers has prevented paper-check tidal waves from engulfing banks. Yet paradoxically, the evolution of the computer and electronics has set in motion a technology which may make our techniques of payments and fund remission in the years ahead as different as the change from use of bank notes to checks. One fascinating development is called MAPS.

The MAPS (monetary and payment system) is evolving today at Culpeper, Va., where the heart of an electronic fund-switching and communication center is projected. Thus payments will *move* between individual Federal Reserve banks and directly between member banks, according to Fed Governor George W. Mitchell, "in completely automated fashions and in a matter of seconds. MAPS installation targets for two of the Reserve banks, New York and Chicago, are in 1970."

The payment system which has elements of a giro system is being coordinated with other more widely known systems such as California's SCOPE (special committee on paperless entries) and with the appropriate ABA committee. As the MAPS system grows and evolves it is axiomatic that float will decline.

Conclusion: The side reactions of MAPS are likely to mean severe reverberations for banks. Probably the ones most likely to be hurt are the sophisticated pencil-pushing corporate treasurers who have been in the forefront of playing the float.

When MAPS reduces float, these corporate treasurers will find that their ratio of cash in banks to other items on their balance sheet will have to be increased. How much? A major portion of the $2.5 billion. • •

Installment Lending

Discussion Centers on Regulation Z at Missouri Consumer Finance Meet

DISCUSSION was lively and interest ran high at the Missouri Bankers Association's 14th annual consumer finance conference, held recently in Jefferson City. Good crowds were present for all general sessions and participation was animated during size-group meetings and special interest sessions. The single most recurring topic of the conference was Regulation Z.

DORHAUER

Conferees were welcomed to the opening session on November 19 by Jack W. Dorhauer, chairman of the MBA committee on consumer finance. Mr. Dorhauer is vice president of Bank of St. Louis. Following his call to order, preliminary remarks were made by C. W. Culley, Missouri commissioner of finance, and Robert J. Gaddy, MBA president and president, Tower Grove Bank, St. Louis.

First guest speaker of the morning session was Robert N. Hughes, senior vice president of First Union National, Charlotte, N. C. His topic was "Parking on the Other Fellow's Nickel," and his approach was light but pointed. He said that the 1½% per month service charge on credit sales is justifiable and necessary and there is no legal precedent for recent legislation in some states restricting it.

Mr. Hughes challenged all bankers to be innovators. "It is our responsibility, our duty, our very existence to do 'something new'—to innovate," he said. "As long as man parks on the other fellow's nickel and in turn leaves one behind, he can perpetuate his destiny."

Following Mr. Hughes was William W. Quigg, vice president and assistant trust officer, Central Trust Bank, Jefferson City, whose topic was "Z Day Plus Four." Mr. Quigg opened with an explanation of the latest rulings by the Fed regarding Regulation Z. The floor was then opened to discussion, aimed at an exchange of experiences after operating four months under the Truth-in-Lending regulation.

Mr. Quigg fielded questions about the legal and technical aspects of complying with Regulation Z. Among the questions which arose were those concerning the correct forms to be used and the correct way to use them, and the best way to approach customers within the context of Z.

In the afternoon, special interest sessions were held on advertising and credit cards. In the "Profits and Advertising" session, speakers were Robert F. Haake Jr., vice president, Southwest Bank of St. Louis, and R. W. Partney, assistant vice president, Bank of St. Ann. Mr. Haake suggested that bankers "dare to be different" in their advertising. He described his own bank's experience in analyzing its consumer credit business, wherein it found that 78.5% of its installment loans were made to people who lived outside the bank's primary market area.

"With the results of this survey, our advertising budget and program were overhauled to some extent by our agency," he said. The cost of direct mail advertising for new loan customers is prohibitive, according to Mr. Haake. "Future advertising must be directed at a specific market . . . your present installment loan customers, checking accounts, savings accounts, CD and real estate customers and former borrowers," he said.

Mr. Haake urged the bankers to survey their installment loan accounts, just to determine the location of each. He also suggested daily analyzing of the advertising sources which produce each account. "Go to work on your personal solicitation," he said. "Thank the customer for being your customer and invite him to remain your customer. Retain your agency, because it is likely that your advertising budget for consumer credit will be cut substantially for 1970 and you will need all the help you can get from them."

Emil Schuster, vice president of First National in St. Louis, and John R. McKinney, vice president and center manager for BankAmericard in Kansas City, discussed their respective card systems. Mr. Schuster reported on the progress of Bankmark and Mr. McKinney spoke on BankAmericard. Following their remarks, discussion centered on the developments in Washington concerning credit cards and installment credit.

The point was made that banking is coming under some criticism for being slow to grant credit to lower-income groups. A better job of public relations was said to be needed in order that banking's positions on consumer credit matters be clarified to the public and to the legislators. Several items of proposed federal legislation were discussed, including the bill which would restrict the liability of a cardholder for fraudulent use of a card. The matter of banning unsolicited mailing of credit cards was seen as a threat to those banks who had not yet entered the field. A bank would find it difficult, if not impossible, to effectively enter the credit card field if it had to secure an application for each card. This would create, in effect, a monopoly for those banks already in the field, it was observed.

Size-group meetings took up the balance of the afternoon of the conference's first day. Three groups conducted discussions for bankers in categories determined by the size of their installment loan outstandings. In the "under $1 million" group, William L. Winkler acted as moderator. He is vice president of First National, Cape Girardeau. He was assisted by co-moderators Richard G. Davis, vice president, Jackson Exchange Bank, and Thomas H. Kinsey, vice president and cashier, Bank of Kennett.

Moderators of all groups began the discussions with prepared questions on topics in the consumer lending area. Discussion was not limited to the prepared list. In the "under $1 million" group, much time was spent on Regulation Z and mobile-home financing. Other matters which received a lot of attention from participants were interest rates on consumer loans and real estate loans, and floor-planning of automobiles. Said Mr. Davis, "Much confusion still exists about Regulation Z and many expressions were made about the need for more interpretation of the various requirements."

Bankers in the $1 million-$5 million installment loan category were led by Hartley G. Banks Jr. as moderator. He is executive vice president of First Bank of Commerce, Columbia. Co-moderator was Paul E. Warren, vice president, First National of Liberty.

(Continued on page 41)

Correspond with the bank that initiated the concept of correspondent banking. And still maintains its first correspondent relationship.

Correspond with the bank that today spends more of its talents and revenues on investment skills than any other major commercial New York bank. Provides every usual correspondent service (including EDP accounting, cash letters, demand deposits) with unusual care, thoroughness and personal attention. And helps you approach your corporate and trust customers' financial problems on the basis of complete and in-depth analysis —evaluation of the total investment picture.

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New Services

Personalized Income Tax Return Service Offered by Citizens & Southern National

ATLANTA—Citizens & Southern National will begin offering a personal income tax return service on January 15, according to an announcement by C&S Executive Vice President Howard S. Starks.

The tax return service, designed to assist with both federal and state returns, will apply to the individual taxpayer, not corporate businesses or partnerships.

"We've designed our tax program to be accurate, personalized to each customer's needs and economical. We think it will save our customers money because it automatically selects on an individual basis, the most economical way for the customer to file his return. It's a natural extension of our total program of full service banking," Mr. Starks said.

The service is computerized and was developed by Autotax, Inc., Washington, D. C., in 1966, the year the Internal Revenue Service began automating its tax operation. C&S, using the Autotax tax return service system, will assist customers in properly filling out tax forms, work up the mathematical data from the information provided by the customer and return the tax forms with all necessary forms and schedules attached. C&S guarantees the mathematical accuracy of the system, based on the information provided by the customer, the bank said.

The program begins in mid-January and continues through the first week in April. The service will be available at C&S offices in Atlanta, including the C&S banks in Clayton, Cobb, DeKalb and Fulton counties.

To take advantage of the service the customer simply calls or goes to the nearest C&S office or bank. C&S at that time provides a tax preparation checklist to the customer and sets up an appointment.

The checklist details the information the customer needs to furnish for his tax return. The customer and C&S return personnel work up the tax forms during the interview. Depending on the complication of the return, the interview will take from 30 minutes to an hour. Seven to 10 days later the completed tax forms are returned to the customer for filing.

To meet the needs of the customer, the bank said, Saturday and evening appointments may be made. This eliminates "waiting line" time and insures that each person receives individual attention.

The customer pays for the service when he receives his completed tax return. Basic charges for the service begin at $15 for non-itemized returns and graduate upward to $30, depending on the complexity of the return.

The bank said the customer may pay for the service in cash or apply the charge to his C&S Charge Card account. If the customer does not have a C&S Card and is qualified, the bank will make arrangements to issue one and put the tax return service charge on his account.

In addition, C&S Instant Money and loan facilities will be available to customers who have C&S Cards or who qualify for a loan and wish to pay for any additional taxes due in one of these ways, according to the bank's announcement. • •

Chase Becomes Dealer in Government Bonds

NEW YORK—Chase Manhattan Bank has become a dealer in U. S. Government securities. The portfolio and investment banking department will oversee this new responsibility, under the direction of John L. Knight, vice president.

The new government bond department, with the municipal bond and tax-exempt note departments, will report to Hilliard Farber, vice president, who will be responsible for all security dealer activities within the portfolio and investment department.

Data System for Small Firms Developed by Phoenix Bank

PHOENIX—Valley National Bank has developed a "retail information system" that supplies total information for retailers with small-to-medium size firms. Valley National President Earl L. Bimson calls the system "a major break-through" in tapping computer potential.

The system, which 12 firms are now using, provides point-of-sale input and detailed reports on such topics as sales, merchandise investments, personnel performance, tax reports, accounts receivable and management of margin.

World-Wide Fund Co-Sponsored by Subsidiary of Northern Trust

CHICAGO—The Northern Trust International Banking Corp., the wholly owned subsidiary of Northern Trust, has become a sponsor of a new international mutual fund available to non-U. S. citizens and non-residents.

Called the Security & Prosperity Fund, S. A. (SEPRO) it is a capital fund which will invest in equity shares on worldwide principal stock markets.

The Parthenon on the Acropolis.

Bank of America has a man-on-the-spot® in Athens.

Just recently his location was the location for a U.S. movie crew. As they moved from one Greek Island to another, he arranged for the film company's checks to be honored—guaranteed by Bank of America, Athens. When a U.S. company made a bid on a large construction project in Greece, our man helped with detailed reports on economic conditions and available manpower data. The bid was successful. He also introduced them to local sub-contractors and helped in their negotiations. Unusual services for a banker to provide? Perhaps. But it's just what you can expect from this or any other Man-on-the-Spot. Next time you travel for business, don't leave your banker behind. Talk to Bank of America—first in banking.

BANK OF AMERICA–SAN FRANCISCO, LOS ANGELES, NEW YORK: Over 1000 full-service branches and subsidiaries in California and around the world: Argentina • Austria Barbados • Belgium • Bolivia • Chile • Colombia • Costa Rica • Dominican Republic • Ecuador • England • France • Germany • Greece • Guam • Guatemala • Honduras • Hong Kong • India • Indonesia • Ireland • Italy (Banca d'America e d'Italia: over 85 offices) • Japan • Korea • Lebanon • Luxembourg • Malaysia • Morocco • The Netherlands Netherlands Antilles • Nicaragua • Nigeria • Okinawa • Pakistan • Panama • Paraguay • Peru • Philippines • Singapore • Switzerland • Taiwan • Thailand • Uruguay • Vietnam U.S. Virgin Islands • West Indies • Affiliates and Correspondents Worldwide • • Member F. D. I. C.

CORPORATE NEWS ROUNDUP

News of Firms Serving Banks

• **Anthony Kane, Inc.** The New York-based financial executive placement service of Anthony Kane, Inc., which specializes in the banking and investment fields, is planning to acquire Fergason Personnel, Inc., a Chicago insurance executive placement service.

Fergason Personnel would become a wholly-owned subsidiary of Anthony Kane. Guy Fergason, former owner, would continue as chairman of the personnel firm and also would become a director of Anthony Kane. Anthony Kane, president and chairman of the company bearing his name, would become president and chief executive officer of Fergason Personnel.

• **Bank Building Corp.** Dennis E. Chandler has joined the central division of Bank Building Corp. as a consultant with responsibility for Arkansas and parts of Kentucky and Tennessee. Bank Building Corp. is located in St. Louis.

CHANDLER

Mr. Chandler formerly was sales promotion manager for Atrium, Inc., Jacksonville, Fla. He also was a manager for the St. Louis District of Yawman-Erbe Manufacturing Co., Inc., of Rochester, N. Y., with responsibility for sales in five midwestern states.

• **Mosler Safe Co.** The ability of the Mosler Multiplex TellerVue to improve customer service and teller efficiency is described in a new six-page color brochure available from Mosler Safe Co., Hamilton, O. The brochure is titled "What can your teller do while Mrs. Potts fumbles?"

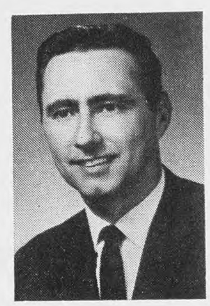
Detailed illustrations show how Teller-Vue can permit one teller to service more than one drive-up or walk-up station at a time even though one customer may be creating a bottleneck. The device accomplishes this by connecting the teller with customer stations by closed-circuit television and a pneumatic transferral system and permits placement of walk-up or drive-up stations at varying distances from the teller location.

• **McCourtney-Breckenridge & Co.** Haworth F. Hoch, president and director, McCourtney-Breckenridge & Co., St. Louis, has been elected a governor of the Midwest Stock Exchange. He has been associated with the investment firm since 1934 and has been president since December, 1967. Active in the district committee of the National Association of Securities Dealers, Mr. Hoch is a charter member of the St. Louis Society of Financial Analysts. He is also active in the Investment Bankers Association and is a director of Harrisonville Telephone Co.

HOCH

• **Kennedy Sinclaire, Inc.** Seven promotions have been announced by Kennedy Sinclaire, Inc., Wayne, N. J., bank advertising agency, marketing, fund raising and sales training firm. Assistant vice presidents Robert H. Franke, Winton M. Huthwaite and Ralph Miele Jr. and Secretary and Assistant Vice President Miss Dorothy M. Reid have been promoted to vice presidents. Martin J. Boccuto, James B. Fahey and William J. Sweeting were appointed assistant vice presidents. Mr. Franke joined the firm in 1966, Mr. Huthwaite in 1963, Mr. Miele in 1962 and Miss Reid in 1956. Mr. Sweeting serves accounts in Alabama, Kentucky, Mississippi, Tennessee, Louisiana and Oklahoma.

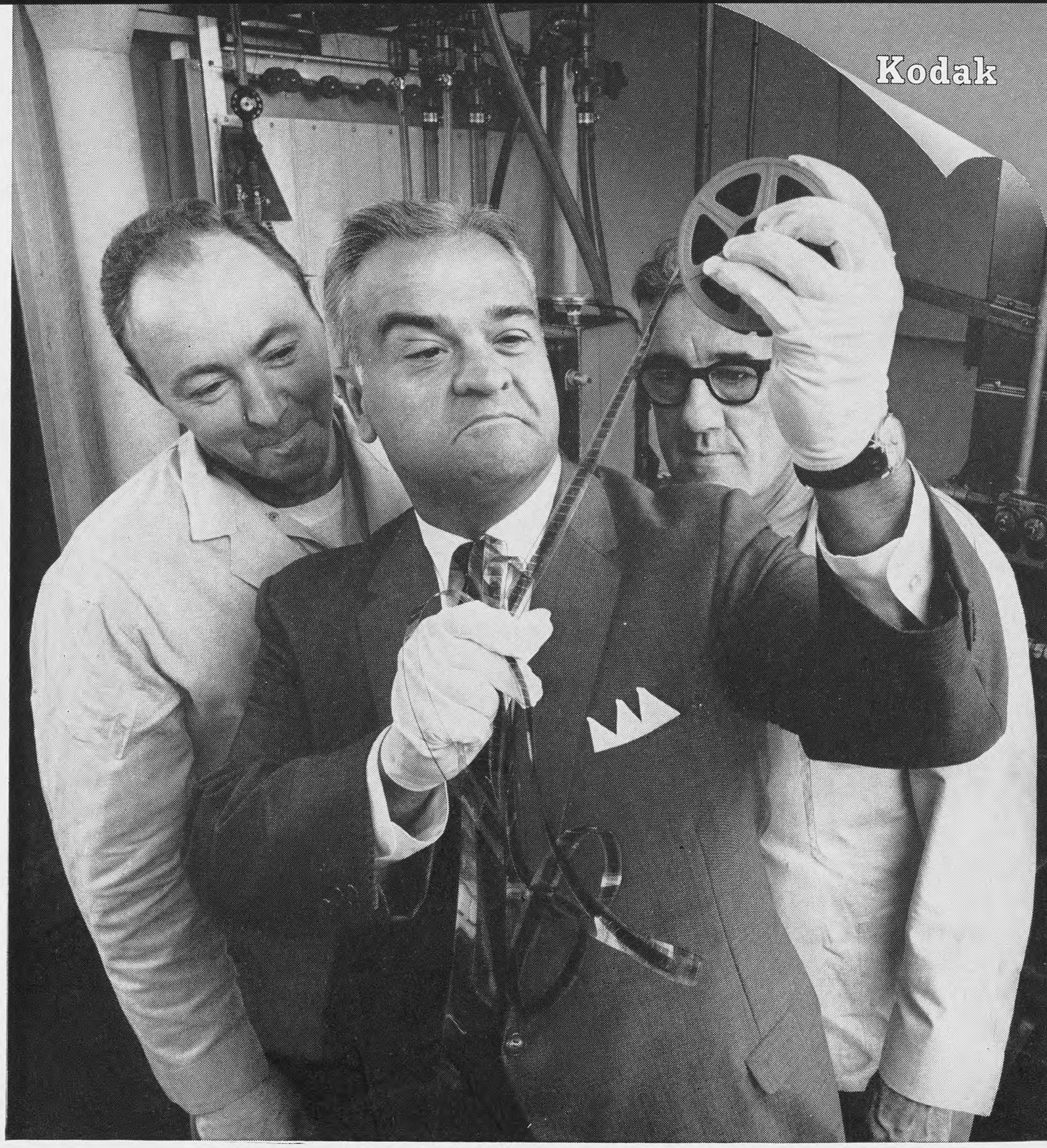
• **Diebold, Inc.** William H. Miner has been appointed manager of Diebold's North Central Division. Part of the territory involved in this division is Kentucky and Indiana.



MINER

Mr. Miner has been with Diebold since 1957. Since 1967 he has been located in Canton, O., headquarters of Diebold, as product manager of the firm's line of remote banking systems. He will continue to work out of Canton.

■ PARK RIDGE, ILL.—The Bank Administration Institute has promoted Dr. Richard Seaman to deputy director. He will continue as director of the institute's education division.


Kodak

We've packaged the ingredients of our investment performance.

Your bank's trust officers know that Chemical's investment performance is outstanding. Now your bank can get the inside story behind that performance.

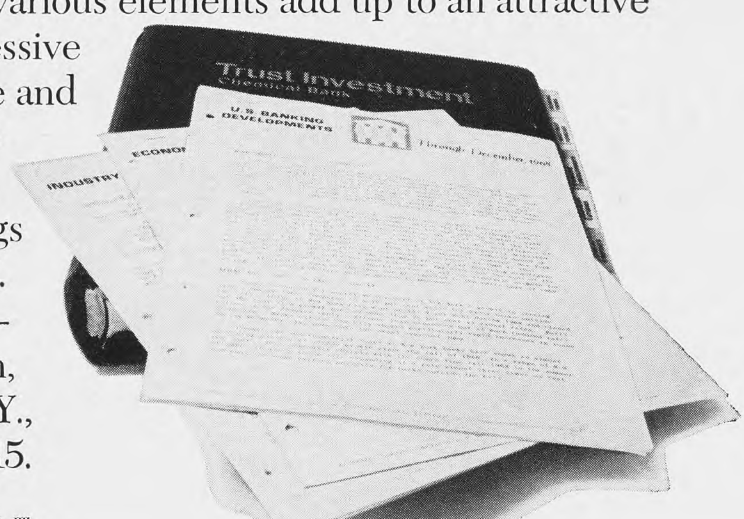
We'll share our investing knowledge, research, and experience with you. Through Chemical Bank's Trust Investment Advisory Service.

If your bank subscribes to this service, you'll receive regularly — in a clear and attractive format — the information that assists Chemical's investment officers in making their decisions. The facts, the figures, the forecasts, the market ratings and analyses. To help in making investment decisions for your bank.

You'll also get economic and banking studies which provide valuable overall direction to your bank in these rapidly changing times.

And, most important, one of our senior investment officers will be available at all times for personal consultation. For information on specific situations. For problem solving. For advice. There is no extra cost for this unique feature of Chemical's service.

We think these various elements add up to an attractive package for progressive banks. If you agree and would like more information, call Robert K. Jennings at (212) 770-1607. Or write to him — National Division, 20 Pine Street, N.Y., N.Y. 10015.



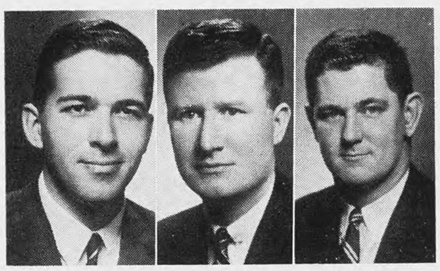
CHEMICALBANK

PEOPLE

• CHARLES A. AGEMIAN, executive vice president at Chase Manhattan Bank, New York City, for the past six years, left the bank December 31, concluding 42 years of service to the institution. Mr. Agemian has agreed to continue with the bank for at least one more year as financial consultant to Chairman David Rockefeller.

AGEMIAN

• WILLIAM F. CRAIG and WILLIAM H. COWIE JR. have been appointed regional vice presidents at Irving Trust, New York City. Mr. Craig will be in charge of the southern and East Coast states and Mr. Cowie will supervise the bank's business in the remainder of the country. Both were formerly vice presidents and district heads.



KOENIG CRAIG COWIE

In other action, the bank has appointed FREDERICK W. BAKER, who formerly headed the central district, including Indiana and Kentucky, to the post of division administrative officer. Succeeding Mr. Baker is WOLFGANG W. KOENIG. TRUETT E. ALLEN has replaced GEORGE W. DIETZ as head of the southern district. Mr. Dietz has retired. All the foregoing are vice presidents.

• DIED: J. FRED SCHOELLKOPF IV, chairman and CEO, Marine Midland Banks, Inc., Buffalo, N. Y., suddenly on December 7 at his home. . . . HENRY C. ALEXANDER, 67, retired executive committee chairman at Morgan Guaranty Trust, New York City.

Interest Rate Fixing Law a Possibility—Patman

Congress could very well pass legislation fixing interest rates, according to Representative Wright Patman (D.,Tex.), House Banking & Currency Committee chairman. He said that the President has the power to roll back interest rates, but that if he does not do it, Congress, which also has that power, should.

The Congressman said he hopes to hold hearings this month on the subject. Mr. Patman has blamed high interest rates for the inability of cities to market municipal bonds.

Armored Car 'Branch' Quandary

A cloud hangs over the future of armored car messenger services operated by national banks following the Supreme Court's ruling that such service constitutes branch banking. The Court ruled that a service operated by First National, Plant City, Fla., constitutes a branch operation and that the cash it receives from customers qualifies as deposits when accepted by the messenger. The ruling made the bank's service illegal, since Florida is a non-branching state.

The ruling caused the office of the Comptroller of the Currency to speculate as to whether messenger services will require branch permits in order to operate. Numerous other "ifs" were raised by the ruling, including what services customers can require of armored cars if banks choose to continue operating them.

Will armored cars have to dispense all services typical of a branch office? Will they have to be in compliance with the provisions of the Bank Protection Act?

Commercial Paper Ceilings Criticized

The Fed's proposal to place ceilings on bank commercial paper has been roundly criticized. The proposal was made, the Fed said, because monetary policies "are in danger of being frustrated to a substantial degree as a result of the issuance of commercial paper . . . the proceeds being channeled to the banks for lending and investing."

The legality of the proposal has been questioned by the president and chairman of the New York Clearing House Association. Critics hold that the ceilings would tend to favor large borrowers over small; make bank loans relatively more expensive than other forms of credit; and increase pressure on Eurodollar rates, which would enlarge interest payments to foreigners and thereby increase the balance of payments deficit.

Commingled Investment Account Reopened

First National City Bank, New York City, has reopened its commingled investment account to new participants following a recent ruling by the U. S. Court of Appeals reversing a District Court ruling and declaring that the account had been established and was operated in full accordance with the law.

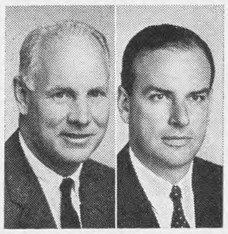
The account was started in June, 1966, and was closed in September, 1967, when the District Court ruled it to be illegal in a suit brought by the Investment Company Institute against the Comptroller of the Currency.

Purpose of the account is to provide Citibank's investment management experience to individuals with $10,000 or more to invest.

MID-CONTINENT BANKER

NEWS ROUNDUP

• THOMAS F. CREAMER and JAMES D. FARLEY have been named executive vice presidents of First National City Bank, New York City. Mr. Creamer heads the commercial banking group and Mr. Farley is in charge of the personal banking group. Both men were formerly senior vice presidents. Mr. Creamer joined Citibank in 1946; Mr. Farley has been with the bank since 1950.



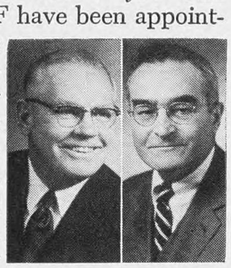
CREAMER FARLEY

• RODKEY CRAIGHEAD and B. JAMES THEODOROFF have been promoted from senior vice presidents to executive vice presidents at Detroit Bank. The bank has also named eight new senior vice presidents, including JEROME R. HEYER, ALBERT W. HOLCOMB, DONALD R. MANDICH, HARRY S. RUDY, BURT R. SHURLY JR., MARK C. STEVENS, JACK L. TALBOT and CLEVELAND THURBER JR.

CRAIGHEAD THEODOROFF

Mr. Craighead joined the bank in 1946, Mr. Theodoroff joined Detroit Trust, Detroit Bank's predecessor, in 1949. Mr. Heyer has been with the bank since 1947, Mr. Holcomb since 1946, Mr. Shurly since 1951, Mr. Thurber since 1948, Mr. Mandich since 1950, Mr. Rudy since 1933, Mr. Stevens since 1928 and Mr. Talbot since 1935.

• FRANK FORESTER JR. and HENRY J. ROHLF have been appointed executive vice presidents at Morgan Guaranty Trust, New York City. Mr. Forester was formerly a vice president and comptroller. Mr. Rohlf was formerly a senior vice president and is a former vice president of Mercantile Trust, St. Louis.



ROHLF FORESTER

In other action, the bank has formed a new division with responsibility for personnel and related internal services. The division is headed by FREDERICK R. MOSELEY JR., executive vice president.

National Union Wins in Seattle

With only 34% of the bank's employees participating, the Office & Professional Employees International Union was named the official union for Seattle-First National last month. The vote was 850-171. The union is an affiliate of the National Maritime Engineers Beneficial Association, which, in turn, is a member of the AFL-CIO.

Union members at Seattle-First are demanding a 30% salary increase, plus an interminable cost-of-living raise; installation of a union shop clause which would require all non-official bank employees to join the union within 30 days of employment; a schedule for severance pay; two additional annual holidays; bank contributions to a union-administered health and welfare trust and to a jointly administered union pension fund; reduction of length of employment for eligibility in the bank's profit-sharing plan; and catch-up cost-of-living increases for retired employees.

The bank was hit with two-weeks of sporadic strikes last year.

The same union was defeated 219 to 173 in a recent election at the Federal Reserve Bank of San Francisco. The union has charged irregularities and has appealed the result to the FRB.

Union Seeks Boycott of Resisting Banks

The Office & Professional Employees International Union is soliciting AFL-CIO support for a proposal to other organized unions to withdraw money from banks that oppose organization campaigns and deposit the funds in unionized institutions. The move, if successful, would provide the union with considerable leverage in further penetrating the banking industry.

The union currently is represented by seven banks in the U. S. and Canada, but it is conducting an aggressive campaign to sign up additional banks (see previous item).

More S&L-to-Savings Bank Mergers to Come

A continued upswing in the number of conversions and mergers of S&Ls into mutual savings banks was predicted recently by Edwin J. McWilliams, president, Fidelity Mutual Savings Bank, Spokane, Wash.

Major reasons for the conversions are the greater operating flexibility offered by a savings bank charter and the greater diversity of lending risk permitted a savings bank.

Almost a dozen such mergers have been announced in recent months in Delaware, New Hampshire and New York.

FHA Acts to Head Off Critics

The Farmers Home Administration has established a $25,000 minimum for one- and two-year investments in FHA paper, and a $15,000 minimum for orders of paper with maturities of three years or more.

The move was made to head off criticism that depositors of rural banks find the FHA rates more attractive than the rates the banks pay on savings accounts. The FHA has raised the interest rates it offers investors several times this year in an attempt to sell more of its paper.

The new minimums apply only to sales of FHA paper through the agency's national finance office in St. Louis, and not to loans which are sold directly by county FHA offices to banks and other local investors.

FDIC Proposes Financial Reporting Changes

The FDIC has released for comment proposed amendments to Part 335 of its rules and regulations, "Securities of Insured State Non-Member Banks," relating to the form and content of commercial bank financial statements and proxy solicitation provisions. Finalized amendments were expected to be released at the time MID-CONTINENT BANKER went to press. (See related article on page 56.)

The major proposed change would require a bank to recognize a loan loss factor in reporting operating expenses; require security gains and losses to be reported, as realized, in a bank's statement of income; and to designate the last line of the statement of income as "net income."

Industrial Development

Bank, Town Join Forces in Troy, Mo. to Land Job-Producing Industrial Plants

THE INDUSTRIAL climate around the community of Troy, Mo., has been improving dramatically in the past few years, thanks in great part to the efforts of the management of Bank of Troy.

The bank has given full cooperation to the Lincoln County Industrial Development Corp. In fact, the bank's cashier, Claude Cox, is a member of the corporation and many of its meetings are held at the bank.

Perhaps the greatest boost the local economy has experienced to date has been the selection of a site near Troy by Harper & Row Publishers, Inc. in 1968 as the location of its largest distribution center. The recently completed first unit of the center comprises 278,000 square feet of company-operated warehouse space, the equivalent of seven acres.

Construction was financed through industrial revenue bonds. Authority for issuing the $4.9 million worth of bonds was given by the town voters by a 99% margin. The center's initial payroll is expected to be about $350,000 a year and the firm expects to almost double the center within the next 10 years.

R. H. Brown, executive vice president at Bank of Troy (located 40 miles from St. Louis) says that Harper & Row selected the site because of the integrity of the Lincoln County Industrial Development Corp. "The corporation at no time attempted to exaggerate the situation or sell Harper a bill of goods," he said. The Division of Commerce and Industrial Development of the State of Missouri assisted by initiating contact between Harper and the corporation.

Three other firms have selected sites in the Troy area in recent years.

Composite Electrical Assemblies, Inc. began operations in 1968, employing 48 persons. Midwest Last Co. also opened a new plant in 1968 to manufacture and remodel shoe lasts. The plant employs 60 people at present, but expects to expand its payroll to 100. The Herleo Corp. is about to occupy a facility containing 15,000 square feet of space, employing 25 persons, with expectations of adding 20 more jobs in the future.

Creech Brothers Truck Lines, Inc. recently moved into a new terminal, constructed in an industrial park developed by Lincoln County Industrial Development Corp. Also, new hospital and school construction is underway in the area.

These dramatic additions to the business community of Troy, Mo., give ample proof to the theory that communities that seek industrial development actively in cooperation with local financial institutions can attract the type of business operations needed to ensure growth for the area. • •

■ NEW YORK—Brian Livsey and Walter Behrens have been named vice presidents of First National City Bank.

Seventh Annual Industrial Development Conference sponsored by Union Planters drew more than 400 banking and other industrial leaders from nine states. Porter Grace (right), Vice Chairman of the Board, checks program details with Dick Laughlin, director of Industrial Development Department.

We've developed some interesting techniques of industrial development in our 100 years of banking

Age alone doesn't qualify us to handle your banking needs. But experience does. That, plus a youthful outlook with the imagination to do things differently to serve you better. Count on Union Planters for the people, the resources, the dependability and the new ideas you require to make your Memphis banking connection successful in every way.

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NATIONAL BANK OF MEMPHIS
100
YEARS BANKING

1st of Montgomery's 24th Bank Forum Features Moon Rock, Economic Outlook

MONTGOMERY, ALA.—An exclusive showing of a moon rock fragment provided an exciting beginning to First National's 24th annual Bank Forum last month. More than 450 bankers and their wives were in attendance.

The moon rock was a portion of the sample brought back to earth by the Apollo Eleven astronauts last summer. Under heavy guard, the fragment was placed on display at a banquet preceding the opening of the Forum. The fragment has been estimated to be worth $66 million.

Participating at the Forum, presided over by Harry S. Gilmore Jr., bank vice president, were Frank A. Plummer, chairman and president; James S. Gaskell Jr., executive vice president, Charles E. Lanphier, senior vice president, and Paul E. Norris, vice president, all from First National. At the concluding luncheon, Dr. Harry M. Philpott, president of Auburn University and a member of the bank's board, was the speaker.

Mr. Plummer placed great emphasis on the need for developing new financial techniques that would marshall the financial resources of Alabama. He stated that the present system was retarding the growth of agriculture and industry throughout the area. He said that "although our state is rich in natural resources, we are experiencing a heavy drain on human resources." He called for a new, vibrant economic climate to retain the young graduates produced by the educational system.

Mr. Gaskell spoke on "Liquidity in Loan Portfolio," commenting that liquidity of a bank's loan portfolio is becoming an increasingly important factor in bank management. He called for improved loan administration and said the restriction of new loans should be by a plan that would provide a priority system by which least desirable credits are curtailed first.

"Five Months of Regulation Z" was the topic of Mr. Norris's comments. He pointed out that Alabama bankers have approached Truth-in-Lending with sincerity while others have been looking for ways to circumvent the law. He said that three facts have become clear after working with Regulation Z: (1) Truth-in-Lending can be lived with, (2) the cost of compliance will be passed on to the borrower, (3) the average consumer isn't interested in detailed explanations of finance charges.

Mr. Lanphier called on bankers to keep their asset management policies up to date if they are to survive. Tight money policies in the future might force banks to liquidate portions of permanent bond accounts, which means that portfolios must be highly marketable in quality, in coupon rate and in size of holdings. He called on small country bankers to "put their investment houses in order for the blow that will undoubtedly come." • •

Stock Split, 2 New Asst. VPs Announced by Central Trust

CINCINNATI—Central Trust has promoted Louis E. Hart and M. Joseph Tenhundfeld from assistant cashiers to assistant vice presidents and has named Timothy J. Schaefer and William E. Thornton assistant cashiers.

Mr. Hart, accounts manager of the Master Charge credit card division, has been a credit analyst and commercial banking officer, Race Street Office. Mr. Tenhundfeld last year was named sales manager, Master Charge credit card division. In 1969 Mr. Schaefer was named teller manager, Main Office. Mr. Thornton, collection manager of Master Charge, has been manager of the installment loan adjustment department.

In other action, Central Bancorporation, Inc., a registered bank holding company and parent of Central Trust and Citizens National of Marietta, has declared a 10% increase in its cash dividend and plans to declare a two-for-one split in common stock this spring.

BAI Plans Workshops for Jan. 28-30

The Bank Administration Institute will conduct a series of five workshops in New Orleans January 28-30. Registration for any one event will be limited to 15 persons and is open to persons from banks with assets in excess of $25 million.

Tentative topics and discussion leaders are: "Advanced Cost Accounting," James C. Travis, senior vice president and controller, National Bank of Tulsa; "Branch Office Administration," Warren R. Sullivan, vice president and branch administrator, National Bank of Commerce, New Orleans; "Compensation: Salaries and Benefits," Joseph B. O'Shields, senior vice president and director of personnel, North Carolina National, Charlotte; "EDP Audit and Control," Travis Hill, EDP auditor, Valley National, Phoenix; and "Insurance: Cost and Coverage," Thomas H. Lueck, assistant manager, general administration, Northern Trust, Chicago.

A piece of a moon rock, brought to earth by Apollo Eleven astronauts, stole the show at dinner opening First National's 24th annual Bank Forum in Montgomery. LEFT: Armed policemen flank Frank A. Plummer (l.), bank ch. and pres. and Montgomery Mayor Earl Jones, as they admire rock sample. CENTER: Bankers and wives file past rock sample, valued at $66 million. RIGHT: Examining moon rock are (from l.) Mrs. J. F. Grigg Jr. and Mr. Grigg, who is v.p. at First Nat'l, Opp; Mr. Plummer; and Mrs. R. H. Foshee Jr. and Mr. Foshee, who is pres., Peoples Bank of Red Level.

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What's Ahead for Interest Rates? Corporate Profits? Inflation?

DURING 1969, there were several occasions in which the market anticipated an early easing in the credit markets and an accompanying drop of interest rates. These predictions generally were based on rumor (or hope) of impending improvement in the Vietnam situation and stray bits and pieces of economic intelligence that were interpreted as signaling an imminent slowing down of the economy.

Each of these predictions has, in turn, been invalidated. As a consequence, conditions in the credit markets are more taut than at any time in recent history: The new issues market is in a serious state of unsettlement; the liquidity of the large banks has been eroded to the point that further unavoidable loan demands (or the prospective loss of the $3.5-4-billion of outstanding bank-related commercial paper) can be met only by tapping various high-cost sources of funds; and most interest rates are at all-time record heights.

An easing of tensions in the credit markets and an accompanying decline of interest rates will occur when, and if, the market becomes convinced that a slowing down in the advance of the economy is an odds-on bet. For the present, the prospects of an early improvement in the situation in Vietnam appear to have largely evaporated.

During 1970, however, some decline from present (or conceivably future higher) levels of interest rates seems a reasonable prospect. The President is under tremendous pressure to achieve meaningful reductions in the troops in Vietnam in the next 12 months and orders for defense products have been sagging. The evidence of a slowdown in the American economy appears more convincing than it has for some time.

By DR.
ROY REIERSON

Senior Vice President and Economist

Bankers Trust Co.
New York City

The matter of timing still remains a major uncertainty, but it appears that lower levels of interest rates could be a reality by about mid-1970.

There is little doubt that credit policy can have an impact on interest rates, at least in the short run. A continuation of inflationary pressures and restrictive credit policy would appear to underwrite high (or even higher) interest rates in the months ahead.

The more pertinent, and controversial, question relates to the continuing, not the immediate, effect on interest rates of a relaxation of credit policy. It seems quite clear that an expansionary credit policy may generate no more than a modest and temporary decline of interest rates: this is the record of 1967 and 1968, when interest rates rose despite an expansionary credit policy.

An expansionary credit policy, to have significant and more than temporary effects upon interest rates, must be consistent with developments in the economy. If the economy is strong and credit policy is expansionary, the result will be faster inflation, enhanced inflationary expectations and higher interest rates. If the economy is soggy, an expansionary credit policy can reinforce the decline of interest rates.

This conclusion underlines the danger of a premature relaxation of credit policy in present circumstances. If credit policy is relaxed before there is evidence of accumulating slack in the economy and before inflationary forces have been weakened and inflationary expectations dampened, the results are likely to be perverse: more inflation, stronger inflationary expectations and higher interest rates.

A meaningful downward correction of interest rates to a lower level can be achieved only if the inflationary expectations are sufficiently weakened to restore the credit markets to health. If this is not achieved, interest rates will average much higher than was expected even a year or two ago, and present record levels of rates may, in historical perspective, not look at all unique.

Corporate Profits. The "standard" forecast is for only a modest 3% to 5% decline in pretax corporate profits from 1969 to 1970. The "standard" forecast foresees an output of goods and services, measured in current dollars, of $980-985 billion in 1970. This would represent a slowing down in growth, from an increase of some $67 billion (or 7.7%) in 1969, to a rise of $50 billion (or 5.4%) next year.

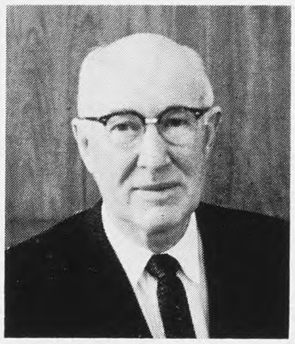
The "standard" forecast predicates that the slowing down will be limited to about two quarters, during which growth in real terms will be of nominal proportions. This is expected to be followed by larger quarter-to-quarter increases in GNP the second half of the year.

If the squeeze on profits is to be of these proportions (3%-5%), the sag in economic activity must be both modest in severity and of short duration, and the economic upturn must appear

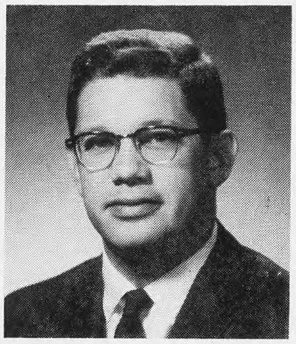
(Continued on page 44)

The

Five

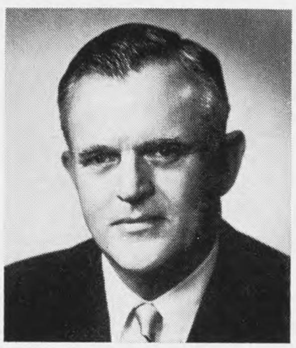


MURRAY KYGER: ". . . for 1970 at least, and perhaps longer, prudent banking demands that we gear ourselves to a much more restrictive loan policy than any of us would like."



T. S. FILLEBROWN JR.: "It appears clear that the slowing in the rate of our nation's growth will continue and only the intensity and the duration of this slowdown are subject to question."

PAUL H. WOODS: ". . . we may expect an economic leveling off in the first six months of 1970, but inflation has yet to be retarded and it may be late in the year before we can expect this development."



EDWIN S. JONES: ". . . the cost of our earning assets will be at higher levels than those to which we have been accustomed. Success in this environment will require new levels of performance by bankers in management of these assets."

ROBERT I. LOGAN: "The primary effort of the banker throughout 1970 will continue to be directed toward deposits. For the first half of the year, banks will continue to find it difficult to compete in the general money markets because of rate ceilings."

By MURRAY KYGER, Chairman, First National Bank, Fort Worth:

EARNINGS WISE, our banks of the Southwest will have enjoyed another excellent year as 1969 draws to a close. During this year, however, we are experiencing developments which, in my opinion, pose real problems for our banks in 1970 and future years. Paramount is that of lending against non-deposit sources of funds. Deposits represented by investment dollars and not true deposits are by no means confined to Central Reserve areas such as New York and Chicago.

Eurodollars and holding-company commercial paper as avenues of lendable funds are confined to a few large banks of our area, but bank fund vulnerability does not end here. Today certificates of deposit of all sizes must compete for the investment dollar. There is a growing tendency for what was until recently regarded as a true savings dollar to move to a better yield. Just recently I saw a broker's letter quoting Treasury Bill rates and soliciting $1,000 transactions.

As I jot down these thoughts, word is out that many in position to speak with authority on the subject are convinced that restrictive monetary controls must prevail for a much longer period than was expected just a few weeks ago if we are to bring our problem of inflation under control. It now appears that any relief for bank rate restrictions under Regulation Q cannot be expected for some time to come.

This all adds up to the prospect that for 1970 at least, and perhaps longer, prudent banking demands that we gear ourselves to a much more restrictive loan policy than any of us would like. There is much at stake in the fight on inflation. No segment of industry and our economy should understand this better than commercial

Outlook for 1970

Prominent Bankers Give Their Opinions

banking. Likewise, no one should be more anxious to assist in the effort for inflation control than the commercial banker.

As bankers, we are faced with some important alternatives as we move into 1970 and the opportunity to rethink the basic fundamentals of our business. • •

By T. SCOTT FILLEBROWN JR., President, First American National Bank, Nashville.

WE APPROACH 1970 with cautious optimism for the economy of the Central South. Nashville's trade area, encompassing Tennessee, southern and western Kentucky, northern Alabama and Mississippi, experienced a good business year in 1969. While tobacco prices were disappointing, home construction severely curtailed by tight money and definite indicators pointing to a general slowdown in the economy becoming clearly evident in the last quarter, the year still reflected solid gains.

The year 1970 poses complex problems for the economy of the nation as a whole. It appears clear that the slowing in the rate of our nation's growth will continue and only the intensity and the duration of this slowdown are subject to question. With the resolution to continue fiscal restraints showing some signs of weakening, monetary authorities will be under more pressure, even though the money supply in a growing economy has been virtually unchanged since last June. Labor contracts in certain key industries come up for negotiation and the terms of their settlement will be a matter of national concern. It is hoped that labor can adopt a statesmanlike attitude while the inflationary spiral still persists.

In our judgment, the economy of the Central South will be subject to the pressures on the national economy, but will continue to outperform the nation as it has in recent years. In times like these, the healthy diversification of the economy of this region is never more evident and serves to minimize the effects of the problems in the economy. New industry continues to seek this area and we see no reason that this trend will not continue in 1970. The movement of industry to this section is not restricted to one or two cities, but is coming to a broad area and is spreading the base of industrialization throughout the trade territory. Aggressive coordination between state and local governments and the private sector is having a lot to do with the location of new industries. Also, some carefully planned expansion of major existing industries is on the drawing boards for 1970. With this broadly based industrial growth trend and the diversification of commerce and industry that continues in this region, we anticipate that unemployment will continue to be less than the national average in 1970 and that our economy will move forward, although not matching the real gains of 1969.

The economy should be more competitive as a business slowdown continues, accompanied by rising prices. Costs will be of increasing concern to all businesses as profit margins will become more and more difficult to maintain.

It will be essential that top management in banks and other businesses adopt cost control as a top priority. Unless top management addresses itself personally to this problem, it is difficult to accomplish concrete results throughout the organization. Management will be tested in this regard in 1970.

We believe that loan demand will continue strong for at least the first six months of 1970 in our trade area. This is because we believe the economy in the area will outperform the nation as a whole and will continue to have strong credit needs as its growth continues. Also, there is considerable pent-up demand for credit which has been held back due to the lack of availability of loanable funds and this carry-over of loan demand will be of continuing pressure on the region's banks. In addition to the private sector, there is a strong built-up demand from municipalities throughout the area that have not been able to market their bonds under recent money conditions.

The outlook for deposit growth in the region does not look as strong as for loan demand. With individuals, businesses and governments using their money more—coupled with policies of the Federal Reserve Board—it is hard to see how demand deposits can increase appreciably. While the Tennessee Legislature wisely increased the allowable rate that Tennessee banks can pay on time money to the limitations of Regulation Q last May, the improvement in Tennessee banks' competitive position in the short-term markets did not last long as short-term rates quickly moved well past 6¼%. While we anticipate some increase in savings deposits, it is hard to predict much growth in over-all time deposits as long as there is such disparity with other short-term rates.

Interest rates in this region should stay at a high level, at least through the first half of 1970. The Tennessee Legislature in May, 1969, allowed banks to charge up to 10% where the legal rate had been 6% before that time. Recognizing that Tennessee lending rates had been artifically restricted relative to most of the country, Tennessee banks did not move rates up after May to rate levels prevailing in most of the country. Instead, with rare exceptions, the prime rate has been an upside rate in this area. For this reason, as rates start to ease later in 1970 in the nation's economy, the changes will not be felt as quickly in Tennessee because our present rate structure is at lower levels. Therefore, interest rates appear destined to remain at high levels for some time.

Profit growth will be harder to achieve in 1970, but we feel that First American, with careful attention to costs and with the stronger-than-average economy of our area, should be able to achieve the average earnings increase in 1970 that we have maintained for the past five years.

As we move into 1970, all of us as bankers must place at top priority the communications objective of improving our image, both to the general public and to various legislative bodies. We must do this individually, through state associations and in support of the ABA. Banking has a story to tell in its constructive role in the nation's economy but we are not getting it across. The recent House passage of a bank holding company bill is a reflection of our communication problems.

As we move into the 1970s, banking faces crucial tests and must stay flexible and be able to adjust to change. A growing national economy plus expanding economies in other parts of the free world will put increasing pressures on banks as to sources of funds to finance this growth. To meet these needs of the nation's and the world's economy, we must not have our flexibility taken away from us by legislation or regulation, and we must be innovative. • •

By EDWIN S. JONES, President, First National Bank, St. Louis.

MANAGEMENT of earning assets is the big challenge for 1970, whatever the short-term trend of the economy may be.

Our economists look for a slowdown to extend through the first half, with some gradual strengthening in the third and fourth quarters, followed by renewed vigorous growth.

This, of course, indicates some weakening of loan demand, but perhaps not as much as the projected economic trends might be expected to bring.

Many present bank loans and commitments are of a capital nature requiring ultimate refunding. It seems probable that such pent-up capital financing needs and present full positions will keep long-term lenders fully committed for a number of months ahead. Thus, commercial banks will continue to carry a large amount of relatively long-term credits.

It also seems likely that any slowing up of general business will be accompanied by some deceleration of inventory liquidation that will require continued large amounts of short-term bank financing.

A backward glance and a look into the longer-range future are needed to gauge properly the real challenge bankers must meet.

Total bank resources have tripled in the last two decades, and yet we are far short of meeting the demand for loans today. Aside from interim periods of adjustment, the 1970s seem destined to bring continued growth in Gross National Product, partly from inflation but more significantly from real economic expansion.

Projecting the growth rate at 6% does not seem unrealistic. This would require a sizable increase in bank credit over the present record levels. Average loan volume could easily double during the next 10 to 12 years.

Interest rates seem destined to remain high. Clearly, banks will have to compete harder with other institutions for deposits, with time deposits being the main area for growth.

Thus, the cost of our earning assets will be at higher levels than those to which we have been accustomed. Success in this environment will require new levels of performance by bankers in management of these assets.

As part of our program to meet this challenge, we restructured areas of management responsibility in 1969. With the aid of our computerized accounting system, each area—under a senior officer—has a monthly report on its actual profit performance against target levels.

We look to these improved methods to keep us closely informed as to how well we are employing our funds and the degree of our success in developing their growth.

Opportunities for deposit growth could well materialize during the first half of the year. Depending on the extent and degree of the slowdown, money that might have gone into goods and services or other interest-bearing securities may instead be placed both in demand and in time deposits, particularly if present Regulation Q ceilings are raised. • •

By ROBERT I. LOGAN, President, Central National Bank, Chicago.

THE DECADE of the '70s will open with a fairly strong, though nervous and uncertain, economy in 1970, with most of its vitality coming from increased consumption.

With the total labor force increasing at the highest rate since the post-war '40s and total employment continuing to increase, wages and salaries per employee will also increase by more than 6%, as anti-inflationary forces will have only a limited success in this area. The effects of this high-level, high-cost employment picture on next year's economy are increased purchasing power and a further substantial increase in disposable personal income. Savings eventually will receive an important portion of this disposable income, but consumption also will re-

(Continued on page 70)

By PAUL H. WOODS, President, First National Bank, Wichita:

A YEAR AGO it was generally assumed that the surtax and the restrictive policies of the Federal Reserve Board would slow down inflation to more moderate levels. Today we are still facing the problem of containing inflation in spite of the most restrictive stance of the Fed in its history. Indications currently are that we may expect an economic leveling off in the first six months of 1970, but that inflation has yet to be retarded and that it may be late in the year before we can expect this development.

Faced with this prospect, Kansas will follow the anticipated national trend. Manufacturing, an increasing factor in our state's economy, probably will do well to maintain the 1969 pace. Loan demand for industry in all probability will level off somewhere near current levels, but agricultural loan demand will be strong and may well increase due to the changing picture in Kansas. The continuing shift from small to large farm units and the growth of the cattle-feeding industry almost insure this trend in 1970. Increased capital requirements for large and efficient farm units are obvious, particularly for irrigation and mechanical equipment. The growth of commercial feedlots in the western half of the state is the most exciting development in Kansas agri-business in many years, but these operations demand increasingly large injections of both equity and borrowed capital.

Consumer lending is leveling off and in all probability will continue to do so as the consuming public is increasingly uneasy about their income in an inflationary economy.

The construction industry will suffer from lack of long-term money and the escalating costs with which it is plagued.

Balancing these factors, it would appear that Kansas banks can expect no lessening demand for loans since agricultural lending bulks large in our banks.

Only fractional increases, if any, may be expected in demand deposits. Time deposits will continue to decline if present interest levels prevail and no change is made in Regulation Q. Liquidation of investments no doubt will continue in order to take care of loan demand.

Generally, Kansas banks have not raised lending rates as much proportionately as rates in the money market centers. And, if rates decline modestly as now seems feasible, Kansas rates

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The Outlook for Housing

By DR. RAY JALLOW

Vice President & Chief Economist
United California Bank
Los Angeles

PROVIDING ADEQUATE housing for the United States will be one of the major socio-economic problems in the 1970s. Solving this problem will be a complex challenge, for in the same way that we recognize the necessity for breatheable air and safe streets, we also realize that a barrage of obstacles barricades a moderate solution. America needs more housing units of all types, but in addition, there is the question of providing a "decent home and a suitable living environment for every American." Consensus opinion reveals that the United States needs 2,000,000 housing starts annually, with additional provision for 600,000 units of low income housing. The achievement of this total would represent a giant step forward.

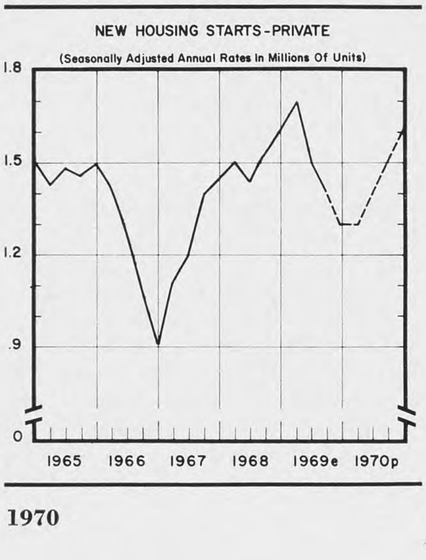
JALLOW

1969: Increase in Demand. The year 1969 has seen an acceleration of housing demand, which should continue throughout the 1970s. This demand is propelled by the post-World War II upsurge in births which reached over four million annually. Not surprisingly, there were two million marriages in 1968. The increase in household formations combined with the constant need to provide replacement or new units, and the frequent desire for home upgrading, has produced unprecedented demand. Evidence of this can be seen in the number of housing unit vacancies, which are down for both apartments and single family homes. The vacancy rate on apartments for the U. S. in the first half of 1969 was 2.3%, or just 23 out of every 1,000 rental units, while normal would be 50 per 1,000 units.

1969: Decline in Production. Housing starts in 1969 did not go forward but declined from 1.51 million in 1968 to 1.43 million units in 1969, a decline of 80,000 units or 5%. The 1968 figure of 1,508,000 units had been a high-water mark after the decline in 1966, but it was not the harbinger of increased construction activity for the future. While housing starts rose to an annual rate of 1,878,000 units in January, 1969, they fell from that level with nearly every succeeding month of restrictive monetary policies.

Production Obstacles. The housing industry is fragmented in that it has about 50,000 builders spread out across the country. House-by-house construction according to local building codes is the standard production constraint on expansion of the industry.

Restrictive monetary policy is the most severe constraint that the housing industry can experience in the short run. "Tight" restraint on the expansion of commercial bank credit can cause quick and severe decline in mortgage funding. Competitive demand pressures force sharp interest rate advances and mortgage rates follow slowly, but inevitably. During the process savings are attracted away from accounts at thrift institutions to higher yielding monetary instruments, as evidenced in 1966 and again in 1969.



The mortgage rate and the availability of financing has impact on production in accordance with increases and decreases in selling prices of homes, and in 1969 the average price had risen sharply, depending on the region. A combination of rising production costs (land, labor and building materials) has pushed selling prices upward. Shortages and inflationary demand pull are the major reasons for the cost hikes. Since the beginning of 1968, housing costs have generally increased at an annual rate of 10% to 15%.

Other deterrents to production are local building codes and the financial condition of our cities. Faced with other financial problems, cities have been slow in extending sewer systems and utility lines. A shortage of developed land is the consequence.

1970 Outlook. The majority of the housing problems encountered in 1969 will carry over into 1970. However, there will be some important exceptions. A slowdown in business activity for the first half of the year should reduce inflationary expectations. The rate of inflation will be reduced from the 5% plus of 1969 to less than 4% for 1970, which is still a high rate of inflation for a long-term debt instrument such as a mortgage. Monetary policy will ease to some extent, but there will be no loosening of credit expansion. Mortgage rates will remain high and will continue to rise in the first half of 1970. In this economic environment there will be some amelioration of the chief inhibiting factors on mortgages, allowing for a degree of expansion of financing in the latter part of the year.

Housing starts will continue their progressive decline but should level off toward mid-year preparatory to an upward swing in the latter part of the year. Production for the year will show 1,450,000 starts, a languishing production level on a par with 1969.

Long-Term Outlook. For the immediate future, housing remains a critical challenge and opportunity for America. It is a vast avenue for the productive expansion of American industry in the middle and late 1970s. In the meantime there is a threat of critical shortage as long as the need for housing is increasing faster than production.

A problem of equal importance is the cost of housing. In 1969, the average purchase price on conventional first mortgage loans reached approximately $35,000. Since at the same time, mortgage costs pushed past 8% (even 9% in some localities), the cost of new housing of any kind is becoming prohibitive for a larger and larger portion of our population.

Due to the complexity and national character of the problem, leadership and responsibility must rest with the federal government. The campaign against inflation is the most vital step which the government can offer. Mortgage financing, and therefore home production, can scarcely exist in an environment where the rate of inflation is in excess of 5%, as in 1969. It is to be noted that the government, directly and indirectly, underwrote approximately half of 1969's mortgage credit financing.

A broad reassessment of national goals, priorities and resources is needed by the federal government. A higher priority for housing and a higher proportion of GNP are now in order. Housing that encompasses "a decent home and a suitable living environment for every American family" is the growth area of American industry for the 1970s, and suitable fostering by appropriate measures is desirable. This includes the consistent maintenance of an appropriate federal budget surplus to bring down the rate of interest and increase the savings supply for mortgages. As soon as there is some substantial indication of control of present inflation, monetary planners will be more receptive to easing credit conditions in the money markets.

As part of the budget approach, priorities in expenditures need to be reexamined. Funding for low-income housing, also revenue sharing with state and local governments, could do with sizable financing.

The potentials of mass production, at hopefully lower costs, need to be investigated. The Department of Housing and Urban Development is currently encouraging a competition for new techniques and designs as part of "Operation Breakthrough," with subsequent testing of the production methods. A portion of the program will be devoted to persuading states and localities to relax their building codes and to amass tracts of land for large scale development. Cooperation of building trade unions will be sought. The whole program is tantamount to suggesting that factory-built housing will flow off the assembly lines and displace conventional housing in the years ahead.

New efficiencies and technologies are needed. There appears to be little choice in the matter since new housing, whether single family or apartment unit, has become a luxury item. Currently, the accelerating production of mobile homes is helping to satisfy the demand for housing; eventually, the manufacturing techniques employed in this industry are expected to be applied in factory-built housing of the future.

During the 1970-1975 period there will be several important developments within the housing industry:

- Demand for housing will continue to rise rapidly.
- Shortage of mortgage money will continue, but will not be as severe as that of 1969.
- Low-cost and factory built housing will receive more emphasis in future years.
- Costs for conventional single- and multiple-unit construction will continue to rise, but at annual rates below the 10 to 15% of 1968-69.
- Multiple dwelling units will continue to increase their share of total housing built, as they are less susceptible to rising costs for land and labor.
- Many middle-income families will be priced out of the conventional single-dwelling homes of the past.

The national goal of constructing 26 million homes during the decade of the 70s will not be achieved. A more realistic goal is 20 to 24 million houses of all types. The ability to build such a large number of housing units is based on (1) the need to add 400,000 workers to the construction industry annually; (2) active support of housing priorities by the federal government and the monetary authorities; (3) breakthroughs in new techniques of housing construction; and (4) major changes in the archaic building codes and restrictions of many municipalities. • •

Banks Urged to Go After Savings to Buck Disintermediation Trend

By CHARLES W. McCOY
Chairman and President
Louisiana National, Baton Rouge
and Chairman, ABA
Marketing/Savings Committee

SAVINGS AS A percent of disposable personal income reached a peak for recent years of 7.4% in 1967. In 1968, the rate of savings was 6.9% and it will be approximately 6.0% for all of 1969.


McCOY

During the first and second quarters of 1969, the savings rate was 5.3% and 5.2%. A good gain of 6.4% was registered in the third quarter. This improvement will likely extend into the first and second quarters of 1970.

Inflation and the state of the economy both play important parts in the final determination of personal savings. The savings rate will ordinarily grow at an accelerated rate during a period when business activity is slowing. This may be attributed primarily to a reduction in personal consumption expenditures. Personal income continues to increase and the combination of increase in personal income and decrease in personal consumption expenditures produces a greater savings rate.

Total personal income should continue to rise in 1970 at a rate that will approximate the 9% increase in 1968 and 1969, and with inflation continuing at an expected rate of 4% to 4½%, there are no visible signs that the savings rate will decrease.

Savings deposits in financial institutions have not increased during 1969 at the rate of recent years. Certificates of deposit in large commercial banks are down more than $11 billion from a year ago. Savings deposits have decreased by approximately $2 billion.

The year of 1969 has been one of greater disintermediation than was 1966. The widening gap between commercial bank savings rates and the rates that may be obtained from U. S. Treasury and federal agency issues has caused many thrift customers to withdraw their savings from banks. Now, perhaps more than any other time during the post-World War period, commercial banks should be promoting thrift and the convenience of saving.

It does not appear likely that there will be an increase in 1970 in the rate that commercial banks may pay on savings deposits. It is hopeful that inflation will be contained so that the yield on U. S. obligations will be lowered and disintermediation will abate. • •

During 1970—

Economy Is Likely to Pay for Inflationary Policies of Last Half of 1960s

By DARRYL R. FRANCIS

President
Federal Reserve Bank
St. Louis

As THE NATION enters the decade of the '70s, price inflation is the most serious domestic economic problem. My outlook for the decade is optimistic. Inflation should gradually recede while total real production expands about 50%. Nevertheless, economic progress during the coming year is likely to suffer greatly from policy mistakes of the late '60s. Inflation may be only moderately less in 1970 than in 1969, while real output of goods and services probably will show little net change or even decline. Growth in spending, employment and incomes in 1970 probably will fall below the trend rate of the '60s.

FRANCIS

The current inflation began in the mid-1960s and has become more intense in succeeding years. Prices went up 1.7% during 1965, 3.5% a year in 1966 and 1967, 4% during 1968 and about 5% in 1969.

Inflation was caused by an excessive demand for goods and services. Total spending rose at a rapid 8% annual rate from late 1964 to late 1969, while total output went up at about a 4% rate, or about the rate at which the nation's productive potential increases. The nation's ability to produce can only expand with growth in the labor force, capital, stock and advancement in technology. As a result of greater demand than output, prices were bid up.

The period of excessive demand from 1965 to 1969 paralleled a rapid rise in federal government expenditure, which has been popularly considered to be the chief cause of inflation. Expenditures, both for defense and non-defense programs, accelerated from late 1964 to early 1967 and then continued at rapid rates of increase through most of 1968, resulting on balance in an 11% annual rate of expansion of total government spending from 1964 to 1969. If the government had financed its outlays either by taxing or by borrowing from planned saving, consumer and business spending growth would have been smaller, largely offsetting the greater government outlays.

As it was, however, the increase in government as well as private spending was facilitated by increases in the money stock that resulted from expansion of Federal Reserve holdings of securities and the accompanying increase in bank reserves. Since 1964 money has risen at a 5% average annual rate, or about 2½ times as rapidly as the trend rate from 1957 to 1964.

Inflation causes a redistribution of wealth and income. It reduces the real value of existing savings accounts, bonds, mortgages and other dollar-denominated assets and adversely affects those on pensions and others with relatively fixed incomes. In addition, general price rises cause inefficiencies and the uncertainties created by varying rates of inflation encourage speculation.

It is now the policy of the Federal Reserve System to resist inflation and monetary actions of the system have become progressively more restrictive in the past year. After growing 7% per year in 1967 and 1968, money increased at a 4% annual rate in the first half of 1969 and since June has risen only slightly.

Changes in the growth rate of money usually have their greatest influence on total spending after about half or three-quarters of a year have passed. This suggests that the rise in spending is likely to be slower in 1970 than in the 1965-69 period. Prices, nevertheless, are likely to continue to advance at rates near those of the past year for a considerable period. Rising price expectations have developed gradually over a five-year period and possibly will not be extinguished easily or quickly.

Only gradual calming of the general rise of prices may result because some lagging prices will still adjust to the past inflation. Because of rigidities in contracts and in public opinion, some prices and wages have not been adjusted to the inflation of the past few years. As these prices catch up, they will constitute cost-push forces acting upon other prices.

In summary, it now appears that the rate of price increase will not slow as

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At State, National Levels—

Significant Changes Ahead in Legislation, Regulations

By DONALD J. MELVIN

Carter H. Golembe Associates, Inc.
Washington, D. C.

IN RECENT YEARS there seems to have been a resurgence of interest in the occult sciences—witchcraft, palm-reading, astrology and other attempts to study the supernatural and predict its influence on the affairs of men. The modern tools of the technocrats and the statisticians are now being used to construct astrological models, palmistry charts and witchcraft tables. Thus, the practitioners of the occult sciences have acquired all the trappings of the economic and political forecaster and possibly they could be of help to those of us who are called on to make predictions for the coming year and indeed for the decade of the 1970s. But although we have considered consultation with some of this new breed in making our own forecasts, we have avoided the temptation, since confidence in our own methodology and ability remains as strong as that accorded the fortune teller in the traveling carnival.

During the decade of the 1970s, the legislative and regulatory climate and structure will undergo significant changes at both the state and national levels. Congress and, to a lesser degree, the state legislatures, will be more responsive to consumer groups than to the interests of business groups. The unwritten arrangement to favor the interest of business because of the need to establish full employment and sustain economic growth has been replaced by an arrangement that will place emphasis on the quality of products and services and the ethics of business practices.

The generation shift that is now taking place in Congress will have been completed by the end of the 1970s and the new members should be more knowledgeable and more willing to challenge and confront traditional business practices. While this will be manifested first at the federal level, there is no doubt that by the end of the 1970s, it will also be evident in the state legislatures.

On the regulatory side of the picture, it would not be surprising to find a new supervisory structure in existence at the end of the decade. *Probably there will not be one central bank regulatory agency,* but there will be some reorganization that will minimize existing overlapping jurisdiction. Regulation will not be decreased but its thrust will be shifted to greater emphasis on management assessment and on community service. It is possible that any reorganization of the regulatory structure would result in a combination of some of the non-bank regulatory agencies with some of the functions of the present bank supervisory agencies. As businesses in the financial sector continue to diversify, this may become inevitable.

In making these long-range predictions, it is obvious that heavy reliance has been placed on one of the primary tools of the fortune teller, that is, the need to generalize. In assessing 1970, it is necessary to become somewhat more specific since there are definite issues that must be discussed. Yet, we will give our short-term prognoses with the same confidence with which we rendered the long-term outlook. We can do this because we are well aware that those who patronize fortune tellers have a tendency to remember the predictions that proved right while forgetting those that proved wrong.

There are several legislative proposals that are well on their way to being enacted and there seems little doubt that they will become law before the end of the second session of the 91st Congress. Among these are the Fair Credit Reporting Act and the Act to Provide Additional Mortgage Credit. The Fair Credit Reporting Act is actually an amendment to the Consumer Credit Protection Act that was enacted in the second session of the 90th Congress. Its primary purpose is to enable a consumer to protect his credit rating and to provide him with the necessary tools to receive information concerning his credit rating. While this legislation is aimed primarily at credit rating agencies, it will have an effect on banks and on other lenders.

The Act to Provide Additional Mortgage Credit includes several provisions in the bank-regulatory field. It extends the authority of the financial regulatory agencies to set maximum interest rates on savings and time deposits and also provides the Board of Governors of the Federal Reserve System with the authority to control the issuance of commercial paper by bank holding companies, among other things.

Holding Companies. The most important legislative proposal on banks that is pending at the present time is, of course, the bill to amend the Bank Holding Company Act. As passed by

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MR. MELVIN, before joining Carter Golembe, was director, department of legislation and governmental affairs for CUNA International, Inc.; attorney, Office of the Comptroller of the Currency; and credit analyst in the Philadelphia Office of Dun & Bradstreet, Inc.

Carter H. Golembe Associates, Inc., was organized in 1966 to provide highly specialized research and consulting services for the banking industry. The firm's work covers a wide range of areas in banking, but its principal specialties are regulation, legislation and education. It is headquartered in Washington, D. C., and has a New York office.

Holding Company Bill Tops List of Possible Federal Legislation

THIS ISSUE of MID-CONTINENT BANKER contains outlooks on many subjects of interest to bankers, but it certainly would not be complete without a look ahead at possible legislation affecting banking. Last year was not, as someone said, the "year of the banker." The prime-rate rise, coupled with increasingly strict lending policies, has produced an unfavorable image for banks. Then, too, legislation considered by many bankers to be unfavorable to them, was introduced. The latter included, of course, the highly restrictive Holding Company Bill adopted by the House. Therefore, it behooves bankers, in small towns as well as in large cities, to know what federal legislation affecting them is pending.

From the ABA and other sources, MID-CONTINENT BANKER editors have gathered the following information on federal legislation:

Regulation of One-Bank Holding Companies. The restrictive measure adopted by the House is due for Senate consideration early in 1970. Odds are that some sort of legislation will be reported out by the Senate Banking Committee in 1970, although it is impossible to forecast what form it will take. One suggested alternative to the present House bill is Senator Proxmire's compromise measure that would bring one-bank holding companies under the Bank Holding Company Act, freeze non-bank acquisitions and authorize a study of the industry. Another is amending the House bill to soften some of its most restrictive features. However, it would be unrealistic at this time to be any more specific than to say there is a strong possibility that further congressional action to regulate the operation of one-bank holding companies will be forthcoming in 1970.

Tax Reform. The so-called Tax Reform Bill was passed by Congress December 23. The bill contains provisions to raise personal income-tax deductions gradually from $600 to $750 by 1973 and to boost Social Security benefits by 15%. The measure originally had a provision to eliminate municipal bonds' tax-exempt status, but this section was dropped last October. (President Nixon signed the bill into law on December 30.)

State Taxation of National Banks. The House-Senate conference committee last month approved a compromise bill that would boost the state tax obligation of national banks. Final approval of the compromise is required in both the House and Senate, but such approval is said to be routine. Under this bill:

Effective January 1, 1972, all national banks automatically would be subject to all taxes levied against state banks, regardless of whether the national banks were part of an intrastate or interstate operation.

Immediately upon enactment, national banks automatically would be liable for existing sales and use taxes, documentary levies and tangible property and licensing taxes.

Intangible assets, such as mortgages, held by national banks, would be exempt from state taxation until January 1, 1972.

State levies—doing-business taxes—against national banks with headquarters outside of the state would be limited until January 1, 1972. Such institutions would be liable only for sales and use taxes, real property taxes, documentary taxes and tangible property and licensing levies.

Student Loans. There is a possibility of legislation to provide a secondary market.

Unsolicited Credit Cards. At present, Senator Proxmire's bill doesn't prohibit such mailings, but merely provides that the Federal Reserve shall prescribe minimum standards in the issuance of such cards. The bill also sets a liability limit of $50 on the cardholder. The whole situation is too cloudy right now to make any forecast about the final form of the bill and its progress through Congress.

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Legislation

(Continued from page 30)

the House, the holding company bill has the potential of completely stifling banks from being effective competitors whether or not they are part of a holding company. There is a general belief that the Senate's action will not be as severe as that of the House. This may be the case, although there could be some element of wishful thinking and possibly a misreading of the changes that have occurred within the Senate in the past five years.

The Senate Committee on Banking and Currency has a number of young, ambitious senators who are strongly consumer oriented. On the other hand, there seems little doubt that the Senate Committee will hold a more objective and a more fair hearing on the proposed legislation than did the House Committee.

Just how many changes the Senate will be willing to make in the House-passed bill depends in large measure on the effectiveness of the case made by the banking industry. It is not being unrealistic to predict that the bill that is finally adopted by the Senate will contain some of the same provisions as the House bill. The differences will have to be ironed out in a conference between members of the Senate and House committees. No doubt, the final legislation as enacted by Congress will be tougher than the bill that was reported by the House Committee on Banking and Currency.

Several other legislative proposals of interest to banking are likely to arise. Certainly, there will be additional hearings concerning the involvement of financial institutions in the solving of our present-day social problems. Quite possibly, the Administration will submit legislation to encourage the participation of financial institutions in the solving of these problems. Such legislation may take the form of tax incentives or may be designed to allow government deposits to be used as an incentive for participation by financial institutions.

Finally, there is a good chance that Congress will enact legislation calling for a complete study of the banking industry, and, quite possibly, of all financial institutions. Such a study could go so far as to cover structure, powers, regulation and supervision and branching. A number of congressmen have called for the creation of a special commission. It is possible that the creation of a commission to conduct a broad study of the financial indus-

try will coincide with passage of bank holding company legislation.

The climate in which banking legislation is received depends quite heavily on the future course of the economy. If inflation continues and if interest rates are increased, then Congress could adopt drastic legislation that will severely hamper the banking industry. On the other hand, if some success is achieved in halting inflation, then the legislative environment would improve for banks. Thus, while there is a great deal that the industry can do to protect itself, there also are factors beyond its control which can be of significance. For a reading on these factors, we suggest consultations with your local astrologer. • •

ABA's 'Ask Ruth' Hotline for Member Inquiries

NEW YORK—"Ask Ruth" is the American Bankers Association's newest service. The ABA has installed a "hot line" to coordinate and expedite its 13,400 member banks' requests for information and services.

"Ruth" is Miss Ruth S. Wimett, who was with the ABA's news bureau 17 years before joining the office of the ABA's executive vice president in 1963. As "Ruth," she has been named information director, member services. To "Ask Ruth" dial (212) 972-6952 or address her at the ABA office in New York.

London Office 'Topped Out'

Celebrating the "handing over" of Northern Trust's (Chicago) branch in London are Edward B. Smith, chairman (c.), W. James Armstrong, vice president and branch manager (l.), and Anthony Dabbs of Dove Brothers contractors. The topping-out ceremony marked completion of structural steel work in a project that will add two stories to the branch's building. Mr. Smith holds a silver trowel which he and Mr. Armstrong used to cement the last chimney pipe in place on the roof of the building. Mr. Dabbs holds an engraved silver hawk, an instrument used for holding mortar—which has been used by British royalty and distinguished persons at similar ceremonies. Mr. Smith's name will be engraved on it, joining those of other distinguished leaders. The London Branch, which opened last August, is in the process of a complete renovation slated for completion early this year.

The State Legislation Outlook: A Relatively Quiet Year Seen

STATE LEGISLATION affecting the banking industry is expected to be slight in many Mid-Continent states this year, primarily due to the fact that legislative bodies in several states do not meet for general sessions in even-numbered years. However, there will be activity in the following states:

Illinois. As of press time, it was not known whether the Illinois Assembly, which will be recessed until April 1, will hold a general or special session. If it is the former, any type of legislation can be introduced. In that event, both holding company and branch banking legislation are expected to be taken up.

A special constitutional convention convened in Illinois in December which was expected to eventually consider amendments to the banking code. Elimination of the present referendum on any amendments to the Illinois Banking Act was also expected to be considered by delegates. At press time, no recommendations had been made.

Kansas. Several specific legislative proposals affecting banking are expected to be taken up by the 1970 Kansas Legislature. They include the disposition of the Uniform Consumer Credit Code, which was introduced last year after the deadline date for consideration and was referred to a committee for study; the possibility of a major revision in the state's taxation policy; a reduction in the time for mortgage redemption, and an amendment of the definitions of demand and time deposits to remove CDs from the demand deposit category so that banks will not have to include CDs in demand deposit reserve requirements during the last 30 days of the 90-day certificates.

The Kansas Bankers Association's position on the Uniform Consumer Credit Code is that it contains no particular advantages or disadvantages to Kansas banks. KBA plans to recommend continued study of the code to permit the experiences of other states now under the code to be evaluated. KBA believes the Kansas economy would be greatly aided through the attraction of more investment capital if the time for mortgage redemption was shortened from the present 18-month period. The primary obstacle to shortening is the governor's veto, which has been exercised twice in this matter. The fact that bankers must include CDs in their reserve requirements as demand deposits results in demand deposit reserve requirements being applied to at least 25% of a bank's time deposits during the last 30 days of the CDs' 90-day terms. KBA believes this is a significant disadvantage to potential borrowers in this time of tight money.

Mississippi. The Mississippi Bankers Association plans to seek an amendment to the Uniform Commercial Code to provide for direct return of unpaid items. Such a provision was removed from the code when it was enacted in 1966.

Oklahoma. The Oklahoma Legislature is expected to consider a formula for the deposit of state funds, a change in the drive-in facility law and several amendments to the banking code, in addition to taking a look at the over-all tax structure, including the taxation of banks. An attempt is also expected to be made to lower the interest rates provided for by the state's consumer credit code. • •

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Over $500,000,000

1st prize	$2,000,000
2nd prize	1,000,000
3rd prize	500,000
4th prize	300,000
5th prize	200,000

$100,000,000 to $500,000,000

1st prize	$1,500,000
2nd prize	1,000,000
3rd prize	500,000
4th prize	400,000
5th prize	350,000
6th prize	300,000
7th prize	250,000
8th prize	200,000
9th prize	150,000
10th prize	130,000
11th prize	120,000
12th prize	100,000

$50,000,000 to $100,000,000

1st prize	$1,000,000
2nd prize	600,000
3rd prize	500,000
4th prize	400,000
5th prize	300,000
6th prize	250,000
7th prize	200,000
8th prize	150,000
9th prize	125,000
10th prize	100,000
11th prize	75,000
12th prize	60,000
13th prize	55,000
14th prize	50,000
15th prize	50,000
16th prize	45,000
17th prize	40,000

Branch or Unit Banks and Savings and Loan Associations with Deposits of:

$10,000,000 to $50,000,000

1st prize	$500,000
2nd prize	400,000
3rd prize	300,000
4th prize	225,000
5th prize	200,000
6th prize	175,000
7th prize	150,000
8th prize	125,000
9th prize	100,000
10th prize	90,000
11th prize	85,000
12th prize	80,000
13th prize	75,000
14th prize	70,000
15th prize	65,000
16th prize	60,000
17th prize	55,000
18th prize	50,000
19th prize	45,000
20th prize	40,000
21st prize	35,000
22nd prize	30,000
23rd prize	25,000
24th prize	20,000

Under $10,000,000

1st prize	$100,000
2nd prize	75,000
3rd prize	50,000
4th prize	45,000
5th prize	40,000
6th prize	35,000
7th prize	30,000
8th prize	25,000
9th prize	25,000
10th prize	25,000
11th prize	25,000
12th prize	25,000
13th prize	25,000
14th prize	25,000
15th prize	25,000
16th prize	25,000
17th prize	25,000
18th prize	25,000
19th prize	20,000
20th prize	20,000
21st prize	20,000
22nd prize	20,000
23rd prize	20,000

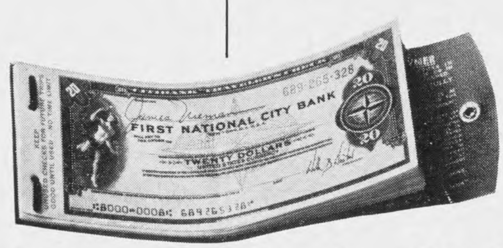
Unit Banks and Savings and Loan Associations with Deposits of:

Over $100,000,000

1st prize	$1,000,000
2nd prize	500,000
3rd prize	150,000
4th prize	100,000

$50,000,000 to $100,000,000

1st prize	$600,000
2nd prize	300,000
3rd prize	200,000
4th prize	150,000
5th prize	100,000
6th prize	60,000
7th prize	50,000
8th prize	40,000



First National City Travelers Checks
(The Everywhere Check)

Bank Credit Cards in the '70s: Cooperation, Growth and Challenges

ONE OF THE MOST satisfying developments of the '60s was the coming of age of the bank credit card. As a spokesman for BankAmericard put it, "Not since the check's intrepid introduction on the American scene has anything reshaped a way of life so fast or dramatically." And while there is still much to be done, there is reason for optimism in the decade ahead.

What will the '70s hold for bank credit cards? According to the experts, several things: continued strong growth, cooperative efforts on the part of the major systems, increased volume and profitability, technological advances, and many, many challenges. For the specifics, MID-CONTINENT BANKER asked the leaders in the bank credit card field for their comments. Here is what they said:

Donald R. McBride, president of BankAmerica Service Corp., San Francisco, predicted, "Ahead in 1970 is the prospect of continued strong growth for BankAmericard in sales, cardholders and geographical coverage." Described as the single most significant factor in the credit card revolution, BankAmericard experienced eight years of unbroken growth that carried it from \$75 million in sales in 1961 to \$814.5 million in 1968, and from a million cardholders in a one-state operation to more than 26 million cardholders in 47 states and 40 countries.

By year-end 1969, according to Mr. McBride, BankAmericard expected billings to reach in excess of \$1.7 billion, \$775 million over the original projection. Cardholders were expected to exceed the 27½-million mark by year-end, merchant outlets to be over 650,000 and number of banks in the program to reach 3,500.

In a conservative peek at 1970, Mr. McBride says BankAmericard should have 36½ million cardholders by the end of the year, as well as 750,000 business outlets and 4,400 banks in the program. Sales should reach \$3¼ billion, he says.

BankAmericard is presently negotiating with banks in 13 countries for direct licensing and an additional 36 countries for merchant acceptance exclusively, says Mr. McBride. He adds that most or all of these areas will be in the program before 1970 ends. This would increase BankAmericard's worldwide coverage to 90 foreign areas.

BankAmericard is advancing toward sophisticated new technology that may eventually result in paperless electronic transmission of credit card transactions, Mr. McBride points out. In the planning stage are computer-to-computer, nationwide authorization and a new processing system, featuring descriptive billing and other highly technical virtues like on-line data capture. The fantastic growth and progress of bank credit cards in the '60s, Mr. McBride says, is only overshadowed by the fact that the future holds even greater promise.

Karl Hinke, chairman of Interbank Card Association, Buffalo, N. Y., says that the variety of uses for the charge card to facilitate the payments mechanism in the future seems almost unlimited. "Computer usage will continue to be a major factor in the development of the bank charge card business and one of its most significant roles will be in providing effective authorization systems," says Mr. Hinke. In his view, it appears that the length of time newly organized charge card plans must operate before becoming profitable is substantially less than earlier forecasted or than was the experience of older plans. He cautioned that the expectations of several institutions to be on a profitable basis within a year to 18 months is by no means typical.

Mr. Hinke foresees a great deal of growth in the volume of credit card transactions. For 1969, probably 2% of all retail sales in the United States were via some bank card, he noted. This figure excludes automobile sales, home improvements and other major ticket items not normally financed on a card, and totals roughly \$5 billion. This is about double the 1968 percentage and dollar-volume, and Mr. Hinke adds that it would not be surprising for the same thing to happen in 1970—doubling of volume to approximately \$10 billion.

"The volume of transactions involving out-of-area usage of the card, or 'interchange' usage, is developing into substantially greater totals than was generally anticipated," Mr. Hinke reports. In the Interbank system itself, he notes, current figures suggest that on an annualized basis, interchange transactions are approximately 15% to 18% of total sales, including cash advances.

By 1975, it would not be surprising, in Mr. Hinke's view, if retail sales handled via bank credit cards approximated 15% to 20% of total such sales in the United States, or perhaps as much as \$50-\$60 billion.

Richard P. Tennant, president of Credit Systems Inc., St. Louis, describes 1969 as the greatest growth year in bank charge cards since their beginning. Many challenges were thereby created for the bank charge card industry in the first few years of the next decade, he points out. (CSI is the parent firm of the Bankmark card, slated to convert to Master Charge this year.) Mr. Tennant feels that there seems to be no clear-cut answer at this time on how to electronically transfer credit, and it is unlikely that any of this generation will live in a completely "checkless" or "cashless" society. "The charge card as we know it today, however, definitely is a prelude to the ultimate reduction of checks and money required to be in circulation," he said.

Many questions must be answered, according to Mr. Tennant, before the foundation can be laid for a "less-check" and "less-cash" society, and an important one is: What does the public require and does it know its needs? While people are usually reluctant to readily accept change, says Mr. Tennant, the mountain of paper continues to grow and requires that something be done soon. Some bank charge plans have adopted descriptive billing and optical scanning in an attempt to turn back the "paper tide," he noted. These devices cannot necessarily be adopted by all plans and besides, he points out, the age-old question remains: Is this what the customer wants?

(Continued on page 54)

Few subjects occupy the thoughts of CEOs and directors more than the availability of competent bank personnel to man the steadily increasing positions opening up in banking, not to mention talented personnel to serve as successors to current top bank management. MID-CONTINENT BANKER *has surveyed a group of leading personnel specialists, asking them to comment on what they foresee regarding the entire spectrum of bank personnel. Their replies begin on this page.*

The Outlook for Bank Personnel

What's Behind 'Executive Help Wanted'?

By MICHAEL HOMA

Associate Manager, Midwest
Anthony Kane Associates, Inc.
Chicago

THERE CAN be no question that within the last decade the banking industry has been confronted with a variety of factors directly influencing retention and recruitment of experienced officers. *Rapid growth* and *personnel mobility* would rank as probably the two most significant factors. Additionally, such forces as salary competition both within the banking field and by other industries; increased academic demands; retirements vis-a-vis the demographic influences of World War II have all contributed to the general proposition that the qualified, experienced and capable banker desirous of making a career advancement is doing so today with relative ease.

A review of position needs of banks within the Midwest and other regions of the country reflect that the most sought-after bank officers today are in the areas of commercial lending and trust administration. In the three years since the opening of this Midwest regional office, we've observed that our bank clients have experienced extremely rapid demand and growth in these two fields. Mr. McGuire, in the September, 1967, issue of MCB discussed the needs in the trust administration field.[1] Generally, his comments are pertinent today.

The Commercial Loan Officer. The rapid expansion of the commercial lending function has placed considerable stress on a bank's ability to successfully recruit on the college campus highly motivated management trainees. However, it appears that the business demands have expanded in a shorter time than is necessary to soundly prepare a young man to assume responsibilities on the lending platform. This has necessitated many banks to recruit the *experienced* commercial lending officer capable of becoming productive shortly after joining the new institution.

Frequently, the experienced bank officer comes to us desiring a change because he feels thwarted in his ambition to assume greater management and administrative responsibilities. His frustration is rooted in the "age crunch" whereby his superior and his superior's superior often are three to seven years his elders. His request is to find an institution where his experience and abilities can now be used and most importantly, where the age spread is such that he can realistically expect (after proved performance) to advance to department or division responsibility within the next few years.

Fluidity and Compensation. American society is mobile—and the bank officer is no exception. For a variety of personal considerations he'll frequently relocate state-wide, regionally or across the country. Recognizing this trend, Anthony Kane Associates has wholly owned and professionally staffed offices in such other key financial centers as New York, Atlanta, Los Angeles and San Francisco. Later this month we will open a Dallas office responsible for better servicing the Southwest financial community.

Compensation is always an important consideration for both the indi-

(Continued on page 59)

(1) See MID-CONTINENT BANKER article, September, 1967, "In the Trust Business Function Follows People" by Frank J. McGuire, vice president, Midwest regional manager, Anthony Kane Associates, Inc. Mr. McGuire's office will make a reprint available on request.

Top Bank Managers Need Supporting Teams

By WILLIAM B. BEESON

Partner & Manager
Executive Recruitment
Lawrence-Leiter & Co.
Management Consultants
Kansas City

LET'S CONSIDER the outlook for the year or two ahead in terms of the management personnel requirement to capably lead the banking industry to its objectives.

At the outset, I can comment briefly on those banks whose objectives and plans call for no more than maintaining the status quo or present rate of growth under now-existing programs. If these banks are assured of the continuity of present management, or have developed successors of comparable talents and drives to those who will be retiring or otherwise leaving their present positions, then they have few, if any, current problems in their management-manpower planning.

A different problem may well exist for those banks that (1) are progressively and aggressively leading the industry in growth and change or (2) are determined to meet competitive challenge and perhaps to "beat" it on occasion.

These banks, in my opinion, often have one or two individuals with the ideas and personal capabilities to implement plans, but fail to find a supportive organization beneath—and, more unfortunately, above or alongside —to pursue, develop and maintain these new and worthwhile plans. Recognizing this problem and planning for its solution lead only to halfway success. Yet to be accomplished is a sound organization analysis and plan,

is your bank bothered by

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After all, internal theft is a little embarrassing.

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Before that happens, why not do what other concerned companies like yours have done. Use The Reid Report, a unique pre-employment test for hiring honest people. Administered to prospective employees, it determines an individual's honesty and integrity. It's simple, fast, and scientifically validated. When used effectively it can all but eliminate internal theft.

We'll be glad to show you how it can be applied to your business. That way the next time someone asks that embarrassing question, you'll have an answer. No.

See October '69 issue of Mid-Continent Banker for comments on the Reid Report.

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There *is* competition for good men. Evidence of this is found on the campus and at the experienced level of recruiting as well. I believe some real progress has been made, but banking had to come from so far behind that there is still room for improvement.

The experience of any one executive recruiter is probably insufficient to draw specific conclusions as to hardest-to-find categories. Marketing and data processing probably head the functional list, but good *managers* and administrators in commercial lending, trust and accounting (controllers) are scarce.

The law of supply and demand applies on an ascending scale. Managers of multi-function departments up to chief administrative or chief executive officer are at a premium. Relinquishment of longtime, tightly held equity has been of considerable aid in attracting and retaining top-flight managers.

For the trainee-levels up through middle management, salary and fringe benefits improvement continue to be important, but not to be overlooked or underrated is the "climate for growth and development" that also motivates today's younger generation of intelligent, thinking and liberally oriented people.

Diversification, within the limits of present statutory and banking regulations, has broadened the attraction to many who might not otherwise have considered banking as a career. More sophisticated marketing plans and programs also have brought about some "industry career shifts" and infused the banking industry with some new blood.

And the lure of power—properly used—is still a potent attracting force. The banking industry was looked upon as losing some of that power, mostly by default, but since that trend appears to be reversing, there are many men of management caliber who will want to use that constructive power not only to strengthen the capitalistic structure, but to find some of the solutions to pressing socio-economic problems that exist in our nation and in our communities.

To return to my introductory comments, there simply is no substitute for determining corporate objectives as a basis for organization and manpower planning. Finding and attracting good people will still be difficult in the year ahead, but ambitious and thoughtful objectives together with realistic plans and a commitment to succeed can surmount any pessimism or obstacles detected in this outlook.

The Shift to Emphasis on Management Salaries

By BEN S. COLE

President
Cole & Associates, Inc.
Management Consultants
Boston

BANKING is placing significantly more emphasis on management compensation.

For years, banking was considered one of the poorest paying professions. The current Cole Bank Officer Salary Survey indicates that banking is becoming more competitive in the management-compensation arena.

Banking has countered the fears of the early '60s that the computer would drastically reduce employment. My firm's last two surveys show the average number of total employees rising between 6% and 8% in 1968 and from 7% to 12% in 1969. At the same time, officer staffs have increased an average of 9% in 1968 and nearly 12% in 1969.

The computer, rather than turning people into numbers, instead can be a liberating force. It offers countless opportunities to objectively measure a bank officer's performance against quantifiable goals and objectives, many of which he will set for himself. I believe that in the '70s it will be less necessary for an individual to please his boss than to please himself by attaining the goals he has established in conjunction with management.

Salaries alone will not guarantee that banking will attract and retain good management talent. Significant changes are needed with regard to decision-making responsibility. This is an area in which banking is still behind industry. While the rigorous governmental controls and the fiduciary responsibilities with their accompanying checks and counterchecks do restrict decision-making freedom, there are steps which banking could take that would enhance the individual officer's ability to grow and develop within his job.

Take the whole area of credit decisions. The lending authority granted to many loan officers and branch managers is often limited to a point well below the capability of the individual.

In visiting survey participants, I find that a frequent topic of conversation is the turnover among recently graduated officer trainees. Starting salaries for officer trainees ranged from the mid-seven thousands in the $100-$500 million-asset group to over $9,000 in the nation's largest banks. The average starting trainee salary in the Midwest was over $8,000 in 1969. Between 1968 and 1969, all officer trainees surveyed received an average salary increase amounting to 15%.

Despite this, a significant number of these young men are attracted away from banking after two or three years of training. I believe there are three factors contributing to this turnover: Employment opportunities for these young men have been plentiful. There is no longer a stigma attached to job hopping. The training and sophistication of today's college graduates are higher than ever before and therefore their expectations are higher.

These young men want to participate in the main stream of activities. Whether this is fair or unfair in the eyes of older officers who have spent years in training, it is now a fact of life. Today's trainees have a great deal of potential. Banking must convert that potential into accomplishment earlier in the game.

I believe that one of banking's longest suits is its ability to insulate its employees during periods of change in the economy. During a downtrend, bank employment (unlike brokerage houses, for example) has in the past remained stable. There is greater stability also in terms of compensation. While industrial incentive plans will undergo wide swings commensurate with the economy, bank compensation has a far more consistent pattern.

Shortage: The Outlook for the '70s

By DON HOWARD, President

Don Howard Personnel, Inc.
New York City

THE DECADE just ended saw banking wrestling with a shortage of personnel at all levels. Those of us who specialize in servicing the industry's personnel needs think we learned a lot in the 1960s, yet I suspect that we haven't seen anything yet. Shortages should continue for at least five years. We may get no farther than affixing a half-nelson on the problem.

Despite its facility at staying abreast of the times in many ways—or, perhaps, because of it—banking has been unable to generate a sustained flow of capable people, especially for middle management. This is something of a shame since bank training programs, which got their effective start during the 1950s, put the industry near the top of all industry when it comes to continuing education efforts.

Part of the problem is historical circumstance. The low birth rate of the '30s caused a general shortage of people to take over from top-level retirees during the '60s. This also triggered by a generally unfortunate "pressure" situation up and down the managerial ladder and aggravated the classical communications gap between bright juniors and their elders.

But much of the shortage also can be attributed to banking's failure to upgrade its image as a stuffy, ultra-conservative, slow-moving, etc., place to work. Today, that can be a pernicious failure, for today's young people want action, even if they call it a "commitment." They want to make things happen. Wall Street and other obviously "alive" fields have siphoned off many with the financial drive who might have become great bankers.

It does no good to say that banking is not stuffy, slow-moving, etc. Facts are facts, but "image" often obscures facts.

Whatever the reasons, there is a continuing shortage. Most clearly, it exists in the 38-48 age bracket, or those men and women who will run the show in a few years. Generally, such candidates for the top posts are competent as department heads and should be competent in the command roles—but there aren't enough of them.

As for specific job titles, we find that loan officers are hard to find for commercial banks. That probably will be a problem for some time. Demand is high and it's a job that doesn't appeal to everyone, no matter how vital.

The greatest gap we see, however, is in the trust and investment areas. Bank services have expanded tremendously here, with many institutions putting much promotional effort behind them. This growth, coupled with the attraction of Wall Street noted above, makes the supply of good candidates inadequate.

Starting salaries for management trainees are still a bit below those offered by industrial employers. However, the difference is not so large that an energetic, imaginative recruiter cannot deal with it. The range for trainees with a B.A. is $8,500-$9,800. For those with advanced degrees, it can run from around $10,000 to as much as $14,000.

As for clericals and secretaries, shortage is a way of life. Since just about every industry can make that statement, we have nothing profound to add, except, once again, that imaginative recruiting, stressing the excellent fringe benefits typical of banking, should bear some fruit.

If banking is to stay abreast of the enormous changes ahead, it must attract more college graduates. We of Don Howard are seeing such people today, but not nearly enough. Frankly, a personnel organization isn't necessarily the best medium for procurement of beginners. The individual institution and the various associations must upgrade and intensify the effort to show the industry as the active, energetic and challenging field that it is. In other words, we must apply a full nelson and any other accepted holds in this constant wrestling match for personnel. • •

Consumer Finance Meet

(Continued from page 8)

Bankers with installment outstandings in excess of $5 million were led in their discussion by moderator John A. Venditto, vice president, Union National of Springfield. Co-moderators were Harry F. Harrison, vice president, Westport Bank, Kansas City, and William G. Travis, vice president, First National of St. Louis. Among the questions which brought a great deal of response was one posed by Mr. Travis: "How serious is the threat of 'class action' in the courts against installment lending and how can it be guarded against?"

Mr. Harrison brought about some lively discussion with the question "What is the biggest problem confronting bank installment lending today and what are the remedies?" Among other topics discussed were: effect of Regulation Z on volume, reducing costs of installment receivables, securing new employees, and the matter of demanding compensating retail from dealers when extending wholesale credit.

A social hour and banquet concluded the first day of the conference. On the second day, speakers were scheduled for one morning session before the conference adjourned. "Dissemination of Credit Information" was the topic of Jim Craig at the final session. Mr. Craig is manager of the Springfield Better Business Bureau. Also on the program was Ross Shannon of Ross C. Shannon & Associates, St. Louis sales and management counsel. His topic was "Your Personality Is Showing." • •

Economy to Pay

(Continued from page 29)

fast as will the growth rate of spending in 1970. Total real production may decline; the unemployment rate will probably rise, and corporate profits will, almost surely, fall substantially. The extent of the weakness will depend in large measure on monetary developments in the near future. If money grows at a moderate 3% rate, the cost in lost real output and idle resources should be moderate while some progress is made at reducing inflation. On the other hand, if money continues to change little on balance, a rather severe recession is likely. The chances then would be great that once the magnitude of the contraction became apparent, there would be an ill-advised outcry for policies to be overly relaxed, as in early 1967. If policy responded, inflation would again accelerate. • •

Tennessee Ernie Ford Special

PHILADELPHIA—The Foundation for Full Service Banks will sponsor, for the second time, the Tennessee Ernie Ford show Wednesday, March 18, from 10 to 11 p.m. (EST). The first show in November, 1968, attracted 31,431,000 viewers in 15,560,000 U. S. homes.

The nation's bankers will promote the "special" through enclosures, lobby posters and newspaper advertisements.

The Outlook for Mobile Home Financing

Reasons Behind Mobile Home Boom and How Banks Can Profit by Them

ALL SYSTEMS are "go" for a continuation of the boom in mobile home sales, according to replies to a recent MID-CONTINENT BANKER survey.

In 1969, mobile home sales accounted for more than 30% of all single-family homes constructed, according to the Mobile Home Manufacturers Association. In October, 1969, the figure jumped to 37%. Sales for 1969 are more than 30% above 1968 figures. When the dust settles on figures for 1969, a 400,000-unit total is expected.

The Mobile Home Manufacturers Association has been actively implementing its "operation push-up," an educational program aimed at convincing municipal officials that granting zoning approval for planned mobile home communities is a progressive step.

The Investment Insurance Corp., Jacksonville, Fla., predicts a 500,000-unit-year for mobile homes in 1970, representing a 25% increase over 1969 and 80% of all under-$15,000 housing to be constructed for the year. The firm attributes the growth of the industry to the following factors: (1) Fast and steady increase of the over-all acceptance of mobile homes as permanent housing units, (2) widespread acceptance of mobile homes as good installment loan financing risks, (3) tight money, which has made short-maturity mobile home loans attractive, (4) a trend of mobile home owners to fall into the age group of 34 and under, most of whom are skilled craftsmen and good financing prospects, and (5) the attractiveness of high-yield mobile home loans.

Delinquency on mobile home loans is low, according to Mobilehome Guaranty Corp., Miami. If a bank works with a reputable service company which chooses dealers for the bank, not only on the basis of the dealers' volume but especially on the basis of the dealers' reputation, past performance and ability to service the merchandise they sell, delinquency will be better than in any other category of installment lending, according to a Mobilehome Guaranty Corp. official.

Also, the repossession ratio will be relatively small if the bank insists and ascertains that the factory the dealer is doing business with has a solid price policy. When a bank works with a service company, which insures the mobile home paper purchased by the bank through an "A"-rated insurance company, the bank will not have any losses and will have a guaranteed high yield, the official states.

Financial Marketing Services, Inc., Pensacola, Fla., points out that more than 45% of mobile home families earn more than $7,000 yearly. Mobile home owners are excellent prospective customers for banks, not only regarding financing the mobile home, but regarding all types of bank services. The firm advises banks currently in the mobile home financing area to enlarge their operations along this line. It also advises banks that are not involved to become so, to assure that mobile home dwellers become more commercial bank-conscious when it comes to banking needs. • •

By HUBERT A. TEMPLE,

President
American Mobilehome Company
Los Angeles

SEVEN AND ONE-HALF million people live in mobile homes today. Impressive? Yes, and the number is increasing steadily. Mobile home living, still a pink-cheeked infant, will emerge as a giant in the housing industry across the nation.

As an investment, mobile home financing is a solid one. Mobile home living has come a long way since the early days of the trailer camp, with its hodge-podge of trailers backed into parking slots and its itinerant population of low-income families. Trailer camps were the product of World War II, when the immediate need for housing was critical.

Today the need for new housing remains serious, with our inflationary pressures and tight money situation; but mobile home living has moved out of the trailer camp and into luxurious living in a park-like setting.

And the cost to a mobile home buyer is up to 70% less than conventionally-constructed dwellings.

Statistics reveal that a high percentage of mobile home owners are family men with up to five children living in the household, with the remainder being, for the most part, either newly married or retired persons. Income of at least 25% of the owners is more than $9,000 per year, with the 54% below this figure including those who are newly married, just entering, or about to enter their peak earning period.

Statistics further reveal that 80% had not moved their homes in five years. Of those who did, 62% moved less than 100 miles and 44% of those moves were job-oriented. Of a sampling taken, 52% said that their next home would be a mobile home.

A large segment of mobile home owners are retired persons and those in the under-25 age group. When one considers that a mobile home can be purchased for as little as $9 per square foot as against $15 to $20 a square foot

for apartments or single-family dwellings, the economics of mobile home living become apparent. Add to that the environmental and social factor, with recreation, grounds and neighborliness, and mobile home living becomes even more persuasive. This is why one out of every five new single-family dwellings is a mobile home.

Now, with the permission of the Home Loan Bank, more banks and S&Ls are taking a longer, harder look at this market.

The benefits from mobile home financing lie in a higher return on a shorter term investment. Heretofore, financing has been concentrated almost exclusively in commercial banks and finance companies, most of it by lenders doing a large volume of business. Statistics published in the Annual Industry Review of the Mobilehome Manufacturers Association estimate $2.6 billion to $2.8 billion of accounts in force are held by from 309 to 329 lenders.

However, with the continued advance of sales and the prospect of accelerated penetration into the housing field, the need for adequate financing will increase rather than diminish.

The progress of the mobile home industry has been almost directly proportionate to the availability of financing. If present lenders insist upon retaining present financing methods, the growth of mobile homes into new housing concepts will be stifled. Present financing (add-on interest, for example) methods are simply too costly for the average purchaser to use in financing the larger, better quality mobile homes on the market today. More flexible financing will add stimulation to the industry.

Wholesale financing of the mobile home dealer is similar to that of automobile financing: the majority of dealers are financed by banks or finance companies who also finance their retail sales.

This wholesale-retail financing program works to the mutual benefit of the dealer and lender. There is not much profit in wholesale financing and thus, in exchange for granting the dealer his floor-plan financing, the dealer reciprocates by offering the lender the retail financing business.

In the retail financing process, a strong collection practice with the precaution of knowing the financial stability of the dealer, the financial ability and credit standing of the borrower, the use of a recourse agreement and a repurchase provision in the underlying agreement with the dealer, enables lenders to maintain a low delinquency ratio that is equal to or less than those experienced in real estate mortgages.

The Federal Home Loan Bank Board study of the mobile home industry points out that delinquency since 1963 on mobile home loans has been less than that on one- and two-family houses financed through the Federal Housing Administration. • •

What's Ahead?

(Continued from page 23)

about on schedule and be of relatively robust proportions. If the battle against inflation is to succeed, it is doubtful that these conditions will materialize; the sag may be more severe and the upturn later and, perhaps, of less vigorous proportions.

Corporate profits, especially of manufacturing corporations, appear vulnerable to any significant deterioration in the economic environment. The upward pressure on hourly labor costs is stronger and involves larger increases than ever before and labor costs per unit of output are certain to continue their persistent upward trend in 1970. What is not so certain is whether it will be feasible to raise selling prices sufficiently to compensate for these added costs. Even during the past few months, before there was any evidence of a slowing down of the economy, price increases appear to have lagged behind the rise in unit labor costs. In the economic pause early in 1967, furthermore, prices declined relative to unit labor costs by about 5%.

Given a slowdown of somewhat greater proportions and of longer duration than is generally anticipated in the "standard" forecast, the squeeze on pretax corporate profits could be 10%, or somewhat more.

Success or Failure? There is no doubt that as of this writing the President and the Federal Reserve are fully convinced of the need to come to grips in no uncertain fashion with the inflation problem and are determined to persist in restraining action until they can see positive results. Whether they succeed or fail will depend, not on their determination, but on the support or lack of support they receive when unemployment rises, when the labor unions encounter more difficulty in obtaining rich settlements and when businessmen find that the market conditions make it harder to raise prices.

The first problem, of course, is to obtain the support of Congress. Some members may find it difficult to resist the temptation to make political capital out of the problems associated with efforts to overcome the inflation virus. Congressional critics will emphasize the seriousness of the unemployment problem and the "lost" production that will result from a slower rate of growth. Those who recognize the social costs of inflation will argue that other techniques—either guidelines or controls—should be used, instead of general economic policy. And if recent evidence is pertinent, Congress will continue to appropriate more funds and to propose larger reductions in taxes—just the wrong kind of medicine for an economy afflicted with overheating and inflation.

A second and perhaps even more important problem is to obtain the support of the public. Resentment against rising prices is widespread, perhaps well-nigh universal, but too few are willing to pay the price of an anti-inflation effort—and this is true of many businessmen and labor union leaders alike.

Unfortunately, there is no well-organized pressure group in the United States that has as its overriding objective the maintenance of the value of the dollar. In contrast, there are scores or hundreds of organizations that endorse actions, most of which involve increased spending by the federal government and run counter to effective action against inflation.

Two courses of action are indicated: (1) an effort to marshal the "silent" majority who are the victims of inflation so that they can make their views known; and (2) a more effective program by the Administration to set forth the costs of continuing inflation and to point out that coping with the present inflationary situation will necessarily involve restraining action for more than a few weeks or a few months.

Given the support of Congress and of the public, the anti-inflation efforts can succeed—as they did a decade ago. Without such support, the attempts of the President and of the Federal Reserve are probably doomed to failure!

BAI Slates National, Regional Meetings

PARK RIDGE, ILL.—The Bank Administration Institute has scheduled its 1970 regional and national conventions. The 46th national convention will be held in the Washington Hilton, Washington, D. C., October 25-28. The second annual national conference on bank security will be held in the Palmer House, Chicago, July 20-22.

The BAI's regional conventions are: eastern —Hollywood Beach Hotel—Hollywood Beach, Fla.—April 5-7; southern—Arlington Hotel—Hot Springs, Ark.—April 19-21, northern—St. Paul Hilton, St. Paul, Minn.—May 10-12; and western—Stage Coach Inn, West Yellowstone, Mont.—June 7-9.

First of Chicago Correspondent Conference Examines Outlook for Banks, Business

THE OUTLOOK for business conditions in 1970 is for more of the same, according to the majority of respondents to a recent survey made by First National of Chicago in connection with its 23rd annual conference of bank correspondents. The survey was taken among 690 bankers from across the nation.

However, a sizeable percentage (38.4) of respondents expect poorer business conditions this year than for the last half of 1969. Only 8.4% took the optimistic viewpoint that conditions will improve this year.

In answer to a question about the general structure of interest rates in 1970, compared with 1969, 12.7% expect 1970 rates to be higher, 22.9% expect lower rates and 64.4% think the rates will remain about the same.

When queried on bank profits in 1970, 43.9% responded that profits of their respective banks will increase in 1970 while 14.8% look for a decrease and 41.3% think there will be little change.

Total deposits are expected to increase, said 52.6%, to decline said 9.3% and to remain the same said 38.1%. About 34.9% expect their respective loan-to-deposit ratio to increase this year, 6.8% expect a decrease and 58.3% expect the ratio to remain at present levels.

Herbert Prochnow (l.), First of Chicago honorary director, and W. W. Campbell, ch., First Nat'l of Eastern Arkansas, Forrest City, chat during conference.

More than 1,500 bankers and guests attended the two-day conference that consisted of discussions of banking and related topics. Following is a roundup of remarks and ideas presented at the conference.

Loan Demand. The demand for short-term loans may ease during the first half of 1970 and pick up again in the last half, particularly the final quarter, according to Rudolph E. Palluck, senior vice president at First of Chicago. Mr. Palluck also stated that pressure on banks for term loans can be heavy and he advised loan officers to try to convince corporate managements to obtain their true long-term money needs at the current market as many major companies have been doing in recent months. He also cautioned loan officers to follow credits closely, particularly the weaker companies that can suffer most, to detect symptoms of approaching problems. If monthly or quarterly interim statements are not being furnished, this is a good time to start getting them. He said it was a time to exercise alertness in loan administration.

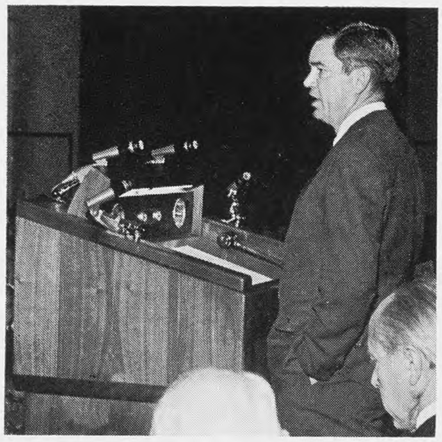
Bank Earnings. A projection of income for money-center banks, taken from guidelines set down by First of Chicago for its own operations, indicates a 6% expansion in total loans, a 5% rise in demand deposits and a 7% increase in savings deposits. These figures were presented by William T. Dwyer, vice president in charge of the correspondent department at First of Chicago. He also reported a foreseeable decline in the lowest loan rates of up to one point with the low coming in the third quarter of 1970.

A poll of a dozen money-center banks in the Midwest revealed the following information: 1969 earnings gains run from 14% to 37%, with an average gain of 24% over 1968 figures; the majority expects a lower gain in the final quarter of 1969; none express optimism about deposit growth in 1970; it is felt that the Fed's monetary policy will restrict business growth in 1970 on the national scene, but local business conditions are expected to continue to be good; rates will remain relatively high; and a majority indicated no increase in 1970 earnings.

International Environment. Chauncey E. Schmidt, senior vice president—Europe, Middle East and Africa—reported that, in this critical period of boom and inflation in the U. S., the Eurodollar market has served as a safety valve for many U. S. banks in temporarily solving their liquidity problems brought on by the tight money policy of the Administration. The Eurodollar market is a mature, efficient market and is a free unregulated one—a market that is quick to react. Its size is estimated at $30 billion in dollars and another $5 billion equivalent in other currencies. Borrowing by U. S. banks recently reached a staggering level of $15 billion, driving interest rates up to more than 12%, he said.

Banking Profile. Even though there is some semblance of a decline in 1970, monetary policy is expected to be relatively tight for some time to come,

Gaylord A. Freeman Jr. (r.), First of Chicago ch., examines conference program at registration desk.



William T. Dwyer, v.p. in charge of First of Chicago's correspondent bank department, addresses assembled bankers and guests at ballroom of Conrad Hilton Hotel, Chicago, during 23rd annual correspondent bankers' conference.

according to Carl T. Arlt, professor of finance at the University of Illinois, a conference participant. Professor Arlt said he did not anticipate the Fed will do anything more than to relax slightly the degree of restraint now in existence. He said this means that banks cannot anticipate a growth in reserves such as occurred in early 1967 when the Fed overreacted to that mini-recession. Professor Arlt commented that banks are now, through the medium of their holding companies' structure, issuing promissory notes, going out on the market and borrowing to acquire funds.

Of the most significant changes in banking in the past 10 years, Professor Arlt cited the growing emphasis on liability management, whereby instead of managing assets appropriately for adjustment in liquidity position, banks figure out on how much money they can tax from open markets and other sources, how much money they can borrow to meet liquidity pressures; the growing emphasis on broadening the services of banking; and a change in the general attitude toward competition in banking, encouraged by legislation that is less protective of banking positions.

Business Outlook. Professor Eli Shapiro of Harvard University, a conference speaker, stated that the present anti-inflation battle is being won, in his opinion, although it will take time to convince many that this is so. He said he had little doubt that the twin effects of a restrictive fiscal and monetary policy are having their effects on economic activity, yet there remains the question of what the stabilization authorities' stance will be with respect to these policies in the near-term future. He continued that the problems of fiscal policy are complicated by the tax reform legislation now in Congress (which, at the time of the conference, had not cleared the Senate). He said that if the Administration's tax reform package is not enacted, the result would be a shift to an expansive budget that would be likely to reverse the course of disinflation.

He said he would prefer that the Fed move toward a posture of greater ease, which would be to move slowly but steadily in the direction of achieving a monetary stance similar to the one pursued in early 1969. This would not be an "easy money" policy, he said. If the Fed does not move in this direction, Professor Shapiro predicts that the 1970 gross national product will have to be revised downward substantially —more than 200 basis points below current levels. If fiscal policy moves to a budget deficit of some $5 billion in calendar 1970, Professor Shapiro predicts a much larger GNP, with more rapid price increases and higher interest rates.

He said such an occurrence would be tragic because it would result in a severe recession in late 1970 or early 1971 and it would give the public reason to conclude that the stabilization of the economy is impossible to attain.

He concluded his remarks by predicting that the GNP will be up 5½%, of which 4% will be price increases and the balance an increase in physical output. He estimated that profits before taxes will be down 10%. • •

Outlook for Various Industries Given at Bank Conference

A NUMBER of other officers of First of Chicago presented outlook papers at the recent correspondent bankers' conference, among which were the following:

Petroleum and Chemicals. Profit results for 1970 are seen to be slightly below those of 1969, which, in turn, are expected to be slightly below those for 1968. The fate of the oil depletion allowance in the tax reform bill, as well as the proposed surtax decrease, will be factors affecting the situation. *Alvin C. Johnson, vice president.*

Steel, Machine Tools, Automobiles. Steel shipments are expected to drop from 1969's 93 million tons to 89 million tons in 1970, reflecting inventory consumption and a decrease in demand, coupled with a resulting small increase in imports of foreign steel. Total value of new orders for machine tools in 1969 was expected to approximate $1.65 billion, slightly less than for 1968. 1970 figures should be 10% less than for 1969. Auto sales for 1970 are expected to be nine million units, including a larger number of compacts with low profit margins. Imports are expected to decline from 1.1 million (1969) to one million in 1970. *Robert D. Judson, vice president.*

Food Franchising. An increase of 15% in sales is attainable for 1970. Availability of sites and market saturation, plus heightened competition are all negative factors that can cause fluctuations. *Thomas R. Williams, vice president.*

Footwear. A tidal wave of imports presents a serious crisis to the industry. Four of every nine pair of women's shoes sold in 1968 were imported. The battle is not for profits, but survival. *John E. Corrigan, vice president.*

Retail and Apparel. Little earnings growth is seen for the first half of 1970. Sales increases will not be sufficient to offset higher costs. *Robert L. Heymann, vice president.*

Stock Market. A preliminary estimate is for 1970 Dow Jones industrial earnings of about $55.50, down approximately 7½% from 1969. Standard & Poor's 425 industrials will record a similar setback. *Waid R. Vanderpoel, vice president.*

Hospital Care. $100-a-day hospital care is only a year or two away, due to labor increases. Underpaid hospital workers are demanding better wages. Where most corporations average between 31% and 38% for labor costs, hospitals expend 66% for labor. *John S. Gleason Jr., vice president.*

Construction. Housing starts will be lower in 1970 than for 1969 due to continuing relatively high interest and labor rates. The industry continues to be dominated by inflation. *James A. Bourke, vice president.*

The Bond and Money Market Outlook

By NICHOLAS J. DeLEONARDIS
Vice President
First National Bank of Chicago

THE MONEY market, as it is envisaged today, did not get underway until 1955. It was not until then that the return obtainable on various money market instruments was sufficient to make it worthwhile for corporation treasurers to invest their surplus funds. As an example: In 1945, United States Treasury bills yielded approximately ½%. By the end of 1955, they yielded 2½%. Today they yield 7.15%.


DeLEONARDIS

However, what is perhaps more significant is the growth of the money market since 1955: (1) In 1955 there were $642 million of bankers' acceptances outstanding. By 1969, this figure had risen to $5 billion. (2) In 1955, the amount of commercial paper outstanding—short-term borrowings of corporations—was slightly in excess of $2 billion. Today, it amounts to $28 billion. (3) U. S. Treasury bills outstanding in 1955 amounted to $23.3 billion. Currently this figure amounts to $74 billion.

One major consequence of this more active corporate investment policy has been a retarded rate of growth in demand deposits of commercial banks. Between 1955 and 1969, these deposits increased by only 49%.

In contrast to the rather slow growth of demand deposits, commercial bank time deposits grew by 270% between 1955-1969. In 1955, time deposits constituted approximately 26.2% of total bank deposits; today they constitute approximately 48%. One of the ways by which commercial banks have been able to increase their time deposits has been through the issuance, in the money market, of certificates of deposit. Certificates of deposit made their appearance in early 1960 and by year-end there were approximately $1 billion outstanding. By year-end 1968 the figure was $24.3 billion. As a result of recent Fed policy, there are about $11.5 billion currently outstanding.

This phenomenal growth of the money market has had a profound effect upon the U. S. banking structure.

Let's turn to the corporate bond market, examine some of the forces working therein and note how this activity has also effected the banking structure.

I would like to discuss the more traditional methods of acquiring funds—equities, long-term bonds and bank financing. The use of equities as a means of financing in 1968 was below the level of 1947—$1.2 billion in 1947 vs. $-.6 billion in 1968. As for bonds, the pattern was generally similar except for the last three years, starting in 1966. In 1966, corporations found they were unable to obtain further financing at their banks and turned to the bond markets to raise $10.2 billion. In 1967, corporate treasurers, fearing they would again face conditions similar to 1966, came to the market place and raised $15.1 billion through bond financing, obtaining 47% of their external needs in this manner. In 1969, they again turned heavily to the bond markets. Fortunately, approximately 35% of these offerings have been convertibles.

The pattern of bank loans from 1947 to 1961 was rather erratic, but starting in 1962 corporations began to turn more and more to their banks to meet the need of their longer-term financing. Whereas bank loans as a method of financing declined from 16% in 1947 to 10% in 1960, they increased to 18% by 1964 and by 1965 accounted for 28% of the external financial needs of corporations. After the financial squeeze of 1966, they declined to 16%. In 1968 they moved up to 26%. Based upon current loan-to-deposit ratios, it is evident that corporations are once again tapping the nation's banks.

However, what is important to this analysis is the effect the money and bond markets have had upon the loan structure of the banking system.

A graphic presentation as to what has been happening to the loan structure of commercial banks can be readily observed from the commercial and industrial loan activity at large New York City banks. The pattern develop-

(Continued on page 64)

Mr. DeLeonardis' article is based on the talk he gave at the annual conference of bank correspondents sponsored late last year by First National of Chicago.

Slow Start, Fast End for 70s

The slowing of business activity will continue, at least through the first half of 1970, according to William J. Korsvik, vice president, First National of Chicago, who spoke recently to the Illinois Society of CPAs.

In summary, Mr. Korsvik said that present restrictive policies have slowed the economy and eased the demand for goods and services and that the Administration states it will continue to operate a tight budget.

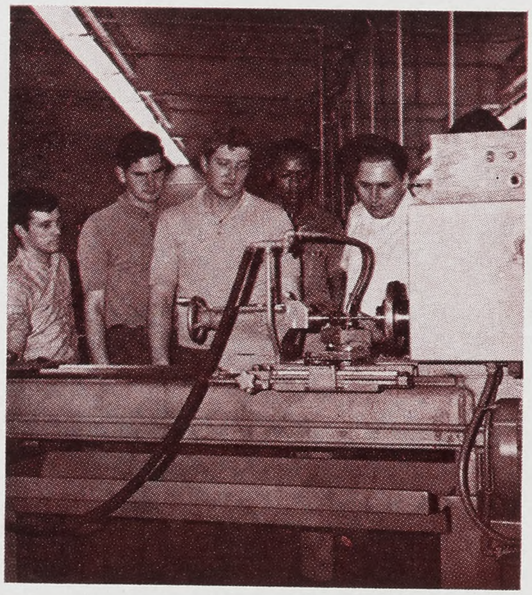
While the Fed will permit credit to expand in the months ahead, the rate of growth is likely to be gradual. The upward pressure on prices and interest rates will moderate sooner or later (perhaps it has already begun).

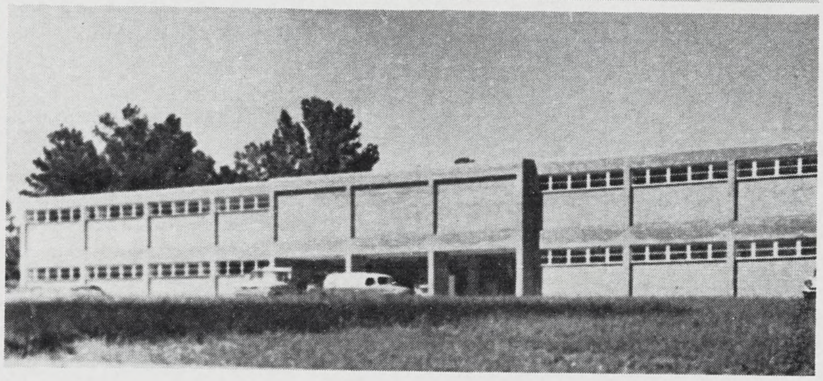
Corporate profits before taxes will temporarily decline about 10% and unemployment will edge higher, to about 6%.

However, he said, the outlook for the 70s is bright, what with the possibility of the end of the Vietnam War, a pent-up demand for housing and the great needs of our cities and the environment as a whole.

McComb, Mississippi

Growth Center of Southwest Mississippi





Excellence of educational and vocational training facilities is one of the primary reasons why the McComb area has great potential for outstanding economic development. The McComb School District employs some of the newest, most sophisticated teaching methods and is considered by several top educators as one of the most outstanding educational programs in the nation. A vocational-technical training facility offers a broad range of job skills to meet any industrial need of the area.

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The Outlook for Agricultural Credit

By BENNETT L. HAUENSTEIN

Vice President
First National Bank of Chicago

THE INFLATIONARY pressures in our economy have had the same impact on your farmer-businessman customers as on the other customers of your bank. Some sectors of agriculture have had substantially higher incomes, but operating costs have climbed at an accelerated pace. Farmers are concerned about the changes that may occur in government farm programs, as they are now being considered by Congress, and how these changes will affect their income. Major shifts are occurring in livestock production that may affect the historic farming patterns in your community. Credit availability, particularly for real estate purposes, has been a serious problem in agriculture.

HAUENSTEIN

New Farm Program Under Study. Since the present farm program will expire at the end of 1970, there has been a great deal of discussion of a new farm program for the future. For the first time in several decades, the Secretary of Agriculture has not developed a dramatic program to sell to Congress, various farm organizations and commodity groups, and the American farmer. As usual, however, the four major farm organizations have not been able to agree on a farm program. Agriculture Secretary Hardin has presented to Congress some historical data on past and present farm programs and he has offered to Congress several alternative ideas to consider in developing a new farm program.

None of these proposals is dramatic or new, except the acceptance of a need for two programs: One for the commercial farmer, who is responsible for the major food production in the country as well as for export markets, and the second for the low income, marginal farm group. This plan calls for promoting industry for these areas and training this group of farmers in skills that would make them productive employees for these industries.

Mr. Hauenstein's article is based on the talk he gave at the annual conference of bank correspondents sponsored late last year by First National of Chicago.

It is too early to determine what the new farm program will be. However, there is ample evidence to conclude the primary objectives of future farm programs will be lower direct costs to the taxpayer, and farm commodity prices that are more in line with world market prices. Since we have been exporting the production from about one of each four tillable acres, it is vital to agriculture to maintain a high level of exports.

Credit Availability to Agriculture. The greatest challenge of the successful farmer is managing capital, and greater amounts of this capital are borrowed each year. Farmers have had to compete with other segments of our economy for borrowed capital during the stringent credit conditions this year. In many states, their ability to borrow has been affected by low interest ceilings within their states. These ceilings have been particularly critical in borrowing real estate credit. These same forces have affected other bank customers in all segments of our economy.

Farmers assets in agriculture totaled \$298 billion on January 1, 1969. The debt for real estate totaled \$25.5 billion, and the non-real estate debt to

(Continued on page 70)

The Outlook for Agricultural Prices

Following is a condensation of remarks presented by John M. Davis, assistant cashier at First National of Chicago, at the bank's annual conference of bank correspondents held recently.

Wheat. There is little ground for expecting any substantial recovery of wheat prices in 1970. Supplies abroad and at home are extremely heavy and a surge in exports is unlikely. The sharp expansion in the use of wheat for livestock feeding will continue.

Soybeans. The demand for soybeans is much brighter than that for wheat. Demand is strong in both domestic and export markets. Prices have moved beyond the support level but there is little chance that more than a normal seasonal price increase can be sustained. Demand growth is expected to brighten the situation.

Feed grains. The feed grain crop again appears to be in reasonably close balance with the presently probable level of demand.

Corn. A 20-25 cent-per-bushel price advance in the next six months is a reasonable expectation. Further price gains will require a large rise in corn useage, but this may be prevented by low wheat prices which will encourage the use of wheat for livestock feeding. Export markets are not expected to show major gains.

Cattle. Cattle prices should be strengthened by a reduced level of hog marketings this winter.

Hogs. Hog prices should remain at least \$2 to \$4 per cwt above 1969 levels until about mid-year.

High risk pig.

The value of this pig varies every day, depending on the cash hog market. It would be dangerous to loan too much money on him because the hog market might go into a drastic slump. Such things happen frequently.

Low risk pig.

The value of this pig has been established through hedging on the Chicago Mercantile Exchange. His owner has a contract guaranteeing that he can sell the pig for a certain price. You may lend your customer as much as 90% of this pig's value with safety.

For your customer, hedging is a form of price insurance which can help him reduce his risk enormously. Sound banking practice recognizes this reduction of risk by granting larger loans to hedged commodities than to unhedged. Your customer profits—and you profit.

On the CME, your customers can hedge hogs, live cattle, frozen pork bellies, Idaho potatoes, fresh and frozen eggs, butter, turkeys, hams, and beginning in October 1969, lumber.

Our new booklet, "Price Protection and Loan Protection Through Hedging" is a brief but valuable source of information on this subject. Every officer of your bank should have one. You may have as many free copies as you want by writing to us, at the address below.

CHICAGO MERCANTILE EXCHANGE 50th anniversary
110 North Franklin Street, Chicago, Illinois 60606

You Don't Need a Cash Flow Plan to Lend Money to Farmers These Days

So Why Are We Bothering With It?

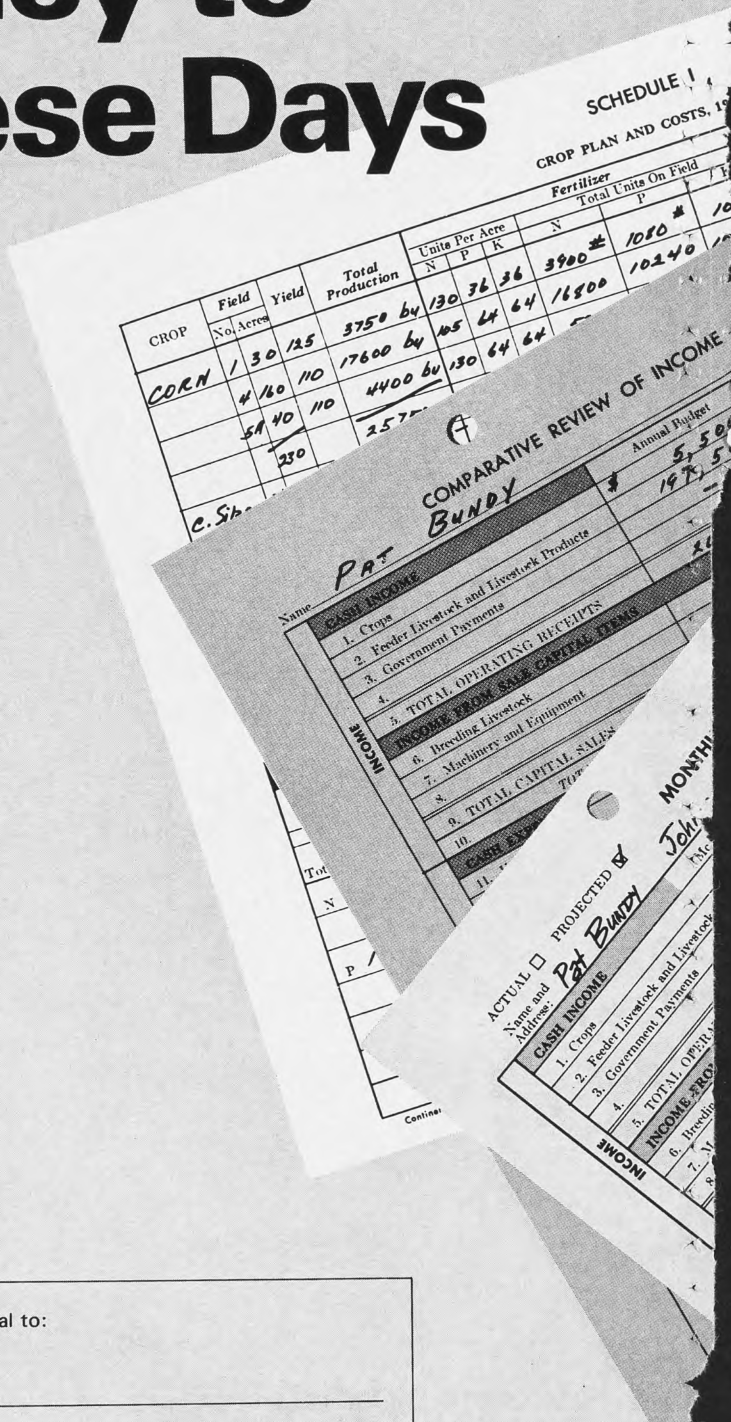
And Why Should You?

With money in as much demand as it is today, it certainly doesn't take a cash flow plan to "sell" farm loans. You know that and we know it. So why the urgency about cash flow planning, now?

For one thing, cash flow planning can help your farm customers become better money managers. And that is important today. In fact, it's critical.

For another, a cash flow plan arms you with an overview of your borrower's total debt and income picture for the year ahead. This, too, is more important than ever.

If these aren't reasons enough to help your farm customers begin cash flow planning now, do it for the sake of the future. Their future and your bank's place in it.



How To Turn Cash Flow Planning On

To get things started, we've inserted 200,000 copies of the cash flow booklet (pictured to the right) in this month's issue of TOP OP, Farm Journal's new magazine for Class I and II farmers. And we're suggesting these farmers see you for the cash flow forms they'll need.

We urge that you order a supply of these forms today. Not just for those customers who are already top farmers, but for those who — with your help — could be.

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231 SOUTH LA SALLE STREET, CHICAGO, ILLINOIS 60690

Credit Cards in the '70s

(Continued from page 36)

"The banking industry as a whole is focusing its attention on the electronic transfer of funds but this may only be filling a need of the banking industry rather than that of the customer," says Mr. Tennant. "Does the customer know or even want what lies ahead for him in the 'less-paper' society of the future? There is a great psychological resistance for any individual to be known as a number and there will always be a need for that personal relationship between the customer and his bank."

Turning to the technology of the '70s, Mr. Tennant feels that the technical aspects of the industry are not nearly as important as their implementation. Major problems exist today which must be solved in the immediate future, he warned. Among the challenges to be met he outlined are: regional authorization systems with national and international communications capability; interchange and settlement systems without paper flow; on-line "point of sale" data-capture devices for high-volume merchants; standardization of documents, input media, merchant and customer identification; compatibility with competitors and other credit-extending industries; mechanization of sales-draft processing; and more effective fraud detection and correction procedures.

"This is only the beginning," says Mr. Tennant. "In '69 we crawled and now in the '70s we must learn to walk!"

Richard J. Titley, president of the Southwestern States Bankcard Association, Dallas, sees 1970 as the year of consolidation and re-examination for bank cards. "Most of the larger associations which became operational during the 'great expansion' of 1969 will tighten up their operational procedures and increase their efficiency," he says. "Chrematistics"—the science of making money—will become popular, according to Mr. Titley.

This will be the year in which the two major bank credit card systems—Master Charge and BankAmericard—will initiate the first joint efforts toward cooperation, in Mr. Titley's view. This will involve development of common authorization and merchant installation procedures, he says. "The thrust will be toward a joint credit card program which will allow the merchant to accept both cards and will provide a single authorization phone number and common procedures." Most of 1970 will be devoted to discussion and planning, he feels, with actual implementation to follow in 1971-72.

A pattern for consumer legislation for the next three years will be established in 1970, says Mr. Titley. "Additional state governments will join the ever-popular trend toward the establishment of legislative ceilings on the price of consumer money."

During 1970 the normal areas of credit card growth will continue, Mr. Titley predicts. These include cardholder base, active accounts, sales volume, uses of the card and greater national and international acceptance. "Most of our energies will be directed toward faster and more effective national authorization systems and procedures, smoother and faster flow of paper both at national and international levels," he feels.

Mr. Titley concludes on a positive and optimistic note: "Both Interbank and BankAmericard will cease playing the 'numbers game' and the real measure of the system size will be in terms of dollars outstanding at interest. Nineteen-seventy promises to be another dynamic and vigorous year for all of us in the bank credit card industry." • •

1969 Stockholders' Reports

By K. DANE BROOKSHER, Partner
Peat, Marwick, Mitchell & Co.
St. Louis, Missouri

WHEN STOCKHOLDERS read your bank's 1969 annual stockholders' report they will notice substantial changes in financial presentation. Particularly, the statement of condition and statement of income contains several new captions and accounts which have been included in conformance with new reporting requirements as promulgated by the bank's respective supervisory authorities.

BROOKSHER

These new reporting requirements have grown out of a continued effort on the part of supervisory authorities, the Securities and Exchange Commission, the American Bankers Association and the American Institute of Certified Public Accountants to improve financial reporting in the banking industry. Last July 8 these four groups, which included representatives from all supervisory authorities (i.e., the Comptroller, the Fed and the FDIC), met to iron out previously proposed changes in bank reporting. From this meeting, and subsequent clarifying regulations, came the changes that are reflected in your bank's 1969 annual stockholders' report.

Basically, three important changes have been made in the 1969 annual stockholders' report which primarily affect the income and expense statement:

• Operating expenses as reported includes recognition of a loan-loss factor.

• Securities gains and losses are included in arriving at "Net Income."

• The bottom line of the "statement of income" is designated "Net Income."

Each of the supervisory bodies issued regulations covering these changes in substantially the same format: Part 18 of the Comptroller's regulations, Regulation F of the Fed and Part 335 of the FDIC regulations.

The above changes in reporting are significant since they add a further degree of insight into the bank's operations.

Prior to 1969, operating expenses and the designation "net operating earnings" did not include a charge for loan losses. Instead, the provision for loan losses, which was usually determined for tax purposes based upon the Treasury formula, was charged to a section called "non-operating deductions." Accordingly, the bank's statement of income did not reflect a provision for loan losses based on loans actually charged-off. The new rules require that a provision for loan losses be charged to operating expenses based on actual losses computed by one of the following methods:

a. Five-year moving average of loan losses for the years 1965 to 1969 inclusive.

b. A moving average of loan losses applied on a carry-forward basis, establishing 1969 as the first year of loss and averaging in each succeeding year through 1973. Thereafter, the computation would agree with "a" above.

c. Actual charge-offs for the year.

One of the above three methods was required to be used to compute the minimum charge for 1969. The selection of the method made by your bank in 1969 will be binding for future years since the regulations do not presently permit a change therefrom. However, a charge to operating expenses in excess of the amount so computed based on management's judgment, will be permitted provided adequate disclosure thereof is made in a note to the financial statements. Under the revised regulations, any difference in the amount charged to operating expenses in excess of or less than the amount added to the loan-loss reserve is to be reflected in undivided profits, net of related income taxes. Such an excess charge might arise because the bank would have used the Treasury formula to compute its total transfer to the loan-loss reserve.

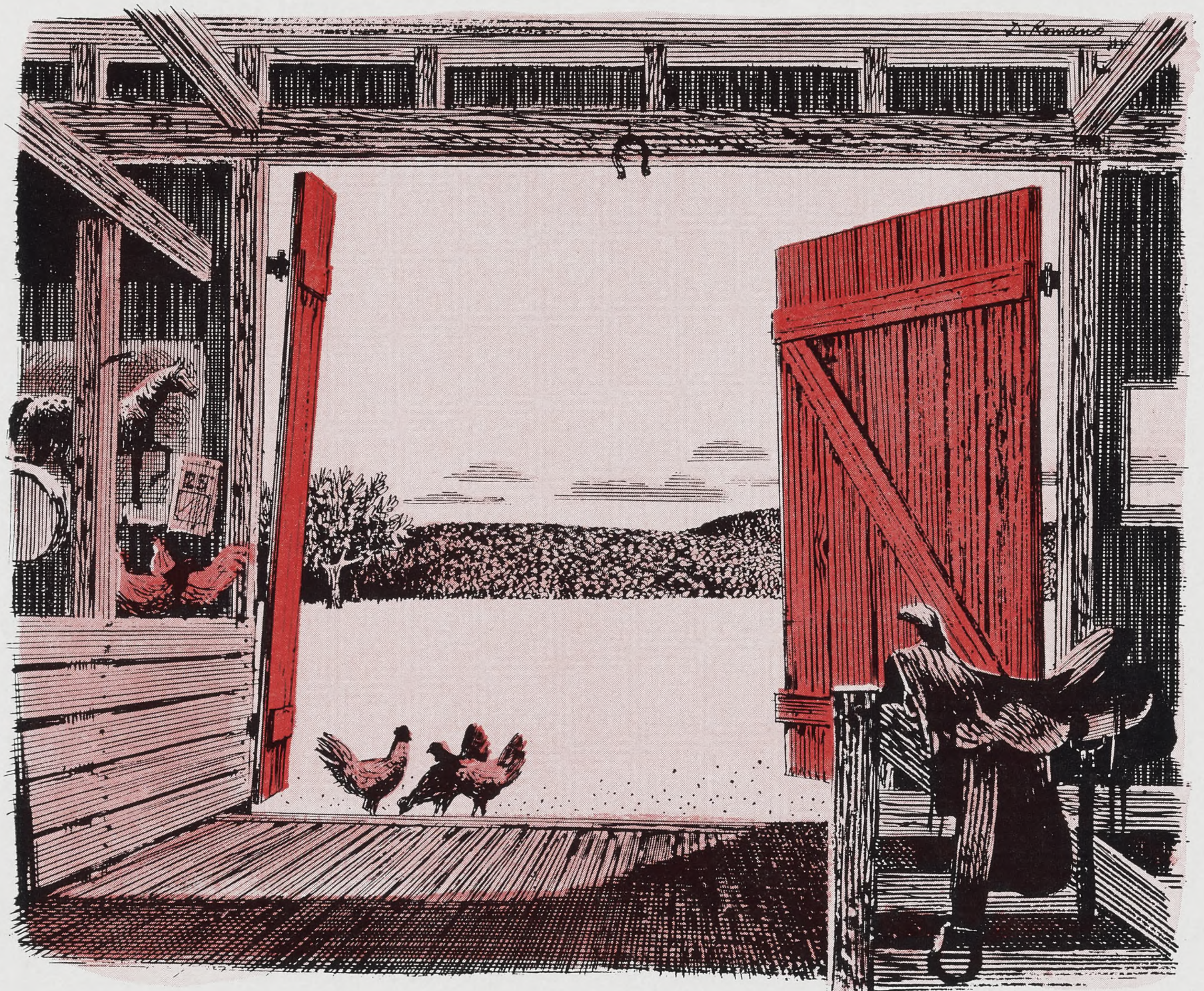
Reference can be made to the notes to the financial statements to determine if an excess charge was made and to determine the method used to compute the charge to operating expenses.

If your bank is on a charge-off basis of recognizing loan losses, the amount of actual charge-offs is required to be charged to operating expenses. The alternate methods of reporting loan losses now provide stockholders with a basis on which to evaluate and compare their bank's performance with regard to loan policy and loan-loss experience. Now, without searching the stockholders' report and making independent calculations, a bank's loan-loss experience can be determined and compared to that of other banks.

The reserve for loan losses in the statement of condition is now required to be disclosed on the right-hand side of the statement of condition, after liabilities and before capital accounts. Previously, the reserve for loan losses could appear as a deduction from loans or in the "other liabilities" caption.

Securities gains and losses were also a subject of the new regulations. In the 1969 annual stockholders' report, all banks were required to use the completed transaction method of reporting such gains and losses and to reflect them net of related income taxes.

Prior to 1969, several methods of reporting securities transactions were used by banks. The predominant alternate practice was to maintain a "reserve for securities" in which a charge



NOBODY HERE BUT JUST US CHICKENS: THE COLLATERAL'S GONE!

Possibly your lending institution shied away from making types of high yield loans requiring collateral for fear that collateral might escape from custody, and because of the difficulties and administrative expense encountered preventing its loss. Visions of the custodial chores usually involved turn the lender off.

The use of Lawrence changes the picture. It assures that the lender remains a lender. No more policing. We control the collateral. No more expense to the lender. We have eliminated that.

Our controls are tailored to fit the specifications determined by the collateral no matter what its size or shape: Inventory; goods in process; accounts receivable; chattel paper or instruments. Yes, and even livestock.

We think our controls are good reasons for lenders to make these profitable loans. Your collateral will be there when you want it, even if it's a horse.

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NATIONWIDE FIELD WAREHOUSING SINCE 1913

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OFFICES IN PRINCIPAL CITIES

was made to absorb losses or, conversely, an addition was made to recognize gains. This practice allowed banks to "trend" bottom-line earnings.

"Averaging" and "deferral-and-amortization" methods of treating securities gains and losses were discussed at the July 8 meeting but were turned down. Under the "deferral-and-amortization" method, banks would have been permitted to spread a realized loss over the life of the bond (which had already been sold) by charging a proportionate amount of the loss in the current year and holding the remaining loss as a deferred asset to be charged against earnings in equal amounts over subsequent years. In the case of a profit, the gain would be spread over the life of the bond no longer owned. This method of accounting for securities gains and losses is acceptable to the American Institute of Certified Public Accountants. The new regulations, however, while permitting gains and losses to be deferred and amortized in the determination of "income before securities gains (losses)" require the effect thereof to be reversed before the determination of "net income." For this reason most banks will probably use the completed-transactions method.

Two captions have also been added to the 1969 annual stockholders' report, "income before securities gains (losses)" and "net income." The section referred to as "non-operating income and deductions" has been eliminated. In addition, where appropriate, a caption for extraordinary items can be used. The 1968 stockholders' report's captions "net operating earnings" and "transferred to undivided profits" have been eliminated.

In recent years the figure of "net operating earnings" contained in releases to the press and in reports to shareholders consistently overstated bank profits. The overstatement arose because loan charge-offs and losses on sales of securities were excluded from the computation of "net operating earnings" despite the fact that such figure was the amount used and quoted in evaluating bank profitability. The new regulations have dropped these designations in favor of more realistic terms and concepts.

"Income before securities gains (losses)" on the 1969 statement is comparable to 1968's "net operating earnings," except net operating earnings were determined before making provision for reserve for loan losses. "Net income" is comparable to "transferred to undivided profits" (after now considering uniformity in reporting securities gains and losses) except "transferred to undivided profits" was determined after deducting amounts taken for federal income tax purposes as a transfer to the reserve-for-loan losses.

While not necessarily required, the differences between the new and old basis of accounting for the results of operations for 1968 and 1969 may be explained in the notes to financial statements of the bank. If they are, stockholders can determine the exact effect of the change on the income reported for 1969.

In connection with this change in designation of the income captions to "income before securities gains (losses)" and "net income," the bank is also required to show the corresponding earnings per share. In addition, the bank may elect to present separately a per share amount for securities gains (losses).

It is felt by many that the changes outlined provide stockholders and investors with a more informative account of how their banks are doing and go a long way toward meeting the need for a realistic presentation of bank earnings. • •

Fullriede, Brown Promoted at La Salle Nat'l

CHICAGO—La Salle National has named William H. Fullriede senior vice president in charge of operations; Robert M. Martindale vice president and director of marketing; and Richard G. Brown cashier.

Mr. Fullriede was vice president and cashier. Mr. Martindale joined the bank this month after holding the post of president of Midwest Bank Card System, Inc. Mr. Brown was assistant vice president, operations, prior to his new appointment.

New Nat'l Bank Taxes

WASHINGTON—President Nixon on December 29 signed into law legislation allowing states to tax national banks the same way they tax state banks.

Under the new law, federally chartered banks now will be subject to state-imposed sales, use, real and personal property taxes, documentary stamp taxes and license taxes.

Also, beginning January 1, 1972, states will be allowed to impose intangible property taxes on national banks such as those taxes levied on state-chartered banks. This provision applies to branches of national banks whose principal offices are located in other states.

Federal Legislation

(Continued from page 32)

Restructuring of Federal Bank Regulatory Agencies. This seems to be dormant at present, with probably no action in 1970.

Secondary Market for Conventional Mortgages. Senator Sparkman's bill (S. 2958) to establish a secondary market for conventional mortgages in FNMA was considered in connection with the October hearings on the recommendations of the President's Commission on Interest Rates. A bill has not been reported as of this writing, but the Senate is quite likely to consider some type of legislation in this area during 1970.

Savings and Loan Act of 1969. Introduced by Representative Hanna last September, this bill (H.R. 13817) to expand the powers and privileges of the savings and loan industry undoubtedly will be considered in some form during 1970. No prediction is possible as to the form it will take or the treatment it will receive in Congress.

Federal Truth-in-Lending Act and Regulation Z. Unrest among bankers may induce a number of amendments to the Truth-in-Lending Act, particularly in the area of agricultural credit, recision, irregular payment transactions, refinancing and possibly other areas as well. These might take the form of changes in federal regulations.

Consumer Credit Insurance Act. This bill—S. 1754—sponsored by Senators Proxmire and Hart—is now in committee. It would be an amendment to the Truth-in-Lending Act.

Under the Proxmire proposal, which would amend the Consumer Credit Protection Act, the Federal Reserve Board would have the authority to set ceilings on premiums charged on life, health and accident insurance supplied by lenders in connection with consumer credit transactions. The Fed would insure that the maximum premiums so established be reasonable in relation to the benefits conferred and that consumers be adequately protected against excessive premium charges.

Regulation of Bank Stock Tender Offers. Senator Sparkman has announced that this bill (S. 1211) is to be considered along with the One-Bank Holding Company Bill in the Senate next year. He sees it as correcting the "anomaly" in federal banking statutes and regulations by which an individual or a non-banking business can acquire control of a bank without having the acquisition subjected to the same scrutiny which the regulatory agencies give in originally chartering and insuring banks. No prediction is possible on congressional feelings about this question. • •

What's Behind

(Continued from page 38)

vidual and the employing bank. Competition in some areas for the experienced officer has resulted in significant increases and refinements over the past 10 years in base salary, incentives and fringe benefits. This competition is self-generated within the banking industry as well as by non-financial corporations and industries seeking bank-experienced individuals to fill key financial executive positions.

There are regional and quantitative variances in compensation offered for similar positions. The size of the employing bank; its location, both city-size-wise and section of the country, do reflect some major differences. The salary range for like positions do vary by as much as 30 to 40% in some instances. For an authoritative and current insight to this, I suggest study of: "A Biennial Survey of Bank Officer Salaries, 1969" conducted and released by the Bank Administration Institute (formerly NABAC). The per-copy price is $5 ($2.50 membership price) by writing to BAI, P. O. Box 500, Park Ridge, Ill. 60068. • •

Greater K.C. Clearing House Begins Operations; Serving 97 Banks in Metropolitan Area

Greater Kansas City has a new clearing house organization which serves 97 banks on both sides of the Missouri-Kansas border. The new Greater Kansas City Clearing House Association began operations on December 1 and all 97 banks in the metropolitan area became charter members of the association.

Ten banks were elected regular members and will be processing, exchanging and settling items on an overnight basis among themselves as well as for the 87 associate members. Each associate member has made arrangements with one of the 10 regular members to handle their items coming through the clearings, as well as for settlement for items received through the clearings and drawn against the associate member.

New directors of the Greater K. C. CHA are: George L. Atkeson, president, Westport Bank, Kansas City, Mo.; Henry G. Blanchard, president, Commercial National, Kansas City, Kan.; Maurice L. Breidenthal Jr., president, Security National, Kansas City, Kan.; Ray Evans, president, Traders National, Kansas City, Mo.; George W. Goll Jr., president, North Kansas City (Mo.) State; Carl F. Griswold, vice president, Federal Reserve Bank of Kansas City; Barret S. Heddens Jr., president, First National, Kansas City, Mo.

R. Crosby Kemper Jr., president, City National, Kansas City, Mo.; Allen F. Lefko, president, Noland Road Bank, Independence, Mo.; Theodore Meyer, president, Mission (Kan.) State; W. Max Meyers, president, Brotherhood State, Kansas City, Kan.; P. V. Miller Jr., president, Commerce Trust, Kansas City, Mo.; James L. Rieger, president, Mercantile Bank, Kansas City, Mo.; Norman C. Schultz, executive vice president, Merchants Produce Bank, Kansas City, Mo.; and Robert W. Wallerstedt, chief executive officer, Columbia-Union National, Kansas City, Mo.

Officers of the new clearing house are: president, Mr. Rieger; vice president, Mr. Blanchard; treasurer, Mr. Atkeson; and secretary and manager, Francis Roddy. The Greater Kansas City CHA replaces two former associations. Both Kansas City, Kan., and Kansas City, Mo., previously had separate clearing houses.

Thos. Bayer Gets Publicity Post With Southern Methodist Univ.

DALLAS—Thomas S. Bayer Jr., formerly public relations director of Robert Morris Associates, Philadelphia, has taken a similar post with Southern Methodist University's School of Business Administration.

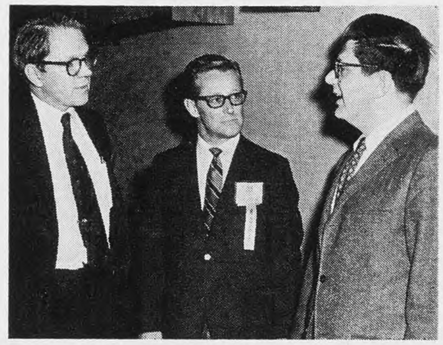
Mr. Bayer will represent the school and applied industry institutes being developed within the school to help students develop entrepreneurial ability and to discover and distribute relevant business knowledge.

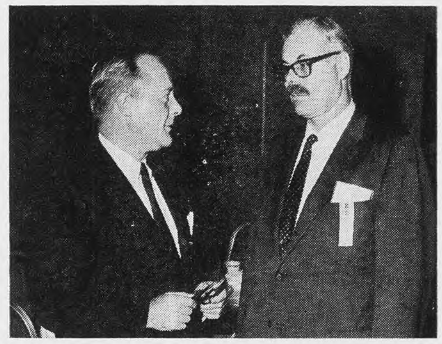
Computer Center for Memphis

Construction has begun on First National Bank of Memphis' new operations computer service center shown in the sketch above. The center will house the bank's operating division and computer system. According to a bank official, the new system will be the largest data processing center in the Mid-South. Slated for completion in early 1971, the center will operate 24 hours a day, seven days a week. The system will be able to handle 2,048 communications lines with each line being able to handle 30 direct lines to the computer, all of which may be activated at once.

Bankers Have Chance to Plan Ahead as

Speakers at Liberty Conference Preview 'the Exciting '70s'





"As we enter the '70s we are on the threshold of enormous changes that will affect bankers as much as any other business. . . . The form of changes in banks will depend largely on the bankers' attitude toward change. Our ability to adjust to change will determine our ability to cope with the new conditions of the '70s," said J. W. McLean, president and chief executive officer of Liberty National Bank & Trust Co., Oklahoma City.

* * *

"We are breaking the back of inflation," said Dr. Paul S. Nadler, professor of business administration, Rutgers University.

* * *

"The dilemma created by the growth rate of demand for lendable funds exceeding the growth rate of deposits will come to a head in the '70s. . . . Stockholders are coming to view bank stock as investments. They want dividend growth, appreciation in the value of their stock, disclosure of real earnings. As stockholders become disenchanted they will insist on more aggressive, alert management," said David C. Cates, president of David C. Cates & Co., Inc., a consultant to bank management on capital, shareholder and analyst relations.

* * *

"In our shrinking world bankers must begin to think in broader economic terms. Our need to sell abroad is critical. . . . We must consider our balance of payments. Many small towns in Oklahoma and many small-town Oklahoma banks will become involved with international banking activities. Very soon the big jets will be flying international shipments into and out of Oklahoma just as they now do to New York or San Francisco," said Jacques R. Stunzi, president of Allied Bank International, of which Liberty National is a member bank.

THUS DID LIBERTY National Bank & Trust Co. of Oklahoma City launch its annual conference for correspondent banks with a penetrating look at "the Exciting '70s." The meeting ran from early morning to late at night December 6, with several hundred bankers in attendance.

In a sense, the program mirrored the types of intelligence and services a modern city bank can provide its correspondents. Topics covered a wide range: examination of world changes we can expect in the next decade; the economic outlook for the short and distant future; banking opportunities from industrialization of Oklahoma; long- and short-range executive management, and such specifics as coping with Truth-in-Lending, getting ready for the new accounting procedures at year-end and even how to decline a loan graciously and retain the customer's good will. A battery of outside speakers as well as panelists of Liberty executives handled the wide variety of topics.

W. P. Dowling, senior vice president and head of Liberty's Southwestern Division, was in charge of the program.

(Continued on page 92)

TOP: W. P. Dowling (c.), sr. v.p., Liberty National, who heads the bank's Southwestern Division, visits with David Cates (l.) and Dr. Paul S. Nadler, two of the principal speakers.

SECOND FROM TOP: Jacques R. Stunzi, pres., Allied Bank International, with which Liberty is affiliated, spoke on international banking opportunities in Oklahoma. He is shown here at left with Alfred B. Molson, Liberty v.p. in charge of the bank's International Division.

THIRD FROM TOP: Earl Sneed, Liberty exec. v.p., is shown at left with panelists W. K. Bonds, sr. v.p.; James L. Hall Jr., atty.; Willis J. Wheat, sr. v.p., and Gerald R. Marshall, exec. v.p.

FOURTH FROM TOP: Larry J. Wilson (l.) boiled down a two-day class on human relations and sales psychology into a 45-minute demonstration at the afternoon session. With him is Homer Paul, v.p. Mr. Wilson has conducted courses, arranged by Mr. Paul, at Liberty Nat'l.

BOTTOM: Oklahoma Governor Dewey F. Bartlett (l.), luncheon speaker, chats with Liberty Pres. J. W. McLean about new industries recently announced for the state.

Correspondent News

from your men at MERC

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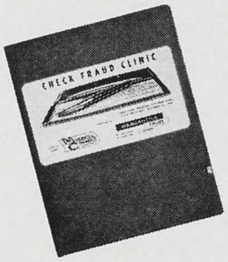
NEW OFFICERS AT MERC: James J. Reedy, elected Vice President, will head the Illinois Division which includes Indiana, Iowa and Kentucky. He joined the Banks and Bankers Department in 1965 as Assistant Vice President and is already well known to bankers in the Illinois Division. James H. Martin, named Assistant Vice President, will call on correspondents in Arkansas and other southern states. Melvin E. Schroeder, named Correspondent Bank Officer, will serve banks in Missouri.

NEW PRESIDENT AT MERCANTILE-COMMERCE: John H. Obermann, who headed Merc's Banks and Bankers Department from 1966 to last September, has been elected President of Mercantile-Commerce Trust Company in St. Louis, succeeding Frank Merget who retired December 1.

CORRESPONDENT EXPORT SEMINAR AT MERC. Forty correspondent banks in southern Illinois and eastern Missouri and prospective exporters in their areas attended a recent Export Seminar, first of its kind, at Mercantile. The program included a discussion of Marine and F.C.I.A. insurance features, services offered exporters by the Department of Commerce, and the expanding number of services provided by Mercantile in the exporting field.

"NEW" BANKMARK COMING SOON. 1,000,000 Bankmark cards—currently recognized by more than 18,000 merchants in four midwest-area states—will soon have a new name and a new look. Conversion of Bankmark to the Master Charge system will take place during the first half of 1970. With this conversion, Bankmark cardholders will become part of the 20-million-card Master Charge system, backed by more than 3,000 banks and with cards honored by more than 600,000 retail outlets in 49 states and 40 foreign countries.



400 RETAILERS AT MERC CHECK-FRAUD CLINIC. Management and credit personnel representing large and small retailers in the St. Louis area attended an informative session, co-sponsored by Mercantile and Mercantile-Commerce Trust Company, for a discussion of ways to minimize check-fraud losses. Moderated by Senior VP Jim Brown and headed by VP Herman Orlick and Dick Skouby, the program included authentic information from representatives of the Circuit Attorney and Prosecuting Attorney, the F.B.I., and the Security Division of Credit Systems, Inc. A sample kit, distributed to retailers in attendance, is available on request to Your Man from Merc.

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James A. Smith
From the desk of Jim Smith

A. W. Clausen Succeeds Rudolph Peterson as President of Bank of America; Samuel B. Stewart Named Vice Chairman

COVER PHOTO: A. W. Clausen (l.), new president of Bank of America, is pictured with Rudolph A. Peterson, who retired from that post January 1. In the background are San Francisco Bay and Coit Tower atop Telegraph Hill. Mr. Peterson is now chairman of the executive committee.

A ONE-TIME trainee hired by the Bank of America under a fledgling training program for college graduates was elected president and chief executive officer of the bank on December 16.

Thus, 20 years after joining the bank, A. W. Clausen assumes leadership of the world's largest commercial banking institution.

The 46-year-old Mr. Clausen was named by the bank's board of directors to succeed President Rudolph A. Peterson, who on January 1 retired at 65, the organization's mandatory retirement age. Mr. Peterson was elected by the board to become chairman of its executive committee upon his retirement.

Mr. Clausen also becomes president and chief executive officer of BankAmerica Corp., the bank's one-bank holding company.

A. W. Clausen, new president, Bank of America, is shown in his office suite on 40th floor of bank's World Headquarters in San Francisco. Mr. Clausen joined BofA as cash vault attendant.

Concurrent with Mr. Clausen's appointment, the board appointed Samuel B. Stewart as vice chairman of the board of directors of the bank. Mr. Stewart had been executive vice president and senior administrative officer for the bank. He will continue as senior administrative officer.

In commenting on the new top-management look at Bank of America, Mr. Peterson said, "The management triumvirate of Messrs. Clausen, Lundborg and Stewart brings to the bank an interesting combination of youth and experience. We have been developing a group-management concept for some years now. It is in operation at all management levels throughout the bank. We feel that this current combination at the top is the ultimate extension of the group-management idea." (Louis Lundborg is chairman of BofA's board.)

STEWART

Mr. Stewart, the new vice chairman, is also an attorney. Prior to assuming his post as senior administrator, he was chief counsel of the bank and head of trust activities. A former New York attorney, he joined the bank in 1947 as vice president and chief counsel. In 1959, as head of the legal department, he was named executive vice president and a member of the bank's managing committee.

A native of Chattanooga, Tenn., Mr. Stewart was graduated from the University of Virginia in 1927 and three years later received his LL.B. from Columbia University Law School. Throughout his career he has held many offices in professional and civic organizations. He is currently president of the Greater San Francisco Chamber of Commerce.

Mr. Clausen steps into the president's suite on the 40th floor of the bank's new World Headquarters in San Francisco seven months after having been named vice chairman of the board, a move which at the time aroused speculation in financial circles that he would head the global banking institution when Mr. Peterson retired.

Mr. Clausen's election culminates a succession of appointments in the last six years during which he has headed the bank's national division as vice president, led northern California loan activities as senior vice president and been a member of the bank's managing committee.

The new president, a trim, dark-haired six-footer, has been personally involved in the bank's forward-looking programs in recent years. This has been so not only in banking and finance, but also in the area of social responsibilities of the large organization he now heads.

An attorney by education, Mr. Clausen has presided as GFC chairman over the putting together of some of the largest financial transactions ever handled by the $25-billion institution. Earlier this year, for example, he signed a $246-million Eurodollar financing package assembled by the BofA as the leader of syndicates of foreign banks for the medium- and long-term financing of a start-up mining venture in a developing area. A believer in the multi-national approach, Mr. Clausen described the transaction as the epitome of "venture banking," a new kind of development banking he thinks will represent the essence of international banking in the last third of the 20th century.

On the domestic banking scene, Mr. Clausen believes any further increase in the prime rate is not politically feasible. He looks for a gradual cooling of the economy and a reduction in the demand for loans to put downward pressure on interest rates.

While heading loan activities in California, Mr. Clausen has a direct hand in shaping a $100-million home loan program for minority areas to which the bank committed itself in 1968. He cites three reasons why he thinks large corporations must lead in solving the urban crisis:

"We live or die with our environment; the public perceives large corporations as more than businesses and as leaders in the working of public policy, and finally, corporate involvement is a matter of conscience.

"We owe a moral debt to those who came before us and a moral obligation to those who will come after us to continue building this society. This debt and obligation cannot in any meaningful way be separated from our businesses."

As the man who will lead the BofA into the 1970s, Mr. Clausen sees the continued population boom and high level of affluence in California—25 million residents and $5,470 income per capita by 1980—as special challenges to banking as well as other industries in the state.

"There is no longer much place for the hard-working drudge in banking—the paperwork buff," he observes. "The affluent, educated public demands more," he says, continuing: "Only the lively, imaginative banker is going to be able to stay ahead of the diverse pressures being exerted on him."

The new president himself joined the bank as a cash vault attendant almost by accident. Following graduation from law school at the University of Minnesota, he moved to Los Angeles to study for California bar examinations and also to court his future bride. Through a suggestion from a personal friend in the bank's legal department, he obtained a part-time job counting cash at the Main Branch in Los Angeles because he "had to eat" while preparing for the bar exams.

Being among the 50% of the candidates who passed the bar that year, Mr. Clausen was offered a full-time position as an officer trainee with the bank under a newly instituted training program. Gaining branch experience and executive training, he became "fascinated" by banking and stayed on.

By 1955 Mr. Clausen was assigned to the national division at southern California headquarters. In 1961 he was appointed vice president for financial relationships in the electronics field, the position he held until tapped two years later to head the national division at the bank's World Headquarters in San Francisco.

Mr. Clausen was born February 17, 1923, in Hamilton, Ill., then a town of 1,800 near Mark Twain country on the banks of the Mississippi River. While attending the first grade at Hamilton elementary school, Mr. Clausen, whose initials stand for Alden Winship, picked up the name by which he is still familiarly known. He played "Tom" in a school play ("not Tom Sawyer," he answers to the obvious question) and the name stuck.

The future banker was graduated from Hamilton High School and received his B.A. degree from nearby Carthage College in 1943 "in absentia," since his wartime enlistment in the U. S. Army Air Corps prematurely took him to the University of Chicago and the European Theater, where he became a first lieutenant in weather reconnaissance. Upon his discharge in October, 1946, he dashed to law school at the University of Minnesota under the G.I. Bill, graduating three years later with an LL.B. degree.

Law school was auspicious in his life for another reason. There, he met the sister of his best friend and classmate and later married her. "It was one of the best things that ever happened to me," he muses. He and his wife, Mary Margaret (Peggy), have two sons, Eric and Mark. They live in suburban Hillsborough near San Francisco.

Mr. Clausen also is a graduate of the Advanced Management Program of the Harvard Business School. He holds membership in the Association of Reserve City Bankers, the California Bar Association and Robert Morris Associates. A small wine cellar is currently his "No. 1" hobby and for relaxation he also likes good foods, gardening ("but as little as possible") and some golf ("I'm a hacker").

Mr. Clausen assumes leadership of an institution that has expanded rapidly under the guidance of Mr. Peterson, the retiring chief executive officer.

Among the goals Mr. Peterson set when he became president in 1963 were more personalized and useful services at home and expansion of the bank's overseas activities. Since then the bank's resources have grown from $14.7 billion to more than $25 billion and its California branches from 850 to 954.

At the same time, its BankAmericard in California grew in sales from $111 million to $500 million this year while the number of California cardholders increased from 1.25 million to 3 million. Meanwhile the BankAmericard was expanded nationally and internationally under a licensing and exchange program and is now accepted by more than half a million commercial enterprises in 47 states and 39 countries and territories.

Mr. Peterson also laid the groundwork for future banking expansion and flexibility by leading the formation of the bank's one-bank holding company, BankAmerica Corp.

Overseas, the bank expanded under Mr. Peterson's leadership from 22 to 96 foreign branches while its overseas-based assets jumped from $2.7 billion to more than $6 billion. During the same period, the bank increased its foreign affiliations and subsidiaries from 25 to 53 and expanded its direct representation from 40 to 75 countries and territories.

Mr. Peterson closes out an active career with the bank covering 27 years. However, his career in banking and finance, which began with his graduation from the University of California in 1925, will go on, since he will continue as chairman of the executive committee of the board of directors and will be engaged in public service in the international field. He also is a director of several corporations. • •

Bond Outlook

(Continued from page 48)

ing at these banks is similar for other major banks throughout the country. The growth of short-term and long-term loans has been considerable, but what is significant is the growth in the proportion of term loans to total commercial and industrial loans since 1960.

This surge for term-loan financing continued into mid 1966, or until banks no longer had funds available for investment. Since then, the term-loan has continued to take a commanding position in bank lending. Corporate treasurers, fearful of being again caught in a credit squeeze, have continued to seek money in the bond markets, despite historically high rates; but have not tempered their appetites for term-loan financing with their banks.

In looking to the future, I would suggest that the money market will to an even larger degree provide the short-term financing needs of corporations and that term-loans will continue to dominate bank financing and play an important role in the structure of commercial banking.

Let us turn to the municipal or tax-exempt market and examine some of the forces acting upon it.

As we are all aware, the commercial banks of this country have become a dominating force in the municipal bond market. As an example: In 1957, banks owned 26% of the total bonds outstanding, while currently it is estimated they own over 43%. However, what is even more impressive is the fact that while the amount of bonds outstanding has more than doubled since 1957, the holdings by banks have increased by approximately 300%.

There is no question that banks have an important impact upon the tax-exempt market.

Since 1966 the yield on tax-exempts has risen 75%—from 3.51% to 6.17%, or 266 basis points. Long-term governments have moved 45%—from 4.42% to 6.42%, or 200 basis points. The yield on average corporates has increased 58%—from 4.88% to 7.71%, or 283 basis points. I'm sure the extent of the increase for tax-exempts may have come as a surprise to some of you. If we were to break down this period—1966 to today—we would see that the major increases in tax-exempt yields occurred during those times when the banking system was extremely tight and in the posture of either liquidating its tax-exempts or committing funds from maturing securities to the cash stream.

Thus, just as the money and corporate bond markets have had an impact upon the deposit and loan structure of commercial banks, the commercial banks in turn have had a distinct effect upon the municipal bond market. Their participation or lack thereof is felt by the entire municipal fraternity, and the continued successful marketing of this growing public debt presents an enormous challenge.

This brings us to the final part of this discussion—"The Road Ahead." In an attempt to probe into the future, the investment community is asking itself many questions: (1) When will the Fed ease? (2) Will there be a change in Regulation Q? (3) What will Congress do to the over-all tax structure? (4) Will Congress attempt to eliminate the tax-exempt privilege of municipal bonds?

Let's ask the big question—"What is the state of the economy?" I would say the basic ingredients are present for a very exciting future. However, we must start facing and solving our present problems.

Inflation and inflationary expectations are proving a great deal more difficult to stem than originally estimated, but there should be no question about the determination of the Federal Reserve to bring the economy under control. The administration, in combating inflation, is directing its efforts at business in the hopes that business activity will flatten and corporate profits will be down. Prospects for a zero growth rate in the first half of 1970 are very real. Further, policy makers are hoping that as profits decline, management will offer stronger resistance to labor's wage demands and therefore dampen the upward spiral in prices.

The Fed will be faced with a problem of easing current restraint and simultaneously restricting a downward movement in interest rates as occurred in December, 1966. Current economic data suggests that this part of monetary policy will perhaps be more difficult to execute. Therefore, it may be anticipated that the change to ease will come by degrees, and if properly executed interest rates will only gradually turn to lower levels. Based upon this, I do not see any decline in interest rates until late January at the earliest.

Unfortunately, there is a question mark in this outlook—the Congress of the United States. If Congress cuts taxes rather than enacting the revenue measures the President has requested, and federal spending is not restrained, we could be faced with an inflationary deficit. If the Treasury is forced to come to the market place to raise substantial amounts of money while the Federal Reserve is attempting to maintain a restrictive policy, interest rates could be pushed even higher. • •

■ NEW YORK—Bankers Trust Co. has elected John W. Brooks, president and chief executive officer of Celanese Corp., to its board.

Paul Woods

(Continued from page 26)

will move downward very slowly.

The tremendous pent-up demand of the housing industry, states, municipalities and industry will tax the lending capacity of banks for years to come so that no appreciable decline in interest rates seems likely although some slight decline may be expected in the first six months of 1970.

Bank profits will do well to maintain 1969 levels. A factor here will be how successfully the credit card plans develop. Most of the larger banks are now committed to credit card programs requiring substantial start-up costs that have not all been absorbed. Profitability has yet to be proven.

More banks will convert to EDP, either through off-premise or with their own equipment. Savings on operating costs from this change-over are doubtful, but improved efficiency will be evident. Banks increasingly will need to examine each service they offer their customers from the standpoint of profitability. It is no longer feasible for the more profitable operations to carry the "loss leaders" with the excuse that "we must meet the competition." A careful allocation of costs to services is essential if profitability is to be maintained.

It will be a trying year for the country, for business and industry and for banking. We must bring inflation under control despite the cost involved, and we must be willing to pay those costs. Profits are bound to suffer although banking should be able to achieve somewhat better results than industry in 1970. • •

Evansville skyline is now dominated by Old National's new tower. At left is former bank quarters, being razed for completion of the tower complex.

Old National of Evansville, Ind., Occupies New Tower Quarters; Work on Complex Continues

OLD NATIONAL has quietly opened for business in its new tower building, which is sure to become a widely known landmark in Evansville, Ind. The tower is located at Fifth and Main, just next door to the bank's former home for 53 years at 416 Main. The old quarters will now be razed to make room for completion of the tower complex.

Old National's move to new quarters on the week-end of November 29 was done quietly, according to ONB Chairman Walter A. Schlechte, "simply because we just aren't ready for a big grand opening yet." Local advertising announcing the move was almost a whispering campaign. "It's not that we are trying to keep our move a secret," said the Old National ads. "We want you to know we are moving, but we just don't want to make a big thing of it until our new tower is really complete. Then we'll *really* have a grand opening!"

The new ONB tower, an 18-story structure, cannot be completed until the old bank building is demolished, making way for the final wing.

"Un-grand opening" ceremonies took place on December 1, with the muted fanfare of toy trumpets and a ribbon-cutting ceremony presided over by Evansville Mayor Frank McDonald. Also present at the event, in addition to Mr. Schlechte, were several other bank officers: President F. C. Newman, Executive Vice President Emmett O'Connor, Vice President John E. Miller (marketing) and Advertising Manager Richard N. Lambert.

The new tower complex should be completed and ready for total occu-

Walter A Schlechte, chairman and chief executive officer of Old National, in new office.

Old National's president, Fred C. Newman, is shown in his private office in the tower.

Above, seated at his desk in his new office is R. Emmett O'Connor, executive vice president of Old National. Below, at left is a view of the teller area on the main banking floor. At right below is the executive level office area on the sixth floor of the new tower.

pancy by the fall of 1970. The new wing will house two levels of banking facilities, four levels of indoor parking and a roof garden. Tenants will occupy most of the upper floors. The top floors will feature private club facilities and an unrivaled view of the city.

Building plans call for Old National to occupy the lower level, street floor and sixth and seventh floors of the tower. The second through fifth floors will provide enclosed parking for 156 cars. The club and dining facilities will be located on the top floor and half of the 17th floor.

Old National's tower complex is expected to give a decided impetus to current efforts to revitalize the downtown Evansville area.

Old National was established in 1834 as the Evansville Branch Bank of the State Bank of Indiana. A year later it moved to a new building at 20 Main. In 1916, following several charter renewals, name changes and a conversion to a national charter, the bank moved farther "uptown" to a Main Street location between Fourth and Fifth. The site became the bank's home for the next 53 years when the city's first "skyscraper" was built there —a nine-story bank and office building. • •

Winding Named Ch., CEO at Marine Midland

NEW YORK—Charles A. Winding has been named a director, chairman and chief executive officer of Marine Midland Banks, Inc., succeeding the late J. Fred Schoellkopf IV.

Mr. Winding has been chairman of Marine Midland Trust of Southern New York, Elmira, since 1948. He also serves as chairman of the Marine Midland Banks administration committee and is a director of both Marine Midlands Services Corp. and Marine Midland Foundation. He is a member of the New York State banking board.

Chattanooga Banker Named to Card Investigators Post

Ed H. Brown, chief security agent for the BankAmericard Center of Hamilton National, Chattanooga, Tenn., has been elected vice president of the Southeastern Credit Card Investigators Association. Mr. Brown, former police chief of Chattanooga, is responsible for investigations related to fraudulent misuse of BankAmericard charge cards.

The Southeastern Credit Card Investigators Association was formed in 1968 by law enforcement officers and special agents to improve investigative techniques through the free exchange of criminal intelligence relative to credit card fraud and other matters.

New president of the association is James Gaffney of American Express Co., Atlanta. Secretary-treasurer is Jim Bellamy of the Atlantic States Bankcard Association, Raleigh, N. C. Among those elected to the board was Bill H. Hayes, director of security for Wachovia Bank, Winston-Salem, N. C. Named to the membership committee was Sam E. Virden II, BankAmericard security officer in Jackson, Miss.

Drovers Nat'l Promotes 2 in Correspondent Dept.

CHICAGO—Drovers National has promoted Fred D. Cummings, vice president, to senior vice president and Larry E. Makoben, an assistant cashier, to assistant vice president.

MAKOBEN

CUMMINGS

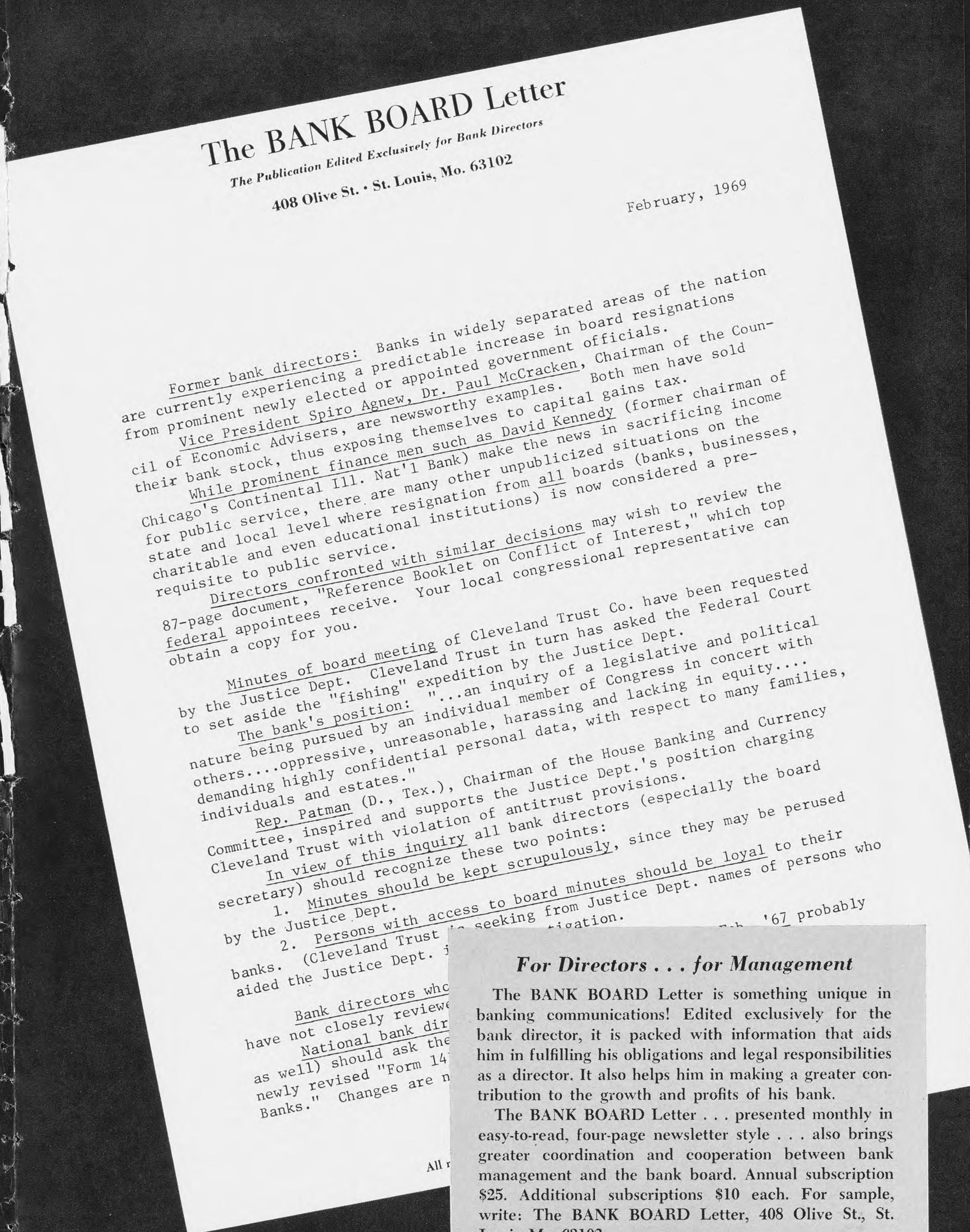
Mr. Cummings has been with the bank since 1930 and was named vice president in 1953. As senior vice president, he will head the correspondent bank department. Mr. Makoben, who has been with the bank since 1967, is in the correspondent bank department. Before 1967, Mr. Makoben was a cashier of an Iowa bank.

Officers Are Elected for 1970 in RMA's Ohio Valley Chapter

The Ohio Valley Chapter of Robert Morris Associates has installed its officers for 1970. The Ohio Valley Chapter is comprised of Kentucky, southern Indiana and southern Ohio.

The officers are: president, Robert W. Renner, president, Citizens State, Hartford City, Ind.; vice president, George E. Clark, senior vice president, Indiana National, Indianapolis; and secretary-treasurer, Richard F. Wenzel, vice president, Third National, Dayton, O. Named to the board of governors were: John C. Hancock, Citizens National, Danville, Ky., and G. Earl Brown, First Bank, Speedway, Ind.

Robert Morris Associates is a national association of commercial loan and credit officers with more than 1,100 member banks.


The BANK BOARD Letter

The Publication Edited Exclusively for Bank Directors

408 Olive St. • St. Louis, Mo. 63102

February, 1969

Former bank directors: Banks in widely separated areas of the nation are currently experiencing a predictable increase in board resignations from prominent newly elected or appointed government officials. Vice President Spiro Agnew, Dr. Paul McCracken, Chairman of the Council of Economic Advisers, are newsworthy examples. Both men have sold their bank stock, thus exposing themselves to capital gains tax.

While prominent finance men such as David Kennedy (former chairman of Chicago's Continental Ill. Nat'l Bank) make the news in sacrificing income for public service, there are many other unpublicized situations on the state and local level where resignation from all boards (banks, businesses, charitable and even educational institutions) is now considered a prerequisite to public service.

Directors confronted with similar decisions may wish to review the 87-page document, "Reference Booklet on Conflict of Interest," which top federal appointees receive. Your local congressional representative can obtain a copy for you.

Minutes of board meeting of Cleveland Trust Co. have been requested by the Justice Dept. Cleveland Trust in turn has asked the Federal Court to set aside the "fishing" expedition by the Justice Dept.

The bank's position: "...an inquiry of a legislative and political nature being pursued by an individual member of Congress in concert with others....oppressive, unreasonable, harassing and lacking in equity.... demanding highly confidential personal data, with respect to many families, individuals and estates."

Rep. Patman (D., Tex.), Chairman of the House Banking and Currency Committee, inspired and supports the Justice Dept.'s position charging Cleveland Trust with violation of antitrust provisions.

In view of this inquiry all bank directors (especially the board secretary) should recognize these two points:

1. Minutes should be kept scrupulously, since they may be perused by the Justice Dept.
2. Persons with access to board minutes should be loyal to their banks. (Cleveland Trust ... seeking from Justice Dept. names of persons who aided the Justice Dept. i... ...tigation. ... '67 probably

Bank directors whc... have not closely reviewe... National bank dir... as well) should ask the... newly revised "Form 14... Banks." Changes are n...

All r...

For Directors . . . for Management

The BANK BOARD Letter is something unique in banking communications! Edited exclusively for the bank director, it is packed with information that aids him in fulfilling his obligations and legal responsibilities as a director. It also helps him in making a greater contribution to the growth and profits of his bank.

The BANK BOARD Letter . . . presented monthly in easy-to-read, four-page newsletter style . . . also brings greater coordination and cooperation between bank management and the bank board. Annual subscription $25. Additional subscriptions $10 each. For sample, write: The BANK BOARD Letter, 408 Olive St., St. Louis, Mo. 63102.

Agricultural Credit

(Continued from page 50)

banks, suppliers and non-bank lenders totaled $23.5 billion. In addition, loans to the Commodity Credit Corp. totaled $2.1 billion. This leaves an equity of $245 billion.

Farmers debts were $12.5 billion in 1950 and they were $24.8 billion in 1960.

From these comparisons, it is obvious that the use of credit is increasing at an accelerated pace. It has been estimated that farmers may be using credit totaling $125 billion by 1980.

Farmers have found it necessary to use greater amounts of borrowed capital as they continue to expand their farming business. The pressure for continued expansion in the size of a farming business will continue, and at an accelerated pace. New technology in crop and livestock production will develop more rapidly in the future than it has in the past. Farmers must be geared to the immediate application of this new technology in order to maintain a profitable operation. Farm real estate values will continue to increase, although the rate of increase will be less than during recent years. This will contribute to larger capital requirements when buying land, and for most farmers it means the use of more borrowed capital.

The inflationary pressures of recent years have contributed to some of the same stringent credit conditions in country banks that have developed in city banks. This, coupled with low interest rate ceilings in some states, has impeded the flow of funds from banking centers to rural areas. More important has been the difficulties of farmers obtaining real estate credit, due to low interest rate ceilings and more profitable investment opportunities for insurance companies active in making farm real estate loans. This has contributed to these companies discounting their farm mortgage loan activities in those states on a temporary basis.

This points out the problems inflation has created for the farmer using borrowed capital. Many country bankers are concerned about their ability to properly serve their farm customers' loan needs. There is no easy answer to this problem.

Farmers have been using larger amounts of dealer credit to finance many of the purchased farm inputs. A recent study by Michigan State University indicates that 50% of the farmers use dealer credit from the fertilizer industry. More important, credit terms seem to have a significant bearing on the amount of fertilizer purchased by the farmer. This indicates that farmers respond to lenient credit terms. The fertilizer industry and other agri-business firms extending dealer credit have had good collection experience and a low loss ratio. Before current money costs were experienced, some of the major agricultural chemical companies were able to show sizable profits from extending dealer credit.

Bankers should be concerned as to whether or not suppliers and dealers may become the dominant source of farm credit. Purchased farm inputs are becoming a greater and greater source of credit for the farmers. If farmers continue to go to these firms for their major credit for inputs, these firms may decide they are in a strong position to finance other farm operating costs.

To offset the difficulties of obtaining real estate credit, more and more farm sales are being financed by real estate contract. This has been a long-term trend, but the use of the real estate contract to finance farm purchases is being rapidly expanded.

Recent studies by the Federal Reserve Bank of Chicago point out the rapid growth of production credit associations vs. growth of agricultural loans by banks. As an example, in 1968 production credit associations had an increase in loan volume of 26%, compared with an increase in bank loans of 12%.

The use of dealer credit and the more rapid growth of other non-bank sources of credit indicate that the credit needs of farmers are being met. Commercial banks continue to be the dominant lenders to American agriculture, and it has been my experience farmers would prefer to do business with and have the counsel of their bankers. Bankers are being challenged to find ways of meeting these larger loan requirements of the farmers in their communities. • •

Robert Logan

(Continued from page 26)

main high enough to sustain a generally high level of business activity through 1970. Business capital expenditures will increase slightly, but nothing like the increases seen in the past few years, as deferments due to high money costs continue to multiply. Demand for credit will remain strong, although tempered somewhat by the high cost of money. With the expiration of the surtax, after-tax corporate profits will probably hold pretty well at 1969 levels, permitting some internal financing, but the need for both short- and long-term funds will remain fairly strong.

In spite of projections for a generally active business environment in 1970, the current extreme pressures on the banking system will begin to ease somewhat. Personal savings should increase substantially, providing short-term funds for the money market, as well as increased deposits for the banking system. The amount of personal savings which will be routed through the banks again will depend on their ability to compete for savings deposits with other media; toward year-end, the banks' position in this competition should have a better price basis. It would be a reasonable guess that monetary policy also will move gradually toward an easier posture, despite a continued high level of wage-price inflation, as concern for potential over-kill grows.

The primary effort of the banker throughout 1970 will continue to be directed toward deposits. For the first half of the year, banks will continue to find it difficult to compete in the general money markets because of rate ceilings. Inter-bank competition therefore will be accentuated. Marketing banking services with the intention of increasing deposits will be of prime importance throughout the year. As some increase in deposits gradually flows through, both from savings and federal policy, and as loan pressures retract slightly from their present highs, it appears reasonable to expect some decreases in short-term interest rates occurring in the second or third quarters. As Reserve City banks begin to see their liquidity demands slightly eased, they will have slightly decreased demand for liquidity through federal funds and Euro-dollars. These money rates should then begin to ease, followed by commercial paper and Treasury bill rates. Toward year-end, it is possible that rates may drop close enough to 6¼% to again make bank commercial certificates of deposit competitive. An increase in Regulation Q is considered unlikely as to commercial deposits, although a small increase for personal deposits is possible, to assist the flow of savings funds to the housing market.

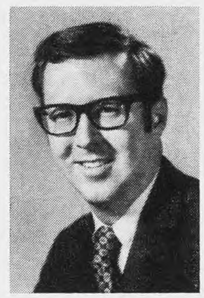
The larger banks may expect earnings to remain fairly flat in the first half of 1970. As the cost of short-term funds decreases through the latter part of the year, however, these banks should experience improved earnings. It is likely that the banks' prime rate may gradually decrease, following the short-term money market. However, for the major banks, decreased costs for short-term money will more than compensate for any prime-rate reduction.

Smaller and country banks, which have remained relatively liquid in recent years, have been supplying an important portion of the liquidity funds. As the rates on these funds decrease, they will begin to feel a drop in the margin that these activities have provided, and, conversely to the larger banks, may have difficult in holding earnings at current levels.

With the bond markets at peak-rate levels early in the year, these banks may find it profitable to embark on investment programs with some part of their current liquidity funds. Although it is difficult to see a substantial drop in bond rates during 1970, due to the pressures of governmental and business capital requirements, nevertheless, some falling away from near-term levels is to be expected.

In summary, 1970 would appear to be a difficult and turbulent year, marked by a continued fight to control inflation, with the prospect of some minor successes in the rate-structure areas, but with less success in the wage-pricing sphere. Bankers will continue to be the principal instrumentalities through which government will wage this battle, and bankers' positions therefore will continue to be uncomfortable. Gradual and relatively small increases in the flow of funds to the banking system will supply some liquidity relief and produce some easing of rates. Those banks having strong liquidity positions perhaps will find unusual opportunities in the investment markets. All bankers will compete vigorously with each other and other media for savings dollars. • •

City Nat'l Names B. C. Adams III to Correspondent Division



ADAMS

KANSAS CITY—City National has named Benjamin C. Adams III special representative in the correspondent division. In this post, he will call on banks in Missouri, Arkansas and Louisiana.

Mr. Adams began his employment at City National in 1967 in the collection department. In 1968 he moved into the Bankmark charge card division and later was named bank coordinator of the division.

He attended Oklahoma University, University of Missouri at Kansas City and University of Missouri at Columbia.

Illinois News

Ericsson and Anderson Named President, EVP at American of Chicago

CHICAGO—American National has promoted William G. Ericsson from executive vice president to president and Stefan S. Anderson from vice president to executive vice president in the banking department.

ERICSSON

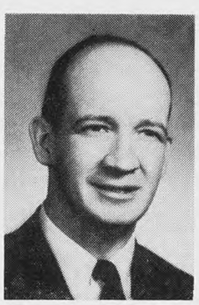
ANDERSON

Robert E. Straus, who relinquished the post of chairman, continues to serve the bank as chairman of the bank's executive committee. Succeeding Mr. Straus as chairman of the board is Allen P. Stults, formerly president. Mr. Stults also continues as American National's chief executive officer.

American National Corp., the one-bank holding company for American National Bank, has a new director—Sam Kaplan, president and general manager, Zenith Radio Corp.

STULTS

STRAUS



PENN

WILSON

Named vice presidents of the bank were: James W. Penn, pension and profit sharing division, and Glen W. Wilson, probate division, both in the trust department.

Named second vice presidents of the bank were: Thomas P. Michaels, personal trusts; Thomas A. Sporer, installment loans; and Michael G. Shelly, corporate trusts, who also was named assistant secretary for land trusts, corporate trust division.

Kempton State Majority Interest Sold to Onarga Bank President

ONARGA—Majority interest in Kempton State Bank has been sold by Mr. and Mrs. I. T. Roberts and associates to Mr. and Mrs. James M. Jackson and their sons, James M. Jr. and Michael T. Jackson. Mr. Jackson Sr. is president of Onarga State Bank.

The bank also has announced the retirement of Mr. Roberts, cashier and vice president, effective January 2. Mr. Roberts joined the bank in 1951. At the end of 1969, he completed 50 years of banking.

Mr. and Mrs. Eugene Grohler have assumed active management of Kempton State. Mr. Grohler has been a manager with a grain and lumber company in Thawville for 23 years. Mrs. Grohler was an assistant cashier in the loan department at Onarga State.

■ CARLINVILLE NATIONAL has promoted Charles H. Ashworth, vice president, cashier and trust officer, to president and trust officer. Vice President Raymond N. Boente also was named cashier. Named directors were Maurice R. Zimmer, assistant vice president, and Roy Weller.

■ BANK OF OQUAWKA held a golden anniversary party that included a five-tiered cake, distribution of souvenir cups with the bank's picture inscribed in colors and the presence of "Miss Illinois" 1969, Dulcie Elizabeth Scripture of Elgin. A remodeling program, modernizing one of the county's historical buildings, was begun under H. D. Wilcox, who has been the bank's president since 1962.

■ MILLIKIN NATIONAL, Decatur, has been granted trust powers. The bank has named Leonard H. Jacob trust officer and John H. Baird assistant trust officer.

P. T. Luney Named Sr. VP at Harris Trust, Chicago

LUNEY

CHICAGO—Harris Trust has promoted Preston T. Luney from vice president to senior vice president. He will continue to head the investment department.

Promoted to vice presidents were: Robert D. Fitzgerald, Ben T. Nelson, Forbes M. Taylor, John W. Cooper, F. Wendell Gooch, Thomas F. Jones Jr., George S. Marty Jr., Edward J. Michaels, P. David Hubbard, Herbert E. Neil Jr., Richard C. Kowal and Richard A. Miller.

Named assistant vice presidents were: William C. Blessing, Donald S. Hunt, Richard H. Huson, Dave A. Makeever, James D. Seitz, James J. Stamas and William M. McKinley.

The bank also elected Russell W. Holdych a correspondent banking officer, banking department.

Abbott, Mason, Rosson Promoted at La Salle Nat'l, Chicago

ABBOTT

CHICAGO—La Salle National has named Gardner Abbott vice president, commercial banking. Prior to joining the bank last November, he was president and chairman of a tractor supply company.

Rausey W. Mason was named assistant vice president, commercial banking, and Norman T. Rosson was named trust officer. Mr. Mason was with First National, Atlanta, and Mr. Rosson joined La Salle in 1968 as administrative assistant, corporate trust division.

Bank Security Is Program Topic

BELLEVILLE—Bank security was the principal topic at a recent meeting of the St. Clair-Monroe County Bankers Federation, attended by more than 150 bankers and a number of local police chiefs.

Guest speaker was W. B. Soyars, special agent in charge of the FBI office in Springfield. His topic was the Bank Protection Act.

Illinois Death

R. M. (BOB) WYLDER, trust officer and former chairman, Smith Trust & Savings Bank, Morrison, at 72. He retired as chairman in 1966.

If you were born after 1948,

you're in luck.

If you're under 22, you can join the TWA Youth Club.

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Indiana News

Stockholders of Anthony Wayne, Indiana Banks Approve Merger

FORT WAYNE—A merger of Anthony Wayne Bank and Indiana Bank has been approved by the banks' stockholders. The proposed merger presently is awaiting approval of the FDIC and the Department of Justice.

Under the proposed plan, stockholders of Anthony Wayne would receive three quarters of a share of Indiana Bank stock in exchange for each share of Anthony Wayne stock. If the merger is approved, Paul G. Gronauer, Anthony Wayne president, would become chairman of the merged banks with Richard T. Doermer, president of Indiana Bank, as president. The plan would retain the present employees and directors of both banks.

■ FIRST BANK, South Bend, has been awarded a plaque by Chase Manhattan Bank, New York City, in recognition of more than 50 years of the two banks' correspondent banking relationship. First Bank and its predecessor banks' charters date back to 1863. Chase Manhattan's charter dates from 1799.

Nassau Branch for Indiana Nat'l

INDIANAPOLIS — Indiana National has opened a branch in Nassau, Bahamas. The branch, an extension of the international division, increases services to exporters, importers and multi-national corporations operating in INB's marketing area. A spokesman said the bank is the first in Indiana to establish a branch outside the U. S.

Correspondent Banking Ties

First National of Elkhart County, Elkhart, and First National City Bank of New York officials celebrate the two banks' 50th year of correspondent-banking relationship. At a ceremony in the Elkhart bank's Main Office, the cake above was offered to all the bank's employees. From left to right: Jack A. Donis, v.p.; Coryn Wright, director emeritus; Wilbur E. Wright, pres.; William H. Myers, sr. v.p., all of First of Elkhart; and Frank J. Uttig, a.v.p., First National City.

Estate Planning Seminar

Indiana Bank, Fort Wayne, sponsored an estate planning seminar where the need for estate planning was emphasized and the role of trust departments in investing customers' funds was examined. Hosts and main speakers of the seminar were, left to right: John M. Finnegan, v.p. and tr. off., Indiana Bank; Herbert Trucksess, v.p., Studley, Shupert & Co., trust investment counsel, Philadelphia; John Buckley, v.p., Provident National, Philadelphia; and Richard T. Doermer, president, Indiana Bank.

■ GEORGE A. GILCHRIST, chairman of Calumet National, Hammond, has retired. Mr. Gilchrist, who had been chairman since 1968, will continue as a director. He joined the bank in 1936.

■ MISS MARY B. FOBIL has been elected a vice president of Lafayette National. Earlier this month she marked her 41st year in banking.

■ FIRST NATIONAL, Crown Point, has received permission to establish a branch in Merrillville. Bank officials expect the branch to open this summer.

■ FIRST NATIONAL, Cloverdale, has acquired land and is planning to build new quarters early this year.

■ ROBERT SHAWLER has been elected executive vice president of Twin City State, Gas City. He had been assistant to the president since last August. Prior to joining Twin City State, Mr. Shawler was vice president and cashier at Citizens Bank of Elwood.

■ IRWIN UNION, Columbus, will ask shareholders to approve a 25% stock dividend at their February 17 meeting. If the dividend is approved, shareholders will receive one new share for each four shares owned. This would increase shares from the present 207,504 to 259,068.

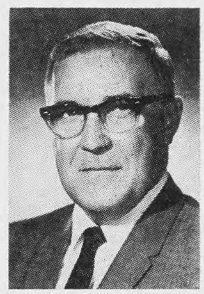
Indiana Nat'l Promotes Kealing, Selden, Lay

INDIANAPOLIS—John H. Kealing, vice president and officer in charge of the trust division, has been promoted to senior vice president at Indiana National. Mr. Kealing has been with the bank since 1953. Prior to heading the trust division, he was in charge of that department's business development section.

KEALING

The bank also named Vice President Leonard M. Selden as head of management sciences, a new division. The new division will apply computer technology as an aid in advanced bank planning and for related business. Mr. Selden was in charge of the bank's information services division. Named to succeed Mr. Selden was Joseph M. Lay, vice president and former assistant head of information services.

SELDEN



LAY

Fort Wayne Banks Merge

FORT WAYNE—Two Fort Wayne banks, Financial Bank, Inc., and Peoples Trust & Savings Co., have merged under the charter of Financial Bank and with the name Peoples Trust & Savings. Branches will be established at five locations where Peoples Trust operates branches and at one additional location. Donnelly P. McDonald Jr., president of Peoples Trust, is president of the new bank.

■ CALUMET NATIONAL, Hammond, has given new assignments to Theodore Thomas, vice president, and Donald A. Cornwell, assistant cashier. Mr. Thomas has been named assistant to the president and Mr. Cornwell has been named promotional and advertising manager.

■ ST. JOSEPH BANK, South Bend, has named Gerald G. Hammes and Phillip A. Traub to its board. Mr. Traub is president of Interstate Glass Co., Inc., South Bend. Mr. Hammes is vice president and a director of Romy Hammes, Inc.

A Bank You Can Get Close to

This philosophy of AFNB has always applied to our correspondent bankers. The response to recent seminars conducted by AFNB top management throughout the state (to which all AFNB correspondents were invited) confirmed the importance of intimate, no-holds-barred discussions of mutual problems and opportunities.

As Indiana's leading bank, AFNB has a responsibility to Indiana bankers which includes the sharing of projected plans and past experience in critical areas of servicing and profitability.

The top management team of AFNB presented in-depth reports on timely subjects:

Changing Management Concepts for Commercial Banks • Profit Center Concept • Minority Economic Development • Instalment Lending for Sales and Profits • Bank Credit Cards . . . Yesterday, Today and Tomorrow • Portfolio Management . . . Techniques, Tools, Pitfalls

How does it all relate?

These bankers now tell us that the specific problem-solving and follow-through by the men of AFNB has more relevance and therefore is more immediately profitable. The problems of the individual bank can be placed in perspective more quickly and solutions pursued more directly as a result of having this thorough, top-level dialogue. Those who attended have confirmed it was a mutually beneficial experience.

Your men at AFNB help make things happen.

A FULL SERVICE BANK

AFNB

Indiana Division—317-633-2106

Kentucky News

Haddaway Is VP of Purchasing at Citizens Fidelity, Louisville

HADDAWAY

LOUISVILLE—Citizens Fidelity has elected James D. Haddaway vice president of purchasing and administrative services. He joined the bank in 1963 to implement a formal purchasing program.

Mr. Haddaway, a business administration graduate of the University of Louisville, is completing his master's degree in business administration through Xavier University of Cincinnati.

Schnell, Byrd Promoted at Louisville Trust

SCHNELL

LOUISVILLE—Albert B. Schnell, comptroller, has been promoted to vice president and comptroller at Louisville Trust Co. He will continue as chief operations and accounting officer. Mr. Schnell joined the bank in 1946 and has worked in the accounting, auditing and computer divisions.

Also promoted was Lonnie D. Byrd to assistant treasurer. He has been with the bank since 1968 and will continue as manager of the Preston Highway Office.

Reorganized Big Clifty Bank Elects New Officer Staff

At a stockholders' meeting of Citizens Bank in Big Clifty, the following officers were elected: Joe Langley, chairman; Mrs. Clytia Adams, president; Wilbur D. Etter, executive vice president; Paul Gibson, vice president, cashier and secretary; and George T. Langley, assistant cashier.

Citizens Bank is a reorganization of the Big Clifty Banking Co. and has opened a new office in Leitchfield. The Big Clifty Office will continue to operate in its present location until a new building is completed.

Robberies Close Bank

WATER VALLEY—The Bank of Water Valley has closed after 65 years because of repeated robberies. The bank, 15 miles from the nearest police department, was in "excellent financial condition," a bank official said. The bank was last robbed in August, but it had been held up three times in six years.

Accounting Seminar Attracts 14-Bank Attendance

LOUISVILLE—Financial officers from 14 banks attended the sixth semiannual bank management accounting workshop hosted by First National recently.

Subjects discussed included cost accounting, clerical work measurement, budgeting and profit planning. Purpose of the seminar, explained George J. Wertheim, assistant vice president of First National, was to develop accounting guidelines based on mutual problems and experience.

Richard A. Gallant (l.), vice president and deputy comptroller, State Street Bank, Boston, presented a large portion of the sixth seminar of the bank management accounting workshop which First National hosted in Louisville recently. Robert R. Bogardus (c.), manager-cost accounting, Barnett First National, Jacksonville, Fla., instigated the founding of the group in 1967. Julian Mason (r.), planning officer, First National, Atlanta, acted as chairman and moderator. George J. Wertheim (standing), assistant vice president, First National, Louisville, represented the host bank.

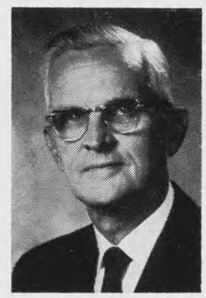
Banks represented were Atlantic National and Barnett First National, Jacksonville, Fla.; Birmingham (Ala.) Trust National; Commerce Trust, Kansas City; First National, Atlanta; First National, Miami; First National, Mobile, Ala.; First National, Orlando; Fort Worth National; American National and Hamilton National, Chattanooga, Tenn.; Old Kent Bank, Grand Rapids; and State Street Bank, Boston.

SMITH

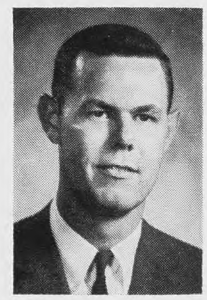
BEALE

Three New VPs Named at Louisville Trust

LOUISVILLE—Joseph T. Cahill, Charles R. Smith and Walter I. Beale have been promoted from assistant vice presidents to vice presidents at Louisville Trust. The bank also named Gordon B. Guess an assistant vice president, correspondent bank department, and David A. Lemmon manager, data processing division.



CAHILL



GUESS

Mr. Cahill has been with the bank since 1937 and had been assistant vice president since 1962. Mr. Smith, with the bank since 1958, will be in charge of the branch system and also will work in commercial loans. Mr. Beale will work in advertising and commercial lending. He went to Louisville Trust in 1965.

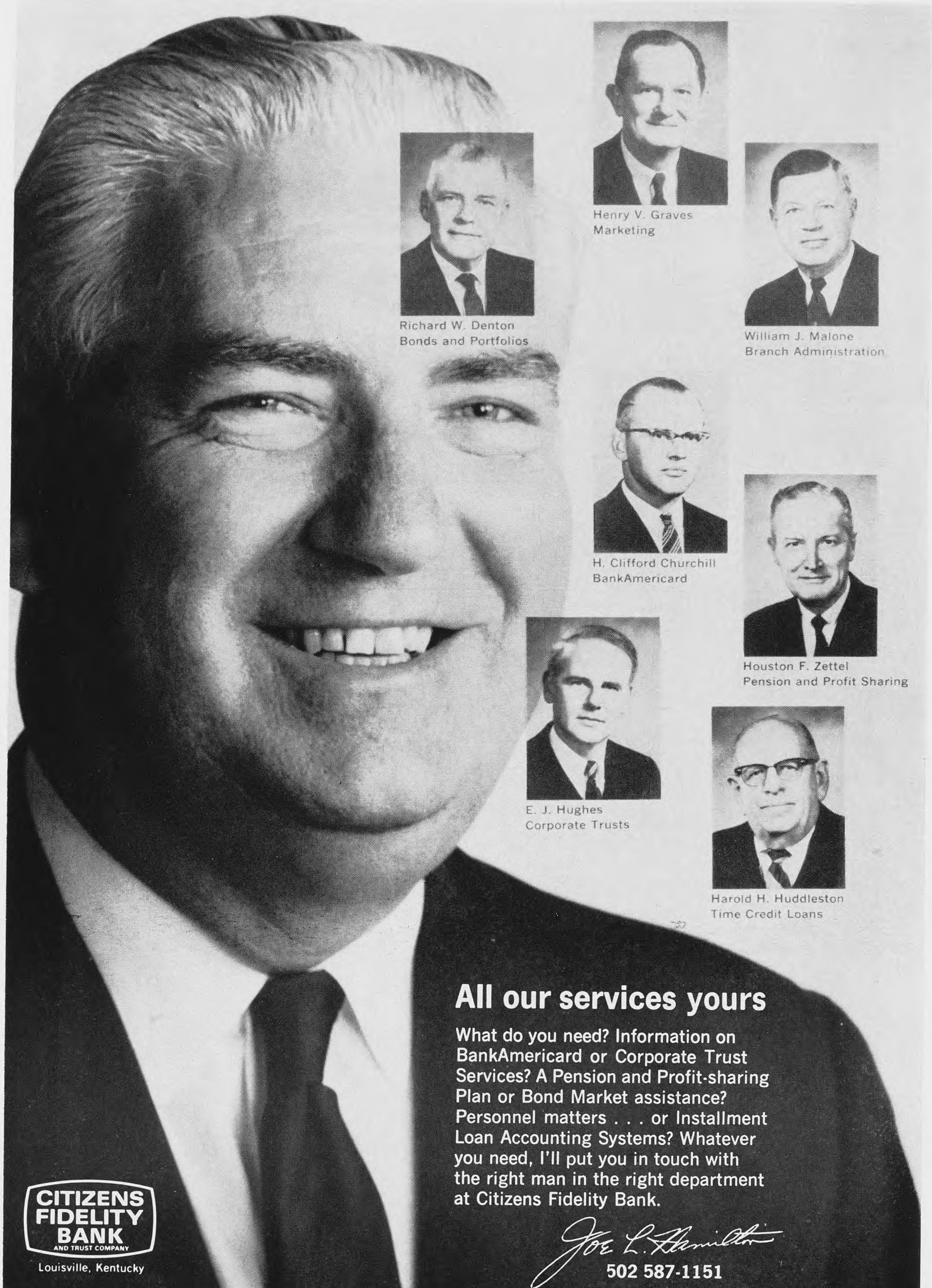
■ SALYERSVILLE NATIONAL is planning to move into new quarters next fall. The new two-story, modern brick structure will have a conference room and loan office. As part of its construction plans, the bank has purchased over $40,000 in new bookkeeping and accounting equipment.

Kentucky Deaths

WAYNE STUMBO, 62, director of First Guaranty in Martin. Mr. Stumbo owned Stumbo Coal & Realty Co.

PIERCE L. BINGHAM, 48, executive vice president, cashier and a director of Bank of Crittenden, after a sudden illness.

CHARLES E. LINDON, 68, vice president and cashier of Farmers & Traders in Lexington, after a lengthy illness.


Henry V. Graves
Marketing
Richard W. Denton
Bonds and Portfolios
William J. Malone
Branch Administration
H. Clifford Churchill
BankAmericard
Houston F. Zettel
Pension and Profit Sharing
E. J. Hughes
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Tennessee News

Davis Named Exec. VP at 1st of Memphis

DAVIS

MEMPHIS—First National has named Joe H. Davis Sr. executive vice president in charge of the correspondent bank division and the Mid-South area development division. Mr. Davis, formerly a senior vice president, has been with the bank 40 years.

During his association with the bank, Mr. Davis has worked in the bond, public relations, local business development and branch systems departments. He also has held posts in the Tennessee Bankers Association and the American Bankers Association. He is immediate past president of the ABA's marketing/savings division.

■ UNION PLANTERS NATIONAL, Memphis, has named John R. Hunter controller. He was with National Bank of Commerce, Memphis.

■ COMMERCE UNION, Nashville, has named David J. Fisher an administrative officer. He joined the bank in 1966 in the trust department.

■ HAMILTON NATIONAL, Johnson City, has elected Roy H. Meade a director. He is vice president of finance, General Shale Products Corp.

■ L. DARWIN LANKFORD assumed duties January 2 as executive vice president and cashier at Peoples Bank, Lebanon, succeeding J. Gaston Edmondson. Mr. Lankford was formerly a vice president at First National, Pulaski.

Taylor Upped at Memphis First; Six Made Officers

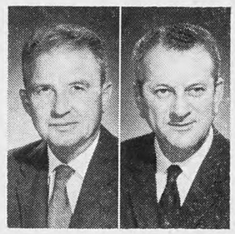
MEMPHIS—James E. Taylor last month was advanced to vice president in addition to his duties as comptroller by First National.

In other action six staff members were given officer status. They are: Ross Campbell, branch officer; Thomas E. Ford, Scott Pierce and Donn Schroeder, operations officers; Mrs. Frances Watts, branch officer; and Clarke Vickers, bond department officer.

Old & Third Opens Branch

Old & Third National, Union City, has opened its 7,500-square-foot, colonial-designed branch. During the branch's opening, several favors were awarded, among them six-foot steel tape measures bearing the bank's name, linen calendars and napkin holders. The branch has three lanes for drive-in banking and also a lounge for employees.

Coggin, Harper Promoted to VPs at Third Nat'l, Nashville



HARPER COGGIN

NASHVILLE—Third National has promoted two assistant vice presidents to vice presidents. The new vice presidents are J. Reed Coggin and William S. Harper, both in the installment loan division.

Mr. Coggin has been with Third National since 1946. He is a graduate of Draughon's College. A graduate of Vanderbilt University, Mr. Harper began his employment with the bank in 1949.

Promotions in Jackson

Recently promoted by National Bank of Commerce, Jackson, were (from left) Mrs. Lorene Greer, from installment loan officer to assistant cashier; Clifford Murchison, from assistant cashier to assistant vice president; and Mrs. Elizabeth Newman, from assistant manager to assistant cashier and assistant manager. In other action, the bank has elected Glenn Rainey, businessman, to fill the unexpired directorship of the late A. B. Foust.

France and Hurston Promoted in Memphis

FRANCE

MEMPHIS—First National has elected William France and Robert B. Hurston Jr. vice presidents, mortgage loan division. Mr. France joined the bank in 1963 and Mr. Hurston in 1965.

Named an assistant vice president in the correspondent bank division was Robert Y. Moses. Also named assistant vice presidents were: Robert

HURSTON

MOSES

Beck and Harold B. High, accounts receivable department; James W. Dacus Jr., deposit services; William E. Goodman, commercial lending officer, Crosstown Branch; James F. Howe Jr., automation division; and Ben F. Whitten, customer bank sales and service department.

■ HERBERT WHITFIELD, executive vice president, Greene County Bank, Greeneville, was elected a director at the November board meeting. A former bank examiner, Mr. Whitfield came to Greeneville from the Bank of Thomas County, Thomasville, Ga.

■ BLOUNT NATIONAL, Maryville, last month bought a site opposite McGhee-Tyson Airport for a fifth branch office. Temporary offices will be opened in the motel building now on the grounds. Plans call for erection of a complete banking facility including drive-in windows, night depository units and a large banking lobby.

Tennessee Deaths

CLARENCE D. WALLING SR., 79, chairman and chief executive officer, City Bank, McMinnville, of a heart attack.

JAMES A. PARDUE, 45, vice president and cashier, Commercial Bank, Obion. He had been with the bank since 1947.

Happy
New
Happenings
1970
Hamilton of Chattanooga
makes good things happen

Alabama News

Alabama Group Meetings

The Alabama Bankers Association has scheduled its group meetings. The dates and meeting places are: Group 3, Feb. 11, business at the national guard armory and dinner at American Legion, Centre; Groups 1 & 2, Feb. 12, Carriage Inn, Huntsville; Groups 7 & 8, Feb. 17, Governors House, Montgomery; Group 5, Feb. 18, Anniston Country Club; Group 4, Feb. 19, Vestavia Country Club, Birmingham; Group 10, Feb. 24, Ramada Inn, Dothan; Group 9, Feb. 25, Community House, Monroeville; and Group 6, Feb. 26, Selma Country Club.

Opp Bank Opens New Quarters; Names Directors, Officers

OPP—First National has named Vice President W. Thurman Nutt Sr. a director. Also named to the board was E. Claude Nevin, director of General Douglas MacArthur Technical School in Opp. The bank appointed Billy Ward assistant cashier and Miss Hilda J. Pierce assistant trust officer.

An open house was held December 11 to celebrate the bank's 64th anniversary and the completion of its new quarters.

Convention Dates Changed

The dates for the Alabama Bankers Association's 1970 convention have been changed to May 20-22. The location remains the same: Mobile Municipal Auditorium.

Feminine Finance Forum

More than 500 women attended First National Bank of Montgomery's second annual feminine finance forum, according to Chairman and President Frank A. Plummer. Pictured from left to right are: Mrs. Jen Mooney, women's division officer; Mr. Plummer, and Mrs. Robert N. Ginsburgh, a general partner in a Washington, D. C., finance firm who was the main speaker. Topics discussed included investments, estate planning, wills and insurance.

Parker Is Elected Exec. VP at State Nat'l, Decatur

PARKER

DECATUR—Hugh C. Parker Jr. has been elected executive vice president of State National Bank. He will be in charge of the marketing division with specific responsibilities in business development, correspondent banking, public relations, marketing research and advertising.

Mr. Parker was formerly senior vice president of State National's Gadsden Office. He also serves as president and chief executive officer of Alabama City Bank of Gadsden.

W. L. Dickens Named President; 9 Other Promotions at State Nat'l

DECATUR—State National has promoted William L. Dickens from assistant vice president to vice president, administrative services department.

Named assistant vice presidents were: John G. Butler, New Hope; Stephen R. Edmondson, Huntsville; Howard F. Wilson and Granville Graves, both of Decatur.

Assistant cashiers named were: Jay Mullins, Gary Sullivan, Roger L. Gentry, Mrs. Bettye Mink and L. W. Currin.

The board also recommended that it be expanded to 25 directors. The recommendation will be subject to approval of stockholders at their annual meeting January 27.

Businessmen File Application for Bank in Bayou la Batre

An application for a charter to establish a bank in Bayou la Batre, to be known as Farmers & Marine Bank, has been filed with the Alabama State Banking Department. The bank would be located in Mobile County.

A spokesman for charter stockholders said the proposed bank would have an initial paid-in capital of $500,000 and would be "independently owned and locally managed." Clarence M. Frenkel Jr., an assistant vice president, American National, Mobile, would be president of the proposed bank and A. C. Schambeau, a Bayou la Batre merchant, would be chairman.

■ R. LESLIE ADAMS has been promoted from vice president to senior vice president of State National, Florence.

American Nat'l, Mobile, Investigates Formation of Registered Holding Co.

MOBILE—American National is considering the advisability of joining with a group of other banks in the state in the formation of a registered bank holding company.

The announcement is the second made in recent months. The first concerned a group including Exchange Security, Birmingham; First National, Montgomery, and First National, Huntsville. American National was the only bank identified in the second announcement.

The announcement by American National stressed that the proposed move was in an investigative stage. If the formation were to be consummated all institutions involved in the group would come under common management and would be engaged solely in banking activities.

The advantage of the move would permit the banks to combine financial and managerial resources to achieve a broader base of financial activity and service, the announcement stated.

City Nat'l Begins New Program of Checking Account Services

BIRMINGHAM—City National has begun a new plan of personal checking account charges called Super Check. A bank official said charges have been decreased to provide customers with more economical costs in utilizing their checking accounts.

New charges are: Accounts with balances of $200 or more will be free without limit to number of checks written; those who maintain less than $200 balances are to be charged $2 per month without limit to number of checks written. Costs will be prorated at 10¢ a check for all checks under a total of 20 checks. Customers who maintain $500 savings accounts or $1,000 certificates of deposit, or who are 65 years or older, will have free checking account service without limit to number of checks written.

Central Bank Elects Director

BIRMINGHAM—Central Bank has elected Ben F. Harrison a director. Mr. Harrison is vice president of U. S. Pipe and Foundry Co. in Birmingham.

Alabama Death

GEORGE L. NETTLES, 75, a director of Peterman State and Peoples Exchange of Beatrice, after a lengthy illness.

Mississippi News

Leigh Watkins Retires From Mississippi BA; Hubbard New Exec. Dir.

JACKSON—Leigh Watkins Jr. has retired as executive director of the Mississippi Bankers Association, effective December 31. He had served as executive officer of the association for 24 years. Mr. Watkins is succeeded by John R. Hubbard, formerly associate director of the MBA.

Mr. Watkins assumed the duties of executive officer of the association on January 1, 1946, and played a prominent part in the establishment of the Junior Bankers Section of the MBA, the development of the annual management conference for senior officers of Mississippi banks, the establishment of the School of Banking of the South at Louisiana State University, and the inauguration of the Chair of Banking at the University of Mississippi.

A native Mississippian, Mr. Watkins was born June 26, 1901, in McComb. He received a bachelor of science degree from Millsaps College in 1923. During World War II he was associated with the Mississippi Office of the U. S. Treasury Department's war bond efforts. Earlier he was chief executive officer with the State Tax Commission in the administration of the excise taxes which followed the depression. He concluded his career with the Tax Commission as director of statistics and assistant director of the budget.

WATKINS

HUBBARD

Mr. Hubbard has been a member of the MBA staff since April 1, 1966, when he was named assistant director. He was later named associate director and succeeded to the office of executive director on January 1. A native of Prentiss, Miss., he graduated from Millsaps College and the School of Banking of the South.

Before joining the MBA, Mr. Hubbard was vice president of Citizens National, Meridian, Miss. Prior to that he was assistant cashier in the correspondent department of Deposit Guaranty National, Jackson. He has been active in the American Institute of Banking and the Junior Section of the MBA.

Merger Withdrawn

JACKSON—Mississippi Bank has withdrawn its application to merge with Bank of Wesson. The Mississippi State Department of Bank Supervision and the FDIC accepted withdrawal of the application. The bank gave no reason for withdrawing the application.

Mitchell Made Assistant Cashier at First Nat'l, Greenville

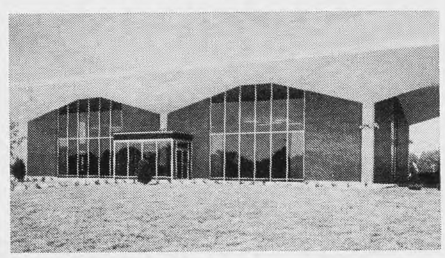
MITCHELL

GREENVILLE—First National has elected Dovard Mitchell Jr. an assistant cashier. Mr. Mitchell was an assistant cashier and security officer at Planters Bank in Ruleville prior to joining First National.

Mr. Mitchell attended Mississippi Delta Junior College and was graduated with a bachelor of science degree in business administration from Delta State College.

■ COAHOMA NATIONAL, Clarksdale, has announced an increase in capital from $450,000 to $500,000 through a stock dividend on a one-for-nine basis. In other action, the bank promoted Willis N. Dabbs from assistant cashier to assistant vice president. Named assistant cashiers were Harold G. Lewis, manager of Lula Branch; and Billy R. Littrell, programer and data processing manager.

New in Olive Branch



Bank of Olive Branch has moved into its new, quarter-million-dollar building that replaces bank offices in Olive Branch's central business district. The 5,600-square-foot building has two drive-in windows, eight teller spaces and a parking lot for 40 automobiles. The new building is structurally reminiscent of Memphis International Airport's terminal building.

Commercial Nat'l, Laurel, Opens New Main Office

LAUREL—Ribbon-cutting ceremonies formally opened the new Main Office of Commercial National last month. Opening day visitors registered for prizes, including a color TV and stereo.

The facility offers three drive-up window units, off-street parking for 60 cars and two night depositories. The exterior of the building features white brick, solar bronze glass, white stucco panels, concrete columns and canopied entrances.

The main lobby features an 18-station teller fixture, customer lounges, officer and private offices, conference rooms and adjoining installment loan department. A graceful spiral staircase leads to the second floor, location of the trust department and safe deposit area, offices and recreation room. The third floor houses the bookkeeping and credit departments and the fourth floor houses rental offices. Two elevators serve all floors.

The building project was handled by Bank Building Corp., St. Louis.

Main lobby of Commercial Nat'l, Laurel, features circular check desk, 18 tellers stations.

Graceful spiral staircase leads to trust department on second level of Commercial Nat'l's new building.

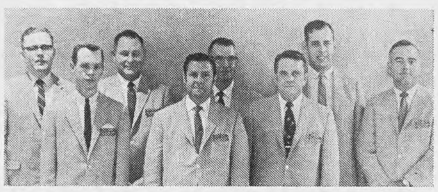
Twelve Promotions Announced at 1st Mississippi Nat'l

HATTIESBURG—First Mississippi National has elected two executive vice presidents: Joe M. Hinds Jr. and L. Y. Foote Jr., both formerly senior vice presidents. The bank also has promoted James C. Goodwin Jr. to senior vice president. Mr. Goodwin, who was a vice president and manager of the Broadway Mart Branch, was transferred to the Gulf Coast Division January 1.

Promoted to assistant vice presidents were: Harry R. Baxter and James E. Cooke, Hattiesburg Office; Harry D. Cook, Russell A. Quave, William G. Slay and Roland P. Byrd, Gulf Coast Division.

Named assistant cashiers were Miss Verlene N. Cole, Hattiesburg Office, and Charles Fryou and Miss Camille Gemmill, Gulf Coast Division.

Meridian Bank Promotions

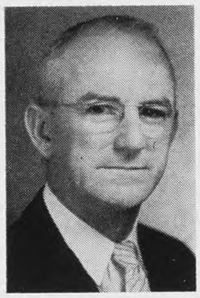


First National, Meridian, has promoted John Robbins, Joe Williams and J. D. Duke to vice presidents; H. R. Rogers and Billy Wooten to assistant vice presidents and Walter Collins, Billy Joe Britt and Durward Smith to assistant cashiers. Pictured are, left to right: Messrs. Smith, Wooten, Britt, Collins, Rogers, Williams, Robbins and Duke.

Louisiana News

Doyle Receives Weiss Award From Religious Organization

NEW ORLEANS—Francis C. Doyle, executive vice president at National Bank of Commerce, was recipient of the Weiss Award recently, given by the New Orleans Chapter of the National Conference of Christians and Jews. He was cited as "an outstanding advocate of the promotion of good will and understanding among the different faiths in the community."



DOYLE

The citation was read by John A. Ourliber, NBC's chairman.

■ FIDELITY NATIONAL, Baton Rouge, has awarded about $1,900 in scholarships to three Louisiana State University students under the W. Leroy Ward Sr. Memorial Scholarship program.

■ RAPIDES BANK, Alexandria, held an open house to celebrate the completion of its new quarters. Cash prizes totaling $2,000 were awarded during the event.

■ AMERICAN BANK, Monroe, has named Thomas C. Dupuy assistant cashier. He has been with the bank since 1966.

■ LOUISIANA BANK, Shreveport, has elected James R. Gunter vice president and comptroller. He was a senior vice president and cashier at South Oak Cliff Bank, Dallas.

■ DAVE RICHARDS has been appointed president of Allen State, Oakdale. He was a national bank examiner. Mr. Richards succeeds Charlie James, who has become president of Olla State Bank.

■ FIRST NATIONAL, Ruston, has named Jack Madden and Ed Futrell assistant vice presidents. Miss Jerlene Gassaway was named assistant cashier.

■ MRS. DARWIN McCLINTOCK has been named director of the women's department, First National, Slidell. She was an officer and director of the women's department at Birmingham Trust National.

Top Agricultural Lender

MONROE—Central Bank has been recognized by *American Banker* as the largest agricultural lender among banks in Louisiana. The bank has been ranked as the nation's 74th bank in amount of agricultural loans outstanding.

Central Bank, with total deposits of $73.2 million, had $11 million outstanding in agricultural loans, according to the bank publication.

A Salute to 'Rice Millers'

Because rice is a main industry and a breadwinner of many Crowley, La., families, a "Rice Millers" appreciation dinner is hosted yearly by Bank of Commerce in Crowley.

A fall and Halloween theme, with colorful witches' hats and miniature pumpkins, dominated the atmosphere of last year's event. With another harvest and dinner completed, many "Rice Miller" men and women could remember the day by taking home their gift cigars and mum corsages.

■ MORGAN CITY BANK has promoted assistant cashiers George S. Eells Jr. and Lanny R. Ross to assistant vice presidents. Mr. Eells joined the bank in 1967, Mr. Ross in 1965.

50 Years of Service

W. Wilber Pope, left, director and senior consultant of Hibernia National, New Orleans, receives a leather-bound book containing mementoes of his 50 years of service from Hibernia President Clyde Hendrix Jr. The book includes Mr. Pope's original application for employment with a predecessor of the bank. Employees attended a reception in Hibernia's Main Office to honor Mr. Pope.

NBC President James Jones Speaks to Land Title Group

NEW ORLEANS—James H. Jones, president of National Bank of Commerce, addressed the annual meeting of the Louisiana Land Title Association recently. His subject was lack of interparish planning and unorganized leadership by local politicians, facts that have contributed to lack of growth of New Orleans.

JONES

Mr. Jones made use of the findings of an extensive study his staff has conducted regarding the composition of the New Orleans economy and its potential for future growth.

■ RAPIDES BANK, Alexandria, has promoted Jerry C. McClung from assistant cashier to assistant vice president and elected Lee G. "Buzzy" Jeansonne as assistant data processing officer.

■ FIRST NATIONAL, Shreveport, has elected Lee C. Ramsel and J. C. Soulant as senior vice presidents, a title new to the bank. Both are former vice presidents. Mr. Ramsel joined the bank in 1956; Mr. Soulant in 1937.

■ WARREN WILD plans to resign as executive officer of Mechanics Bank, McComb, Miss., on February 1 to assume duties as executive vice president of Guaranty Bank, Hammond. He joined Mechanics Bank in 1948.

■ BATON ROUGE Bank has appointed Frank R. Clark and Wayne McVadon as vice presidents. Both men joined the bank in 1967 and were formerly assistant vice presidents.

■ P. J. McGOEY III has been appointed assistant cashier and manager of the new office of First National of Jefferson Parish in the Clearview Shopping Center, Metairie. Mr. McGoey joined the bank in 1965 and was manager and assistant cashier of the M. A. Green Shopping Center Office.

■ GUARANTY BANK, New Roads, has announced plans for a remodeling and addition to its existing facilities. Floor space will be doubled and an entire new facade will be constructed. Bank Building Corp., St. Louis, is consultant for the project.

■ PARISH NATIONAL, Bogalusa, has elected Mouton Bickham and A. G. Magee to its board. Both men are residents of Franklinton.

Arkansas News

VPs, Director Named at Commercial Nat'l

LITTLE ROCK—Commercial National has promoted five officers to vice presidents. They are: Harold Hampton, Edwin P. Henry, James J. McDonald, Sherod White and A. Leon Helms Jr.

HAMPTON

Mr. Hampton heads the installment loan department. Mr. Henry and Mr. McDonald are commercial lending officers. Mr. White is in charge of the electronic data processing department. Mr. Helms, who has been with the bank 13 years, also was named a trust officer.

The bank also elected H. Tyndall Dickinson a director. He is president of a contracting company in Arkansas.

McDONALD

HENRY

WHITE

HELMS

■ FIRST NATIONAL, Mountain Home, has named J. D. Rodgers trust officer. He was cashier and assistant trust officer at First National of Springdale.

■ BERNARD A. FRAZER has been appointed manager of the marketing department at First American National, North Little Rock. Mr. Frazer is a former manager of the North Little Rock Chamber of Commerce.

Becker Named to Division Post at First Pyramid Life

LITTLE ROCK—James T. Becker has joined First Pyramid Life Insurance Co. as director of the credit insurance division. Mr. Becker has been in the credit insurance field 15 years.

BECKER

A native of Little Rock, Mr. Becker attended Little Rock Junior College and the University of Alabama. He assumed his duties with First Pyramid Life last November.

■ NATIONAL BANK OF COMMERCE, El Dorado, has celebrated its 50th year.

■ FIRST NATIONAL, Harrison, has marked its 25th anniversary.

■ CECIL W. CUPP JR., president of Arkansas Bank, Hot Springs, has been reappointed vice president for Arkansas of the American Bankers Association.

■ MARKED TREE BANK has named Lowell Laffoon assistant cashier.

■ PEOPLES BANK, Mountain Home, is planning a major expansion project.

■ FIRST AMERICAN NATIONAL, North Little Rock, has promoted Jim Lovell to assistant vice president, Gene Etchison to computer services officer and Jerry Scott to assistant cashier.

■ DON PATTILLO has been named trust officer of Farmers & Merchants, Stuttgart.

Kane, Puryear Promoted at 1st Nat'l, Little Rock

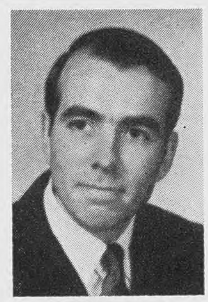
LITTLE ROCK—First National has elected Edwin C. Kane president and Garnier K. Puryear executive vice president. Mr. Kane succeeds B. Finley Vinson, who had been president since 1963 and president and chairman since 1967. Mr. Vinson will retain the chairmanship.

KANE

Since joining the bank in 1954, Mr. Kane has worked in all major departments. He was named head of the correspondent bank department in 1963 and in 1965 he was elected executive vice president. He will continue as vice chairman of the board.

Mr. Puryear joined First National in 1960 as a management trainee. He has been an assistant cashier, assistant vice president, vice president and head of the operations division.

VINSON



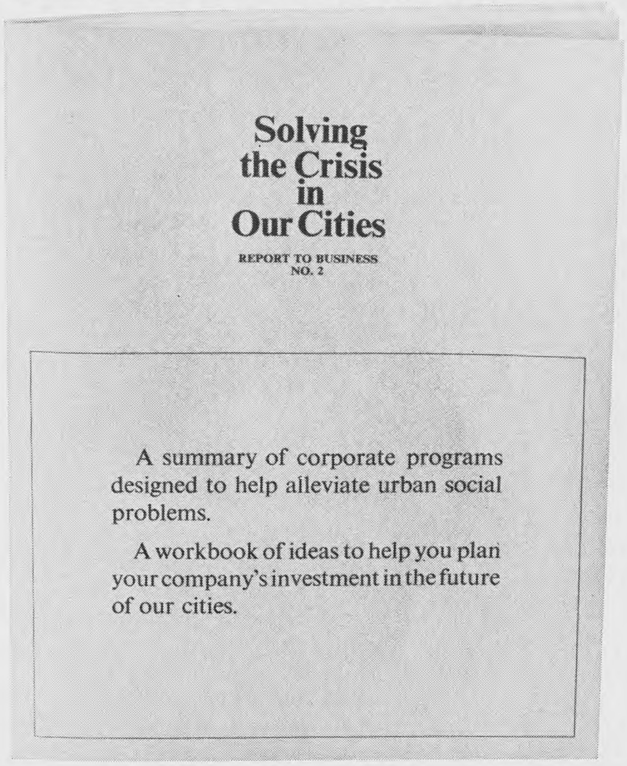
PURYEAR

■ WARREN BANK hosted about 200 people at the bank's 22nd annual Bradley County 4-H banquet. Two youngsters were named "Bradley County's top 4-H members" and received savings accounts from the bank.

■ BANK OF MALVERN has begun its improvement and enlargement program. Included among the plans are the enlargement of the parking lot and loan officers' area and the addition of space for a new directors' room and bookkeepers' department. Construction completion is anticipated for March 1, 1970.

■ CITIZENS BANK, Jonesboro, is planning to build a new auto bank in the southwest section of the city. The new facility, which will be Citizens Bank's fourth location in addition to the Main Office, will have a walk-in lobby, two drive-in teller windows and a parking area.

TRAINING THE UNSKILLED MINORITIES ISN'T JUST FOR GIANTS



Solving the Crisis in Our Cities

REPORT TO BUSINESS NO. 2

A summary of corporate programs designed to help alleviate urban social problems.

A workbook of ideas to help you plan your company's investment in the future of our cities.

This workbook of ideas shows what smaller companies can do, too...

Kendall Manufacturing Co. learned that it is easier for a small company to teach the unskilled than a large manufacturer. In a small plant, says President Lowell Kendall, the unskilled trainee has the opportunity to work alongside an experienced worker. In a large plant, classroom instruction is mandatory.

The Crouse-Hinds Co. offers "off-the-job" training to employees so that they can qualify for better positions as openings occur.

Oxford Chemicals feels a smaller firm like itself is in a better position to attract and train hard-core unemployables because they feel it is hard to compete within a large corporation. Oxford finances its own training program, sending employees to school at night. Each trainee is assigned to a trainer of the same ethnic group.

These and 70 other case histories illustrating how business big and small is helping to solve the crisis in our cities are in the new booklet "Solving the Crisis in Our Cities...Report to Business No. 2." Use the coupon to get your copy.

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Texas News

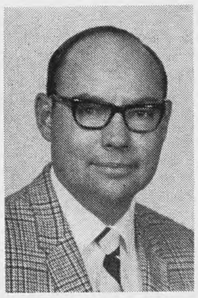
Republic Nat'l Elects Smith VP in Correspondent Division

SMITH

DALLAS—Republic National has elected Morrison F. Smith a vice president in the correspondent bank division. He will serve primarily as a liaison officer with other banks in the Dallas metropolitan area.

Mr. Smith had been a deputy regional administrator of national banks since November, 1968. Before that, he was an examiner-in-charge of the Houston sub-region.

R. S. Rogers Elected Sr. VP at Citizens Nat'l, Lubbock



ROGERS

LUBBOCK—Citizens National has elected R. S. "Cinco" Rogers senior vice president in charge of correspondent banking. He was formerly with El Paso National as vice president, correspondent banking department. Mr. Rogers had been with the El Paso bank since 1960.

Mr. Rogers entered banking in 1941 at Lea County State Bank, Hobbs, N. M. After returning from the armed services, he returned to Lea County State, by then called New Mexico Bank, Hobbs, and later became vice president and manager of its Lovington Branch and secretary to the board.

Amarillo Nat'l Names Sr. VPs

AMARILLO—Amarillo National has elected Tol Ware, William O. Mullins, L. Raeburn Hamner Jr. and E. W. Williams Jr. senior vice presidents. Charles Cathcart has been elected assistant trust officer. Mr. Haemner also carries the title of trust officer.

■ FIRST STATE, Aransas Pass, has named James T. Denton Jr. chairman and James E. Powell president. Mr. Denton is president and chief executive officer of Corpus Christi Bank. Mr. Powell was a vice president and director at Corpus Christi Bank.

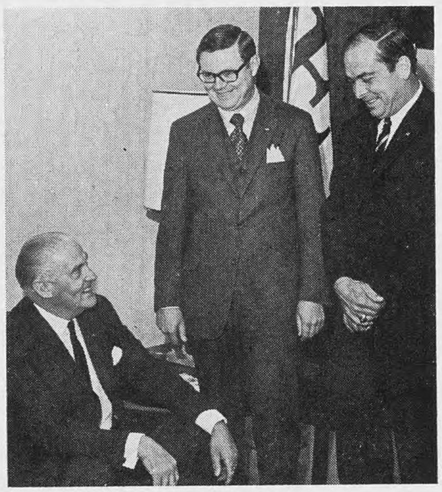
1st City Nat'l, Houston, Changes

HOUSTON—First City National has elected the following: Fred C. Homeyer, vice president, real estate; Charles M. Prather, vice president and trust officer; Miss Wanda L. Farris, assistant trust officer; Paul Elmquist and Paul Nugent, assistant vice presidents, and Robert Cramer, assistant cashier, all of systems development and programing and Roger Dickey and Harvey C. Balwin, assistant cashiers, credit cards.

1st Financial Group Formed

HOUSTON—Houston First Financial Group, a new holding company, has become the parent of Houston's Bank of Texas and Houston First Savings Association. George A. Butler is chairman of the new company and W. E. Dyche Jr. is president. Both the bank and association will remain at their present quarters until completion of the One Shell Plaza Building, presently under construction.

Republic to Open London Branch



Republic National of Dallas has received approval from the Federal Reserve System and the Comptroller of the Currency to open a branch in London. Scheduled for opening in 1970, the branch will provide commercial banking services and will have an initial staff of 14 to 18 persons. According to a bank official, the London Office will be the first full-service branch established by any bank in Texas or the Southwest. Discussing branch plans are, left to right: Reginald E. Edwards, general manager in charge of operations, London Branch; S. Ronald Brown, London Branch head responsible for banking activities in the United Kingdom and Europe, and Barry J. Mason, v.p., overseas banking, Republic National.

Jeffus Marks 59 Yrs. in Banking; Son, Grandsons Also Bankers

JEFFUS

DEPORT—A bouquet of red roses helped celebrate Tom Jeffus' 59 years of banking service. He has been president of First National since 1927 and the banking field also has attracted his two sons, two grandsons and possibly his great-grandson.

Mr. Jeffus was cashier from 1916 to 1927 when the bank was reorganized and he was elected president. In 1954 the bank consolidated into the present First National and he was reelected president. One of Mr. Jeffus' sons, Hugh L., is executive vice president at First National and his second son, Jack, was a vice president of City National, Wichita Falls, before his death. Mr. Jeffus' grandsons began working at the bank while in high school and two are still in the field. His great-grandson, a college student, is considering a career in finance.

1st Security Nat'l Promotes 5

BEAUMONT—First Security National has promoted John E. Gray from president to chairman and chief executive officer and Elvis L. Mason from executive vice president to president. Will E. Wilson was promoted from senior vice president to executive vice president and former vice presidents Marcus H. Dougharty and Harry S. Long were named senior vice presidents.

■ CITIZENS NATIONAL, Lubbock, has promoted Mrs. Jeanelle Bagwell to assistant to the president. She was assistant vice president. Mrs. Bagwell is recording secretary of the National Association of Bank-Women Inc.

Landress, 1st Nat'l, Dallas, Retires After 49 Years

DALLAS—W. B. Landress, executive vice president and cashier of First National, has retired after more than 49 years of banking service. He has the longest tenure of any senior officer at First National—having spent 47 years with the bank. Mr. Landress has directed many departments, among them analysis, credit, industrial, personnel and operations. He was made executive vice president and cashier in 1965 and secretary of the board in 1963.

James H. Merritt, senior vice president in charge of credit division K, has been named to fill Mr. Landress' posts as cashier and board secretary. Mr. Merritt also will continue as senior vice president.

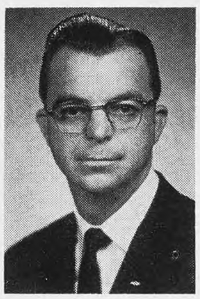
Three Promoted to Sr. V.P. at Mercantile Nat'l

DALLAS—Mercantile National has promoted David M. Bernardin and H. A. Lofman from vice presidents to senior vice presidents. Charles F. Nowlin was named a senior vice president and cashier.


BERNARDIN


LOFMAN


NOWLIN


LAW

Mr. Bernardin heads the correspondent bank division; Mr. Lofman is in charge of the petroleum, international and commodity departments; and Mr. Nowlin is responsible for operations. Each of the new senior vice presidents has been with the bank more than 20 years.


WOOD


PRINCE

Elected vice presidents were: Rogers Law and Clyde H. Wood, correspondent banking; Robert Barham, data processing; Robbie L. Cook, mortgage loans; and Winston Rowntree, operations.

F. Delma Prince, correspondent banking, was promoted to assistant vice president.

■ SOUTHWEST NATIONAL, El Paso, has named F. D. Steadman bank auditor. He was an assistant national bank examiner.

Top Posts at Victoria Bank Go to Blackburn, Stubblefield

VICTORIA—D. R. Blackburn has been promoted from president to chairman and chief executive officer of Victoria Bank. He succeeds his father, D. E. Blackburn, who has been named to the new post of consultant chairman. P. K. Stubblefield was promoted from senior vice president to president. All bank promotions were made to coincide with its $2-million expansion program.

Named executive vice presidents were: G. C. Pittman, Roger C. Hamel Jr. and Warren A. Nelson. Promoted to senior vice presidents were: Marvin L. Salziger, Lynn Loyd, Lawrence J. Stange, Charles S. Hanley, Leo W. Schell and Ralph R. Gilster Jr.

Named vice presidents were Arthur Buckert, Berry Colvin, Charles R. White, Melvin L. Stubbs, Norvel McCauley and James A. Traber. Assistant vice presidents named were: Herman J. Vogt Jr., Louis F. Martin Jr. and Laddie F. Janda.

The board also voted that $500,000 be transferred from undivided profits to certified surplus.

Frost Nat'l Promotes 3

SAN ANTONIO—Frost National has promoted three senior vice presidents to executive vice presidents. Promoted were: Donald W. Garrett, who was also elected a director and heads the banking group; C. Linden Sledge, who was also named secretary to the board and head of the administration group; and Clyde C. Crews, who will head the investment group.

■ NATIONAL BANK OF COMMERCE, San Antonio, has named William D. Standley, senior vice president, as secretary to the board.

B. G. Jordan Elected President of State Nat'l, El Paso

EL PASO—State National has elected B. Glen Jordan president. He succeeds George G. Matkin, who was chairman and president.


JORDAN

Mr. Jordan was formerly general partner-in-charge, bank management consulting, of the New York accounting firm of Peat, Marwick, Mitchell & Co. In this post, he directed consulting partners, managers and staffs in solving management problems of major U. S. banks and banks in Mexico, Peru, Brazil and Puerto Rico. He has been in banking 23 years and is a former vice president of Bank of the Southwest, Houston.

New Mexico News

■ BANK OF LAS VEGAS has promoted Gary C. Lawrence from vice president to president to fill the vacancy created by the resignation of Dale B. Gerdeman. Named executive vice president and advisory director was Charles V. Glover, who has been with the bank since 1947. Mrs. Marie Burns was promoted from assistant vice president to vice president. She has been with the bank since 1953.

■ W. A. CLARKE, chairman and chief executive officer of Bank of New Mexico, Albuquerque, has been named general chairman of the Kit Carson Council Boy Scouts fund campaign. The $837,000 fund drive is designed to increase New Mexico scouting facilities. Funds from the drive will aid in the establishment of two camping areas and center for council offices.

■ ROBERT S. POAGE, senior vice president and cashier of Albuquerque National, has attained 35 years of service with the bank. He was elected vice president and cashier in 1956 and was named to his present post in 1965.

Santa Clauses Greet Visitors

ALBUQUERQUE—Instead of holding an open house to display a new facility or equipment, Citizens State Bank last month asked two women employees to dress in Santa Claus outfits to introduce customers to the bank's new drive-in system. The women explained the operation of the new pneumatic-tube system for outside deposits.

■ FIRST NATIONAL, Albuquerque, officials purchased dolls and gave them to area women and girls to dress and distribute to children's homes. Six dress themes were chosen for the dolls —to represent a nationality or character, fancy dress, sensible dress, a knitted or crocheted costume and a special class for young girls, who were not judged in the bank's doll contest.

■ BANK SECURITIES, INC., Alamogordo, has elected Daniel R. King vice president, computer division, and Daniel E. Conley Jr. vice president-comptroller. Mr. King recently returned from Vietnam, where he was an Air Force captain. Mr. Conley was manager of the El Paso Office of Peat, Marwick, Mitchell & Co., a New York accounting firm.

Uniforms for Hobbs Bank

First National, Hobbs, has furnished all women personnel with uniforms. They may choose any one of these colors—navy, brown, light blue, black and gold. Wearing their choices are, left to right: Mmes. Sherryl Strickland, Sally Giddens, Betty McVey and Barbara Ward.

■ FIDELITY NATIONAL, Albuquerque, has announced plans to construct a 1,350-square-foot addition to its present office, costing $65,000. The addition will house two drive-up windows, a records vault and a board room.

■ SECURITY NATIONAL, Roswell, has elected Robert "Scotty" Blymn vice president and Delton R. Cobb and John Carter Jr. assistant vice presidents.

■ DAVID G. LIVINGSTON, executive vice president, Bank of New Mexico, Albuquerque, has been elected president of the Association of Commerce & Industry of New Mexico. He is a former vice president of the organization.

■ BANK OF SANTA FE has named Gary L. McPherson vice president and credit analyst. He was a bank analyst with the New Mexico Department of Banking.

■ HOT SPRINGS NATIONAL, Truth or Consequences, has named Dave Underwood president to succeed the late Roger I. Parker. Mr. Underwood was with Bank of America in San Diego, Calif. Wayne J. Negley has been promoted from vice president and cashier to executive vice president.

■ RUIDOSO STATE has applied to the New Mexico commissioner of banking and the FDIC to establish a branch in the village of Capitan.

Judge Upholds Charter for Bank in Ruidoso

RUIDOSO—A Santa Fe district judge, Samuel Z. Montoya, has upheld the state banking commissioner's earlier approval of a charter for the Security Bank of Ruidoso. Judge Montoya's decision supports Commissioner Grant Brumlow's May 16 approval of the charter.

A petition, which requested reversal of Mr. Brumlow's approval, was first filed last spring in a district court in Carrizozo by Ruidoso State Bank, the community's first bank. The petition was dismissed, however, because of lack of jurisdiction. Judge Montoya conducted the hearing last summer and recently made his decision.

The bank is waiting for approval by the FDIC. The bank is an affiliate of Bank Securities, Inc., of Alamogordo.

■ FARMERS & MERCHANTS, Las Cruces, has opened its new $100,000 branch in Hatch.

■ THE HAGERMAN BRANCH of First National, Roswell, held an open house with coffee and doughnuts as appreciation for its customers' patronage.

■ RALPH BURTON, president of First National, Lordsburg, has resigned and accepted the presidency of American Bank of Muskogee, Okla.

■ FIRST NATIONAL, Grants, has elected John H. Jackson Jr. president. He had been acting president since last July and vice president since 1964.

■ FIRST NATIONAL, Santa Fe, has opened an office in Pojoaque's Pueblo Plaza Shopping Center. The office has a drive-up window and night depository. Don B. Gonzales Jr., who has had 23 years' banking experience, has been named manager.

■ SANTA FE NATIONAL has elected Dr. Philip L. Schultz and Tom L. Moore directors. Dr. Schultz is a diplomat of the American Board of Surgery and a fellow of the American College of Surgeons. Mr. Moore is president of Moore's, Inc., a retail apparel establishment.

New Mexico Deaths

CHARLES J. ECKERT, 80, retired vice president and cashier at First National, Santa Fe.

HAROLD E. SCHEUTZEL, 61, senior vice president of First National of Rio Arriba, Espanola. He joined First National, then called Espanola State Bank, in 1954.

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Oklahoma News

Oral Roberts Named Director at NBT and NBT Corp.

ROBERTS

TULSA—National Bank of Tulsa and NBT Corp. have named Oral Roberts a director. He is president and founder of Oral Roberts University and founder of Oral Roberts Evangelistic Association, Inc.

Mr. Roberts came to Tulsa in 1947 and a year later began his evangelistic movement. His university, founded in 1965, is a private liberal arts school. Its present enrollment is 882 students.

Seven Directors Retire

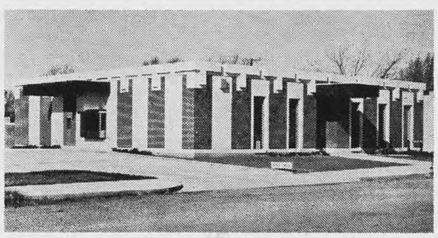
OKLAHOMA CITY—Seven directors of Liberty National Corp., the parent company of Liberty National Bank, have retired. They are: Carl B. Anderson Sr., C. R. Anthony, F. G. Babb, V. P. Crowe, W. Elmer Harber, William T. Payne and Frank A. Sewell. Messrs. Anthony and Sewell were named directors emeritus.

Mr. Anthony is a former vice chairman, chairman and honorary chairman of the bank. Mr. Sewell is a former president, chairman, honorary chairman and chairman emeritus.

■ CITIZENS NATIONAL, Okmulgee, has named Tom Bingman a trust officer. Before joining the bank, he operated his own CPA firm in Okmulgee.

■ BILL RICHARDSON has been named chairman of Security Bank, Midwest City. He is also chairman of Grant Square Bank, Oklahoma City. D. W. Garrett has been named president of Grant Square.

1st State's New Building



First State, Ketchum, personnel welcomed about 500 people to the bank's open house celebrating the completion of a new building, above. With approximately 3,200 square feet, the structure has a canopy to serve as protection in inclement weather, night depository, small kitchen, community room and exterior lights that operate in accordance with the sun or clock.

■ LARRY BARNETT has been elected vice president of May Avenue Bank, Oklahoma City. Mr. Barnett was formerly vice president of Union National, Bartlesville.

■ FIRST NATIONAL, Tulsa, has promoted E. Ray Shelton and Walter E. Spaid to vice presidents and named seven new assistant vice presidents including Earl W. Clark, G. Dale Goyer, Jack E. Majors, John C. Shupert, Gordon M. Smith, Jerry W. Steele and William V. Sundgren. Harold H. Cullison Jr. was promoted to trust officer and John G. Greenstreet, R. C. Hudgins, Paul E. Kallenberger and Cyrus A. Northrop were named assistant trust officers. New assistant cashiers are Raymond E. Pruitt and Robert M. Tiernan. Sentill Fox was appointed personnel department manager.

President of Northwest Named

OKLAHOMA CITY—Carl A. Smelser has been elected president and a director of Northwest Bank. He was a vice president of First National in Oklahoma City. The former Northwest National was converted to a state bank last November under the name Northwest Bank. G. R. Pulley, formerly chairman and president, will remain chairman.

■ ADMIRAL STATE, Tulsa, has promoted the following: S. George Posner from vice president to senior vice president, Dave Woolsey from assistant vice president to vice president, William Green and Ed Harp from assistant cashiers to assistant vice presidents. Named assistant cashiers were Mrs. Georgie Langston, Paul Balenti and Jerry Turner.

■ LIBERTY NATIONAL CORP., Oklahoma City, has elected Durward A. Lyon, president-elect of Wilson Certified Foods, Inc., and John W. Swinford, attorney, to its board.

■ FOURTH NATIONAL, Tulsa, has promoted Laurence G. Russell from assistant cashier to assistant vice president and Allen D. Lee to assistant cashier.

Oklahoma Death

MRS. FRED BUNCH, wife of Fred Bunch, chairman and president of State Bank of Rocky. Mrs. Bunch had been active in the Eastern Star.

Insurance Group Honored

Fidelity National, Oklahoma City, saluted members of the Million Dollar Round Table by presenting the above display in the bank's lobby. Shown with the display are Waldemar F. Pralle (l.), Fidelity senior vice president and trust officer, and J. Hawley Wilson Jr., general agent of Massachusetts Mutual Life Insurance Co. and a member of the Million Dollar Round Table. In order to join the Million Dollar Round Table, a person must sell at least $1 million worth of insurance in one year.

Tulsa Bank Begins Expansion, Announces New Officers

TULSA—National Bank of Tulsa has begun construction on the expansion of its motor bank. Three additional drive-in stations are to be added to the present six drive-in windows. Construction is expected to be completed this month.

In other action, the bank named S. Curt Cook a senior credit analyst; Malleck Coury an accounting supervisor; Richard H. Lyne a computer operations control supervisor and Don M. Cunningham a credit operations manager in the Master Charge department.

Liberty Conference

(Continued from page 60)

Dr. Nadler, documenting his reasons for believing we are effectively breaking the back of inflation, pointed out that we now have a federal budget surplus as against nearly $26 billion deficit the previous fiscal year. We have been hoarding labor, but with the present decline in corporate profits some workers are being released, making them available for other jobs. Soldiers returning from Vietnam are being released to the civilian labor market. Our program of training the hard-core unemployed has produced remarkable results in many quarters and converted heretofore unemployables to members of the work force, Dr. Nadler believes. "We are beginning to pay for inflation," Dr. Nadler declared, pointing out that the decline in the price of gold is indicative of the belief in the soundness of the dollar. The decline in the stock market, housing starts and a decline in government spending will soon be reflected in a decline in consumer spending, he believes, which in turn will relieve the inflation pressure.

Mr. Cates declared that although bank earnings have been out-performing industrials and utilities, bank stocks generally have not been considered by the public as an attractive investment. He foresees that, with the new accounting procedures which will reveal more accurately the results of bank operations, bank stocks will become more attractive in the decade ahead. He expects many adjustments in the regulatory agencies in the next decade. He also predicted more overlapping between regulatory bodies and the activities of various kinds of financial institutions. "Everybody is trying to tear down the fences that divide the various financial institutions and regulatory bodies," said Mr. Cates.

Oklahoma Governor Dewey F. Bartlett, the luncheon speaker, strengthened the reality of what Mr. Stunzi had said about the imminence of additional international banking activities in Oklahoma. The governor, who has been an effective salesman of Oklahoma as an industrial center, enumerated the recent successes that various smaller Oklahoma cities have enjoyed in landing new industries. The operations of many of the new industries in Oklahoma are internationally oriented.

The afternoon session, presided over by Earl Sneed, Liberty's executive vice president, discussed such subjects as corporate farming, trust powers for banks, Truth-in-Lending and declining a loan.

James L. Hall Jr., attorney, discussed the legal ramifications of corporate farming, covering both the advantages and disadvantages of incorporating a family farm. He pointed out that there could be significant problems created if factory farms spring up on a significant scale in Oklahoma but added, "The important thing is to recognize that the corporate farm can be very useful in some agricultural businesses. To deprive the farmer or rancher of the availability of that form of organization is not to help him but to discriminate against him at a time when he is already hard pressed. At this time we do not have a problem related to factory farms. We do have a need for effective business and estate planning in the agricultural community. Any method of satisfying that need should not be sacrificed or seriously limited by potential problems that may be more imaginary than real," concluded Mr. Hall.

Willis J. Wheat, senior vice president of Liberty, fielded a lively discussion on Truth-in-Lending. Oklahoma was a pioneer in establishing its own Truth-in-Lending legislation as a means of meeting, through state regulations, the requirements of the federal legislation. While generally working satisfactorily, it was evident from some of the questions raised that bank customers, especially in the smaller towns, are not exactly happy with the new requirements.

W. K. Bonds, senior vice president of Liberty, discussed the advantages and disadvantages of trust powers for banks, declaring that if bankers feel they have the need in their bank for a trust department, can secure the knowledgeable people to man it and see the profit potential in it, they should not shy away from setting up a trust department. He pointed out, however, that the payoff often is delayed, that a trust department must be competently staffed and able to create a substantial volume if it is to be a profitable venture.

Predicting that loan demand will increase substantially in the next decade, Gerald R. Marshall, executive vice president of Liberty, advised bankers to set up guidelines for handling loans in a tight money market. Mr. Marshall recommended that bankers always consider the following basic human factors: 1. The borrower's point of view; 2. Don't make him feel judged, rather tell him how you feel about his request; 3. Allow him to save face; 4. Tell him the truth; 5. Say "yes" or say "why."

Larry J. Wilson, president of Larry Wilson Corp., at a late afternoon session provided bankers with a generous assortment of ways to interact effectively with people, including customers as well as personnel.

In the evening James L. Hayes, dean, School of Business Administration, Duquesne University, challenged the bank executives to make and carry out long-range plans "instead of implementing short-range plans and filing your long-range plans." Describing management as "getting things done through other people," he said that good managers are problem preventers rather than problem solvers. "When you operate with well documented objectives you get everybody going toward that objective. All people love achievement but if you don't have objectives the employees just feel they are working for you rather than achieving," declared the professor, who counsels many of the nation's business leaders on management affairs. • •

Kansas News

Breidenthal Returns to Post at Security Nat'l, KCK

BREIDENTHAL

KANSAS CITY—John W. Breidenthal has resumed his post as chairman of Security National after returning from the armed services. The 69th Brigade, which he commanded as brigadier-general, was called to service in May, 1968. His assignment was at Fort Carson, Colo., where he was assistant division commander (M), Hq. 5th Infantry Division (Mech).

Mr. Breidenthal was elected chairman of Security National in 1966. He also is a former president of the Kansas Bankers Association.

Goddard Bank Sought

GODDARD—Goddard businessmen have been refused in their second attempt to move Citizens State Bank from Viola to Goddard. The Kansas Banking Board refused an application to move the Viola bank. No reason for the denial was given. A Goddard businessman and Goddard's mayor said they still hope to obtain a bank for the town.

■ STATE BANK, Downs, has named R. W. Shade an assistant vice president. He was a state agent with a New York insurance group.

■ PEOPLES STATE, Ellinwood, is planning to expand its facilities. The bank has purchased adjacent property for expansion.

■ FIRST NATIONAL, Hutchinson, is constructing a new drive-in facility at a cost of $5,500. Equipment will be installed by Diebold, Inc., Canton, O.

Beautification Project

GREAT BEND—Security State is planning a beautification project that will begin early this year. The project is part of the bank's 20th anniversary. Plans include the planting of shrubs and trees, construction of new sidewalks with snow and ice-defrosting equipment, a new facade and a patio.

■ EXCHANGE STATE, St. Paul, moved into its new 3,600-square-foot building last month. The new building has a night depository and a vault door with a burglar alarm.

Majority Interest Sold

NORWICH—W. F. Easter, former president of Farmers State, has sold majority interest in the bank to W. C. Long Jr., a director of First National, Harper. Mr. Easter remains with the bank as executive vice president and Mr. Long has succeeded Mr. Easter as president and a director.

■ DONALD A. JOHNSTON, assistant vice president and trust officer of National Bank of Pittsburg, has resigned to join a Wichita investment firm. He had been with the bank since 1966.

Richard Bruner Elected Ex. V.P. at Twin Lakes State Bank

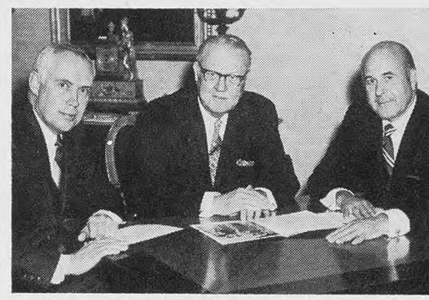
WICHITA—Twin Lakes State Bank has elected Richard W. Bruner executive vice president. Mr. Bruner was an executive vice president at Union National, Wichita, where he was employed 20 years.

Mr. Bruner is a graduate of Wichita State University with a bachelor of science degree in business administration; the National Association for Bank Audit and Control School, University of Wisconsin, Madison; and the Stonier Graduate School of Banking, Rutgers University, New Brunswick, N. J.

Changes in Chairmanship, Presidential Posts Made at Fourth Nat'l of Wichita

WICHITA—Arthur W. Kincade has resigned as chairman and chief executive officer of Fourth National to become chairman of Fourth Financial Corp., the holding company which owns the bank.

Named chairman to succeed Mr. Kincade was A. Dwight Button. Mr. Button had been president since 1961. He has been with the bank since 1937. Jordan L. Haines, executive vice president since 1966, was elected president. He has been with the bank since 1962.



HAINES KINCADE BUTTON

The bank also elected Paul E. Ryan a vice president, data processing operation. He was with Cleveland (O.) Trust. Joseph H. Stout was named correspondent bank officer. Other promotions included: Miss Marie Smith from women's representative to marketing officer and Paul D. Stephenson from manager of the credit department to credit officer.

■ RALPH P. FIEBACH has been elected a director of First National, Wichita. He is president of an electric company.

Kansas Deaths

EDWARD KEIRNS, 64, president and a director, State Bank of Atwood, after an apparent heart attack.

ROSCOE L. GULDNER, 82, former president of American National, Hutchinson, when it merged with Hutchinson National, after a short illness.

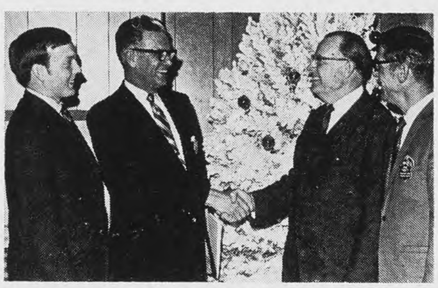
Missouri News

Union Nat'l Bank Hosts Correspondents at 25th Annual Dinner

SPRINGFIELD, MO.—Union National held its 25th annual correspondent bank dinner party December 11 at the Holiday Inn here. A capacity crowd of some 400 bankers, wives and special guests attended the pre-holiday event.

Featured speaker for the event was Jack Lacy, director of economic development for the state of Kansas, a well-known after-dinner speaker.

Jack Lacy, director of economic development for the state of Kansas, addresses guests following dinner.



Welcoming the guest speaker, Jack Lacy, are Union National officers (from l. to r.) Steve Kerbs, a.v.p., Evans McReynolds, pres. (Mr. Lacy) and Eugene Everett, exec. v.p.

Entertainment was provided by Russell Newport and Wilford Adler, pianist and soloist.

Evans McReynolds, president of Union National, served as master of ceremonies for the dinner which has been held for a quarter of a century. The invocation was given by Hugh Tan Harlin, president of the Bank of Gainesville, Mo., and past president of the Missouri Bankers Association.

■ FIRST NATIONAL, St. Louis, has named Marvin H. Meyer and William F. Sommer assistant controllers. Mr. Meyer was an accountant in the control department and Mr. Sommer was a staff accountant. Also promoted was Ferdinand A. Vogt from managing officer, EDP sales, to assistant vice president.

■ MANUFACTURERS BANK, St. Louis, has recommended a 5% stock dividend that would be payable, if approved, this March. The dividend would be the bank's fifth consecutive stock dividend.

Earl K. Nau Is Exec. VP at New Springfield National

NAU

SPRINGFIELD—Springfield National has appointed Earl K. Nau executive vice president. Presently Mr. Nau is an assistant vice president and commercial loan officer at Union National in Springfield.

Approval by the Comptroller of the Currency for Springfield National was given last July. Capital structure is $750,000. About 16,500 shares of stock of $20 par value will be authorized with 15,000 shares issued and outstanding. Plans call for a building to be erected on the corner of Glenstone and Battlefield.

Peoples State, Richmond Heights, Renamed Continental Bank

FISTER

RICHMOND HEIGHTS—Peoples State Bank has been renamed Continental Bank & Trust Co. after a change in ownership of Continental Bancshares Corp., a bank holding company that controls the bank. Richard E. Fister, president of Peoples State, will be chairman and president of Continental Bank. He also is president and chief executive officer of Continental Bancshares.

Mr. Fister said that the change in the bank's name was made to coincide with the change in ownership of the holding company and to more closely identify the bank with the holding company. Five new directors were elected; five will continue their posts and eight directors or advisory directors have resigned.

■ ALVIN B. CROWDER has been elected assistant vice president, consumer loan division, of South County Bank, Mehlville. He was assistant vice president of Mark Twain State, Bridgeton.

Second Agri-Business Conference Staged by Empire Bank

SPRINGFIELD, MO.—Empire Bank held its second annual agri-business conference here November 13.

The keynote speaker for the one-day conference was Dr. Arthur Mallory, president of Southwest Missouri State College, Springfield.

One of two panels discussed "Hills and Hollers Do Make Dollars." Garland N. Holt, bank vice president in the agriculture department, was moderator. Making up the panel were J. F. Johnson, manager of the Springfield MFA Milling Co.; Dr. Elroy Peters, department of agronomy, University of Missouri; Thomas E. Brown, professor of economics, also of the University of Missouri; and Dr. J. N. Smith of the agriculture department of Southwest Missouri State College.

The afternoon session began with the second panel discussion comprised of members of the Empire Bank farm advisory council, with Lewis Miller, secretary-manager of the Ozark Empire Fair, acting as moderator. Those participating in the panel discussion included George Avant, manager of the Massey-Ferguson Farm Center, Springfield; Herald Dill, dairy farmer; Donald J. Tucker, vocational agriculture instructor; Karl Wickstrom, milk marketer; and John Schatz, chairman of the agriculture department, Southwest Missouri State College.

While the men were busy pondering agri-business prospects, their wives were entertained at a luncheon and fashion show.

To conclude the conference, Keith M. Davis, bank president, gave his summary of the day's activities.

Development Corp. to Ask Banks for 5% of Their Pledges

JEFFERSON CITY—First Missouri Development Finance Corp. will be making calls on member banks for 5% of their pledges. Sponsored by the Missouri Bankers Association and Missouri State Chamber of Commerce, the finance corporation serves as a supplementary source of credit. However, it is not a substitute for other available financing. It also assists in the economic development of the state, primarily through increased employment.

The corporation's initial call for $172,887 will be made directly to member banks by sight draft with attached note. About 138 banks have pledged a total of $3,457,740 or up to 2% of their capital and surplus.

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Vern is the President of the United Bank of Farmington who knows Telecomputer Service is the greatest thing since the invention of the wheel.

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MBA Schedules 30th Annual Bank Management Conference at Tan-Tar-A Feb. 17-19

COLUMBIA—The 30th annual Bank Management Conference, sponsored by the Missouri Bankers Association, will be held February 17-19 at Tan-Tar-A, Lake of the Ozarks. Chairman of the conference is William R. Mills, cashier, Boone County National, Columbia.

Highlights of the sessions include a bull session with supervisory authorities, featuring C. W. Culley, commissioner of finance; John R. Burt, 10th national bank regional administrator; and John Stathos, FDIC supervising examiner.

Another session will review the federal legislative scene, featuring John W. Holton, ABA federal legislative counsel. A program on computer time sharing will be given by Thomas G. Patterson of Continental Illinois National, Chicago.

Arthur A. Smith, senior vice president and economist, First National, Dallas, will discuss the money market and the economy; David A. Sawyer, director of the Equal Opportunity Program in the Secretary of the Treasury's office, will speak on "A Record of Progress and Problems."

Also on the program are a bond panel, moderated by Frank K. Spinner, vice president, First National, St. Louis; a series of size group meetings; special interest sessions on safe deposit procedures, lending, taxes, internal controls, personnel administration and management succession; and a participation event entitled "MNO Bank Case." An extra-curricular activity on money development and personal improvement will be presented by Van W. Cooper, vice president, Southeast State, Kansas City.

■ ST. LOUIS COUNTY NATIONAL, Clayton, plans to boost capital to $3 million through issuance of 4,000 additional shares of stock. Upon the Comptroller's approval, $40,000 will be transferred from undivided profits to capital, and a stock dividend of 4,000 shares will be issued to the bank's holding company, County National Bancorporation. The bank also is increasing surplus to $6 million through transfer of $580,000 from undivided profits.

Skelton Named Vice President at Webster Groves Trust

SKELTON

WEBSTER GROVES—J. Harold Skelton has been named a vice president of Webster Groves Trust Co. He serves as manager of the trust and insurance departments. Mr. Skelton joined Webster Groves Trust in 1969, after specializing as a chartered life underwriter in estate planning and pensions for 10 years in Minneapolis.

Mr. Skelton also was a district manager for a life insurance company prior to residing in Minneapolis.

Data Processing Subsidiary Formed by First Union, Inc.

ST. LOUIS—First Union, Inc., holding company owning First National and St. Louis Union Trust, has formed First-Union Automation Services, Inc. (FAS) to provide services to expedite and reduce the costs of computer operations. The new firm is the first subsidiary to be created by First Union, Inc.

FAS will offer input and output processing services designed to help subsidiaries of First Union and other computer users deal effectively and economically with major bottlenecks in the preparation and use of computer data by the use of tape-to-film equipment. The equipment eliminates time-consuming printing of computer reports, provides savings in computer time, eliminates much of the cost of preparing and storing bulky paper forms and of maintaining files of printed reports.

The system can perform a normal 30-minute printout in less than two minutes, reducing a two-inch stack of forms, weighing six pounds, to two 4-by-6 sheets of film weighing a fraction of an ounce. The film reports are easily mailed and can be read with film readers or reproduced with reader/printers.

First Midwest Bancorporation Files for HC Status

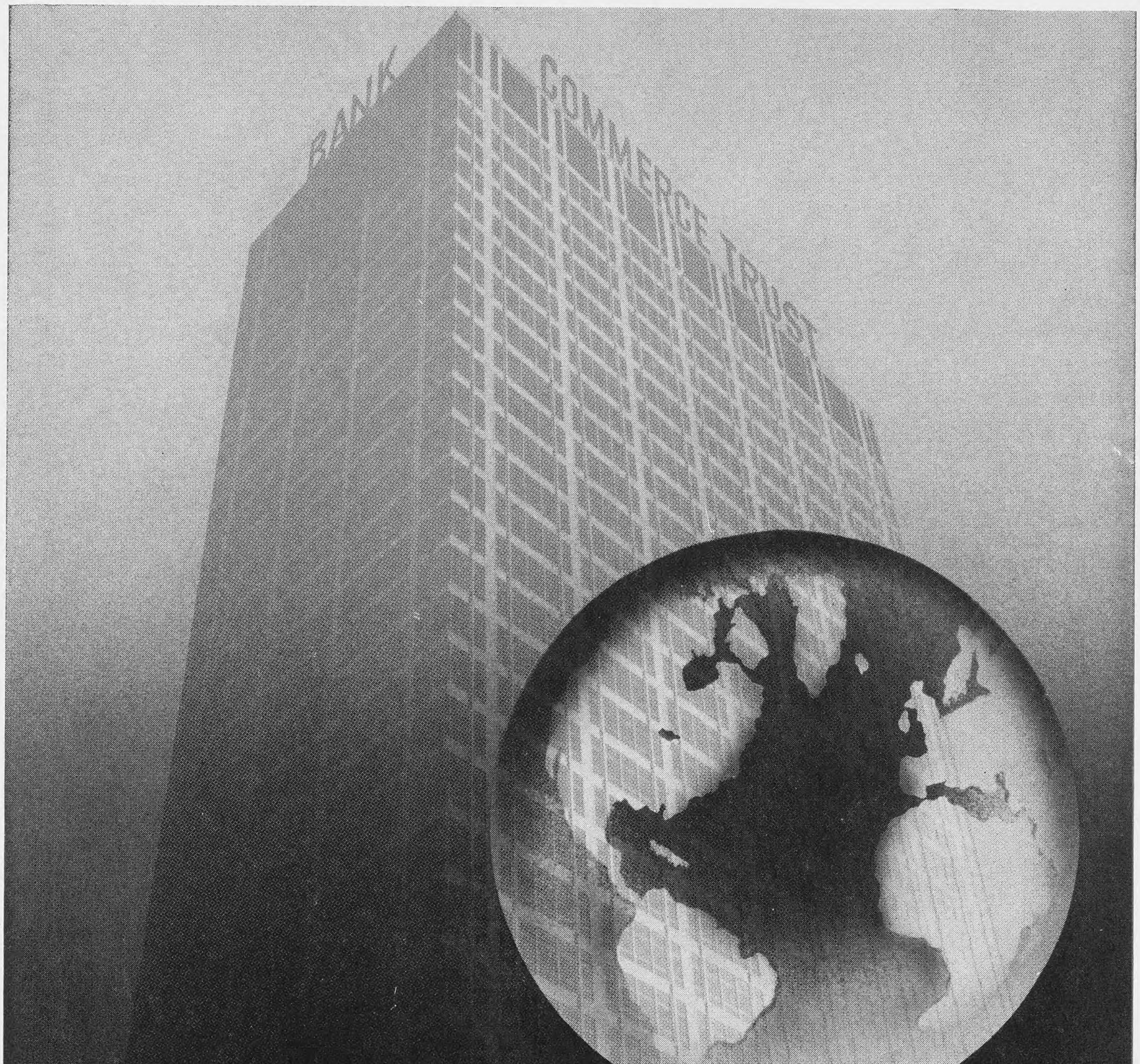
ST. JOSEPH—First Midwest Bancorp., Inc. has filed an application to form a bank holding company through the acquisition of 100%, less directors' qualifying shares, of the stock of First National, First Stock Yards and First Trust.

First National is said to be one of the few commercial banks that is a bank holding company. The stock of First Trust is held by the president of First National in trust for the benefit of the shareholders of First National. The stock of First Stock Yards is owned by First Trust. Through ownership of shares in First National, the bank's shareholders have ownership of substantially the same percentage of the outstanding stock of First Trust and First Stock Yards as they own of First National stock.

If the application of First Midwest Bancorp. is approved by regulatory agencies and stockholders, the result will be a non-operating holding company owning the shares of all three affiliated banks.

■ MRS. FLORENCE GULATH HEIM retired December 31 as assistant vice president, Gravois Bank, Affton, after more than 29 years there.

■ CITY BANK, St. Louis, has named David Koppelmann, banking operations officer, assistant cashier.



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Material on Premiums Reprinted

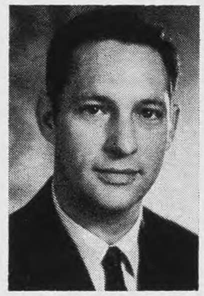
Reader reaction to the November issue of Mid-Continent Banker has borne out the claim that "Bank Premiums Are BIG." To assure the widest circulation of the editorial treatment of this exploding field, a special reprint has been created which contains all the premium material from the November issue. Looking over the reprint are Harold R. Colbert, right, MCB publisher, and Larry D. Stone, associate editor. Copies of the reprint, "Bank Premiums Are BIG," may be obtained (at $1 each) from Mid-Continent Banker, 408 Olive, St. Louis, Mo. 63102.

University City Bank Names VPs

UNIVERSITY CITY—Commerce Bank has elected W. R. Kostman and S. Dale Boughton vice presidents. The bank is an affiliate of Commerce Bancshares, Inc., of Kansas City, a registered bank holding company. Mr. Kostman will be coordinator of three St. Louis-area banks that are Bancshares affiliates—Commerce Bank of University City, Commerce Bank of Kirkwood and Commerce Bank of St. Charles. Mr. Boughton was a vice president at Commerce Trust Co. in Kansas City.

Butler Named President of Mark Twain State

BRIDGETON—Robert C. Butler has been elected president and Edwin W. Hudspeth has been named chairman of Mark Twain State. Mr. Hudspeth formerly was president of the bank. Mr. Butler comes to Mark Twain State from Mercantile Trust, St. Louis, where he was vice president - commercial loans.



BUTLER

A veteran of 13 years in banking, Mr. Butler has also served as correspondent bank officer. He is a graduate of Stonier Graduate School of Banking and is a member of Robert Morris Associates.

Mr. Hudspeth was president of South County Bank, St. Louis, from 1964 until 1965, when he was named president of the newly organized Mark Twain State. In addition to his post as chairman of Mark Twain State, he is a director of South County Bank and is vice president of Mark Twain Bancshares, Inc.

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