MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

JUNE, 1971

Convention Reports

A bond portfolio problem fouling up your fishing?

Think "FIRST"

and dial our hot line

A fishing weekend shouldn't be spoiled by worries. But it can be if you take your banking problems home with you. If your particular banking problem is a bond portfolio one, FIRST NBC can help with a unique bond Portfolio Advisory and Accounting Service.

You'll receive accurate accounting and coupon due reports, timely pricing and other valuable management information reports. All prepared by a professional management staff using the very latest in computer aids.

Not only will valuable time now spent on bond accounting be saved for more profitable activity, but you'll also be provided with useful and timely information that is not now readily available such as Monthly Portfolio Accounting Reports and Monthly Pricing and Management Reports. So, if you've got a bond portfolio problem—or any kind of banking problem—dial our Hot Line and we'll give you some action. Fast!

In Louisiana our WATS number is **1-800-363-8350**. In Alabama, Arkansas, Mississippi, Oklahoma and East Texas **1-800-535-8542.** All other areas call collect **1-504-529-1371 (Ext. 237).**

FIRST NATIONAL BANK
OF COMMERCE
NEW ORLEANS, LOUISIANA

Member FDIC

Place Is Named CEO Of Anaconda Co.

NEW YORK—John B. M. Place, who was vice chairman of Chase Manhattan Bank, joined Anaconda Co. here June 1 as president and chief executive officer. Anaconda is one of the world's largest copper producers.


PLACE

Mr. Place joined the bank in 1946 and was assigned to the United States department in 1949. After being named executive vice president in 1965, he was transferred to the international department in 1963 and, in 1965, to the metropolitan department, where he was responsible for supervision of the bank's New York City business at the Head Office and domestic branches. From 1967 until being named vice chairman in 1969, Mr. Place headed the U. S. department. As vice chairman and a member of the executive office, he had overall supervision of Chase Manhattan's domestic and international banking.

At the bank, units that had reported to Mr. Place—corporate, institutional, international, personal and real estate banking, as well as Chase International Investment Corp. and Chase Manhattan Capital Corp.—now report to Vice Chairman George A. Roeder Jr. Mr. Roeder also retains overall responsibility for the portfolio and investment banking department. Two other departments that had been under Mr. Roeder's general supervision—bank operations and fiduciary investments and trust—now report to President Herbert P. Patterson.

Edward G. Nelson Begins Term As Federal Reserve Director

NASHVILLE—Edward G. Nelson, executive vice president, Commerce Union, has been appointed a director of the Nashville Branch of the Federal Reserve Bank of Atlanta. His term began May 1 and will expire December 31, 1973.

In 1964, Mr. Nelson began his career with Commerce Union as a vice president. He was promoted to senior vice president and manager of the metropolitan division in 1967 and a year later was named executive vice president and a director.

Mr. Nelson is the great-grandson of Charles Nelson, who was instrumental in founding Nashville Bank & Trust in 1889. His grandfather, William Nelson, and father, Charles Nelson, both served as presidents of the bank.

MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 67, No. 7 ***June, 1971***

FEATURES

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THE BANKING SCENE

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

The 'Fair' Credit Reporting Act

THE FAIR Credit Reporting Act, a legislative title that is really a misnomer, is a real but generally unperceived sword of Damocles. It hangs ominously over the head of every banker, every employer, every consumer reporting agency.

Few, very few, bankers I have talked with have more than a vague general idea of what that amendment to the "Consumer" Credit Protection Act portends. Small consolation can be felt by a few sophisticated bankers who recognize that most bank examiners at present also are in the same gropy state of euphoric blissful unawareness as to the full consequences of the act.

It is appropriate that the act became effective on April 25. Thus, it is under the sign of Taurus the Bull. And if any legislation *could* be more disfunctional for finance than this legal bull in the china closet, it is hard to contemplate.

The social goals of legislation with handles including the words "truth," "ecology," "consumer protection," "fair trade," "fair credit," "motherhood" are always well intended by supporters and the lay public. They are hard to oppose by any business or industry group, especially bankers, without appearing to support the antithesis of the title—that is, favoring falsehood, pollution, consumer fraud, etc.

There is a serious question in my mind whether these legislated worthy social goals are achieved by much, even most, of this type of legislation and whether the social costs are not excessive for the really limited benefits the acts provide.

Further, there are rather ominous overtones as to the legal suit, the ambulance-chasing field day, in the invitation to sue provided by the act. The successful litigants—(and you can bet the activist June and recent graduates of many of our law schools will be in there pitching)—if they can prove willful noncompliance, probably can collect, besides actual damages, attorney fees, court costs and punitive damages.

One attorney of a major federal bank regulatory agency—who disclaimed speaking officially for the agency—has been warning bankers to anticipate "a lot of litigants." He is a conservative in light of the activist attempts of today.

Since the act has been in effect only since April 25, obviously it is too early to meaningfully tabulate the lawsuits and the real costs the act will have on all those covered.

Perhaps it would be appropriate to highlight here major, pertinent, but not all features of the law. As I see it these are: Those covered include banks as credit granters, as employers and as purchasers of automobile and other dealer paper and, unless the banks are very circumspect, as consumer reporting agencies. (Most banks have sought to avoid being classified as a consumer reporting agency.) The purpose of the act is to restore "fair" credit reporting to "legitimate" credit and employment uses. "Legitimate," however, has a different connotation than most bankers, creditors and businessmen in the past have construed the term. To be "legitimate," the credit information supplied must be "forgetful." The supplier of the credit information cannot "remember" any adverse credit information if it is more than seven years old, though if a credit application is on the high side—that is, over $50,000 or employment is at $20,000 a year or more, or a bankruptcy—a "memory" improvement to 14 years is permitted. That's right, a consumer credit reporting bank is precluded under the act (for the most part) from reporting judgements, suits, tax liens, arrests, accounts placed for collection indictments and convictions of over seven years old. The legal penalties if your bank does not "forget" the adverse but true information are staggering. Somehow *truth* as to those past arrests, indictments and convictions must be forgotten. Thus, in effect, by being silent, one must bear false witness—or suffer legal penalties for telling the truth. All banks are fiduciaries but their fiduciary memory must fail in seven or, at times, 14 years.

How about those credit inquiries you and other bank officers previously made on debtors or loan applicants? Those which you promised to hold confidential as to sources—and in which you offered to reciprocate with similiar confidential credit information—well, if all such material was *not* purged from your files and "forgotten" by April 25, 1971, you and your bank have a real problem.

If that second-party information is used to reject a credit application—it appears your bank as a "fair" credit reporter must legally *violate* the confidence of the supplier of that adverse credit information and tell the credit applicant just who supplied the adverse credit information and what it was even though this was obtained in written confidence prior to enactment of the law.

In conversing about this area with several bankers, it was apparent that the majority I discussed this with had not so purged their credit files. Has your bank?

The act apparently does not recognize the increased use of numerical rating by online, real-time computers for consumer credit granting. Thus, one system may assign two points for having a telephone, three points for having lived at one address for three years or more, five points if a home owner, minus four points if divorced and paying alimony, etc., for a sum total of say 100. Thus, an applicant may score less than 100 on perhaps more than 30 noted areas. What was "*the*" reason for credit rejection? Such a rating formula, and some are highly statistically tested and proved valid,

(Continued on page 44)


COLLATERALIZED
BY SLT

Major Operational Savings Realized With Computer in Small Bank

By D. E. McCOY JR.

President
Grant County Bank
Sheridan, Ark.

GRANT COUNTY BANK, an $8-million Arkansas institution, is the only bank in a county of approximately 10,000 people—but there is plenty of competition around. We have strong competitors in the adjoining counties, which include Pine Bluff and Little Rock. Nevertheless, we serve some 10,000 different accounts and the bank's size, which doubled from 1966 to 1970, is projected at a 10% annual growth rate.

McCOY

Thus, in 1969, officers of the bank were asking themselves: "How large does a bank have to be to justify the installation of its own computer?" At the time, transit, DDA and other operations were automated through correspondent banking services. However, in order to meet competition and to handle the bank's growth smoothly, we wanted more control and more detailed reports, including a complete central information file to consolidate all customer records.

The answer, which we determined after careful study and analysis, came back loud and clear: The computer today is as vital a business resource as capital itself. The perspective is to be fully alert and responsive to the needs and opportunities of the environment in which the business enterprise operates. Another prime objective was to make an in-house computer pay its own way to provide the bank a satisfactory return on investment.

There were those who said it couldn't be done—that a bank of Grant County's size could never justify a computer. We rolled up our sleeves and set out to prove them wrong.

Once we had ordered an IBM System/3 with 1255 MICR document reader-sorter and magnetic disk storage for immediate information retrieval, the first big step was to make detailed preparations for the new computer system. While this is one of the smallest banking systems that IBM produces, it requires proportionately as much advance planning as a large system.

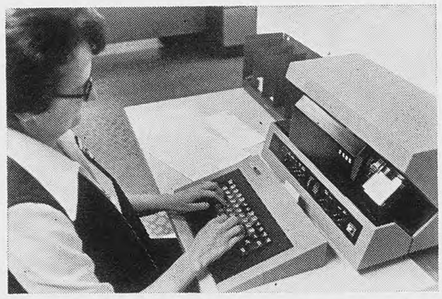
We determined to train our own employees, from among a total bank staff of 15, to operate the computer. Several of us enrolled in IBM education courses, and the bank contracted for the assistance of IBM systems engineers. Within a year, Grant County Bank developed 160 computer programs, built 20 computer record files and converted all existing applications. In addition, using the Application Customizer Service, which "automates" programing new applications, we were able to broaden the banking services GCB offers to the point where the computer yields a direct monthly profit of $300.

Previously, the bank's volume of 10,000 accounts of all types was a full-time job for GCB's 15 employees, leaving little time for marketing and special promotions. For example, 3,300 demand deposit accounts generate 3,500 to 4,000 on-us items a day, and there are 2,300 installment loans and 1,500 commercial loans. The bank generates cash letters covering some 70,000 items a month.

Most of Grant County Bank's transactions are now directly accessible in magnetic disk storage files, which have a capacity of five million characters of information. This means that we can do business much more swiftly and accurately. Just as important, a variety of special reports are available on de-

---

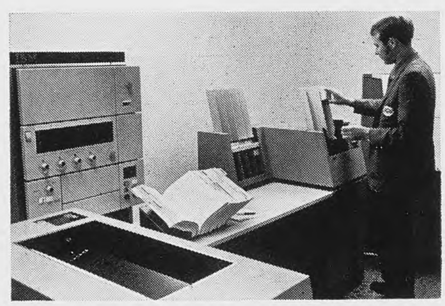
D. E. McCOY JR. joined Grant County Bank in 1957 after graduating from the University of Arkansas with a B.S. degree in business administration. He was graduated from the School of Banking of the South in 1961. Mr. McCoy worked in operations as a teller and loan officer before becoming chief executive officer in 1965. He was elected president in 1967.



IBM 5496 data recorder is used to enter data into compact System/3 "mini-card" that is only third the size of regular punched cards. System/3 requires minimum space at Grant County Bank, where it is operated in conventional room. Special raised floor and air-conditioning are not needed.

At speeds up to 500 documents per minute, 1255 reader-sorter reads data from MICR-encoded documents into IBM System/3 at Grant County Bank, Sheridan, Ark. Machine has six pockets and is key unit in system that has made fullscale electronic processing financially attractive to the $8-million bank.

Operator monitors output at 5203 printer that prints reports and statements (which are printed two-up) at 200 lines a minute as he reaches for control at central processor.



Operator feeds compact punched cards into 5424 multi-function card reader-sorter punch machine that operates under System/3 control. Machine can read-in 500 cards a minute. In cabinet beneath card input station is information storage unit that can make 10 million characters of data available to system at any given time.

around money the finest is "STEEL-STRONG"

TRADE MARK ®

1 **AUTOMATIC COIN WRAPPER**
Amounts and denominations automatically indicated by patented "red bordered windows". Amounts in windows always in register . . . eliminates mistakes. Accommodates all coins from 1c to $1.00.

2 **TUBULAR COIN WRAPPER**
Especially designed for machine filling . . . a real time-saver. Packed flat. Instant patented "Pop Open" action with finger tip pressure. Denominations identified by color coding . . . 6 different standard colors.

3 **RAINBOW COIN WRAPPER**
Color coded for quick, easy identification. Red for pennies . . . blue for nickels . . . green for dimes . . . to indicate quantity and denominations . . . eliminates mistakes. Tapered edges.

4 **DUZITALL COIN WRAPPER**
Extra wide . . . extra strong. Designed for areas where halves are wrapped in $20.00 packs . . . "red bordered window" for ease of identification. Accommodates $20.00 in dollars, $20.00 in halves. Tapered edges.

5 **OLD STYLE COIN WRAPPER**
Basic coin wrapper in extra strong kraft stock. Printed in 6 different standard colors to differentiate denominations. Triple designation through colors, printing and letters. Tapered edges.

6 **KWARTET COIN WRAPPER**
Wraps 4 denominations in half size packages. A miniature of the popular "Automatic Wrapper" . . . 25c in pennies, $1.00 in nickels, $2.50 in dimes, $5.00 in quarters.

7 **FEDERAL BILL STRAP**
Package contents clearly identified on faces and edges by color coded panels with inverted and reverse figures. Made of extra strong stock to assure unbroken deliveries. Only pure dextrine gumming used.

8 **COLORED BILL STRAP**
Entire strap is color coded to identify denomination. Printed amount appears on top and bottom of package. Extra wide for marking and stamping. Extra strong stock for safe delivery and storage. Pure dextrine gumming.

9 **BANDING STRAPS**
Ideal for packing currency, deposit tickets, checks, etc. . . . do not break or deteriorate with age. Size 10 x ⅜ inches and made of strong brown Kraft stock with gummed end for ease of sealing. Packed 1000 to a carton.

SEE YOUR DEALER OR SEND FOR FREE SAMPLES

THE C. L. DOWNEY COMPANY • HANNIBAL, MISSOURI • DEPT. MC

mand to provide the kind of current and accurate information which, we believe, leads to better management decisions.

In addition to automated posting and processing of transit, DDA, savings, installment loan, certificate of deposit and general ledger transactions, the computer provides summary reports analyzing deposits, loans and savings by special categories such as average balance ranges, amounts outstanding, etc.

The central information file (CIF) on all customer accounts is scheduled to be operable in early 1972. CIF will centralize information about all our customers' relationships with the bank in one easily accessible location.

Significantly, computer operation has not increased personnel costs. In fact, our data processing program has been an important factor in a growth equation that has in four years seen the bank double its resources—and increase the workload by 100%—while increasing the staff by only about one-third, from 11 persons in 1966 to 15 now.

One reason is that a new operations officer we added had previous bank computer experience. Another is that two of the bank's top management, including the president, attended IBM education courses and equipped themselves to handle much of the program and systems work of converting the bank's files from the purchased outside service to our own System/3. A third reason was that much of the conversion budget was invested in systems design work and systems support by IBM systems engineers, an investment we are confident paid for itself both in time saved and mistakes prevented.

This staff constructed some 160 programs, built 20 disk files and converted all existing applications within the first year's time.

In addition, our own people were able to program and convert an accounts-receivable system in only three months using the System/3 Customizer Service. This is a simplified approach to programing with the already simple Report Program Generator (RPG) language we use with the computer. It gives the user a questionnaire for separate basic accounting applications, in this case accounts receivable. By the way he answers the questions, the user tailors the application to his specific needs, down to and including format of forms and reports that are to be produced.

Once this is done, the questionnaire data is processed by a computer and checked for accuracy and completeness. The programer gets back a step-

Grant County Bank Vice President Eddie W. Sligh demonstrates "big" data storage capacity of "little" IBM System/3 punched card. Single credit card-sized punched card in Mr. Sligh's right hand can hold all data that are MICR-encoded on documents in his other hand.

by-step guide that immensely facilitates programing.

Aside from the implications for the future (stabilized costs even with increased item flow and new applications, such as the CIF), we've found distinct present here-and-now advantages to having a computer in-house. The most important, of course, is the capability to pull out any type of analysis at any time we feel it is of value. Also, proofing has been reduced to operation of one single pocket proof inscriber.

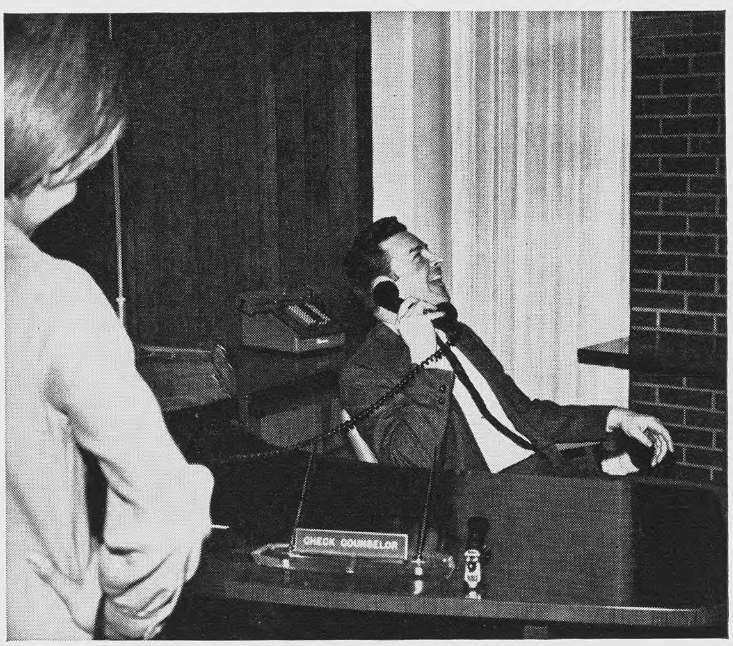
Aside from this, we've been pleased to learn that we can process all the bank's back office work with the System/3 in approximately four hours daily, obviously leaving ample time to "sell" and to utilize the computer for additional banking applications as we see the need for them and develop them.

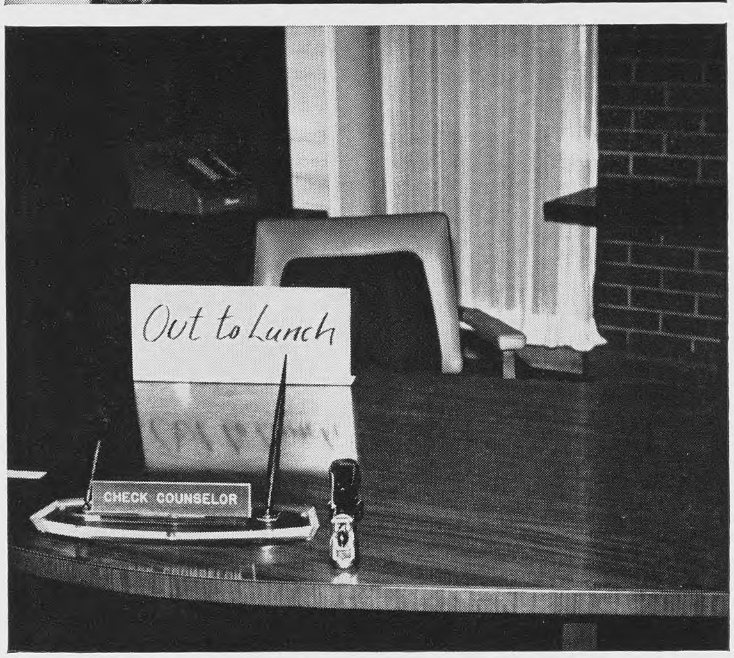
And we've found it practical to refine existing systems in certain instances. In the case of consumer loans, we pull selective dealer's reports on demand—and back these up with detail when a need is indicated. Our check float, overdraft charges, etc., are reported daily. Unearned interest on installment loans is figured and updated each day. Past-due notices on installment loans now are prepared and mailed daily compared with once-a-week mailings previously.

The small punched card has proved to be an excellent vehicle for inputting data that is not entered via MICR encoding. We can store 20,000 of the 96-column cards in less space than used to be required for 10,000 traditional 80-column cards.

In summary, we have proved to our own satisfaction that a small bank can take a small System/3 that uses a "small" card and use it to achieve major operational savings and big management information dividends when all the elements are combined in sound systems planning and programing. • •

■ CINCINNATI—Central Trust has a new director, James P. Herring, president, Kroger Co.





You have only one chance to make a good first impression!

"I remember being in a bank once where no one wanted to do anything. Every time a customer would walk in, one of the new accounts people would pick up the telephone and start dialing, and another would look away from the customer hoping he would approach someone else."

That wasn't your bank, was it? Our new slide sound film tackles the problem of making your "NEW ACCOUNTS—LASTING ACCOUNTS." It delves into new account opening procedures with ten interesting steps that will assure a good first impression and a pleased, satisfied customer when he leaves.

Over 10,000 banking people have seen this film during the past 6 months and were most enthusiastic about its message. We'll be happy to show this film to your staff at your convenience. Ask your DeLuxe representative about it.

DeLuxe DELUXE CHECK PRINTERS, INC.

SALES HDQTRS. • 3440 N. KEDZIE, CHICAGO, ILL. 60618
STRATEGICALLY LOCATED PLANTS FROM COAST TO COAST

Installment Lending

Proposed Fair Credit Billing Act Would Have Effect on Banking

A MEASURE that would have far-reaching effects on banking has been introduced by Senators William Proxmire (D.,Wis.) and Edward Brooke (R.,Mass.). This Fair Credit Billing Act (S 652)—which would amend the Consumer Credit Protection Act—is referred to by many as possibly the most comprehensive measure dealing with consumer credit practices.

If passed, the bill would nullify the holder-in-due-course doctrine in credit card sales and prohibit banks from using funds in a customer's checking account to satisfy credit card debts. Other provisions in the proposed bill would:

- Require creditors to investigate and respond to inquiries about billing errors within 30 days or forfeit the amount in dispute.
- Prohibit creditors from threatening consumers with an adverse credit rating while a billing dispute is being investigated.
- Require creditors operating revolving credit plans to mail their monthly statements at least 21 days prior to the time the consumer must make a payment in order to avoid a finance charge.
- Prohibit creditors from using the previous balance method on their revolving charge accounts.
- Prohibit creditors from imposing a minimum charge on their revolving charge accounts.
- Require creditors to credit payments on revolving charge accounts on the date the payment is received.
- Require creditors to credit consumers promptly with any excess payments they might make on their revolving charge accounts and to refund any excess payments if requested.
- Allow retailers to offer cash discounts to consumers notwithstanding agreements to the contrary between the retailer and the issuer of a credit card.
- Require creditors to disclose a brief description of all items purchased during the month and to identify the store involved.
- Require creditors to disclose on monthly billing statements addresses and telephone numbers to be used by consumers if they have any questions concerning the accuracy of their bills.

Republic Nat'l Adds Two VPs

COOPER

ANDERSON

Republic National, Dallas, has elected David P. Anderson and Clifford S. Cooper Jr. vice presidents in the international banking division. Both have had extensive overseas banking experience while affiliated with New York City banks. Mr. Anderson comes from Morgan Guaranty Trust and Mr. Cooper from First National City Bank.

Credit Cards

Problem of Growing Credit Record Files Solved With Microfilm System at Bank

AFTER ESTABLISHING a credit card operation in 1966, Liberty National of Oklahoma City quickly found itself enmeshed—in fact, in danger of strangling—on the twin problems of credit verification and authorization. By mid-1969, Liberty Bank-Americard was foundering in its own mass of credit card records, and credit-ability determination was becoming almost unmanageable.

However, today the situation is reversed: The mounting stacks of credit records have been reduced to manageable, organized film references, and Liberty and the 5,000 merchants participating in its credit card program have almost instantaneous access to credit verifications of individuals.

Important as this is to both bank and merchant, it helps a customer, too. Credit record surveillance can help prevent a person from going beyond his ability to pay.

Liberty National solved its credit card operational problem by tying an online computer credit authorization procedure to a microfilm credit file system. Heart of the compact setup is the Remington Rand Credit-Ability System, which not only replaced the unwieldy manual filing procedure, but provides instant reference and viewing facilities. When linked with the push-button accessibility of online computer information, it constitutes a highly sophisticated credit system with a daily updating and reporting capability.

The Credit-Ability System is geared to fast, simple availability of microfilm records. Its base is the individual customer's—the credit cardholder's—film made by a rotary microfilm camera. Processed by an in-bank developing unit and returned, it is verified against original data for completeness, then inserted into a mylar jacket. The latter then is stored—filed—in a compact electro-mechanical retrieval unit called a Kard-Veyer. An individual Kard-Veyer unit provides storage for about 100,000 mylar file jackets.

When information on a customer is requested, a Diazo copy can be produced at once and the microfilm master—called a Repro-Jac—is returned to the Kard-Veyer unit. The Repro-Jac is not allowed to leave the central file area. Thus, file integrity is assured.

Data from the individual Repro-Jac or Diazo copy can be reviewed instantly on a film reader.

Here's how Liberty's system works: A merchant, following a prescribed format, telephones the bank to report that a customer wants to charge an item on his BankAmericard. An authorization clerk keys in the customer's card number on a remote computer terminal. This triggers a request for the customer's credit limit, how much he currently owes and when his last payment was made. Within seconds the computer reports each of these and indicates whether the purchase can be accepted, depending on whether it would increase the total owed by the customer beyond his credit limit.

If the computer approves the purchase, it simply says so on the video screen of the computer terminal. If the purchase cannot be authorized, the customer's current history is displayed on the screen.

Here the human element is permitted some leeway. The authorization clerk is given discretion to allow up to 20% over the credit limit. This may call for some rapid mental arithmetic. Suppose the customer is asking to charge a $100 item. His credit limit is $300, and the video-screened report of his current standing shows he owes $275. The $100 charge would carry his credit to $375, or $15 more than a 20% over-limit allowance. The authorization clerk cannot override the computer's rejection of the requested purchase.

If the computer refuses to authorize the purchase, the customer may want further action. The merchant's request then goes to a credit supervisor. A copy of the customer's credit file is provided from the Credit-Ability Kard-Veyer. Again, the human factor is present in the supervisor's decision to approve or reject the purchase. Credit history is reviewed, and the supervisor may not only give approval, but raise the customer's credit line as well. Or the purchase may be turned down.

In any event, the system has a broad flexibility that allows it to be responsive to requirements of merchant, customer and bank—and in a matter of minutes if not seconds.

Microfilm client account record is prepared for filing at Liberty Nat'l, Oklahoma City.

With Liberty of Oklahoma City's Credit-Ability System, more than 100,000 microfilmed records are fingertip available in this account file.

Instant printout of customer's credit record appears on screen on punched command at Liberty of Oklahoma City.

Credit-Ability has given Liberty's BankAmericard operation the elbow room it desperately needed. Where files once were never up to date, the microfilming system now keeps them current and safe. The credit card department has been able to approach stabilization

(Continued on page 34)

Last year we "put you first" 1,684 times

During 1970, our bank adopted a campaign based upon this emblem...and all of us have tried to live up to the slogan.

OUR BANK PUTS YOU 1ST

©MCMLXX

We worked doubly hard to accommodate our Correspondent Bank customers. After all, we approved 1684 overline loans last year. That's an average of about one loan for every banking hour in a year when money was hard to get.
Give us a chance to put *you* first. We're trying to break our record!

FIRST NATIONAL BANK IN WICHITA

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

CORPORATE NEWS ROUNDUP

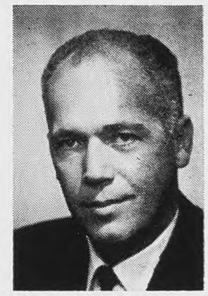
News of Firms Serving Banks

• **Delta Corp.** A record net income for the first three months of 1971 has been reported by Delta Corp., headquartered in Miami. Net income was $384,425 on gross income of $4,647,-697.

Last January, the company changed its method of accounting for participation in credit insurance underwriting gains or losses. Such change had the effect of increasing net income by $54,-363.

• **Bank Building Corp.** Newly appointed sales managers at Bank Building Corp., headquartered in St. Louis, are Arne W. Bronton and H. Leon Pinkerton.


BRONTON


PINKERTON

Mr. Bronton will cover the northern division, which includes Kentucky, Illinois and Indiana. He joined the company last August.

Mr. Pinkerton has served as a consultant at the Dallas office since joining Bank Building Corp. in 1968. He now will cover the southern division, including the states of Alabama, Louisiana, Mississippi and Tennessee.

In other action, Bank Building Corp. appointed Jack Pahlmann budget director and Jerry Radloff manager of administration and finance for the central division.

Career Apparel on Retail Level Offered by Koret of California

Koret of California has announced formation of a new Identity Designs division, specializing in career apparel for the financial community. Two hundred retail stores across the country will be established as Identity Design centers and will offer premerchandised clothing for use by business.


BICKEL

The availability of Identity Design garments at retail stores allows financial businesses and employees easy access to an exclusive line of clothing designed for them. The stores are provided with two major lines a year, both in knit and woven fabrics that eliminate time-consuming care and dry-cleaning. Tunics, jumpers, skirts, jackets, dresses and pantsuits come in a variety of colors designed for interchangeability.

The Identity Designs division is headed by Mrs. Joyce Bickel. According to Mrs. Bickel, "The phenomenal growth in number of working career women and the increasing business awareness of a need for a total public image created the need for Identity Designs."

■ NEW YORK—Gregory L. Brennan has been elected senior vice president in the operations department of Chase Manhattan Bank. He was a vice president.

What's Cheboygan got that New York hasn't got?

Gordon Barnes. Gordon is a DETROIT BANK-er with a depth of international banking experience that he's prepared to bring to Cheboygan or any other place in Michigan.

He can deliver his own experience and expertise right in your own backyard, and he's backed by a staff of specialists in every phase of international financing. So whatever the transaction, domestic or foreign, call on Gordon. He'll show you one more reason why . . .

you ought to know a DETROIT BANK-er

DETROIT BANK & TRUST

MID-CONTINENT BANKER

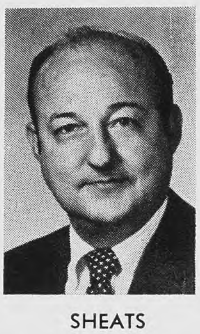
NEWS ROUNDUP

News From Around the Nation

PEOPLE

• REX J. MORTHLAND, chairman, Peoples Bank, Selma, Ala., is a candidate for vice president of the American Bankers Association in 1972-73. In addition to the Alabama Bankers Association, of which he is a former president, the Arkansas and Mississippi Bankers associations are among state bankers organizations that have endorsed Mr. Morthland's candidacy. Mr. Morthland has been in banking since 1946.


MORTHLAND


SHEATS

• T. LaMAR SHEATS has been elected senior vice president and head of the marketing division at Fulton National, Atlanta. In these posts, he has charge of the correspondent bank, national accounts, Atlanta accounts and advertising departments.

• JACK W. MINTON, president, General Bancshares Corp., St. Louis, also has been elected chief executive officer of the bank holding company. Mr. Minton is president and CEO of Bank of St. Louis, largest subsidiary of the holding firm.

• ROGER D. KNIGHT JR., president, United Banks of Colorado, Inc., Denver, is the new president of the Association of Registered Bank Holding Companies. He succeeded HENRY T. RUTLEDGE, president, Northwest Bancorp., Minneapolis. LEWIS A. LAPHAM, president, Bankers Trust New York Corp., New York City, was elected vice president of the holding company group and is in line to succeed Mr. Knight as president in 1972. Another vice president is GUY W. BOTTS, president, Barnett Banks of Florida, Inc., Jacksonville.

A Missouri Bank Strike

Missouri experienced its first bank strike last month, when 50 employees of St. Louis' Baden Bank staged a walk-out. Both the bank's management and the employees' union, Local 13 of the Office and Professional Employees International Union, claimed they had been conducting "good-faith" negotiations since January.

Key issues in the union's 23 proposals to the bank involved pay, grievance and promotion procedures. Virgil Warnecke, president of the bank, said no services were curtailed during the strike.

The bank's employees voted last December 3 to join the OPEIU. The election was certified December 18. Since January, the bank's managment and union representatives held 24 meetings, some with a federal mediator. However, no agreement was reached, and the strike began May 17, when pickets were set up around the main bank and its drive-in facility.

Two banks in St. Louis County—First North County, Jennings, and First Northwest, St. Ann—were unionized last fall without incident. Across the Mississippi at East Alton, Illinois State has been unionized several years.

'Truth-in-Savings' Called for by Educator

A Kansas State University professor has called for "truth-in-savings."

All savings depositors receive copies of annual reports of their interest prepared by their banks and other savings institutions. These reports are sent to the IRS. Dr. Richard L. D. Morse doubts that many savers recall the terms under which they invested their money so that they can check the accuracy of their accounts.

Dr. Morse, head of K-State's department of family economics, opened identical $500 savings accounts in the same savings institution in April, 1970. He received notification that as of December 31, 1970, one account was credited with $18.96 interest while the other account was credited with interest of $22.04.

The Kansas educator said that obviously a mistake was made, but then pointed out that the average saver doesn't have twin accounts to show up such errors. He just has to accept interest credited "on faith," said Dr. Morse.

"A prudent consumer should have access to known information as to the safety, liquidity and rate of return to his investment opportunities," said Dr. Morse. "Too often, this information is withheld or stated in a form which may misinform or mislead the consumer."

To assure that such information will be made available routinely, Dr. Morse has proposed legislation that several U. S. senators and representatives are considering.

Tax Gov't Securities Held by Banks, Fed Urges

For the first time, states and localities would be given statutory powers to tax interest income on U. S. Treasury securities held by banks and other financial institutions if a Federal Reserve Board recommendation should become law.

This was one of several recommendations made by the Fed as the result of a sweeping study of state and local bank taxation authorized by Congress with passage of the State and National Bank Tax Act in 1969.

The report's chief concern is that capital mobility among states could be seriously affected if the current law takes effect as scheduled next January without changes. Simply stated, the law seeks to end discrimination between state banks, which are subject to local and state taxation, and national banks, which are not. However, according to the Fed study, the law's exclusive application to banks leaves all other depositary institutions free to continue operations without effect.

The talk on which this article is based was given at the Kansas Bankers Association's convention in Kansas City, Kan., last month. The views expressed are the author's and do not necessarily reflect those of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

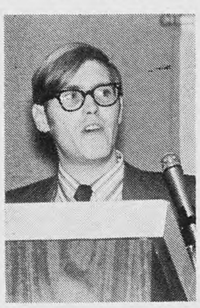
A Look at—

THE CORRESPONDENT BANKING SYSTEM

By ROBERT E. KNIGHT

Research Officer
And Economist
Federal Reserve Bank
Kansas City

FOR NEARLY two years, the Federal Reserve Bank of Kansas City has been studying the correspondent banking system in several midwestern and Rocky Mountain states. The aim of our study was to determine the ability of the system to meet the changing needs of banks and to serve the public in different areas of the country.



Nearly 2,500 banks were surveyed to ascertain their feelings about the strengths and weaknesses of the correspondent banking system.[1] This information has been supplemented with a healthy group of interviews. I would like to discuss the need for an effective correspondent banking system, a few of the important changes that have occurred in recent years and what is likely to be in store for the future.

While the subject of correspondent banking appears innocuous, the topic is one that can quickly lead to heated emotional responses. Since so little is known about the scope of the system, its functioning or its ability to adjust, researchers often find it convenient, although at times necessary, to ignore it altogether. It is a simple matter to find faults with the present system and to argue that these problems would be largely resolved if only the banking structure could be changed to permit branch or holding company banking. The arguments for branch and holding company banking are well established. Numerous studies have been conducted to determine their validity, but these research efforts have seldom arrived at very definitive conclusions. Moreover, recent studies tend to conclude that most problems that exist under a unit-banking system also are present under alternative structures.

What is not so readily recognized is that to the extent it functions effectively, the correspondent banking system is able to overcome many of the alleged disadvantages of a unit-banking structure. By transferring funds from surplus to deficit areas, loan participations assist in improving fund mobility. The amount of loans a particular bank can service need not be restricted by its loan limit or by its deposits. Since the activity of correspondent banks is not limited to particular geographic areas, greater opportunities for portfolio diversification and risk reduction may exist than in many branch or holding company organizations.

The correspondent banking system tends to extend economies of scale to smaller banks. Some services, such as international financial transactions or specialized loan programs, are exemplary in that small banks experience relatively infrequent demands, but must generally be prepared to offer assistance to customers. Returns rarely would compensate the initial investment required for small-scale production of these services. Larger banks, however, encounter sufficient demand from the public and from other commercial banks to provide these services both profitably and at lower unit costs to their customers. Economies of scale also may be of significance for portfolio management. City banks often are able to develop expertise in investment and security analysis due to opportunities for division of labor and specialization not available to country banks. By sharing their knowledge and conclusions with country banks, correspondents are able to extend these economies of scale to other banks. Furthermore, by relying on the advice and assistance of experts in correspondent banks, the quality and range of services offered by country banks may be improved.

Correspondents generally provide numerous services relating to bank asset management. Periodic reports on general business conditions and likely money market developments are offered. Recommendations may be made on purchase or sales of securities. Correspondent banks often will execute the transactions and provide for security safekeeping. If requested, a correspondent may assist a bank with a general portfolio review and analysis. By making a market in federal funds and by reducing the size of minimum transactions, correspondent banks have opened the federal funds market to many country banks that had previously been excluded.

Other services offered by corre-

[1] The survey was taken in September and October, 1969, and included all banks in Colorado, Kansas, Missouri, Nebraska and Wyoming, most in Oklahoma and about half the banks in New Mexico.

Percent of Banks Utilizing Selected Correspondent Services

	Kan.	Mo.	N.M.	Okla.
1. Percent of banks originating loans in which correspondent banks participated.	56.4	46.2	71.4	54.3
2. Percent experiencing increasing need for overline loan participations from correspondents in recent years.	48.4	36.7	35.7	42.3
3. Percent of banks that have found correspondents to be willing and cooperative in handling overlines.	96.5	93.5	100.0	96.9
4. Percent of banks for which correspondents require an additional compensatory balance in loans originated by respondents.	16.9	7.1	12.5	9.2
5. For those banks required to maintain a compensating balance, the percent of banks indicating the percentage has increased in recent years.	60.7	72.7	66.7	73.1
6. Percent of respondent banks that participate in loans originated by correspondent banks.	29.8	35.5	64.3	49.0
7. Percent of banks having established lines of credit with correspondent banks.	19.3	13.1	14.3	8.0
8. Percent of banks borrowing within the past 12 months for short- or intermediate-term purposes from correspondents (excluding federal funds).	7.9	10.5	11.1	7.7
9. Percent of banks preferring to clear checks drawn on banks located outside the city or metropolitan area through correspondents rather than the Fed.	88.8	89.2	92.9	96.4
10. Percent of banks using correspondent banks for safekeeping of securities.	96.7	95.9	89.3	98.9
11. Percent of banks receiving investment and money market advice and services from correspondents within the past 12 months:				
(a) Received advice on investment portfolio	54.6	65.9	46.4	69.6
(b) Regularly bought federal funds through correspondent banks	34.4	32.8	25.0	21.1
(c) Regularly sold federal funds through correspondent banks	52.0	57.7	60.7	46.4
(d) Regularly bought, sold, or exchanged U.S. government securities through correspondent banks	82.5	88.4	67.9	78.4
(e) Regularly bought or sold obligations of states and political subdivisions through correspondent banks	37.3	58.8	46.4	62.2
(f) Percent of banks acquiring participations under repurchase agreements from correspondents in any portion of the correspondent's investment portfolio	31.5	7.1	—	11.8
(g) For banks acquiring such participations, average amount in thousands of participations currently held	519	1970	—	345
12. Percent of banks reporting the following banking services are made available to them by correspondent banks and, if so, the percent utilizing the services within the past 12 months.				
(a) International banking services:				
Available	94.7	92.7	92.9	90.5
Used	37.6	41.0	65.4	33.0
(b) Bank wire:				
Available	92.6	94.8	92.9	95.1
Used	49.4	60.2	84.6	56.3
(c) Collections:				
Available	96.4	97.1	100.0	97.1
Used	69.6	74.1	96.4	80.2
(d) Advice on consumer credit activities:				
Available	89.3	88.7	92.3	91.1
Used	37.4	43.0	30.8	61.3
(e) Credit Information:				
Available	93.7	94.0	92.9	96.3
Used	61.2	74.1	80.8	80.5
(f) Data processing advice or services:				
Available	92.0	85.6	85.7	88.8
Used	45.2	38.9	62.5	41.0
13. Number of banks indicating they were unable to make some loans because of an inability to obtain participations from correspondent banks.	27	25	1	12
14. Number of banks indicating that in their overall experiences with the correspondent banking system, they were:				
Well satisfied	402	394	18	290
Satisfied	117	141	10	74
Dissatisfied	4	6	—	1
Did not respond	1	7	—	—

spondent banks cover a wide range. Correspondent banks often assist banks in arranging international financial transactions, obtaining credit information, developing specialized lending programs such as equipment leasing and furnishing information or interpretations of new laws and regulations. Some perform annual audits. Many large correspondents assist in officer and personnel recruitment and are willing to train employees. On occasion, temporary help may be furnished banks that have lost officers or employees. In recent years, many correspondents have organized regional electronic data processing centers to assist banks with bookkeeping and portfolio analyses. Since regulations govern the maximum amount a bank may lend to an officer or employee, correspondents may be requested to assist in loans involving larger amounts. The provision of services, however, is not limited strictly to banking needs.

Traditionally, the backbone of the correspondent banking relationship has been formed by overline loan participations, transit operations, bond portfolio advice and services and loans to bank officers. Personal relationships often determined where balances would go and in time a degree of permanence tended to solidify the relationship. Today these services continue to be the ones smaller banks generally find most valuable.

However, correspondent banking—like most other aspects of banking—has experienced major changes in recent years. Perhaps the most significant difference has been in the total demand for services provided by correspondents. Correspondent banks have been asked to clear checks more quickly and efficiently and requested to take an ever-increasing amount of loan participations. Smaller banks have requested improved access to the money markets in areas such as federal funds transactions. They also have asked for numerous new services: EDP, in some cases with remote terminals located directly in the bank, portfolio analysis, credit cards, international banking assistance, cost analysis and budgeting, profit sharing and retirement plans, mortgage banking assistance and trust department advice, to mention only a few. In an attempt to obtain better services from correspondents, a slow but generalized movement has developed to consolidate accounts in those correspondents that perform. The high levels of interest rates of recent years made many banks painfully aware of the potential earnings that were being lost on many friendship and entertainment accounts

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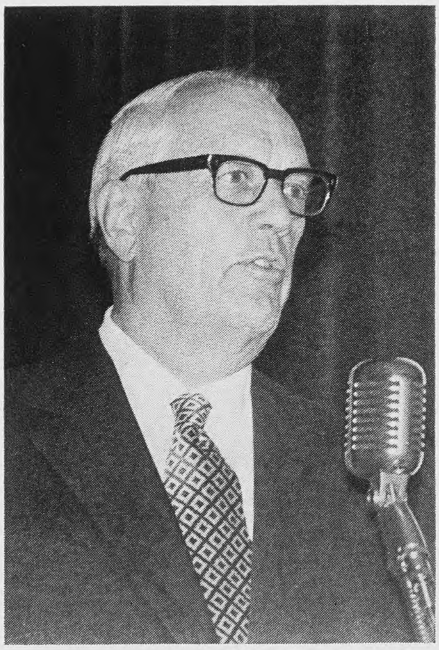


CLIFFORD C. SOMMER
ABA President

ABA PRESIDENT Clifford C. Sommer discussed goals for the banking industry at the Arkansas, Oklahoma and Missouri state banking association conventions in May.

Mr. Sommer said the banking industry must encourage the positive legislative reform and change that will be necessary to meet the demands just ahead. He detailed the great pains being taken by ABA to attain this end by presenting the President's Commission on Financial Structure and Regulation with a complete, well-reasoned series of position papers.

"As these papers have been conceived," he said, "they will comprise, when complete, one of the most thoughtful expositions ever undertaken on our financial institutions and the role they should play in a rapidly changing world."

Mr. Sommer, who is president, Security Bank, Owatonna, Minn., said that he holds a "realistic hope that the commission will study our comments carefully and conclude that they are motivated throughout by a single paramount aim—serving the public interest."

Mr. Sommer said banking is working to "fight future shock"—the condition in which change accelerates constantly at a pace beyond our human ability to adapt. "We are preparing for the problems which might arise by defining and planning, well in advance," he said, "and trying to launch efforts to meet the problems we see ahead with workable programs."

He cited the recent report of the ABA monetary and payments system planning committee (MAPS), which, he said, "challenges us as bankers to look toward the future with optimism."

He spoke of the problems involved in preparing bank customers for acceptance of the growing trend toward automation of many bank services. He said banks must determine what customers want and then develop services for them within the limits of these wants and needs. • •

Sommer and Stults Represent ABA At State Association Conventions

ALLEN P. STULTS
ABA Vice President

ALLEN P. STULTS, ABA vice president and chairman, American National, Chicago, spoke on the profound changes facing banking at the Louisiana and Mississippi conventions in May.

He said that banking, like many other industries, is undergoing a profound change and facing an era of new challenges and new opportunities. "Our old service roles and our old methods of fulfilling our responsibilities have undergone change," he said, "and while our goals are still the same, our way of reaching them has changed considerably."

As an example, he cited the fact that bankers are still obliged to satisfy the investment goals of stockholders, to continue recognition of co-workers and to meet the demands of customers.

"At the same time," he said, "we have had placed on our shoulders a new responsibility for community development. No matter how much some people may criticize banking, or many other industries; no matter how much vituperation is leveled at the establishment, we must never forget one thing: we are the generation that moved to do something about problems that have been weighing on our society for generations."

Mr. Stults said this is the generation that said there would be an end to poverty, racial discrimination and air and water pollution. Bankers, he said, have no reason to feel defensive about their past. But, at the same time, they have no reason to rest on their laurels.

He called on bankers to move anew into community efforts, helping to plan for communities, lending experience, knowledge and money for specific local goals.

"We can meet these needs," he said, "as we have met so many others in the past. We have the knowledge. We have the experience. Most of all, we have the reputation." • •

MRS. MARY GEORGE WAITE, ch. and pres., stands outside Farmers & Merchants Bank in Centre, Ala.

Mary George Waite Is First Woman To Head State Banking Association

CIGARETTE ADS today tell the 1971 woman she has come a long way. Feminists and women's lib leaders make the news bewailing the exploitation of women and demanding equal career opportunities. While, amid all the noisy protest, a southern lady, without resorting to women's lib, became president of the Alabama Bankers Association.

Mrs. Mary George Jordan Waite, president and chairman, Farmers & Merchants Bank, Centre, is the lady who has come a long way. She is the first woman to be elected president of the Alabama Bankers Association—in fact, the first woman to be elected president of *any* state banking association in the nation.

Mrs. Waite did not plan on a career in banking. She attended Huntingdon College in Montgomery to study to be an English teacher and was graduated in 1939. While a student, she met her roommate's brother, Dan Waite, and the two were married in 1940.

Of the three daughters born to the Waites, only one is living today. Linda Gail died while still an infant in 1950 and Diane died of leukemia in 1965 when she was 20. (When Farmers & Merchants opened its first branch in West Centre in 1968, it was the Diane Branch.) The Waites' other daughter, Betty, is now married and the mother of two girls.

A teaching career at Cherokee County High School was dropped in favor of banking by Mrs. Waite when her father, J. Oleus Jordan, died in 1957. He had been head of Farmers & Merchants since 1923.

Without any banking experience, Mrs. Waite became chairman and president of the bank, which has grown from a $5-million to a $16-million institution in the past 14 years under her leadership.

At the start of her banking career, Mrs. Waite joined the Alabama Bankers Association. Recalling her first association meeting on farm credit programs, she says, "When I got to the meeting in Montgomery, there were about 100 bankers present—all men but me. I don't know who was the most uncomfortable—the 99 or me." But Mrs. Waite didn't remain uncomfortable for long with the other bankers.

"They have been wonderful to me and I always tried as hard as I knew how not to use the fact that I was a woman to get any advantage on them. I think I would have been resented if I had tried to push myself forward in the association."

Being the first woman president of a state banking association isn't the only "first" Mrs. Waite can claim. A life-long native of Centre, she has always been active in community affairs and was the first woman to be: Centre Chamber of Commerce president; director of the Alabama division of the American Cancer Society; recipient of an honorary state farmers degree from the Future Farmers of America; and chairman of the board of trustees of Cherokee County High School. She has been honored as the Business and Professional Women's Club Woman of Achievement and Alabama State Woman of Achievement. She also was one of the first women graduates of the Graduate School of Banking of the South at Louisiana State University. A member of the National Association of Bank-Women,

(*Continued on page 30*)

Information on which this article is based was gathered by Mrs. Dixie Miller of Cedar Bluff, Ala., a free-lance writer.

TRIO OF bank presidents—S. J. Wilson (l.), president, Cedar Bluff Bank, who received his bank training from Mrs. Waite; Mrs. Waite; Glen Williamson, president, Cherokee County Bank, Centre, and the community's mayor.

TAKING TIME OUT from her busy day, Mrs. Waite greets customer and friend Mrs. Maude Story.

PARTICIPATING in an American Legion Auxiliary youth program were these teen-agers and Mrs. Waite. Seated (from l.) are: Eddie Miller, Miss Patricia Kennedy and Miss Kim Harris. Standing are Mrs. Waite and Brian Perry.

The Outlook for Credit and Interest Rates

By NICHOLAS J. DeLEONARDIS
Vice President
Bond Department
First National Bank
Chicago

AS THE second year of the '70s got under way, we found ourselves confronted with a host of questions. We have not completed four months of the new year and in many cases we find ourselves still asking the same questions. Although the guideposts along the current road to economic recovery have not been too clear, they do give us a general direction as to where the economy is heading. Within this framework, we will attempt to project an image of credit demand and interest-rate outlook.

In setting the framework for this presentation, I would like to preface my outlook by reviewing the experience of 1970, and my comments for this examination will be divided into pre-Penn Central and the events thereafter, or post-Penn Central.

As the business community began 1970, it found all sectors of the bond and money markets standing at historical highs, with Triple A corporate bonds yielding 7.92%, 20-year tax-exempts giving an unprecedented tax-free yield of 6.79% and the United States government having to pay 8.02% on three-month Treasury bills. As we progressed into the year, interest rates began a downward movement and the sigh of relief coming from the business community was audible throughout the entire marketplace, but by the end of March any optimism we may have been harboring soon became dissipated as we watched interest rates once again begin their upward movement. While the movement of bond and money market rates were similar during the second quarter, they embarked on divergent paths going into the second half, with long-term rates demonstrating a delayed response.

In the money market, interest rates that had moved down significantly from their January highs turned upward in March and peaked in May; and while they did not move back to the levels of January, their change in direction can be attributed to a crisis in the marketplace. It is obvious I am referring to the problems of the Penn Central Railroad and the concerns that arose in the money market as a result of this corporation's inability to repay its short-term notes.

However, concurrent with this potential market crisis was the intervention of the Federal Reserve. A discussion of the frantic activity during May and June, 1970, would be incomplete unless it took into consideration the activities of the Fed and its posture during this time of great concern.

As you will recall, the Fed changed Regulation Q as it applied to the 30- to 89-day maturities of large denominational C/Ds. By eliminating the interest-rate ceiling on these maturities, banks once again were able to participate in the money market and serve their customers' credit needs.

In addition, the Federal Reserve informed bankers that the "window" was open and should be utilized in order to meet any extraordinary demands facing some of their customers.

Several companies were confronted with difficulty in raising money in the money market, and the ability of banks to turn to the Fed and acquire the necessary funds to meet the needs of these corporations was highly instrumental, at least in my judgment, in preventing the collapse of the money market. Finally, the Federal Reserve changed its posture from one of restraint to one of ease and slowly began to increase the money supply. As a consequence of all this activity, confidence slowly began to return to the money market, and yields in this sector of the market once again began their downward trend.

On the other hand, the bond market did not react in complete tandem with the money markets, for, although interest rates on long-term, fixed-income securities began a downward

The talk on which this article is based was given by Mr. DeLeonardis at First National's financial executive conference last month in Chicago.

Selected Interest Rates

Percent Decline From Peak Month to Trough Month

Peak	1957	1959	1966	1970
Trough	1958	1961	1967	1971
Federal funds	82%	71%	34%	68%
3-month Treasury bills	77	50	34	59
4- to 6-month commercial paper	63	44	23	55
3- to 5-year government bonds	44	34	21	45
Aaa municipal bonds	22	13	14	32
Aaa corporate bonds	13	8	8	18

Source: Federal Reserve Bank

This table shows swings in various debt instrument during four periods of official and non-official recessions.

trend during the summer and fall months, we found them once again returning to lofty heights, peaking in October and then beginning a sharp decline during December, 1970. Since January, 1971, the trend has been erratic and on an upward bias.

Turning from our review and directing our attention toward the demand for credit, one of the major imponderables in any analysis is the federal government. As the evidence continued to roll in, it became evident that the billion-dollar surplus projected last year has turned into a $17-billion deficit. However, speculation on government spending or lack thereof can be almost a full-time preoccupation.

Looking ahead toward the fiscal 1972 budget, preliminary announcements suggest that the deficit could run between $15 to $20 billion or close to the deficit resulting from the 1971 fiscal budget. Although the ultimate size of the deficit for the new budget is still in question, there is no doubt that the federal government will continue to be an important participant in the bond and money markets in the months ahead. An important arm of the federal government is the various governmental agencies that have been coming to the market for continually increasing amounts during the past few years. However, a significant amount of last year's agency financing was directed in the area of housing, but since mortgage money has become more readily available, it is doubtful whether we will see agency financing reach the $8-billion level of 1971. Therefore, I would suggest that federal agency financing will run between $5 to $6.5 billion during 1972.

Another part of the market that has continued to be a major borrower of funds is state and local governments. In this area of the public sector, we are confronted with two basic problems:

1. The continually growing demand on our municipalities for expanded services, with a growing emphasis on quality-of-life needs—water and air pollution.

2. A rather significant postponement of municipal financing because of the general high level of interest rates during 1969 and 1970.

An analysis of these factors indicates that we can expect municipal financing to remain strong, and in all probability, we will see this country's political subdivisions marketing between $20 to $22 billion of long-term debt during 1971. However, it must be noted that because approximately $9 billion of long-term, tax-exempt debt will mature this year, net additions to state and local debt in this category therefore will run between $11 and $13 billion. *Yet the successful marketing of this debt will depend greatly on the banking system, which has become the largest holder of tax-exempts.*

This now brings us to the part of our analysis that must concern itself with the outlook for corporate activity during 1971. In 1970, we witnessed a continually increasing gap between the internal and external needs for corporate funds. This situation, which was brought about by the decline in corporate earnings, forced corporations to depend on external sources and was reflected particularly in the volume of long-term financing. In reviewing the data of corporate requirements during the current economic downswing, we found a rather interesting comparison between these needs and those that developed during the 1966-67 "crunch." Examining the external needs of these two periods—starting with 1966-67, we find that corporations, after being turned away by banks and confronted with a decline in their internal generation of funds, turned to the bond markets to meet their additional financing needs. Here we found bank lending activity declining from $7.9 billion to $6.4 billion and net corporate bond issues increasing from $10.2 billion to $14.7 billion. An examination of the 1969-70 downturn suggests that a similar result had evolved from the recent restrictive policy. Current data indicates that loans from banks declined from $11 billion to approximately $1 billion and that long-term debt-financing increased from $12.1 billion to $21.3 billion.

In attempting to project corporate needs for the balance of 1971, we must take three factors into consideration; the strength of the economic upswing; plans for capital spending and continued attempts by corporate officers to realign their balance sheets.

The current upturn in the economy has the potential to accelerate as the year unfolds and reasonably strong gains should begin to manifest themselves in the third and fourth quarters. Plans for capital spending are not overly optimistic; current surveys place it at about 4% over 1970. Corporate treasurers have come to the corporate bond market at a record pace, but this hyperactivity probably will subside to a more normal pace in the next couple of months, with the

(Continued on page 54)

St. Louis Girl Scouts Plant Shrubs on First National Good Earth Day

MORE THAN 7,000 Girl Scouts recently planted trees and flowers in St. Louis on Eco-Action Good Earth Day as part of a Good Earth Week program sponsored by First National.

The bank arranged for the ground to be prepared for planting at various locations and provided bus transportation for the Girl Scouts. The community-wide program extended throughout Forest Park, downtown St. Louis, neighborhood parks, street and boulevard medians, as well as the landscaped areas of the Jefferson National Expansion Memorial surrounding the Gateway Arch on the riverfront.

In addition to planting the shrubs, the Scouts pledged to water and maintain their plants throughout the summer months. Without the project, St. Louis would not have had any new trees or flowers planted this year. Due to a critical budget situation, such plantings were among the first things to be canceled.

After the planting was completed on Good Earth Day, all 7,000 girls were transported by bus to the outdoor St. Louis Municipal Opera. Richard F. Ford, vice president of First National and chairman of the bank's ecology committee, greeted the girls and thanked them for participating.

First National employees distributed box lunches to the Scouts. Rock bands on the Municipal Opera stage provided lunchtime entertainment. • •

Clarence C. Barksdale, president, First National, St. Louis, helps Girl Scouts plant trees and flowers on Eco-Action Good Earth Day. The project was part of a Good Earth Week program sponsored by the bank.

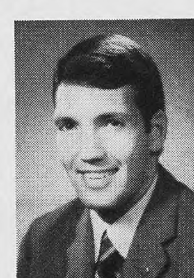
Only a PaceSetter Bank goes above & beyond

Suppose one of your very good customers calls you from a distant city to explain that he cannot leave a hospital until he pays his bill. And they won't accept a check on an out-of-town bank. What do you do?

One of our correspondent banks had this unique problem not too long ago. So, they called National Bank of Tulsa for help, and a few phone calls later the customer was able to pay his bill from funds placed on deposit for him in that city.

Maybe you have a special problem, too. We'd like to help. We've got a full roster of correspondent banking services, plus a few more that go above and beyond what you'd normally expect. Just call Art Troll or Curt Cook of our Correspondent Bank Department at (918) 584-3411. Chances are, we can prescribe a cure.

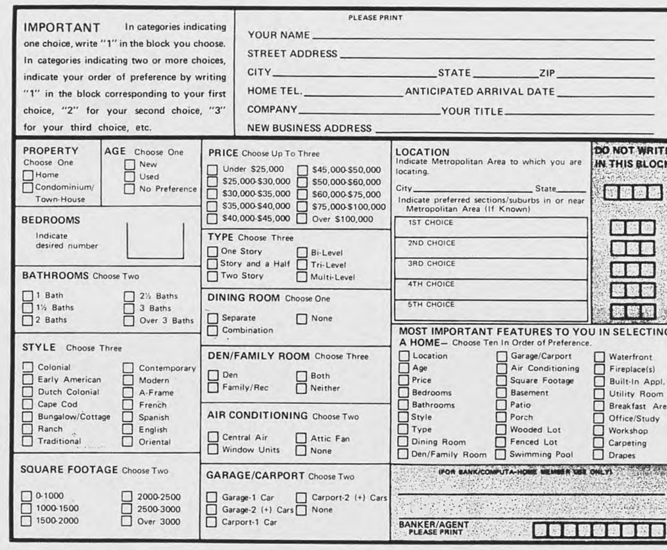

ART TROLL


CURT COOK

MEMBER F.D.I.C.

NATIONAL BANK OF TULSA

THE PACESETTER® BANK THAT HELPS YOU GET THINGS DONE



IMPORTANT In categories indicating one choice, write "1" in the block you choose. In categories indicating two or more choices, indicate your order of preference by writing "1" in the block corresponding to your first choice, "2" for your second choice, "3" for your third choice, etc.

PLEASE PRINT

YOUR NAME ______

STREET ADDRESS ______

CITY ______ STATE ______ ZIP ______

HOME TEL. ______ ANTICIPATED ARRIVAL DATE ______

COMPANY ______ YOUR TITLE ______

NEW BUSINESS ADDRESS ______

PROPERTY Choose One
- ☐ Home
- ☐ Condominium/Town-House

AGE Choose One
- ☐ New
- ☐ Used
- ☐ No Preference

BEDROOMS
Indicate desired number

BATHROOMS Choose Two
- ☐ 1 Bath
- ☐ 1½ Baths
- ☐ 2 Baths
- ☐ 2½ Baths
- ☐ 3 Baths
- ☐ Over 3 Baths

STYLE Choose Three
- ☐ Colonial
- ☐ Early American
- ☐ Dutch Colonial
- ☐ Cape Cod
- ☐ Bungalow/Cottage
- ☐ Ranch
- ☐ Traditional
- ☐ Contemporary
- ☐ Modern
- ☐ A-Frame
- ☐ French
- ☐ Spanish
- ☐ English
- ☐ Oriental

SQUARE FOOTAGE Choose Two
- ☐ 0-1000
- ☐ 1000-1500
- ☐ 1500-2000
- ☐ 2000-2500
- ☐ 2500-3000
- ☐ Over 3000

PRICE Choose Up To Three
- ☐ Under $25,000
- ☐ $25,000-$30,000
- ☐ $30,000-$35,000
- ☐ $35,000-$40,000
- ☐ $40,000-$45,000
- ☐ $45,000-$50,000
- ☐ $50,000-$60,000
- ☐ $60,000-$75,000
- ☐ $75,000-$100,000
- ☐ Over $100,000

TYPE Choose Three
- ☐ One Story
- ☐ Story and a Half
- ☐ Two Story
- ☐ Bi-Level
- ☐ Tri-Level
- ☐ Multi-Level

DINING ROOM Choose One
- ☐ Separate
- ☐ Combination
- ☐ None

DEN/FAMILY ROOM Choose Three
- ☐ Den
- ☐ Family/Rec
- ☐ Both
- ☐ Neither

AIR CONDITIONING Choose Two
- ☐ Central Air
- ☐ Window Units
- ☐ Attic Fan
- ☐ None

GARAGE/CARPORT Choose Two
- ☐ Garage-1 Car
- ☐ Garage-2 (+) Cars
- ☐ Carport-1 Car
- ☐ Carport-2 (+) Cars
- ☐ None

LOCATION
Indicate Metropolitan Area to which you are locating.

City ______ State ______

Indicate preferred sections/suburbs in or near Metropolitan Area (If Known)

1ST CHOICE

2ND CHOICE

3RD CHOICE

4TH CHOICE

5TH CHOICE

DO NOT WRITE IN THIS BLOCK.

MOST IMPORTANT FEATURES TO YOU IN SELECTING A HOME— Choose Ten In Order of Preference.
- ☐ Location
- ☐ Age
- ☐ Price
- ☐ Bedrooms
- ☐ Bathrooms
- ☐ Style
- ☐ Type
- ☐ Dining Room
- ☐ Den/Family Room
- ☐ Garage/Carport
- ☐ Air Conditioning
- ☐ Square Footage
- ☐ Basement
- ☐ Patio
- ☐ Porch
- ☐ Wooded Lot
- ☐ Fenced Lot
- ☐ Swimming Pool
- ☐ Waterfront
- ☐ Fireplace(s)
- ☐ Built-In Appl.
- ☐ Utility Room
- ☐ Breakfast Area
- ☐ Office/Study
- ☐ Workshop
- ☐ Carpeting
- ☐ Drapes

(FOR BANK/COMPUTA-HOME MEMBER USE ONLY)

BANKER/AGENT
PLEASE PRINT

LEFT: Marshall Barnes, v.p., and Mrs. Paulette Whitworth, a.v.p., First American National, Nashville, review map and information indicating cities participating in Computa-Home service. RIGHT: Reproduction of information form to be completed by individuals seeking homes from Computa-Home service.

'Pushbutton' Househunting Service Provides New Business Leads

IT HAD TO happen sooner or later—pushbutton househunting!

Computa-Home, a Nashville-based firm with a nationwide computer network, has teamed up with selected banks to bring relief for the harried househunter who is being relocated by his firm or is just searching for better quarters in his home town.

And the participating banks are finding the service to be a good source of leads for new business.

First American National of Nashville is offering the house-finding service as part of its newcomer program. The service costs the bank nothing. It costs the house-hunter nothing. The program is financed by a commission split or participation between the realtor making the sale and the Computa-Home organization. Banks participate on an exclusive area franchise basis.

As of this writing, the service covers the Southeast and Midwest and projections call for immediate expansion in New York and other northern states, with nationwide service the ultimate goal.

Marshall Barnes, vice president of First American's commercial division and the man responsible for the development and implementation of Computa-Home at the bank, said, "This new service will ultimately provide people from all over the country with real estate services that match their home requirements with available properties. Through Computa-Home," Mr. Barnes said, "we expose the people to homes which match their needs before they leave their city or origin."

Through Computa-Home, persons searching for a home are provided with a brochure containing an itemized list of 75 desired home features, including everything from price and total square feet to lot size and fireplaces.

Upon receipt of the completed brochure, Computa-Home makes a comprehensive analysis of the information with properties made available through leading realtors and homebuilders. The service then air mails the homehunter a list of 20 properties which come closest to meeting the requirements specified. The list is supported by photographs and other information concerning schools, churches, recreational facilities and important items of interest.

Frank Swygert, originator of the concept and president of Computa-Home, commented, "The time-consuming and frustrating experience of looking for a home in a distant city is no longer necessary. We've put home-hunting literally within reach of everyone."

Through the concept, First American receives, on a daily print-out sheet, names and addresses of those individuals or families who have applied for information relative to Nashville.

"We immediately call these potential customers and offer our services," Mr. Barnes says. "The print-out form of Computa-Home is both automatic and objective, and includes only names of those who are 99% certain they will move to Nashville in the near future. By knowing in advance who they are, we are able to offer them our services first," he said. Banks engaged in home mortgage financing find Computa-Home an ideal service of mortgage business, he added.

Mr. Barnes said that Computa-Home has been successful because "We made it an integrated part of our over-all newcomer program and have

Computa-Home Affiliates

As of this writing, 12 banks have affiliated with Computa-Home. They include First American National, Nashville; Union Planters National, Memphis; Hamilton National, Chattanooga; Citizens & Southern National, Atlanta; First Union National, Charlotte; Birmingham Trust National;

First National, Louisville; First & Merchants National, Richmond; First National, Cincinnati; Winters National, Dayton, O.; American Fletcher National, Indianapolis; and Madison (Wis.) Bank.

The world-famous Gateway Arch on the St. Louis riverfront—a good engineering idea that rejuvenated a city!

When you need a banker with good banking ideas...

count on Mercantile in St. Louis

For good ideas in banking—and service to match—call your Man from Mercantile. Wherever you are—your phone puts you just seconds away from one of our 12-man team of correspondent bankers. Call us for those ideas—314/231-3500—and *count on Mercantile!*

MERCANTILE TRUST COMPANY
ST. LOUIS, MO.
MEMBER F.D.I.C.

marketed it in just that manner—as a part of the comprehensive banking program we offer."

Mr. Barnes credits Mrs. Paulette Whitworth, assistant vice president of the bank's woman's department, with a large portion of the program's success. "Mrs. Whitworth has worked very closely with the program's development," he said, "and has provided personalized tours of residential areas, shopping centers and other places of interest to newcomers."

Mr. Barnes said the Computa-Home program was test-marketed by First American in Nashville for several months last year. "After the test," he said, "we refined much of the printed material used in the program and, as a result have realized much better results."

Mr. Barnes related that it is very important for participating banks to aggressively pursue the Computa-Home program. "The system demands a great deal of attention and follow through to insure success," he said. "We are very satisfied with the results we are achieving and have made it an important part of our total program."

■ KANSAS CITY—Sidney M. Cooke Sr., vice chairman, Columbia Union National, retired from the bank last month after a 50-year banking career.

Mary George Waite

(Continued from page 24)

Mrs. Waite has served as state president and regional vice president.

Commenting on her coming one-year term as bankers association president, she said, "This will be a defensive year for us. We will not be so interested in passing any legislation as we will be in killing legislation."

She was concerned about the escheat bill that would take funds from dormant accounts in banks and give the money to the state. "This is an indirect tax on the people because this money belongs to them. It certainly doesn't belong to the state and I do not feel the state has any right to it." The bill was passed last month.

A firm opponent of mergers and holding companies, Mrs. Waite says, "I am not speaking for the association regarding the proposed holding companies—I am speaking purely as an individual banker. I just do not believe any form of statewide banking is good for the people."

By keeping in mind what "is good for the people" in banking and in her community, Mrs. Waite has become the "first" lady of Alabama banking. And without any help from women's lib! • •

Expect a little more in your construction loans, when you're dealing with Chase.

Sure, our people have years and years of experience in handling real estate and mortgage lending. And we're aware of the impact of changing money-market conditions. But those are not the only reasons correspondents and their customers can expect a little more from us.

The fact is, we were the first New York bank to sponsor a $100 million mortgage and realty trust. And last year alone, we originated almost $1 billion worth of construction loans in behalf of Chase and others. For more information, contact your Chase representative.

Chances are, you'll wind up getting a lot more when you deal with Chase.

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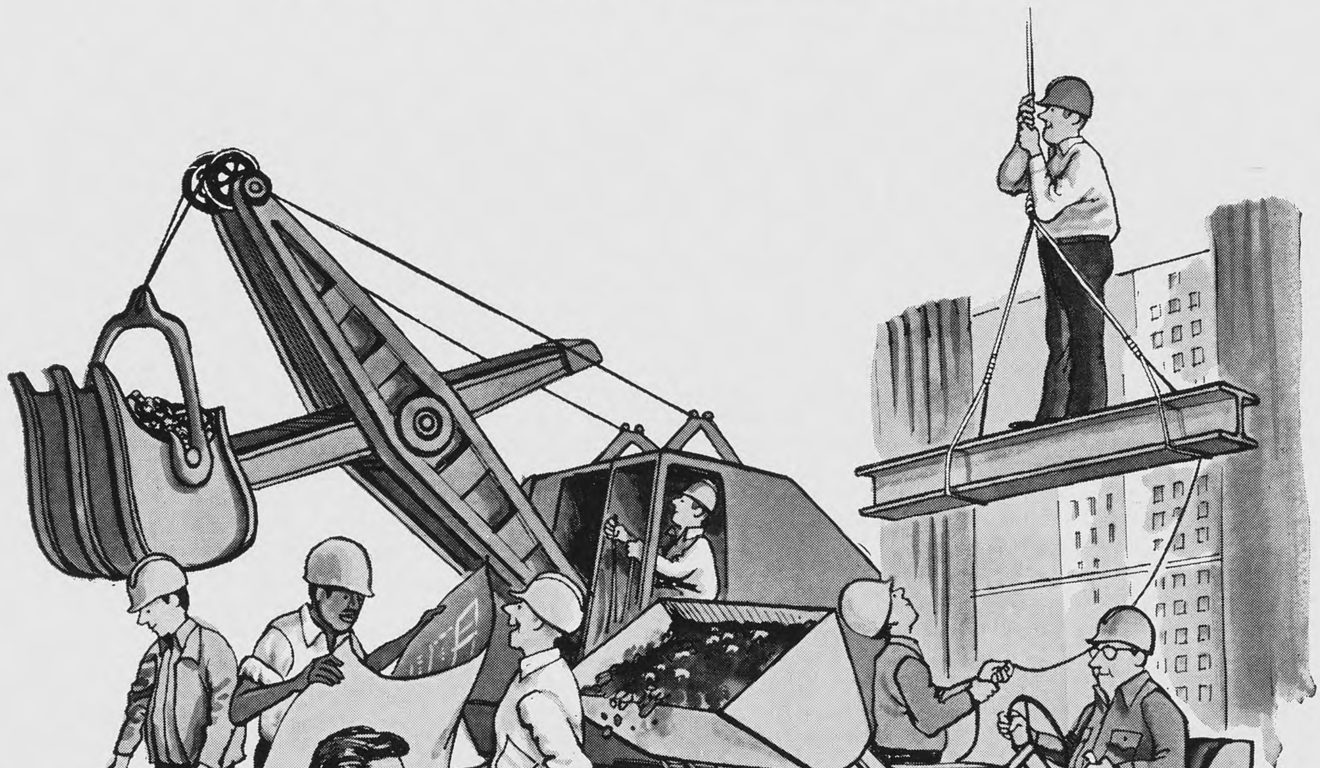

FNMA Enters Conventional Residential-Mortgage Market

THE FEDERAL National Mortgage Association has entered into the conventional market for mortgages on single-family houses. The addition of conventional mortgage-purchasing facilities at FNMA offers mortgage lenders, for the first time, a complete secondary market to help stabilize all sectors of the housing market when traditional sources of home-mortgage funds are limited by credit restraints and competition with other investment outlets. The Emergency Housing Act of 1970 gave FNMA the authority to set up this secondary market.

FNMA anticipates purchasing some $300 million to $500 million in conventional loans this year. The agency has issued broad policy guidelines that stipulate it will deal only with experienced firms that operate primarily in the mortgage field and have experience in conventional mortgage transactions. They must maintain a net worth of not less than $100,000 in assets acceptable to FNMA. Sellers normally will be expected to service the mortgages they sell.

Compensation for servicing will be ⅜% a year computed on the same principal amount and for the same period as the interest portion of the monthly installment. In addition, the servicer may retain any late charges paid by the mortgagors and retain custody of borrowers' deposit accounts.

Mortgages must mature within a term generally acceptable to private investors, but in no event may the remaining term of the loan be less than 10 years and the original term may not exceed 30 years.

The unpaid balance of the mortgage at the time of delivery to FNMA may not be less than $10,000 nor more than $33,000 (these limits are higher in Alaska and Hawaii).

The loan-to-value ratio may not exceed 75%, except under the following circumstances when it may go to 90%:

1. If the unpaid principal that is in excess of 75% of value is insured or guaranteed by an acceptable private insurer (regional FNMA offices have names of acceptable insurers).
2. If the seller agrees to repurchase the mortgage from FNMA in the event of default by the borrower before the unpaid principal balance is reduced to 75% of value.

The mortgage must be submitted to FNMA for purchase within a year from the date of final disbursement of the loan proceeds.

Conventional mortgages are being purchased under a free-market auction similar to, but conducted separately from, the free-market auction FNMA conducts for government-backed mortgages. Conventional-mortgage auctions (the first was scheduled to be held between March 19 and 29) are conducted on the basis of gross-yield bids rather than mortgage prices.

Conventional auctions are conducted by telephone, and once an offer is made, it is considered final. No changes are permitted. Offers are telephoned to the number indicated in each FNMA auction notice, at the offerer's expense, between 9 a.m. and 3 p.m. Washington, D. C., time the day of the auction. Offers of less than $10,000 are not acceptable.

As a condition of entering a competitive offer, each seller pledges it will pay a non-refundable offer fee equal to 1/100% of the amount of the offer. No offer fee is required on noncompetitive offers.

By making an offer, a prospective seller unconditionally agrees that upon acceptance of such offer to FNMA, it will pay a non-refundable commitment fee of ¾% for each six month commitment.

With each offer, the seller must agree that upon acceptance of its offer by FNMA, the seller will subscribe for common stock in an amount equal to a specified percentage of the amount of the commitment. At present, this amount is ½%. If a mortgage is *delivered* under a FNMA agreement, the seller must subscribe for an additional amount of common stock. At present, this amount is ½% of the unpaid principal balance of the mortgage.

Servicers of FNMA mortgages must at all times own sufficient shares of FNMA common stock so that the aggregate value of all the stock, based on the price at the time the stock was issued, is equal to a specified percentage of the total of the unpaid principal balances on all the mortgages being serviced for FNMA. At present, this percentage is 1%. At the option of the seller/servicer, however, the minimum may be reduced to a level fixed by FNMA by offering the excess stock back to FNMA for repurchase at the issue price. This stock-retention level currently is 7/10%.

A unique feature of the program is the use of a decimal system for coupon interest rates. Rather than fractions, decimal increments such as 8.1%, 8.2%, etc., are used.

Complete information on the new program can be obtained from regional FNMA offices. They are: *midwestern,* 1112 Commonwealth Edison Building, 72 West Adams Street, Chicago, Ill. 60603; *southwestern,* 411 North Akard Street, Dallas, Tex. 75201; *western,* 3540 Wilshire Boulevard, Los Angeles, Calif. 90005; *southeastern,* 34 Peachtree Street N.E., Atlanta, Ga. 30303; and *northeastern,* 211 South Broad Street, Philadelphia, Pa. 19107. • •

State-Wide Mortgage Firm Established by Eight Georgia Banks

EIGHT GEORGIA BANKS have announced formation of a new, statewide mortgage firm, known as Bankers Mortgage Associates. It is believed to be the first association of its kind in banking history, according to Herbert L. Megar, one of the company's founding directors and its chairman. Initial paid-in capital is in excess of $800,000.

Participating banks in the Georgia project are located advantageously around the state. Charter members of the association through their wholly owned mortgage subsidiaries are: First State, Albany; Fulton National, Atlanta; American National, Brunswick; First National, Columbus; Georgia Bank, Macon; National City Bank, Rome; Savannah Bank and First National, Valdosta. Formation of each bank's mortgage subsidiary has been approved by regulatory authorities.

Bankers Mortgage Associates will operate state wide in making and servicing FHA, VA and conventional home loans, as well as commercial-income property loans. The association expects to make a substantial contribution to the housing and building industries of Georgia by providing construction loans and arranging permanent financing. Investors will be well-known insurance companies, savings banks, S&Ls, government agencies and others.

The firm begins business with a servicing portfolio of more than $100 million. Its Home Office is located in Atlanta, with offices in each member bank's city.

IN Mississippi, the formation of a non-profit housing corporation is expected to put into action a major housing/development program in a six-county area along the Gulf Coast. The corporation has been formed by business and professional leaders of the area which was devastated by a hurricane nearly

THE FIRST NATIONAL BANK OF MONTGOMERY IS 100 YEARS OLD. THANKS TO YOU.

The First National Bank of Montgomery, Montgomery, Alabama, celebrated its 100th Anniversary on April 18, 1971.

In observance of this milestone, we're giving $100,000 to Montgomery in grateful appreciation for the support we've received in the past and as an investment in the future. We feel education is the number one challenge facing our community.

To meet this challenge we are giving $25,000 each to Alabama Christian College, Alabama State University, Auburn University in Montgomery and Huntingdon College.

We thank the many banks and bankers throughout the nation whose friendship and cooperation have played an integral part in our growth thereby making this $100,000 contribution possible. We look forward to another exciting century of mutual growth.

100 1871 1971

FIRST NATIONAL BANK OF MONTGOMERY

Member F.D.I.C.

two years ago. One of the leaders of this new Greater Gulf Coast Housing Development Corp. is Leo Seal Jr., president of the Hancock Bank, Gulfport.

Object of the Mississippi Gulf Coast project is to "improve the housing and quality of life of the people of Mississippi," said Kenneth Caron, a Gulf Coast businessman who is president of the organization. He added that to do this, industry must be encouraged to come into the state to provide employment, but first adequate housing must be provided as quickly as possible.

The six-county area comprises a population of almost half a million people, a quarter of the population of the state, and it has a land area of about 3,000 square miles. It received a tremendous setback in 1969, when Hurricane Camille struck. A comparatively small amount of housing is said to have been built since this disaster. The lag in housing production will be one of the principal targets of the new corporation, and so the firm will request immediate planning proposals for development of existing areas as well as new communities.

ANOTHER impetus to the housing market came recently from San Diego, Calif., where U. S. Financial Corp. announced the creation of a new subsidiary, USF Mortgage Exchange, which will provide a nationwide telephonic computerized "matching" service for institutional buyers and sellers of government-insured and conventional mortgages.

The service is expected to simplify movement of mortgage funds from money-surplus to money-short areas of the nation. The announcement noted that savings deposits are at record levels; yet there is a great imbalance of supply and demand between various geographical areas.

The exchange also will make it possible for lending institutions to share participation in their mortgage portfolios. The exchange will make it easier for "buyers and sellers to find each other."

Through the exchange, buyers and sellers will be able to learn the current state of the national mortgage market with a toll-free phone call to the exchange at any time during normal business hours. The exchange information service will be available to any approved lender for an annual fee, plus an additional fee for each completed matching transaction.

R. H. Walter, president of the parent corporation, said the new exchange was made possible by recent changes in federal regulations involving financial institutions. • •

Given Correspondent Post

Howard C. Morgan (l.) discusses his new assignment at First National City, New York City, with William Mapel, sr. v.p. Mr. Morgan has been placed in charge of Citibank's correspondent banking activities throughout the Midwest, including Illinois, Indiana, Kansas and Kentucky. Mr. Morgan is a v.p. of the bank.

Microfilm Systems

(Continued from page 14)

of its personnel against the time when even adding more people was not enough to make the manual system work properly.

According to Liberty National, the combination of computer and mircofilm makes it possible to handle efficiently the present volume of almost half a million cardholders. A bank spokesman also pointed out that the scope and speed of the system are far greater than a merchant could provide himself, and he can do a better job of merchandising because he's relieved of the credit department burden.

According to Liberty National, conventional files are much too cumbersome and space-consuming, and so the answer to the need for storage of requisite verbal information in a credit card program clearly lies in microfilm. Liberty and Remington Rand believe they have the microfilm answer in the Credit-Ability system. • •

College Students Serve as Advisory Directors for Bank in Texas

THERE'S NO generation gap at First National of Canyon, Tex. The bank has appointed six students at West Texas State University as advisory directors. Said President William E. Adams of the bank, "We want to help the students at the university. This is an attempt to find out what their views and needs are and to learn what we might do for them."

Students chosen for the advisory board are recommended by deans of the various schools at the university. When a director graduates, he or she will be succeeded by another student from the same field at the university. The students are treated just like regular directors. They are paid for their attendance at board meetings, and their names appear on First National's statements of condition.

At 4 p.m. on the first Monday of each month, the advisory board assembles at the bank to consider matters listed on a prepared agenda. For instance, at the May meeting, the advisers talked about methods for attracting new student accounts to the bank, effectiveness of bank advertising and the bank's role in making student loans.

Student directors have the same access to information about the bank as is available to corporate directors. Because the students now are an integral part of the bank's operation, even business secrets are revealed to them when it's necessary to their deliberations, Mr. Adams said.

Mr. Adams views the advisory board's responsibility as "helping the bank to see what students need." In line with that objective, the advisory directors study such projects as bank assistance with student employment, help for students seeking to establish credit ratings and guidance for younger students on the importance of having a bank connection.

Originally, the advisory board was going to discontinue meeting during the summer and reconvene in the fall. However, the members now may meet occasionally during the summer.

According to Mr. Adams, the student directors should generate ideas for making banking easier for students, and perhaps some of these directors may even be directed into a banking career. The student advisory board, he believes, will aid in dissemination of information about banking among students at the college. He also believes that the university, its students and advisory board members, as well as Canyon residents, will benefit.

"But the bank is the real winner," added Mr. Adams. "This gives us a whole new image." • •

Certain Provisions of Banking Reform Act Are Inconsistent With Public Interest

By DAVID ROCKEFELLER • Chairman • Chase Manhattan Bank • New York City

The following article is based on testimony given by Mr. Rockefeller during hearings on Representative Wright Patman's proposed Banking Reform Act of 1971 (HR 5700).

One section of the bill would amend the FDIC Act to prohibit a person from serving as a director of an insured bank if his firm has a substantial and continuing business relationship with the bank. This same provision would not allow a director, trustee, officer or employee of one insured bank to hold any of these positions at another insured bank.

Another section of the bill would prohibit a bank director, officer or employee from serving as an officer or director of any other corporation in which the bank holds, with voting power, more than 5% of the stock. Still another section would forbid a bank from holding, in a fiduciary capacity, more than 10% of any one publicly held stock.

In addition to the above provisions, this bill would prohibit banks from offering premiums in solicitation of deposits, would do away with brokered deposits and provide for restrictions and disclosures with respect to certain loans. Mr. Rockefeller devoted his testimony only to the provisions on interlocking directorates and the limiting of bank trust powers.

PROPOSALS to forbid interlocking directorates in varying situations seem to be based on the questionable assumption that interlocks are inherently evil, that they are always and under every circumstance contrary to the best interests of the public.

If the mere fact of interlocking directorates automatically meant the illegal passing of "inside information" to the detriment of the investing public, or illegal competition or conspiracy in restraint of trade, then I, too, would be heartily opposed to all forms of interlocking directorates.

However, I would take strong issue with such assumptions, and I know the record would bear me out. The fact is that there has been no demonstration of evils to be corrected, other than the occasional "bad apple" that no amount of legislation will eliminate. Yet in the name of reform, the bill would preclude many individuals whose services have been highly beneficial to the public interest from serving as directors of either banking or nonbanking institutions.

For instance, one section, dealing with "substantial and continuing relationships," would make it virtually impossible for commercial banks to attract outside businessmen with wide-ranging experience to serve on their boards.

It is interesting to note that, in contrast, New York State requires that at least two-thirds of a bank's board be made up of outside directors. At Chase Manhattan, we have 20 outsiders and four who are officers of the corporation. We feel that outside directors are vital to commercial banks. They add important dimensions of experience, candor and objectivity to our deliberations. They keep an inquiring eye on senior management and have the capability of asking the right questions at the right time.

Our outside directors form an examining committee of the board whose function it is to consider the reports on our bank by the regulatory authorities and by our independent certified public accountants. They review all audit and control procedures and banking practices in the light of these reports.

Frankly, it is hard for me to imagine any one of our directors—who also happens to be a director of an outside corporation—controlling or dominating a board of 24 strong-willed and knowledgeable individuals, all legally liable to act in the best interests of the bank's shareholders.

Under the proposed legislation, we would lose the fertile mind and fresh insights of a man like Ralph Lazarus, who probably knows as much about retailing as anyone in the country. We would lose Charles Myers, who is one of the nation's foremost textile manufacturers. We would lose Douglas Dillon and John Connor who, in addition to thorough familiarity with specific business fields, bring to the board room impressive backgrounds in government service. And I could make the same point with each of our other outside directors.

What we would have left would be a board restricted largely to retired individuals and inside directors. In the organizational structure of Chase Manhattan, these inside directors would be my corporate subordinates. This would be a highly unsatisfactory situation because there would be no real accountability for the chairman.

If there were a pattern of abuses as a result of corporate interlocks, then perhaps there might be reason for additional legislation. But there is no evidence whatever that this is the case. And I am sure it is not the intent of this bill to try to assign guilt by association.

Consider another type of interlock—

that between large regional banks and smaller banks situated outside their branching areas.

The broad background of an officer or director of a large metropolitan bank can be of great assistance to the smaller out-of-town bank. Even within metropolitan centers, banks formed by minority groups may well require the guidance and assistance of experienced personnel they can obtain from the larger banks. Access to such personnel should not be barred as it would be under the proposed legislation.

Chairman Arthur Burns of the Federal Reserve has wisely cautioned against inhibiting corporations—particularly the newer and smaller ones—in their search for directors of the highest caliber. It is becoming increasingly difficult for banks and industrial corporations to attract able directors. I'm afraid that the proposals contained in this legislation would make it even harder to get the kind of conscientious and resourceful individuals who are so badly needed today.

In the final analysis, major reliance must be placed on the uncompromising integrity and good sense of corporate officers and directors. Rather than taking it for granted that everybody is dishonest, I believe a more tenable assumption would be that individuals will act with integrity. To the extent that they do not, there are adequate remedies for their removal.

Chairman Burns has said that the Federal Reserve is "not persuaded that a case has been made for further broadening of the restrictions in Section 8 (of the Clayton Act) on interlocks with banks." Clearly, there should be no overlap or conflict between any new legislation and the Clayton Act. If it is shown that Section 8 is demonstrably deficient in some respects, it would seem more sensible to make whatever adjustments are deemed necessary through amendments to that act.

In the Financial Institutions Supervisory Act of 1966, Congress already has given broad powers to the regulatory authorities to control and bring about removal of directors who engage in unsound practices or evidence personal dishonesty or unfitness to continue. The stimulus to enact further legislation can only be viewed as a desire to prevent imaginary evils. The risk of occasional abuse is far outweighed by the advantages obtained through competent directors, experienced in financial and monetary affairs and independent of the managements they supervise.

May I turn next to the issue of how much stock a bank's trust department should hold in another corporation.

Because there has been so much confusion about this matter, I should emphasize that commercial banks themselves do not own this stock. They simply oversee investments that are held for others in personal and pension trust and investment management accounts.

Where the banks do not have voting responsibility, they send along to their customers all blank proxies and other material relative to the voting of these shares. The customers return the proxies directly to the company without the banks' knowing how they actually voted. This is the practice that Chase Manhattan has followed for many years.

Where the banks do have full discretionary voting responsibility, they vote the proxies in compliance with strict legal requirements and in accordance with their determination of the best interests of the particular accounts involved. In its study of institutional investors, the Securities and Exchange Commission concluded that "the existence of potential power on the part of institutions to influence corporate decisions by reason of their substantial shareholdings does not demonstrate that such influence is in fact exercised."

Against this background, let's assess the legislation now before the committee. One section would prohibit a bank director, officer or employee from serving as an officer or director of any other corporation where the bank holds—with power to vote—more than 5% of the stock.

This section would prevent bank trust departments from fulfilling their fiduciary roles in many close corporation situations represented in estates and trusts under our administration. I would estimate that in perhaps two-thirds of these cases, in our own trust department, we hold over 5% of the stock, most of them involving small or family-type enterprises.

There are many situations, particularly in the personal trust area, where a bank may hold a substantial stock position as executor or trustee. The trustee's direct representation on the board is in accordance with the desires of those who want someone with broad experience to protect their interests.

The proposal under consideration would appear to limit a bank's outside directorships to the very largest corporations where it would be improbable that anything approaching 5% of the stock would be attained. At times, such a prohibition could be highly prejudicial to the best investment interests of beneficiaries of pension and retirement funds under bank administration. Moreover, other types of institutional managers of such funds would be free from this restriction, thus raising the question of why banks should be singled out for unfair treatment.

Another section of the bill would forbid a bank to retain, in a fiduciary capacity, more than 10% of any one publicly held stock. Under this provision, no distinction is made between the case where the bank has discretionary investment authority or no investment authority; whether the bank has the right to vote the stock or no right to vote; whether the stock was purchased by the bank for a customer or came to it in an estate. This provision would be disruptive and unfair and would put banks at a serious competitive disadvantage in attracting fiduciary accounts.

Such a stipulation would lead to all kinds of complications. Suppose a bank becomes executor of the will of a person whose estate boosts the total fiduciary holdings over the 10% limit? Which shares are to be sold to bring the figure below 10%? The last shares received? The shares with no tax impact? The shares where no customer or co-trustee or outside investment committee has to be consulted? What is the bank to do in the situation where the trust instrument requires retention of the shares?

Beyond these considerations, can a bank, as fiduciary, make sales if the market in general or the particular stock price appears seriously depressed? If no single holding in any trust account represents as much as 10%, can

Premium Ban Falters

As of this writing, the section of the Banking Reform Act of 1971 prohibiting the use of premiums by financial institutions remains in the bill.

However, House Banking and Currency Committee Chairman Wright Patman (D. Tex.) has stated that he would not press for the premium prohibition when the committee begins consideration of the bill during executive sessions scheduled to be held June 7.

During the recently concluded hearings on the bill, only one testifier—representing the U. S. Savings & Loan League—supported the premium ban, while a number of testifiers—representing ABA, the FDIC, the Federal Home Loan Bank Board and the New York Clearing House Association, among others—called for elimination of the premium ban from the act.

Sources close to the issue have reported that members of the House Banking and Currency committee are expected to drastically alter the legislation. It also has been reported that the Senate Banking, Housing and Urban Affairs Committee will not take up the bill during the current session of Congress.

the bank properly sell off the holdings, without risk of surcharge, because the aggregate represents 10% or more?

This proposal would artificially restrict investment of funds in securities the investment manager may believe to be of superior quality. In the case of a smaller company, the 10% limit may represent a relatively small aggregate investment. Surely, beneficiaries of trusts and pension and retirement funds are entitled to the best possible utilization of the trust assets.

Disclosure Requirement

I have already mentioned that section of the bill that would require banks to report on securities held in a fiduciary capacity and the voting activities involved. A disclosure requirement, applicable to all types of institutional investors, should dispel the aura of myth, mystery and misinterpretation that has pervaded this field. It is also a far preferable remedy to imposing artificial barriers and restrictions applicable only to a limited group of institutional investors and having no reasonable relation to the sound investment of trust assets.

In introducing HR 5700, Chairman Wright Patman said that one of the basic goals it seeks to achieve is "the elimination of certain serious conflict-of-interest situations which have been allowed to continue because of existing practices of various financial institutions."

Let me tell you briefly about Chase Manhattan's policy regarding conflicts of interest and so-called "inside information."

The trust and fiduciary investment functions of our bank are performed by departments that are wholly separate and distinct from our commercial lending activities. To assure the proper use and control of information received by the bank in its several capacities, there is no flow, or incidental communication, of inside information from the commercial departments or divisions of the bank to the fiduciary investment department or to the pension or personal trust divisions of the trust department.

Similarly, there is no flow, or incidental communication, of "inside information" from the fiduciary investment department or the pension or personal trust divisions of the trust department to other departments and divisions. Our fiduciary investment personnel, when interviewing corporate officers or representatives of brokerage houses, make it abundantly clear that they are not seeking "inside information."

Decisions on what securities to buy and sell, and when to do so, are made by our trust investment committees and portfolio managers acting under the committees' instructions. These committees do not consult me as chairman of the board on investment decisions, nor do they consult any other member of the board of directors. They are guided solely by their professional judgment as to what is in the best interests of the accounts they are responsible for managing.

The Primary Need

I am fully in sympathy with the objective of eliminating conflicts of interest, but I am not persuaded that this can be accomplished by reliance on legislation. The primary need, as I see it, is not so much for more government laws and regulations as for more reliance on character and integrity in all our dealings, whether in business, finance or government.

Regulatory authorities have already been given an imposing arsenal of weapons to police banking and financial activities. I think it would be wise to review the controls that already exist and determine whether they need further implementation by amendment, regulation or supervision. There is a real question in my mind as to the wisdom of imposing still another layer of sweeping legislation on top of the existing complex of acts, regulations, interpretations and decisional law at both federal and state levels. • •

Escheat Law, Bills to Prevent Bank Failures Are in Legislative News

ALABAMA now has an escheat law as the result of legislation passed last month. The law applies to the following: demand and savings deposits, outstanding checks and CDs, contents of safe deposit boxes, dividends and fiduciary accounts.

The banks are relieved of any liability for accounts turned over to the state. Should a customer appear after his property has been escheated to the state, a bank can refer him to the state or pay him itself and then collect from the state.

The first report, listing all accounts without activity for at least seven years, is due August 1, 1971. The report is to be made as of May 1, but doesn't have to include any accounts in which there has been activity between May 1 and August 1. Beginning next year, on November 1, 1972, and on every November 1 thereafter, a report listing all accounts that during the preceding year reached the seven-year period without activity must be made to the Alabama Department of Revenue.

In Texas, a number of bills have been proposed that are intended to prevent bank failures such as that experienced earlier this year by Sharpstown State in Houston. A Texas Senate investigating committee, appointed after the failure, has charged that weak state banking and insurance laws allowed the Sharpstown State disaster to happen.

One of the proposed bills (SB 997) would give several new weapons to the state bank commissioner, who, it is said, now can use "only threats and persuasion" when he sees a dangerous situation developing and then, as a last resort, has to close a bank. This proposed bill would give the commissioner power to order bank officers to stop their practices. If the bank refused, the commissioner would have the power to force removal of the offending officer, director or employee.

SB 998 would allow use of brokered funds, but they could not be counted as deposits and insured by the FDIC.

Another bill, SB 1001, would require disclosure of the source of any borrowed funds used to buy bank stocks. SB 1005, designed to close a loophole in the state's insurance law, would ban loans by insurance firms to business interests of the company's own officers and directors. SB 999 spells out a procedure, similar to the one for insurance companies, for state takeover of failing banks as a last resort to avoid closure.

Other proposals in the package would require recorded votes on actions of the state banking board and disclosures of any bank holdings of banking board members.

In Missouri, a bill was passed that provides for increased services at bank facilities and extends the distance that a facility may be located from the main bank from 1,000 to 4,000 yards. It may not, however, exceed city limits.

Missouri Governor Warren Hearnes signed a bill that continues the equality of taxation between state and national banks.

In Illinois, bills have been introduced that would amend the Illinois Banking Act to allow each bank to have any number of facilities and would extend the distance a facility may be located from a main bank from 1,500 to 3,500 yards. • •

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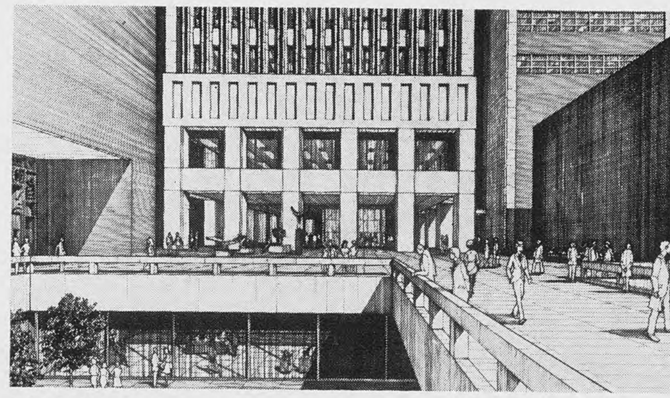


LEFT: Sketch shows First of Tulsa's 41-story office tower. The $20-million building will house 3,000 people when completed in 1973.

ABOVE: Facing west onto Main Street, the plaza of the new tower will feature landscaped pedestrian walkways and a sunken auditorium for public use.

Construction on First of Tulsa Office Tower Gets Underway in Downtown District

FIRST TULSA BANCORP., Inc., has begun construction on its new 41-story First National Tower on Fourth Street between Boston Avenue and Main Street in the city's downtown area. The $20-million project is scheduled for completion by December, 1973.

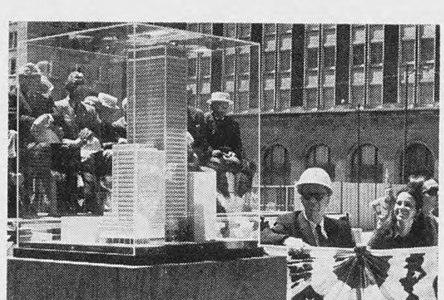
The new tower will be owned by Fifth and Boston Corp., a subsidiary responsible for the exisiting First National building and other Bancorp.-owned properties in Tulsa. The tower is being constructed as part of urban-renewal activities in the central downtown area.

L. A. Blust Jr., executive vice president of Downtown Tulsa Unlimited, called the First Tulsa Bancorp. venture "the largest single development by private enterprise in the history of downtown." He said the building will upgrade the economic base of the core downtown area, will help speed renewal activities throughout the city and will aid lagging retail operations.

"It is a fact that retail business goes where the buyers are and provides the products and services these people need," Mr. Blust said. "It is also a fact that about 3,000 people will be housed in the new bank building. They will need products and services and I'd think retail business would want to locate where it could provide them."

Total height of the First National Tower will be about 517 feet, making it the tallest office building in Oklahoma, according to the bank. It will have two stories below ground level.

Connecting to the present 20-story First National building on every floor, the new tower will provide tenants at those levels full floor space of 16,000 square feet. The new building will contain a total of 529,572 square feet of office space for more than 3,000 tenants.

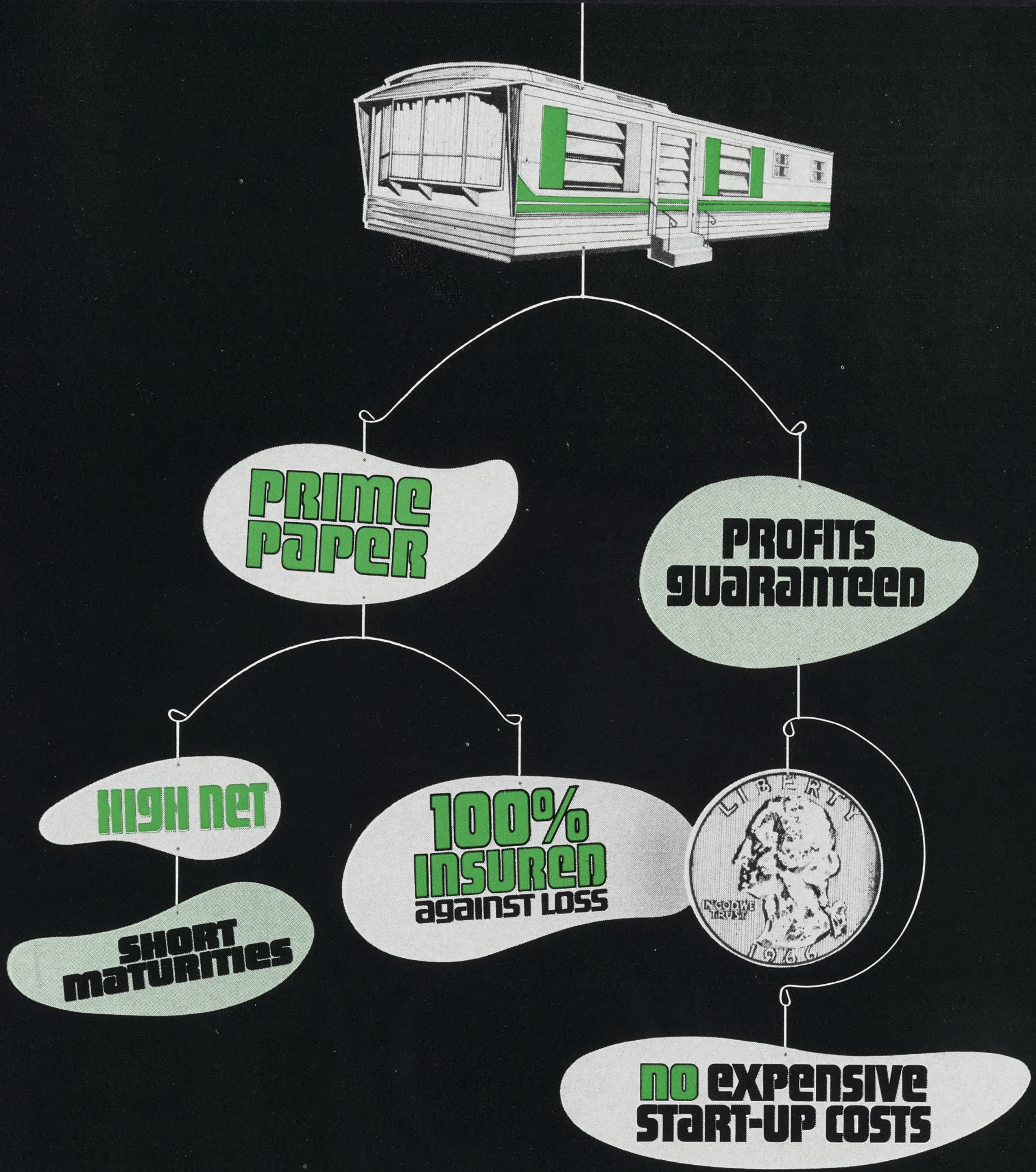


R. Otis McClintock (foreground, at right of model), chairman emeritus of First National, Tulsa, unveils a scale model of the bank's new First Place complex at groundbreaking ceremonies. The 41-story office building will be completed late in 1973.

Plans call for a bank employee cafeteria to be built on the third floor of the tower with a board room and dining area on the 41st floor. A major portion of the site west of the building will be used as a plaza and pedestrian space. Openings in the plaza will connect the street level with a landscaped area below and an auditorium for community use will open into this lower outdoor area.

Negotiations are currently underway with the Tulsa Parking Authority for construction of an indoor parking facility along the Fourth Street side to accommodate 400 automobiles.

F. G. McClintock, Bancorp. chairman, said about the building project, "With new business continually moving into this area and with developments such as the Port of Tulsa at Catoosa now taking shape, we believe strongly in the future of downtown Tulsa. It is our hope that our new building will add considerably to the physical appeal of downtown, while providing office and retail space to enable the city to continue its growth and expansion." • •



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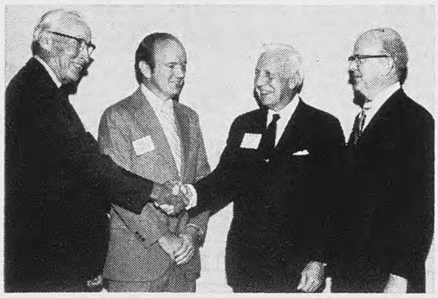
Correspondent Bank Directors Attend Seminar Sponsored by First National Bank, Montgomery

More than 300 bank directors from throughout Alabama recently attended a correspondent bank director seminar sponsored by First National of Montgomery. The one-day meeting was held at the Jefferson Davis Hotel in Montgomery.

Speakers on the program included First National officers Frank A. Plummer, chairman and president, and J. Allen Reynolds Jr. and James S. Gaskell Jr., executive vice presidents. Kenneth W. Leaf, regional Comptroller of the Currency, Eighth National Bank Region, Memphis, also was a featured speaker.



Attending the second annual bank directors seminar sponsored by First National, Montgomery, were (from l.) John Z. Fuller, pres., Farmers National, Opelika; Robert L. McCullough, pres., Opelika National; Frank A. Plummer, ch. and pres., First National, Montgomery; and Kenneth W. Leaf, regional Comptroller of the Currency, Eighth National Bank Region, Memphis.

Mr. Plummer, in his talk on "The Director's Role in Credit Policy," said that "in the '70s bank directors must place more emphasis on serving the needs of their communities or the banking industry will be hamstrung and the banking structure severely endangered by hasty, ill-advised legislation now under consideration in the legislative halls of Washington."

"A 'Model' Directors Meeting" was the topic of Mr. Reynolds' speech in which he discussed the duties, responsibilities and liabilities of bank directors and the essentials of a good board meeting.

In covering "Management of Capital Accounts," Mr. Gaskell outlined the factors that should be considered in determining a bank's proper capital base—past and anticipated growth of the bank, quality of bank assets and financial needs of the community.

"The Bank Examiner" was the title of Mr. Leaf's address. He told the group that "the effectiveness with which a banker meets the problem of obtaining new loan funds and the skill and courage he displays in using those funds productively will likely determine his own fate and will influence the fate of his community."

Missouri Tellers Seminar Planned for June 26

COLUMBIA, MO.—Special-interest sessions on "Check Losses," "Selling Bank Services," "Human Relations" and "Your Personal Image" will be featured at the second annual tellers seminar June 26 to be sponsored by the Missouri Bankers Association and its committee on AIB. The seminar, to be held at the Ramada Inn here, will begin at 8 a.m. with registration. Registration also will be held from 4-6 p.m. June 25.

Speakers at the special-interest sessions will be: "Check Losses," Richard M. Reilly, vice president, Manchester Bank, St. Louis; "Selling Bank Services," George T. Guernsey III, senior vice president, Manchester Bank; "Human Relations," Byron Abbott, Abbott Associates, Springfield, Mo.; and "Your Personal Image," Marge Munro, Marge Monro School of Modeling, Lake Charles, La.

Keith M. Davis, president, Empire Bank, Springfield, Mo., will discuss "M of S, Inc." Dr. Robert P. Cavalier, national educational administrator, AIB, Washington, D. C., will have the topic, "What AIB Can Offer Area Banks, Large and Small."

Fair Credit Reporting

(Continued from page 6)

has great proprietary value and sunk costs to the creditor.

Column space does not permit discussing many other of the controversial, complex and contingent liability features of the Consumer "Fair" Credit Reporting Act. Perhaps, when more truck record and data are available on its operations, these can be the subject of a subsequent column.

What is of deep philosophical concern is that a federal bureaucracy in Washington is now in the position of trying to dictate to creditors just what information is "obsolete" when fiduciaries are under the moral obligation to act as prudent men in handling the funds entrusted to them. That creditors must "forget" at an arbitrary chronological rate. At issue is a basic point. The FTC has usurped the right of creditors to information the creditors as prudent individuals often believe they should have to make a rational credit decision.

A number of bankers (with whom this was discussed) implied that I was over-reacting to the problem. Though insisting that their own banks would fully comply with the act, they seemed to think that few other creditors would formally reject loans in the way the "Fair" Credit Reporting Act infers they will. Rather, it appears they will resort to credit rejection platitudes that will prevent the loan from being consummated. These include such evasions as stating that the bank was all loaned up at the time or in that credit category, or of finding the financial and related statements which *originated* with the application as not meeting the high standards of the bank, or needing fuller information in all facets of the proposal and similiar comments of delays, stalling, non-rejection, but nonacceptance.

The ingenious creditor impliedly always could find, if needed, some factor on the documents of applications or on the bank's own policy to reject an application without attribution to some secondary or other credit reporting source.

The crux of the problem is that it is both the creditor and the debtor who bear the loss of a poor credit evaluation and not the FTC. If my company is prevented by FTC regulations from having the credit information I as a prudent fiduciary feel it needs, then I cannot do my proper job under such disfunctional constraints. Thus, my bank will not make loans. The loan applicant is bumped to a higher cost lender, often an illegal lender. The illegal and usurious lender is beyond the constraints of fair credit reporting. • •

Gilbert Elected President Of Ala. Junior Bankers

Roy W. Gilbert Jr., senior vice president, Birmingham Trust National, has been elected president of the Junior Bankers Section of the Alabama Bankers Association. He succeeded Harold D. King, president, Peoples Bank, Pell City.

Other new officers are: vice president, Wilbur Hufham, assistant vice president, First National, Montgomery; treasurer, Marion Hamilton, vice president and cashier, State National, Decatur; and secretary, Don Bagley, loan officer, First National, Anniston.

During the convention, William P. Walker, president and chief executive officer, City National, Dothan, was honored as Alabama's outstanding young banker for 1971.

Good men work best with a little freedom of action.

Imagine any one of our superheroes calling headquarters for instructions. Or waiting for the go-ahead from some higher ups.

Of course, it's unthinkable. A few weeks of that routine, and any superman worth his salt would be out looking for a new job.

The simple truth is, no man who really knows what he's doing can work for people who insist on clearing every move he makes. Good men do need a little freedom of action.

Good men, of course, are the kind we want to have working for us.

So we've done everything we could, to make sure each of our men has the freedom he needs, and deserves.

The Idea Bank itself is organized according to the "unit president" concept. Each division head has virtually the same freedom and responsibility as an individual business manager. He in turn is encouraged to delegate maximum responsibility to those who work for him.

That kind of organization challenges each man to use his talents to the fullest. And it gives us the ability to do things more effectively, and faster, than most banks half our size, or twice our size.

That's especially true of our Correspondent Banking Division. Whether it's a complicated overline, or just something simple, we can give you better service, faster, than anyone else we know.

Even more important, you'll be dealing with men who know what they're doing, and can make their own decisions.

The next time you've got a difficult correspondent problem you need solved quickly and creatively, consider giving Bill Aldrich a call at (312) 661-5050.

If he isn't available, one of our other men will help you.

No matter who it is, you'll be in very good hands indeed.

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Fort Worth National Holds Groundbreaking For $20-Million Banking Complex

FORT WORTH NATIONAL recently held groundbreaking ceremonies for a new $20-million downtown banking complex—to be the city's tallest building and largest motor bank and parking garage.

The bank building, occupying a full block, will be 37 stories high with a total area of 584,660 square feet. Fort Worth National will occupy floors six through 13. Floors 14 through 35 will be available for tenants.

Lewis H. Bond, president, said about the new complex, "It is especially appropriate that our project is beginning as the final report of the City Center Sector Planning Council is being released. Our project is in harmony with the recommendations and conclusions of this report and we hope it will be only the first of many that will follow."

The skyscraper will be built on a pyramid-shaped base that will rise from the street to the fifth-floor level. The building's exterior will have bronze reflective glass, set in bronzed aluminum frames, and will be lighted by 6,216 incandescent light bulbs outlining the structure from the base to the 37th story.

Landscaping will surround the building on all four sides. At each of the four entrances, an eight-foot reinforced concrete canopy will extend 18 feet over the sidewalk.

The main banking lobby will be one level below the street and will contain about 35,025 square feet. The teller area will be located in the center of the lobby with tellers stationed behind an open circular counter. The lobby also will house the installment loan and customer services departments.

Another lobby, two levels beneath the street, will contain the safe deposit, safekeeping and school savings departments. The street level of the building will serve as the main pedestrian gathering point and will have elevators for the office floors and the two banking lobbies below. The upper floors will contain office space, a cafeteria and auditorium.

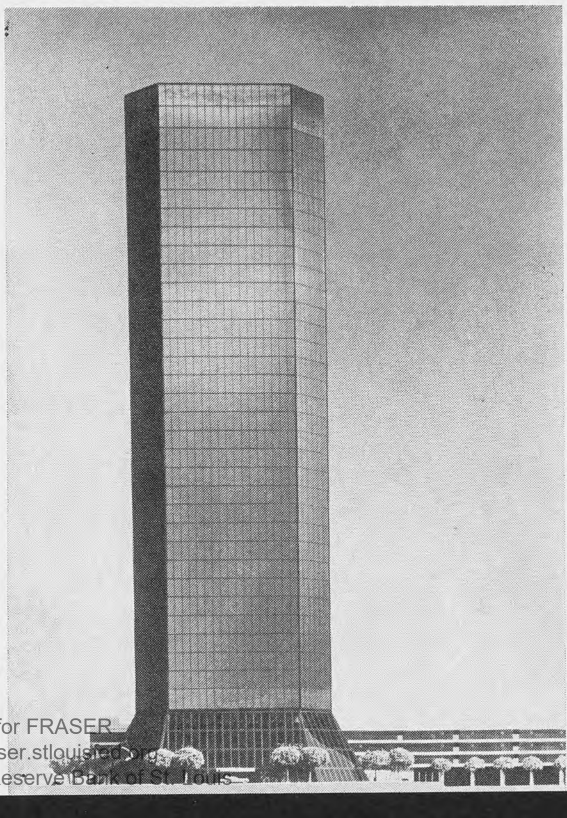
Connecting the skyscraper with the motor bank and garage will be a pedestrian bridge 16 feet above the street and a tunnel underneath the street.

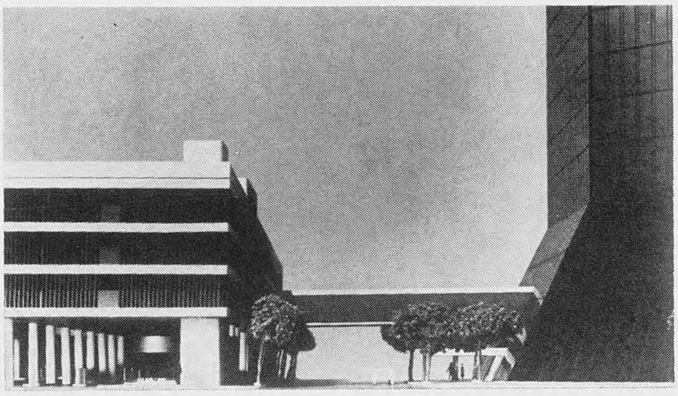
The motor bank and garage, with an area of 417,291 square feet, will be constructed of reinforced concrete and will have vertical metal strips painted bronze in the spaces between the floors. The structure will have two levels below the street and five levels above and a total of 15,579 square feet of retail space will be available for leasing.

The motor bank will have 11 closed-circuit television drive-through teller windows, one walk-up window, night depositories and 24-hour depositories.

The garage, covering 1½ blocks, will be five stories high with parking space for 814 cars. The basement level of the garage will contain a money vault, parking for major commercial depositors, teller facilities for commercial deposits and an armored car service area.

Construction on the building project is expected to take about 30 months. The bank will move its operations into the new complex sometime late in 1972—Fort Worth National's centennial year. • •





LEFT: A scale model of Fort Worth National's new bank complex shows the 37-story office building tower. Behind the building is the motor bank and parking garage. ABOVE: A pedestrian bridge and tunnel under the street will connect the motor bank and parking garage to the bank building tower. The new downtown complex will cost $20 million and is scheduled for completion late in 1973.

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NEWS OF THE BANKING WORLD

• **Bayard H. Friedman** and O. Roy Stevenson have been elected executive vice presidents and advisory directors of Fort Worth National Bank and Fort Worth National Corp., holding company that owns the bank. Both men formerly were senior vice presidents of the bank and vice presidents of the holding company.

Also promoted was J. Allison Cozby Jr. from vice president of the bank to senior vice president of both the bank and holding company. John B. Hubbard, senior vice president and trust officer, also was elected a senior vice president of Fort Worth National Corp.

STEVENSON

FRIEDMAN

HUBBARD

COZBY

J. F. Costello Jr., assistant vice president and commercial loan officer, was named assistant secretary of the holding company and Vernon Baird, president of Mrs. Baird's Bakeries, Inc., was elected a director of the bank and holding company.

• **LaSalle National,** Chicago, promoted Phillip L. Bond and Rausey W. Mason to vice presidents. Mr. Bond joined the bank in 1960 and in 1968 was named assistant vice president and manager of the credit department. Mr. Mason came to the bank's national division in 1969 and was appointed assistant vice president the same year.

In other action, the bank promoted Robert J. Braasch and Terence W. Keenan to loan officers in the commercial banking group.

• **Kenneth D. Brown,** vice president of National Stock Yards National, National City, Ill., has been elected president of the St. Louis Chapter of Robert Morris Associates.

BROWN

Other new officers are: vice president, Merle M. Sanquinet, senior vice president, St. Louis County National; and secretary-treasurer, Harley E. Schwering, senior vice president, Manufacturers Bank.

• **Stanley G. Harris,** 81, retired chairman of Harris Trust, Chicago, died May 17 at his Woodside, Calif., home. When he retired in 1963, Mr. Harris had spent 51 years in banking and was considered the dean of Chicago bankers. He was the youngest son of N. W. Harris, who founded Harris Trust in 1882.

While at the bank, Mr. Harris served as head of West Coast affairs, headquartered in San Francisco, and as manager of the New York office of N. W. Harris Co., investment affiliate of the bank.

From 1943 to 1960 he was chairman of the bank's executive committee and in 1960 became chairman of the board, a position he held until his retirement.

FALKNER

• **J. M. Falkner,** 79, died recently. He retired last June as Texas banking commissioner after 23 years of service.

• **Bank of Overland** and North Side Bank, both of St. Louis County, have signed affiliation agreements with First National Charter Corp., Kansas City-based registered bank holding company.

The announcement was made jointly by Webe H. Naunheim Jr., president, Bank of Overland; Alfred R. Naunheim, chairman and president, North Side Bank; and Barrett S. Heddens Jr., chairman, First National Charter Corp. Webe and Alfred Naunheim are sons of the late Webe H. Naunheim, who was a St. Louis-area banker.

Subject to regulatory agency and stockholder approvals, the two banks would become the sixth and seventh members of the First Charter Group.

HULING

• **Hoyt Huling,** executive vice president, First National, Bartlesville, Okla., has retired after 47 years of service. He was honored at a special dinner given by officers and directors of the bank.

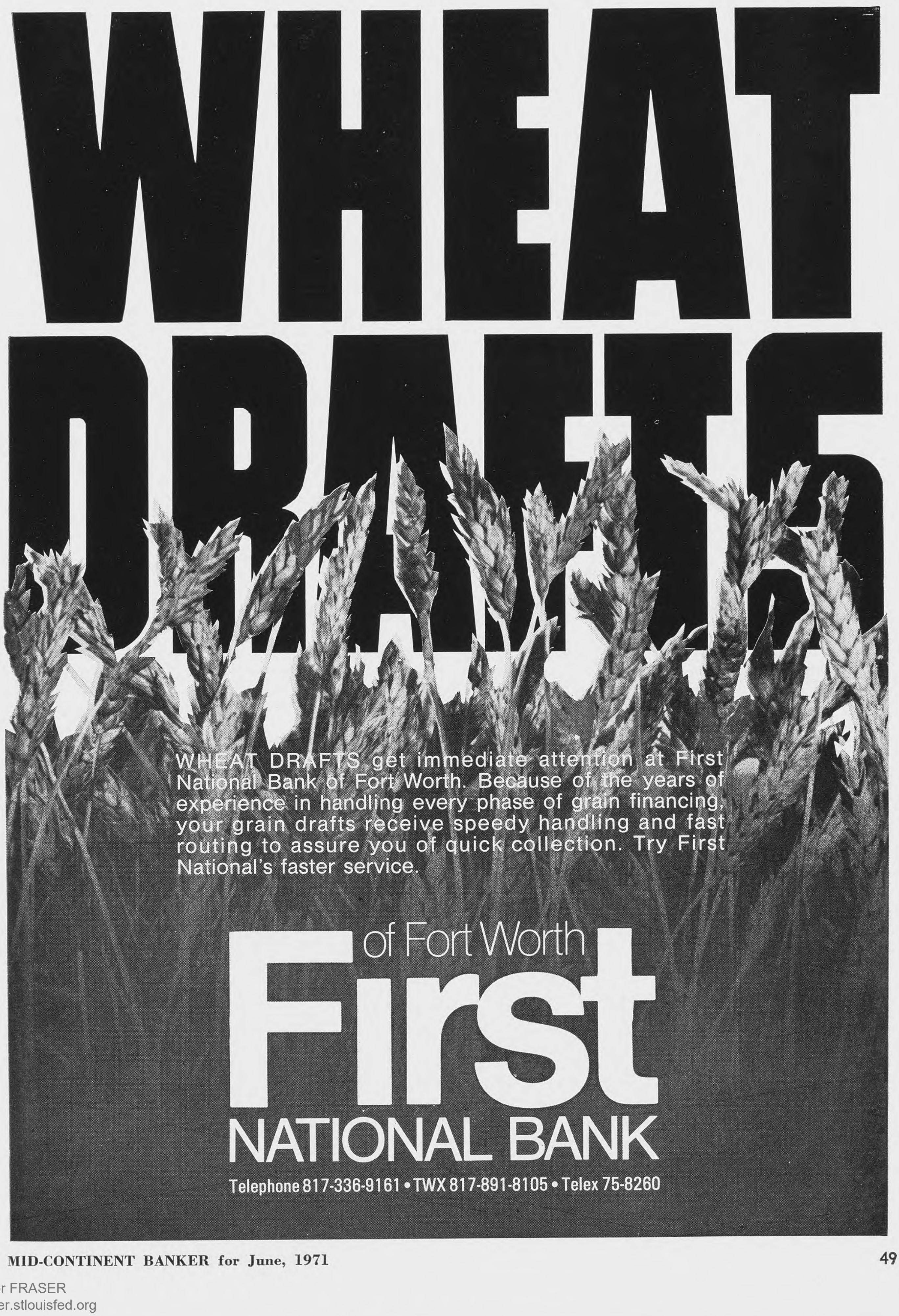
Mr. Huling came to First National in 1924 as a messenger. He was elected vice president in 1951, a director in 1958 and has served as executive vice president since 1963.

• **C. Ted McCarter** has been elected executive vice president of Baltimore Bank, Kansas City. He had been with First National of Kansas City for 11 years, most recently as a senior vice president in the commercial department. Mr. McCarter is a graduate of the University of Wisconsin Graduate School of Banking.

McCARTER

• **Lewis & Clark State Bank** opened for business in St. Louis County on June 1. The bank building consists of 6,000 square feet with a large drive-up area. General contractor is Bunce Building Corp.

Officers of the bank are: John C. Hannegan, chairman; William C. Ladwig, president; Gordon Pollard, vice president and cashier; and Sanford P. Ritter, secretary to the board.



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City National Bank, Austin, Completes 15-Story Building

AUSTIN—City National has completed its new 15-story building at Ninth and Congress streets. The bank will occupy the plaza level through the fourth floor and will lease the other 11 floors to business firms.

The plaza or lower level of the building has sunken courtyards with flower arrangements facing conference rooms through glass walls. The main vault also is at this level.

The trust department, real estate department, executive and employee dining rooms, credit offices and check printing facilities all are located on the second floor.

The main lobby at the street level has 17-foot ceilings and brick paving covering the whole area from curb to curb including sidewalks. In the middle of the lobby is a circular tellers' island 46 feet in diameter—room enough for 22 tellers. A staff elevator within the circle drops to the vault one floor below.

Officers' platform and the correspondent banking department also are on the street level along with walk-up teller windows. These "kiosks" are cylindrical booths set under the overhanging second floor, separated from the building. The location is convenient from the street and from the City National parking building across Ninth Street.

The third floor houses the customer service, data processing and bookkeeping departments. The Master Charge and installment loan departments are on the fourth floor.

Correspondent Banking

(Continued from page 22)

and these accounts were closed or drastically reduced in size. While requesting more from their correspondents, banks generally were willing to provide increased compensation. It is both remarkable and surprising that in a period in which interest rates rose to the highest levels in nearly a century and the account consolidation became more pronounced, total correspondent balances grew the most rapidly of any time in the postwar period.

The recent period of high interest rates and decreased liquidity also has witnessed what may ultimately bring about a complete restructuring of the correspondent banking business. Larger correspondent banks confronted with an increasing demand for loans from their own nonbank customers, for loan participations from banks and for more services from smaller banks, began seriously to analyze the accounts of respondent banks to determine the profitability of serving as their correspondents. In some instances, the impetus for the analysis came from the need to determine an accurate measure of float on cash letters. Some smaller banks were attempting to sell uncollected balances in the federal funds market.

Account analysis is not new; it has been performed for years on both corporate and correspondent accounts, but the serious application of the analysis is relatively novel. In the analysis, correspondent banks determine the revenue from a typical correspondent account by multiplying the average collected balance, sometimes adjusted for reserve requirements, by an earnings allowance. The cost (generally including an allowance for profit) of servicing the account is determined by multiplying the number of times a bank uses a given service by the cost (plus profit) of providing the service.

The methods of account analysis differ widely among banks. Some correspondents charge for services such as safekeeping of securities, wire transfers, currency and coin preparation, advice, etc., while others do not figure these items directly in the analysis. Virtually all banks, however, levy fees for ledger entries, deposited items and returned items. Unfortunately, there is little agreement among larger banks in the charges that should be made for providing even the most basic services. In part, these differences are due to alternative methods of allocating and calculating cost. Three basic approaches may be followed: marginal cost pricing, average variable cost pricing and average total cost pricing. The alternative methods can perhaps best be explained by an example.

Assume for a moment that a smaller bank has always kept a good balance with a correspondent, but that it has never used the correspondent to clear checks. The small bank is now considering shifting and wants to know how much it will cost to send checks to the correspondent. The bank estimates that it will send 50,000 checks per month to the correspondent. These will be encoded.

The correspondent bank officer responsible for the bank is the first to speak. "It seems to me that we have a lot of people in the check collection department who are not busy all the time. The bank has always kept a good balance with us. If it would agree to time its delivery for our slack period, it wouldn't cost us a thing. Our computer also has plenty of excess time available. I don't think we should charge them anything."

The manager of the check collection department rises, "Even if their cash letters don't always arrive at our slack period, we can handle the load without hiring any new employees or purchasing new equipment. I agree supplies would not be very expensive but they ought to be considered. In my opinion, we also ought to charge for employee and equipment time. Figuring the cost of these supplies, equipment time and the wage and fringe benefits of employees, it will cost me around $300 per month to service these checks."

The comptroller interrupts, "Our most recent analysis showed us that it costs us 3¢ per check to handle the first 2,000 items and 2½¢ per check after that.[2] You gentlemen are forgetting to include the costs of the building, insurance, taxes, support personnel, management overhead and our allowance for profit. According to my calculations, we should charge $1,260 per month."

The correspondent bank officer retorts, "You mean our profits will be nearly $1,300 per month higher if we don't do this service!" The comptroller shook his head that that would not be the case, as the correspondent bank officer continued, "In my opinion if we don't agree to clear these checks, the bank may close out its correspondent account. We'll lose both the deposit and the earnings from it if that happens."

If you had to make the decision about which of these officers was correct, what would you charge for clearing the checks? Might you approach the problem differently? No simple solution exists. Allocating costs in a multiple-product firm such as a bank is always highly arbitrary. Each method has some justification. The correspondent bank officer who argued that no fee should be charged was trying to apply the marginal cost principles he had learned in his sophomore economics course. The head of the check collection department remembered, however, that to avoid losses, average variable costs must always be covered in the short run. The bank comptroller was looking at the long-run situation in which total revenue must exceed total costs, but he was forgetting that average fixed costs tend to decline as volume expands. The point of this hypothetical example is simply to show that alternative methods of analyzing a situation can give rise to very large differences in costs. It is not surprising that the estimates of different correspondent banks of the average cost to clear one encoded check vary by as much as 300%.

The earnings side of the picture

[2] The sliding scale often is used as an alternative to charging an account-maintenance fee.

The automated egg

...or how Franklin helped two upstate New York banks get things rolling for one of the biggest "egg farms" in the Northeast.

The name Avian Bates, Inc. may not mean much to you. But ask any egg farmer in the Northeast. He'll tell you it's the only "in-line fully automated egg farm" in this part of the country.

Avian Bates' revolutionary operation involves 280,000 laying hens. As the hen lays an egg, the egg drops onto a production belt, is carried through various service areas where it is cleaned, graded and packaged. From laying to shipping, the egg is untouched by human hands.

To get started in 1968, Avian Bates turned to two local banks for financial help—Sullivan County National Bank, Liberty, N.Y., and Valley National Bank, Walden, N.Y. The capital requirements were in excess of the banks' combined legal limits...so they invited Franklin's National Division to assist with the financing. Franklin, in cooperation with the New York Business Development Corporation, quickly completed financial arrangements.

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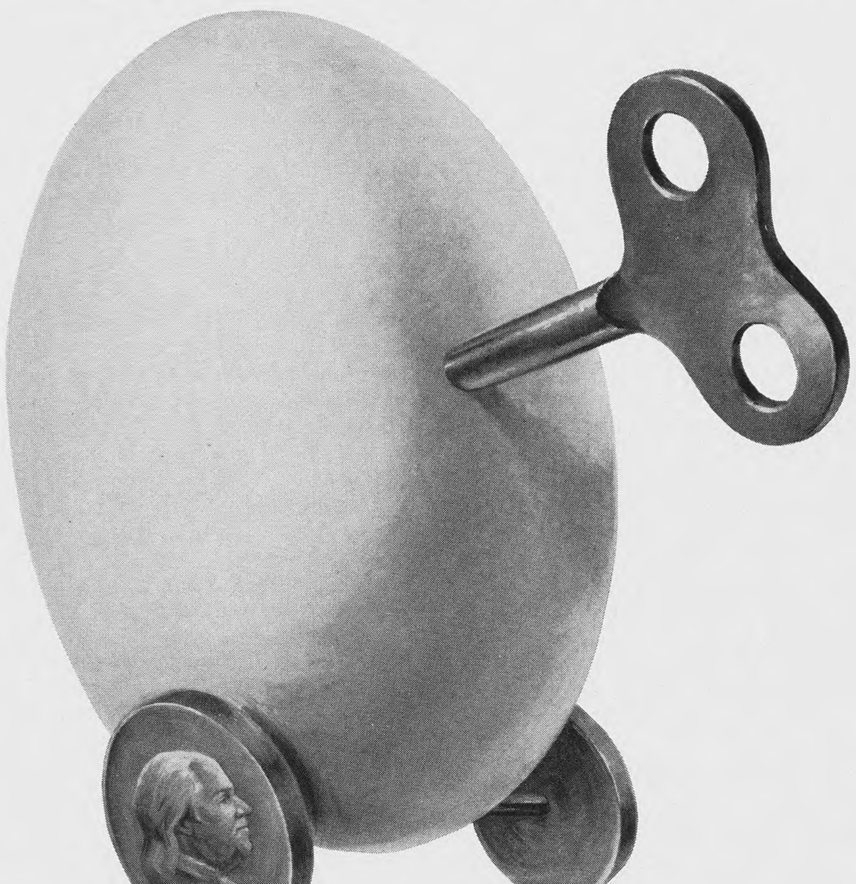

FRANKLIN NATIONAL BANK

Where Money Has Imagination

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shows an equal amount of diversity. In determining the average collected balance, some banks calculate actual float while others use estimates. Some banks subtract reserve requirements while others do not. The earnings allowance on the remaining funds then may be calculated by using the discount rate, the federal funds rate, the Treasury bill rate, the average interest return on the correspondent's total portfolio or a return based on a combination of these rates. Virtually no bank imputes an earnings allowance based on the higher loan rates, however.

Variances in allocation of costs and in earnings credits given, of course, give rise to wide differences in collected balances banks must maintain to compensate correspondents for even the most basic of services. For example, among banks we recently contacted, the monthly collected balance that must be maintained to clear one check varies between $1.91 and $10.90. The required balance at most banks is near the midpoint of these two figures.

Major Step Forward

Although it remains rudimentary, the account analysis represents a major step forward. Correspondent banks should know the costs of servicing accounts and the earnings these accounts represent. Of course, the views larger banks have taken toward this analysis varies. Some bankers simply use the figures as a guide in asking for additional balances, but others, more confident their figures are correct, will in rare instances send a bill if an account shows losses. While few of our survey banks expressed dissatisfaction with their correspondent relations, one of the major factors contributing to dissatisfaction was the demand by correspondents for additional funds. Evidently, a number of the dissatisfied banks did not feel that the reasons for the additional funds had been sufficiently justified.

Several years ago, banks were criticized for the analyses they performed on corporation accounts.[3] In the criticism it was argued that the charges that were imputed for providing various services were unrealistically low as was the earnings credit. I am in no position to pass judgment on the realism of the cost figures in the correspondent bank account analysis, except to note that many services provided by correspondents are not presently included in the analysis, but the same criticism as formerly could probably be made about the earnings allowance at the majority of banks today. If smaller banks can earn a higher return by investing their funds in money market instruments or by lending directly, strong pressures will develop to purchase correspondent banking services solely for a fee.

Critics of the present system often have argued that greater efficiency in distribution of banking resources would be promoted if correspondent banks were to substitute explicit charges for the compensating balance requirements. Many small banks, it is maintained, have no knowledge of the cost of providing various services. If these costs were known, a bank would request only those services for which the potential revenue justified the expense. Price competition among correspondent banks, moreover, may be more effective than competing on the basis of quality and availability of services offered.

Whether the correspondent banking system could function effectively on a fee basis and whether the personal relationships that presently exist would be lost under such a system only you can answer. Changes of the type I have been describing will not occur in the immediate future, but the seeds are in the wind.

In any event, reevaluate your correspondent relations. Ask yourself what your correspondent is doing for you or how he is willing to help solve your problems. Find out what services your correspondents offer. One of the major difficulties we encountered in reading the survey questionnaires was that a surprisingly large number of banks had no idea whether their correspondents offered some services. Ask your correspondent banks regularly to send you copies of the analysis they perform on your account. Find out what the charges represent, how important float is to your cash letters and how profitable your bank's account is to the correspondent. If the account is inadequate to cover the services provided, consider increasing it. Remember that the account analysis rarely covers all services. Compare the charges and earnings credits among different correspondent banks. Establishing new correspondent relations is never easy, but there is no sense in maintaining a balance with a banker who disappears just when you need him or who is always suffering from the same problems you are experiencing. The system has been designed by the larger banks; it should also work effectively for the smaller ones.

In conclusion, I believe the outlook for the correspondent banking system can be bright. The trends that are presently shaping the economy will in the future require banks to provide a broader scope of specialized services, a wider range of technical and management expertise and additional financial resources. The demand for overline loan participations will continue to grow, particularly in the midwestern states where the loan needs of many borrowers are increasing much more rapidly than the lending limits of their banks. Undoubtedly, attempts will be made to swap participations to a greater extent among major regional banks rather than to rely solely on correspondent relationships in the money market centers for placement of participations. As additional regional check clearing centers are organized, such as the one in southern Florida or the Washington-Baltimore clearinghouse, the emphasis in correspondent banking is likely to shift from efficiency in clearing checks to ability to provide specialized assistance when necessary. Account consolidation may be expected to continue and correspondent relationships will become more businesslike.

As long as the correspondent system satisfies these needs and remains alert and willing to make necessary adaptations, a bright future is assured. By working jointly, both large and small banks can continue to serve the needs of their states' residents as they have in the past. • •

[3] James P. Furniss and Paul S. Nadler, "Should Banks Reprice Corporate Services?" *Harvard Business Review*, May-June, 1966, pp. 95-105.

Manchester Bank, St. Louis, Holds Economics Seminar

Manchester Bank, St. Louis, recently hosted about 100 businessmen at a seminar featuring Donald E. Woolley as guest speaker. Mr. Woolley is vice president of Bankers Trust Co., New York City, and assistant head of the economics department. He also edits the department's publications. Before joining Bankers Trust in 1955, Mr. Woolley was an economic analyst with Chase Manhattan Bank, New York City.

In his speech, Mr. Woolley told the group, "The economy is not in as good shape as the Administration has been saying." He said that while 1971 started out with good signs economically, there is no indication that it will be a banner year. However, he predicted that "1972 could really be quite a good year."

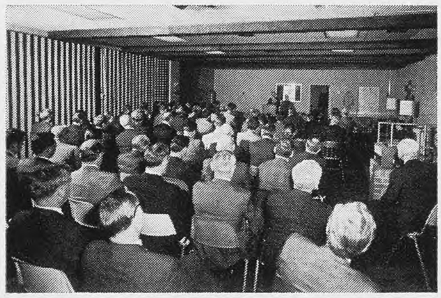
Donald E. Woolley, v.p. and assistant head of the economics department, Bankers Trust Co., speaks at Manchester Bank's seminar.

While the recession of 1969-70 was mild compared to postwar recessions, Mr. Woolley expects recovery to be on the moderate side. However, he said that the "business upturn is underway," that during the first quarter of this year there was a sizable increase in economic activity and that leading business indicators have been on the upgrade for a number of months.

Home building is making an especially good comeback, better than most people expected, according to Mr. Woolley. Housing starts this year should number 1.8 million (based on first quarter 1971 results adjusted to yearly rate)—45% above last year.

While most industries are not showing an upturn, the automobile and steel industries are, Mr. Woolley said. If auto sales continue to do as well as they are now, this could be a "9.75 million car year."

"Business for the rest of the year depends on what the consumer does," Mr. Woolley told the group, "Until recently, the consumer has not been behaving the way he should. He still is cautious, saving and paying off installment debt."



About 100 businessmen listen to a seminar on the economic outlook, sponsored by Manchester Bank, St. Louis.

Mr. Woolley said that the revival in consumer spending will come too late to have much effect on business this year but will be reflected in 1972. He expects the rate of unemployment to average 5½% through the end of 1971.

In discussing short-term interest rates, Mr. Woolley predicted an upward trend. He said that corporate long-term rates will decline slightly but before 1971 is over, they will likely move upward.

Outlook for Credit

(Continued from page 26)

bulk of new financing to come from the utility and communications sectors. Therefore, for 1971, it is probable that corporations will turn to their banks for between $4 to $5 billion and will come to the bond markets for between $18 to $19 billion. Although we will witness a decline in overall bond financing from 1970, we probably will see a continuing demand in the equity markets from those corporations that find their debt-to-equity ratios unacceptable to financial analysts. Therefore, it would not seem unreasonable to see equity financing amount to between $6 to $7 billion for this entire year.

Obviously, this credit demand from public and private sectors will have an effect on interest rates, and in the balance of this article an attempt will be made to arrive at some general outlook for rates.

The data of the current downswing would suggest that both long-term and short-term rates have participated in a downward movement comparable to previous recessions. However, it should be noted that until November, 1970, the movement in long-term rates was not as great as those of the money market. As a consequence, the rather sharp decline since then was well in line with market expectations.

The fact that long-term rates did not immediately respond as quickly as in previous economic downturns can be attributed to several factors, which in my judgment may be summarized as:

1. The significant amount of fixed-income debt coming to the marketplace.

2. The persistent inflationary psychology that gripped investors.

3. The growing awareness that the planned federal surplus for fiscal 1970 was mushrooming into a significant deficit.

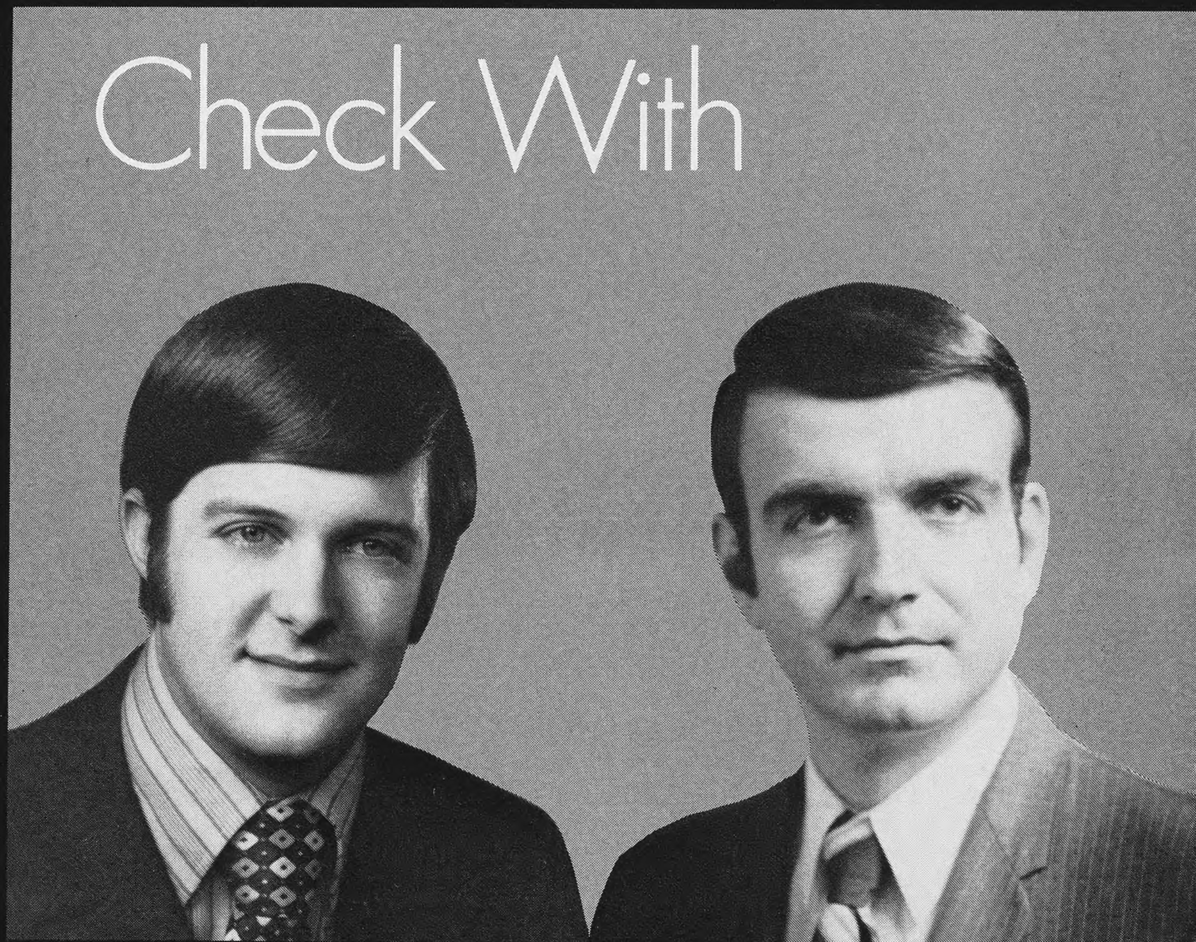
4. The Penn Central crisis, coupled with the multiple financial problems of many security houses.

What does this overall analysis suggest for market behavior during the remainder of the year? In answering this question, I would like to divide my final comments into two sections; first, lessons we have learned, and second, an interest-rate outlook.

As a result of our experience during 1969 and 1970, I believe we can safely say that the attempt by the Federal Reserve to regulate the flow of credit through the device of Regulation Q left a great deal to be desired. The shifting of the credit-granting process from the banking community to the general public proved almost disastrous. When corporations realized that they could not obtain funds from banks, they turned to the commercial paper market where buyers of the paper are committed not only for a short period of time but do not, generally speaking, have the ability to make a judgment on the credit-worthiness of the seller. Further, the impact of the endeavor to regulate credit through Q is still much in evidence when we realize that the current Eurodollar problem plaguing the monetary authority is very much related to this attempt.

As for interest rates, the outlook is still evolving. However, after taking into consideration the projected demand for credit from the various sectors of the economy, private and public, the continued concern over inflation and the question as to the strength in the overall economy, *I would suggest that we have definitely passed through the low point for short-term rates. In fact, I would say that this market bottomed out in the last two weeks of March.*

Looking ahead to the end of the year, I would suggest that because of balance-of-payments problems, the Federal Reserve probably will refrain from making further reductions in the discount rate and its activities in the



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money market will be in tune with the current defensive strategy of the Treasury as it relates to the dollar in the international markets. Further, I feel that the current drift in short-term rates will continue and that by year-end, barring an international money crisis, we will see 91-day Treasury bills between 4⅞% to 5⅛% and four- to six-month commercial paper rates at 5⅜% to 5⅝%.

Because of the continued huge volume of municipal financing, rates in the tax-exempt market should remain under pressure. Therefore, it would not be surprising to see the municipal bond index, which at this writing is 5.48%, move upward to a year-end level of between 6% to 6¼%.

The corporate market seems to be caught in a wave of cross currents and currently is running contrary to traditional analysis. Recent history tells us that the normal spread between Treasury bills and AAA corporate bonds ranges from 75 to 150 basis points, but today we are witnessing a spread of approximately 380 basis points. This wide differentiation between bills and long-term bonds should opt for a lowering of long-term corporate yields by at least 100 to 150 basis points. Unfortunately, I do not feel this will occur between now and year-end. While I anticipate a reduction in new corporate offerings, the upward movement in short-term rates, plus the continued inflationary concerns of the investor, will preclude this market from a substantial downturn in yields. Therefore, for the balance of the year, we may see a decline in AAA corporate rates by as much as 50 basis points—perhaps sometime during June, but then an upward drifting to between 7½% to 7¾% range by year-end or, on balance, very little change in this sector of the market over the near term. • •

Cass Bank Seeks Permission To Move to Downtown Area

ST. LOUIS—Cass Bank has filed an application to move the bank's quarters to 310 North 10th Street in the downtown area. The bank would occupy the entire west side of the Syndicate Trust Building. Cass Bank is now located in a deteriorating area on the fringe of downtown St. Louis.

Harry C. Hartkopf, chairman, said the present building would be retained to house freight bill paying and payroll preparation operations. The bank also plans to use the existing building as a drive-in and walk-up facility.

Alabama Bankers Assn. Groups Appoint Officers for 1971-72

The Alabama Bankers Association groups have elected new officers for 1971-72. They are:

GROUP 1: chairman, Edwin F. Howard, president, Muscle Shoals National; vice chairman, A. J. Wood, executive vice president, Bank of Hackleburg.

GROUP 2: chairman, James A. Davis, president, First National, Decatur; vice chairman, Gordon Jones, president, Henderson National, Huntsville.

GROUP 3: chairman, Jerry W. Roberts, vice president, First City National, Gadsden; vice chairman, A. Lee Hanson, vice president and cashier, Citizens Bank, Oneonta.

GROUP 4: chairman, Lynn Mosley, president, City National, Birmingham; vice chairman, George S. Shirley, president, First National, Tuscaloosa.

GROUP 5: chairman, A. F. Whitman, president, Peoples Bank, Sylacauga; vice chairman, Joe C. Lett, president, First State, Oxford.

GROUP 6: chairman, J. N. Thomas, vice president, Selma National; vice chairman, S. Gerald Whitley, president, Sweet Water State.

GROUPS 7 & 8: chairman, E. M. Jones Jr., executive vice president, Farmers National, Opelika; vice chairman, Arnold Dopson, president, Bank of Tallassee.

GROUP 9: chairman, Thomas A. Black, president, Peoples Exchange, Beatrice; vice chairman, Eldon Scott, vice president, Conecuh County Bank, Evergreen.

GROUP 10: chairman, Leon Hilyer, vice president, cashier and trust officer, First Farmers & Merchants National, Troy; vice chairman, L. R. Deal, president, Covington County Bank, Andalusia.

First Union Gets Fed Approval To Acquire Bank in West Plains

The Board of Governors of the Federal Reserve System last month announced approval of the proposed affiliation of First National, West Plains, with First Union, a St. Louis multi-bank holding company.

The Department of Justice previously had said that the acquisition would be detrimental to potential banking competion in the West Plains area. However, in granting approval last month, the Board of Governors said it did not think the alternatives offered by Justice were feasible.

The Justice Department has 30 days after Fed approval to raise objections to the acquisition.

If the affiliation goes through, First of West Plains will continue to operate independently under its present management—H. C. Kellett, chairman, and J. H. McFarland, president.

Undaunted Missouri Independents to Seek HC Ban in 1972

LEGISLATION that would have limited Missouri multi-bank holding companies to five banks was not voted on in this year's General Assembly. However, the Missouri Independent Bankers Association, sponsor of the bill, looks forward confidently to 1972, when members believe they will get such legislation.

Instead of bringing to a vote the proposal on limiting the number of banks, the chairman of the House Banking Committee, Representative Fred E. Copeland, requested that the committee become a standing committee in order to conduct a study of multi-bank holding companies between adjournment of the 1971 session and convening of the 1972 session next January. Chairman A. M. Spradling Jr. of the Senate Banking Committee reportedly has made the same request in the Missouri Senate. As a result, according to a Missouri Independent spokesman, a joint Senate-House committee will meet and conduct hearings for the purpose of proposing a holding company regulatory bill next January.

In the meantime, HB 404, the Independents' bill, retains its standing in the House committee and will be in a favorable position to be reported out early in the 1972 session, according to John C. Harris, president of the Missouri Independent Bankers Association and president, Callaway Bank, Fulton. Mr. Harris said that, as a result of the work of the standing committee, the bill could be amended or give way to a committee substitute. In all likelihood, he continued, formal hearings will not be held until the fall of 1971.

Attorneys for the Independents are studying the advisability of bringing legal action to halt the spread of multi-bank holding companies, which, said Mr. Harris, many consider to be a device to circumvent Missouri's branch-banking law.

Some of Missouri's neighboring states took action this year either to curb or prevent multi-bank HCs. The most recent action came in Illinois, where legislation was defeated that would have removed that state's 14-year ban on multi-bank HCs. Indiana and Kansas also voted against removing HC restrictions, and the Arkansas Legislature outlawed all registered bank HCs in the state except the already-existing First Arkansas Bank-Stock Corp. (FABCO).

Missouri's Independent Bankers Association, which has pressed the fight against holding companies in the state, has seen its membership grow from 265 to 321 of the state's 671 banks since the first of the year. • •

Empire Bank, Springfield, Mo., Hosts Agri-Business Event

By HAROLD R. COLBERT
President

SPRINGFIELD, MO.—More than 150 bankers, cattlemen and experts in agri-business attended Empire Bank's third annual Agri-Business Conference May 15. The day-long conference was held in the second floor executive offices of the bank's new quarters, which were opened last December. Lunch was served in the spacious first floor community room.

Keynote speaker was U. S. Rep. Graham Purcell (D.,Tex.). Congressman Purcell is chairman of the Livestock and Grains Sub-Committee of the House Agriculture Committee and an expert in livestock and agri-business.

Representative Purcell said that the livestock industry has done a better job of keeping pace with advancing prices in the past 15 years than any other segment of agriculture, but that as a whole agriculture had lagged far behind the consumer price index advance of 35% since 1957. He attributed the better-than-average-of-industry record for livestock to the fact that in this subsection of agriculture the cooperation between husbandman and businessman is the greatest.

He believes that the marketing power of the agricultural industry is picking up, pointing to an increase of 31 pounds per capita in beef consumption over the past 15 years. "Last year 35 million head of cattle were raised in this country. That is up 41% since 1957-59," the Congressman declared. In spite of this increase he believes "there is a market for as much choice beef as anyone can put out for a good many years." He anticipates per capita consumption of beef by 1980 will be 130 pounds per year. "Consumer demand like that is going to require another 11 million head of slaughter cattle," the Congressman declared.

Living, four-footed attendance prize.

A panel discussion moderated by Joe Robinson, assistant vice president of Empire Bank, covered a variety of subjects, including the hazards of pesticides on food production, pollution of Ozark streams, the damage done to fish by pollution of streams by nutrients that might better be diverted through irrigation to improvement of Ozark soil.

Other speakers discussed advances in our knowledge of livestock genetics, the effect on profits of record keeping and their importance from the standpoint of tax reporting. Kenneth Haseltine, president, Willard High School FFA, summed up how to go "from rocks to riches," which was the theme of the discussion, by saying that pasture seeding, fertilizer, the production of legumes and irrigation can make the rocky land of the Ozarks into a land of riches.

DAVIS

PURCELL

In addition to Mr. Haseltine, panelists included Dr. James R. Whitley, supervisor, Water Quality Investigations, Missouri Department of Conservation; Del Dearborn, chief geneticist and sire selector, International Beef Breeders; Kenneth Morris, specialist in farm management, University of Missouri; Joe Clark, director, Internal Revenue Service, Springfield.

An afternoon session moderated by John E. Cooper, Empire Bank's agricultural representative, gave representatives of beef cattle associations a chance to present facts about their breeds as well as points on how to select good breeding stock and produce the most profitable calves from the breeding stock. Panelists included Tom Cook, representing Angus; Norris Jackson, Charolais; Dewey Rounds, Hereford; and Jay Nixon, Polled Hereford. John R. Rush, president of the Exchange at Union Stock Yards, Springfield, spoke from the standpoint of the buyers of feeder stock.

Etsyl Sparkman, executive vice president of Empire, presided at the meeting. Keith Davis, president, concluded the meeting with a summary of points covered by the various speakers. He called for cooperation among bankers and those engaged in agri-business. Alluding to the age of consumerism, he said that it is good, that it is not without problems, but that it will make all of us do a better job. • •

Bankers and agri-businessmen consume latter's products at conference.

Coffee Sells Bank Services

O'Hare International Bank, Chicago, has found that inviting customers to the bank for a cup of coffee is a good way to sell banking services.

The bank is running large advertisements in 28 Chicago-area newspapers. The ad shows William E. Cornelius, chairman, having coffee while talking over business with bank customers.

The ad states that over a good cup of coffee, O'Hare International visitors have profitably discussed financial matters ranging from commercial loans to trusts and wills.

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Our new man-on-the-spot® in Chicago will promise you the world.

And he'll deliver.

He's the general manager of our new subsidiary—Bank of America International of Chicago. As such, he can put the worldwide network of Bank of America offices and affiliates to work for you. He can locate foreign buyers for Midwestern manufactured goods and then provide the credit to meet the buyers' needs. Among the other international financial services our man-on-the-spot in Chicago offers are remittances, collections, spot and future foreign exchange, multi-currency financing, and cash management programs.

If you're in the Mid-west, it'll pay you to see our new man in Chicago. If not, we have other international banking specialists in New York, Miami, San Francisco and Los Angeles ready to serve you. Any one of them can put the world of Bank of America at your disposal.

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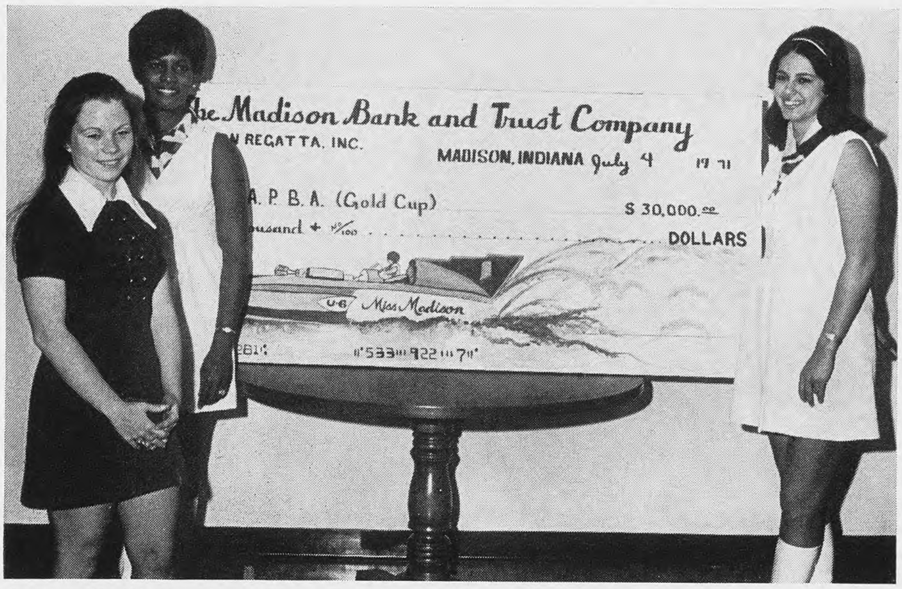
Madison (Ind.) Bank Backs Fund Drive for "Miss Madison" Hydroplane

MADISON, IND., will be the scene July 3-4 of the annual Gold Cup Races for unlimited hydroplanes. And Madison Bank has gotten into the spirit of the festival by designing a check that pictures "Miss Madison."

"Miss Madison" is a U-6 thunderboat and will be the city's entry in the 1971 Gold Cup Regatta. In last year's race at San Diego, Calif., "Miss Madison" finished in a tie for second place.

Interest in "Miss Madison" is running higher this year than ever before. Philip W. McCauley, president of Madison Bank, came up with the idea of securing 100 charter members of the "Miss M" board, who would pledge $50 for the boat's expenses if needed.

Mr. McCauley (president, Indiana Bankers Association) said, "By securing 100 charter members, the Miss Madison board will have a guaranteed $5,000 to work with if it requires it. Maybe the boat won't need these funds. We're all hoping it will have a financially successful season, but when the board holds its annual meeting at the end of the year, it will know it has $5,000 worth of support from backers if funds are required to keep a balance of $5,000 in the treasury."



Madison (Ind.) Bank has designed this check in keeping with the spirit of the 1971 Madison Gold Cup Regatta to be held July 3-4. Pictured with the over-sized model of the check are: (from l.) Miss Linda Hereford, who painted the model of the check, and Miss Carlotta Chandler and Miss Lydia Rhodehamel, Madison Regatta hostesses. The check, representative of those obtainable at the bank, is on display in the bank's lobby.

The fund-raising campaign was touched off when Mr. McCauley signed the first certificate, pledging $50. From there, members of the "Miss M" board each picked up a share of the certificates to sell, and the campaign was on its way. By noon of the first day, 21 certificates had been sold.

Bob Hughes, a member of the Miss Madison board and chairman of the drive, said about Mr. McCauley's plan, "We think the idea is a great one because it gives everyone in the community an opportunity to have a part in helping the boat have a successful season. And we're very pleased with the vote of confidence the community has given us in the time the drive has been in progress."

News of "Miss Madison" spread as far as Seattle. A hydroplane fan there read a news story about the fund-raising plan for the boat in the Madison newspaper. He wrote to the newspaper and asked if he could buy a certificate! He was second in line to purchase a $50 subscription—right after Mr. McCauley and the Madison Bank. • •

Convention Calendar

MID-CONTINENT AREA (1971)

Kentucky, Sept. 12-14, Louisville, Brown Hotel

MID-CONTINENT AREA (1972)

Alabama, May 17-19, Birmingham

Illinois, May 21-23, St. Louis, Sheraton-Jefferson Hotel

Indiana, June 14-15, French Lick, French Lick-Sheraton Hotel

Kansas, May 17-19, Topeka

Louisiana, April 29-May 2, New Orleans

Mississippi, May 22-24, Biloxi, Buena Vista Hotel

Missouri, May 14-16, St. Louis, Stouffer's Riverfront Inn

Texas, May 7-9, San Antonio

NATIONAL (1971)

ABA Agricultural Credit Conference, Nov. 14-16, Kansas City, Hotel Muehlebach

ABA Convention, Oct. 16-20, San Francisco

ABA Credit Card Conference, Oct. 25-27, New Orleans, Roosevelt Hotel

ABA Personnel Conference, Sept. 26-29, Los Angeles, Century Plaza Hotel

Bank Administration Institute, Nov. 7-10, Miami Beach

Bank Marketing Assn., Sept. 26-29, New York City, Americana Hotel

BMA Security Conference, July 11-13, Chicago, Marriott Motor Hotel

Consumer Bankers Assn., Oct. 24-28, Phoenix, Arizona-Biltmore Hotel

Nat'l Assn. of Bank-Women Inc., Oct. 6-10, New Orleans, Fairmont-Roosevelt Hotel

Robert Morris Associates, Oct. 23-27, Los Angeles, Century Plaza Hotel

Culley Announces Resignation As Mo. Finance Commissioner

C. W. Culley has announced he will resign as Missouri commissioner of finance on June 30 and will become senior vice president of Bank of St. Louis.

Succeding Mr. Culley as commissioner is H. Duane Pemberton, president, Jackson County Bank, Kansas City.

Mr. Culley had been finance commissioner since 1965 and before that was executive vice president, Empire Bank, Springfield, Mo.

■ PHOENIX—Walter R. Bimson, chairman emeritus, Valley National of Arizona, has been given the National Honoree Award by Beta Gamma Sigma, national business school honor society. He was honored for his "outstanding contributions to the advancement of the art and science of business management."

This is no blankety blank bank.

City National Bank
& Trust Company
10th & Grand • Kansas City, Mo.
A MISSOURI BANCSHARES BANK
MEMBER F.D.I.C.

Swear by it, but never at it. That seems to be the attitude of our correspondents toward the City. Try us for our complete selection of top-grade municipal and general obligation bond availabilities. Just one of the many good reasons for coming to the City.

Missouri Bank Women's 1971 Conference Attracts 400 Delegates

About 400 women from throughout Missouri met recently in Columbia for the Missouri Banker's Association's annual conference of bank women. Emphasis was placed on means by which bank women can help improve bank services for customers. LEFT: James F. Martin Jr., MBA pres., 1970-71, and exec. v.p., Bank of Lee's Summit, visits with (from l.) Mrs. Pauline Clubb, v.p. & cash., Bollinger County Bank, Lutesville; Miss Hulda Kowert, exec. sec., First Nat'l, St. Louis, and conference ch.; and Mrs. Claudine Lorch, v.p. & cash., Bank of Advance. CENTER: Larry E. Lumpe, who advanced from v.p. to pres. of the MBA last month (and is exec. v.p., State Bank, Poplar Bluff), chats with three Columbia bankers (from l.), Mrs. Lois Pepper, Boone County Nat'l, Mrs. Doris Morris, Columbia Nat'l, and Mrs. Beulah C. Coffman, First Bank of Commerce and a member of the MBA's committee on bank women. RIGHT: Frank K. Spinner (3rd from r.), sr. v.p., First Nat'l, St. Louis, discusses conference program with Ben Parnell (2nd from l.), who moved up from MBA treas. to v.p. last month (and is ch. & pres., Peoples Bank, Branson); and (from l.) Miss Ella Mae Burrell, Bank of Springfield; Miss Jan Hawkins, Citizens State, Nevada; Miss Lillian Sumner, Peoples Bank, Branson; Miss Elizabeth Ward, Bank of Crane; and Mrs. Bea McClease, Peoples Bank, Branson.

ArkBA Junior Section Plans Annual Conference For June in Hot Springs

The Junior Bankers Section of the Arkansas Bankers Association is holding its annual educational conference at the Arlington Hotel in Hot Springs June 6-7.

Conference chairman is Robert Dill, operations officer, Simmons First National, Pine Bluff, and Junior Banker executive councilman-at-large.

Speaking at the conference are Dr. Jack Early, executive director of the education division, American Bankers Association, and Gerald Lowrie, executive director of ABA bank professions.

A social hour, banquet and dance are scheduled for Saturday night with humorist-banker Lee D. Herring, vice president, Grand Prairie (Tex.) State, as banquet speaker.

Sunday features a past presidents' breakfast and a luncheon with newly elected Arkansas Bankers Association President Donald W. Stone as guest speaker. Mr. Stone is vice president, Simmons First National, Pine Bluff.

Present officers of the Junior Bankers Section are: Barry Niswanger, president; Charles Sharpe Jr., vice president; Ronnie Twyford, secretary; and Gates Williams, treasurer.

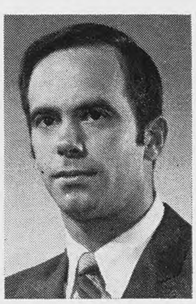
Mr. Niswanger is assistant vice president in the correspondent banking division, First National, Little Rock. He joined the bank in 1963 in the business development department. Mr. Niswanger is past secretary and past executive councilman-at-large of the Junior Bankers.

Mr. Sharpe is an assistant vice president at First National, Hope. He joined the bank in 1965, was elected an assistant cashier in 1966 and assistant vice president last year. Mr. Sharpe previously was treasurer of the Junior Section.

Mr. Twyford is assistant vice president at First National, Crossett, which he joined last year. Previously, he was operations officer at National Bank of Commerce, Pine Bluff.

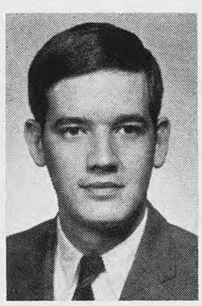
Mr. Williams is assistant vice president and secretary to the board, First National, Warren. He joined the bank in 1969 after having served as a management trainee at First National, Shreveport, La.

NISWANGER



SHARPE

TWYFORD

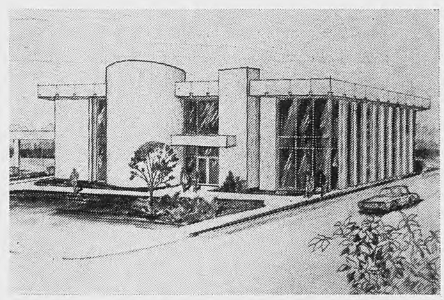


WILLIAMS

Groundbreaking for New Building Held by National Bank of Wichita

WICHITA, KAN.—An unusual groundbreaking ceremony recently marked the start of construction of National Bank of Wichita's new building.

Instead of asking public officials and bank officers to turn the first shovel-full of dirt, the bank invited children of bank customers to register for a digging contest. The 100 children whose names were drawn came to the bank site on the day of the groundbreaking to dig for buried treasure. Treasure chests contained certificates worth from $1 to $50, redeemable for cash from bank officers.



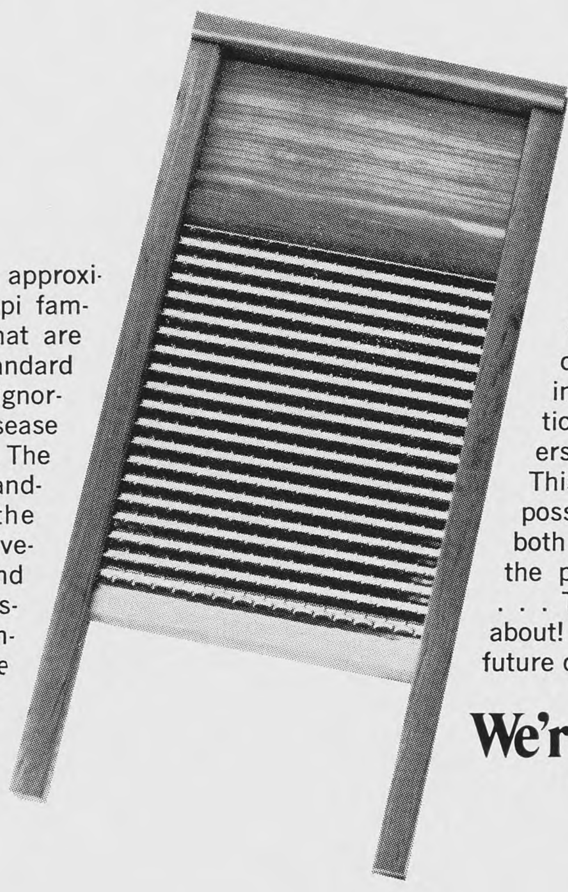
Artist's sketch shows National Bank of Wichita's new building, now under construction.

The bank's new two-story building will be constructed 150 feet from the existing building and will have about 22,000 square feet of space. The exterior will be of buff-colored textured concrete accented with bronzed glass.

The structure will have ten inside teller windows and four drive-in lanes. The second floor will contain offices, conference room and board room.

Cleaning up sub-standard housing.

That's involvement.



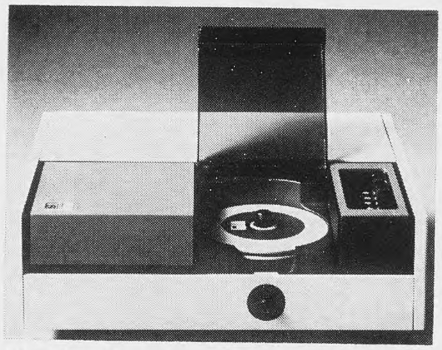
It's shocking to note that approximately 40% of Mississippi families live in conditions that are considered to be sub-standard . . . conditions that breed ignorance, crime, unrest, disease and economic depression. The task of eliminating sub-standard housing requires the interest, concern and involvement of every corporate and private citizen in Mississippi. Realizing our responsibility in this area, we have over the years provided millions of dollars in interim construction financing for new or rehabilitated housing for low-income families. This has been done in cooperation with other financial institutions, non-profit organizations, established housing developers and government authorities. This type of involvement is made possible through our resources—both material and human. Serving the people and our correspondents . . . That's what good banking's all about! To get involved in Mississippi's future contact us.

We're involved.

DEPOSIT GUARANTY NATIONAL BANK

JACKSON, MISSISSIPPI / MEMBER FDIC

Clifford C. Sommer (r.), ABA pres., accepts the first cassette in the new "Bankers Video Update" series. Presenting the cassette to Mr. Sommer are Warren W. Schwed (l.), communications consultant to ABA and executive producer of the series; and Willis W. Alexander, ABA exec. v.p.



EVR PLAYER links up externally to the back of any standard television set. It delivers distortion-free pictures and plays either black-and-white or color.

Public Affairs Series Offered By ABA Via Cassette Tapes

TODAY A BANKER can see and hear business and government leaders discussing major issues of the day without ever leaving his office. The American Bankers Association in conjunction with the CBS Electronic Video Recording (EVR) division has made it possible.

"Bankers Video Update" is a new series of public affairs programs played on cassette tapes and EVR players. The cassette series calls for 18 timely 25-minute public affairs programs in color, aimed at wide audiences. The purpose of the programs is to provide an understanding of major domestic and financial issues facing the nation.

The films will feature government, business and banking leaders discussing critical domestic issues such as taxes, the cities, health care, education and consumer protection.

Clifford C. Sommer, ABA president and president of Security Bank, Owatonna, Minn., said about the new program, "We think 'Bankers Video Update' will enable banks to present a major series of public service programs, not just as sponsors, but as originators. Motorola EVR teleplayers and television sets in each participating bank will bring these important programs to bank staffs, customers, community leaders, service clubs, schools and colleges."

The portable nature of the EVR player and cassettes will enable banks to share the programs with directors, officers, employee groups, service club members and students.

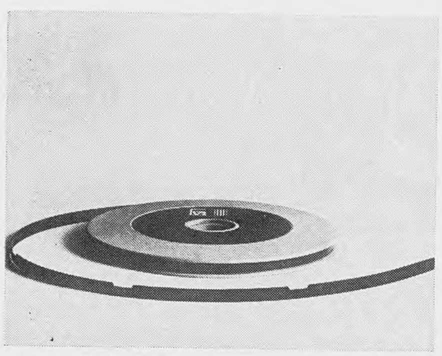
The EVR player links up externally to the back of any standard television set. It is a miniature television broadcasting station that delivers distortion-free pictures and plays either black-and-white or color. The teleplayer will drive any set regardless of screen size and is convenient for classroom use since it can drive up to 25 sets at a time.

The self-feeding cassette, seven inches in diameter, drops on the EVR player in the manner of a long-playing record and contains up to 50 minutes of visual and audio material. The series is being offered to banks through the ABA at a cost of $200 for each program.

In addition to the first 18 shows of "Bankers Video Update," the ABA plans to make available in-bank training and information programs as well as general enrichment and non-banking educational shows.

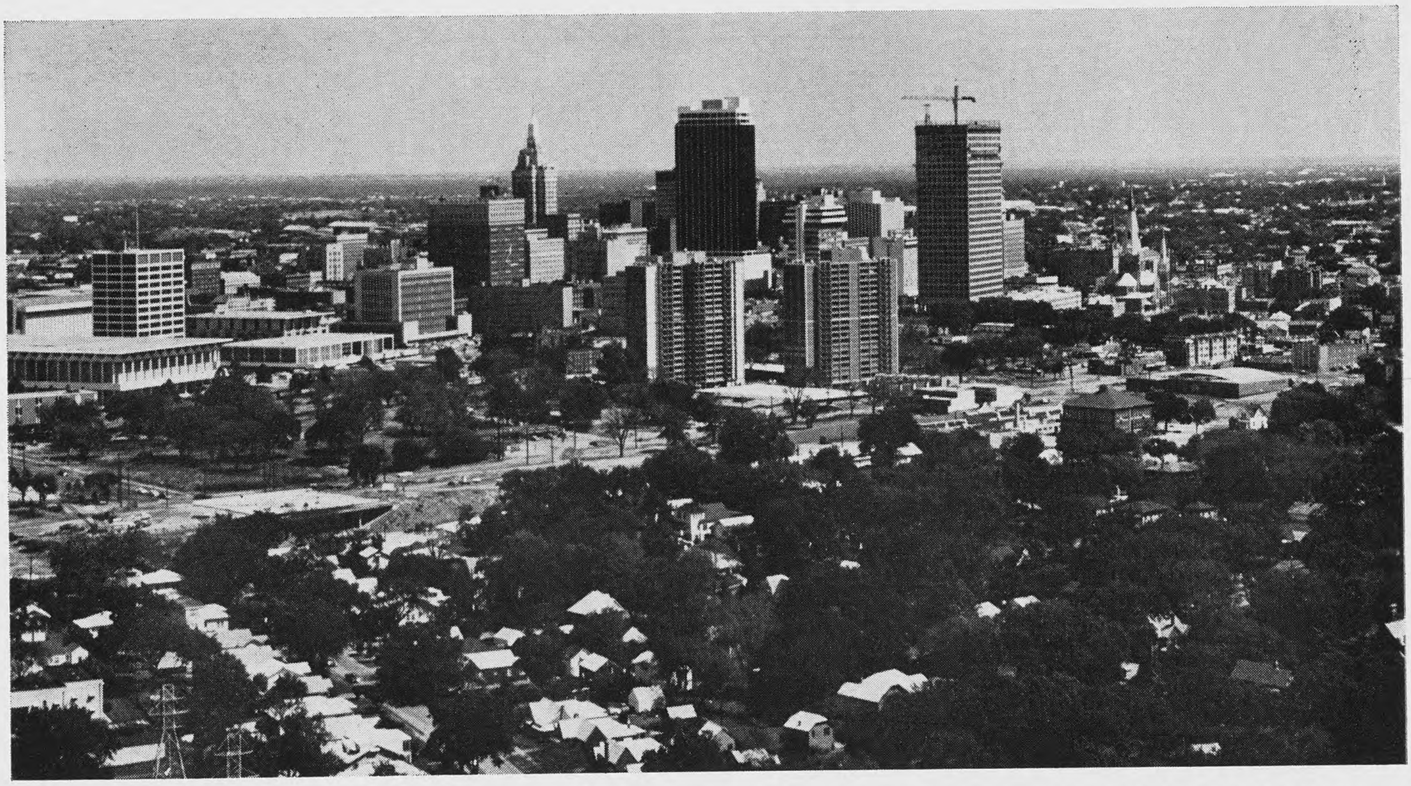
Housing is the subject of the first program in the cassette series. The show was filmed in the office of George Romney, U. S. Secretary of Housing and Urban Development.

Secretary Romney, seated at his desk, was joined in the discussion by Archibald C. Rogers, chairman of RTKL, Inc., an architectural firm that specializes in urban planning; Lee J. Seidler, professor in the Graduate School of Business Administration at New York University; and Robert Franz, president, First State Bank of Oregon, Milwaukie. • •



EVR CASSETTE, seven inches in diameter, contains up to 50 minutes of audio-visual material. The cassette is self-feeding.

FIRST PROGRAM of "Bankers Video Update" was filmed in the office of George Romney (seated at desk), Secretary of Housing and Urban Development. With Mr. Romney are: (from l.) Archibald Rogers, Robert Franz and Professor Lee Seidler.



Illinois News

Roland Blaha to Retire July 1 As State Bank Commissioner

Roland W. Blaha has announced his early retirement as state commissioner of banks and trust companies. He has held the position since January 1, 1967, and his term runs until June, 1972. However, Mr. Blaha has asked that his resignation be effective this July 1.

BLAHA

Mr. Blaha plans to move to Fort Lauderdale, Fla., where he will be a financial consultant for Behring Corp., real estate developing firm that manufactures modular homes and office buildings. As part of his duties, Mr. Blaha will be chairman of a new bank to be organized for families living in Behring developments.

In 1959, Mr. Blaha entered state service and was supervisor of state banks for two years. From 1962 to 1967, he was executive vice president of the Illinois Bankers Association. His earlier career included positions with Minnesota and Illinois banks and in state and federal credit and bank insurance organizations.

H. Robert Bartell Appointed State Bank Commissioner

H. Robert Bartell Jr. has been named to succeed Roland W. Blaha as state bank commissioner. Mr. Bartell is a professor of finance and business economics in the Graduate School of Business Administration at Washington University, St. Louis. He formerly was an associate professor at Northwestern University.

Mr. Bartell served as a member of the governor's transition task force which coordinated the change of administrations after Governor Ogilvie's election. He has been a consultant to the Federal Reserve System, the Senate Banking and Currency Committee and the Illinois Department of Insurance.

The position of state bank commissioner pays $22,000 a year until the start of a new term, when the pay increases to $30,000.

New Home for Fairfield National

FAIRFIELD—Fairfield National held an open house last month to officially open its new building. About 3,000 persons toured the structure, which reportedly cost $500,000.

The building project was handled by Bank Building Corp., St. Louis. The new structure has a community room, private offices for conferences, drive-in facilities, a greater number of safe deposit boxes than were in the old quarters and a 14,000-pound Diebold vault door.

I. J. Pitman Elected President Of County Bankers Federation

I. J. Pitman, vice president and comptroller, First Granite City National, has been elected president of the Madison-Bond County Bankers Federation.

Other newly elected officers are: vice president, James W. Foley, auditor, First National, Madison; secretary, Michael H. Breen, executive vice president and cashier, Hamel State; and treasurer, Emmett A. Nelson, assistant vice president, Alton Banking & Trust Co.

Fox Named Marketing Director Of First Granite City Nat'l

GRANITE CITY—David V. Fox has joined First Granite City National as director of marketing. He will have major responsibilities for the bank's advertising, public relations and marketing programs.

FOX

Mr. Fox retired from the United States Army as a lieutenant colonel in 1969, after a 26-year career. He was deputy commander of the Granite City Army Depot during the last years of his service. Since his retirement, Mr. Fox has been associated with a St. Louis public relations firm as a senior account supervisor.

■ EDGEMONT BANK, East St. Louis, elected Frank Vickery an advisory director. He is president of Obear Nester Glass Co.

■ STATE NATIONAL, Evanston, has announced three officer promotions. Herbert C. Gunner was advanced from vice president to vice president and comptroller. He also will head operations. Raymond A. Fleming, head of the credit department, and Robert C. Gremley, commercial loan department, were promoted from assistant vice presidents to vice presidents.

MILKERT SEEGERS PLASS

Three Elmhurst Nat'l Officers Complete 25 Years at Bank

ELMHURST—Elmhurst National recently honored three executive officers on their 25th anniversaries with the bank. The three men were Harry F. Milkert, vice president and head of the installment loan division; Everett F. Seegers, senior vice president; and Arthur Plass, senior officer in charge of loans.

The staff and directors of the bank held a surprise party for the men and presented Mr. Milkert and Mr. Seegers with complete matched sets of golf clubs. Mr. Plass, a non-golfer, received a chain saw.

Agricultural Lending School To Be Sponsored by IBA July 18-23 at Ill. State Univ.

The Illinois Bankers Association has announced that its first annual agricultural lending school will be held July 18-23 on the campus of Illinois State University, Normal.

The one-week school is designed for young agricultural bankers and will emphasize practical aspects of agricultural lending. Major case studies, role-playing exercises, evening panels and seminars will supplement class room instruction.

Some topics to be discussed at the school are: banking law as it pertains to agriculture; what do bank examiners look for?; a profile of the agri-banker; the economic outlook for agriculture in Illinois; financing of agri-business; and the correspondent banking system.

To qualify for admission to the school, the candidate must be an employee of a member bank of the Illinois Bankers Association, 21 years old by the opening day of the school session and have the approval of senior management.

The 1971 session will be limited to 50 students and applications will be reviewed on a first-come-first-serve basis. Tuition invoices will be forwarded upon acceptance of candidates by the board of trustees.

■ RIBBON-CUTTING CEREMONIES recently opened the new drive-in facility at County Bank, Blue Island.

10 reasons to take your municipal bond business to Continental Bank.

1. Location. In many ways, Chicago is the nation's best location for any business. At Continental Bank we're in touch with local situations and have better knowledge of the credits. This means we can provide a larger Midwestern inventory in addition to general market offerings.

2. Service.

3. Information. At Continental, we continuously monitor market trends through the Munifacts wire system and our own New York office. We also have direct lines to major dealers across the nation. Most important: Feedback from our busy shoulder-to-shoulder sales operation. It all helps our municipal specialists give you the kind of market data you need to make better decisions.

4. Service.

5. Performance. Continental's trading desk is the most active in the Midwest. That means a ready market always available for your liquidity needs. And our computer-pricing program lets you make faster, more accurate investment decisions based on your bank's portfolio goals.

6. Service.

7. Reputation. Continental Bank is a leading dealer and underwriter with $4 billion worth of issues purchased last year for more than 5,000 customers. You can take advantage of our expertise and buying power to fulfill your bank's investment objectives.

8. Service.

9. Service.

10. And more service. To try our "more service" approach to your portfolio planning and performance, call one of our municipal specialists at 312/828-4296. He'll describe how we can keep you current with the market and help coordinate your investment decisions for improved earnings.

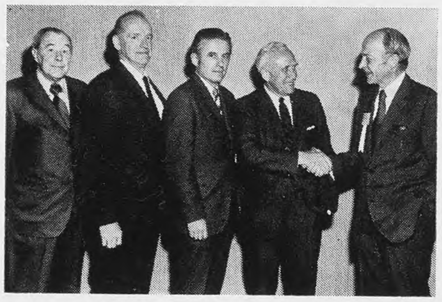
CONTINENTAL BANK

Continental Illinois National Bank and Trust Company of Chicago, 231 South LaSalle Street, Chicago, Illinois 60690. Member F.D.I.C.

Stouffer's Inn, St. Louis, Is Scene of Conference For Illinois Trust Bankers

About 165 bankers recently attended the 34th annual trust conference sponsored by the Illinois Bankers Association at Stouffer's Riverfront Inn in St. Louis.

An early-bird gathering for the bankers was held on the evening before the conference. The day-long meeting began with an eye-opener clinic and featured three panel discussions.



James Phinney Baxter (r.), IBA trust division pres. and sr. v.p., First National, Chicago, congratulates newly elected trust division officers (from l.): sec., Donald G. Rowley, asst. sec., IBA; second v.p., John H. Baird, asst. tr. off., Millikin National, Decatur; first v.p., Van R. Gathany, sr. v.p., Northern Trust, Chicago; and pres., Harry R. Stevens, v.p. & tr. off., Peoples Bank, Bloomington.

Participating in a panel on local, state and federal legislation are (from l.): Marshall L. Zissman, v.p., First National, Chicago; William R. Dillon, partner, Concannon, Dillon, Snook & Morton, Chicago; Fletcher C. Ransom, sr. v.p. & sr. tr. off., Citizens National, Decatur; J. Gordon Henry, attorney, Northern Trust, Chicago; and William A. Thuma Jr., tr. off., Harris Trust, Chicago.

The topics and moderators of the panels were: local, state and federal legislation—Marshall L. Zissman, vice president, First National, Chicago; "A Look at Farm Management in the '70s"—Harry R. Stevens, vice president and trust officer, Peoples Bank, Bloomington; and "Investment Implications of a 'Turnaround' Economy"—William S. Gray, vice president, investment services group, Harris Trust, Chicago.

Bankers also heard Ray F. Myers, vice president, Continental Illinois National, Chicago, give an address entitled "The Corporate Fiduciaries Association of Illinois—A New Voice for Our Industry." Mr. Myers is the immediate past president of the fiduciaries association.

Concluding the morning session was a speech on "Ecology—Is There Anything Practical (and Hopeful) Going On?" by Dr. John R. Sheaffer, science adviser, Department of the Army, Washington, D. C.

Dr. Sheaffer discussed his part in a Federal Water Quality Administration experiment conducted in Muskegon County, Mich. The project was based on the idea of treating wastes as natural resources and returning them to the earth to contribute to the regeneration of life.

Instead of dumping sewage into waterways, Dr. Sheaffer suggested piping the wastes inland to storage lagoons and then to a network of irrigation sprinklers installed on barren acreage susceptible to conversion into cropland.

The Federal Water Quality Administration agreed to back the project as a pioneer attempt to operate such a waste-disposal system as a self-supporting economic enterprise. The cost of the system's operation would be paid from the sale of the fruits of the fields.

After Mr. Sheaffer's talk, IBA president Fred W. Heitmann Jr., president, Northwest National, Chicago, spoke to the bankers at a noon luncheon. He predicted that in the future bankers would deal less with the large, liquid accounts of multimillionaire estates and more with the larger populace group composed of "middle Americans."

Mr. Heitmann said, "The primary challenge resulting from this shift of focus will be the job of developing trust tools to handle the affairs of the middle American in your trust departments . . . and to handle them profitably."

■ FIRST NATIONAL, Decatur, has appointed Dean E. Thom assistant trust officer. He will be in charge of accounting operations for all trust department activities. Before joining First National, Mr. Thom was with a public accounting firm.

■ FIRST NATIONAL, Skokie, has promoted Donald B. Bextel to assistant cashier and personnel manager. He has been a customer service representative since joining the bank in 1969.

■ PALATINE NATIONAL recently appointed Mrs. Elizabeth B. Thomas cashier. She takes charge of bank operations and personnel. Mrs. Thomas joined the bank's bookkeeping department in 1961.

Ill. Bankers Assn. Groups Appoint New Officers

The Illinois Bankers Association groups have elected new officers for 1971-72. The new officers are:

GROUP 1: pres., Harry P. Burke, pres., National Bank of Austin, Chicago; sr. v.p., Paul R. Bere, pres., State Bank of Clearing, Chicago; v.p., Robert C. Humphry, pres., State National Bank, Evanston; treas., Robert E. Hunt, exec. v.p., Northern Trust, Chicago; and sec., Miss Margaret R. Hadley.

GROUP 2: pres., Ronald N. Johnson, a.v.p., Orland State, Orland Park; v.p., John W. Gerber, pres., National Bank of Fairbury; and sec.-treas., Harley G. Davis, a.v.p., First Trust, Kankakee.

GROUP 3: pres., LaVerne M. Woods, pres., First National, Antioch; v.p., Eugene C. Ernsting, pres., Roselle State; and sec.-treas., Laurence Henning, pres., Yorkville National.

GROUP 4: pres., Gordon E. Sears, exec. v.p., Citizens First National, Princeton; v.p., John Buford, pres., Midwest Bank, Freeport; and sec.-treas., George P. Aderton, pres., Citizens State, Mount Morris.

GROUP 5: pres., Edward L. Treadway, cash., First National, Staunton; v.p., Paul Slack, a.v.p., State Street Bank, Quincy; and sec.-treas., Harold N. Smith, a.c. & tr. off., Farmers State, Pittsfield.

GROUP 6: pres., W. E. Sexton, exec. v.p., State Bank, LaHarpe; v.p., Gerald E. Conaghan, pres., Pekin National; and sec.-treas., Edward E. Zilm, ch., Citizens National, Toluca.

GROUP 7: pres., Gerald L. O'Neill, pres., American National, Champaign; v.p., William F. McCarty, pres., Tuscola National; and sec.-treas., A. J. Weitekamp, exec. v.p., First National, Rantoul.

GROUP 8: pres., William E. Parr, exec. v.p., Hardware State, Lovington; v.p., John W. Luttrell, pres., First National, Decatur; and sec.-treas., John M. Jones, pres., Williamsville State.

GROUP 9: pres., Charles F. Arbuthnot, exec. v.p., First National, Wood River; v.p., Kenneth Milam, pres., Salem National; and sec.-treas., Ernest A. Karandjeff, pres., Granite City Trust.

GROUP 10: pres., G. Wallace Rich, pres., First National, Cobden; v.p., Kenneth I. Ward, exec. v.p., Fairfield National; and sec.-treas., Lloyd C. Henderson, exec. v.p., Carterville State.

■ BANK OF LOCKPORT, scheduled to open this month, has appointed Joseph M. Grozik assistant cashier. He was senior auditor at National Boulevard Bank, Chicago.

■ CENTRAL NATIONAL, Chicago, has employed Bruce N. Duff as second vice president and head of the personal trust division. Mr. Duff was formerly director of administrative services for a building products firm.

■ JOSEPH B. FITZER, senior vice president, cashier and operating officer, Continental Bank, Chicago, has retired after nearly 41 years of service.

Brain-sharing: to give you international banking capabilities.

No matter where you are, or what size you are, Harris can become the international extension of your bank. We can help you or your customers set up international loans. Or export-import financing. We can secure foreign economic and credit information. And of course, we can handle the details that accompany even the simplest international transactions.

Whether you're a larger bank that doesn't want the bother of a permanent international setup, or a smaller bank with urgent need for a foreign banking connection, the Harris—and all its foreign operations and contacts—is at your service.

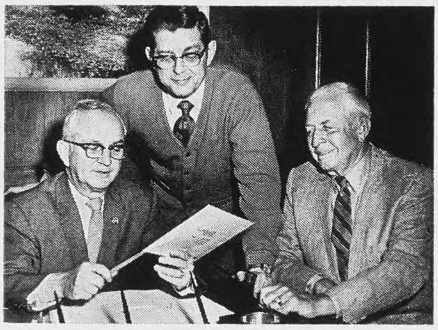
As a first step, we offer you our International Trade Guide, a comprehensive catalog of the services we can perform internationally on your behalf. It could be just what you need to hold on to a customer who fancies he's outgrowing you. For further information, call David L. Webber at 312/461-2813.

HARRIS *Trust and Savings* **BANK**

111 West Monroe Street, Chicago, Illinois 60690. Organized as N. W. Harris & Co. 1882. Incorporated 1907. Member F.D.I.C.... Federal Reserve System.

Indiana News

First of Danville Plans Building



First National, Danville, has broken ground for a new colonial-style bank building. The structure is expected to be ready for occupancy within a year. Looking over plans for the new building are: (from l.) L. J. Arnold, ch.; W. C. Eggers, pres.; and Charles G. Miles, dir.

Herbert C. Morrison Receives Honorary Doctorate Degree

CRAWFORDSVILLE—Herbert C. Morrison, chairman, Elston Bank, recently received an honorary Doctor of Law degree from Wabash College. The presentation was made at the college's commencement ceremonies on June 6.

Mr. Morrison entered Wabash College with the class of 1923 to study for a career in medicine. However, he left the school in 1920 to join Crawfordsville State Bank, predecessor of Elston Bank. He has been with the bank ever since, advancing to president in 1941 and chairman in 1965.

A past president of the Indiana Bankers Association, Mr. Morrison also has served as a member of the executive council of the American Bankers Association.

■ COMMUNITY STATE, Huntington, is remodeling its quarters. The bank will double its floor space and will add a drive-in window and off-street parking. Completion is expected by early fall.

■ FIRST NATIONAL, North Vernon, recently opened its new drive-in facility. There are two drive-in windows, one walk-up window and off-street parking.

■ PROMOTIONS at St. Joseph Valley Bank, Elkhart, recently included: Thomas N. Ertel, vice president and trust officer; Robert E. Branscomb, manager, Oak Manor Branch; Thomas H. McAleer, operations officer; and Larry H. Struble, assistant trust officer.

■ JAMES C. HEROD has been elected a director of Indiana National Corp., holding company for Indiana National Bank, Indianapolis. Mr. Herod is president of Blue Cross Hospital Service.

■ JOHN S. BURNHAM has joined St. Joseph Bank, South Bend, as an assistant vice president. He will be a lending officer in the mortgage loan department. Previously, Mr. Burnham was a mortgage loan officer at First National, Bloomington.

■ PEOPLES TRUST, Fort Wayne, promoted F. Travers McDonald to vice president of the branch administration department. He has been with the bank since 1957. Russell Scudder was appointed assistant secretary of the bank and will assume responsibility for Main Office vault and teller operations.

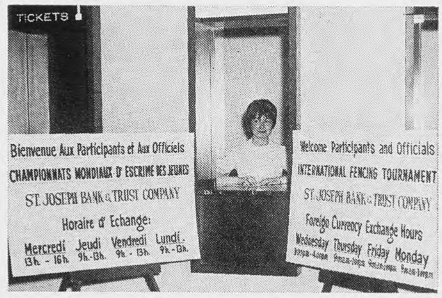
Citizens Bank Hits $40 Million

JEFFERSONVILLE—Citizens Bank recently reached the $40-million mark in assets and is now said to be the largest bank in southern Indiana, excluding Evansville. Deposits have reached a total of $34,077,728—a $2-million gain since the first of the year.

■ DAVID R. PRICE, president of National Homes Construction Corp., has been elected a director of Purdue National, Lafayette. G. B. Hoffman and C. S. Doan have retired as directors and were elected to the bank's advisory board.

■ NORTHERN INDIANA BANK, Valparaiso, has appointed Charles L. Howard manager of the Burns Harbor Office. Mr. Howard formerly served as assistant cashier, Indiana Bank, Fort Wayne.

St. Joe Bank Goes International



Miss Deanna Lepel sits at a foreign currency exchange window provided by St. Joseph Bank, South Bend, at an international fencing tournament recently held at the University of Notre Dame. The bank arranged the service for participants and officials from 20 countries around the world during the four-day tournament.

■ MRS. MARY V. HUNTER and Michael C. Brilley have been named assistant trust officers at Merchants National, Indianapolis. Mrs. Hunter is personal account administrator in the trust and agency division and Mr. Brilley is portfolio manager in the employee benefits division. In other action, Thomas W. Moses was elected a director of the bank. He is chairman and president of Indianapolis Water Co. and president of Shorewood Corp.

■ MERCANTILE NATIONAL, Hammond, recently opened its new Lake County Center Office. Carl T. Yeager, assistant cashier, has been appointed branch manager.

■ AMERICAN FLETCHER NATIONAL, Indianapolis, has advanced Mendel O. McCarty to assistant vice president and John A. Smith to trust officer. Mr. McCarty joined the bank's residential mortgage department in May. Mr. Smith came to the trust department last year after several years' experience as a bank examiner for the U. S. Treasury Department.

■ OLD NATIONAL, Evansville, has named John C. Ruthenburg manager of the commercial credit department. He joined the bank in 1965 as a management trainee, served in the U. S. Navy and rejoined the bank last year as a member of the commercial credit department.

■ SHAREHOLDERS of Elkhart's First National will vote June 15 on a proposal to increase shares from 220,100 to 264,120 through a 20% stock dividend.

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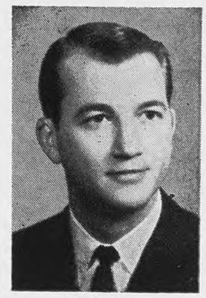
Kentucky News

Corbin Deposit Bank Appoints Charles H. Rogers President

CORBIN—Charles H. Rogers has been elected president and a director of Corbin Deposit Bank. Formerly vice president of Bank of Danville, he succeeds Richard D. Jordan, who has resigned.


ROGERS

Mr. Rogers was a national bank examiner from 1959 to 1965 when he joined Liberty National, Louisville, as vice president in the correspondent department. He joined Bank of Danville last year as vice president. Mr. Rogers is the son of the late Hugh A. Rogers, former state banking commissioner.

■ DEPOSIT BANK, Carlisle, recently completed the interior and exterior redecorating of its building.

■ GREENSBURG DEPOSIT has added a walk-up window and remodeled the front of its building.

■ CENTENNIAL CELEBRATION is scheduled for June 20 to open Mt. Sterling National's new building. A history of the bank is being published for distribution at the opening.

■ DEES BANK, Hazel, expects to complete late this year construction of its new building that will include a drive-in window and off-street parking.

■ R. C. TUSSEY has been elected president in addition to his duties as cashier at Farmers Bank, Kirksville.

■ LIBERTY NATIONAL, Louisville, has appointed Joe Hodgkin assistant vice president in the computer customer services division.

Talcott, Inc., Promotes Adams

George M. Adams has been elected an assistant secretary of James Talcott, Inc. He is a loan officer in the commercial finance division and is responsible for servicing client accounts in eastern Kentucky, Michigan and Ohio. He joined Talcott in 1966 in the equipment finance division.

■ ALBERT MOFFETT and Stallard Smith were elected directors of Shelby County Trust, Shelbyville. Both are in the real estate business.

■ JOHN R. GREER has been elected auditor in addition to his duties as assistant cashier at Kentucky Farmers Bank, Catlettsburg.

■ COMMERCIAL BANK, Middlesboro, has opened a new branch in the Village Square Shopping Center. Glenn Fultz, manager of the East Cumberland Branch, also will be manager of the new office.

■ S. R. CHEEK JR. has resigned as chairman of Citizens National, Danville. He was appointed director emeritus and honorary chairman and will continue to serve as an adviser to the board.

■ CITIZENS BANK, Elizabethtown, recently held a ribbon-cutting ceremony to officially open its new South Dixie Branch.

■ UNITED BANK, Versailles, recently opened its new Locust Street Branch.

■ PERCY H. LANDRUM, chairman and vice president, Bank of Dundee, has been elected president of the bank, succeeding the late J. J. Turner. Robert Magan, cashier, was elected executive vice president and Earl F. Boswell was appointed vice president. Mr. Boswell has been a director of the bank for two years. Mrs. Marva Dean Turner, widow of J. J. Turner, was elected a director.

■ JACOB T. REAMS, a director of National Bank in Middlesboro for 24 years, has been elected president. He fills the vacancy created by the resignation of W. Frank Edwards. Mr. Edwards had been president for the past nine years.

■ COMMERCIAL BANK, West Liberty, has announced plans to open a branch at Ezel.

Kentucky Deaths

JAMES HENRY YOWELL, 87, president of National Bank of Hustonville for the past 35 years and director for 55 years. His father was an organizer of the bank.

FRANK SAUFLEY HUGHES SR., 93, retired vice president and chairman of Garrard Bank, Lancaster.

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Tennessee News

Tennessee Bankers Elect Nunn; Hear Talk on Holding Companies

By RALPH B. COX
Editor and Publisher

MEMPHIS—Tennessee bankers followed tradition at their 81st annual convention last month by advancing the chairman of the executive committee to the presidency of the TBA. The new president—David R. Nunn, president of the Bank of Halls—succeeded W. C. Adams, president of the Bank of Maryville.

Other officers were elected as follows: chairman of executive council, Charles R. Miller Jr., president, Citizens Bank, Cookeville; vice president for western Tennessee, F. G. Cavin Jr., president, Farmers Exchange, Union City; for middle Tennessee, E. C. Huffman, president, First National, Shelbyville; and for eastern Tennessee, Laurance Frierson, president, Volunteer State, Knoxville.

New executive council members include W. W. Mitchell, president, First National, Memphis; Homer J. Tidwell Jr., president, Ashland City Bank; and C. G. Williams, president, Bank of Commerce, Morristown.

New officers for the state bank section are: chairman, Jack Veazey, president, First Trust, Paris; and vice chairman, Fred Maggart, president, Valley Fidelity, Knoxville.

The national bank division elected as chairman, J. C. Eoff Jr., executive vice president, First National, Tullahoma; and as vice chairman, Hugh M. Willson, president, Citizens National, Athens.

ABA Elections. Tennessee members of the American Bankers Association named J. W. Brown as a member of the 1971 nominating committee. Mr. Brown is vice president, First National, Crossville.

Ish Smith, vice president, Third National, Nashville, was selected as alternate member; and Edward Norman, president, First National, Clarksville, was elected to a two-year term on the ABA executive council.

President's Address. In his final address to Tennessee bankers, retiring TBA President W. C. Adams raised some questions concerning the future of registered bank holding companies in the state of Tennessee.

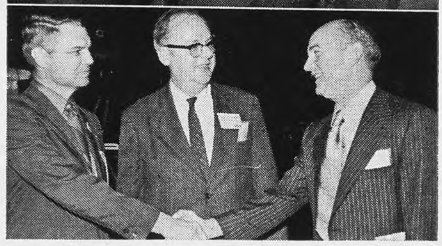
"Will Tennessee become another Florida, another Missouri," he queried; "and, if so, will this be desirable? If this happens," he asked, "will our association (the TBA) reasonably be expected to maintain its position as the effective single voice of banking in Tennessee?"

Mr. Adams stated his beliefs that holding companies can be innovative, providing sound, customer-oriented, professional banking. His questioning, nonetheless, led this listener to the conclusion that Mr. Adams would prefer that Tennessee banks be cautious in the formation and expansion of holding companies. "We can all benefit," he warned, "from experiences in other states where newly formed holding companies have existed for a year or two or more."

The ideal holding company, he observed, might be one that is organized with good motives, by compatible people, with similar objectives. The resulting organization, he reasoned, should be one that provides better banking services, serves the community and gains the confidence of the customer. Otherwise, he said, the outcome would be just another bank.

These objectives cannot be achieved, he observed, without a higher degree of professionalism offered through the vehicle of the holding company. This is an "absolute necessity" in the opinion of Mr. Adams and should be an ingredient of every decision by local management to join a holding company.

Mr. Adams warned that quick and early appreciation in stock values should not be the only criterion for joining with a holding company. He pointed to "earnings dilution" being ex-



TOP—TBA President W. C. Adams (c.), poses for camera, with the mayor of Memphis, Henry Loeb; and featured speaker Charles Agemain (r.), ch., State Nat'l, Hackensack, N. J. Mr. Adams is pres., Bank of Maryville.

CENTER—W. E. Terry, outgoing chairman of TBA national bank division; the incoming chairman, J. C. Eoff Jr., exec. v.p., 1st Nat'l, Tullahoma; and speaker L. Terry Britt, v.p. and mgr., Memphis Branch, Federal Reserve. Mr. Terry is v. ch., 1st Nat'l, Jackson.

BOTTOM—Walter Birdwell Jr. (l.), outgoing chairman of TBA's state bank division, congratulates newly elected chairman, Jack Veazey, pres., 1st Trust, Paris. Mr. Birdwell is exec. v.p., Citizens Bank, Carthage. In the center is speaker James W. Thompson, regional director, FDIC, Memphis.

NEW TBA OFFICERS—Front row: Chairman of executive council, Charles R. Miller Jr., pres., Citizens Bank, Cookeville; and president, Dave R. Nunn, pres., Bank of Halls. Back row: Executive council members, C. G. Williams, pres., Bank of Commerce, Morristown; Homer J. Tidwell Jr., pres., Ashland City Bank; and W. W. Mitchell, pres., 1st Nat'l, Memphis. Also Vice Presidents Laurance Frierson, pres., Volunteer State, Knoxville; F. G. Cavin Jr., pres., Farmers Exchange, Union City; and E. C. Huffman, pres., 1st Nat'l, Shelbyville.

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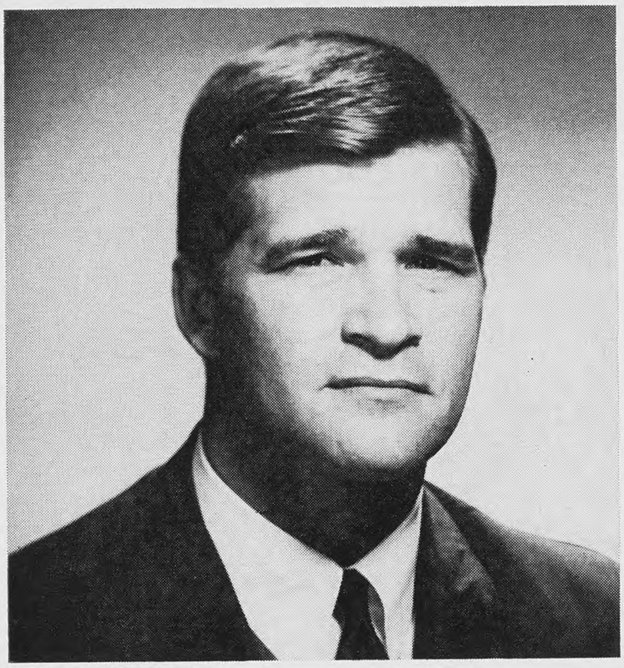
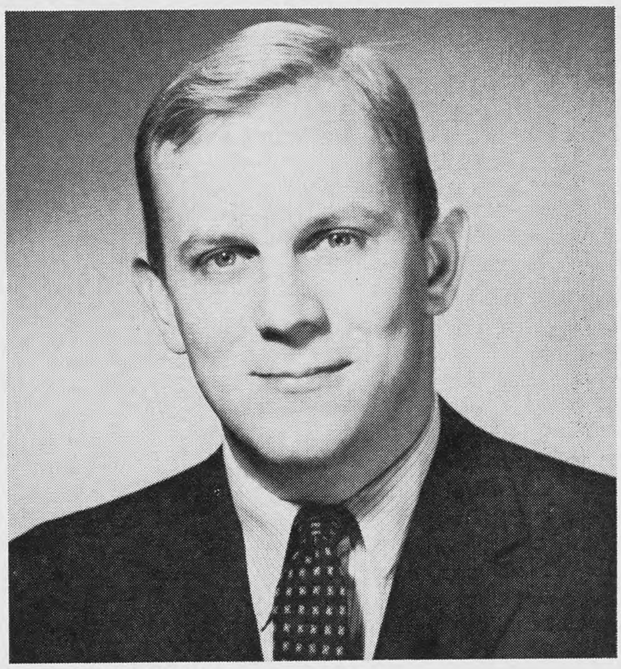


JON R. CLEVELAND
Assistant Cashier



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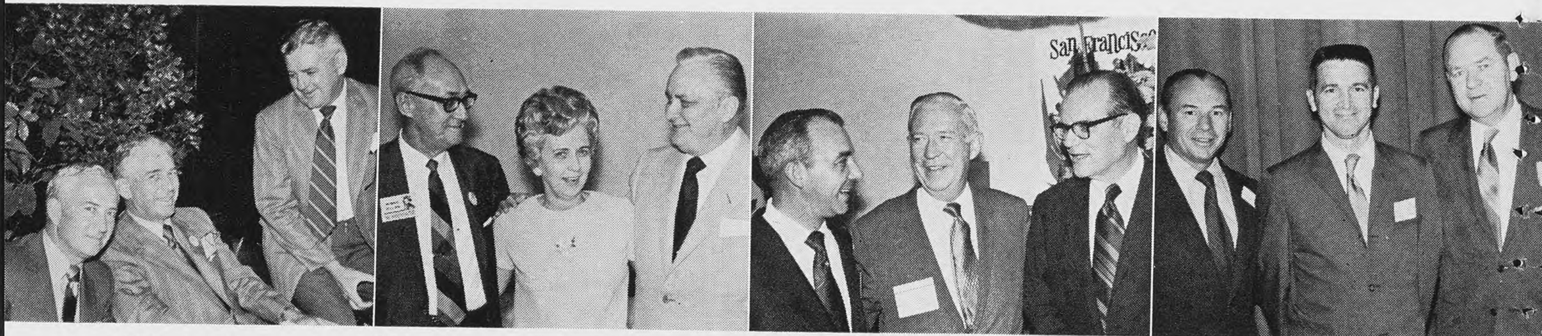


LEFT—Jim Newman, v.p., Union Planters, Memphis; Ollie Holmes, v.p., Central State, Lexington; and L. M. Davis, v.p., 1st Nat'l, Lexington. NEXT—James D. Dillon, sr. v.p., 1st American, Nashville; Mrs. Argo; and A. A. Argo Jr., pres., Farmers & Merchants, Trezevant. NEXT—John McNail, exec. v.p., Farmers-Peoples, Milan; W. W. Mitchell, pres., 1st Nat'l, Memphis; and Hugh Lewis, pres., Bank of Crockett, Bells. RIGHT—Chattanooga bankers Jack R. Crigger, sr. v.p., American Nat'l; W. P. Rundles, v.p., United Bank; and Paul Cobble, v.p., Hamilton Nat'l.

LEFT—Several Tennessee bankers and their wives dig into the shrimp bowl at buffet luncheon. NEXT—Nic Knoph, v.p., Hamilton Nat'l, Knoxville, in that same buffet line. Not shown: the plate of oysters he was accumulating. NEXT—Gene Hooper, a.v.p., 3rd Nat'l, Nashville; Ike G. Hobson, pres., Bank of Ardmore; Clarence Suiter Jr., a.v.p., 3rd Nat'l, Nashville; and Joe Shaver, Small Business Administration, Nashville. RIGHT—Jack Crigger, sr. v.p., American Nat'l, Chattanooga; C. W. Hughes, pres., Valley Fidelity, Knoxville; C. H. Butcher Jr., ch., Union County, Maynardville; and Bill Hughes, loan officer, American Nat'l, Chattanooga. The Hughes are father and son.

perienced by holding companies in other states. "Bank stock prices have soared in these areas," he said, "and smaller banks have been purchased at high earnings multiple prices. Now they are down to the nitty gritty of trying to earn a reasonable rate of return on the tremendous dollar investments that have been made."

Mr. Adams observed that bigness itself does not ensure efficiency. Nonetheless, he visualized the holding company structure as being ideal in attacking the efficiency problem, with each unit of the structure reflecting its efficiency throughout the corporation.

Whatever the direction banking may take in Tennessee, observed Mr. Adams, it is likely that both holding companies and independent banks will be needed. Thus, he said, there will continue to be a need for a strong Tennessee Bankers Association.

The association, he said, has always been an educational organization striving to bring a higher degree of professionalism to banking in Tennessee. "Even in those states where state-wide branch banking is dominant," said Mr. Adams, "I can detect no lessening of the importance of their banking associations and find little difference in the type of program that is presented."

Mr. Adams noted that the association would always be needed in order to provide an interchange of ideas from one system to the other, as well as provide a unified voice of banking in the legislature.

Fair Credit Reporting Act. FDIC Regional Director James W. Thompson presented a talk on the Fair Credit Reporting Act.

Mr. Thompson pointed out that banks, as users of "consumer reports," must take these steps:

1. If credit, insurance or employment is denied, wholly or partly, or if the charge for such credit or insurance is increased because of information in a "consumer report," then the bank must (a) inform the applicant against whom this adverse action was taken; and (b) supply the name and address of the consumer reporting agency making the report.

2. If credit is denied or if the charge is increased because of information obtained from a person other than a "consumer reporting agency," then the bank must disclose the nature of this information to the consumer upon his written request made within 60 days of the notice of the bank's action. Moreover, the bank must notify the consumer of his *right* to make such a written request at the time when he is told about the denial of his application! • •

TENNESSEE 50-YEAR CLUB—Small in number, long in number of years of service, Tennessee 50-year members gather during final TBA breakfast. TBA President Adams poses with the group. Seated: Hugh Hicks, ch., 1st Nat'l, Jackson; Mrs. Hicks; C. B. Harrison, ch., Farmers-Peoples, Milan; Pete Fyfe, dir., Tipton County-Farmers, Covington; and Mrs. Fyfe. Standing: TBA President W. C. Adams, pres., Bank of Maryville; Mrs. Adams; James R. Cox, cash., Fountain City, Knoxville; Mrs. Cox; G. C. Graves, ch., Sweetwater Valley Bank; Mrs. Graves.

Mary George Waite Is President; Glass, Barrett Are VPs of AlaBA

By JIM FABIAN
Associate Editor

BILOXI, MISS.—The first woman president of a state banking association has been elected—with a "business as usual" casualness. Mrs. Mary George Jordan Waite, president and chairman, Farmers & Merchants, Centre, received the gavel of office as president of the Alabama Bankers Association at the closing luncheon of the group's 78th annual convention in Biloxi, in April.

Without a doubt, Alabama bankers are proud of their new president—not necessarily because she is a woman, but because she is a dedicated and efficient banker—one who has done much for banking in Alabama.

Elected to serve with Mrs. Waite were Harold O. (Hot) Glass, president, Bank of Thomasville, as first vice president; J. M. Barrett, president, First National, Wetumpka (and convention chairman) as second vice president. Howard J. Morris and Mrs. Sue Evers were reelected executive vice president and secretary-treasurer, respectively.

ABA Officers. During the meeting of ABA member banks, Frank M. Moody, president, First National of Tuscaloosa, was elected to the 1971 ABA nominating committee, and W. T. Cothran, chairman, Birmingham Trust National, was elected alternate member. Harry I. Brown, chairman and president, First National, Sylacauga, was named to the ABA executive council. L. Y. Dean III, ABA vice president for Alabama and president, Eufaula Bank, presided.

President's Address. Retiring AlaBA President George A. LeMaistre, who is president, City National, Tuscaloosa, spoke on the problems of change that our accelerated society is bringing about. These problems affect banking and they must be solved by management, he said.

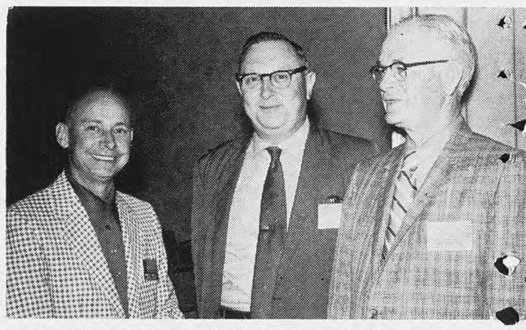
Too much change in too short a time is the present problem, Mr. LeMaistre said, and we don't know enough about adaptivity to change to cope with the deep effects the technological revolution has made on society.

In illustrating the theory that there is no longer a firm attachment between man and his surroundings due to the velocity of change, Mr. LeMaistre traced the evolution of choosing locations for communities. Rather than being influenced by trade, the accessibility of raw materials, etc., as was historically the case, people now choose to locate near centers of education. This reflects the theory that education is the greatest income-producing segment of today's society, he said. Yet despite this and other changes, society continues to resist change.

This resistance has an effect on a person's nervous system, Mr. LeMaistre said, leading him to choose one of four alternatives: (1) a denial of change, (2) specialization of work and interests, (3) a wish to return to the "good old days," or (4) to simplify life with drugs.

The best solution, Mr. LeMaistre

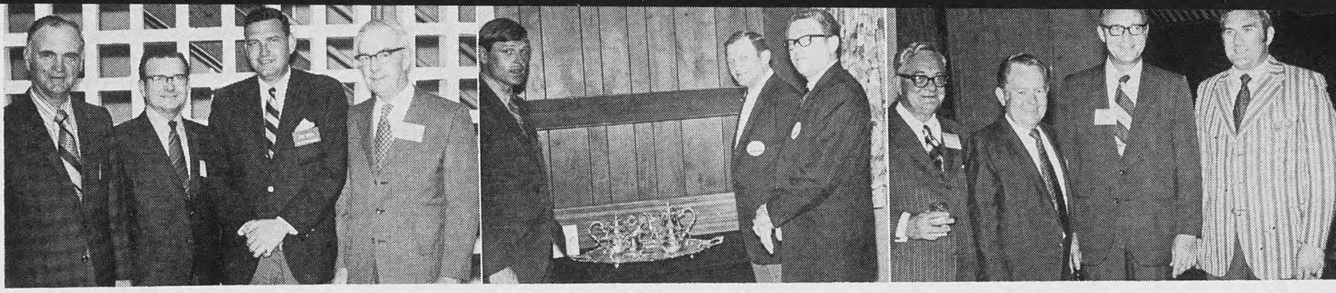
ALABAMA BANKERS ASSOCIATION officers for 1971-72—Seated (from l.) Pres. Mrs. Mary George Jordan Waite, ch. & pres., Farmers & Merchants, Centre; Secretary-Treasurer Mrs. Sue Evers. Standing (from l.) V.P. Harold O. (Hot) Glass, pres., Bank of Thomasville; 2nd V.P. J. M. Barrett, pres., First Nat'l, Wetumpka; Executive V.P. Howard J. Morris.



TOP—Mrs. Waite and George A. LeMaistre, incoming and outgoing AlaBA presidents, chat with speaker Senator John Sparkman during break in session.

CENTER—Speaker Dr. Tom Haggai returned to AlaBA convention podium by popular demand after making appearance three years ago.

BOTTOM—Threesome snapped between business sessions included Harold S. Musk Jr., pres., 1st Nat'l, Anniston; George Rayner, Chase Manhattan, NYC; and George LeMaistre, outgoing AlaBA pres., and pres., City Nat'l, Tuscaloosa.



LEFT—Leonard C. Skelton, v.p., 1st Nat'l, Birmingham; Tom J. Shell, v.p., Commercial Guaranty, Mobile; John Woods, pres., 1st Nat'l, Birmingham; David McGonigal, v.p. & cash., Commercial Guaranty, Mobile. CENTER—Charles G. Allen, a.v.p.; Sam F. Malone, v.p.; J. M. Cooke, v.p., all of Exchange Security, Birmingham (with silver service door prize). RIGHT—William H. McKenzie, exec. v.p., Birmingham Trust Nat'l; W. R. Hurst, pres., Citizens Bank, Leeds; Guy H. Caffey Jr., pres., Birmingham Trust Nat'l; W. F. Warren, v.p., 1st Nat'l, Dothan.

LEFT—Wythe L. Whiting Jr., v.p., 1st Nat'l, Mobile; Mrs. Charles T. Gray, whose husband is a.v.p., 1st Nat'l, Birmingham; James C. Andress, v.p., 1st Nat'l, Mobile; Mrs. John Clark, wife of pres., City Nat'l, Selma. CENTER—Kenneth Leaf, regional administrator of national banks, Memphis; O. D. Mason Jr., pres., 1st Nat'l, Butler; Mrs. Mason. RIGHT—Alford C. Sinclair, sr. v.p.; Mrs. Sinclair; Henry A. Leslie, sr. v.p. & tr. off.; Gentry A. Martin, v.p., all of Union Bank, Montgomery.

LEFT—S. Fred Payne, cash., Marion County Banking Co., Guin; Mrs. Payne; Frank A. Plummer, ch. & pres., 1st Nat'l, Montgomery; Mrs. Plummer. CENTER—E. F. Walker Sr., ch., Traders & Farmers, Haleyville; Henry F. Schaub, v.p., Merchants Nat'l, Mobile. RIGHT—Harry Nelson, pres., Citizens' Bank, Eufaula; Oscar Vaughan Jr., pres., Elba Exchange Bank; Clyde N. Tate, sr. v.p., Central Bank, Birmingham.

said, is to revise outmoded concepts of education. We must understand that knowledge is perishable and learn to discard passé-learning. We must realize that learning must be continuous, he said.

Mr. LeMaistre termed the efforts of AlaBA to establish a chair of finance to be a first step in the revision of AlaBA's concepts of education, and a step that will help solve a number of bank management problems.

Frank Plummer, president, First National, Montgomery, and chairman of the AlaBA chair of banking committee, reported on the progress of the committee's efforts to establish the chair at Alabama University. He said that, within five years, some 200 students should be enrolled at the school of finance at the university, resulting in some 40 graduates entering the banking system annually. He reported that 30 large banks have pledged their support to the Alabama Bankers Educational Foundation and he called on all AlaBA members to assist in recruiting students for the school, to be willing to serve as instructors and to do everything they can to make the Alabama school the best in the nation, when it is established.

Among featured speakers at the convention was Dr. Ira L. Myers, Alabama state health officer, who spoke on the preservation of the environment. He called for all environmental programs to be in the public interest without favoring any special group and indicated that he was making progress in convincing rural areas of the state to give thought to constructing proper sewage disposal facilities.

Senator John Sparkman (D.) commented on the national scene, saying that a full employment budget cannot succeed, even though he would like it to. He called on bankers to assist their communities to get what they need in the way of improvements, and recommended that bankers contact the state industrial development board to formulate joint participation projects to bring industrial development projects to Alabama.

One session of the convention was devoted to a "Bank of Knowledge," at which a panel of specialists answered questions from the floor. Included on the panel were James A. Davis, president, First National, Decatur, moderator; William H. McKenzie, executive vice president, Birmingham Trust National; Jene W. Owens, special agent for the FBI; Charles S. Snell, chairman and president, Citizens National, Shawmut; Robert S. Steiner III, AlaBA counsel; and William H. McNair, vice president, First National, Mobile.

Among the resolutions presented and approved by the convention was one nominating Favorite Son Rex Morthland, president, Peoples Bank, Selma, as a candidate for ABA vice president in 1972. No opposition to Mr. Morthland's candidacy is expected.

Mississippi News

McGivaren, Whitehead, Seal Elected At Mississippi Bankers' Convention

By JIM FABIAN

Associate Editor

BILOXI, MISS.—New officers elected at the 83rd annual convention of the Mississippi Bankers Association include C. S. McGivaren, president, Bank of Clarksdale, association president; J. C. Whitehead Jr., president, Bank of Mississippi, Tupelo, association vice president; and Leo W. Seal Jr., president, Hancock Bank, Gulfport, association treasurer.

Three delegates were elected to the MBA executive committee, including R. E. Kennington II, president, Grenada Bank; Douglas A. Herring, executive vice president, Security State, Starkville; and Archie R. McDonnell, president, Citizens National, Meridian.

During the ABA members' portion of the convention, C. S. McGivaren was elected delegate to the nominating committee and J. C. Whitehead Jr. was elected his alternate. The two will serve at the ABA convention in San Francisco in the fall.

Speakers. James J. Saxon, former Comptroller of the Currency, spoke on the difficulties of changing banking regulations in an attempt to make it easier for bankers to serve the public. He said there was no reason for government to restrict the tools of banking while permitting other industries to have unrestrained use of the same tools. He predicted that, in time, legislation more to banking's liking will be enacted. He also said that, should excessive restraint return to banking, the entire country would suffer.

Allen P. Stults, ABA vice president and chairman, American National, Chicago, called on Mississippi bankers to practice leadership in the area of the "Four Cs"—corporate, co-worker, customer and community. He criticized bankers for not being more innovative in the offering of new corporate services and in placing themselves in the position of having to defend their actions, a practice that detracts from the main goal—leadership. He urged bankers to become more aggressive in working with social problems and said that banks utilizing new organizational concepts were the most successful banks.

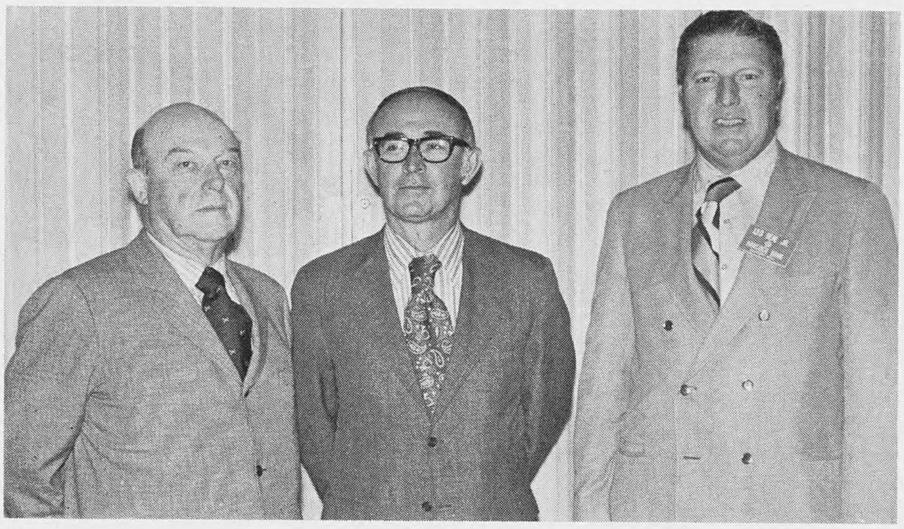
Retiring MBA President Sidney D. Davis, president, Peoples Bank, Mendenhall, called attention to the new MBA programs of the past year and expressed his hope that they would be continued. The programs include an installment lending conference, a bank presidents' symposium and the Mississippi School of Banking. He called on bankers to do what they could to promote President Nixon's economic goals for the nation and candidly appraised the progress Mississippi had made in social improvements in the past year.

TOP—Principals at second business session at convention included (from l.) David D. Patty, exec. v.p., Merchants & Farmers, Columbus, ch., MBA necrology com.; John Hubbard, MBA exec. dir.; Sidney D. Davis, pres., Peoples Bank, Mendenhall, retiring MBA pres.; Allen P. Stults, ABA v.p., and ch., American Nat'l, Chicago, featured speaker. BOTTOM—Horace Steele (l.), Jackson, state controller, was featured speaker at first business session. At right is R. D. Cartledge Jr., v.p., Merchants & Planters Bank, Drew.

He said, "Statistics on per capita income indicate that in Mississippi, per capita income increased more than 9% last year, and that this constituted the second largest gain in the nation, ahead of all the southeastern states, and almost double the national average increase. During the decade of the '60s, per capita income in Mississippi increased 112% as compared to a gain of 76% for the U. S. as a whole. This sounds wonderful, until we read that even with these tremendous increases, our income per person is still less than two-thirds that of the nation as a whole.

"If we are to close this gap, we must face some hard facts," he said. "For too long in Mississippi, we have witnessed injustice and poverty. A report issued last week revealed that 10% of our whites and 30% of our blacks have incomes which place them in the poverty class.

"Somehow, we have failed to realize that unless we utilize the potential of all our people, we are not going to

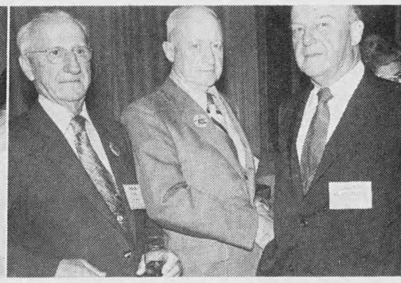


MBA OFFICERS FOR 1971-72—From l., C. S. McGivaren, pres., Bank of Clarksdale, ass'n pres.; J. C. Whitehead Jr., pres., Bank of Mississippi, Tupelo, ass'n v.p.; Leo W. Seal Jr., pres., Hancock Bank, Gulfport, ass'n treas.



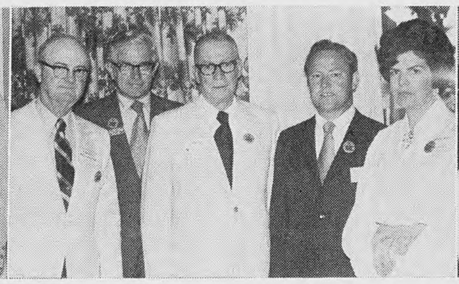

LEFT—R. B. Shivers, pres. & cash., South Central Bank, Silver Creek; Mrs. Shivers; James W. Thompson, FDIC reg. dir., Memphis. NEXT—Edward T. Eves, v.p.; Mrs. Robert L. Cowart (Mr. Cowart is v.p.); Donald J. Nalty; Mrs. Nalty, all with Hibernia Nat'l, New Orleans. NEXT—James M. Newman Jr., v.p.; James E. Stalls Jr., a.c., both with Union Planters Nat'l, Memphis; Dale H. Bullen, mgr., Peat, Marwick, Mitchell & Co., Memphis; William R. Grissom, v.p., Union Planters. NEXT—Prentiss L. Webb, exec. v.p. & tr. off., Leflore Bank, Greenwood; Mrs. Webb; Yandell Wideman, pres., Citizens Nat'l, Jackson; Leo W. Seal Jr., pres., Hancock Bank, Gulfport.






LEFT—John Armistead, Atlanta; Mrs. James C. Andress; Mr. Andress, v.p., 1st Nat'l, Mobile, Ala. NEXT—Earl B. Hinton, pres., Amite County Bank, Liberty; Mrs. Hinton; C. B. Blount, sr. v.p., Citizens Bank, Hattiesburg; Mrs. Blount. NEXT—Duncan Cope, ch., Bank of Hollandale; W. A. Stanton Jr., pres., Bank of Leland; C. S. McGivaren, pres., Bank of Clarksdale. NEXT—Mrs. J. H. Hathorn; M. L. Mills Jr., dir.; J. H. Hathorn, pres., all of Citizens Bank, Louisville; Marion Brett, dir., Citizens Bank, Hattiesburg.






LEFT—George E. Donavan, sr. v.p., 1st Nat'l, Jackson; Mrs. Donavan; James Saxon, former Comptroller of the Currency. NEXT—David Pointer Jr., v.p., Whitney Nat'l, New Orleans; Mrs. Pointer; Leonard C. Skelton, v.p., and Joe T. Knight, a.v.p., both with 1st Nat'l, Birmingham, Ala. NEXT—Charles Arrington, 1st v.p., Deposit Guaranty Nat'l, Jackson; J. M. Robertson Jr., exec. v.p., Grenada Bank; Hamp Jones, sr. v.p., and Barney H. Jacks, v.p., both with Deposit Guaranty Nat'l; Mrs. Jacks. NEXT—Mrs. Armistead Smith; Mr. Smith, v.p.; Joe H. Davis, exec. v.p.; Mrs. Davis, all of 1st Nat'l, Memphis.

attain the goal of closing the gap between the economy of our state and that of the nation as a whole.

"If we fail to use the positions of leadership which are inherent in the banking profession in an attempt to rectify these wrongs, we shall be abdicating the responsibility which our heritage dictates is ours," he said.

The executive committee reported that all Mississippi banks continue to be members of MBA and ABA; that three new banks opened their doors in the past year; that Mississippi bankers have been actively supporting the student loan program; and that the Mississippi School of Banking was off to a good start.

Dr. J. Van Fenstermaker, head of the MBA chair of banking, reported that 50 bankers are expected to graduate from the school this year. He said the job situation was tough, something that has prompted 40% of the graduates to continue their studies for advanced degrees. He reported that 250 bankers are enrolled at the Mississippi School of Banking.

50-Year Club. Six men were initiated into the MBA 50-Year Club at the convention, including Frank Cooper, Starkville; Joe Wiygul, Tupelo; C. O. Dean, Leland; G. B. Woodward, Cleveland; W. E. Blackmur, Water Valley; and A. B. Cottrell, West Point.

Resolutions. Resolutions were adopted calling for a revision in the cooperative farm credit system program, urging bankers to support environmental improvements and endorsing Alabama banker Rex J. Morthland for ABA vice president in 1972. • •

■ COAHOMA NATIONAL, Clarksdale, has received approval to establish a branch in Southaven within the next year. The bank recently celebrated its 40th anniversary.

■ PLANTERS BANK, Tunica, has elected William T. Dawson Jr. a vice president. Previously, Mr. Dawson was assistant cashier at Bank of Clarksdale.

■ ROBERT E. SMITH has been named vice president and loan officer of Bank of Quitman.

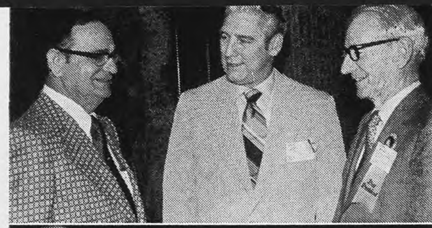
■ BANK OF MISSISSIPPI, Tupelo, has expanded its business hours at all offices from 9 a.m. to 5:30 p.m. Monday through Friday. In addition to the change in business hours, the bank is offering a new "no bounce" checking account and check guaranty service.

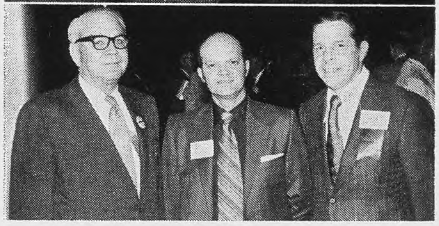
■ GEORGE YARBROUGH was elected a director of Bank of Holly Springs. He is editor and publisher of *The South Reporter*.

■ BANK OF OLIVE BRANCH elected as a director George M. Harrison, owner of a dry goods store.

■ LEFLORE BANK, Greenwood, has opened its new East Branch. Joe Gee is manager.

Louisiana Names John Oulliber; Announces New Building





TOP—LBA President Pat Willis (l.) visits with John J. Doles Jr., pres., 1st State, Plain Dealing; and W. P. Sevier Jr. (r.), pres., Tallulah State. Mr. Willis is president of American Bank, Opelousas.

CENTER—John Oulliber, LBA's new president, with Travis Gore, exec. v.p., Concordia Bank, Vidalia (c.); and Wm. B. Gladney, v. ch., Fidelity Nat'l, Baton Rouge. Mr. Oulliber is chairman of First NBC, New Orleans.

BOTTOM—Ed Eves, v.p., Hibernia Nat'l, New Orleans; C. A. Bishop, pres., Bank of Gonzales; and LBA's outgoing treasurer, Parker Gabriel, v.p., Guaranty Bank, Amite.

By RALPH B. COX
Editor and Publisher

NEW ORLEANS—At the close of the 71st annual convention of the Louisiana Bankers Association, New Orleans banker John Oulliber was advanced to the presidency of the LBA, succeeding Opelousas banker Pat F. Willis, president of American Bank & Trust. Mr. Oulliber is chairman of First National Bank of Commerce in New Orleans.

The association's newly elected vice president is R. L. Vanderpool Jr., president of Ouachita National of Monroe; and the LBA's new treasurer is H. B. Gremillion, president of Cottonport Bank (see photo below).

Louisiana bankers also named three new members to their board of directors: Nolen C. Miller, president of Guaranty Bank, New Roads; A. R. Johnson III, president, Guaranty Bank, Alexandria; and Arthur J. Broussard, president of Guaranty Bank, Lafayette.

ABA Delegates: Mr. Oulliber, the LBA's new president, was named to the 1971 ABA nominating committee; and the association's incoming vice president, Mr. Vanderpool, was designated as alternate.

President's Report. Retiring President Pat F. Willis reviewed the association year, citing achievements of various committees and reporting on numerous meetings held throughout the state. Mr. Willis paid special tribute to the LBA's legislative and legislative study committees. Watching over 2,200 bills introduced in the legislature, Mr. Willis said, required dedication and a lot of hard work. He thus singled out these two committees and their respective chairmen for special mention. The legislative committee is headed by Hermann Moyse Jr., executive vice president of City National, Baton Rouge; and the study committee is chaired by William B. Gladney, vice chairman of Fidelity National, Baton Rouge.

Mr. Willis also reported to the LBA membership on the progress of the association's building program. Property has been purchased on the corner of Seventh and North Streets in Baton Rouge for the sum of $60,000. It is on this site, said Mr. Willis, that the association will erect a new headquarters building at a cost of approximately $135,000. This figure includes architectural fees, furniture and fixtures, but not the cost of the land ($60,000).

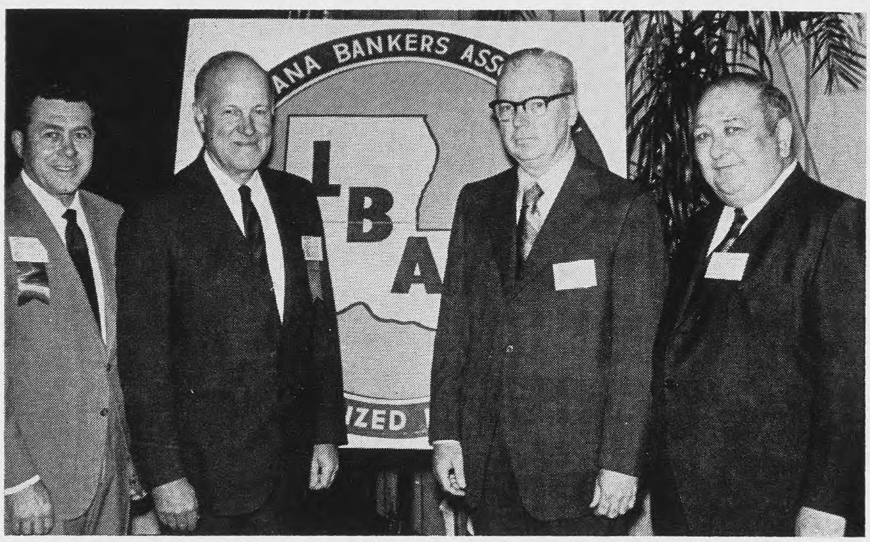
Previously budgeted funds in excess of $52,000 and expected proceeds ($20,000) from the sale of present quarters will reduce financing needs to approximately $63,000. This amount, said Mr. Willis, will be financed by Baton Rouge banks at a "favorable" interest rate.

The new headquarters, said Mr. Willis, not only will be favorably located in Baton Rouge but will provide needed work room for the official staff as well as for frequent committee meetings.

Mr. Willis also commented to Louisiana bankers on their support of the Chair of Banking program at Louisiana State University. He reminded bankers that this chair is funded annually by the banks of the state and that over the years many students have been encouraged to enter banking as a result of courses they have studied under the direction of this chair.

"Frankly," said Mr. Willis, "our smaller and medium-sized banks are supporting this program, while many of our larger banks are not." The program is one, he said, which benefits all banks in the state. As such, he said, it "merits the support of all member banks."

It was learned later in the two-day convention program that Dr. Don L. Woodland, who has headed the Chair of Banking in recent years, will leave

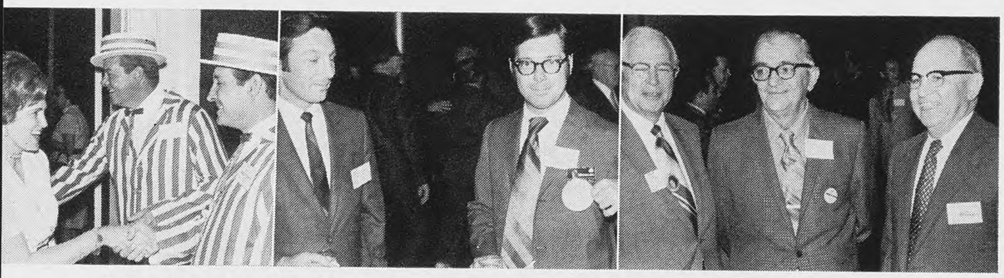


NEW LBA OFFICERS—R. I. Didier Jr. (l.), exec. v.p., poses with new LBA officers. From the left: President John Oulliber, ch., 1st NBC, New Orleans; Vice President R. L. Vanderpool Jr., pres., Ouachita Nat'l, Monroe; and Treasurer H. B. Gremillion, pres., Cottonport Bank.

that post in the 1971 fall semester to head up the department of finance at Louisiana State University. While Dr. Woodland will not be engaged in the daily activities of the chair in the future, he will be engaged in the planning of courses and will be available for consultation.

He will be succeeded in the chair by Dr. William F. Staats, now serving as a vice president of the Federal Reserve Bank of Philadelphia.

LEFT—Clayton Rutledge, v.p., Capital Bank, Baton Rouge; James Maxwell, pres., 1st Nat'l, Denham Springs; and John Kenaley, sr. v.p., Capital Bank, Baton Rouge. CENTER—W. McKerall O'Niell, pres., St. Mary Bank, Franklin; and Robert Bolton, pres., Rapides Bank, Alexandria. RIGHT—John Maillet, Louis J. Knight, sr. v.p., and John F. Marzullo, v.p., all three from Guaranty Bank, Alexandria; and Reynolds B. Wagnon, v.p., 1st NBC, New Orleans.



LEFT—Lawrence Merrigan, pres., and G. J. Beauregard, a.v.p., greet guests at Bank of New Orleans party. CENTER—Robert Hattier of Hattier, Sanford & Reynoir, New Orleans; and his brother Don D. Hattier of E. F. Hutton, New Orleans. (Don proudly wears "It's A Boy" button, for "number one son" born during convention.) RIGHT: Tom Cannon, v.p., Commerce Bank, Kansas City; E. A. Naquin, cash., St. Mary Bank, Franklin; and Pete Laiche, a.v.p., Whitney Nat'l, New Orleans.

LEFT—Robert Rester, consultant, 1st State, Bogalusa; J. E. Cummings, pres., Bank of Sunset; and R. Irby Didier, LBA, retired. CENTER—Mrs. Morris; Clebert Smith, 1st NBC, New Orleans, retired; and Wm. A. Morris, sr. v.p., City Nat'l, Baton Rouge. RIGHT—R. Morton Roche, sr. v.p., Washington Bank, Bogalusa; Mrs. Roche; and Millard Wagnon, v.p., Bank of New Orleans.

LEFT—Dan Jasper, rep., Mercantile Trust, St. Louis; Jim Williams, a. treas., Bank of New York; and Michael Ellis, Hibernia Nat'l, New Orleans. CENTER—George J. Ruhlman, exec. v.p., and Frederick Klumpp, dir., Metairie Savings Bank. RIGHT—Max Pace, exec. v.p., and J. Clifford Ourso Sr., ch. & pres., American Bank, Baton Rouge; and Milton Zeller, v.p., Nat'l American, New Orleans.

ABA Vice President. A featured speaker of the convention was Allen Stults, vice president of the American Bankers Association. Mr. Stults, who is chairman and chief executive of American National of Chicago, observed that banking, like many other industries, is undergoing a profound change and facing an era of new challenges and opportunities.

The banking industry, he said, still must fulfill long-standing responsibilities to stockholders, co-workers and customers. At the same time, he said, a new responsibility for "community development" has been placed on the shoulders of banking.

Bankers have always been interested in the community, the Chicago banker observed, but today's generation is demanding an end to poverty, an end to racial discrimination and an end to the pollution of air and water. So, while banking has no reason to feel defensive about its past, Mr. Stults warned that neither does banking have a reason to rest on its laurels.

"Keeping in mind our older responsibilities," he said, "we must move anew into community efforts, helping to plan for our communities, lending our experience, our knowledge and our money for specific local goals.

"Two words there demand special attention: specific and local. We must make sure," he said, "that we are oriented toward accomplishing a mission rather than establishing a happy coalition. And we must remember that local people know what is needed *locally,* have a better grasp of what their community needs, than any number of bureaucrats with charts could ever have.

"We can meet these needs," he charged, "as we have met so many others in the past. We have the knowledge. We have the experience. Most of all, we have the reputation.

"Interviews with men on the street and students in universities, surveys done for the American Bankers Association, all point out that men and women across the nation have only a vague picture of what a banker does. But they know he is a man of integrity, a proven leader, and they expect him to continue displaying these characteristics." • •

■ BANK OF NEW ORLEANS has named G. J. McKigney assistant vice president and manager of the Lakeview Branch. He succeeds Bernard T. McNamara, who is now manager of the customer services department at the Main Office. Mrs. Anna M. Benanti was promoted to assistant cashier and has moved from the Broadmoor Office to the Main Office.

Carroll Griffith, the Traveling Man

The next time you see Carroll Griffith with his knapsack, don't worry. He hasn't flipped his lid. Or joined the Boy Scouts. He just likes a little variety when he travels. A Traveling Man deserves that much. So be sympathetic next time he comes by. Who knows, maybe he will offer you his spare knapsack.

Milton Zeller

Charley Foret

NATIONAL AMERICAN BANK OF NEW ORLEANS

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'Bankers Lib' Stressed at ArkBA; Stone, Finley, Smith Top Officers

By JIM FABIAN
Associate Editor

HOT SPRINGS—Arkansas bankers were urged to face the tough issues of modern banking, to do everything possible to fulfill their undeniable duty of providing small loans to deserving applicants and to participate in the new optimism of "bankers lib" by various speakers at the 81st annual convention of the Arkansas Bankers Association, held last month.

B. Finley Vinson, chairman of First National, Little Rock, and chairman of the ABA's federal legislative committee, as well as second vice president of ArkBA, reported on the Banking Reform Act of 1971. He stated that, as of the conclusion of hearings by the House Banking and Currency Committee, it appeared that the prohibition of interlocking directorships between commercial banks and S&Ls and insurance firms would remain in the bill when it is reported out by the committee. He also predicted that the proposed ban on premiums had a 50-50 chance of remaining in the bill and that 100% insurability of deposits probably would not be retained. The ban on brokered deposits will remain in the bill, he said, but restrictions on holding company operations may or may not remain in the legislative package.

He predicted that it is believed that the Senate will not get around to consideration of the Banking Reform Act of 1971 during the current session.

He said that many bankers fear the worst when the President's Commission on Financial Structure and Regulation makes its report at the end of 1971.

Mr. Vinson called on bankers to help torpedo the feeling that bigness in banks is necessary. He said that correspondent relationships are effective in modern banking.

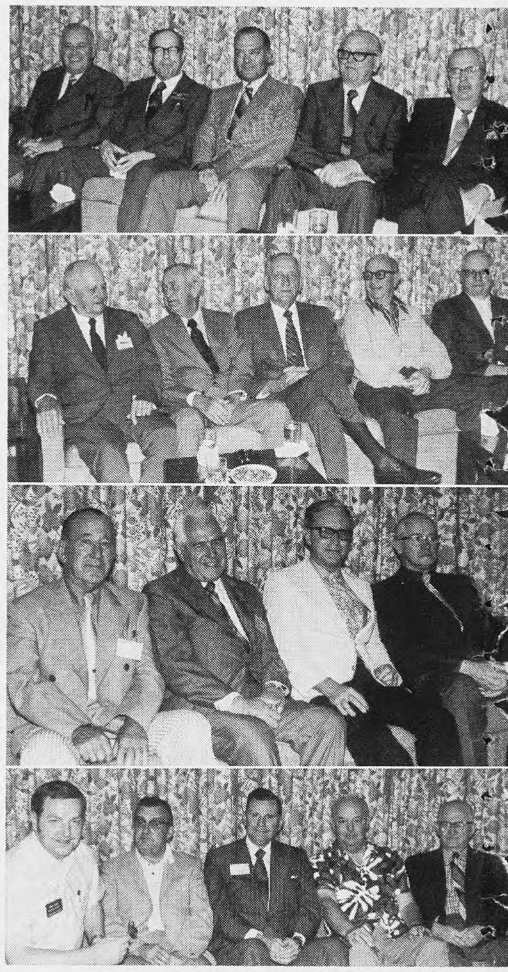
The corporate form and geographical market of banks is a vital issue, he said. Banks have the choice of remaining independent, selling out to holding companies or opting for limited branching. He said the trend in Washington seems to be for unlimited branching, or at least state-wide branching. He called on bankers to support regulation of banking on the state level.

Arkansas Governor Dale Bumpers, in his first appearance before bankers since his election, called on delegates to work to keep small loan firms out of Arkansas by granting small loans to worthy applicants, even if it is painful to do so. He said it was the undeniable duty of Arkansas bankers to make small loans and said that banks that don't have loans to charge off are not aggressive banks.

He called for a firm partnership between state government and banking, saying that bank-government relationships must be kept in the proper perspective. He said he is working to keep the reputation of municipal bond operations in Arkansas clean, but that investors need protection in this area. He said hearings will soon be held on new regulations for municipal bond dealers and said that self regulation by bond dealers and an educational program for bankers was needed in Arkansas. He called on ArkBA to support his programs and to assist in state government matters.

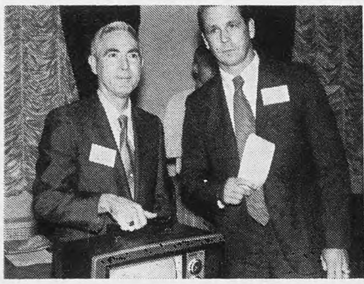
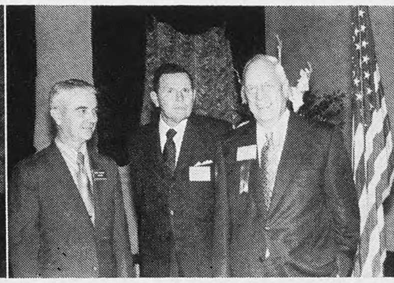
Clifford Sommer, ABA president and president, Security Bank, Owatonna, Minn., said that the opportunities and challenges for bankers are unusually great now. "We are emerging from the pessimism of the '60s," he said, which was a period in which "we lost confidence in ourselves."

He said banking was entering a new

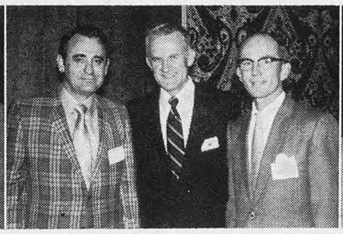


ArkBA past presidents pictured at social hour. Immediate past pres. Means Wilkinson is 2nd from left, top photo; incoming pres. Donald Stone is at left, bottom photo.

ARKANSAS OFFICERS for 1971-72 are congratulated by outgoing Pres. Means Wilkinson (l.), pres., Farmers Bank, Greenwood. To Mr. Wilkinson's left are Pres. Donald W. Stone, v.p., Simmons 1st Nat'l, Pine Bluff; Treas. T. J. House, exec. v.p. & cash., Bank of Mulberry; 1st V.P. B. Finley Vinson, ch., 1st Nat'l, Little Rock; 2nd V.P. Van Smith, pres., Bank of Tuckerman.

LEFT—L. E. Pounds, v.p., Bank of Trumann, winner of TV; Thomas E. Hays, pres., 1st Nat'l, Hope. NEXT—James C. Hobgood, ch., Merchants & Planters, Arkadelphia; William M. Campbell, ch., 1st Nat'l of Eastern Arkansas, Forrest City; Clifford C. Sommer, ABA pres. and pres., Security Bank, Owatonna, Minn. NEXT—Donald W. Stone, v.p., Simmons 1st Nat'l, Pine Bluff, and H. C. Adams, Ark. bank commissioner, congratulate Ark. Gov. Dale Bumpers following address. NEXT—Cecil Cupp, ch., Arkansas Bank, Hot Springs; C. H. Orth, sr. v.p., Union Nat'l, Little Rock; Mrs. E. P. Pyeatt, wife of ch. of 1st Nat'l, Searcy; Mrs. Cupp.

LEFT—William H. McLean, v.ch., Commercial Nat'l, Little Rock; Mrs. Forbes Taylor (her husband is v.p., Harris Trust, Chicago); Mrs. Williams; Gates Williams, a.v.p., 1st Nat'l, Warren. NEXT—Conway T. Corrigan, Hot Springs Cadillac dealer; William Bowen, pres., Commercial Nat'l, Little Rock; Paul Griffin, Nat'l Old Line Insurance Co., Little Rock. NEXT—H. Parker Smith, sr. v.p. and J. Howard Piper, a.v.p., Boatmen's Nat'l, St. Louis; H. C. Adams, Ark. bank commissioner. NEXT—Charles W. Battey Jr., pres., Commerce Bank, Kansas City; Mrs. Penick; James Penick Jr., exec. v.p., Worthen Bank, Little Rock.




LEFT—J. O. Bennett, pres., 1st State, Lonoke; Wayne A. Stone, ch., Simmons 1st Nat'l, Pine Bluff; Robert Moore, pres., 1st Nat'l, Springdale; Mrs. Bennett; Mrs. Moore. NEXT—Howard Johnson, pres., Clinton State; Mrs. Johnson; George W. Peck, ch. & pres., Commercial Nat'l, Texarkana; Edwin C. Kane, pres., 1st Nat'l, Little Rock; Leonard L. Hampson, sr. v.p., 1st Nat'l, Little Rock. NEXT—Mrs. Rhodes; Rabie Rhodes, ch. & pres., 1st Nat'l, Harrison; Robert P. Taylor, v.p., Worthen Bank, Little Rock; Mrs. Taylor. NEXT—Richard L. Rennhack, J. Edward Connelly Assoc., Pittsburgh, Pa.; Anthony De Maio, W. M. Dalton & Assoc., Newtown, Pa.; Edward Johnson, Royalty Designs of Florida, Inc., Miami; James Paulsen, J. Edward Connelly Assoc.

period of liberation, or optimism, with the economy improving, interest rates declining, housing starts up and the capital spending trend up, all of which will result in less unemployment. Corporate profits are encouraging, inflation is lessening and productivity is rising, he said, and, if prices and wages can be contained, there will be great improvement in the economy.

But, he warned, "We are in danger of not acting upon this good news."

Mr. Sommer cited the steps ABA has been taking to promote the spirit of optimism, including a revamped communication program and a general program of convincing the public that bankers are serving them well.

An illustration of the new communication program was the premier showing of a new ABA film on family finance and the value of the local bank. The film was made in Arkansas and deals with three Little Rock families and their finances.

New Officers. Elected to head ArkBA for the coming year was Donald W. Stone, vice president, Simmons First National, Pine Bluff. Moved up to first vice president was B. Finley Vinson, chairman, First National, Little Rock. New second vice president is Van Smith, president, Bank of Tuckerman. T. J. House, executive vice president, Bank of Mulberry, was elected ArkBA treasurer.

During the ABA portion of the convention, conducted by C. W. Harper, ABA vice president for Arkansas, and president, First National, Conway, the following were elected to fill ABA posts: Cecil Cupp Jr., president, Arkansas Bank, Hot Springs, to the ABA executive council; Donald W. Stone, vice president, Simmons First National, Pine Bluff, to the ABA nominating committee; and B. Finley Vinson, chairman, First National, Little Rock, as alternate member of the nominating committee.

Resolutions. Resolutions supporting the nomination of Rex Morthland, president, Peoples Bank, Selma, Ala., as a candidate for ABA vice president in 1972 and asking the ABA to reconsider its stand on holder-in-due-course legislation were approved.

Reports. Convention reports included those by retiring President Means Wilkinson, president, Farmers Bank, Greenwood; Barry Niswanger, president, ArkBA Junior Bankers Section, and assistant vice president, First National, Little Rock; James C. Hobgood, outgoing ArkBA treasurer and chairman, Merchants & Planters, Arkadelphia. • •

■ JIM HINKLE has joined Union Bank, Monticello, as vice president and cashier. Mr. Hinkle, who has 13 years' banking experience, was formerly at Citizens State, Bald Knob.

■ DeWITT BANK has elected E. E. Deenman to its board. Mr. Deenman is plant manager and a director of Kleinert's, Inc.

■ FIRST SECURITY, Searcy, recently held the formal opening of its new building at Spring St. and Race Ave.

Texas News

Some Banking Structure Changes Must Be Considered, TBA Told

By HAROLD R. COLBERT, President
And LAWRENCE W. COLBERT, Associate Editor

DALLAS—When Tom C. Frost Jr., chairman, Frost National, San Antonio, delivered his presidential address at the 87th annual convention of the Texas Bankers Association, he captioned his remarks, "Listen to the Music." What the bankers had been hearing from speakers throughout the convention could be summed up with a popular song title of a few years ago, "The Times They Are A'Changin."

With more than 1,200 chartered banks in the state, Texas bankers cling to the unit-banking system. But in recent months some city banks have been forming holding companies.

Said Mr. Frost to the Texas bankers, "The major piece of unfinished business is the bringing together of the divergent views of so many different banks that find themselves operating under different circumstances across the state. Keeping up established association activities is a big job in itself. But the larger task is to bring together the diverse views of over 1,200 banks in a large state, such as Texas, and weld them into a single force for the development of our industry and then for the benefit of the state of Texas. A popular song of a couple of years ago told of the changes which were 'blowing in the wind.' These are the changes in the attitudes of our society which concern me because of their impact on us, our banks, our communities, our state and our nation."

"In our industry," the association president continued, "we see many new laws affecting banks and banking as a result of consumerism rushing to protect the individual. The Women's Liberation movement is more than just a joke and will have its effect on the laws and customs of this country. . . . Society gives certain permissions governing conduct and now full well realizes that it can take away or modify these permissions. Few businesses, such as banking, are based on the franchise or permit to operate exclusive of free entry of others. . . . In our own business are we tuned to the changes that are going on about us? Are we listening to the music, trying to recognize it and to adapt to it? During the past 10 years, 98% of the population growth in Texas occurred in the four major metropolitan areas—Houston, Dallas, San Antonio, Fort Worth. This rush to concentrate people is causing problems for those in the cities and creating new priorities. The stagnation of growth and economic development in many of the counties of our state will be causing a deterioration of the very foundation of many Texas banks."

Viewing the problems occurring in Pittsburgh, Chicago, New York and Los Angeles, the TBA president said the problems are coming on us in our cities more rapidly than we realize. Those in agricultural areas, attuned to the growth or lack of growth in their individual cities, should recognize that the needs of their communities and their banks differ from the needs of the larger communities. It is natural to see change all around us but believe we have not changed and think that our purposes are best served by preserving methods of operations and policies used in the past. "When the great Eddie Arnold sings 'stop the world and turn it 'round the other way, turn it back and let me off at yesterday,' it may be a pleasant thought to listen to, but it is not the music that is being played and listened to by the majority of people today. The status quo is not one of our options. The young people's song, 'Let's All Get It Together,' will be the increasingly more difficult objective of Texas banking.

"We should jealously guard the heritage of the unit- and dual-banking system which has contributed so much to the growth and development of our state. At the same time, I must say that my personal views are that we cannot 'turn the world around the other way' and want it back to yesterday by refusing to recognize the changes all about us and that some changes in the structure of the banking system of this state should be considered," the TBA president concluded.

Leslie C. Peacock, president, Crocker-Citizens National, San Francisco, discussing new dimensions in bank developments, said that banking is facing four major changes—changes in economic and financial environment; those associated with changes in legislative and regulatory standards; changes stemming from technological developments and changes generated by subtle shifts in bankers' attitudes. He said the problems that bankers face today in the management of assets and liabilities stem from their inability to answer with any degree of certainty critical questions relating to the economic outlook.

"We don't know whether we have reached the end of an inflationary binge or merely paused before resuming rates of inflation that were characteristic of the recent past. And we don't know whether the national economic policy will be equal to the task of providing full employment while also holding down the rate of price increases. If bankers had the answers to these questions alone, they would know a great deal more about what to do in manag-

NEW TBA OFFICERS. Oscar C. Lindemann (c.), pres., Texas Bank & Trust, Dallas, was elected assn. pres. Leon Stone (r.), pres., Austin Nat'l, was elected assn. v.p., and Max A. Mandel, ch. of the exec. comm., Laredo Nat'l, was elected assn. treas.

ing investment portfolios, making loan commitments, managing deposit liabilities and capital structure," Mr. Peacock said.

Touching on technological changes in banking, the San Francisco banker declared that top management has had to concern itself with the new, complicated, sophisticated and very expensive automation practices and equipment. One of the results of automated banking is that small errors in judgment can have very large consequences. Therefore, it behooves top management to concern itself with participation in and direction of the development, maintenance and operations of automated systems. Partially as a result of such developments, bankers today are thinking more like industrialists. As a result, the public is not looking on bankers, in the main, as businessmen charged with the responsibility for public-interest protection. This, in the opinion of Mr. Peacock, may have something to do with the tendency for the banker to be losing his halo as a representative of the public interest.

The image Mr. Peacock suggested bankers might be losing may already have been lost, according to the remarks of C. W. Cook, chairman and chief executive, General Foods Corp., who told the bankers of his native state that while there are social problems that are so deep rooted that profit-oriented businesses alone cannot solve them, the profit discipline, working efficiently on social problems, produces marketing at its best. He advised bankers to become more concerned about social issues rather than merely studying marketing techniques.

Mr. Cook said that at General Foods management is making a concerted effort in four areas: (1) working hard to involve younger people in areas of direct, relevant service to communities; (2) struggling to redefine the company's responsibilities to society and to meet those responsibilities; (3) attempting to create new products to meet evolving needs and life styles and to offer the public information and education on how to make the best use of the products; and (4) endeavoring to develop a greater understanding of the institution's business among employees, young people and members of the public at large.

Dr. Philip E. Coldwell, president, Federal Reserve, Dallas, speaking to the national bank division on the structure of Texas banking, stressed the varying needs of banks in the state due to their loan and deposit patterns; geographical locations; competitive relationships; desirability of limiting the degree of financial influence any group can sustain; susceptibility to regulatory control and, most important of all, the need to provide full service in the public interest.

His scholarly address dealt with population trends, concentration of deposits in the larger centers, the diversity of wealth-producing activities throughout the state and the percentage of the 1,200 banks in Texas that are tied into one of the 126 chains evident in the state, which represent 50% of the deposits of all Texas banks. At present, the Federal Reserve president said, 77 Texas banking institutions are controlled by one-bank holding companies. "We may have a unit-banking state law and, in theory, a unit-bank operation, but in the real world, Texas banks have banded together in correspondent affiliate and chain systems which reflect the real operating characteristics of our system," the Fed executive commented.

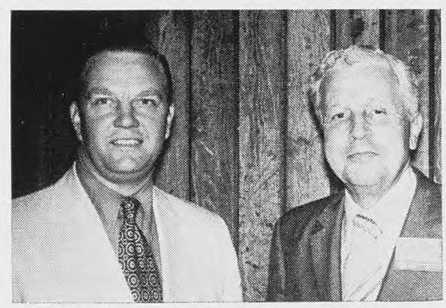
But there were other changes also discussed at the meeting when John J. Slocum, chief, Division of Liquidation, FDIC, discussed activities of the FDIC Liquidation Division at the state bank division meeting. Attempting to put bank failures into proper perspective, Mr. Slocum declared that there had been 54 insured bank closings from January 1, 1960, to May, 1971—an average of only 4.5 failures per year, the failures affecting 331,699 depositors having approximately $462,718,000 on deposit. At the end of 1970, there were 13,832 FDIC-insured banks in the country with total deposits of $532.5 billion. So the 54 failed banks since January, 1960, represented only .00390 of the total number of insured banks and held about .00087 of their total deposits. However, since January 1, 1969, there have been 20 insured bank failures, including four this year, with the Sharpstown State Bank failure in Texas representing the largest bank closing in the history of FDIC where depositors were paid to the insured limitation and the bank was liquidated. Technically, Texas can't claim a No. 1 position on this score because there have been two larger failures, both in Michigan.

Of the 20 banks that have failed since January 1, 1969, mismanagement was involved in all of them.

New Officers. TBA officers elected for the coming year include: president, Oscar C. Lindemann, president, Texas Bank, Dallas; vice president, Leon Stone, president, Austin National; and treasurer, Max A. Mandel, chairman of the executive committee, Laredo National.

Officers of the national bank division are: chairman, Bookman Peters, president, City National, Bryan; vice chairman, William G. Fuller, chairman and president, Texarkana National; secretary, Paul Mason, chairman and president, First National, Fort Worth.

Officers of the state bank division are: chairman, Jeff E. Bell Jr., president, Portland State; vice chairman, J. B. Wheeler, president, Hale County State, Plainview; secretary, Robert A. McAllen, president, Hidalgo County Bank, Mercedes. • •



NATIONAL DIVISION OFFICERS. Bookman Peters (l.), pres., City Nat'l, Bryan, was elected ch. of the national bank division. William G. Fuller, pres. & ch., Texarkana Nat'l, was elected v. ch. Paul Mason (not pictured), pres., First Nat'l, Ft. Worth, was elected division sec.

STATE BANK DIVISION OFFICERS. Jeff E. Bell Jr. (c.), pres., Portland State, was elected ch. of the state bank division. J. B. Wheeler (r.), pres., Hale County State, Plainview, was elected v. ch.; and Robert A. McAllen, pres., Hidalgo County Bank & Trust, Mercedes, was elected sec.

LEFT: Seated at the final luncheon of the convention are (l. to r.) Richard K. Elliott, resident representative, and William R. Hopkins, special representative, Canadian Imperial Bank of Commerce, Dallas office; Fred N. Coulson Jr., v.p., Commerce Bank, Kansas City; Bob Drake, v.p., Gittings, Houston; P. V. Miller Jr., v. ch., Commerce Bank, Kansas City; A. J. Riedel, ch. & pres., Commercial State, El Campo; and Mrs. Riedel. CENTER: Senator Lloyd Bentsen (l.) visits with Tom C. Frost Jr., outgoing pres. of the association and ch., Frost Nat'l, San Antonio. RIGHT: Convention speaker, Leslie C. Peacock (l.), pres., Crocker-Citizens Nat'l., San Francisco, chats with Sam O. Kimberlin Jr. (c.), TBA exec. v.p., and W. Dewey Presley, pres., First Nat'l, Dallas, and general ch. of the convention.

New Mexico News

Western State Bank Opens; Howard Garling Is President

ALBUQUERQUE—Western State Bank recently opened for business here. Officers of the new bank are: Howard J. Garling, president and chairman; Bob Cowdrey, cashier; Ed Ader and Don Holmes, vice presidents; and Jo Parham, assistant cashier. All the officers formerly were with other Albuquerque banks.

Western State opened in temporary quarters and plans to start construction this summer of a two-story building that will cost $350,000.

■ BEN BRONSTIEN, a restaurant executive, has been named a director of American Bank of Commerce, Albuquerque.

■ ALBUQUERQUE NATIONAL recently opened its new drive-up, walk-up motor bank. The $230,000 building is located between Sixth and Seventh streets on Lomas NW.

■ WAYNE C. HUDSON has been promoted to vice president and loan officer of Hot Springs National, Truth or Consequences. He joined the bank last year as assistant vice president and loan officer. Formerly, he had been associated with First National, Albuquerque.

■ MRS. PAT WHEELER has been named assistant cashier and secretary to the board at Citizens Bank, Albuquerque. She is the bank's first woman officer.

■ CITIZENS BANK, Las Cruces, has elected A. S. Alfeo a vice president. Previously, Mr. Alfeo had been associated with a bank in California.

■ SECURITY BANK, Ruidoso, named Ralph Petty Jr. vice president and cashier. He joined the bank as assistant cashier and was promoted to assistant vice president last January.

■ MRS. DORA BARNES has been promoted from assistant cashier to assistant vice president of Bank of New Mexico, Albuquerque. She will complete 25 years of service with the bank this summer.

New Mexico Death

PETER C. BERARDINELLI, 81, retired vice president of First National Bank of Santa Fe.

American Bank of Commerce Receives Trust Powers

ALBUQUERQUE—American Bank of Commerce has received approval for membership in the Federal Reserve System and also has received trust powers.

Bank Securities, Inc., parent company of the bank, has begun operations of Security Trust Co., its trust subsidiary, to oversee and coordinate the trust services of all banks in the Bank Securities network.

In other action, Justin Click was elected trust officer of American Bank and executive vice president of Security Trust. He formerly was executive vice president and trust officer of First National, Portales.

NMBA Group 2 Elects Officers

Group Two of the New Mexico Bankers Association recently met and elected officers for the coming year. The new officers are: chairman, Gary C. Lawrence, president, Bank of Las Vegas; and secretary, Fred H. Maldonado Jr., vice president, Citizens State, Springer.

■ LOVINGTON NATIONAL has received approval to change its name to Liberty National Bank effective July 1. The bank plans to open its new Hobbs Branch by September 1 and has announced that Roy Willman will be branch manager. He is assistant vice president at El Paso (Tex.) National.

■ G. HOWARD ARENSBERG is the new executive vice president of First National, Albuquerque. He will be responsible for the bank's planning, operating, financial control and investment activities. Mr. Arensberg formerly was senior vice president of Western Pennsylvania National Bank, Pittsburgh.

Los Alamos Nat'l Wins Deposit

Donald L. Ellis, area sales manager, First National City Bank, New York, awards Los Alamos National a one-year interest-free deposit of $25,000 for its sales performance in the First National City Travelers Check Bonus Plan contest. The bank ranked 16th among other banks of its size across the country. With Mr. Ellis are: (from l.) Beth Holmes, Vesta Claiborn, Barbara Spears, Helen Millovitsch and Gloria Turner.

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Respond to Community's Needs, OBA President Rainbolt Says

By HAROLD R. COLBERT

President

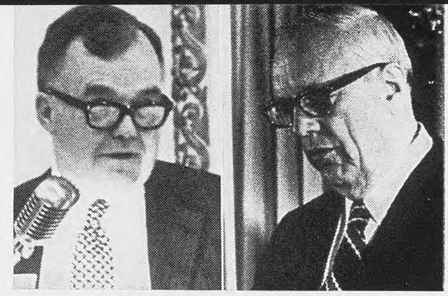
TULSA—Traditionally Wednesday isn't "wash day" but Wednesday, May 5, H. E. (Gene) Rainbolt, president of the Oklahoma Bankers Association, hung Oklahoma's banking linen on the line for everybody at the 74th annual convention to examine.

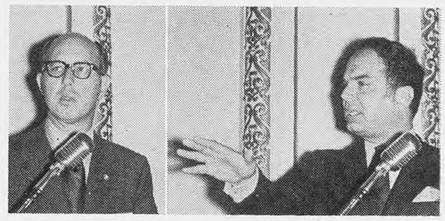
Mr. Rainbolt, who proved himself a strong OBA president during his term, spent little time in his presidential address pointing out the accomplishments of his association year. After thanking the 379 bankers who served on 16 committees and paying special tribute to six committees (legislative, insurance, public relations and marketing, bank women's and young executives), Mr. Rainbolt reeled off a list of topics he said he had wanted to talk about but discarded in favor of something more basic. He was bypassing, he said, discussions of ecology, social issues, consumer protection, equal job opportunities and the quality of life suffered by minorities in order to get down to the basic issue—the structure of banking in Oklahoma.

In a talk reminiscent of the one delivered by Oscar Brown (president, Farmers & Merchants Bank, Hill City, Kan.) in his presidential address to the KBA in 1967, and the one by Tom Frost (chairman, Frost National, San Antonio) as he finished his term as president of the TBA in Dallas last month, Mr. Rainbolt told the bankers they can't sit comfortably under the protection of their vested interests, ignoring the basic banking problem in Oklahoma—the banking structure of the state.

"In a state where the average annual per capita income is approximately $500 below the national average, and the gap widening, in a state where the per capita income of some counties is less than 50% of the state average, in a state where bank profits in a typical year are below the national average, bankers must not only be concerned, but committed.

"When we analyze objectively what we are and compare it with what we say we are and what our justification for existence is, can we put our mind in a state sufficiently objective to perceive what we really see? We see 427 banks; 192 situated in one-bank towns; 75 situated in two-bank towns; 11 situated in three-bank towns; only six towns with four or more banks. We see four counties with one bank, 11 counties with two banks, 12 counties with three banks, 18 counties with five or six banks, 15 counties with seven or eight banks and only six with 10 or more banks. Most of us, myself included, have vigorously opposed any change in the unit-banking system. Ostensibly, we defend this status quo on the basis that it is best for our communities, that because of our intense paternal pride and association with a specific community we will better serve that community. On reflection, however, and with a bit more honesty, I suspect a desire to maintain the womb-like comfort of restricted competition is our genuine motivation. When I examine the financial statements of many of our banks, some of my own interests included, and inquire into their lending policies, I find a distressing indictment of the service to their communities and economic areas, in direct conflict with the essence of defense of the unit-banking system."

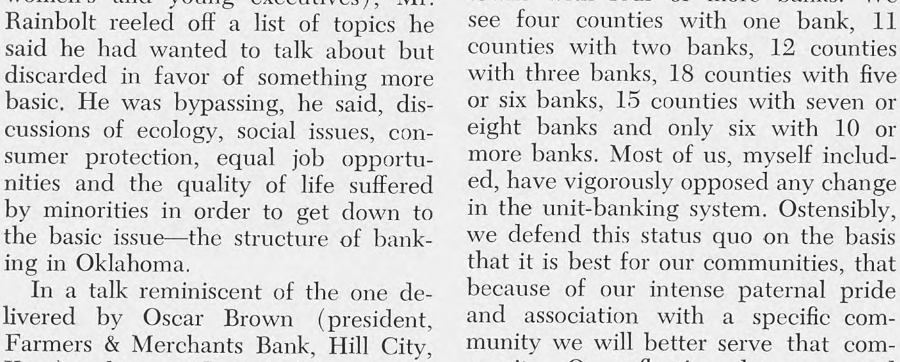




CONVENTION SPEAKERS. Speakers included (top, left) Charles McCoy, pres. & ch., Louisiana Nat'l, Baton Rouge; Clifford C. Sommer (top, right), ABA pres. and pres., Security Bank & Trust, Owatonna, Minn.; H. E. "Gene" Rainbolt (below, left), outgoing OBA pres. and ch. and pres., Federal Nat'l, Shawnee; and Carl Terzian (below, right), pres., Carl Terzian Associates, Los Angeles.

Mr. Rainbolt asked the bankers to think of their own banks and other banks with which they were familiar and appraise just how well the banks are serving the needs of their customers and of their communities. Item by item, he queried his listeners about their loan-to-deposit ratios; their policies on long-term loans, agricultural loans, large cattle loans, real estate loans, financing of agricultural machinery, consumer loans, student loans. "We all know that Oklahoma has many banks which either completely or to some degree fail to serve their communities. This is true even though the death rattle of their communities may be very audible. It is true even though the banks are, in effect, administering their own demise. There are banks in our state which will not exist 10 or 20 years from now because their communities have withered. But in the process we have, in fact, refuted the only defense we offer for unit banking—that is, our special ability to serve our individual communities," the president declared.

"As bankers, we must provide the impetus and leadership for our people to escape the economic wilderness. It is, therefore, time we select one of two courses. Our first, and perhaps inevitable alternative, is a statutory change in our banking structure. We can have holding companies and/or some type of branch banking." Mr. Rainbolt de-



NEW OBA OFFICERS. Elected pres. of the OBA was Frank G. Kliewer (c.), ch. & pres., Cordell Nat'l. Named assn. v.p. was Harry E. Leonard (l.), Bank of Elgin. Elected treasurer was Dwight G. Rymer (not pictured), ch. & pres., Citizens State, Morrison. Glenn P. Ward (r.), sr. v.p., Fourth Nat'l, Tulsa, is the new ch. of the executive council.

LEFT: Visiting during the convention were (l. to r.) Grady D. Harris Jr., pres., Fidelity Bank, Oklahoma City; Jim Timberlake, v.p. of the same bank; William A. Perkins, exec. v.p., First State, Canute; Jack Peetoom, v.p., and Don Johnson, pres., Farmers Bank, Carnegie.

RIGHT: Dale Cain, v.p., Yukon Nat'l; Mr. & Mrs. C. D. Lents, sr. v.p., Fidelity Bank, Oklahoma City; Russell Pulley, exec. v.p., Yukon Nat'l; and Olen G. Treadway, v.p., Fidelity Bank, Oklahoma City.

clared the reasons he believes a change in the bank laws may be inevitable are that the legislature is rapidly becoming urban oriented, and urban-oriented customers do not have the same identification with their banks as do rural customers, and because urban customers can best be served by more numerous convenient branches.

The OBA president told the bankers that for a short time they may have another alternative to a holding company or a branch-bank structure. "That alternative is suddenly to become what we have claimed to be for so long—completely responsive to the needs, present and future, of our communities. For a few it may already be too late. But for the rest of us, let us dedicate ourselves to the proposition that we will attract all the deposits our communities can generate, that we will finance homes, farms, livestock, consumer needs, education for our youth and take some calculated risk in providing jobs for our population. Some of these tasks may exceed our individual capacities, but with resourcefulness, innovation and cooperation, we can, as a system, meet these needs. If we cannot (and it is possible we can't), the public interest demands that the legislature create a banking structure that will promote the best interests of the public. We are not a chosen few. Our rights are not God-given. We are created by those who are directly responsible to the individual voter. A poorly served public ultimately is going to awaken and demand change. So, our efforts to invigorate the system must extend beyond our own individual institutions," the dynamic OBA president challenged. "Perhaps the time has come to take a longer, more objective look at our banking structure. Perhaps we should open our eyes wider, measure our effectiveness and make an honest determination as to how we can best serve our public. And perhaps, just perhaps, we will collectively conclude that it is to the best interests of all, ourselves included, that change come!" the president concluded.

Charles McCoy, president and chairman, Louisiana National, Baton Rouge, told the bankers they must change because the world is changing and banking and bankers must be more attuned to the life Americans are living today. In the opinion of Mr. McCoy, whose leadership in his bank and his community has attracted wide attention, bankers must be more alert than ever before to pitfalls that even well-meaning bankers, uninformed of new developments, may fall into. Among those he mentioned are preferred loan rates to a purchaser of a bank in consideration of a correspondent account, preferred rates to directors, reciprocal relations which may be construed as a substitute for interest on demand deposits, purchases made from bank customers to the exclusion of non-customers offering competing values, favorable mortgage rates to officers of corporations with good-sized balances, credit life commissions channeled to a bank officer to compensate for low salary.

Mr. McCoy stressed that bankers must be more alert to the failings and attitudes of their employees and suggested that heads of banks take advantage of such things as coffee breaks to visit with employees. "It is better to act than to be forced to react," Mr. McCoy warned.

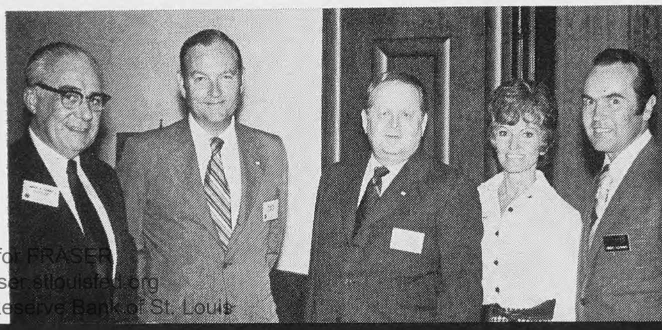
Clifford C. Sommer, ABA president, told the Oklahoma bankers that while optimism has been out of fashion, today optimism is warranted. A new hope is justified. He believes that we are approaching our problems with less passion and that the atmosphere of crisis is subsiding.

The ABA president believes credit demands in the '70s will be greater than anything we have known heretofore. He expressed the view that banking can meet the challenges and serve the needs of the public in the '70s, but only if allowed to compete fairly with other types of financial institutions.

New OBA Officers. OBA officers for the coming year are: president, Frank G. Kliewer Jr., chairman and president, Cordell National; vice president, Harry E. Leonard, chairman and president, Bank of Elgin; treasurer, Dwight G. Rymer, chairman and president, Citizens State, Morrison. Glenn P. Ward, senior vice president, Fourth National, Tulsa, was elected chairman of the executive council. This places him in line for OBA president in two years.

ABA Officers. At a meeting of the Oklahoma members of the ABA presided over by Hugh C. Jones, executive vice president, Bank of Woodward, Robert Y. Empie, president, Stock Yards Bank, Oklahoma City, and Ford Simmons, chairman and president, Exchange National, Ardmore, were elected to the executive council. Jack T. Conn, chairman, Fidelity Bank, Oklahoma City, was named to the nominating committee, with Frank G. Kliewer Jr., chairman and president, Cordell National, as alternate. • •

LEFT: Harold R. Colbert, pres., Mid-Continent Banker, chats with Charles O. Rice, v.p., and J. Grant Byus, sr. v.p., Texas Commerce Bank, Houston; Virginia Domingos, Nat'l Bank of Tulsa; and Lindsay Alexander, v.p., First Nat'l, Tulsa. RIGHT: Dr. William Lance, dir. of community education, Tulsa Psychiatric Foundation, conducts a workshop, "Mental Health and Profit."



Kansas News

Compromise Sought to Settle Banking Structure Question

By LAWRENCE W. COLBERT

Associate Editor

KANSAS CITY, KAN.—At more than a few of the state banking conventions held last month, the main topic of discussion was banking structure. The Kansas convention was no exception.

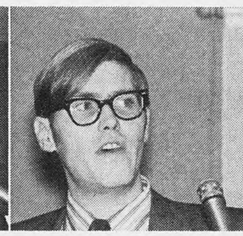
Outgoing association President Dan J. Dreiling, president of Citizens State, Seneca, discussed a committee of 12 that has been selected to resolve the banking structure question. The committee, made up of six representatives from each side, will meet as often as necessary in an effort to negotiate the issues and attempt to reach a workable and acceptable program that can be presented to the legislature in 1972 with the backing of the KBA.

In detailing the background of the banking structure question, President Dreiling said that by executive council action (last year) the KBA officers and staff were ordered not to take any official position in behalf of the KBA.

Proposals for changes were numerous and varied, culminating in H. B. 1273.

ALEXANDER

SCHIFMAN



KNIGHT

WEBBER

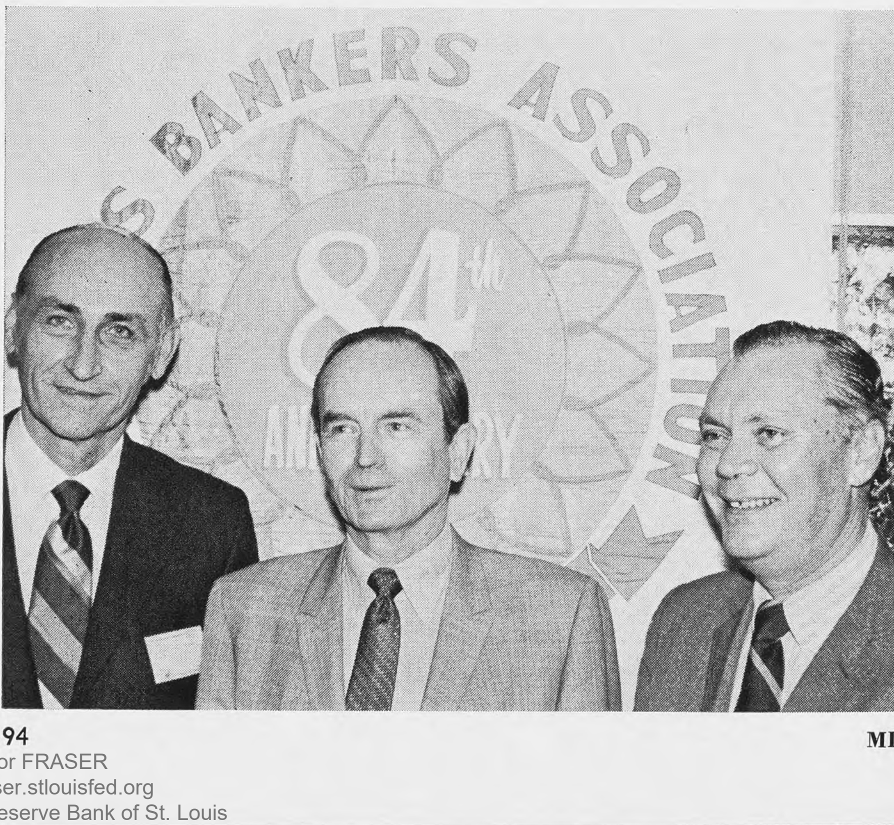
After hearings from both sides, the bill was killed in the house C&FI committee. "Because heated discussions pro and con developed before the committee, our image with the legislature became somewhat clouded," Mr. Dreiling explained. "Since then some legislators and many bankers suggested that, if possible, the differences should be resolved within the framework of the KBA."

Incoming KBA President Arthur J. Collins, president of Hutchinson National, said that only in the true spirit of compromise will the differences on the banking structure question be settled.

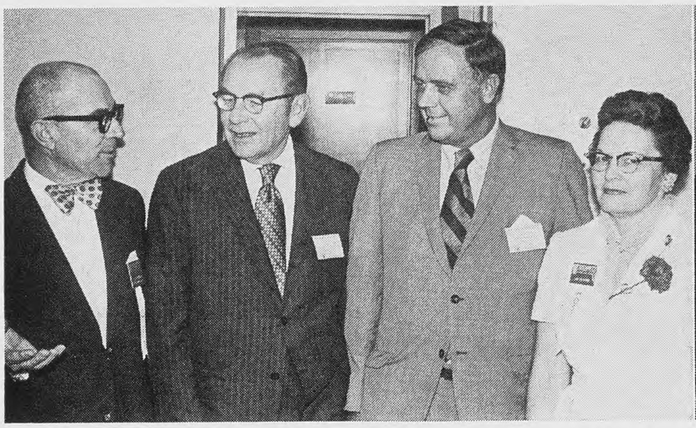
"Those who want little or no change are going to have to agree to some change—and very probably more change than they want," Mr. Collins said. "On the other hand, those strong proponents of change are going to have to temper their demands and probably settle for less than they want," Mr. Collins concluded.

Mr. Collins stated his goal must be to arrive at a position regarding the banking structure in Kansas which can be supported by a strong majority of Kansas bankers and which will permit the KBA to once again present a united face to the legislature and the general public. By strong majority, he believed 80 to 90% of the membership must agree in order for the KBA to take a position and in order to solve problems for some years to come.

Guest Convention Speakers. Dr. Robert E. Knight, research officer and economist for the Federal Reserve Bank of Kansas City, provided a look at the correspondent banking system. A fuller report of his remarks appears on page 21 of this issue. Dr. Knight, who surveyed more than 2,100 banks in the states of Colorado, Kansas, Missouri, Nebraska, Wyoming, Oklahoma, and about half the banks in New Mexico, conducted the study in the fall of 1969. He found that of the services provided by correspondent banks, most banks consider assistance with check clearing and loan participation the most helpful. At the time of the survey, about 60% of the banks had loan participations outstanding with their correspondents. The amount placed with correspondents averaged between 4-10% of total loans originated by these banks, indicating that the volume of participations is very large. Most loans shared with correspondents were commercial and industrial, although smaller banks tended to place farm loans. Conversely, more than 36% of the banks reported that they were participating in loans originated by their correspondents. On the average, these downstream partic-



NEW KBA OFFICERS. Arthur J. Collins (c.), pres., Hutchinson Nat'l, was elected assn. pres. J. Rex Duwe (l.), pres., Farmers State, Lucas, was elected v.p.; and Howard Gilpin, pres., Iola State, was selected treas.



LEFT: Mr. and Mrs. Bob Domer flank R. Charles Clevenger, ch. & pres., First Nat'l, Topeka; and John A. Adair, ch. & pres., Exchange Nat'l, Atchison. RIGHT: Four Kansas college freshmen, delegates to the national 4-H conference in Washington, D. C., recently, were honored during the convention. They are (l. to r.) Janet Rewerts, Stafford; Sheri Hewitt, Ottawa; John Reynolds, Paradise; and Edward Juno Jr., Otis. Dr. Glenn M. Busset, state 4-H leader, is at left and Max Dickerson, ch., agricultural committee, and sr. v.p., Commercial Nat'l, Kansas City, is at right.

ipations were slightly smaller than the typical amount placed with correspondents.

Despite extreme monetary restraint before and during the survey period, relatively few banks reported that they had been unable to place loan participations with correspondents. The fact that nearly all banks were able to obtain desired participations may be taken as an indicator of the ability of the correspondent banking system not only to meet the needs of smaller banks but also to improve fund mobility within the economy.

A Mixed Picture

Compared with banks in other survey states, Kansas banks present a mixed picture in the use of correspondent services. Kansas banks were slightly below average in the fraction of banks placing loan participations with or acquiring participations from correspondents, the per cent using the bank wire, receiving assistance from correspondents in collections, consumer credit activities, or credit information. They were about average in the use of correspondents for security safekeeping, international banking services, electronic data processing and general portfolio and bond management and assistance. They were above average in the acquisition of participations in pools of securities, the establishment of credit lines with correspondents and the purchases of federal funds through correspondents.

Willis W. Alexander, ABA executive vice president, said the criteria of past banking decisions are incomplete, that there are expanding dimensions. He called on bankers to weigh decisions by four factors—technological, social, political and human.

Ben Schifman, financial editor of the Kansas City *Star,* summarized the 1971 economic outlook by stating that there will be a resumption of growth in real GNP, some abatement of inflation, and a decline in the unemployment rate from the 6% rate at the start of the year. He termed his forecast cautiously optimistic. He said 1971 will be a better year for business than 1970 and the base will be laid for a very good 1972.

Jim Bartels (l.), exec. v.p., Farmers State, Hays, chats with Bruff McQuade, dir., credit insurance dept., Pioneer National Life, Topeka.

New Officers. In the elections, Arthur J. Collins, president of Hutchinson National, advanced from association vice president to president. J. Rex Duwe, president, Farmers State, Lucas, was elected association vice president, and Howard Gilpin, president, Iola State, was selected as the new treasurer. By executive council action, Charles Henson, Topeka attorney, was named KBA general counsel, succeeding John S. Dean Jr., who retired.

In the ABA elections, Dan J. Dreiling was elected to a two-year term on the ABA executive council, and John R. Burnside, president, Fidelity State, Garden City, was named to fill the unexpired term of the late George Lister. Nation Meyer, president, First National, Hutchinson, was named a member of the ABA nominating committee, and James E. Sheik, president, State Bank, Bern, was named alternate member.

Convention registration totaled more than 1,600, including more than 400 who purchased single event tickets. • •

■ FIRST NATIONAL, Hays, elected Harold L. Bittel vice president. He comes from Security State, Great Bend, where he was vice president and installment loan officer. He had been with that bank since 1958.

Missouri News

Get More Involved in Activities Of MBA, Says 1970-71 President

By ROSEMARY McKELVEY, Managing Editor
and LAWRENCE W. COLBERT, Associate Editor

KANSAS CITY—Increased involvement of bankers in activities of the Missouri Bankers Association was called for by the MBA's outgoing president, James F. Martin Jr., at the association's 81st annual convention here last month. Mr. Martin is executive vice president, Bank of Lee's Summit.

Such involvement, he continued, will require more and more that bankers look at what's best for their industry and not necessarily at what is best for their individual banks.

As an illustration, he cited the previous month's hearings in the Missouri General Assembly on a proposed MBA-supported facility bill. Mr. Martin pointed out that many bankers who did not necessarily agree with the bill or were not particularly affected by it appeared at the hearing to support it. Some of these bankers could live with a bill allowing a facility only 1,000 yards from the main bank, continued Mr. Martin, and others might prefer 5,000 yards, but they showed up in support because they believed the bill to be best for their industry and their state.

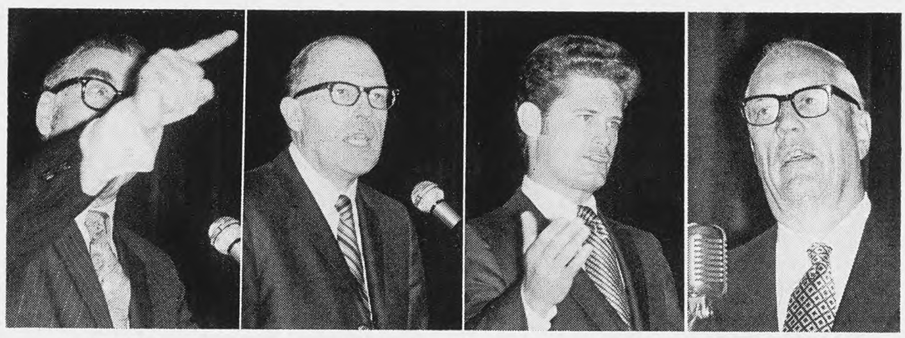
By the way, after the convention ended, the bill passed both houses. It provides for increased services at facilities and boosts the distance a facility may be located from a main bank from the present 1,000 to 4,000 yards.

President Martin said that while the banking industry needs constantly to seek a spirit of cooperation, bankers individually don't have to relinquish the competitive drive that is the basis of their way of life. Nor does it mean that bankers should not vigorously debate issues or surrender their individual feelings and opinions. It does mean, he said, that after the debate, after the exchange, they should put aside their differences and join together in a united front. In trying to do what is best for the overall needs of Missouri communities and Missouri banks, he said, it may be necessary to make a sacrifice at one place to gain at another.

The outgoing MBA president discussed the association's coming move to Jefferson City (a feature including pictures appeared in the May 1, 1971, issue of MID-CONTINENT BANKER). He said the decision to relocate from Columbia was based partly on the MBA's increased emphasis on legislative activities. Mr. Martin also gave a slide presentation of the proposed new quarters.

He said there is one unhappy aspect about the move to Jefferson City, and that is the retirement of Mrs. Margaret Parman, a 26-year veteran on the MBA staff. Mrs. Parman elected to stay in Columbia and retire under provisions of the MBA pension plan effective with the close of the 1971 convention. However, she will be working on a part-time basis until the move to the state capital is completed next winter.

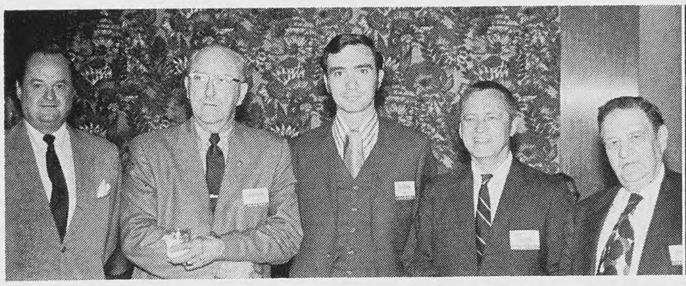
Legislation. MBA Counsel Sam Overfelt, in discussing banking legislation, pointed out that there were about 60 bills in the current session of the General Assembly that are of direct concern or related to banking. He reported that, as of the time of the convention, with five weeks to go in the legislative session, most of the bills that the MBA believes would be harmful to banking either have been officially killed, are still resting in committee (which means that for all practical purposes, they are dead for this session) or have been delayed in committee and are so far down the so-called "perfection calendar" that they have little chance of passage. According to Mr. Overfelt, these include several bills that in one way or another would do away with the holder-in-due-course doctrine and, in the MBA's opinion, seriously hamper deserving persons trying to obtain credit; a bill that would double inheritance taxes and one (HB 201) that would have established a new field of "registered accountants."



ROBERT KAMM MAXFIELD SOMMER

Mr. Overfelt turned to the major pieces of banking legislation still before the assembly at the time he spoke. First among these is the so-called S&L recodification bill, SB 3. This 112-page document, according to Mr. Overfelt, was generally conceded to be a need-

NEW MBA OFFICERS. Larry E. Lumpe (c.), exec. v.p., State Bank, Poplar Bluff, is the new association pres. Ben A. Parnell Jr. (l.), pres. & ch., Peoples Bank, Branson, is v.p.; and James E. Cline, pres., Citizens Bank, Maryville, is treas.



LEFT: At a luncheon sponsored by American Nat'l, St. Joseph, Milton Tootle Jr. (l.), ch., and Charles K. Richmond (2nd from r.), sr. v.p., visit with guests, John A. Cusick (2nd from l.), v.p., Chillicothe State; Fred K. Simmer, a.c., Chillicothe State; and John Rogers (r.), ch., First Nat'l, Milan. RIGHT: Also at the American Nat'l luncheon were (l. to r.) Mike O'Keefe, regional counsel for District 10; Roger Wilson, pres., Bank of Weston; Robert E. Mickey, pres., Farmers & Commercial Bank, Holden; and John Rogers, deputy regional administrator of national banks for District 10.

ed recodification of S&L laws, but it also contained an extensive list of additional powers for S&Ls. For instance, he said, the bill would give S&Ls the power to operate travel agencies, to act as escrow holders and to operate safe deposit boxes and would give them fairly broad trust powers and broad leasing powers. While the MBA had no objection to the recodification, it did feel the bill was far too broad in scope, when one considers the purpose for which S&Ls are chartered. Mr. Overfelt reported that a number of senators agreed with the association, and, as a result, a new bill was drafted eliminating the powers listed above. The bill had passed the Senate at the time of Mr. Overfelt's talk and was due for a third reading in the House.

Counsel Overfelt pointed to the passage of HB 169, which assures continued equality of taxation between state-chartered and national banks. Governor Warren Hearnes signed this bill May 4.

Another bill discussed was SB 225, the bill to equalize the intangible tax between customers of banks and S&Ls. Although the MBA believes the tax should be abolished, Mr. Overfelt pointed out that such abolition would be politically impossible this year because proceeds from this tax go basically to elementary and secondary schools. Therefore, the MBA is supporting SB 225 as a means hopefully of equalizing the tax until the time when it might be possible to abolish it or at least graphically call the unfairness of the present tax to the attention of the General Assembly. Mr. Overfelt said a number of senators will take the lead in developing some alternative possibilities for consideration next year if the bill is not passed this year.

Another bill, HB 432, is related to the intangible-tax subject, said Mr. Overfelt. This measure, which is supported by Governor Hearnes, is designed to increase intangible tax collections by requiring banks to report interest paid to savers each year. If this measure is to become law, he continued, the association intends to work for amendments that would include all financial institutions, not just banks.

ABA President. The bank charge card promises to become the cornerstone of an array of customized credit services available to every consumer, ABA President Clifford Sommer told convention delegates. Mr. Sommer, president, Security Bank, Owatonna, Minn., discussed the recent final report of the ABA's monetary and payments system planning committee (MAPS), which provided banking with a blueprint for the orderly increase in automated handling of payments.

Business Outlook. A slow, but steady, month-by-month improvement in economic activity in the year ahead was forecast by Jacob O. Kamm, president, Cleveland Quarries, Cleveland. He also predicted the greatest Christmas buying season in American history for 1971.

Mr. Kamm said inflation will continue to be with us to the extent of a rise in the consumer price index of 4% to 5% for 1971, and unemployment will range between 5% and 6% for the year ahead due in large part to returning Vietnam veterans looking for work and to the expansion of our labor force by 1.5 million new entrants per year. Real growth in the Gross National Product, he continued, will average 3% to 4% per year and is expected to total $1,050 billion in 1971.

New MBA Officers. Larry E. Lumpe, executive vice president, State Bank, Poplar Bluff, succeeded Mr. Martin as MBA president. Ben A. Parnell Jr., chairman and president, Peoples Bank, Branson, advanced from treasurer to vice president. James E. Cline, chairman and president, Citizens State, Maryville, was elected treasurer.

ABA Officers. Outgoing President Martin was elected to the ABA nominating committee to serve at the convention next fall. A. R. Bollinger, president, Columbia National, was elected alternate. Bill B. Lee, chairman and president, First National, Neosho, was elected to the ABA executive council for a two-year term.

Constitutional Amendments. MBA members approved a proposal to amend the constitution so that dues can be increased and bank holding companies can be admitted as associate members provided that each HC's member banks are members of the MBA. The MBA's council of administration also must approve each HC's application for membership.

Resolutions. Among resolutions

LEFT: Five new members of the 50-Year Club are pictured here. They are (l. to r.) Charles R. Layland, ch., Christman-Sawyer Bank, Independence; George Ledford, pres., Lathrop Bank; John Rogers, ch., First Nat'l, Milan; R. H. Brown, pres., Bank of Troy; and H. Kyle Vickrey, pres., Farmers Bank, Stover. RIGHT: Al O. Woods (l.), retired regional mgr. for Mosler Safe, poses with one of his young associates and his wife, Mr. and Mrs. Donald Oppliger. Mr. Oppliger is a bank sales engineer for Mosler. Mr. Woods retired from Mosler following 50 years of service.

adopted at the convention, the MBA spotlighted ecology by urging that all bankers in the state: 1. In considering requests for credit from any industrial, commercial or housing institution, give careful consideration to the action by said institution to avoid further pollution of the environment. 2. Give special attention to requests for credit from existing institutions wishing to install equipment or devices or take other action that would aid in combating pollution. 3. Join with other local business and civic leaders interested in preservation of the environment in actively seeking solutions to local pollution problems.

By resolution also, the association officially commended the work of the First Missouri Development Finance Corp. and urged banks not presently members to become participant banks; officially urged the governor and General Assembly to find other sources of revenue as alternatives to the intangible tax; commended the 1970-71 officers of the MBA and its permanent staff; extended the association's appreciation to Mrs. Margaret Parman and expressed gratitude to C. W. Culley, commissioner of finance in Missouri, for outstanding service to the people and the banking industry of the state.

Three-Pronged Drive for New Business Hinges on Efforts of Personnel, Directors

IN THREE weeks the bank had a total of 155 new accounts. The first month produced more than $100,000 in new money.

These results are typical of those being obtained by City National, Birmingham, Ala., through a three-pronged drive for new business which is under the direction of Charles L. Stowe, marketing director. The three "prongs" of the campaign are the bank's directors, its officers and its employees.

Basic to the program is the effort to make getting new business fun. One of the means used to accomplish this was to induce directors to call with an officer upon prospective accounts. It was found that when a director and an officer called on a company with which the director did business the door was immediately open although in the past it may have been closed to the officer.

On a chart in the board room the names of all directors are listed and the marketing officer keeps score as the directors make calls and produce results. Although not all directors put in time in the bank's service, those that do enjoy it, according to Mr. Stowe.

To motivate employees to seek new accounts, the bank offered U. S. Savings Bonds as monthly prizes to employees obtaining the largest results in three categories. For the largest dollar volume in demand deposits a $50 bond is awarded, for the largest dollar volume in time deposits a $25 bond and for the largest number of new accounts a $25 bond. Officers are not eligible for bonds.

In addition, the department or branch with the greatest increase in dollar volume above $250,000 of new business over a six-month period will be given a special dinner by the bank.

Employees were divided into teams and urged to adopt team names. The team names were then entered on a progress chart so that staff members could see at a glance how the race for the free dinner was progressing.

To introduce the program the marketing director set up meetings of employees at which were shown "how-to-sell" films provided by the American Bankers Association. Employees were then urged to contact friends, relatives and business contacts in order to obtain new business for the bank.

The program is simple but it works, said Mr. Stowe. For example, the first month a high school graduate with less than a year's banking experience brought in a new account for $20,000 and won the savings bond. • •

Walker Retires as Exec. VP Of First National, Monett

MONETT, MO.—Milburn N. Walker, executive vice president, First National, will retire June 30, but he will remain a director.

Upon Mr. Walker's retirement, Dayton L. Mackey, cashier, will become chief executive officer under the title of vice president and cashier.

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