MID-CONTINENT BANKER

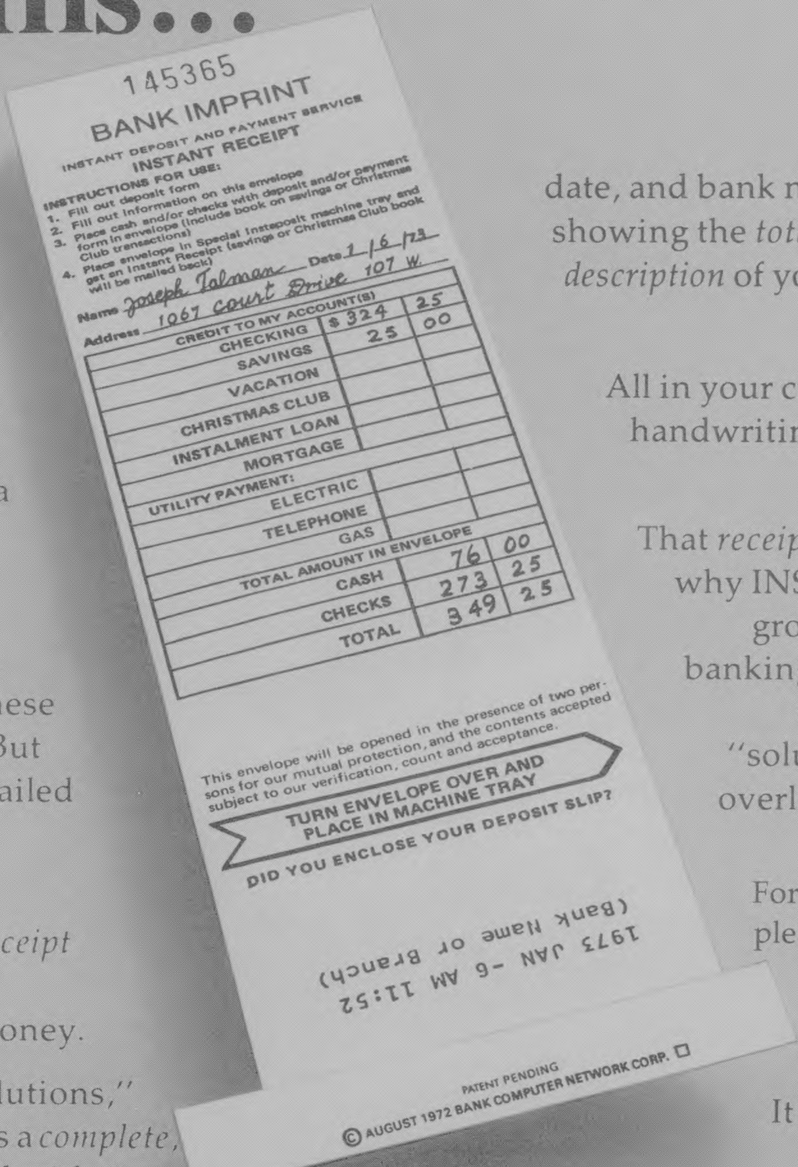
The Financial Magazine of the Mississippi Valley & Southwest

JANUARY, 1973

OUTLOOK ISSUE

New Home for Union National, Springfield, Mo.

The RECEIPT that solved peak period problems...



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Harold Colbert Retires From Commerce Publishing; Succeeded by W. H. Clark

COLBERT

CLARK

ST. LOUIS—Harold R. Colbert retired December 31 as a director, president and chief executive officer of Commerce Publishing Co., which publishes MID-CONTINENT BANKER as well as four other monthly business publications.

Wesley H. Clark, who has been associated with Commerce Publishing Co. since March, 1946, advanced from executive vice president, a position he has held since 1967, to president and chief executive officer, succeeding Mr. Colbert. Mr. Clark, who has been a director of the company since 1954, was named vice president in 1955. He served as editor of PICTURE & GIFT JOURNAL (now DECOR) when it was purchased by Commerce Publishing Co. in 1946. In 1948 he transferred to the editorial desk of CLUB MANAGEMENT, another Commerce publication. He was named managing editor in 1950, editor in 1960 and publisher in 1968. Mr. Clark's father, the late Howard W. Clark, was editor and managing director of MID-WESTERN BANKER, published in Milwaukee, for 25 years before his retirement in 1958. Wesley Clark is the nephew of Donald H. Clark, chairman of the board and major stockholder of Commerce Publishing Co., which he joined in 1923, when it published only MID-CONTINENT BANKER.

Mr. Colbert joined Commerce Publishing Co. in 1929 as an assistant editor of MID-CONTINENT BANKER. In his 43½ years with the firm, he has occupied many of the editing and publishing chairs as well as corporate responsibilities. He served as associate editor of MID-CONTINENT BANKER and as assistant editor, associate editor and editor of the firm's two national monthly insurance magazines, LIFE INSURANCE SELLING and THE LOCAL AGENT (now AMERICAN AGENT & BROKER). He later served as assistant publisher, associate publisher and publisher of all five of

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MID-CONTINENT BANKER

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FEATURES

DEPARTMENTS

STATE NEWS

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

The Market for Stocks of Small Banks

MARKET quotations for the stock of giant banks or bank holding companies, as well as for other major financial institutions, are readily available in publications such as *The Wall Street Journal* and *American Banker*. But there is a relative dearth of information concerning stocks of small banks.

A number of major brokerage firms have been spending considerable time and effort in analyzing this important, but relatively overlooked, market. These firms recognize the need for a viable market for the stocks of smaller banks.

Among reasons for this recognition is the fact that the rapid growth of banks has not permitted an adequate plowing back of capital to meet the pressures for capital-adequacy requirements. With high personal taxes and the plugging of various inheritance tax loopholes, it is becoming increasingly difficult for successors of founders of these small banks to accumulate the capital these banks need.

Capital-Formation Source

It's apparent that the traditional plowing back of capital for the small institution is becoming increasingly less satisfactory as a capital-formation source and that capital funds must be raised by some other means. It is true that controlling owners of banks can attempt to raise funds through their existing friends and favored customers, but two factors seem to work against this practice in many cases.

Funds raised from depositors result in a reduction in bank deposits and a conversion of those deposits into bank capital and surplus.

In addition, this factor may well pose some problems regarding bank control. The wealthy individual who is approached to purchase bank stock is typically concerned about representation on the board. The election of such an individual to a directorship might not always be in the best interest of existing management.

Further, it appears that the Internal Revenue Service is concerned in a number of states as to the reliability of quotations for evaluating the value of a bank's stock when establishing the amount of inheritance taxes. Thus, it behooves owners of bank stock in trusts and estates or in the hands of aging individuals to have a better criteria of the value of the securities they are selling or have in their estates.

It long has been recognized that quotations on stocks of small banks have been lacking in depth. All too frequently, the market value is determined by local management. This has often led to some self-serving on the part of insiders in the price they are willing to quote for small blocks of their bank's stock that may become available on the market.

Diffuse Stock Ownership

An outsider holding bank stock that has been paying only a 1% dividend on real valuation will have a considerably lower opinion of the bank's stock value than will the insider. Outsiders typically don't recognize that the bank has been plowing back substantial amounts into its capital structure. Thus, having stock ownership somewhat diffused through the community, or diffused through a region, poses some attractive considerations for inside control of the bank.

Hornblower & Weeks-Hemphill, Noyes is one national brokerage firm that has decided to beef up its nationwide program of maintaining an active market in the stocks of small banks. Why should the brokerage houses be moving into this particular stock market segmentation now? Because they are under some of the same types of pressures as other businesses—to search out markets that are growing, that are attractive and that will provide them with opportunities to perform their service in creating a market for bank securities.

At this time, there is a great deal of selectivity in bank stocks in which brokerage firms will maintain markets. Typically, these are stocks in which a brokerage firm has had dealings with the owners. Also, the banks must be seasoned, in that they must have been in existence for a given period of time—usually a minimum of five years or more. The capital structure of such an organization will permit a deposit structure of probably a minimum of $25 million to a maximum of $100 million.

Two schools of thought tend to emerge at this point. The first is the desire on the part of one segment of bank ownership, through a broadened market, to achieve a more attractive price-times-earnings ratio to permit liquidation of existing holdings at some time, due to family pressures or inheritance taxes. To individuals in this category, sponsorship of a market for the bank stock by a brokerage firm—especially a national one—is attractive.

The other school of thought is concerned with the possibility of broadened ownership, which, at the 500-shareholder mark, automatically places the bank under a great amount of additional regulation and requires it to more fully disclose transactions.

Some banks nearing the 500-shareholder mark have taken up this problem and are making definite efforts to see that shareholders are kept below 500. To accomplish this, they have instituted a standing order with market makers to pick up and consolidate shares to prevent the number of shareholders from reaching the 500 mark.

Some Risks Entailed

Typically, there will be a spread between the bidding and asking prices of a security. The difference is what the brokerage firm will need to reimburse itself for the cost of staying active in the market. There are some risks entailed in taking an investment position in any stock. It is true that there probably is less of a variation of a market risk with bank stocks than with

(Continued on page 49)

SIMPLIFY.

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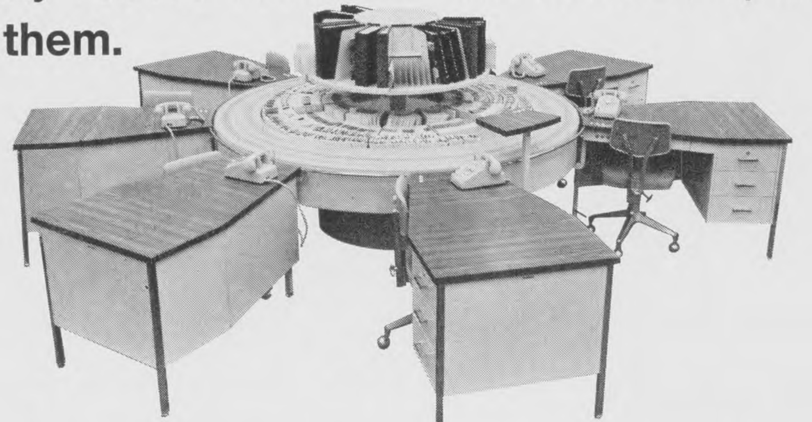

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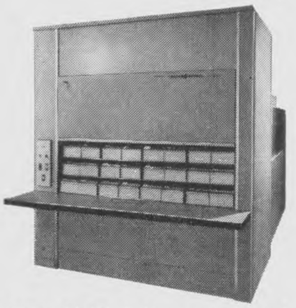

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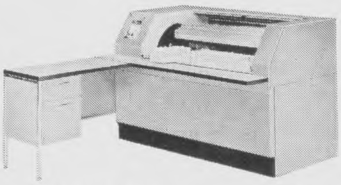

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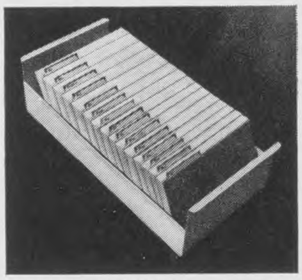

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Security

Embezzlements, Hold-Ups, Burglaries To Disappear From Banks—in 1992?

By OSCAR W. JONES
Director
Loss Prevention Services
Scarborough & Co.
Chicago

JANUARY 15, 1993—Washington, D. C.—The FBI today issued a statement that should be heart warming and rewarding to all commercial bankers across the country. According to the press release, there was not a single bank embezzlement, hold-up or burglary during 1992.

Twenty years ago—in 1972—these three crimes against banks hit an all-time high. The number of these crimes reached into the thousands in that year. In fact, most of us remember quite well the catastrophic results for many banks from these crimes back in 1972. But 1992 was a year completely free from bank crimes.

You may wonder how banks have been able, in just 20 years, to eliminate this plague that was so prevalent two decades ago.

In the first place, when the bank crime rate finally reached its peak in 1972, bankers across the country at last became genuinely alarmed and realized they would have to "fight back" in order to eliminate this growing menace. But how could banks fight the perpetrators of these crimes?

Well, beginning with embezzlements, banks set up tighter internal controls to remove the *opportunity* from the would-be embezzler's easy reach. All banks across the country implemented programs of direct customer verification of loan and deposit accounts in order to detect, in the early stages, attempts of defalcation on these accounts.

Internal auditors or control officers were employed by banks not already taking advantage of this additional safeguard, and internal audit programs were strengthened and refined to improve their effectiveness.

Finally, all banks, even all "small" banks under the $50-million size, engaged CPA firms to conduct annual audits of the banks' records and books of account.

It didn't take many years before would-be embezzlers finally gave up their attempts to overcome all these stumbling blocks that had been placed in their paths. The crime of embezzlement finally dwindled down to nil just this past year.

To combat hold-up artists, the banks installed modern alarms and surveillance systems and trained their personnel in prompt and effective use of this equipment. With law enforcement officers arriving at the hold-up scene before the criminals could make their getaway, and with photos of the hold-ups themselves as evidence against these criminals, this crime also has been eliminated from the banking scene as of last year.

Burglaries likewise were finally knocked out by the banks' usage of better vaults, safes and alarm systems.

So it is indeed a time for commercial bankers of the nation to rejoice. The battle was won finally by use of better internal controls, direct-verification programs, internal audit, annual outside CPA audits, alarm and surveillance systems and proper employee training.

The victory was won by the nation's bankers taking decisive action.

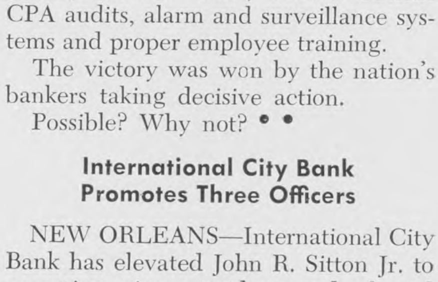
Possible? Why not? • •

International City Bank Promotes Three Officers

NEW ORLEANS—International City Bank has elevated John R. Sitton Jr. to executive vice president and elected Sam C. Tournillon Jr. and Guy Harrell to senior vice presidents.

Mr. Sitton was formerly a senior vice president and has been in charge of the administrative department since the bank's organization. Messrs. Tournillon and Harrell were formerly vice presidents and are in charge of special services and accounting, investments, subsidiaries, respectively.

Mr. Sitton is the first person to hold the title of executive vice president at the bank.



SITTON TOURNILLON HARRELL

NEWS OF THE BANKING WORLD

GRAHAM

ANDERSON

PERKINS

CUMMINGS

• **Donald M. Graham** has announced his retirement as chairman of both Continental Illinois Corp. and Continental Bank, Chicago, in March. The retirement will coincide with the previously announced retirement of Tilden Cummings, bank and HC president. Both men will remain as directors of both corporations.

Roger E. Anderson will be named chairman and John H. Perkins president of both corporations. Both Mr. Anderson and Mr. Perkins have been vice chairmen of the holding company and bank since 1971 and both joined the bank in 1946.

• **Citizens & Southern National,** Atlanta, has announced a realignment of its senior management, which expands the responsibilities of six officers. Involved in the realignment are:

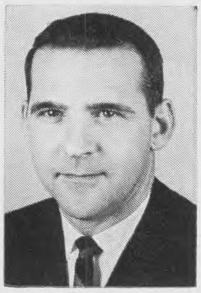
Joseph A. Hall III, was named chairman of the bank's holding company and continues as first vice president of the bank. He is coordinator of activities of the bank and HC.

Bennett A. Brown has succeeded Mr. Hall as president of the HC, assuming responsibilities for its non-banking subsidiaries. Mr. Brown also remains assistant president of the bank.

Howard S. Starks has moved to assistant president and will work directly with the president and his staff officers.

Named general vice presidents were Henry T. Collinsworth Jr., R. Dan Handley Jr. and John W. McIntyre. Mr. Collinsworth has over-all responsibility for C&S activities in the Atlanta area; Mr. Handley has charge of computer services and all C&S offices outside Atlanta, and Mr. McIntyre has added the money management function to his responsibilities for trust and investment counseling.

HALL



BROWN

COLLINSWORTH

HANDLEY

McINTYRE

WALKER

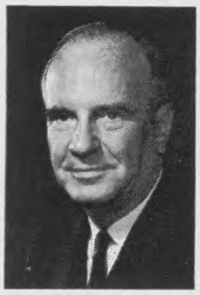
• **Charls E. Walker** has resigned as deputy secretary of the Treasury to set up a financial consulting operation in Washington, D. C. Before going to the Treasury in 1969, Mr. Walker was ABA executive vice president.

• **Norfleet Turner** resigned December 31 as honorary chairman of First National, Memphis, after 43 years of service to the bank. His son, Norfleet R. Turner, president, Data Communications Corp., was elected to the bank's board, effective December 31.

The senior Mr. Turner joined First National in 1929 and became president in 1943. In 1960, he became chairman and vice chairman in 1967. Although he retired in 1970, he retained a seat on the board as honorary chairman. During his 30-year tenure as president and chairman, he guided First National from a $21-million bank to its current position as the anchor bank of a $1.2-billion holding company.

The younger Mr. Turner joined First National in 1951 and served in several departments before leaving in 1969 to organize Data Communications Corp.

NORFLEET R. TURNER



NORFLEET TURNER

• **Chemical New York Corp.** and its principal subsidiary, Chemical Bank of New York, elected Donald C. Platten chairman and chief executive officer, effective Feb. 1. He will succeed William S. Renchard, who will retire as chairman but will continue as a director.

Norborne Berkeley Jr. will succeed Mr. Platten as president and chief administrative officer and Richard K. LeBlond II will advance to vice chairman. Mr. Berkeley and Mr. LeBlond are executive vice presidents and directors of the holding company and of the bank.

BERKELEY

LEBLOND

PLATTEN

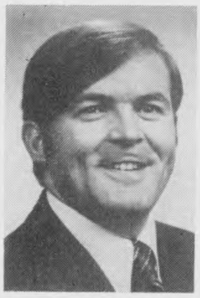
Corporate News Roundup

• **Christmas Club a Corporation.** John H. Guinan has been elected president of Christmas Club a Corporation, New York City, moving up from vice president and general sales manager. With the firm since 1969, Mr. Guinan formerly was vice president of Young & Selden Division of Diebold, Inc.

John W. Frenaye, formerly president of Christmas Club, has been elected president of Bank Services Co., an affilate of Osceola Operating Corp., parent of Christmas Club. In addition, Mr. Frenaye continues as a director of the latter firm.

GUINAN

FRENAYE



ARNDT

MILLS

• **Universal Mobile Services Corp.** A $5-million line of credit with First National City, New York City, and First City National, Houston, has been secured by Universal Mobile Services Corp., Houston. The money will be used solely for dealer inventory financing, according to UMSC Chairman W. R. Peterson and President Ralph C. Cook.

Messrs. Peterson and Cook said the new credit arrangement will enable the firm to significantly expand its program of assisting mobile home dealers with their inventory financing and, consequently, to increase the retail loan volume it receives.

In other action, Terry W. Arndt has been elected a vice president of UMSC. Mr. Arndt, a CPA, joined the firm last June as controller and chief accounting officer. He previously spent 3½ years in the Houston audit division of Arthur Andersen & Co. He holds a B.S. degree in accounting from Central State University, Edmond, Okla.

USMC is a financial services company that generates and services mobile home loans, finances inventories of mobile home dealers, acts as agent for insurance firms and provides credit life insurance.

• **MoAmCo Corp.** Gary P. Mills has been made a corporate vice president of MoAmCo Corp., Minneapolis. He has been placed in charge of operations for the firm's indemnity division, which markets mortgage-guarantee finance plans on mobile homes and recreational vehicles.

Robert T. Wienert, senior vice president, continues as chief executive of the indemnity division, but is concentrating on expansion activities, new product development and formulation of division policy.

• **Scarborough & Co.** Jack M. Reiter has been appointed a corporate vice president of Scarborough & Co., headquartered in Chicago. Mr. Reiter directs activities of the insured equity division, which specializes in the bank insurance field. He has been with Scarborough since 1970.

In Face of Possible Unionization, What Steps Can Banks Take?

By WILLIAM J. BINGHAM JR.

Vice President—Personnel
First Bank System
Minneapolis

Editor's Note—William J. Bingham Jr. is a veteran of more than 25 years in labor relations. For 12 years he was employee relations manager for Gillette Safety Razor Co. Later he was with TRW, Inc., as personnel director for five years and for a like period served Dynacolor Corp. as director of industrial relations. First Bank System is a multi-bank holding company controlling 88 banks in the five states of Wisconsin, Minnesota, North Dakota, South Dakota and Montana.

UNIONIZING white collar workers has attracted and is still attracting attention on many fronts. Currently, there is union activity at several large banks around the country.

A recent study by the National Industrial Conference Board notes "that on balance, however, there is little consensus as to the true nature of white collar organizing. Historically, union efforts and successes in organizing white collar employees have lagged far behind the pace of blue collar organizing drives. The accepted reasons are well known."

I don't see any reason why any well-managed bank should be organized by a labor union. I cannot accept the premise now being espoused by some that we have reached a stage where unionization is inevitable to most organizations. I want to emphasize, however, the distinction between a well-managed bank and one that is not.

Let us for a moment consider how unions view banks. The mission of any union during an organizing drive is to articulate management's mistakes. This is really the only thing they have to sell. Companies have been easily organized whose employees received better than average wages, enjoyed steady employment and well-above average-benefit programs. And there have been companies that have successfully defeated union organizing attempts even though they paid low wages and had modest benefit programs.

In analyzing your present position with respect to possible union organization, I suggest you cover at least the following points:

Determine your attitude toward labor unions. Unfortunately, many today still object to unions on the grounds that they are bad. Unions are accepted as a part of American life; they are protected by federal statutes and they are here to stay. As I see it, you have virtually nothing to gain and much to lose by adopting an anti-union posture. The name of the game today is to be *pro-employee*—not *anti-union.*

Know Your Weaknesses

Since the mission of a union attempting to organize a bank is to articulate management's mistakes, it's obvious that if management is going to be successful, it should know its weaknesses *in the eyes of its employees* well in advance of an organizing drive. It's important to note that it is not management's analysis of its weaknesses but employees' analyses of management's weaknesses that count. Unfortunately, management sometimes assumes that because it's paying good wages, has a record of steady employment, and an excellent fringe-benefit program, it does not have weaknesses in the eyes of its employees.

During the largest union organizing drive ever conducted in the United States, that of the U. S. Steel companies, Clinton Golden, acknowledged as one of the greatest union organizers of the labor movement and in charge of this organizing drive, was surprised to find one day that his union organizing committee was approached by a group of employees from a smaller steel company that paid the highest wages and had by far the best benefits in the industry. They asked the union to hold an election in their steel plant. Mr. Golden at first declined on the basis that his union could not afford to spend the time and effort at that point in its organizing drive when it was obvious on the surface that it probably would lose. The employees persisted, however, and in a subsequent election, the union won by an overwhelming majority.

As Mr. Golden later noted, management sometimes overlooks the fact that well-paid employees who enjoy the fruits of excellent benefit programs, subsidized company cafeterias and company-paid recreational facilities may still want to be organized for compelling psychological reasons. This is a very important point which is often overlooked in many union campaigns. In this case, the employees deeply resented management's paternalistic attitude. Their overwhelming vote for the union was, in fact, a vote to have some say in matters that affected them. I have heard company presidents at the beginning of a union organizing campaign repeatedly state, "Our employees don't need a union. We already give them everything a union could ask for." Who said they didn't need a union? The decision whether employees need or want a union will be made ultimately by employees, not management. Accordingly, it is most important that you do not make any false assumptions on the basis of various programs in your bank or practices which, in your eyes and not necessarily in the eyes of your employees, are as good as they could expect.

Areas of Vulnerability

Now, how do you identify areas of vulnerability and weaknesses in terms of the eyes of your own employees? It is really quite simple. *You ask them.* If you don't do this before the organizing drive starts, then you will find it will be the first step of your campaign strategy once the union has given notice. On 11 different occasions in past years, I have found myself involved in bargaining unit representation elections. In each case, we reacted promptly to determine what had prompted the request for an election and, in some instances, we found there were a number of things wrong in the eyes of our employees that we had not properly evaluated although we were cognizant of the problems. While I am thankful for my record of 11 wins and no losses, I also am humbled by the fact that I was part of a management team and, therefore, shared the responsibility for situations in which management had not properly evaluated its weaknesses *in the eyes of its employees.*

There are other ways you can identify your weaknesses. One way is to simply walk and listen. Employee attitude surveys are helpful. Another way is to periodically evaluate the effectiveness of your supervisors' communications with their employees by requiring them to make reports on topics in work situations about which their employees are uncomfortable. *Do not* ask your supervisors to report to you what they feel to be sensitive areas in terms of their employees. *Do ask* them the question,

"When your employees complain, what do they talk about?" If you receive a negative answer, you immediately know you have a supervisor who has not established meaningful communications with his employees. *Everyone* has things in the work situation that bother him and about which he is unhappy. The fact that these topics cannot be brought out into the open and discussed is significant. Let me repeat, ask your supervisors to tell you what your employees talk about when they complain.

Once you have determined what employees talk about when they complain, you must take affirmative steps to acknowledge the problem and put it to rest. This does not necessarily mean that you must remedy the situation about which the employees may be complaining. In fact, it may not be possible for you to do so. But it is important that the problem be acknowledged and employees be given reasons for your actions. In one manufacturing plant in which I worked, we did not have a pension plan. This was a young, struggling company trying to establish itself in a very competitive situation. In its early days, when we received some employee comments concerning the lack of a pension plan, we took great pains to discuss in written form our plans to scale up our hospital and life insurance programs as first priority needs and to defer for a period of several years any consideration of a pension plan until we had enough financial resources to undertake one properly. It is interesting to note that in two subsequent union representation elections at this plant in which the union was defeated on both occasions, the question of an employee pension plan was never once raised by the employees or the union.

Next, I believe it is very important that you maintain a continuous dialogue with your employees.

The importance of dialogue with your employees is further underscored in a recent survey made by the National Industrial Conference Board on recent NLRB election results in white collar units. It was noted that in 68 campaigns where the company learned of union organizing from its own employees, the unions won only 34% of the elections. In 67 cases where the employers were unaware of any union drive until apprised by either the union or the NLRB, the unions won 63% of the elections. Accordingly, the need to establish some vehicle, either formal or informal, to evaluate and act on employee complaints is crucial. I instinctively withdraw from the title of grievance procedure in that it emphasizes a negative note. Grievance is a typical union label. By definition, the word indicates that the employee already has been wronged—which may not be true. From my vantage point, no one has a grievance until he has made a request that has been rejected or not acted upon. This does not mean, however, that you cannot establish with good results a formal employee problem or complaint procedure. On the contrary, I strongly urge you to do so. The fact that it may not be used often is not as important as the fact that you have one and that in the eyes of your employees, it has credibility. Furthermore, I can guarantee that if you do have a union, this will be one of the first contract demands.

I hope that if I can do nothing else, I can impress on you the fact that each employer-employee situation is unique. Unfortunately, generalities, including some of the ones covered in this article, may not be helpful in your situation. The adage of what is one man's meat may be another's poison is particularly appropriate to this topic. Copying or adopting programs or practices from other well-run banks may not be the answer in your case. In fact, it could be a waste of funds. To pay even higher wages than those that are competitive in your area in an effort to thwart unionization is fallacious if the real problem in the eyes of your employees is in some other area. Accordingly, I make a special plea for you to devise ways and means to evaluate the pluses and minuses in terms of the uniqueness of your own organization. Make your own appraisal. Do not avoid this step in favor of copying someone else's program.

If ever there was a time to let your employees know that you are in their corner, it is now. The question is not in doing things right but in doing the right thing. I am optimistic about the future of our employees in the banking industry. We already have a lot going for us in terms of an excellent and long record of good employer-employee relations. The thing we must guard against is that we as executives also are human. Consequently, there is a tendency to stay with the style of management and philosophy of organization that made us successful. Therefore, some of us may lose the ability to respond objectively to changes with new and suitable strategies.

These are changing times in terms of the rights of minorities, women and employees. The question before us and the challenge to us is who is going to be the leader and interpreter of these changes—management or unions? If ever there was an opportunity to keep the initiative, it is here before us now. Will we pre-act or react? • •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Community Involvement

• **Bank of America** has been named the first winner in a new environment awards program sponsored by North American School of Conservation, a subsidiary of National Systems Corp., Newport Beach, Cal.

The bank was cited for its book, "Getting Down to Earth," an environmental handbook for laymen that discusses the causes, effects and solutions of the pollution problem. More than 60,000 copies of the book were published on recycled paper.

Environment award is presented to Bank of America's President A. W. Clausen (r.) by former astronaut Walter M. Schirra Jr. (l.) vice president of public service for National Systems Corp., parent firm of North American School of Conservation. School President Maurice Sherman is in center.

• **First National City Bank,** New York City, has initiated a series of learning programs to upgrade the basic skills of employees who have not graduated from high school. Some 240 employees are enrolled in the program, which uses workbooks, cassette tapes and film strips. The curriculum extends for 60 weeks of three 20-week cycles. The program's goal is for each student to achieve a minimum increase of one grade level in math and language for 100 hours of instruction.

• **Continental Illinois National,** Chicago, is investing an estimated $1.6 million annually in direct expenditures and manpower to help solve human problems in Chicago. The figure is in addition to almost $200 million in loans made over the past few years, according to Donald M. Graham, chairman.

Beneficiaries of the loans include minority businesses, low- and middle-income housing, employment, education and related community programs. A report of the bank's commitment is in a booklet, entitled, ". . . Because We Live Here."

• **First National,** St. Louis, has underwritten a feasibility study on the recycling of solid wastes in the St. Louis metropolitan area. The six-month study is a part of the bank's ecology program, and was conducted by a St. Louis-based engineering firm.

The study was undertaken to determine the amount of solid wastes generated in the area and to assess the potential for recycling the waste. The bank plans to summarize the report and publish the findings in a booklet that will be mailed to each bank customer. Copies will also be furnished to appropriate public agencies at all levels of government.

The report will be printed on recycled paper.

• **First National of Arizona,** Phoenix, has donated excess furniture from its former headquarters to charitable organizations in the Phoenix area. The furniture was declared excess after the bank moved into its new headquarters building last October.

Donations included used desks, chairs, credenzas, tables, sofas, file cabinets, storage cabinets, bookcases, magazine racks, display boards, coat racks and shelving. Recipients included the Presbyterian Service Center Mission, Goodwill Industries, the St. Vincent de Paul Society, the Boys' Clubs of Phoenix, the Salvation Army and other organizations.

• **Bankers Trust,** New York City, has created a directors' committee to guide the bank in the field of public responsibility. The bank is said to be the first in the nation to create such a committee.

The committee is composed of experts in the fields of education, housing, medicine and the problems that confront all members of an urban community. William H. Moore, bank chairman, represents banking on the committee.

• **National Boulevard Bank,** Chicago, has set up a program to provide funds for the National Wildlife Federation, an organization dedicated to the preservation of wildlife. Basic to the program are checks depicting vanishing species of wildlife.

Although the checks had been available for some time, National Boulevard was the first bank to make the checks a vehicle for an ecological cause. The bank promoted the checks heavily and pledged a contribution to the Federation for every vanishing wildlife check processed on the basis of a formula that guaranteed a minimum annual contribution.

NEWS OF HOLDING COMPANIES

FHLBB Orders Divestiture of Mutual S&L By Fort Worth National Corp. Holding Company

FORT WORTH National Corp., holding company for Fort Worth National, has consented to an order by the Federal Home Loan Bank Board to divest itself of the $79.8 million savings-capital Mutual Savings & Loan Association, subject to certain terms and conditions. Effective date of the divestiture is December 31, 1973.

The action settled litigation that arose from the FHLBB's denial of the acquisition on the grounds it would be anticompetitive, and from the HC's subsequent consummation of the transaction under the terms of a court order.

A Justice Department antitrust suit to block the acquisition is still pending.

The HC acquired the S&L in September, 1971, under terms of the U.S. District Court, which provided that the S&L stock be placed in the custody of some other national bank pending outcome of the antitrust action.

Lewis H. Bond, chairman and CEO of Fort Worth National, said that, at the time of the acquisition, it was thought the Fed would approve the acquisition of S&L's by HCs. However, the Fed decided in August of last year not to include the operation of S&Ls on its list of permissible activities for HCs. Because of the Fed's decision, Mr. Bond said, the HC would be faced with the ultimate divestiture of the S&L even if it prevailed in the courts.

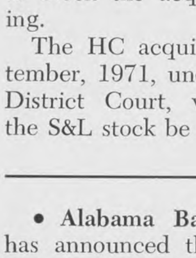
The divestiture date can be extended by one year if necessary.

In other action, the HC has received Fed permission to acquire American National, Amarillo, and awaits approval to acquire Exchange Bank, Dallas.

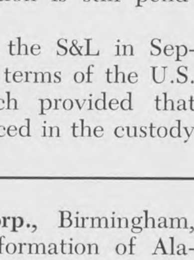
The HC declared a two-for-one stock split last month. • •

• **Alabama Bancorp.,** Birmingham, has announced the formation of Alabanc Financial Corp., a subsidiary that will engage in all types of financing and leasing. Thomas J. Tucker will head the subsidiary as president. He was formerly assistant regional manager with CIT Corp., Atlanta.

Alabanc will provide capital to meet the needs of growing businesses such as working capital loans secured by existing plant and equipment and expansion loans for increased production to be paid from future profits. It will also provide loans to homeowners and for major personal expenses.



THOMPSON



TUCKER

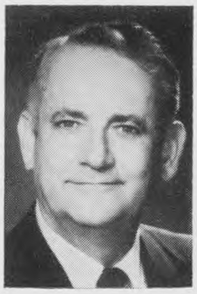
In other action, the HC has announced plans to acquire American National, Huntsville.

• **Central National Chicago Corp.** has appointed John W. Thompson a vice president. Mr. Thompson is also vice president and lending division head of Central National Bank, Chicago. He has also been serving as secretary of the HC.

• **Hamilton Bancshares System,** Chattanooga, plans to acquire Hamilton National of Knoxville following approval by various agencies and stockholders. Terms provide for the exchange of eight shares of HC common for each of the 100,000 common shares of the bank.

In other action, the HC has received approval to acquire Statewide Mortgage Co., Atlanta. The firm services approximately $25 million in mortgages throughout the Atlanta metropolitan area and the state of Georgia. Additional offices are planned in Macon, Ga.; Memphis; Nashville; Knoxville; and Chattanooga.

• **First National Charter Corp.,** Kansas City, has named Donald H. Kasle and Robert W. Rogers senior vice presidents. Mr. Kasle joined the HC in 1969, Mr. Rogers in 1971. Mr. Kasle remains a vice president of First National, Kansas City, largest of the Charter banks.



ROGERS

KASLE

• **Continental Illinois Corp.,** Chicago, has announced plans to sell $100 million of eight-year notes. The notes would not be callable for at least seven years. The offering is expected to take place this month. Proceeds will be available for corporate purposes such as financing the activities of existing or newly formed or acquired non-banking subsidiaries or financing the activities of Continental Bank.

• **The sale of** Citizens Mortgage Corp., a wholly owned subsidiary of U. S. Industries, Inc., to Manufacturers Hanover Corp., New York City, has been approved by directors of both corporations.

Citizens Mortgage is headquartered in Southfield, Mich., and originates and services mortgage loans primarily in Michigan, Ohio and Illinois. At 1971 year-end it serviced a loan portfolio of some $720 million for 170 investors.

• **Chesterfield (Mo.) Bank** plans to affiliate with First Union, Inc., St. Louis based HC whose lead bank is First National, St. Louis. The affiliation is subject to regulatory authority approval.

• **United Missouri Bancshares,** Kansas City, has acquired Manufacturers & Merchanics Bank, Kansas City, and has received Fed approval to acquire Wornall Bank of Kansas City. The two acquisitions are the 10th and 12th for the HC. Preliminary approval from

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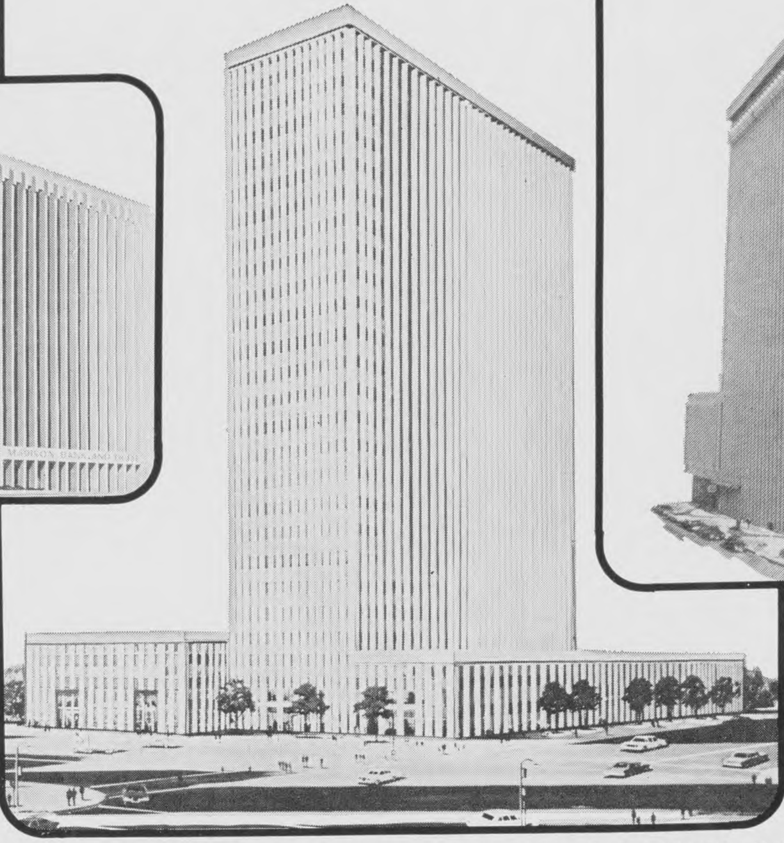
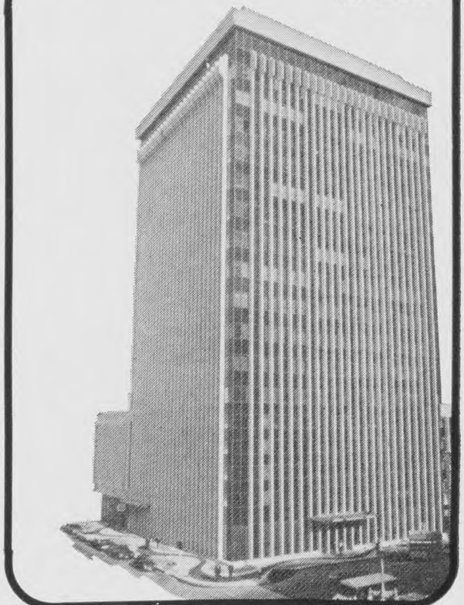


UNITED BANK TOWER
10 - STORY

MADISON, WISCONSIN

FIRST NATIONAL BANK BUILDING
20 - STORY



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the Comptroller of the Currency has been received on the HC's charter application for a downtown St. Louis bank.

• **FBT Leasing, Inc.,** has been organized by FBT Bancorp., Inc., South Bend, Ind. Offices of the new company will be located in the Main Office of First Bank, South Bend, principal subsidiary of FBT Bancorp.

FBT Leasing expects to operate in northern Indiana and southern Michigan. Operations will begin upon approval from the Fed.

• **T G Bancshares,** St. Louis, has elected William E. Ball a director. Mr. Ball is president and chairman of Ladue (Mo.) Building & Engineering Corp., and a director of Continental Bank, a T G Bancshares affiliate in Richmond Heights, Mo.

• **Charter New York Corp.,** HC controlling Irving Trust Co., New York City, has elected the CEOs of two major corporations to its board. They are Harold Bridges, president of Shell Oil Co., and Hamilton B. Mitchell, president of Dun & Bradstreet, Inc. Mr. Mitchell has been a director of Irving Trust since 1970 and will continue in that capacity.

• **Stockholders of** Nortrust Corp., Chicago, have approved a proposal to split the HC's common stock on a two-for-one basis. The proposal calls for a doubling of the HC's shares from three million to six million. Par value will be reduced from $20 to $10 per share.

• **First Tennessee National Corp.** has received Fed approval to acquire First National, Cookeville, Tenn. The acquisition will be the HC's seventh. Anchor bank is First of Memphis.

• **Shareholders of** Alabama Financial Group, Inc., will meet in February to consider a two-for-one stock split, which would increase the authorized shares of stock from three million at par value of $10 per share to six million at par value of $5 per share.

• **Central & State National Corp.,** Birmingham, has announced plans to increase its capital account by $15 million through sale of common stock. Proceeds of the proposed issue will be used to retire short-term indebtedness and to provide capital for the HC's affiliates.

In other action, the HC has announced the affiliations of Peoples Bank, Montgomery, and Citizens Bank, Eufaula.

• **Third National Corp.,** Nashville, has received Fed approval to acquire Merchants Bank, Cleveland, Tenn. Merchants Bank had total assets in excess of $36 million last September 30. It has three branches.

In other action, principals of the HC and Mobilehome Guaranty Corp., Miami, have reached an agreement for the acquisition of Mobilehome Guaranty by the HC. Mobilehome Guaranty operates in Florida, Georgia, Alabama, Tennessee and Kentucky as a mobile home service company.

Principals of Third National Corp. and Mobilehome Guaranty Corp. meet following acquisition agreement. From left: Chase Moss, ch., and Hubert A. Crouch Jr., pres., Third Nat'l Corp.; and Fred Baer, pres., and David E. Hair, sr. v.p., Mobilehome Guaranty.

• **Formation of** Irwin Union Corp., one-bank HC for Irwin Union Bank, Columbus, Ind., has been approved by shareholders. In order to form the new corporation, it was necessary to form a new bank known as the Bartholomew County Bank, which will merge with Irwin Union Bank.

• **First National City Corp.** and First National City Bank have elected Clifton C. Garvin Jr., president of Exxon Corp., to their boards. Exxon Corp. is the new name for Standard Oil Co. (New Jersey). Mr. Garvin lives in Greenwich, Conn.

• **A new HC** for Alabama is in the discussion stages, involving First National, Mobile; City National, Birmingham; and Henderson National, Huntsville. Total assets of the three banks are approximately $408 million.

• **First Alabama Bancshares, Inc.,** Montgomery, has announced the affiliation of Dothan Bank, the fifth affiliation for the HC. The HC also plans to add City National, Tuscaloosa, and First National, Bay Minette, as affiliates.

• **First United Bancorp.,** Fort Worth, plans to acquire Longview National and First State, Odessa. The acquisitions will be the eighth and ninth for the HC. Both plans are subject to approval by appropriate agencies.

The HC recently effected a two-for-one stock split.


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MID-CONTINENT BANKER NEWS ROUNDUP

News From Around the Nation

Environmentalists Bar Branch

A federal district court has ruled that the Comptroller of the Currency's approval of a branch bank in Woodstock, Vt., was unlawful because it did not contain an environmental impact statement.

The Comptroller was permanently enjoined from further processing the application of Woodstock National to open the branch until certain legal requirements are met.

The requirements include reopening of the public file to permit inclusion of the results of the field investigations prepared by national bank examiners, preparation and dissemination of an environmental-impact statement and an opportunity for plaintiffs to comment on materials to be added to the public file and to comment on and rebut the environmental impact statement.

The class-action suit was brought by seven residents of Woodstock on behalf of themselves, local property owners and all others "concerned with maintaining the national cultural heritage by preserving the setting for the historic and architecturally significant buildings" of Woodstock.

The suit was not directed against the bank, but at the traffic congestion the branch is expected to create. The bank's Main Office has no parking and the bank was eager to establish the branch a mere 300 feet from the Main Office in order to be able to provide parking.

Travel Agency Ban Reaffirmed

Federal statutes do not authorize national banks to operate full-scale travel agencies, according to a ruling made by the U. S. Court of Appeals in Boston. The ruling upholds a U. S. District Court ruling made in 1971.

The court also said that the Comptroller of the Currency was clearly in error when he ruled more than 10 years ago that the operation of a travel agency is "necessary and incidental to banking."

The higher court also upheld the lower court's order that South Shore National, Quincy, Mass., must divest its travel operation, although it opened the door to an extension of the lower court's six-month limit for divestiture.

A decision to appeal the ruling had not been made at press time.

Bankers Support 'Open' Clubs

A number of banks have responded positively to a request made by the American Jewish Committee that the banks not use the facilities of private clubs that discriminate in any way or to pay the dues of bank officers belonging to such clubs.

Letters were sent to the 50 largest banks and the 1,000 largest corporations. The letters said that membership in such clubs is often a key factor to business success and that denial of such membership could impede the ability of an executive to move upward in a corporation.

One approach being taken by bankers is to support plans to open new, non-discriminatory private clubs, which are sometimes located in the banks' high-rise buildings. The Jefferson Club, located in the Citizens Fidelity Building in Louisville, has been designated an "open club" and includes two Jews and one black in its membership.

New Leasing Regs Proposed

The Fed has proposed that leasing real and personal property or acting as agent, broker or adviser in leasing such property be made a permissible activity for bank holding companies, subject to the following conditions:

That the lease serve as the equivalent of an extension of credit to the lessee, that the property to be leased is acquired specifically for the leasing transaction, that the lease be on a non-operating basis, that interest in the property be liquidated within two years upon expiration of the lease and that the maximum term of the lease be no more than 30 years.

At the inception of the initial lease the effect of the transaction must yield a return from (1) rentals, (2) estimated tax benefits and (3) in the case of personal property, the estimated salvage value at the end of the minimum useful life allowed by the IRS must compensate the lessor for his full investment in the property plus the cost of financing the property during the life of the lease.

If adopted, the proposal would supersede existing provisions and would put leasing of both real and personal property under a common set of rules.

Government Prying Limits Urged

The ABA has called for further restrictions regarding government access to individual customer bank records. The ABA says that every possible safeguard should be provided to the privacy of financial records.

Proposed new Treasury regulations would require banks to keep photocopies of all checks drawn for $100 or more and spell out procedures government agencies must follow to obtain the records.

The ABA has urged that the $100 figure be upped to $2,500 and that government agencies be barred from passing any information obtained from bank records on to other government agencies.

Clockwise from left, J. Walter Peniston,
William O. Weis, William J. Fisher

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First National Bank of Kansas City

Scene in November at First of Chicago's 26th annual Correspondent Conference, where some 1,200 bankers were briefed on economic trends.

The Outlook for Business

Gap between output potential and actual output will narrow; Inflationary pressures will be strengthened

By WILLIAM J. KORSVIK
Vice President
First National Bank
Chicago

DOUBTS ABOUT the future of business seem to be an occupational disease that plagues businessmen and investors. Thus today, as was true a year ago, there continues to be some lingering doubts about the strength of business. It probably stems in part from the fact that all sectors of activity—or all companies—have not shared equally in the rise in business that has occurred.

KORSVIK

Actually, it would be remarkable if they had, for in an economy as large and diverse as ours, there inevitably are differences. Because of this, some question remains whether the expansion will be aborted or will widen and persist.

If any of you entertain these doubts, I hope to remove them—or at least to erode them substantially.

The talk on which this article is based was given by Mr. Korsvik at First of Chicago's annual correspondent bank conference in November. Mr. Korsvik is in the bank's business and economic research division.

• Industrial production rose again in October, 1972, for the twelfth consecutive month and currently is over 8% higher than it was a year earlier.

• Employment rose in October, continuing a trend underway for over a year. Over 2.3 million persons have been added to the payrolls since October, 1971. This surge in employment has been matched by an almost equally strong but unsustainable spurt in the growth of the labor force.

• As a consequence, unemployment has only recently begun to edge down. It was at a 5.5% level in October, 1972, and at 2.8% for married men.

• Expanding employment, a longer workweek and rising wages and salaries have lifted personal income. Income from April to October, 1972, was 8% above the same period a year earlier.

• As a result, retail sales continue to perform satisfactorily. Through October, 1972, retail sales were 9% above those in the same months of 1971 with gains in October even stronger—11%. This pattern has varied with product lines. Gains in furniture and appliances have been very strong—up about 14%. Apparel sales, on the other hand, are up only 4%—indicative of the different sales patterns I mentioned earlier.

• Installment credit has moved in tandem with the rise in sales as consumers continue to borrow to finance their purchases.

• The consumer savings rate has edged down as consumer confidence has strengthened. Actually, the drop in the savings rate has been sharper than expected, suggesting that the consumer, temporarily, may be saving a bit less to offset the over-withholding of income tax payments.

• As a result of the continuation of the enormous flow of funds into savings

Arthur F. Stake (l.), v.p., correspondent banking division, First National, Chicago, chats with James Nicol, ch., First National, Independence, Mo., at First of Chicago Correspondent Conference last November.

and thrift institutions, housing starts, though below the highs reached early in 1972, remain strong, at an annual rate of about 2.4 million units, almost 20% above 1971's record total, and nearly twice the pace of early 1970.

- Although there were some additions to inventories in the third quarter of 1972, sales rose more rapidly so that the inventory-sales ratio continues to edge down.

- Business spending for plant and equipment was not quite as strong in the second quarter of 1972 as had been previously forecast. This was attributed primarily to Hurricane Agnes. (Plant and equipment expenditures by the primary metals industry, heavily concentrated in Pennsylvania, fell short of plans by about 13%.) Outlays moved up in the third quarter and the most recent surveys of businessmen reveal a further stepup in outlays in the current quarter. Spending now is estimated to be 10% above the fourth quarter of 1971—an annual rate of about $92 billion.

- Corporate profits for the first half of 1972, according to preliminary figures, suggest that the 15% rise forecast made in 1971 will be reached.

The sharply accelerating pace of the economy and our new business effort have been evident in our own shop. Loans are at record levels and continue to expand at about a 30% annual rate, a trend underway since January, 1972. We continue to be an aggressive buyer of funds. The stepup in our purchase of corporate CDs has lifted total deposits to record levels.

These developments in the economy also were reflected in the GNP numbers for the first three quarters of 1972. They confirmed the judgments of those who argued that the strength of business was being underestimated. Total output rose strongly—over a 10.6% annual rate. Moreover, despite price increases, real output—real GNP—rose at an annual rate of over 7%—almost twice our historical average. Thus, the 6% rise in output forecast for 1972 is assured.

Moreover, the lengthening shadow cast by the year not only suggests the profile for all of 1972, but to a degree, the outline of business in 1973. In short, business expansion is likely to persist through 1973.

The expansive character of the government's fiscal and monetary policies undergirds this expectation. It is these two forces that underlie the economic environment in which business operates.

- The deficit in the federal budget in the fiscal year which began last July 1 is now estimated by the Treasury at $27 billion. Past experience suggests that despite the administration's determined effort to limit expenditures as well as greater than anticipated gains in tax revenue, the deficit in the current fiscal year will exceed the current estimate. This is an expansive force in the economy, adding to the growing private demand for goods and services. However, it carries with it great risks.

- Monetary and credit policy administered by the Federal Reserve—the second arm of public policy—also continues expansive. The money supply—demand deposits and currency—expanded at a 6.5% annual rate in the last 12 months, while time deposits in commercial banks continue to rise sharply. Reserves of member banks also have grown at an equally generous pace.

As we know, these expansive policies triggered the recovery that began two years ago, nurtured the expansion of the past, and sustain the momentum now underway. Moreover, fiscal and monetary policies change only slowly and the impact of any change is felt only after a delay of many months. The historical odds, therefore, are that the upward trend of business currently evident will continue through 1973.

More specifically, the forecast for the year 1973 is strikingly similar to the one I made a year ago:

- We expect total output of the economy—GNP—to rise about 10% in current dollars, about matching the gain of 1972.

- Prices, however, will edge up at a slightly more rapid pace so that about

(Continued on page 57)

Forecast of Gross National Product*

Seasonally Adjusted Annual Rates ($ Billions)

	ACTUAL	PREDICTED								
	Year	Year 1972		1973				Year 1973	
	1971	Level	% Change	I	II	III	IV	Level	% Change
Gross National Product	1,050.4	1,151.5	9.6	1,218.6	1,242.6	1,266.3	1,290.4	1,254.4	8.9
GNP: $58	741.7	789.6	6.5	820.1	831.0	841.7	852.4	836.3	5.9
Personal Consumption Expenditures	664.9	720.3	11.7	759.1	774.2	787.0	801.9	780.5	8.4
Gross Private Domestic Investment	152.0	180.1	18.0	196.8	200.8	205.0	206.5	202.3	11.8
Net Exports	0.7	−3.9		−2.2	−1.8	−0.9	−0.2	−1.3	
Government Purchases	232.8	255.0	9.6	264.9	269.4	275.2	282.2	272.9	7.0
Final Sales	1,046.7	1,144.5	9.3	1,204.1	1,228.2	1,251.4	1,277.0	1,240.2	8.4
GNP Price Deflator (1958 = 100)	141.61	145.84	3.0	148.59	149.52	150.45	151.39	149.99	2.8
Potential $58 GNP	791.0	825.0	4.3	846.9	855.9	864.9	874.1	860.5	4.3
GNP Gap: $58	49.3	35.4		26.8	24.9	23.2	21.7	24.2	
Total Personal Income	861.4	935.8	8.6	983.5	1,001.7	1,019.4	1,038.5	1,010.8	8.0
Disposable Personal Income	744.4	793.7	6.6	851.8	864.0	875.4	892.3	870.9	9.7
Savings Rate	8.2	6.9		8.6	8.1	7.8	7.9	8.1	
Unemployment Rate	5.9	5.6		5.0	4.9	4.8	4.7	4.9	
Industrial Production (1967 = 100)	106.8	113.7	6.5	118.4	120.1	121.5	123.2	120.8	6.2
Housing Starts (000)	2,051	2,352	14.7	2,250	2,200	2,150	2,100	2,175	−7.5
Corporate Profits Before Taxes	83.3	93.9	12.7	101.2	103.4	105.0	105.9	103.9	10.6
Taxes	37.4	41.0		43.6	44.6	45.4	45.8	44.9	
Net Profits	45.9	52.9	15.3	57.6	58.8	59.7	60.1	59.0	11.5
Dividend Payments	25.4	26.4		26.9	27.0	27.5	27.8	27.3	
Undistributed Profits	20.5	26.5		30.7	31.8	32.2	32.2	31.7	
Capital Consumption Allowances	60.3	67.9		72.4	74.3	76.0	77.9	75.2	
Corporate Cash Flow	80.0	94.4	16.8	103.1	106.1	108.2	110.1	106.9	13.2

* This tabulation was prepared in November by Manufacturers Hanover Trust, New York City.

The Outlook for

Credit Demand and Interest Rates

By NICHOLAS J. De LEONARDIS
Vice President
First National Bank
Chicago

BEGINNING our analysis with an outlook for credit in the private sector, we cannot help but note the rebuilding of liquidity that has been occurring in the nation's nonfinancial corporations. After the crunch of 1969 and early 1970, corporate treasurers embarked upon a policy of rebuilding their balance sheets. Their activities were centered upon restoration of working capital and realignment of debt-to-equity ratios.

De LEONARDIS

In addition, many corporate financial executives reexamined their bank lines in order to assure themselves ready access to credit in the likely event of another credit squeeze.

An indication of their activity can be somewhat pinpointed by reviewing the external sources of funds for nonfinancial corporations. In 1970, and still caught in the rush for funds, corporations acquired $20.3 billion of new funds through the sale of bonds and another $6.8 billion from the sale of equities. Despite an improved earnings picture in 1971, corporations were still not satisfied and once again tapped the bond markets for $19.4 billion, almost as much as in 1970, and turned to the equity markets for close to $13.4 billion.

A strong economic picture and a rather healthy profit projection for 1972 did not deter treasurers from continuing their policy of strengthening the balance sheet, and the evidence thus far suggests that for 1972, they sold $13 to $14 billion of net new indebtedness in the bond market and raised another $11 to $12 billion in the equity market.

It may be worthy to note the amount of equity financing for 1972 will be slightly under the $12.8 billion corporate treasurers raised during the entire 1960 decade.

Before making a projection for the external financing needs of nonfinancial corporations during 1973, it is important to observe what has been happening to their internally generated funds—depreciation allowance and retained earnings. A brief glance at the internal source of funds for nonfinancial corporations illustrates the impact that increased profits and the restrictive dividend payments policy, under the wage and price guidelines, have had upon retained earnings. For 1971, retained earnings amounted to $11.8 billion, and for 1972, they should approximate $18 to $19 billion. This increase in retained earnings, coupled with rising depreciation allowances—$57.3 billion for 1971 and approximately $65 to $66 billion for 1972—have greatly assisted corporate treasurers in improving their ability to generate funds internally.

The outlook for 1973 suggests that corporate cash flow will continue to increase, with retained earnings and depreciation allowances combining to push the total internal sources of funds to approximately $97 billion.

This type of an internal generation of funds suggests that the nation's nonfinancial corporations will be able to lessen their dependency upon the long-term market, and as a consequence, seek only $11 to $12 billion in long-term funds, and perhaps $9 to $10 billion in equity financing, which is also down from 1972. The preliminary evidence also suggests that corporate treasurers will continue to shift their activities to the banking system and here seek $6 to $7 billion—up from 1972's estimated $5 to $6 billion.

In the public sector we are beginning to see some rather interesting changes evolving in the area of credit markets. During the last couple of years, we have seen our states and political subdivisions selling a significant amount of short- and long-term debt in order to meet the tremendous demands for services placed upon them by the citizens of their communities. These demands have, in many cases, resulted in the enactment of state and local income taxes and a continuing increase in local property taxes.

However, we seem to be seeing some ease appearing, at least in the near term, as our municipalities begin to reflect a slight surplus in their operations. This surplus that we anticipate for the year 1972 should also continue into

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The talk on which this article is based was given by Mr. De Leonardis at First of Chicago's annual correspondent bank conference in November. Mr. De Leonardis is in the bank's bond department.

The Outlook For Nineteen Seventy-three

Five Prominent Bankers Give Their Opinions

By DONALD M. GRAHAM

Chairman
Continental Illinois National Bank
Chicago

THERE IS little doubt that the strong and broadly-based economic expansion of 1972 is likely to continue in 1973. Both business and consumer confidence have improved steadily throughout the year. The impact of wage and price controls, while difficult to measure precisely, has been important in reducing—at least psychologically—the wage and price spiral syndrome. It is likely controls will continue in a modified form throughout this year. This, together with continued excess capacity existing throughout 1973, should remove a major obstacle to sustained real growth in the United States' economy.

Although the growth of the economy this year is likely to be similar to that of last, there will be some noticeable shifts in demand sectors. Consumer spending, for example, is likely to rise somewhat faster in 1973, although the spending gains will find less support from rising durable goods sales because gains among other consumer spending sectors, primarily nondurable goods and services, will be substantially greater. The slowing in durable goods spending will reflect some reduction in auto sales from last year's record, but also the recent sharp increases for furniture and appliances should be less as the number of new housing starts is expected to decline. The weakness in housing activity reflects the growing gap that has occurred between the number of new homes completed and the number actually sold, resulting in a sharp increase in the housing supply.

Business spending for fixed investment will rise close to last year's sharp 13% gain, and inventory building should be substantially stronger than in either 1971 or 1972. The foreign trade position of American firms should also improve somewhat after a large deficit in the last year. The currency realignments made in late 1971 are expected

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By NAT S. ROGERS

President
First City National Bank
Houston

THERE IS every indication that the Southwestern regional economy will enjoy another excellent year of growth and expansion in 1973. Most indices have reflected activity levels within the region considerably more favorably than for the nation as a whole.

In the Houston area, the record for 1972 in terms of minimal unemployment, growth in retail sales, level of construction activities and volume of bank debits has been one of the strongest in the nation. Specifically, Houston's performance relative to the nation has been as follows: unemployment—3.3% vs. 5.5%; 1972 growth in retail sales—14% vs. 10%; 1972 increase in non-residential construction—16% vs. 4%; 1972 increase in bank debits—21% vs. 14%. Some leveling off in this growth is likely during 1973, but the year as a whole should again result in record-breaking activity in almost every category.

Bank earnings have been generally favorable with loan demand having improved steadily throughout the year. Deposit growth in cities such as Houston, Dallas and Fort Worth has increased at rates faster than the national average (15% vs. 12%), and loan demand stemming from business expansion, mortgage activity and consumer buying has moved up sharply. It appears that loan demand will remain firm in 1973, but the extent of growth may be less rapid than that which occurred in 1972.

Despite the prospect of two very favorable years back to back, the banking horizon is by no means free of problems. The inflationary impact of excessive federal spending is much more likely to be felt in a year of relatively full employment, and the resulting pressure for higher interest rates is sure to encounter vigorous political resistance in Washington. Inasmuch as the capital needs in this area are likely to continue to exceed the available financial re-

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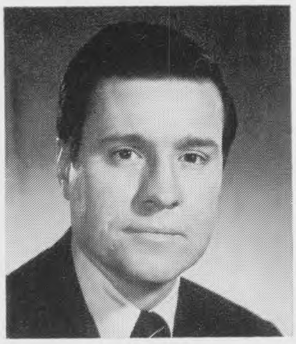

By FRANK E. McKINNEY JR.

President
American Fletcher National Bank
Indianapolis

WE ESPECIALLY welcome the opportunity to contribute to this year's annual outlook issue, as it provides a timely means of expressing to our banking associates throughout the Mid-Continent area the enthusiastic outlook we hold with respect to growth and economic development in the Indianapolis business and trade area. This positive outlook is of a two-fold nature and has as its basis elements of both national and local origin.

Turning first to aggregate economic indicators, we would comment that our outlook for 1973 is fundamentally constructive and reflects confidence that patterns of economic recovery now apparent in most sectors are of sufficient magnitude to support sustained expansion at relatively high rates. Of significant importance in this outlook is our expectation that 1973 economic expansion will be highlighted by the continuation of a reasonably favorable mix between real and inflationary growth.

In this instance, it might be said that 1973 will be a crucial year in testing the effectiveness of contemporary economic mechanisms in containing inflation in an environment of relatively rapid expansion. Nevertheless, we do not subscribe to the theory that efforts in support of this goal will lead to "tight money," sharply higher interest rates, or credit and monetary problems similar to those that ultimately led to recession in 1969-70. Rather, we foresee some moderation in rates of national expansion as 1973 progresses but do not feel that this type of increase at a decreasing rate implies recession in 1974.

According to American Fletcher Economist Leif E. Nulsen, activity in the business sector is expected to be particularly strong in 1973, with significant increases in inventory accumulation and in business capital and equipment expenditures.

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By ROBERT H. WOODROW JR.

Chairman
First National Bank
Birmingham, Ala.

THIS AREA experienced in 1972 one of its better years of the past decade, and all indications point to 1973 being equally as good.

Construction activity, both public and private, was particularly good during the year; non-farm employment experienced a growth of some magnitude; preliminary reports indicate that improved retail sales, enhanced by what was apparently one of the best holiday seasons ever, were an excellent indication of the strength of the area's economy.

As we move into 1973, we see a continuation of the fine economic activity we have enjoyed. Construction projects now under way or in the immediate offing augur well for the continuation of the splendid growth we have recently seen in this segment of our economy. The anticipated national and sectional increase in expansion of plant facilities and equipment should do much to keep our metal-oriented industries in good backlog for at least the bulk of the year.

We anticipate good bank earnings in 1973, with a good demand for loans, and with rates above 1972, on balance. This, of course, will tend to firm the rate paid on time deposits. Bank operating expenses should continue to rise, but those organizations that apply themselves to keeping them within reasonable bounds should show improved earnings. In controlling expenses we do not suggest a squeeze on salaries. It is our firm conviction that fair and liberal salary and wage policies will pay handsome dividends in the future.

We anticipate problems in 1973 and the years to come, in several areas. The banking industry is faced with increasing competition from other types of financial institutions, and it is our opinion that this is the time for bankers to make a move toward protecting their interests. On the broader scene, we

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By JOHN J. FAWLEY

President, Robert Morris Associates
and Executive Vice President
Industrial Valley Bank
Philadelphia

I HAVE BEEN asked to present my views concerning two questions for this outlook issue. The first is my view of commercial loan demand for this year compared to 1972. The second is what category of commercial loans I expect to increase the fastest during this new year.

In treating these two questions, it is necessary to project a brief view of the overall prospects for our economy this year. In general, almost everyone seems to agree that the strong economic expansion that we have been experiencing during the past months will continue.

Real growth in GNP should be at least in the 6% bracket. The Phase II controls, along with earlier monetary restraints, have been successful in decreasing the rate of inflation, and I do not expect a reverse trend. The general mood is optimistic and will be reflected in increased spending by consumers and business.

I do not envision a "credit crunch" this year because, in the simplest of terms, I see favorable flow into private saving and a reasonably accommodative Federal Reserve monetary policy. Add to these reasons the fact that corporate borrowers and banks are, of course, more liquid than they were on the eve of the last tight money period.

So then, all indications point to a continued strengthening demand for commercial and industrial loans for 1973. Despite the reasonable liquidity of business firms, the predicted expansion will undoubtedly necessitate the use of significant amounts of bank credit.

Actually, 1972 was a good year for most banks around the country. Some money center banks are reporting up to a 15% increase in loan outstandings over 1971. As a whole, seasonally adjusted loan demand rose about 8%—a

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Graham

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to have a more positive effect and the continued recovery of other industrialized nations should expand U. S. exports at a faster pace than imports.

Federal government spending is expected to rise less rapidly than in the last year as a real effort is being made to restrain federal government expenditures, not only this year, but to limit the number of new programs that might cause spending to grow faster in future years. State and local government spending, however, will continue increasing at a rapid pace, helped in part by the general revenue sharing programs.

The continued economic expansion will place upward pressure on interest rates. The rise in money market rates this year, however, should be less than last year, and most of the increase is expected in the first half of the year when the Treasury will be a heavy demander of funds. This will leave these rates well below the levels existing in 1969 and 1970.

Long-term interest rates should be under much less pressure during the year ahead. The further lessening of inflationary pressures will act to reduce the inflation premium-long-term investors have required in the last several years. At the same time, large savings flows and some abatement in demand for long-term funds in both the corporate and mortgage markets will hold back upward pressures on long-term interest rates.

In this financial context, the outlook for commercial banking is highly favorable. The Federal Reserve may be less accommodative as business activity quickens, but banks will be able to attract funds to meet an expected strong growth in loan demand. Any prospect for a renewed credit crunch reminiscent of 1969 seems quite unlikely. • •

Rogers

(Continued from page 30)

sources, the competition for funds will confront banks with a major increase in the cost of money in 1973.

The difficulty of competing with the retail-oriented branch systems of S&Ls and other financial institutions will continue to serve as a major restraint on banking growth in the states of Texas, Oklahoma and Arkansas. In Texas most of the larger banking organizations are likely to expand through multi-bank holding company organizations as rapidly as possible. The multi-bank holding company, which is the unit bankers' access to an expanded market place, is likely to experience its year of greatest growth in 1973. • •

McKinney

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As manufacturing activity plays an important role in our regional economy with approximately 26% of the labor force employed by manufacturing concerns, the aforementioned national economic trends should augur especially well for economic activity in the Indianapolis area. National trends, then, constitute one aspect of our positive outlook and have the effect of reinforcing our 1973 regional forecast.

The second and most important element of our positive outlook focuses on new activity in the Indianapolis metropolitan area. We feel quite strongly that the unique and attractive character of our metropolitan region is emerging as a dominant factor and will ultimately lead to superior economic development, not only next year but over the longer term as well. Our attitude in this matter is not one of isolated optimism but is reflected in a new sense of vibrance that pervades our entire civic, business and governmental community. It is this new sense of unified commitment and community effort that will distinguish itself as that catalyst inducing superior economic expansion and vitality in this area.

Construction activity in Indianapolis will be exceptionally strong in 1973 with a record number of major new commercial and industrial projects either presently underway or scheduled to begin in the near future. In the downtown area, new construction is highlighted by the Lincoln Square Project, which is scheduled to include a 30-story, 500-room Regency Hyatt House Hotel, a major office building and an apartment complex. Other major projects in the downtown area include an indoor sports arena with attendant office, restaurant and hotel facilities and a new federal office building. Recently completed projects include the sixth largest convention facility in the nation, a 440-room Hilton Hotel and the $25,000,000 Indianapolis Museum of Art.

Our views concerning potential bank earnings in our trade area are similarly optimistic. With business and construction activity increasing, commercial loan demand has strengthened. Consumer personal income and consumption expenditures are both projected to increase significantly. With unemployment in our metropolitan area presently at 4.2%, well below the national average, consumer loan demand is also expected to remain strong. Increases in short-term lending rates, coupled with steady deposit inflows and internal cost control measures, have improved profitability in all phases of lending activity.

With respect to interest rate trends, our outlook for local rate patterns is closely in line with forecasts for national trends. Based on the interrelationships between supply and demand factors and federal fiscal and monetary policy, we would anticipate that both short and long-term rates will not fall below present levels for the duration of 1973. Rates paid for deposits in this area have remained relatively stable in 1972 and we would expect a continuation of this trend through 1973.

In reviewing matters of regional concern, we would comment that the major issue facing the banking industry in the State of Indiana centers on restrictions that limit branch banking activity to the county in which a bank has its main office and restrictions on bank holding companies acquiring additional banks. The controversial topic of expanded banking, in one form or another, might be considered by the 1973 state legislature.

An additional area of regional concern involves the nature of the state's overall tax structure. Although total per capita taxes paid by Indiana residents are below the national average, the property tax component is disproportionately severe. The 1973 legislature will also be considering various measures of tax reform designed to correct this inequity.

To summarize, then, we approach 1973 with a special degree of optimism. World and national problems notwithstanding, the combined circumstances of a strengthening local and national economic environment, a vital new community spirit, and the opportunity to participate in the shaping of our area's social and economic progress make the planning of business in 1973 a welcome challenge. We feel it will, indeed, be an exceptional year. • •

BNO Plans Nassau Branch

NEW ORLEANS—Bank of New Orleans will establish a branch bank in Nassau. Primary function of the new overseas branch will be to handle Eurodollar deposits and loans that have become an increasingly important means of financing around the world, according to Lawrence A. Merrigan, president.

John F. Smithies, vice president, international banking division, will be in charge of the branch.

Stable Interest Rates, Higher Earnings Predicted by Mid-Continent Bankers

By JIM FABIAN
Associate Editor

PROGNOSTICATIONS about the economic situation for the coming year made by financial leaders from billion-dollar banks are easy to come by. But what do bankers on the suburban and rural firing lines predict for 1973?

Each year, MID-CONTINENT BANKER editors survey readers to sample their thinking about the year ahead. In brief, their replies indicate that the 1973 profit picture for banks is rosy, that loan demand will be up, that there will be little or no change in interest rates.

A number of banks will be offering new services, but more will be expanding services. The majority do not plan to contract for data processing services by outside firms in 1973 and the majority also is satisfied with the services they receive from their big-city correspondents.

Few banks plan to use premiums to stimulate new business in the new year and even fewer banks expect to adopt career apparel during the year. In the area of new security equipment, cameras top the bankers' shopping lists.

Not a single banker responding to the survey expects his bank to be subject to unionization attempts in 1973 and the majority of bankers say their institutions have no problems as far as management succession is concerned.

More than 160 bankers responded to MCB's survey, which also covered legislative topics. Eighty-five percent of the respondents are from banks located in rural areas. Only 14% are affiliated with bank holding companies.

Following is a breakdown of the results of the survey:

Profits. Fifty-eight percent of respondents predicted increased profits for their banks in 1973. One half of one percent thought the opposite, and 36% said there would be little or no change in the profit picture.

Of those predicting profit increases, about one-third said the increase would be from 6% to 10%, while the second-largest group said the increase would be a more modest 1% to 5% rise. Four respondents called for profit increases of more than 30%.

Most-often-cited reason for the increase in profits was increased loan demand, followed by interest rate increases, increased deposits and general growth of the bank.

Additional costs was the most-often-cited reason for a decline in profits, while a number of respondents said any gains made in profits would be offset by reversals in other areas.

Loan demand. A whopping 70% of respondents said loan demand would increase in 1973. Here again, the most popular percentage of increase mentioned was between 6% and 10%, with only one respondent calling for a 30% increase in demand.

Only one banker foresees a decline in loan demand, while 28% said there will be little or no change.

Interest rates. The overwhelming majority of respondents apparently has decided to cooperate with the Nixon Administration regarding interest rates. Seventy percent predicted little or no change in rates for 1973, while 29% predicted modest increases (none predicted more than a 15% increase). Again, only one banker saw interest rates declining.

Services. Twenty-five percent of respondents predicted that their banks would be offering some new services in 1973. The service most often mentioned was home mortgages, with real estate construction loans in second place. Of the 51% predicting expanded services in 1973, the same two services placed first and second.

Among the other new services to be inaugurated in 1973, trust services, extended hours and drive-up service were mentioned most often. Also mentioned were Christmas clubs and teller-less dispensing equipment.

Data processing. Twenty-two percent of respondents predicted that their banks plan to contract for data processing by outside firms in 1973, while 9% said they were thinking about it. Many respondents, of course, are already taking advantage of such a service.

Correspondent services. Slightly over half the respondents said they were satisfied with the services they receive from their big-city correspondents. However, 24% listed gripes in this area.

The number one complaint was in the area of loan participations. The cry was for correspondents to look on loan participations from the smaller bank's viewpoint. A number of respondents called for more money for overlines, more assistance in forecasting, more participation in the municipal bond area and more interest in the problems of country banks. One banker called for more business and less social activity on the part of correspondent officers.

Premiums and career apparel. Seventeen percent of respondents plan to use premiums in their banks to stimulate new business in 1973, with an additional 14% giving thought to the idea.

Ten percent said their banks intend to adopt career apparel sometime during the year.

Security equipment. Very few banks will be purchasing additional security equipment in 1973, except to equip new facilities. Most popular item on

Muni Bond Outlook

Municipal bond volume is expected to remain relatively stable in 1973, according to a majority of bond experts. Volume is expected to be about $22 billion.

However, the mix is expected to change. School bond issues, which have been running about even for the past two years, are expected to decrease because population trends indicate a reduced need for school buildings in the future. Although local school districts could use additional facilities now, while enrollments are still on the upswing, most will make do with what they have in order to avoid excess capacity in the future.

The slack created by fewer school bond issues is expected to be taken up with pollution-control issues.

bankers' shopping lists is cameras, with alarm systems running a distant second.

Unionization. Apparently the threat of unionization of bank employees is a thing of the past. Not a single reporting bank predicts any unionization attempts in 1973. This was one of the few survey questions that received a 100% response.

Management succession. A healthy 77% of responding banks are in good shape in the area of management succession. These banks are prepared to meet a management succession problem if one should occur in 1973. Of the 18% reporting their banks were not prepared in this area, the most common reason was that the bank had only one qualified officer because either there was no number two man or no one had been trained sufficiently to step up to the number one position. Several banks are conducting training programs or sending their junior officers to various places to receive training to remedy these situations.

Legislation. Bankers were asked to predict the principal legislative bills affecting banking in 1973 on the national and state levels.

The Hunt Commission report won hands down on the national level, while branching was first and holding company legislation a close second on the state level. Runnersup in the national category included tax reform and expansion of S&L services, while "also-rans" in the state category included expanded facilities bills and interest rate controls.

When asked to comment on the one major regulatory decision respondents would like to see made in 1973 at the national level, a good number called for equal treatment of banks and other financial institutions; four bankers called for repeal of Regulation Z and three thought the examination responsibilities of regulatory agencies should be combined.

The same question was asked regarding state action. The response was varied, ranging from curbs on holding company expansion to a call to defeat the uniform consumer credit code. Also mentioned was repeal of intangible tax laws, legislation to prevent S&Ls from muscling in on traditional bank service territory, tax equity and various branching plans.

Only time will tell if these predictions become fact. Judging from past experience, however, the nation's rural and suburban bankers should be right on target! • •

Many Gripes, One Bouquet Among 'Steamblowers'

THE BIRTH of a new year is a good time to blow off steam over things that have been bugging bankers during the past 12 months. Once again, as part of its year-end survey, MCB has asked respondents to clean out their boilers.

Here's a sampling of what bankers got off their chests this year:

• The Truth in Lending Law should be changed. At present there is too much unnecessary paper work that does not help the customer.

• I am very much concerned with paper work reports "dreamed" up by various authorities and with the great concern of authorities to "protect" loan customers from their own inability to pay by taking away collateral protection that loan companies and banks may have to support the original loans.

• If S&Ls are going into banking, they should have the same regulations and rules and not be favored with less reserves, higher lending limits and unequal income taxes. A dividend paid by a S&L should be just as taxable as one paid by a bank. The time for tax breaks for S&Ls no longer exists so let's face facts. The time has come also to start changing the image of banks and show them to be the peoples' friends and not Public Enemy Number One, as some federal legislators try to maintain.

• Banks in primarily agricultural communities need a vehicle to buy funds in the open market for agricultural loans. I would like to see a task force studying this matter and legislation aimed in this direction. Also, the banking industry needs to gear itself more to consumer services, including home loans. We need a vehicle where real estate loans could be sold for liquidity but serviced in the hometown bank.

• Although we are not a Fed member, the Fed's rules covering one-bank holding companies have almost halted the possibility of persons of small means acquiring banks, while letting the multi-bank HCs gobble them up. This is contrary to congressional intent. Also, the Fed's immediate charge for cash letters is against the best interests of smaller banks.

• Consumer protection laws are becoming absurd. If financial responsibility was more adequately taught in schools and homes, much of such legislation would be unnecessary.

• A lot of federal regulations and directions are difficult to keep up with. We have to live fearfully because of them.

• Carryovers of crop loans are not permitted, forcing national banks out of agricultural credit.

• Many of the laws regulating the banking industry are obsolete. I would like to see either a modernization of the numerous contradictory and overlapping regulations so that understandable regulations can emerge.

• The Fed should be reminded that it is owned by the banking industry and that it exists to assist, not hinder, banking's ability to serve the public.

• Banks must get into the 20th century and meet modern-day requirements of business and the public.

• The FDIC should be more severe regarding requirements for the insurance of newly chartered state banks, especially in the area of management qualifications.

• Increased government controls will eventually nationalize the entire banking system. There is too much red tape involved with government requirements before a loan can be made. The expense of the paperwork involved must be passed on to the borrower in terms of higher interest.

• For many years our dual banking system has been effective in meeting the needs of the community. It now appears that far too many people in the banking profession and regulatory agencies want to merge into a one-track system completely dominated by our "great white father" in Washington. We must do whatever is necessary to stem this senseless shift in policy.

• In my state you can start a bank on any corner, but not a branch!

• Truth-in-Lending credit reporting requirements should not pertain to banking in any way.

• I resent Regulation J and the broad powers given in the bank holding company law.

• Banking is a great and exciting industry. It offers more opportunities for helping our people and our communities than almost any other industry. • •

A 'Survivor' Bank Must Be A 'Planner' Bank

By DOW OSTLUND, Executive Vice President, Valley National Bank of Arizona, Phoenix

This article is based on remarks made by Mr. Ostlund at the 58th annual Fall Conference of Robert Morris Associates. Mr. Ostlund is immediate past president of the organization.

IN 1950 there were 16,164 banks in the United States. Twenty years later—by 1970—this number was approximately 650 less.

While this may not look like a major decline, we must superimpose two other facts to add perspective. During the same period, multi-bank holding companies chartered almost 2,700 banks and acquired some 600 banks. Thus, almost 4,000 banking institutions have lost some or all of their independence over the past two decades.

What could be the result of such increased merger and acquisition activities? I think there will be two important ones. The first could be that our present banking structure could evolve into less than a thousand major holding companies and large branch banking systems in the United States—less than 7% of the present total of individual banks.

Secondly, this could also bring about the end of an era when heavy premiums are paid for the stock of smaller banks. Many bank managers have survived for years by operating by the seat of their pants while waiting for the top dollar for their stock.

But banking is no longer a "seat of the pants" operation. Sooner or later, the larger holding companies could lose interest in paying outrageous prices for banks once they calculate the entire cost involved in bringing a declining bank to the necessary survival level. We may see the time when there will be no bidders for certain banks because no established location could conceivably be worth the asking price. Some banks just may not survive.

What is there about a bank that makes it a "survivor" while a larger neighbor loses its identity? What is there about an institution in one town that allows it to grow when a bank in the next town, operating under the same statutory geographical and economic conditions, falters? I contend that the greatest single reason is that the "survivor" bank turns out to be the "planner" bank.

A bank that plans for its future obviously has faith in itself, faith that there is a future to plan for. It recognizes that an organized effort produces a more orderly, efficient and powerful growth pattern. It realizes that, lacking a plan for the future, its men and its computers and its financial resources would be applied in a helter-skelter, perhaps even a counter-productive, manner. Yet today meaningful planning is grossly lacking in many of our banks.

When one hears of "bank planning," his first mental picture is of a battalion of vice presidents in a "war room" supported by 20,000 square feet of statistically-oriented researchers, banks of computers and charts covering every available inch of wall space. I'm certain that there are financial organizations that can justify such an expenditure, but a planning effort need not be that elaborate.

Most business executives today plan for the future. Unfortunately these plans usually are mental, and as long as they remain in that state they run the risk of being forgotten, overlooked or misinterpreted. As far as I am concerned, a plan is not of any use until it is reduced to written form.

There is something quite humbling about reducing one's dreams to paper. There they are, staring back at you in bold black ink on a pristine sheet of paper, right out in the open for the world to see—and criticize! While these plans revolve in the president's head, they somehow seem perfect. When reviewed in written form by his senior associates, however, an occasional flaw surfaces. Someone in operations is bound to comment, "All this projected growth will require additional data processing capability. Did you allow for that?" His senior lending officer might add, "I'm going to have to produce some pretty fancy interest income to offset these apparent expense increases. What do the economists feel about interest rate structures in the future?"

Soon the president realizes that he has opened an economy-sized can of worms. Perhaps he even secretly wishes he had never mentioned planning. But often an interesting situation develops. Perhaps he discovers that an officer has declined a proposed mortgage loan because its interest rate was too low and would have been a drag on future earnings. Or perhaps his EDP specialist selects a different computer because its configurations more nearly meet future operating specifications. Is his planning working? It might still be far from perfect, but at least he has converted his management team to considering the future as well as the present.

I guess there are two ways to plan. One is to examine the world around you and say, "I wonder what's going to happen to me next and how I can cope with it." This is defensive, fire-fighting, defeatist thinking. I prefer the other type of planning: "What do I want my bank to be in the future and what is the quickest, most efficient and most profitable way to get there?" To me, this is the kind of planning that is aggressive, perceptive and positive.

Planning can become an involved exercise, but it needn't be. It should start with a simple premise—to earn money you first need money to invest in loans or bonds. So, begin by establishing deposit goals. With maximum effort, what might you reasonably expect your deposit structure to be next year, three years hence, maybe even 10 years from now? Next, assuming you achieve these deposit goals, how can you best apply these funds?

One question then leads to another. "Will we need more banking offices to meet these goals?" "How much more staff will our future organization require?" "How large an advertising budget will be necessary?" "What degree of loan risk must we assume to fully and prudently employ the funds that we generate?" "What kind of loan mix is needed to match out time versus demand relationship?" "What will be our investment policy?" "What return on capital can we achieve?" And on and on. As we answer these and other questions, our plan evolves and takes shape, and soon the blue print of our future lies before us.

Subsequent planning refinements come almost naturally. However, in time all but the largest institutions begin to feel the theory of diminishing returns. Then, obviously, is the time to stop. But some amount of planning is an essential ingredient to competitive effectiveness. The contributions that a knowledgeable commercial loan officer can make to the planning efforts of his bank are legion and are vital to the formation of any meaningful and viable plan.

A warning note is necessary at this point—plans do not carry themselves out automatically. Until the first interim benchmarks are achieved or until the planning bank is certain it is gaining on its rivals, continual support for the planning concept must come from the top of the house. Otherwise, many employees might feel this is a futile exercise that will be forgotten when another management fad comes along. Senior management must first overcome inertia and then maintain momentum. Unless senior management is dedicated to the planning concept, unless the concept is reinforced from time to time, bank planning could become an expensive corporate plaything. As with so many other things, a bank without the support of the chairman and the president and the commercial loan officers will find its planning efforts to be futile.

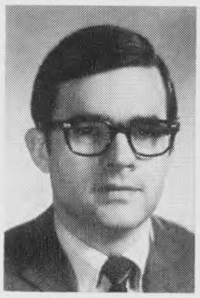
We are living in exciting, exasperating extraordinary times. Change is everywhere, and the real competitor exults at its presence. The banking accent today is on flexibility and responsiveness to change. Remember that a bank plan is nothing more than a management tool. And no tools remain sharp forever. They lose their efficiency unless their fine edges are regularly renewed. A bank plan must be updated frequently and regularly to meet the demands of a changing competitive environment. Established goals must be analyzed to see if they are still applicable. Methods adopted to achieve those goals must also be reviewed. The additional human and financial resources that have become available since the original plan was approved must be considered and evaluated.

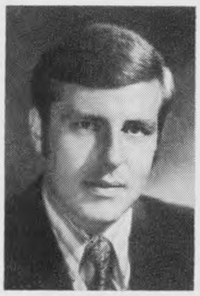
A word of caution. Bankers should not consider themselves bound to any program if mature reflection and a fair trial period indicate it is not a good program. Manufacturers alter their product lines regularly—why should we hesitate to change ours? If our programs are not appealing to the public, how can we render maximum service by continuing them? We must determine our customers' real needs; then we must devise attractive programs to serve them which are in keeping with our responsibilities to our depositors and our stockholders. • •

New Promotions Announced By Mercantile Trust

ST. LOUIS—Mercantile Trust has promoted John J. Vallina to vice president and Scott A. Montgomery to assistant vice president. Mr. Vallina has been with the bank since 1964 and is in the commercial lending division. Mr. Montgomery, who came to Mercantile in 1967, has worked in both the credit card and correspondent banking departments.

Elected assistant cashiers at Mercantile were: Carroll G. Blumer, manager of the credit department; and Phylos J. Sandison and John Ashenfelter, bond department.


VALLINA


MONTGOMERY

■ TWO BRANCHES will be erected by Albuquerque's American Bank of Commerce. One will be located at Eubank and Montgomery N.E.; the other at Carlisle and Montgomery N.E. Each branch will have two drive-up windows and three inside teller stations. They will be completed in early spring.

Now what do you do?

Third period. Score tied. They're a man short and you've broken through on a power play. What do you do? Pass to your wingman? Drop it back to your center? Slap a shot yourself? Big play.

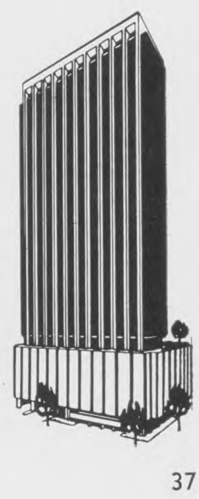
Many times in banking you must make a similar judgment. Quickly. Forcefully. And you'd better be right. When you're faced with such a situation, the difference between success and failure may well be the plays and counter-plays you've worked out in advance with your correspondent.

Fourth National . . . The **Action Bank** of Tulsa . . . is geared to action. No unnecessary delays. No fumbling or fussing . . . because The **Action Bankers** know how important getting on with the job can be. That's why all of the many correspondent services at the Fourth are designed to be implemented as swiftly as possible with little or no red tape involved.

Want proof? Then call Glenn "Red" Ward or Wilbur Waters and get it. We can't vouch for them on the ice but when it comes to correspondent service . . . they'll make the Stanley Cup Playoffs every time.

The Action Bank

FOURTH
NATIONAL BANK
515 SOUTH BOULDER
TULSA, OKLAHOMA 74103



BUSINESS | A LOOK AHEAD

AGRICULTURE

The outlook for agriculture has been termed "optimistic." This view is based on the expansion of farm exports and the actions of the federal government in the agricultural area. Strong demand for beef will continue with some expansion of cow numbers to increase the supply of feeder cattle, but the expansion will not be rapid enough to result in serious price problems. Prices for feed grains and wheat will depend on a continuation of present export markets and future world wheat production. Milk prices will stabilize with some increases due to strong marketing developments. Hog prices will average about $25 per cwt. through June.

AUTOMOBILES

The outlook is for 11½ million new car sales for 1973, highest ever. A continuation of upgrading is seen, with many extras being ordered for new cars. Many people are buying more expensive makes, including the so-called "luxury" autos. The industry expects to use the normally slack early months of 1973 to take care of its backlog of orders. Import competition will remain in a weakened condition due to the devaluation of the dollar in 1972.

HOUSING

Roughly two million new starts are predicted for 1973, down from 2.4 million in 1972. This will mark the beginning of a downtrend in housing starts, due to modest over-building in certain areas. Mortgage funds will be tighter, making for higher interest rates and larger down payments, with a possibility of shorter-term loans. New apartment starts will decline about 20%, more than single-family units. Building materials prices should stabilize or perhaps drop slightly, with fewer delivery delays. Wage rates and land prices will continue climbing. Various restrictions will take more land off the market and will hike the cost of building projects. Following a 20% increase in mobile home production in 1972, 1973 will see a more moderate pace, although more mobile home parks will be opened.

COMMERCIAL CONSTRUCTION

Construction will continue to increase in 1973, but not at the 14% rate achieved in 1972. Commercial construction will remain steady at $11 billion on an annual basis. Shopping center construction will surge ahead. Store construction closely follows housing construction in volume. The industrial outlay rate should rise in 1973, but there will be some changes in demand factors. A slowdown in demand in the eastern portion of the U. S. is seen.

LABOR

Major contracts to expire in 1973 involve about 4.5 million workers, or 5% of the labor force. Increasing corporate profits forecast for 1973 are expected to encourage organized labor to seek large wage settlements, although a reduction in the rate of inflation will deflate the usual arguments associated with the rising cost of living. Lingering joblessness in the economy may cause negotiators to place heavier emphasis on job security, hours of work and other benefits with less emphasis on actual wage increases. The status of wage controls will be a major factor influencing negotiations.

(Continued on page 40)

RETAIL SALES/PROFITS

The sales pattern for the first six months of 1973 should remain strong, following a record close-out of the year 1972. This will result in a lower savings rate. Sales gains for the first six months of 1973 should range from 8% to 12%. Earnings increases will probably average in the 8% to 10% range. Competition is fierce in the retail industry, with specialty stores generally coming out on the short end. Only the best-managed companies will remain successful.

BUSINESS/ GOVERNMENT SPENDING

A 10% to 14% increase in plant and equipment spending is forecast for 1973, coupled with a major inventory buildup to replenish fast-moving consumer and industrial goods. Profits are expected to decline moderately from 1972 figures, but should be in the 10% to 12% range. Government outlays will continue in 1973, despite efforts of the Administration to cut back.

WAGE-PRICE CONTROLS

"The day is not yet in sight for removal of wage-price controls," say economists at Exchange National, Chicago. In contrast, economists at First National City Bank, New York City, say "The fruits of price controls have already been reaped, continuing them can only add to their costs without increasing the benefits." Controls will remain through April 30, and the majority of prognosticators think they will be continued, despite disagreement on their worth.

The facts for this article were compiled from numerous sources.

Credit Demand

(Continued from page 29)

1973 and will be enhanced by the new "revenue sharing" programs of the federal government.

This is not to say that the programs facing our state and local governments will not continue to be large or that the needs of its citizens are diminishing, but rather it suggests that they will be able to temper their activities in the credit markets.

Therefore, for 1972, it is estimated that the net long- and short-term requirements of the nation's political subdivisions will amount to approximately $17 billion, down significantly from 1971's $20.2 billion. Looking ahead into 1973, the numbers suggest that their total net requirements will be down even further, to a level of between $13 to $14 billion.

Turning our attention now to the demands of the federal government, we are still faced with a somewhat bleak picture. However, with the re-election of the president and with his seeming determination to hold down spending, we may begin to be placing ourselves in a position of controlling the budget.

The economy for 1972 has been good and the prospects for 1973 are also bright, with the resulting increased income, both corporate and individual, helping to defray the costs of many of the new programs that have been legislated.

Examining some of the numbers for the current fiscal year suggests that the deficit will not be quite as large as originally anticipated in the earlier part of the year, when estimates ran somewhere between $30 to $35 billion. If current prospects are reasonably correct, and again, if spending can be somewhat controlled, the deficit should be in the $25 to $28 billion range for fiscal 1973.

Looking beyond fiscal 1973 toward fiscal 1974, current projections suggest that we will see some further improvement in the administration of the nation's debt, and while any projection of the Treasury's activities is heroic, at best, the preliminary numbers suggest that the deficit for fiscal 1974 could be between $10 to $15 billion, which implies a tax increase.

Another area of government financing that is always worthy of examination is that of the federal agencies, and here it is estimated that the various agencies will add to their debt by approximately $8 to $9 billion, and that in 1973, we will see a further increase by approximately $9 to $10 billion. These figures reflect our endeavors to maintain a steady flow of funds into the housing market, and the agencies that are increasing their debt are primarily those in the housing related areas.

Finally, taking into account the demands for credit emanating from the various sectors of our economy, what can we say about the overall demand for credit and the level of interest rates?

It is becoming quite apparent that while there may be a strong unanimity about the direction of the economy, the projections for the outlook of the credit markets and interest rates are not unanimous.

First, as to the impact of the demand for credit on the marketplace. While the demands for credit will continue strong, I would like to suggest that we will not see a crunch of the proportions of 1969 and 1970, or of 1966, and while the demands may tighten up credit, and the Fed may see fit to hold fast on the credit reins in an attempt to maintain stability, there will be sufficient funds available to meet anticipated credit demands.

In addition, there has been significant talk about a capital issues committee, and here again, I feel this will not be necessary nor desirous. One of the major concerns of the federal government is the need for assurance that ample credit will be available to specific sectors of the economy—such as housing. In my judgment, the federal government has already been quite successful in directing the flows of credit by use of the various federal agencies and by utilization of government guarantees and participations.

Looking at the outlook for interest rates, the picture does not look too severe. Beginning with long-term rates, the demands for credit coming out of the corporate sector and the municipal area indicate that they will not be placing an overly large burden on the marketplace, and as a consequence, it is not unreasonable to project that long-term interest rates should remain relatively stable, and perhaps even inch down by the end of 1973.

In all probability, we could see Aaa corporate bonds top out at around the 7¼% to 7½% level and ease to below 7% by the end of 1973.

As to the money market, the demand for funds will probably be centered in this segment of the credit markets, and here it may be anticipated that we will see a rise in short-term rates. Although we have indicated that the government will continue to run a deficit, some of the Treasury's needs should be picked up by the states and political subdivisions as they begin running into surplus positions, and investing these surpluses in short-term governments.

Therefore, a 90-day bill rate of between 5⅜% to 5⅝% for 1973 does not seem to be out of line.

Commercial paper rates should move higher as many corporations find themselves having to tap that particular sector of the market, and a 90-day commercial paper rate of between 5⅝% to 5⅞% by the end of 1973 sounds quite reasonable. • •

Fawley

(Continued from page 31)

fine performance compared to the past dozen years.

How much will loan demand increase in 1973? It will vary around the nation, of course, but I expect an overall rise of 10%. Some areas expect up to a 15% increase over 1972 levels.

As demand increases, there will be greater pressure on short-term interest rates. In a truly free market, I can see prime inching up—especially during the first six months—and averaging out at about 6½% for the year. Whether or not the government would allow this is difficult to forecast at this writing.

Lenders—and economists—seem to agree that the impending excellent year for the economy will require industry to step up its spending for plant and equipment to meet increased production.

To accommodate the larger volume, there will follow an upward movement in inventories all the way down the line to the retailer. Some predict that inventories will double 1972 levels and that this is the area where a major part of the increase in loan demand will occur.

In certain or all sections of the U. S., loan demand may also be particularly strong in areas such as transportation equipment industries, utilities, cement, certain lines of machinery, paper, cattle operations and seasonal requirements of general consumer-related industries.

I think 1973 will be a good year for those banks that are equipped for and aggressively seek financing opportunities in the real estate field. Loans to finance construction of all sorts expanded this past year, and I expect the trend to continue. This includes meeting the short-term needs of the growing REIT industry. I look for commitments for commercial construction, which includes condominiums and apartments as well as motels and large discount houses, to continue strong. Residential construction, on the other hand, should taper off slightly.

Commercial banks are more and more becoming sources of intermediate term credit. Therefore, the proportion of revolving credits and term loans in the overall loan portfolio will continue to increase. In this connection, the use of single payment term "bullet" loans is an interesting new development worthy of note and possibly worthy of some concern.

Conclusion

In summary, then, 1973 promises to be a year of continued strengthening of commercial loan demand for banks. The demand will be broad and general, but the greatest increases may come to finance expenditures for plant and equipment and to expand inventories. I envision no "credit crunch." Normal market pressures may call for short-term interest rates to rise over 6%, but not likely over 6½%-6¾%. Government controls might be applied if earlier "jawboning" is not successful in the view of the Committee on Interest Rates and Dividends. • •

■ BANK OF NEW YORK has appointed B. Timothy Allport and Patrick J. Garrity assistant operations officers, S. Bruce Adams and Joseph C. Hoopes Jr. assistant trust officers and Frederik J. Van Den Hogen assistant treasurer.

■ WELLS FARGO BANK, San Francisco, has named Richard A. Olrich, Tom Stoddard, John W. Merritt and Robert M. Walker vice presidents.

Optimistic Outlook for Industry Reported By Experts at First of Chicago Luncheon

CHAIRMAN Gaylord Freeman of the First National Bank of Chicago has forecast a "modest and acceptable" increase in the prime lending rate to 6% within 90 days and 6¼% by mid-1973.

Speaking in a panel of five business leaders at the bank's 19th annual Business Outlook Conference last month, Mr. Freeman said he expects a significant increase in the demand for short-term funds, in the face of the Federal Reserve's shift to a less expansive monetary policy which may move even further in that direction.

Corporate demand for long-term funds may level off, Mr. Freeman said, but the need for short-term funds will increase for financing of larger inventories, receivables and working capital. Moreover, the rising trend in consumer borrowing will persist in the first half of 1973 as employment "edges ever higher" and incomes are augmented by refunds of overwithheld income taxes.

In addition to the greater increase in the demand for funds than in the supply, Mr. Freeman noted, the spread between the rates banks pay for funds and those they receive is narrowing. "However, the government has been actively discouraging what would seem to be the natural result of its own monetary policy—higher interest rates," he said.

He cited three factors that have prompted banks to defer normal rate increases:

- Their "genuine interest" in restraining inflation, although he noted that higher rates may do more to discourage inflation than they add to it;
- The heightened competition in rates and terms from New York banks whose loans are reduced by corporate refunding through the public bond market;
- Concern that an increase in as "visible" a rate as the prime might spark "excessive politically inspired criticism and lead to government regulation of rates."

He said the combination of the squeeze on bank lending profits plus the fact that bank rates, unlike almost any other prices, are lower today than when the wage-price freeze went into effect, will lead to "modest and acceptable" rate increases.

Auto and Truck Sales

Auto and truck sales in 1973 should at least match and possibly exceed the record level achieved in 1972 of nearly 13.5 million vehicles, President John J. Riccardo of Chrysler Corp. predicted.

Mr. Riccardo said surveys show that consumer willingness to purchase major items such as cars and appliances is the strongest in three years. Moreover, the current real growth rate of about 6%, the reduced rate of inflation and the performance of the entire retail market provide a solid base for further economic growth, he said.

Summing up 1972, Mr. Riccardo said the industry will sell 9.3 million cars and that truck sales will jump 25% to 2.6 million units. Sales of imports will remain at about 1.5 million in 1972, down to about 14% of the new car market, compared to 15% in 1971.

He said he hopes any Phase III plans will be "in the direction of returning the economy to the checks and balances of a free market system." The auto industry's higher profits in 1972 continue to run lower than those of other manufacturing industries, he said. "This profit squeeze was due partly to the industry's failure to recover more than a fraction of the increased costs of its 1972 and 1973 models."

Petroleum Profits

Oil industry profits in the first half of 1973 will show "solid improvement over a generally lackluster performance this year," Chairman John E. Swearingen of Standard Oil Company (Indiana) forecast.

Mr. Swearingen said domestic demand for refined products should gain 6.5% in the first half, aided by four "special factors":

- Late-model cars that use more fuel due to emission control equipment and the added weight of safety devices;
- Natural gas shortages and the reduced use of high-sulphur coal which will spur sales of heating oil and residual fuels;
- The improving competitive position of oil in the power generation market, due to more rapid increases in coal prices versus oil, and the capital savings and rapid installation offered by oil-fired generating equipment; and
- The recovery of the airline and chemical industries, both large users of petroleum products.

"The industry may be hard pressed to meet the total demand for refined products, now expected to average nearly 17.4 million barrels a day in 1973," Mr. Swearingen said. With supply and demand in tight balance, he predicted that prices will be "considerably firmer" in the year ahead.

Retail Sales

Retail sales should be up 9% and general merchandise sales should rise 10% in the first half of 1973, said Chairman Gordon Metcalf of Sears, Roebuck & Co.

Mr. Metcalf said the already strong U. S. economy is still gaining momentum, with employment, purchasing power and consumer confidence in vigorous uptrends. As a result, family income is up about 10% over 1971.

He forecast an "unusually large" gain of 11% in consumer after-tax income in the first half of 1973, arising from the creation of about two million new jobs during the year, further wage increases and refunds of $8 billion to $9 billion from overwithholding of federal income taxes, most of it due in March, April and May.

Mr. Metcalf said the Administration's economic policies "have done a good job" of fostering production and employment while holding down the rate of wage and price inflation. "Although some further regulation may be required after the present controls expire in April," he said, "let us hope that the rules can be modified to allow greater flexibility."

Steel Demand

Domestic steel shipments in the first half of 1973 will rise 9% to 49 million tons compared to the year-ago period, Chairman Frederick G. Jaicks of Inland Steel Co. predicted.

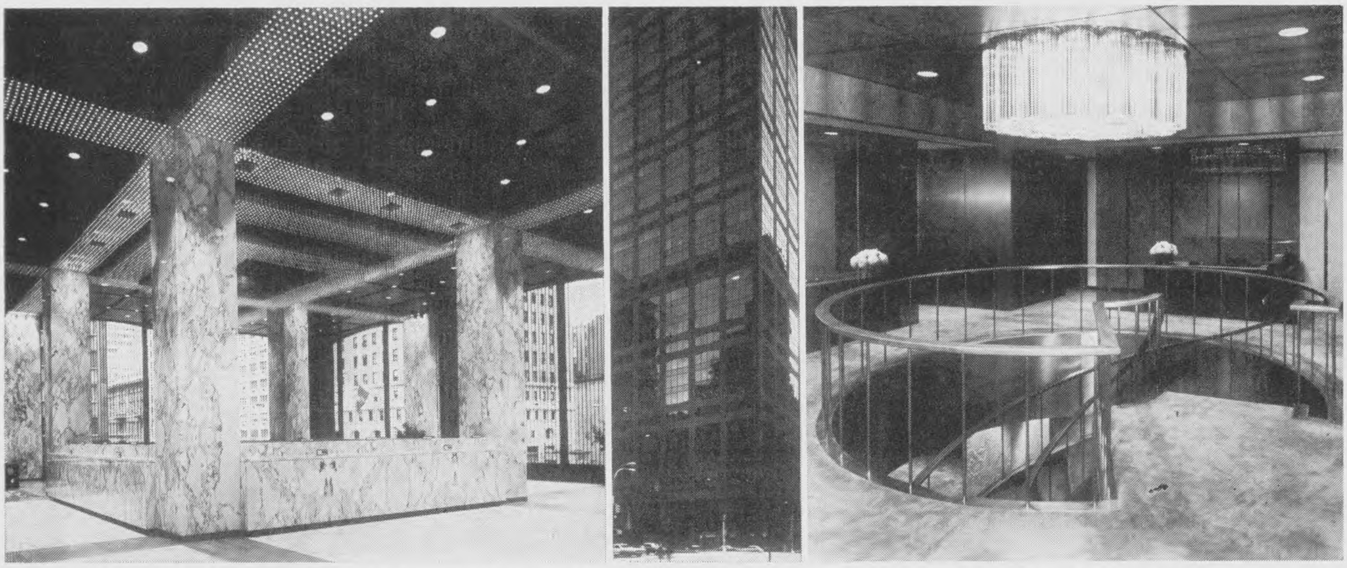
Mr. Jaicks said the strongest increase in demand is likely to come from the business sector. He cited the capital investment plans of the chemical, rubber, paper and petroleum industries, and the vitality in the domestic shipbuilding and freight car industries.

Consumer markets will be led by record sales of autos, appliances and home furnishings, and the outlook is improved for non-residential construction, Mr. Jaicks said. "But the more substantial improvements will occur in the categories of bar, pipe, plate and structural products that comprise the building blocks of capital investment," he said.

He estimated that steel imports will hold at 17 million tons in 1973, about the same as 1972.

Summing up 1972, Mr. Jaicks said second-half domestic mill shipments should reach 47 million tons, the second best performance on record, bringing the year's total to about 92 million tons. • •

Franklin National Moves Into New Executive Headquarters in NYC



At left is banking floor on mezzanine level at new Franklin National Building on Park Avenue. Teller area is encased in white-veined marble. At right is executive reception area on 10th floor of Franklin National's new headquarters building. Spiral staircase connects two executive floors. Chandelier consists of 600 two-foot prisms of cased glass. Center photo shows portion of bank exterior.

FRANKLIN National Bank and its parent Franklin New York Corp. moved into new executive headquarters last month—eight and a half years and $2.2 billion more in assets after moving into New York City from its Long Island base.

The bank will initially occupy 10 floors of a 32-story building of black marble and glass at 450 Park Avenue at 57th Street. Named for the bank and designed by Emery Roth & Sons, the building houses a mezzanine banking office, senior executives and the bank's national division. It also houses the offices of Harold V. Gleason, chairman and chief executive officer, and Paul Luftig, president.

Former executive headquarters were in a seven-story Georgian colonial building at Madison Avenue and 48th Street. This building is being sold to Greater New York Savings Bank.

To achieve a street-level eye appeal for pedestrians and shoppers, Franklin moved its branch office to the mezzanine level, leaving the street level for shops. Alongside the building is a vest pocket park that leads to other shops in the rear.

Interior design and space planning were under Saphier, Lerner, Schindler —Environetics. Design emphasis on the executive floors was carried by oak paneling and doors, walnut cabinets, a slatelike stone textured wall covering, burgundy carpeting and tinted glass.

The branch on the mezzanine level has ceiling panels of oak taken from a log buried in an English bog for more than an estimated 2,000 years. Tawny colored and interspersed with carbonized dark graining, the infinitely close pores give the oak a rich patina.

A spiral staircase in bronze informally connects the tenth and ninth floors where members of the bank's senior management are located. Above the stairwell hangs a chandelier six feet in diameter designed by SLS and fabricated in Venice. It consists of 600 two-foot prisms of cased glass.

White-veined marble provides the theme for the branch on the mezzanine level and is used for the banking counters, columns, walls and flooring. A 20-foot bay of plexiglas prisms hangs from the bog oak ceiling in three illuminated tiers. • •

ABA Conference Explores

Correspondent Banking

SOME 500 bankers were in attendance at the first National Correspondent Banking Seminar to be sponsored by the ABA's Correspondent Banking Division, held in New Orleans last Halloween week. Attendance was almost double the number anticipated by the committee.

"Correspondent Banking: a Profession in Transition" was the theme of the two-day meeting, which was chaired by Eugene Swearingen, president, National Bank of Tulsa.

Following is a digest of remarks presented by a number of the principal speakers at the conference.

* * *

Eugene Swearingen stated that the challenges facing correspondent banking are many, but the common denominator in meeting them is services. A few of the services correspondent banks must be prepared to offer their respondents are greater loan participation, better trust handling and investment advice, speedier clearings and transfers of payments, finding and providing secondary markets for mortgages, assisting with technical management advice and providing information and guidance regarding international operations.

Mr. Swearingen spoke of the new vitality, or an image of professionalism, that has entered correspondent banking. He called on bankers to maintain this new thrust through education, adaptation and communication.

"Education is learning what we can and can't do," he said, "and learning what we are willing to do. Adaptation is being willing to change our operations in anticipation of the growing demands placed upon us by our customers. Communication is disseminating our changing patterns of operation and approaches to our respondent banks as well as listening to the feedback from these banks."

How we look at change, at education, at communications and at customer services, Mr. Swearingen said, will shape our collective destiny.

* * *

John F. McGillicuddy, president, Manufacturers Hanover Trust, New York, and division chairman, welcomed the bankers and traced the progress of the Correspondent Banking Division since its inception a year previous. He cited significant initiatives made by the division in the areas of government relations, communications, education and research.

Mr. McGillicuddy called on the bankers to express themselves to provide the division with information about the challenges and problems confronting correspondent bankers. "Our success in effectively addressing tomorrow's challenges depends to what extent we as professional correspondent bankers can mobilize ourselves as a unified force within the banking industry," he said.

* * *

George W. Mitchell, member of the Board of Governors of the Federal Reserve System, delivered the keynote address.

He asked if the services sold by correspondents can be equivalent to or better than those obtained through holding company affiliations, if unit banks with correspondent affiliations can hold their own competitively with HC affiliates or branches of large banks, if correspondents can provide certain services of higher quality or at lower cost than can head offices of branching systems or lead banks of HCs.

He said correspondent banking has inherent advantages that have been overlooked in most discussions, such as the ability to provide specialized services without taking over respondent banks lock, stock and barrel, the ability to give many unit banks both the skills and the confidence needed to relieve their apprehensions about meeting branching and HC competition; the ability to operate over large areas, unhampered by state or other political boundaries; a mobile investment in respondents; and the ability to slough off unprofitable affiliations.

Those correspondent banks that have the vision, the vitality and the determination to develop and merchandise their services can occupy an important niche in the payments network and the banking system of the future, Governor

a Profession in Transition

Mitchell said. Those banks "too phlegmatic and tradition-bound to differentiate between an opportunity and a threat" will get the nostalgic sympathy we reserve for the glories of the past, but not much more.

* * *

Robert L. Walton, president, Farmers & Merchants State, Bushnell, Ill., gave a candid presentation on his bank's unique arrangement with its correspondent. He told how his bank worked out agricultural participations on its own terms with its correspondent.

At the beginning of each year, Mr. Walton's bank makes a deposit and loan forecast from which it can forecast the dollar amount needed for the current year to fund the participation arrangement the bank has with its correspondent. Based upon the forecast, the correspondent reserves a certain dollar amount of credit for use by Farmers & Merchants.

Mr. Walton says the success of such a program depends on a complete understanding by both banks of each bank's potentials and problems.

* * *

James E. Brown, senior vice president, Mercantile Trust, St. Louis, spoke of the implications for correspondent banking of the Hunt Commission recommendations.

He said that state-wide branching "could only have a shocking impact on correspondent bank balances." Such an occurrence would result in a rash of mergers, he said, which, in turn, would result in fewer accounts, with four or five individual accounts ending up as one account of considerably less size than the aggregate of the accounts of those banks that were merged.

Compulsory Fed membership would serve to switch non-member reserve balances to the Fed itself, he said. Plans being made in some states would reduce non-member reserves severely, regardless of whether compulsory Fed membership takes place, which will cause correspondent banking balances to suffer when such balances are based primarily upon the legal reserve factor.

The recommendation to eliminate reserve requirements on time deposits is both good and bad news to the correspondent banker, Mr. Brown said. "The good part tends to encourage us as commercial bankers because hopefully this will spur community banks to press harder for time deposits and therefore grow into larger banking institutions . . . But the bad news is that non-member banks will not need to carry correspondent bank balances to fulfill reserve requirements on these time deposits."

The recommendation to give expanded powers to thrift institutions could open a new market to correspondent banks in the solicitation of S&Ls and savings banks for their cash balances to compensate for the assistance these institutions will get from correspondents in the area of check clearings, consumer credit counsel, auto floor planning overlines, etc. Drawbacks include the small size of such balances and the friction that could arise between the correspondent and its existing respondents should the correspondent bank dare to assist thrift institutions in services considered competitive with commercial banks.

Mr. Brown said that elimination of interest ceilings on time deposits would influence the correspondent system by enabling commercial banks to be more competitive and attract more deposits.

Although most correspondent bankers agree with the recommendation to prohibit interest on demand deposits, Mr. Brown cautions bankers not to lose sight of the fact that most balances are bought on some cost basis even if manifested only in the form of lower interest rates on loans and a multitude of "free" banking services. "The thrift industry can be expected to expand some currently isolated practices of allowing 'checking account type' withdrawals from their time deposits, which is tantamount of paying interest on demand deposits," he said.

* * *

Marshall D. Sokol, consultant to Payment Systems, Inc., New York, spoke on the necessity of utilizing advanced cash management techniques to maximize the profitability of correspondent banking services.

"The primary services that correspondents must be prepared to offer are cash management services. These services must transcend the approaches used in pre-EFTS (electronic funds transfer systems) environments. A major requirement for performing cash management services will be a high degree of commitment to computerization, including computer communica-

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ABA Correspondent Conference

Gradual Short- and Long-Term Changes Predicted for Correspondent Services

CHANGES IN store for correspondent banking include a more formalized network of correspondent relationships with fewer bank alliances and larger deposits with the fewer banks. Also in store is a steadily increasing demand for affiliation with the largest bank holding companies that are centrally controlled and a reassessment of float due to the realignments of relationships and speedier clearances.

These predictions will come about from within three to five years, according to Richard F. Hess, vice president, Opinion Research Corp., Princeton, N. J. Mr. Hess presented his views recently before the ABA's first National Correspondent Banking Seminar, meeting in New Orleans.

Mr. Hess foresees few, if any, times that these changes will be of a major, abrupt or revolutionary nature. Rather, most of the changes will be evolutionary in nature with the adoption of new services by new markets, as well as the extension of old services into both old and new markets.

The complexity of existing correspondent relationships will dissolve, Mr. Hess predicts, into far more formalized networks, or pipelines, of correspondent relationships.

He said that, within a few years, major suppliers of correspondent services will be called upon fewer and fewer times to pilot the small users of their facilities through the maze of finding the right man to handle the particular needs of the small bank.

Mr. Hess says that the small-town banker ultimately will realize that he will get better service on all his requests by going to the bank next up the line, rather than going to the largest bank.

However, major suppliers of correspondent services might have to nudge the smaller banks before such a practice becomes routine. Mr. Hess predicts that larger banks will encourage smaller banks to take this new route because the benefits to all concerned will be worthwhile.

The best way to handle this situation would be for the big-city bank to direct the small-town banker to go to the larger bank nearest him for all his transactions. If the echelon immediately above the requestee cannot handle the matter, channels then will take over to direct the matter on up the line until it stops at the place that can handle it efficiently, effectively and profitably, Mr. Hess says.

Because of the steadily increasing pressures on each bank next higher up the ladder, as well as the need for more service at each level and greater recompense for each unit, Mr. Hess predicts that fewer bank alliances will result, which, in turn, will result in larger deposits with the fewer banks.

This will take place simply because each smaller bank ultimately will find the one larger bank that best meets its service needs. And this will be the bank that will want to serve the smaller bank because of greater concentration of deposits with the selected correspondent, Mr. Hess says.

Therefore, the small-town banker will not have an account directly with the major money-center bank. Rather, he'll concentrate his funds with the bank next up the line to assure his getting, through his network, all the services he needs, when he needs them.

Each respondent bank will stay loyal to this arrangement only so long as tip-top service is provided at the lowest possible cost, Mr. Hess says. If service is not adequately maintained, the banks down the line will start shopping for new affiliations.

Mr. Hess sees steadily increasing pressures by the large correspondent banks forming networks to affiliate as rapidly as possible—and as exclusively as possible—with the largest bank holding companies. Such affiliations will enable the big-city banks to fill in many geographic locations with a single contact.

However, the managements of bank holding companies will have to be convinced that a particular correspondent bank is the right one to best serve the HC as the conglomerate's operation increases in terms of dollars, number of units and strategic locations.

Reassessment of float positions will come about because of the realignment of banking relationships due to HC acquisitions and the speedier handling of clearances due to the development of new ways to handle clearances, Mr. Hess says.

These two factors will operate concurrently and relatively soon to alter materially a bank's float positions. In the process, banks will develop network affiliation positions as well as new services. According to Mr. Hess, these new services will effectively provide new income for that lost through any lowerings of float.

Mr. Hess also predicts long-term changes for correspondent banking. These are principally electronic-related changes.

The network that is most progressive in adapting the latest developments in electronics to its old and new services in ways beneficial to its affiliates will be the organization that will be leading

the parade by 1980, Mr. Hess says.

Competition will be so great that no one network really will have an outstanding edge, he says. Thus, early affiliation with the network believed to be most progressive in electronic services development means potentially greater profits in the long run.

This will make it necessary for each major supplier to concern itself with constantly maintaining its corporate image. To the degree of success this image is kept attractive will the bank be able to maintain the network it wants, Mr. Hess says.

Among the long-range changes in store for correspondent services, Mr. Hess sees bill-paying systems based on electronic funds transfers for retail store customers and complete electronic funds and information transfer systems for corporate customers. Further down the line he predicts electronic ordering and processing of grocery and meat orders for retail store customers and accounting and billing services for cable TV users.

Mr. Hess urges regional and district suppliers of correspondent services to take hard looks at the organizations upstream to determine which are doing the best jobs of evaluating possibilities and starting to develop long-range services and markets. Once having identified the best of the lot, the regional suppliers should make every effort to affiliate with them, if at all possible.

Banks can encourage increased developmental activity by urging inquiry and by offering to aid in the testing, trying and development of new methodologies.

Major money-center organizations are urged by Mr. Hess to take the lead in the necessary developmental work and to add to present activity in as unique ways as possible.

Mr. Hess says the next few years will be extremely challenging because they are loaded with potential for undoubted profit. He recommends that bankers constantly keep the highest kind of attuned ear and the most perceptive view at all times.

"Today," he says, "you've only scratched the surface of being of service to the corporate and individual clients you will be serving in the years to come." • •

■ MEDICAL CENTER BANK, Houston, elected Robert B. Hall an advisory director. He is administrator of the Diagnostic Clinic of Houston.

Correspondent Banking

(Continued from page 45)

tion systems. Some banks have already declined to meet this commitment and are withdrawing from correspondent services that require ADP support and computerization. Such banks may find it increasingly difficult over time to maintain their other correspondent services," Mr. Sokol said.

* * *

Robert J. Lawrence, chief, banking markets section of the Fed, spoke on the effect of HC growth on the correspondent banking system.

He stated that the activities HCs are aggressively pursuing are already engaged in by most correspondent banks, namely originating mortgage and consumer loans, leasing and providing financial advice.

A correspondent bank affiliating with a HC would provide the bank with added strength in these areas, since the HC and its non-banking subsidiaries can pursue these activities more extensively than a commercial bank can, he said.

HC non-banking subsidiaries have no geographic restrictions and HCs have more flexibility in financing their non-bank expansion, which result in HCs having greater potential to tap non-banking markets than a commercial bank would have, he said.

"Potentially then, the levels of expertise in these activities will be greater in a HC than they would in a correspondent bank standing alone," Mr. Lawrence said. "Assuming there is communication within the HC system, the expertise of affiliated correspondent banks should be increased; and this in turn should result in improved service to their respondent banks."

* * *

Edward A. Jesser Jr., chairman, United Jersey Banks and chairman and president, Peoples Trust of New Jersey, discussed the question, "Holding companies and correspondent banks—allies or competitors?"

He said there is a head-on collision between HCs and correspondent banks because lead banks of HCs find they must offer correspondent services to their HC affiliates. These lead banks then begin to offer these services to banks outside the HC umbrellas. Similarly, small banks becoming affiliated with a HC tend to rely on the services of the HC's lead bank, thereby terminating the relationship it might have had with a correspondent bank that is not a part of the HC.

There is an opportunity for correspondent banks to seek relationships with banks in a HC, he said, but it is likely that the HC will set the wheels in motion to provide these services itself, so its affiliates will not need to seek outside assistance.

Such a situation prompts money-center banks to come up with new services in order to stay ahead of the competition from HCs and other correspondent banks, which is beneficial to all parties involved.

In the area of compensation for services, Mr. Jesser said the advent of the HC has resulted in a trend to substitute fees for balances, at least in banks affiliated with HCs. The fee system would be a more accurate manner of compensation, he said.

However, he said, banks within HCs will continue to maintain balances with the lead HC bank because of the many services used almost on an hour-to-hour basis. This could result in the money center bank "wholesaling" its sophisticated banking services and management techniques to the HC for fees, with the HC, through its lead bank, "retailing" the services to its member banks, with compensation in the form of balances. • •

Woodrow

(Continued from page 31)

urge a high degree of vigilance against inflationary pressures, and as distasteful as they are, some controls may be necessary for the foreseeable future.

It is our feeling that 1973 will be a good year nationally, with the overall economy continuing to expand, and with an aura of confidence permeating the business picture, now that the many election uncertainties are behind us. While the prospects of substantial reductions in military spending are not too bright, the cessation of hostilities in Vietnam should result in some shifting of spending from Southeast Asia to domestic programs. One factor that can affect the economy in a number of ways will be the degree of cooperation that may be developed between the executive and legislative branches of the federal government.

Toward the end of 1973 we may see that our huge productive capacity, which apparently now is being used to a rapidly increasing degree, has begun to over-fill the pipelines and some brief cessation of our rapid economic growth may be indicated in the first half of 1974. • •

Small Bank Stocks

(Continued from page 6)

many other securities. But if one looks at the trading range of stocks, he will find that during 1972, for example, many of the bank stocks listed over-the-counter fluctuated by as much as 50% of their low prices.

One of the interesting and notable criteria of a brokerage firm's decision to include a bank in its selection is its anticipation that the bank will perform somewhat better than average. It is much easier to sell a bank security in a growing part of the nation than it is to sell one in an area that is regressing.

Suppose a bank is located in a growth area and, because of that growth, is pressured on its capital adequacy. A way to test the market would be for the bank to ask regional brokerage firms how these firms go about selecting a bank, with the objective of maintaining a market for the stock.

An experienced bank stockbroker may have considerably different ideas of the real value of a bank's stock compared to the price at which the last transaction took place. Such information should be of interest and value to the bank's shareholders. • •

Legislative Outlook:

A Possible Break in Tradition for Illinois: Limited Multi-Unit Banking Recommended

By ROSEMARY McKELVEY

Managing Editor

THE NEW YEAR may see banking law changes in several Mid-Continent states, with one of the most dramatic proposals coming from Illinois, traditionally a unit-banking and one-bank holding company state.

Following an exhaustive study of banking laws in its state by a committee on banking structure, the Illinois Bankers Association last month recommended introduction of *limited* multi-unit banking in Illinois, although it emphasized that its position on unit banking has not changed. If the recommendations, which were approved by the IBA's council of administration, are adopted by the IBA's membership at a special convention to be held January 25-26, the association will work with the Illinois legislature to help amend current banking laws. This is the first major attempt to revamp Illinois banking laws since a ban against branching was approved almost 50 years ago.

Chairman of the committee on banking structure was Lewis H. Clausen, president, Champaign National, and immediate past IBA president. Announcement of the proposed structural changes was made December 14 by the current president, John F. McKnight, president, First Bank of Oak Park.

The special committee, formed early in 1971, recommended that the state be partitioned into five districts (see map on page 51), in which multi-unit banking corporations (both full-service facilities and HCs) would be allowed to operate. A banking facility would render any banking service that's legal for a commercial bank, with the extent of the services offered to be under complete control of bank management.

Banks would operate full-service facilities within the county of domicile or within 25 miles of the bank, whichever would be greater, except that home office facilities only may cross district lines. HC banking corporations would be able to expand *de novo* through acquisitions only within the geographical district in which the group's home office is located.

Under the proposals, a home office, which must be a bank, would be designated by each single unit or multi-unit banking corporation. This designation would not be changed except in case of a merger. In this case, the home office of the merging bank with the largest assets at the time of merger would automatically be designated the home office. These home office protection provisions would pertain only to the designated home office. There would be no restrictions on distance between banking facilities other than home offices.

Communities (defined as cities, villages or incorporated towns) would be divided into two subsets by population. For communities with populations of less than 2,500, no bank domiciled outside a community would be allowed to open a facility within one mile of the community, if there would be a home office of a bank domiciled in the community. For communities with populations greater than 2,500, banks domiciled outside the community would not be allowed to open a facility within a mile of a bank's home office. Banks domiciled in the community would not be allowed to open a new facility within a quarter mile of a home office of a bank in the community. In the central business district of Chicago defined as follows—North Avenue on the north, Roosevelt Road on the south, Lake Michigan on the east and Ashland on the west—no bank facilities could be established closer than 600 feet to the home office of another existing bank.

McKNIGHT

CLAUSEN

Rate of Expansion. Should the proposed legislation be enacted, a banking entity could expand at the net rate of two offices the first year and two offices the second year. The first year's allotment could be deferred and accumulated, with the second year's allotment to be used in the second year. In all years after the second, a banking entity could expand by four offices a year.

For this expansion privilege, an office is defined as either a full-service facility or a separately capitalized bank that's an affiliate of a holding company, or an existing bank with or without facilities. If an existing bank with facilities should be acquired, the bank and each of its facilities would be counted separately toward the expansion quota.

Existing limited-function facilities would not be included in the expansion quota and would not be considered as offices for future computations if mergers occur. If such facilities' functions would be expanded, they then would be counted. This provision would apply only to facilities in existence and to those under construction as of last November 15.

The existing bank would not be included in the computation of the number of offices that could be opened in the first year, but it would be counted as a facility if it was merged with another bank.

Expansion quotas would not be affected by office expansion into economically distressed areas. The decision as to whether an expansion office would be considered in a bank's quota would be made jointly by the state banking commissioner and the state banking board.

Mergers of banks with more than four facilities would be allowed, except that net expansion in number of facilities through merger could be accrued for only one year in addition to the current year. Any excess must be divested within a year after merger or acquisition.

This map shows five districts into which state of Illinois would be divided for operation of multi-unit banking corporations if structural banking changes proposed by Illinois Bankers Association are made in 1973.

Untended stations. Untended stations—for instance, electronic deposit and cash withdrawal devices—would not be considered banking offices for any of the restrictions within the proposed structural changes. For untended stations, all banks must be given the privilege of participating (up to normal capacity of the machines) in their use as long as such stations are off the premises of any particular banking office. It is expected that participating banks would share the costs of each station on a pro rata use basis, with participants agreeing to meet common standards. If such cooperative uses should be denied, the device would be counted as a facility by the bank utilizing the station. All provisions covering such untended stations also are restricted to district lines.

The IBA recommends that banks not chartered by Illinois, other states or the federal government not own 25% or more of any bank domiciled in Illinois or having a bank office in Illinois, except those now in existence. Banks, trust companies or HCs of banks with corporate headquarters outside Illinois holding more than 25% of the stock of a bank in a state other than Illinois would not be able to hold more than 5% of the stock of an Illinois bank. This provision would not apply to Edge Act corporations. Banks chartered outside the U. S. could have a branch only in the Chicago central business district, as defined above, if the country in which such bank is chartered would provide reciprocal privileges to banks domiciled in Illinois.

After two years from the effective date of the proposed amendment to the Illinois Banking Act—January 1, 1974—no not-for-profit corporation, fund or foundation organized and operated for religious, charitable or educational purposes could retain direct or indirect ownership or control of more than 5% of the voting stock of any bank or bank HC operating in the state. No banking corporation could acquire through acquisition any other bank or facility if, as a result of such an acquisition, it would own more than 10% of total domestic deposits, less negotiable CDs, of the district in which the bank is domiciled. No bank or HC in one district could own the equity securities of a bank in another district expect for liquidating purposes.

Finally, the special committee recommended that the banking commissioner prohibit chain banking five years from the amendment's effective date.

Recommendations for Missouri. Like Illinois, the adjoining state of Missouri also may see some revision of its banking laws. A bill to accomplish this has been pre-introduced in the General Assembly, according to the Missouri Bankers Association. The bill is based on some 30 recommendations for changes in Missouri's banking code made by a special commissioner's committee after meeting several times last fall.

In addition, the MBA's governmental affairs committee has recommended and the association's board has approved proposed legislation that would permit bank facilities to make loans and increase the usury rate from 8% to 10%.

Other proposed legislation backed by the governmental affairs committee would make a change in Section 100 of

Chapter 408 (relating to interest on small loans and retail credit charges) of Missouri's consumer credit laws. Section 100 now reads: "This section shall apply to all loans of $500 or less which are not made as permitted by other laws of this state except that it shall not apply to loans which are secured by a lien on real estate, non-processed farm products, livestock, farm machinery or crops or to loans to corporations. . . ." The suggested change is that the section apply to all loans of $1,000 or less with the exceptions noted above.

Among the 30 recommendations made by the special committee were that the state banking commissioner serve a four-year term, rather than at the discretion of the governor as is now the case, that the commissioner's annual salary be increased from $18,000 to $25,000 and the deputy commissioner's from $16,000 to $23,000.

In addition, the committee proposed that the commissioner investigate a proposed bank within 120 days after receipt of articles of agreement together with pertinent information supporting the application, a report to be made to the state banking board when proposed incorporators have met all requirements. Another recommendation is that a public hearing be held before the state banking board within 180 days after filing of the articles and a decision rendered within 30 days after the hearing.

60-Day Limit

If the banking board believes a proposed bank should be opened, the special committee recommended that the commissioner grant it a certificate of incorporation no more than 60 days after the board's order. However, the commissioner could revoke the new bank's charter if it doesn't open within two years unless a written request for an extension is made to the commissioner.

Turning to bank boards, the committee recommended that a majority of directors reside within a 100-mile radius of the bank and that they review loans, discounts, acceptances and advances, including overdrafts, to each individual, partnership, corporation or person whose liability has been created, extended, renewed or increased by more than an amount to be determined by

Administration Is Drafting Bill Based on Hunt Commission Report

POSSIBLE BANKING legislation on the federal level includes a bill based on the Hunt Commission report. ABA President Eugene Adams said a Nixon Administration task force presently is drafting such a bill, which will implement many of the recommendations made by the commission (officially called the President's Commission on Financial Structure and Regulation).

Mr. Adams—reporting on a six-city tour he made of the U. S.—said he expects the Administration's bill, which he thinks will be introduced early in the next session of Congress, to include the following provisions:

- Entry of S&Ls and mutual savings banks into checking account, credit card and installment lending areas.
- A uniform tax formula for all lending institutions.
- Elimination of any interest rate differentials paid on savings accounts between financial institutions.

Mr. Adams' tour brought him into contact with about 400 leading bankers and helped him learn their views on current issues affecting banking.

Mr. Adams emphasized that bankers favor increased competition if it is based on equal treatment.

"If the public can get better services by all of us competing on the same playing field, under the same ground rules, we're all in favor of that," he continued. "And I am very pleased with the alertness and awareness of bankers to the need to be competitive and provide services that the public wants and needs."

The ABA has taken no official position on the Hunt report. However, Mr. Adams indicated that if the Administration's bill was in the general form he described, he believed the ABA would support it.

Other banking legislation that has previously been introduced, but not enacted, includes:

Banking Reform Act of 1971, which has 15 provisions. Among them are prohibition of brokered deposit arrangements, gift giveaway promotions to attract deposits, equity participations in connection with loans; authorization of 100% insurance for public deposits at S&Ls and banks; barring of officers and directors of any financial institution from serving on the board of any other financial institution; prohibiting a bank's trust department from holding its own stock and banks and S&Ls from extending credit to any corporation where 5% or more of any class of stock of the corporation is owned by directors, trustees, officers or employees (or their families) of such financial institutions.

This bill—HR 5700—is pending before the House Banking and Currency Committee. The ABA opposes most of its provisions.

National Development Bank—S 580 and HR 3550—which proposes creation of a financial institution completely independent of existing financial institutions that would provide credit to: 1. New business and industry in "depressed areas" provided the new businesses promise to hire and train a full complement of labor at adequate wages. 2. Communities for community development. 3. Institutions, public or private, which will use the funds for low- and moderate-income housing.

No action has been taken by either House or Senate committees.

Federal Financing Bank—S 3001—which would coordinate the debt issued by many federal agencies, thus reducing the cost of borrowing. Under the proposed legislation, the bank would make direct purchase of federal government agency securities with funds raised by sale of its own obligations.

No hearings have been scheduled in the Senate Banking, Housing and Urban Affairs Committee.

Truth in Savings actually is three bills, S 1848 having been introduced May 12, 1971, and HR 8365 and HR 8457 having been introduced May 12 and 17, 1971. These bills would require disclosure by all savings institutions to depositors and disclosure in advertising and other public notices of: (1) annual interest rate; (2) minimum length of time money must remain on deposit so that interest is payable at that interest rate; (3) annual percentage yield; (4) number of times and dates on which interest is compounded and payable; (5) any terms or conditions that increase or reduce rate of interest payable; (6) any charges initially or periodically made against any deposit; and (7) any restrictions or penalties imposed on use of funds in any deposit.

The ABA believes supervisory authorities have power to issue any regulations that may be needed, and this view has been communicated to the federal agencies.

No hearings have been held in either the House or Senate committees. • •

the board, this minimum not to exceed $10,000.

Kansas. The Kansas Bankers Association last month announced support of legislation that would allow two additional limited-service facilities (a total of three, including the one presently authorized within 2,600 feet of the main bank), with no provision for contiguous city exception. The KBA also advocates that the definition of limited service be broadened to include safe deposit boxes.

The KBA urges passage of legislation that would eliminate the holder-in-due-course doctrine on consumer credit sales transactions, with the following provisions: 1. Bank credit card transactions would be exempt from buyers' defenses and claims, except in home solicitation sales transactions. 2. Any aggregate liability would not exceed the balance owed at the time the defense or claim is asserted by the buyer. 3. The buyer must show he has, in good faith, tried to gain satisfaction directly from the seller. 4. The buyer must give written notice to the assignee, prior to his assertion of a claim or defense, stating his complaints. 5. Any time a buyer asserts a claim or defense, regardless of any existing agreement to the contrary, the dealer must repurchase the entire obligation from the assignee, at the assignee's option.

The KBA also wants legislative restrictions on repossession-deficiency judgments if the original cash sale price is $1,000 or less and involving only third-party paper and regulation of credit life premiums by the state's insurance commissioner.

In addition, among other proposals, the KBA advocates bills to authorize state-chartered banks to invest in the Minbanc Corp., to alter reserve requirements for state banks, thus bringing conformity with recent Fed decisions affecting national banks' reserves, to eliminate the requirement that the word "state" be included in the name of a state bank and to authorize the state bank commissioner to regulate the amount of investment a state bank may make in a bank building corporation.

Indiana. On December 8, directors of Indiana Bankers Association passed a resolution making the association neutral on the controversial subjects of branching and multi-bank HCs. In Indiana, branching is limited to the county in which a bank's home office is located. According to a 1957 law, multi-bank HCs are not permitted. In recent years, some Indiana bankers have shown increasing interest in liberalizing banking laws there. The state has seen many one-bank HCs formed, and pressures have been exerted to change Indiana law and permit multi-bank HCs.

Two opposing groups have been formed: the League for Economic Development, which plans to seek legislation to permit multi-bank HCs; and the Independent Bankers Association of Indiana, Inc., which is composed of bankers opposed to multi-bank HCs.

Because bankers who belong to one or the other of these organizations also belong to the IBA, the latter's officers believe it desirable to avoid an industry battle in the legislative halls. They tried, but failed to effect an agreement between the two opposing groups. Thus, the IBA's board voted to take a neutral stand on the issue.

Mississippi. Multi-bank HCs also are in the news in Mississippi. According to the Mississippi Bankers Association, the state's 1973 legislative session will consider the question of relaxing the law that prohibits formation of multi-bank HCs. The Uniform Consumer Credit Code also may be considered.

Alabama. The principal item expected to produce a controversy in Alabama will be the Mini-Code enacted in the last regular session. This legislation sets up usury ceilings and consumer protective devices. Amendments to it from liberal consumer advocates are expected to be the principal political football, said the Alabama Bankers Association. Pre-filed bills of this nature already have been introduced in both houses.

The AlaBA expects to introduce legislation that would permit state banks to charge rates identical to those permitted national banks. This permission would enable state banks, as well as national banks, to make reasonable minimum charges under the 1959 Small Loan Act. The AlaBA indicated this proposed legislation may prove controversial, but its objective is to permit the smaller rural banks to make very small denomination loans to worthy individuals. The AlaBA said such loans are needed particularly in areas without loan companies.

In addition, "the usual rash of bills for counties to permit branching and the normal number of punitive legislation aimed at banks" is expected, said the AlaBA, which added, "None of this is expected to prove of serious consequences."

New Mexico. Little banking legislation is foreseen in New Mexico. The NMBA said the legislation it looks forward to includes measures designed to equalize the competitive position of state and national banks. The association said it doesn't know what to expect in legislation on branching and non-bank financial institutions and the Uniform Consumer Credit Code. • •

■ DALLAS—Texas Bank has announced the following promotions: Bill R. Lyday, from vice president and cashier to senior vice president and cashier; Gilbert T. McLeskey, from vice president and senior trust officer to senior vice president and senior trust officer; Robert H. Harder, vice president, to senior corporate trust officer; John D. Newall, to vice president; Hardy T. Richards, to assistant vice president; C. L. Colgin to assistant cashier, and William E. Dykes, from accounting officer to assistant controller.

Union National of Springfield, Mo., Occupies New Building on Square

DECEMBER 11, 1972, signaled the beginning of a new era in banking with the formal dedication of the new Union National Bank building on the southeast corner of Park Central Square, in downtown Springfield, Mo. It was on this identical site that the original bank was established 73 years ago in 1899, and four years to the day that Union National announced plans to erect the 75,000 square-foot, $2-million building.

According to bank President Evans McReynolds, the new building embodies all that is modern and convenient in banking. The 75,000 square-feet working area nearly doubles that of the former structure. "It makes it possible to expand even further our data processing services to bankers," said Mr. McReynolds.

Currently, the bank offers software systems in demand deposit accounting, savings, certificates of deposit, installment loans, Christmas Club, payroll, general ledger, cost accounting, letter writing, employee time accounting and insufficient funds. "We expect in the near future to make new announcements concerning additional data processing services available to bankers as well as to manufacturing and wholesaling," added Mr. McReynolds.

Eugene Everett, president of U. N.

Main banking lobby of Union National uses repetition of materials and designs to link exterior and interior sectors. Bronze glass and mullions of exterior are repeated at teller stations.

Unique table of book-matched olive burled wood is feature of board room at Union National. Chairs are covered with camel-toned leather and carpet is apricot hue.

Bancshares, Inc., of which Union National is a member, indicated that the new bank is visual proof of management's philosophy of providing customers with the most modern facilities available to make banking fast and convenient. "It (the building) is also testimony of our faith in the future of the core center of Springfield. We believe that by modernizing ourselves, other businesses in this area will be encouraged to do the same."

Now that construction work on the new building has been completed, the bank anticipates holding its formal grand opening celebration January 12 and 13, providing public tours, free gifts and refreshments and many other surprises to those who attend during the two-day period.

And the public will see much of what is new in banking today. The three-level building includes two walk-up locations, four drive-in lanes and three 24-hour depositories. Facing Park Central Square, with entrances from the square and South Avenue, the bank features a third entrance from a landscaped arcade running from Park Central Square, south, to E. McDaniel Street. This arcade separates the main bank lobby from the adjacent drive-in facilities that can be entered from E. McDaniel Street.

Trust department at Union National features walnut desks, antique red leather upholstery and damask print design on putty vinyl walls.

Warm, quiet elegance is hallmark of interior of Union National's new quarters.

The informal lobby, circular in shape, features 13 teller counters as well as the bank's consumer loan department. Safe deposit boxes are located on the lower level and include private booths for inspection of safe deposit contents. On the second level, above and completely surrounding the main lobby, are the commercial loan and real estate loan departments.

Union National, long recognized as Springfield's home-owned bank, features one of the largest data processing departments in the Midwest. This department, in addition to serving many area banks, provides data processing services to non-bank customers in manufacturing and wholesaling.

The bank also offers a fully staffed trust department providing a full range of services in the areas of estate planning and investment management. • •

ON THE COVER . . .

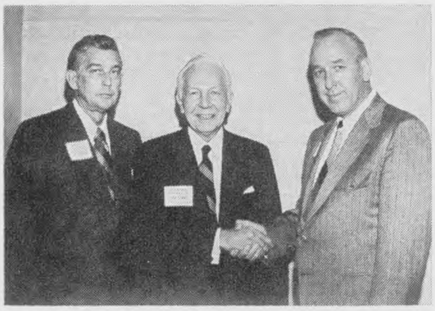
View of new Main Office of Union National on Park Central Square in downtown Springfield, Mo. Formal grand opening is set for January 12-13.

Economic Outlook Bright for Southeast, According to Speakers at Bank Forum

"THE BANKER who is sensitive to the needs of his community and responds to these needs will be operating a successful bank in 1973 and the years beyond. The economic, social and political climate is changing at an accelerated pace and only bankers recognizing and coping with this pace of change will be operating the viable institutions of tomorrow."

The above is a summary of a talk entitled "The Changing Banking World," delivered at the 27th Annual Bank Forum sponsored by First National, Montgomery, Ala., in cooperation with its affiliates in First Alabama Bancshares. The speaker was Frank A. Plummer, chairman of First of Montgomery and chairman and president of the HC.

More than 450 bankers and their wives attended the two-day meeting last month. Other speakers on the program included James S. Gaskell Jr., president, First National, Montgomery; Norman D. Pless, president, Exchange Security, Birmingham; W. Eugene Morgan, president, First National, Huntsville; and Daniel G. Miles, senior vice president, First National, Montgomery. A panel discussion was also held, which included Jack Eley, senior vice president, First of Montgomery; Harry M. Barnes Jr., vice president and treasurer, Real Estate Financing, Inc.; and Haywood M. Sport, vice president, First of Montgomery.



Frank A. Plummer (c.), ch. of host bank, greets Alabama bankers attending Bank Forum. They are W. M. Kelly (l.), pres., First Nat'l, Bay Minette, and Lynn H. Mosley, pres., City Nat'l, Tuscaloosa.

Other Alabamans attending First of Montgomery Bank Forum included (from l.) John McGarity, v.p., First Farmers & Merchants, Troy; George Hulme, pres., First Nat'l, Alexander City; J. Allen Reynolds Jr., exec. v.p., host bank; R. F. Blake, pres., Auburn Nat'l.

Mr. Gaskell, in his talk entitled "Loan Outlook," stated that, "Despite some variations by individual banks, most banks rely on loans as their principal source of income. The economic forecast for 1973 is bright for the nation but even brighter for the southeastern section of the U. S. and Alabama.

"Based on projection of trends for the past three years, plus the economic outlook, it appears that loans outstanding for this area should conservatively increase by 15% for 1973. Rates, although not officially controlled, will be closely scrutinized by monetary authority and not permitted to increase substantially. Rates in this area should remain relatively steady with modest increases in mid to late 1973."

Mr. Pless chose as his subject "Investment Outlook and Acquisitions of Money." He stated, "We believe that bank depositors have changed in the handling of their bank relationships, both as to checking and savings accounts. We are, therefore, attempting to change our approach to the acquisition of funds. The customer seems to be asking for something more from banks than he has in the past. We think that additional services in product differentiation may be what the customer will buy.

"If we can believe what we read about the economy in the coming 12 months, there would seem to be some broad agreement that: 1. banks will be faced with increased demands for funds; 2. that the Fed will be faced with providing expansion of funds within the framework of exercising discretion in monetary policy; 3. that the Treasury will be faced with refunding a great deal of existing debt in creating further debt to cover deficit spending; and 4. that the Administration will continue to be faced with efforts to limit inflation to the framework of the other three problems."

Mr. Morgan, speaking on "Expense Control," stated "The cost of money is one of the banker's largest expense items. There is considerable thought being given to lifting the restrictions of Regulation Q. It is becoming more and more popular for those responsible for managing public funds to offer these funds to the highest bidder.

"In recent months, some large blocks of public funds—that is, surplus funds of utilities and county funds—have been bid as high as 6.45% per annum for 12-months maturities. If some banks are willing to pay this kind of rate on highly volatile public funds, what would they be willing to pay for less volatile time deposits of individuals? We shall find out, if and when restrictions of Regulation Q are no longer in existence."

"Profit in your Pocket: 'One-Pocket Proof' " was the subject chosen by *Mr. Miles,* who pointed out that "the proof department is the heart of the bank since all documents from all departments must be processed in this area. One-pocket proof machines are less expensive, more productive and the proof operators state they are easier to operate, achieving full production very quickly."

A panel discussion entitled "Building Your Community Can Be Profitable" was moderated by Mr. Eley. The panel included Messrs. Sport and Barnes.

According to *Mr. Sport,* "1973 should continue to be a good year for mortgage banking. Bankers must be able to do more than lend money—they must be able to give the advice and counsel that are profitable for both the bank and the customer. Customers will go to that type banker. The local banker continues to hold the key to development in Alabama. Large industry will continue to locate in areas where their people have adequate housing and educational facilities. The banker can be on the front end for development and construction of his community."

Mr. Barnes stated that "More innovations in real estate financing have taken place in the past decade and a half than have taken place in all the previous time. New frontiers are continually opening in the real estate investment field. Institutions that in the past have not considered real estate as a form of investment are now putting their money in mortgages. Americans are on the move and when they settle new communities are being formed. Secondary or vacation-type homes are becoming more commonplace. Real estate investment trusts, syndications, partnerships, participations, plus many other innovations, have opened a whole new avenue for the real estate investment market and we are just now scratching the surface. Our area, because of all the natural resources, abundant supply of labor, etc. is bound to grow because we have so much to offer to so many." • •

Business Outlook

(Continued from page 28)

3.5% of this rise will be the result of higher prices as against an estimated 3.3% in 1972.

• Consumer outlays probably will rise about 9%—another exceptionally good year. This will reflect a further rise in employment, wages and a large tax refund this year. Recent surveys of consumers support this expectation.

• The substantial thrust to the economy will come from the business sector. Business spending for fixed investment, given the anticipated rise in demand and the need to upgrade facilities for efficiency as well as for ecological reasons, will rise an estimated 17%. A recent survey of businessmen by McGraw-Hill tends to support this forecast. Moreover, new orders for durable goods have traced an irregular but rising trend for the past year with orders in September, 1972, about 24% above the level of a year previous. New orders for capital goods are up 27%.

• Construction activity is likely to continue at a high level in 1973. This will reflect (a) the expected increase in nonresidential building which typically characterizes an expanding economy, and (b) the continued surprising strength in homebuilding. The so-called leading indicators of construction activity strongly support this expectation.

First—the value of construction contract awards, in the first nine months of 1972, were up 15%.

Second—the size of contracts let for commercial and industrial building were up 17% in the same period.

Third—and the real surprise—private housing permits are up 14%, suggesting considerably more strength in homebuilding than most forecasters had anticipated.

• The rebuilding of business inventories, which began late last year, probably will continue throughout 1973 and will be another source of strength in the economy.

Between 1960 and 1968, when overall sales were much lower, business inventories rose an average of about $7½ billion annually. Despite a handsome rise in sales, additions to inventories in the past year have totaled about $2.6 billion. To service the present volume of sales, as well as the gains anticipated in 1973, suggests that business will have to add substantially to its inventories—perhaps as much as $10 billion.

• The increase in government outlays will nearly match that of 1972. Because of an intense effort by the Administration, the rise in expenditures by the federal government will moderate. Outlays by state and local governments are expected to rise at pretty much the same 10% pace of the past decade or so.

• The normal cyclical recovery in profits will continue with profits rising by about the same 15% as for 1972.

• Expanding business, the heavy financing needs of the federal government, and the continued and perhaps slight worsening in inflation will continue to lift interest rates, but not significantly.

In summary, the expansion of business in 1973 and the demand for our product—bank credit—seems assured. As the year ages, however, the gap between the productive potential of the economy and actual output will narrow considerably. In the past, as this point has been approached, inflationary pressures have strengthened.

The task in 1973, therefore, will be to shape policies, to prevent inflation from again taking hold and becoming a dominant factor in business and investment decisions. To slow the economy and moderate the demand for goods and services will require a much less expansive credit policy and a substantial reduction in the federal deficit, preferably by slowing the growth of expenditures, but probably by means of a tax increase. • •

Photo-Check Service Announced At Bank in Mundelein, Ill.

MUNDELEIN, Ill.—Customers of First National here can now have their checks customized with their own photos. The photos can be taken at the bank and the pictures then imprinted on personal checks in the upper left-hand corners next to depositors' names and addresses. Photography equipment has been installed in a special area of the bank.

According to Robert A. Sharpe, president of First National, the new service not only will protect the check writer, but also should reduce the risk local merchants sometimes experience in cashing lost or stolen checks. Obviously, Mr. Sharpe continued, the photo-type checks will not be easy for potential forgers to use because they carry actual photos of account holders.

First National's check supplier is DeLuxe Check Printers, Inc., Chicago.

■ FRANCIS E. CANATSY, vice president and trust officer, Wells Fargo Bank, San Francisco, has retired following 43 years of service. He was head of the bank's trust account administration for the past three years.

Principals at "Return to Fundamentals" correspondent conference hosted by Liberty Bank, Oklahoma City, included (from l.) Willis J. Wheat, sr. v.p.-marketing, host bank; Eugene Adams, ABA pres., and pres., First of Denver; and J. W. "Bill" McLean, ch. & CEO, host bank.

Comprehensive Economic Education Program Unveiled at Liberty Bank Conference

Created by Liberty, It's Available to Other Banks

By HAROLD R. COLBERT
President
Commerce Publishing Co.

LIBERTY National, Oklahoma City, structured its 16th annual correspondent conference December 8 and 9 around the theme "Return to Fundamentals." Before the conference was over, the bank had unveiled a bold, new, comprehensive program of economic education and announced that the entire program is available to banks, corporations, associations, municipalities, educational institutions—any company or group interested in educating the public on basic economic principles and the value of our profit system.

The program is a full-blown public service communications campaign created by Liberty and its advertising agency, Lowe Runkle Co., built around the theme "Let's Talk Business."

The program already has the endorsement of the Oklahoma Chamber of Commerce and has been heralded as a significant contribution to our economic thinking by a small group of banks and business institutions that were given previews of the program.

The campaign includes 12 advertisements for newspaper and other print media with bold headlines such as "Without Profits, There Are No Taxes to Pay for the Basic Services We All Need and Expect" and "Businessmen Have Been Protecting the Consumers for Years." One ad features the headline, "Economic Illiteracy Begins Here," and shows a picture of small children in a school classroom. "You're Offered a Better Rate on Your Savings Account Than Most Businesses Get in Profits" says another.

Each advertisement sets forth a myth that is commonly believed by the public and appearing opposite it are the actual facts. The ads encourage readers to respond through an eye-catching line repeated in each ad: "Got an idea . . . got a gripe . . . got a problem . . . got a solution . . . got a misconception . . . got something to offer" and repeats in bold type "Let's Talk Business."

A bank that buys the program material at cost will feature its own name in the series. If purchased for local use, there will be no mention of Liberty.

In addition to the print media advertisements, the program makes available to banks statement stuffers, slide presentation material, presentation kits, radio tapes, educational posters, television spots, magazine ad engravings and bulletin board posters as well as material for speakers.

As soon as the program was unveiled at the conference, a number of bankers signed up for the right to sponsor it in their communities.

The idea for the campaign, "Let's Talk Business," originated with J. W. McLean, chairman of Liberty, approximately a year ago when he observed how widespread the misunderstanding of free enterprise was and in how many areas the public was being given false information about American business. He decided that there should be a bold attack from a positive standpoint to counteract the economic illiteracy that appeared to be sweeping the land.

In conjunction with the bank's advertising agency, Mr. McLean and his fellow officers set about to prepare a public service communications campaign for Liberty, which also would make it available to others who sensed the need for economic literacy in the land. When the program was put together and shown to a few organizations and large corporations, it received an immediate favorable reaction. Now banks are being offered the opportunity to sponsor the public service program in their communities simply by paying cost charges for the materials and whatever advertising costs are involved in running the campaign in their communities. In each instance, the campaign will appear as a project of the local bank and the local bank will be given credit for the program in the news and publicity created by the campaign locally.

But "Let's Talk Business" wasn't the

only feature of the full-day conference work session.

Mr. McLean, in opening the meeting, said that the bank had adopted the theme, "Return to Fundamentals," because in recent months it had become fashionable to refer to "the accelerating pace of change," a "new value system" and other phraseology that indicated the ways of the past are no longer valid. Rather, he said, sound banking principles and economic policies are as valid today as they ever were. "Principles need never change—only the variety of ways in which they can be implemented," he said.

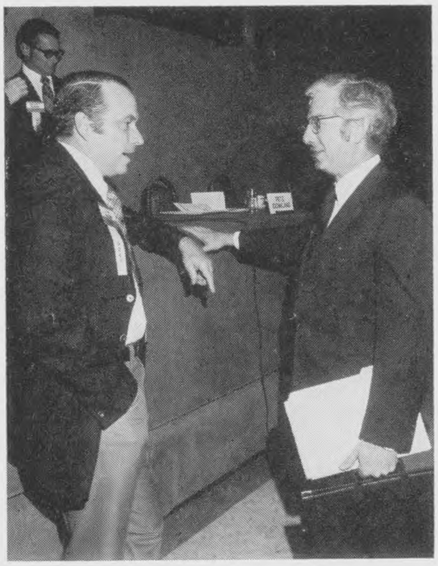
Following tradition, Dr. Paul S. Nadler, professor of business administration, Rutgers University, was the keynote speaker. Dr. Nadler said that the American economy at present looks like an economist's dream, because we appear to face a good rate of economic growth, less inflation and an improved balance of payments in the months ahead. Factors that indicate strong economic trends leading to a real growth in the range of 6% for 1973 include (1) plant and equipment spending should rise by something over 10% in the next year; (2) housing starts, while lower than 1972's 2.3 million units, should be above 2 million; (3) government spending on federal, state and local levels will remain strong; (4) strong consumer savings, coupled with high housing starts, should make consumer spending good; (5) inventory levels are moderate, coupled with a likelihood of improved foreign sales.

Dr. Nadler predicted inflation to increase by a lower rate in 1973 than in 1972 with about 3% price increases likely.

Basic Problems

Deterioration of urban life and inflation remain the basic problems, Dr. Nadler said. He foresees increased interest rates, both for long- and short-term, a certainty in the year ahead. But rosy as the immediate picture appears, Dr. Nadler expressed concern for the long-range outlook because of the vast deterioration in our urban centers, which will require great effort and much money to correct.

Franklin A. Cole, president of Walter E. Heller & Co., Chicago, discussed factoring as a means of providing liquidity both for the company that has a factoring relationship with a factor and for the company's bank. Through use of factoring, bank customers often are able to free themselves of the troublesome problem of collecting accounts receivable by the process of selling their accounts receivable to the factor and having collection and accounts receivable ledgering performed by the factor. From the bank's standpoint, it can provide a way to serve customers who might have to be turned down for credit in times of tight money or for other reasons. Liberty National Corp., parent of Liberty Bank, owns a 50% interest in Walter E. Heller International Corp., parent of Walter E. Heller & Co. The joint enterprise, located in Oklahoma City, provides factoring services throughout Mid-America.



Mr. McLean (l.) and William Ruder, pres., Ruder & Finn, Inc., discuss reaction to Mr. Ruder's luncheon address at Liberty Bank correspondent conference.

Robert E. Knight, research officer and economist for the Federal Reserve Bank of Kansas City, presented a scholarly paper covering Regulations D and J and their impact on commercial banks and the impact that other thrift institutions are exerting on banks in the drive to acquire power to perform services hitherto supplied only by commercial banks.

Eugene H. Adams, president of the ABA and of First National, Denver, reported on the ABA meetings that had been held in the newly established regional areas of the ABA and subjects of most pressing interest to bankers.

William Ruder, head of Ruder & Finn, Inc., New York, set the tone for the afternoon session by reporting on results of studies of economic viewpoints. His findings bore testimony to the critical need for more economic literacy.

Earl Sneed, president, Liberty National Corp., served as moderator of a panel in which Willis J. Wheat, senior vice president, Liberty National, unveiled the new approach to economic education created by Liberty. In addition to the phases of the program already reported on, Mr. Wheat announced the bank's launching of a contest sponsored for the best viable new business ideas from young people in Oklahoma between the ages of 18 and 25. The contest will be based on ideas for starting a small business or further developing an existing one. There will be five primary awards of $1,000 each, with additional runner-up and honorable-mention awards consisting of shares of stock in Liberty National Corp.

Teachers' Competition

Another competition sponsored by Liberty will be open to Oklahoma teachers in grades kindergarten through 12 and will be judged on creativity in economic education. The winner will receive a $1,000 award and runners-up will receive shares of stock in Liberty National Corp.

The third award program at Liberty is a matching funds program in conjunction with the Oklahoma Council for Economic Education. The plan calls for a beginning grant of $5,000 from the bank. The bank emphasizes it is not attempting to dictate curriculum in the school systems, but to help ensure a balanced curriculum of economic edu-

Conference participants discuss point with Franklin A. Cole (r.), ch. & CEO, Walter E. Heller & Co., who was speaker on program.

cation that will provide a means of clearing up many popular misconceptions of business and profits in the free-enterprise system. As an illustration of prevailing misconceptions which Liberty's research uncovered, most people believe business earns profits of 28% on sales, whereas actually they are 4%.

Other speakers at the conference included Gerald R. Marshall, Liberty president, who discussed management control as practiced at Liberty, and Louis F. Danforth, senior vice president, economist and chief financial officer, who cited ways to make a bank's bond account work harder. W. K. Bonds, executive vice president and senior trust officer of the bank, also discussed a bank's investment program. The field of mortgage loans was covered by William M. Bell, president of Liberty Financial Corp. Dr. Ronald L. Olson, president, Olson Research Associates, which Liberty uses in the operation of its management reporting system, explained the functions of the management system, and James W. Bruce Jr., vice president of Liberty, discussed the implementation and the results achieved through management control.

William P. (Pete) Dowling, senior vice president of Liberty and head of the correspondent department, was in general charge of the conference.

Attendance was slightly less than 400, somewhat less than anticipated, due to weather conditions that made travel hazardous. • •

Harold Colbert Retires

(Continued from page 5)

the Commerce Publishing Co. magazines.

At the corporate level, he served as vice president, was named executive vice president in 1962, president in 1967 and in 1968 was named chief executive officer.

In addition, Mr. Colbert served on the board and was president of Director Publications, Inc., a subsidiary of Commerce which publishes BANK BOARD LETTER, and was a member of the board and vice president of Bankers Publishing Co., Milwaukee, which publishes MID-WESTERN BANKER.

Some years ago, Mr. Colbert headed the committee for the establishment of the Commerce Publishing Co. Pension Plan, and—on its establishment—announced he intended to retire under the pension the end of the month following his 65th birthday—a birthday he reached December 18, 1972.

In addition to the advancement of Wesley Clark to president and chief executive officer, other changes include the naming of Ralph B. Cox as first vice president and treasurer. He had been vice president. Mr. Cox is editor and publisher of MID-CONTINENT BANKER. Johnson Poor, who has served as administrative vice president, succeeds Mr. Clark as executive vice president.

Bernard A. Beggan, vice president and member of the board of the parent company, has been headquartered in St. Louis since August, 1971. He continues to serve as editor and publisher of MID-WESTERN BANKER, but has assumed additional responsibilities for sales and servicing of advertising accounts for all Commerce and Bankers Publishing publications in the western states.

Lawrence W. Colbert, assistant to the publisher for the St. Louis-based magazines, and associate editor of MID-CONTINENT BANKER, has assumed responsibility for advertising sales on both MID-WESTERN BANKER and MID-CONTINENT BANKER in New York and other eastern cities, in addition to responsibility for advertising sales on all publications in the southwestern states of Oklahoma, Texas, New Mexico, Arizona and certain cities in Alabama, Louisiana, Kansas, Missouri and Illinois.

Correspondent Division Headed by Winfrey

Victor H. Winfrey, vice chairman, United California Bank, is the new chairman of the ABA's Correspondent Banking Division as it moves into its second year of operation. One of 14 banking professions groups included in the ABA, the division represents the specialized needs of correspondent bankers by monitoring federal legislative and regulatory developments in their area.

WINFREY

Subcommittee chairmen appointed to serve with Mr. Winfrey in 1973 are: Charles T. Fisher III, chairman, Communications Committee, and president, National Bank of Detroit; Eugene Swearingen, chairman, Education Committee, and chairman and CEO, National Bank of Tulsa; Roger A. Lyon, chairman, Government Relations Committee, and executive vice president, Chase Manhattan, New York City; and Hugh L. McColl, chairman, Research Committee, and executive vice president, North Carolina National, Charlotte.

In addition, six new members were appointed by ABA President Eugene Adams to serve on the division's executive committee: Russell H. Eichman, senior vice president, Central National, Cleveland; Neal Hefner, senior vice president, First National, Lubbock, Tex.; George A. Nicoud Jr., executive vice president, First National, Dallas; Reuben F. Richards, executive vice president, First National City, New York City; John H. Riesen, senior vice president, First National, Wichita; and Leonard C. Skelton, vice president, First National, Birmingham, Ala.

Gifts Spur 'Litter Lifters' To Observe Ecology Day

HUTCHINSON, KAN.—More than 1,400 Eisenhower silver dollars were awarded to children at a recent Ecology Day conducted here by Valley Federal Savings. In return, area residents brought to Valley Federal's parking lot enough litter to fill five dump trucks.

Ecology Day capped off Valley Federal's month-long "litter lifter" campaign. Each of the 1,423 "litter lifters" who brought 30 or more littered bottles or cans to Valley Federal on Ecology Day received a silver dollar, a super ball and a "whizzer," a frizbeelike device.

During the "litter lifter" campaign, Valley Federal distributed more than 8,000 car litter bags and an equal number of lapel stickers, both of which depicted a clean, litter-free countryside. They bore the slogan, "I'm a litter lifter."

The campaign was publicized by radio, newspaper and outdoor ads and litter bags and lapel stickers were mailed to patrons in dividend statements.

A self-liquidating premium of a hardback Dr. Suess book was offered to emphasize the importance of ecology to youngsters. The book was sold for \$1.50 with a \$25 savings deposit. More than 1,000 ecology coloring books were distributed free to children during the campaign.

The campaign was not conducted to clean up Hutchinson, but to alert residents to keep their city from ever becoming polluted, Valley Federal officials said.

The event was so successful that Ecology Day will probably become an annual event in Hutchinson.

Financial Executives Optimistic for Early 1973, According to Survey Made by Harris Trust, Chicago

EXECUTIVES of U. S. financial institutions are maintaining optimism for the first quarter of 1973 for the consumer outlook, business activity and corporate profits. The majority also think Phase II continues to be effective in controlling prices, wages and inflation.

These are the results of a survey released recently by Harris Trust, Chicago. The survey, second in a series, is directed to top-level executives of banks, savings and loan associations, insurance companies, mortgage bankers, securities brokers and dealers, finance companies, real estate investment trusts and credit unions.

The consumer outlook through the first quarter of 1973 continues to look good to about three-fourths of the financial executives. Eighty percent expect an increase in consumer spending.

Predicted to spend more, the consumer also is expected to save more, according to 40% of the respondents. This increased spend-save pattern will be financed by installment borrowing—84% of credit union managers see a rise in installment borrowing, as do nearly three-fourths of the total respondents.

In commenting on the poll, Philip A. Delaney, senior vice president and head of the Harris Bank financial group, said, "The biggest opinion change since the bank's first survey was in the financial executives' outlook for new housing. They now see less demand, with 42% looking for an upswing, compared to 63% before. Fully 86% of mortgage bankers and 66% of all those polled predict an increase in the mortgage rate."

Continued overall economic recovery through March, 1973, is predicted by 85% of the top level businessmen interviewed, and 80% of the respondents feel that corporate profits are likely to increase during the same period.

The rate of inflation will be either held in line or reduced in the next few months, according to 88% of the executives.

Regarding movement of the Dow Jones Industrial Average, 63% of the securities brokers expect a rise while 44% of all financial executives tend to share this optimism.

The Harris interviewees split on their expectations of changes in the unemployment rate over the next few months, voting just about the same way they did previously. Forty-one percent say that the unemployment rate will be lower, 40% see it the same and 19% visualize an increase.

Though somewhat less in favor of government controls than in the first survey, 51% of the financial intermediaries still favor retention of wage controls and 52% advocate continuing price controls. However, only 19% would want controls over the prime rate and only 15% favor controls over profits.

Generally, three-fourths of the money men see Phase II as having a strong influence in controlling wages, prices, and inflation, while only 30% feel Phase II has had a favorable effect on productivity. • •

Eighteen Promotions Announced in OC

MILAND

MADIGAN

OKLAHOMA CITY—Liberty National last month announced 18 promotions, led by the appointments of Vice President Harold J. Madigan to the additional post of senior loan administration officer and Ted N. Miland as vice president. Mr. Miland is center manager for Liberty's BankAmericard program.

Named assistant vice presidents were: M. L. Brewton, Harold A. Bowers, Garrison H. Buxton III, Miss Mary Creegen (also designated assistant secretary of Liberty National Corp.), Walter E. Sloan Jr. and Neal W. Stephens.

Rodney L. Lee was made assistant controller and Roy H. Wile assistant auditor. Five new loan administration officers were elected—Miss Jacqueline K. Bradshaw, Paul J. Kelly Jr., Raymond C. Reier, James E. Talkington and William K. Martin.

Terry Cook and Bennie Hall were named personal banking officers, and Patrick O. Glenn was made real estate officer.

■ CENTRAL TRUST, Cincinnati, has elected Wilbur C. Witter an assistant vice president and Betty J. Wilson, C. Kevin Blase and David H. Dye assistant cashiers.

Inside Look at Bank Investments Planned by ABA Feb. 28-March 2

THE FIRST ANNUAL ABA bank investments conference February 28-March 2 will provide an inside look at bank investment issues and a report on Washington's effect on business. The conference will be held at Stouffer's Riverfront Inn in St. Louis. George McKinney Jr., senior vice president, Irving Trust, New York City, is chairman of the ABA's bank investments division.

The conference will open officially with registration at 3 p.m. February 28, to be followed by a 6:30 reception.

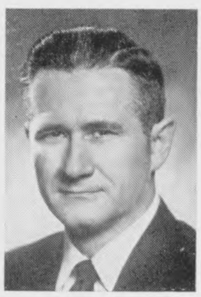
Syndicated columnists Rowland Evans and Robert Novak will be guest speakers at the March 1 reception dinner. Guest speakers at the general sessions on March 1 and 2 will include New York State Comptroller Arthur Leavitt, economists Henry Kaufman, Leonard Santow and Al Wojnilower and tax reform experts Dr. George Break, University of California, and Murray Weidenbaum, Washington University, St. Louis.

Rex Morthland, ABA president-elect and chairman, Peoples Bank, Selma, Ala., will speak at 9 a.m. March 1 and will be followed by two concurrent workshops covering "Forecasting Liquidity Needs" and "Allocation of Funds to the Portfolio." Leland S. Prussia Jr., co-chairman of the conference and senior vice president, Bank of America, San Francisco, said the two workshops should be considered as "musts" for all bank portfolio managers.

The funds-allocation workshop panel will examine collateral, tax, accounting, maturity structure constraints, credit standards, marketability, diversification, portfolio mix and legal requirements. The leader will be D. Dean Kaylor, senior vice president, National Bank of Detroit. Participants will be John Larkin, senior vice president, First National City, New York City; Edward R. McMillan, senior vice president, National Bank of Commerce, Seattle; and Preston T. Luney, senior vice president, Harris Trust, Chicago.

The liquidity workshop will forecast short- and long-range liquidity requirements and help determine the adequacy of secondary reserve and conversion of funds. T. Scott Fillebrown, president, First American National, will be the leader. Panelists will be Donald B. Reifler, senior vice president, Morgan Guaranty Trust, New York City; R. Duane Saunders, vice president,

FILLEBROWN



McKINNEY

ROOB

LEWIS

Chemical Bank, New York City; and Edward M. Roob, vice president, First National, Chicago. Mr. Fillebrown also is conference arrangements coordinator.

The noon luncheon March 1 will feature New York State Comptroller Leavitt. Concurrent workshops will be repeated that afternoon and will be followed by discussion groups led by banking officials. They are: Denton A. Fuller, president, Liberty Trust of Maryland, Cumberland, discussion leader; and panelists James R. Sheridan, senior vice president, North Carolina National, Charlotte; Frank Spinner, senior vice president, First National, St. Louis; and Edward B. Chapin, vice president, First National, St. Paul.

Frank A. Shackelford, senior vice president, Indiana National, Indianapolis, discussion leader; and panelists Samuel B. Stare, senior vice president, Union Bank, Los Angeles; Donald R. Koessel, senior vice president, First National, Minneapolis; and James A. Brickley, vice president, National City Bank, Cleveland.

Glenn B. Coats, vice president, Louisiana National, Baton Rouge, discussion leader; and panelists Arthur T. Cooke Jr., vice president, Bank of America, San Francisco; Robert C. Brown, vice president, First National, Chicago; and David J. Barry, senior vice president, Manufacturers Hanover Trust, New York City.

The night session March 1 will be headlined by Messrs. Evans and Novak, who reportedly will spotlight the nation's capital and discuss "What Washington Plans for American Business."

Mr. McKinney will open the morning session March 2 with a summary report on the division's first year of activity and an outlook for the new year. The trio of guest economists then will preside for an hour, to be followed by the two-member panel on tax reform. A luncheon from noon to 2 p.m. will close the conference.

Mr. McKinney said the program "has been tailored to meet the needs of senior officers who handle investments for the 13,350 ABA-member banks. The subjects have been drawn directly from the firing line and will be treated by day-to-day practitioners.

"The need for an exchange of information and ideas is evident, when you consider that commercial banks hold more than $170 billion in securities, exclusive of those held by their trust departments. Commercial banks are the largest underwriters of both U. S. government securities and municipal securities."

In addition to being conference arrangements coordinator, Mr. Fillebrown also is chairman of the communications committee of the ABA bank investments division. Other committee chairmen from the Mid-Continent area are: government relations, Edward M. Roob, vice president, First National, Chicago; and steering, George P. Lewis, senior vice president, First National, Memphis. These committee chairmen also are on the division's executive committee. • •

Dow to Break 1,100 in '73

The Dow Industrial Average will break the 1,100 mark more easily than it did the 1,000, Economist Tilford C. Gaines predicted recently.

"In fact, some people are already beginning to ask when it will reach 1,200," said Mr. Gaines, senior vice president, Manufacturers Hanover Trust, New York City.

Declaring that he could see no weak areas in the economy, Mr. Gaines predicted that 1973 would bring economic conditions that could be termed a "boom," and that in international trade the dollar would be one of the strongest currencies in the world, possibly the strongest.

Corporate profits will probably show an increase of close to 20% for 1972, and should rise an additional 13-15% in 1973, he predicted.

In projecting probable trends in the Nixon Administration, Mr. Gaines said he expected any easing of wage-price controls to be on a very gradual basis to prevent a sudden surge of inflationary pressures. He also predicted that inflation in 1973 would be contained within the 3% goal set by the Nixon Administration.

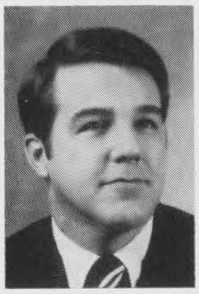
The chief international theme of the Nixon Administration will be emphasis on reopening trade negotiations, said Mr. Gaines. On the domestic front, he predicted the administration will make steady progress against federal deficits.

"I believe Mr. Nixon will clamp a lid on spending, and, if he does, increased tax revenues for federal, state and local governments will bring the budget into a controllable balance," he said.

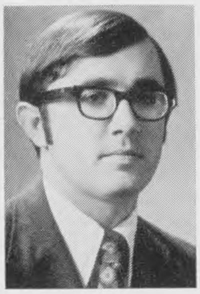
Fourteen Promotions At 1st of Memphis

MEMPHIS—Preston G. Haag and Robert L. Hughes have been promoted from vice presidents to senior vice presidents at First National. Taylor N. French and Charles W. Ogilvie moved up from assistant vice presidents to vice presidents. Among others promoted was Richard B. Burnette, who joined the correspondent bank division last March. He was named bank officer.


HAAG


OGILVIE


FRENCH


BURNETTE

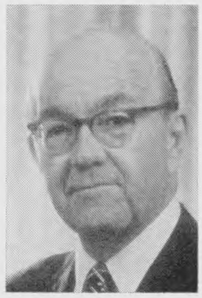

HUGHES

New assistant vice presidents are William M. Anderson Jr., formerly branch officer, and Jack A. Marion, formerly operations officer. Richard T. D. Bethea, James C. Brewer and Larry B. Martin were named loan officers. Also promoted were: Thomas A. Cook, to operations officer; George W. Freeman III and Jack W. Nall, to branch officers and Darrell D. Reiners, to international officer.

ABA President's Outlook

By EUGENE H. ADAMS, ABA President and President, First National, Denver

I LOOK to the year ahead with enthusiasm. My major observations are that:



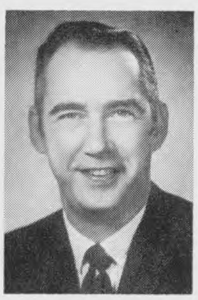
- The economy will expand in dollar terms by an above-average 9½%.
- About 6% of the gain will represent a real improvement in output.
- Some form of income policy will be maintained, helping to restrain the rise in prices to 3 or 4%.
- After-tax corporate profits will advance on the order of 12% to 15%, assuming no tax increase.
- Money will be in adequate supply but short-term interest rates will move moderately higher. However, I use that word "moderately" with some care. If the demand for loans becomes as strong as most business forecasters think, then a 6% or 6½% prime rate will be realistic, particularly if bank profits continue to be under the serious pressure of increased costs that have bothered us in recent years.

The CID—Committee on Interest and Dividends—will continue to be under considerable political pressure, but will also, I hope, be realistic as to rates if money gets tight again, and will not necessarily believe that the "magic 6%" figure must be maintained regardless of other factors. For my part, however, as ABA president, I continue to urge great restraint on the part of bankers. They have shown it admirably of late.

New Appointments Listed By Citizens Fidelity

LOUISVILLE—Citizens Fidelity has announced that R. Gene Smith, senior vice president and former manager of the marketing department, is now working in the areas of commercial lending, correspondent banking and with the recently acquired Laclede Mortgage Co. Mr. Smith will assist management of these divisions in areas having marketing implications. He also has been appointed chairman of the newly formed marketing advisory committee.

SMITH



THOMPSON

Kenneth D. Thompson succeeds Mr. Smith as marketing manager. He has managed the advertising department since joining the bank in 1959. He was named an assistant vice president in 1962 and vice president and manager of advertising in 1968.

The bank also announced that James D. Wakeman was promoted to assistant vice president and manager of the BankAmericard department. He has been assistant manager of the department since last July. Mr. Wakeman replaces William J. Browne, who was named vice president and assistant manager of the time credit department.

Citizens Fidelity recently opened its 33rd and 34th branches—the Fern Creek Branch and the Village Branch. The 2,800-square-foot Fern Creek Branch features a night depository and drive-in lanes. The Village Branch presently is operating from a trailer until a permanent building is opened later in the year.

Merchants Nat'l, Indianapolis Names Otto Frenzel III Ch.; Promotes Tanselle, Bennett

INDIANAPOLIS—Merchants National has advanced Otto N. Frenzel III from president to chairman, Donald W. Tanselle from executive vice president and cashier to president and a director and E. J. Bennett Jr. from vice president to executive vice president and cashier.

FRENZEL

BENNETT

TANSELLE

Mr. Frenzel succeeds as chairman R. E. Sweeney Jr., who has retired but will remain a director. He also replaces Mr. Sweeney as president of Merchants National Corp. Mr. Frenzel is the sixth member of his family to serve Merchants National as chief executive officer. He also is a director of Danville State, Farmers State, Zionsville, and Union State, Carmel, all in Indiana.

Mr. Tanselle joined the bank in 1948 and was appointed vice president in charge of the branch system in 1962. He became executive vice president and cashier in 1970.

Mr. Bennett, who has been with the bank since 1952, has served as head of both the international division and the investment department. Formerly, he was assistant vice president and manager of the Glendale Branch.

■ BANK OF AMERICA, San Francisco, has promoted Ernest L. Baciocco, Karl L. Buder and Kenneth E. Stallman to assistant vice presidents.

Method to Determine Transaction Costs Developed by Louisiana Nat'l, Baton Rouge

THE MISSING link in customer profitability—transaction costs—has been found through the development of a new technique at Louisiana National, Baton Rouge.

According to Noland Thomas, project coordinator at the bank, the need for transaction costs in calculating the profitability of individual customers has been recognized for years. Mr. Thomas reports that the bank's new approach makes the development and the maintenance of these cost factors an accomplishable goal at a reasonable expense.

The bank will no longer be required to use such numbers as the average cost of a checking account or the average cost of a savings account in making its decisions, according to Mr. Thomas. The technique is said to take the guesswork out of account analysis.

According to Mr. Thomas, the first step is to follow the transaction, one work station at a time, through the entire bank. At each work station the amount of time to process the item or to perform the operation is determined. The work stations are then linked together in a computer program to form a chain of operations.

Since the beginning volume of activity will determine the volume at each subsequent station, Mr. Thomas says, it is necessary to have a volume for only the first operation in each chain. The program will then calculate the personnel required at each station for the volume of activity to be serviced.

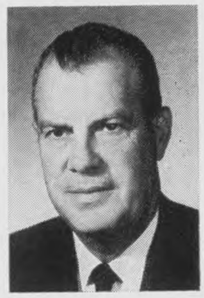
In the final step, Mr. Thomas says, the total cost of each work station is determined by using conventional cost accounting techniques. The program then calculates the costs at each work station attributable to the particular type of transaction. The total of these, when divided by the volume, equals the cost per transaction. The proof of the method is that all of the volumes times the appropriate cost factors will equal the total cost to the bank.

Since one of the steps in the process includes the calculation of the personnel needed to serve a given volume of transactions, the bank is also using the program to forecast personnel and square footage requirements based on predicted future volumes, Mr. Thomas says. • •

Noland Thomas (l.), project coordinator at Louisiana National, reviews critical path network used in system to determine profitability costs with bank's lead consultant John Pisa, Ph.D.

Federal Land Bank of Wichita Elects George Wiles President

PLESTED



WILES

WICHITA—George A. Wiles will become president of the Federal Land Bank here February 1, succeeding William G. Plested Jr. The latter will retire January 31.

Mr. Wiles joined the bank in 1934 and has served in various capacities. He joined the executive branch in 1957 and, in 1959, was made vice president and treasurer, his current posts.

Mr. Plested went to the bank in 1929 "to gain a few years' experience in title examinations in the Land Bank." A former University of Colorado football tackle, he stayed on, working in the legal department and then as general counsel for the three Farm Credit banks before being named president in 1958. He also is a director of First National, Wichita.

The Federal Land Bank of Wichita serves a district composed of Kansas, Oklahoma, Colorado and New Mexico.

■ TRUMAN F. MARTIN, assistant vice president, Exchange Bank, Dallas, has been appointed auditor while Mrs. Natalee Nunn, assistant cashier, was named credit coordinator. Promoted to assistant cashiers were Lamar Edwards, Christopher Jones, Duren Moffitt and George Neary.

TOP: New Diebold, Inc., research facility, recently opened 10 miles from main Diebold plant in Canton, O. MIDDLE: Product engineering department is housed at facility, develops prototypes of new products. BOTTOM: Field service personnel are trained and updated at new facility.

Diebold Opens New Research Facility For Development of Electronic Systems

DIEBOLD, Inc., recently unveiled its new research facility for the development of security systems, remote banking systems and other electronic products.

Located 10 miles from Diebold's main plant in Canton, O., the new 16-acre research complex houses electronic research and development laboratories, a model shop and auxiliary equipment required for additional future new product development, testing and refinement.

For the 114-year-old banking equipment manufacturer, the new complex also houses research facilities for computer-driven electronic security systems for major office buildings and financial institutions and other Diebold proprietary alarm systems, plus a variety of other products based on an alarm system capability.

The 45,000 square foot research facility's main building features an exhibit hall for demonstration of security systems in terms of light, action and sound. Wall panels with graphic devices, diagrams and sound effects dramatize a range of security systems for vault protection, alarm monitoring, premises protection, fire alarms and video and film surveillance.

About 175 employees in both research and alarm systems marketing departments have been transferred from the Canton main office to the new research facility, with additional personnel expected to follow shortly.

Also located on the research park grounds are a completely equipped modular financial building and a mini-branch, both produced by Diebold Contract Services, Inc., Clearwater, Fla.

■ EARL L. BIMSON, president of Valley National of Arizona, Phoenix, has been named to the board of advisers for the Council for Financial Aid to Education, Inc.

■ RICHARD D. JACKSON, executive vice president, Wells Fargo Bank, San Francisco, has been named head of the bank's newly organized retail banking operation.

Commerce Bank of St. Louis Opens Temporary Quarters In 500 Broadway Bldg.

ST. LOUIS—Commerce Bank of St. Louis has opened its doors in a temporary location in the 500 Broadway Building. The quiet opening climaxed 13 months of hearings, objections and a law suit, all aimed at blocking the establishment of the bank.

LUMPE

The bank, whose president is Larry Lumpe, past MBA president and formerly president, Commerce Bank, Poplar Bluff, Mo., plans to open enlarged quarters in the same building sometime next spring.

Officers of the bank serving under Mr. Lumpe include Vernon W. Schroeder, senior vice president; G. Wayne Thomas, vice president; Donald R. Flott, vice president and secretary (cashier); Robert L. Harris and William K. White, assistant vice presidents; and John M. Hall Jr. and Edward A. Huwaldt, commercial banking officers.

Commerce Bank, St. Louis, received its national charter on the same day it opened (December 15). President Lumpe said the bank plans to concentrate its business in providing loans in the wholesale banking area, particularly to small- and medium-sized St. Louis firms.

Initial capital of the bank is $5 million and about 30 employees are expected to be manning the bank when the enlarged quarters are opened.

Commerce Bank is part of Commerce Bancshares, Inc., Kansas City-based holding company—the state's third largest HC. The HC controls 21 Missouri banks, including four in the St. Louis area—Commerce Banks of University City, Kirkwood, St. Charles and Fenton.

The new bank is the sixth to be located in downtown St. Louis.

New Fed Directors

Field Wasson and T. G. Vinson have been appointed members of the board of the Little Rock Branch of the Federal Reserve Bank of St. Louis for three-year terms beginning January 1, 1973. Mr. Wasson is president, First National, Siloam Springs; Mr. Vinson, president, First National, Batesville.

Nationwide Authorization-Switching System Begun for Master Charge Cards

A NATIONAL COMPUTER communications network serving present and future authorization needs of all Interbank Card Association members and affiliates was scheduled to go into operation at year-end 1972 in St. Louis. The network was developed earlier this year by International Communications System, Inc. (ICS), a wholly owned corporation owned by Interbank. The latter New York City-based firm is the licenser of Master Charge.

Early last year, ICS was formed by Interbank and, in turn, laid plans to establish such a network and contracted with Credit Systems Incorporated, the St. Louis Master Charge licensee, to physically design, develop, implement, operate and maintain the system.

Under the plan, authorization requests are instantaneously transmitted along the new switching system from the merchant at point of sale, via his merchant bank, to the card-issuing bank's computer file and back to the merchant. The network also has the capability of referring a request to the bank that issued the card to give personal attention to the request, if needed. The system is oriented to either telephone or electronic terminal inquiries.

Under the new system, the average length of time for such a transaction is expected to range from 15 to 45 seconds, regardless of where the card was issued. Under the previous setup, the average length of time for a transaction was three minutes.

More than 5,500 of the nation's 14,000 commercial banks are going on the Interbank switching system. A secondary off-site "backup" computer operation also was developed and is located in St. Louis.

The network's sponsors hope it eventually will be an important factor in eliminating fraudulent use of lost or stolen Interbank cards. In addition, it is expected to be a consumer check against overextending credit limits. • •

Hubert Goes on Checks

CHICAGO—Hubert, Harris Trust's lion mascot, has begun appearing on specially designed checks and checkbook covers, manufactured by DeLuxe Check Printers, Inc., Chicago.

The four-color checks—created by artist Ted Carr—picture a scene along Chicago's North Michigan Avenue, with a caricatured Hubert in the foreground. Two of the city's best-known landmarks—the John Hancock Center and the Water Tower—are easily identifiable on the checks.

Checkbook covers are made of natural-colored buckskin, top-stitched in white. A full-color Hubert decal imprinted on the front cover is heat-sealed to avoid rub-off.

The checks and checkbooks are the latest in a series of Hubert items, which include stuffed dolls, ceramic banks, plush rugs and beach towels. Hubert generally is offered to customers as a premium in connection with a bank promotion. However, the new checks and checkbooks feature the lion as part of a regular bank service to satisfy customer requests for Hubert items.

Chalikis Elected Vice President Of American National, Chicago

CHICAGO—American National has elected James T. Chalikis a vice president. He has been with the bank since 1959, most recently as second vice president in the trust tax division.

CHALIKIS

Promoted to second vice presidents were: Joseph S. Cannizzaro and Malcolm S. Greenebaum, trust investment officers; Robert C. Cellini and J. Michael Whelan, trust officers; John Q. McKinnon, loan officer; and Robert F. Sherman, methods officer.

New officers at American National are: Lewis J. Crittenden, Thomas A. Scanlin and Benton C. Strauss, trust officers; Harold L. Arbit and Mary E. Pepera, trust investment officers; Michael C. Braun, loan officer; William P. McFadden, financial engineering officer; and Eric M. King, communications officer.

■ FIRST NATIONAL CITY BANK, New York, has named John F. McCormack, James F. Quirk, Richard G. Paton, Richard A. Greenawalt, Richard C. Hum and Charles E. Long vice presidents.

Twenty-Story High Rise Office Building Will House Mercantile Bank, Kansas City

CONSTRUCTION is expected to begin shortly on a new 20-story office tower to be called the Mercantile Bank & Trust Building. The structure will be located at the corner of 11th and Walnut in downtown Kansas City. Completion is expected by late 1974.

The building will be set back from the sidewalk at the ground level creating a large open space, and the bank and various shops will be located in the setback area. This design is expected to create an urban environment at the pedestrian level.

The building is to be built for and owned by Walnut Associates. Mercantile Bank will occupy the main floor on the street level, part of the lower level and four upper levels.

The bank has been located at 1119 Walnut since 1933. The new building is being constructed to meet the growth needs of the bank.

Architect is Harry Weese & Associates, Chicago, the same firm that designed Crown Center Hotel, to open soon in Kansas City. Other projects designed by the firm include the Time-Life Building in Chicago, the Performing Arts Center in Milwaukee and the South Lower Campus Project of the University of Wisconsin, Madison.

Concordia, project manager of Crown Center, will assume similar duties on the Mercantile Bank project.

Strikingly modern new Mercantile Bank Building will rise 20 stories at 11th and Walnut in downtown Kansas City. Street level will feature large open space to create urban environment. Bank will occupy street level, portion of lower level and four upper levels.

Glenn, C&S' Chairman, Retires December 31, Is Succeeded by Lane

GLENN

LANE

ATLANTA—Jack F. Glenn retired December 31 as chairman of Citizens & Southern National and was succeeded by Mills B. Lane, formerly vice chairman.

Mr. Glenn joined C&S in 1951 as assistant president and became chairman in 1967. He managed many of the bank's investment activities, including its investment portfolio. In addition, as chairman he had responsibility for coordinating the active work of all the records of the C&S banks throughout Georgia. Before going to the bank, Mr. Glenn was a general partner in the investment banking firm of Courts & Co., which was merged in 1969 with Reynolds Securities, Inc.

Mr. Lane had been C&S' president for 25 years when he was named vice chairman in 1971. He joined the bank in 1934.

Six Programs for 1973 Planned by Swigsbie

DALLAS—Six programs will be offered by the Foundation of Southwestern Graduate School of Banking (Swigsbie) during 1973.

They include two informational seminars on financial structure to be held in Dallas (April 12-14) and Denver (May 27-29); the 17th session of the Southwestern Graduate School of Banking at Southern Methodist University July 22-August 3; and three Assemblies for Bank Directors to be held in Mexico City (February 7-11), Montreal (August 31-September 4) and San Francisco (November 16-20).

B. Finley Vinson, chairman, First National, Little Rock, and current president of the Arkansas Bankers Association, will be director of the Assembly in Mexico City. Registration for the Assembly is limited to 200 directors.

Information concerning the various programs of the Foundation can be obtained from Dr. Richard B. Johnson, Southwestern Graduate School of Banking, Southern Methodist University, SMU Box 1319, Dallas, Tex. 75222.

■ FOURTH NATIONAL, Wichita, has appointed Marvin H. Robinson manager of the McConnell Air Force Base facility. He replaces Harold Wicks, who has resigned.

Budget Surplus Seen

CHICAGO—Surging revenues and slowing expenditure gains have produced a large budget surplus for state and local governments, says a recent issue of First National of Chicago's "Bond and Money Market Review."

A continuation of this trend will enable municipal governments to invest in U. S. government and other securities, thereby relieving the pressures on the financial markets stemming from the large demand for funds by the federal government and the business community, the Review states.

A sharp expansion in revenue accounted for most of the sudden improvement in the budget surplus of state and local governments that climbed from $4.8 billion in 1971 to an annual rate of $14.8 billion in the second quarter of 1972.

"The greatest growth in receipts was in grants from the federal government, which have been outpacing gains in overall state and local revenues for a number of years," the Review says. In the year ending last June, federal grants rose $8.6 billion over the previous year to $38 billion.

Revenue sharing will continue to lift federal grants sharply, the Review notes, but "the rather substantial surpluses are not likely to persist indefinitely."

Programs to upgrade services and ease local tax burdens will be instituted, but will require some time. Thus, "the surpluses, though persisting for a year or two, probably will be short-lived," the Review concludes.

Tax Credit for Employers

The Revenue Act of 1971 allows employers to claim a "job development tax credit" amounting to 20% of the cash wages paid an eligible welfare employee during his first 12 months on a company payroll.

To be eligible for this credit, employers must hire workers from the Work Incentive Program (WIN), operated through state employment security and welfare agencies. The program's long-range goal is to restore to economic independence all employable persons receiving aid to families with dependent children.

Businessmen hiring WIN workers benefit two ways—directly through the tax credit and indirectly by helping to reduce welfare rolls.


LANGE


COOK

A.I.M. program—an analysis program for improved methods—was given to Jerry Brigman, an A.I.M. program staff member.

Mr. Lange joined the bank in 1959, Mr. Cook in 1955 and Mr. Brigman in 1967.

■ IRVING TRUST, New York, has elected Dr. J. Mark Hiebert and Joseph A. Rice to its board. Mr. Rice is senior executive vice president of the bank. Dr. Hiebert is head of Sterling Drug, Inc.

■ JOHN GRIFFIN was promoted to assistant cashier of First State Bank of Green's Bayou, Houston. He joined the bank in 1963 and is supervisor of the bond portfolio. First State recently celebrated its 25th anniversary.

Two Appointed Senior VPs At Central National Bank


CARLSON


WANGELIN

CHICAGO—Central National promoted Gary B. Carlson, human resources department, and Philip B. Wangelin, operations department, to senior vice presidents.

Mr. Carlson joined the bank in 1967 as second vice president and director of personnel and was made a vice president in 1969. Mr. Wangelin also came to the bank in 1967 as manager of systems and programing and was elected general manager of EDP operations in July of that year. In 1968, he became vice president and director of information services.

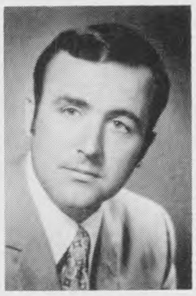
Robert J. Harmon, head of the trust department, was advanced to executive trust officer. Before joining Central Bank, he was with Continental Illinois National.

Three Reassignments Announced By First of Fort Worth

FORT WORTH—Vice President Theodore F. Lange, who had headed First National's international banking department, has been reassigned to commercial department "A." Vice President George T. Cook was named head of the international banking department. Mr. Cook's post as head of the

First NBC Promotes Three; Michael Post Named V.P.

NEW ORLEANS—First National Bank of Commerce has elected Michael W. Post a vice president. Mr. Post joined the bank in 1970 and was elected an assistant vice president in 1971. He is in the national accounts division.


POST

Allen E. Frederic Jr. was named a national accounts officer and Fletcher Thorne-Thomsen was named a correspondent banking officer. Mr. Frederic joined the bank in 1970 and Mr. Thorne-Thomsen in 1972. Mr. Frederic was formerly associated with American Bank and City National Bank, both in Baton Rouge.

Study Huddle at Northern Trust

Northern Trust, Chicago, Vice Presidents Phillip Boersma (l.) and Mike Reidy (r.) huddle with correspondent banker Paul Adair, Exchange National, Atchison, Kan., to discuss the Chicago bank's customer service programs. Mr. Adair completed a seven-week instruction program in credit evaluation and retail services under the tutelage of Northern Trust executives.

Illinois News

Eatherton Named Vice Pres. At National Stock Yards

EATHERTON

NATIONAL CITY—National Stock Yards National has elected Charles L. Eatherton Jr. a vice president. Mr. Eatherton joined the bank in 1960 and has been serving in the correspondent division with the rank of assistant vice president. As a traveling officer, he will continue to call on banks in northwestern and eastern Illinois and in Indiana. He is a veteran of 30 years' experience in the banking business.

■ COMMUNITY BANK, Plano, promoted Roger Gossett from assistant cashier to cashier. The bank also is expanding its drive-up facility with three additional windows.

■ STATE BANK, St. Joseph, increased its capital from $90,000 to $135,000 and surplus from $80,000 to $143,000.

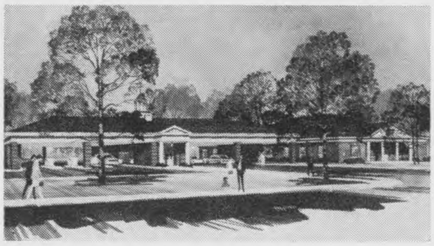
■ FIRST NATIONAL, Evergreen Park, recently completed a new two-story structure adjoining its building. The addition provides 42,000 square feet of new floor space. Bank Building Corp., St. Louis, assisted in the design and construction of the new building.

■ LYLE BLUE has retired as vice president of Champaign National but will remain a director. He joined the bank in 1927 and was elected vice president in 1957.

■ FIRST NATIONAL, Des Plaines, has appointed John W. Heddens Jr. senior vice president and head of the commercial loan department. Other promotions included: Bruce I. McPhee, vice president, commercial loan department; Egils H. Krolls, assistant vice president and trust officer; and Richard J. Lingl and Thomas J. Utzig, assistant vice presidents.

■ MARTIN L. MASKE, head of the consumer loan department at Bank of Elmhurst, was promoted from assistant vice president to vice president. Duane T. Carpen, assistant cashier, was given the additional title of marketing officer and Mrs. Dorothy Kimball was promoted to assistant cashier from head bookkeeper.

First Nat'l Expands Drive-In



First National, Sterling, has begun construction on an extensive drive-in banking addition to be completed in the spring. The 7,200-square-foot addition will bring the bank's number of drive-in stations to 11.

Golden-Anniversary Open House Held for Irma Meckfessel

O'FALLON—More than 600 persons visited First National December 3 to pay tribute to Mrs. Irma Meckfessel on her 50th anniversary with the bank. Mrs. Meckfessel, vice president and trust officer, also received many cards and letters including an engraved one signed "President Richard M. Nixon" and expressing his regrets at not being able to attend the open house.

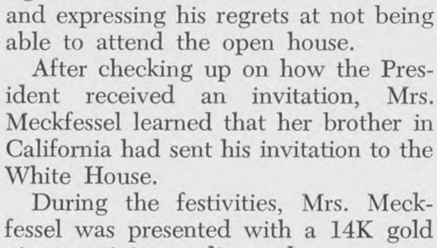
After checking up on how the President received an invitation, Mrs. Meckfessel learned that her brother in California had sent his invitation to the White House.

During the festivities, Mrs. Meckfessel was presented with a 14K gold pin containing a diamond.

Mrs. Meckfessel's career at First National began December 1, 1922, when she went to work as secretary to the president, the late Ernest H. Smiley. She has worked in the savings, loan and trust departments.

Her 50th anniversary was the subject of several feature articles in local and area newspapers, and a large newspaper ad inserted by First National invited O'Fallon residents to visit with Mrs. Meckfessel on December 3.

Millikin Nat'l Opens Mini-Bank



Millikin National, Decatur, recently held the grand opening of its new Mini-Bank. The new structure has eight drive-in banking lanes and a Picturephone system that provides communication with the bookkeeping department at the Main Office.

Staff Changes Announced By Harris Trust, Chicago

CHICAGO—Harris Trust has announced several staff changes in the banking department including the appointment of George R. Slater, vice president, as deputy administrator of the personal banking group.

SLATER

John A. Sivright, vice president, has assumed responsibilities for the Chicago group's division C. In the U. S. group, H. Charles Becker, vice president, has assumed the post of division six administrator. Ben T. Nelson, vice president, is the new division administrator in the Midwest group's division one.

In other action, Kenneth O. Birney retired as a vice president of Harris Trust. He joined the bank in 1930 and became a member of the banking department in 1932. He was elected assistant vice president in 1947 and vice president in 1952.

■ COMMERCIAL NATIONAL, Peoria, has announced the following new appointments: Edward A. Hanley, vice president, operations division; James H. Hawkins, vice president, trust division; Gerald L. Brooker and Dale A. Meyer, agricultural officers, farm credit and management department; and Miss Edythe A. Cohen, time-pay operations officer.

■ ANTHONY R. DeMARIA has been elected vice president and cashier at Bank of Wood Dale. He replaces W. W. Kiehn, who has resigned. Mr. DeMaria joined the bank as cashier last July.

■ FIRST SECURITY BANK, Mackinaw, has increased capital from $75,000 to $95,000 and surplus from $100,000 to $185,000.

■ R. W. HENSEL, chairman, First State, Mendota, recently celebrated his 50th year in banking. He has been with First State since 1943, was named president in 1959 and chairman last year.

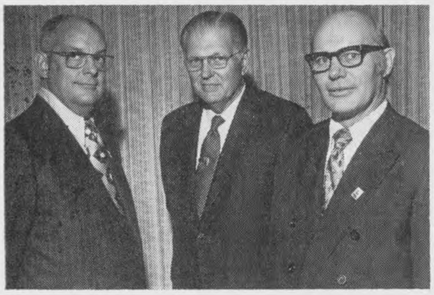
Illinois Deaths

GERALD J. CAREY, 75, president, McHenry State. He joined the bank in 1917 and was elected president in 1943.

ROLLAND P. KNOCHE, 84, vice president and director, Onarga State.

Indiana News

Promotions at Nat'l City Bank



William R. Needler (c.), ch. & CEO, National City Bank, Evansville, recently announced the promotions of C. Wayne Worthington (l.) from exec. v.p. to pres. and chief administrative off. and Paul R. Murphy from v.p. to exec. v.p. and dir.

■ THOMAS P. ROCKEY has been elected auditor of First Bank of Whiting.

■ MICHAEL E. SCHRAGE has joined First Bank of Whiting as assistant to the president. Mr. Schrage, son of Walter Schrage, president, is the fourth generation member of his family to be associated with the bank.

Old National Bank, Evansville, Elects Director, Officers

EVANSVILLE—Dan W. Mitchell, executive vice president of Old National, has been elected a director of the bank. He joined the bank in 1950, was promoted to senior vice president in charge of all lending activity in 1971 and to executive vice president last year.

Recently elected assistant vice presidents at the bank are: Grady Walker, manager, First Avenue Office; Ron Lankford, manager, Washington Square Office; Mike McGregor, personnel director; Gary Lehr, manager, credit card department; and John C. Ruthenburg, commercial credit department.

Robyn Naylor was named operations officer and John Meyer was appointed director of advertising.

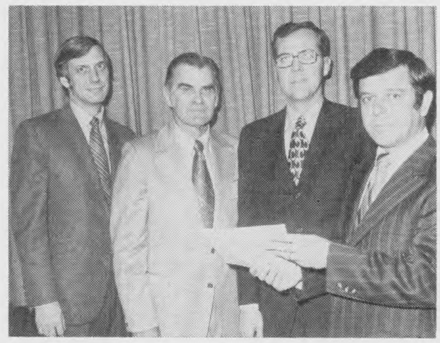
■ ROGER W. GILCREST has joined First Bank, South Bend, as vice president and trust officer. He had been assistant vice president and trust officer of Union Commerce Bank of Cleveland, O., which he joined in 1965. He had been serving as head of the personal trust and probate division.

■ MRS. NAN E. DAHM was elected a director of Anthony Wayne Bank, Fort Wayne. She is president of a beverage distributing company and of a realty corporation.

Northern Ind. Chapter Added To Robert Morris Associates

Robert Morris Associates has announced formation of its Northern Indiana Chapter. The new chapter includes 10 member banks represented by 21 individuals from the northern part of Indiana, including Lafayette.

Chapter officers are: president, Donald J. Mauch, vice president, Fort Wayne National; vice president, Gary O. Clark, vice president, First National, Elkhart; secretary, Ronald L. Kirkpatrick, assistant cashier, Lincoln National, Fort Wayne; and treasurer, Fred T. Stephens, senior vice president, First National, Warsaw.



Officers of the Northern Indiana Chapter of Robert Morris Associates are (from left) Ronald L. Kirkpatrick, Fred T. Stephens, Gary O. Clark and Donald J. Mauch.

Kentucky News

Outstanding Banker Award Goes to James R. Perry

WEST LIBERTY—James R. Perry, president, Commercial Bank, has been named the outstanding banker of the state for 1972. He received the award at the Southeastern Kentucky Homecoming Festival in Booneville for having contributed the most to Kentucky banking during the past year.

James R. Perry (l.), pres., Commercial Bank, West Liberty, receives award as outstanding Kentucky banker in 1972 from Colonel T. C. Sizemore, ch., Southeastern Kentucky Homecoming Committee of Booneville. This committee supervises annual homecoming festivities. Mr. Perry was honored at 1972 homecoming.

Mr. Perry joined Commercial Bank about three years ago, when its deposits were \$9.5 million. Today, they are \$15.5 million. Mr. Perry came from Louisville Trust, where he was a representative in the correspondent bank department.

Marshall Elected President Of Louisville Trust Co.

LOUISVILLE—William S. Farmer, president of Louisville Trust since 1967, moved up to vice chairman December 12. He was succeeded as president by Leonard B. Marshall Jr., executive vice president since 1969. John H. Hardwick continues as chairman and chief executive officer.

Mr. Farmer originally joined the bank in 1942 after four years with General Motors Acceptance Corp. Since then, he has served in the Navy during World War II, was president, Kingsport (Tenn.) National, 1953-58, and senior vice president, First National, Montgomery, Ala., 1958-63. He returned to Louisville Trust in 1963 to

FARMER

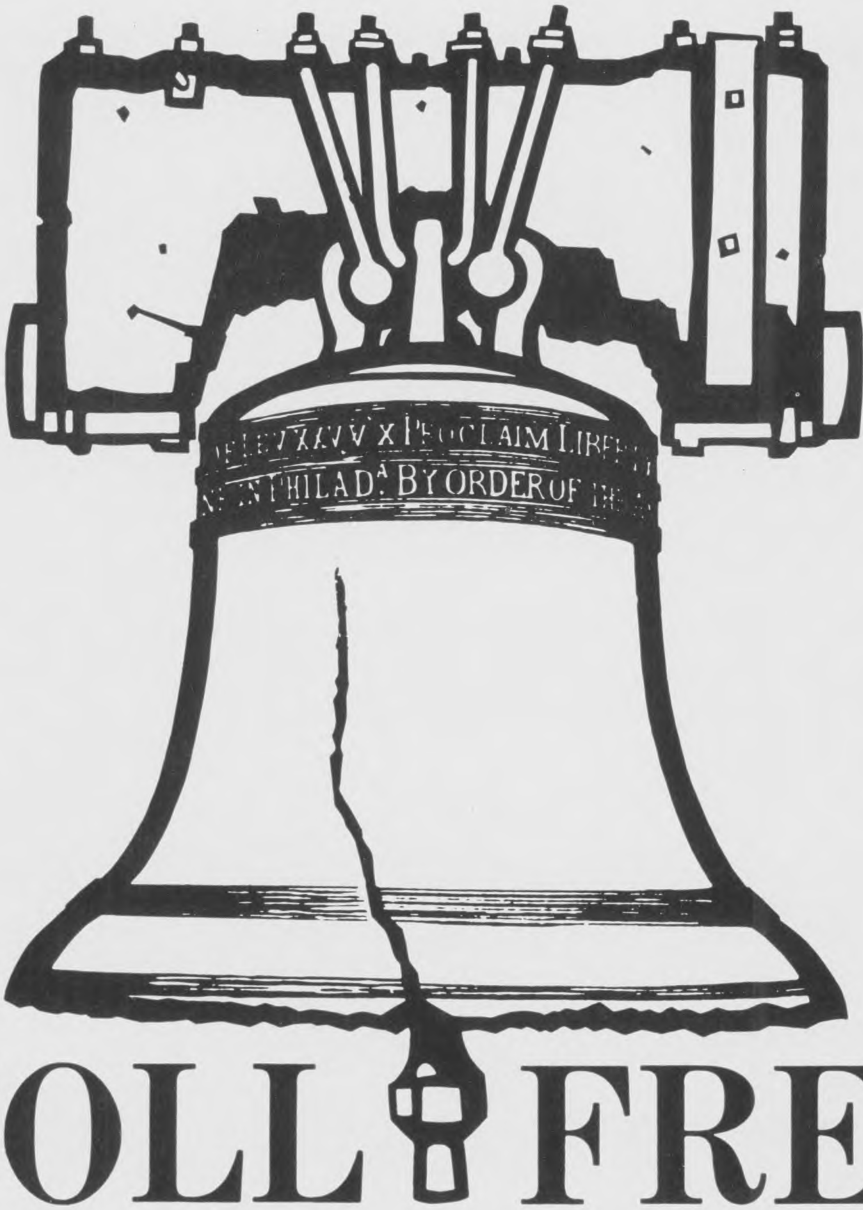
MARSHALL

become vice president, moving to president in 1967.

Mr. Marshall joined the bank in 1968 as vice president, coming from Indiana National, Indianapolis, where he had been vice president since 1957.

Bank To Have New Building

First City Bank, Hopkinsville, has broken ground for a new four-story, 40,000-square-foot building. The structure, to cost more than \$1.7 million, is expected to be completed by mid-1974.



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Alabama News

Promotions, Title Changes Made at First of Montgomery

MONTGOMERY—Promotions and title changes have been announced by First National.

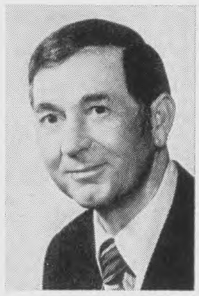
Elevated to officer status were Mrs. Barbara E. Petrey, assistant savings officer, and William M. Hughes, customer service officer.

Promoted were Mrs. Helen C. Wells to trust officer; Justin G. Ferguson to trust investment officer; Harry M. Sutherland Jr. to savings officer; Neil R. Smart Jr., Thomas Peacock, Mrs. Opal L. Sarginson, Mrs. Clarice E. Metcalf, J. Lee Booker, Philip A. Gipson and Jackson B. Dismukes Jr. to assistant vice presidents and branch managers.

James E. Cotton was named assistant vice president and Laurence B. Tipton Jr. was elevated to assistant trust officer. New vice presidents and branch managers include Pete R. Knight and Handley W. Cook. Named assistant branch managers were Mrs. Fay P. Cain, Larry Huggins, V. Simeon McNeill, James R. Dorsch, William E. Epperson, Carthel D. Morse and Mrs. Frances B. Palmer.

Pless Named Chairman & CEO Of Exchange Security Bank

BIRMINGHAM—Norman D. Pless, former president and chief executive officer of Exchange Security Bank, has been named chairman and chief executive officer. Willard L. Hurley was promoted from executive vice president and trust officer to president and chief administrative officer.



PLESS

Robert D. Russell, who served as chairman since 1966, retired after 60 years in banking. He came to Exchange Security in 1931 as cashier.

Mr. Pless joined the bank in 1948 as comptroller. Mr. Hurley joined the bank in 1958 to develop the trust department. He was elected a director in 1971.

■ CENTRAL BANK, Birmingham, promoted Billy S. Nelson and Herbert D. Wise to assistant auditors and Gary L. Guthrie to assistant operations officer. Mr. Nelson joined the bank in 1970 and Mr. Wise and Mr. Guthrie in 1971.

Merchants National of Mobile Plans Main Office Expansion

MOBILE—Merchants National has signed a long-term lease with the Illinois Central Gulf Railroad Co. for expansion of the bank's Main Office facilities. The bank will occupy the former quarters of a cafeteria in the G.M. & O. building. Renovation is scheduled for completion in the early spring.

The mezzanine floor will accommodate an expansion of the bank's trust department and will be connected to the department's present quarters on the mezzanine level of the bank building. The ground floor will feature the installment and student loan departments, credit department and central files.

In other action, Merchants National directors approved a four-for-one stock split, subject to shareholder approval.

■ TINE W. DAVIS, senior vice president of Winn-Dixie Stores, Inc., a grocery store chain, has been elected a director of Central & State National Corp. of Alabama. Central & State National is the parent company of Central Bank, Birmingham; State National, Decatur; Peoples Bank, Montgomery; and Citizens Bank, Eufaula. Mr. Davis also is a director of Peoples Bank, Montgomery, and Peoples National, Huntsville.

Tennessee News

Mayors' Medals Displayed

Looking over a display of official mayors' medals of the country's 50 largest cities in the lobby of Nashville's First American Nat'l are (l. to r.) Nashville Mayor Beverly Briley; William F. Greenwood, vice ch. of the bank; and John U. Wilson, a bank director. The complete proofset was loaned to the bank by Mayor Briley for a week-long showing. The gold medals, showing pertinent information about each of the cities, were minted by the Franklin Mint under authority of the U. S. Conference of Mayors.

M. A. Bryan Resigns

NASHVILLE—M. A. Bryan resigned December 31 as superintendent of banks for Tennessee. He indicated he was leaving for personal reasons.

Mr. Bryan held the post 15 years. He is a past president of the Conference of State Bank Supervisors (formerly National Association of Supervisors of State Banks).

■ RIDLEY ALEXANDER, chairman, Second National, Jackson, has been appointed to the board of the Memphis Branch of the St. Louis Fed.

■ C. BENNETT HARRISON, chairman, Union Planters National, Memphis, has been appointed to the board of the Memphis Branch of the St. Louis Fed.

■ NASHVILLE CITY BANK recently announced several new promotions. Advanced were: S. Jackson Faris, vice president and director of marketing; Miss Sandra Peery, commercial officer; and Miss Emily Bennett, Mrs. Shirley T. Clark and Mrs. Bonnie P. Hagewood, administrative assistants.

■ CHARLES R. AUSTIN has retired as assistant vice president in the new business department of Hamilton National, Chattanooga. He had been with the bank 43 years and served as manager of the North Chattanooga Branch 13 years.

■ HAMILTON NATIONAL, Chattanooga, has named Dexter W. Smith and James M. McGregor assistant cashiers and Mrs. Karita S. Johnson personnel officer.

First Branch Opened

United Bank of Chattanooga cut a ribbon of 50 $1 bills to open its first branch, and the money then was donated to the 365 Club, a local charitable organization. Pictured from l. are: George Stewart, bank pres.; Garrison and Mose Siskin, representing the 365 Club; Chris Murphy, ch. of the bank; Marty Browning, Little Miss Chattanooga, who cut the ribbon, and Davis Barnett, branch manager. In right foreground are Scott Miller and Sandy Smalley, 365 Club "sweethearts." The branch is one of three being opened by United Bank, which began business less than two years ago. By the end of the first 18 months of its operation, the bank reached total resources of $28 million.

Mississippi News

Low New Trust Dept. Head At Deposit Guaranty Nat'l; Succeeds Retiring Mills

JACKSON—Noel L. Mills has retired as head of the trust department of Deposit Guaranty National. He was a senior vice president. Named to succeed Mr. Mills was John T. C. Low, executive vice president, who joined the bank last October.

MILLS

Mr. Mills joined the bank in 1937, following service with Capital National, Jackson, and the Mississippi Procurement Division of the U. S. Treasury Department. He joined the trust department in 1939, was named vice president and senior trust officer in 1959 and senior vice president in 1967.

BAILEY

LOW

Mr. Low has had previous service with Lincoln National, Syracuse, N. Y.; Citizens Fidelity, Louisville; and Fidelity Union Trust, Newark, N. J.

In other action, the bank has promoted Mrs. Helen M. Bailey to vice president and J. Wendell Rogers and David B. Jordan to assistant vice presidents. Mrs. Bailey and Mr. Rogers are in the investment department; Mr. Jordan is in the credit department.

■ WADE W. HOLLOWELL, president and chief executive officer of First National of Greenville since 1946, has been named chairman of the bank. Ray K. Smith, former executive vice president, was elected president and chief executive officer and LeRoy P. Percy, a director since 1946, was appointed chairman of the executive committee.

■ SECURITY BANK, Corinth, has promoted Joseph Clint Droke Jr. to cashier and vice president, Jon Hurd Hill to trust officer and vice president, Mrs. Joyce M. Hardwick to assistant vice president and Clay McAmis Crockett to auditor. New assistant cashiers include Terry Ray McDaniel and Paul Persons Smith.

■ DEE HAMILTON, vice president, Hancock Bank, Gulfport, has been appointed to the ABA education committee's marketing division for 1972-73.

■ SECURITY STATE, Starkville, has elected Douglas A. Herring president. Mr. Herring was formerly executive vice president and CEO. He joined the bank in 1963. J. T. Steele has relinquished the title of president, but will remain as chairman throughout 1973.

Gibbons Joins First of Jackson As Investment Vice President

JACKSON—John D. Gibbons has joined First National as vice president in the investment department.

GIBBONS

Mr. Gibbons' primary responsibility at First National will be in the area of government bonds and federal agency securities.

He is a recent graduate of the School of Banking of the South and a graduate of AIB. He is also a member of the Mississippi Securities Dealers Association.

In other action, the bank has made a number of promotions, including the elevation to assistant vice presidents of A. T. Helgason, John W. Kitts, Robert McKnight Jr., Thomas F. Mitchell and L. P. Moreland.

Named assistant cashiers were James L. Alford Jr., Mrs. Ethel D. Clay, Mrs. Stella E. Hindman, Cecil Heidelberg, Mrs. Dorothy Moore, Mrs. Billie Skinner and Don A. Taylor. Mr. Alford is in the correspondent bank department.

Rodney E. Carney and Michael S. Miller were named assistant auditors.

Arkansas News

New Promotions Listed By Worthen Bank

LITTLE ROCK—Worthen Bank has promoted Eugene L. Maris and Tommy L. Wray to vice presidents and Charles R. Shelton to vice president and trust officer.

Mr. Maris has been with the bank since 1960 and is a commercial loan officer. Mr. Shelton, who came to the bank in 1946, is responsible for managing internal operations of the trust division and supervising the corporate trust section. Mr. Wray heads activities of the consumer real estate department.

Other promotions included: Raymond Baldwin, data processing marketing officer; Mike Sigman, business development officer; Mrs. Margie Jones, savings officer; and Charles Files, Ted Luft, Paul Stephens, W. A. Tucker, Miss Margaret Grinstead, Mrs. Pat Jones, Miss Pat Phillips and Mrs. Mary Watson, assistant cashiers.

WRAY MARIS SHELTON

Elected a director of Worthen Bank was John A. Riggs III, president and chief executive officer of a heavy equipment firm.

'Trees of Christmas' Exhibit At First Nat'l, Little Rock

LITTLE ROCK—A special "Trees of Christmas" exhibit was the highlight of the holiday season at First National. The exhibit included eleven trees, each decorated in the style of a foreign land.

Three trees were on display at the Main Office, with one tree at each of the bank's eight branches. Many ornaments on the trees were handmade by First National employees. The countries the trees represented were Brazil, Mexico, U. S., Denmark, England, Finland, Japan, Lithuania, Old Russia, Sweden and Ukraine.

■ CITY NATIONAL, Fort Smith, has appointed Harold E. Henson president. He formerly was president of United Missouri Bank of Joplin.

First Nat'l Announces Plans For New Downtown Building

LITTLE ROCK—First National, Connecticut Mutual Life Insurance Co. of Hartford and Martin H. Morgan & Co., Dallas mortgage financing firm, have formally entered into a joint venture to construct First National's new downtown building.

The high-rise building will have total gross square footage of 599,015, with 477,627 square feet of rentable space. The bank will lease about 105,000 square feet with the remainder available for other tenants. With total costs estimated at $23.2 million, the project is scheduled for completion in late 1974.

Twin City Bank Promotes 3

WILLIAMSON PENNEBAKER PENICK

Twin City Bank, North Little Rock, has promoted Edward M. Penick Jr. and Kenneth Pennebaker from v.p.s to exec. v.p.s and James Williamson from asst. comptroller to v.p. and comptroller.

Louisiana News

Millard Redden Ends Career With Fidelity National

BATON ROUGE—Millard G. Redden has retired after 35 years on the staff of Fidelity National. He was executive vice president and cashier at the time of his retirement last November 30.

REDDEN

Mr. Redden was one of the original employees of the bank when it opened in 1937. He began as note teller and general bookkeeper and was promoted to officer status in 1937. He was elected a director in 1944 and will continue as a director. He became board secretary in 1941 and was chairman of the executive committee at the time of his retirement.

Mr. Redden and his wife plan to move into a new home near Lake Rosemound, La.

Miss Myra A. Landry Retires From State Banking Dept.

BATON ROUGE—Miss Myra A. Landry, executive assistant, Louisiana State Banking Department, retired December 31 after 37½ years of service.

Miss Landry entered state service in 1935, when J. S. Brock was bank commissioner. Through the years she served under nine governors and eight bank commissioners. In 1948, Governor Earl K. Long appointed her acting bank commissioner for a short time while Commissioner Brock was out of the state. She was the only woman ever to hold that post. In 1967, Miss Landry received the Dunbar Award for her outstanding state service from the Louisiana Civil Service League.

Mrs. McKenzie Named Member Of Eighth Regional Committee

HOMER—Mrs. Aubyn H. McKenzie, vice president and a director of Homer National, has been named a member of the Eighth Regional Advisory Committee of the Eighth National Bank Region. Mrs. McKenzie, who will serve for a two-year term, is reportedly the first woman ever to serve as a member of the advisory committee. She has been with her bank 25 years.

Japanese Study Team Visits 1st Nat'l Bank of Commerce

NEW ORLEANS—Fourteen Japanese business executives recently visited First National Bank of Commerce where they heard talks on U. S. banking procedures by James H. Jones, president; Allen R. Houk, executive vice president; and Joseph C. White and John J. Dardis, vice presidents.

Organized by the Japan Productivity Center, a Japanese foundation, the study team toured U. S. business and industrial centers to study management techniques.

First NBC was the only bank the team visited.

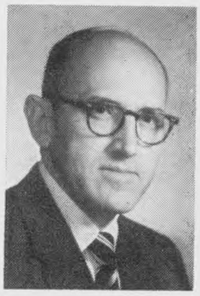
Commercial National, Shreveport, Names Hook as New Chairman

SHREVEPORT—Commercial National has elected Emmett R. Hook as chairman and N. H. Wheless Jr. as vice chairman. Mr. Hook remains as president and CEO.

Mr. Hook has been a director of the bank since 1952. He was elected executive vice president in 1963 and president the following year.

Mr. Wheless is president, Wheless Drilling Co. His father was chairman of the bank prior to his recent death.

Texas News



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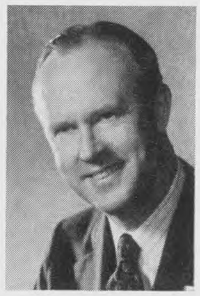


LOVE

Top-Management Changes Made At Texas Commerce Bank; Cater Moves to President

HOUSTON—Texas Commerce Bank has announced four top-management changes, including the election of President Ben F. Love as chairman and chief executive officer. He also is chairman and president of Texas Commerce Bancshares, Inc.

John T. Cater, who was executive vice president, moved up to president of the bank and was elected to the board. John E. Whitmore, chairman of the HC and bank, was named to a specially created post of senior chairman of the HC. Thomas B. McDade, executive vice president of the bank, was elected to the same post in the HC and also to the latter's board.

The bank elected four new vice presidents—Charles L. (Rusty) Williams of the Houston and Southwest commercial banking division; Robert E. Orr, loan administration; Charles A. Smith, item processing division; and Kenneth L. Tilton, a CPA in the financial accounting division.

Walter R. Brauchle was promoted from accounting officer to assistant vice president; Marc J. Shapiro moved from planning officer to assistant vice president; Daniel B. Adams was made an assistant vice president in administrative services; Miss Karen S. Camp, David A. Cook and Jackson D. Logan Jr. were named international officers, and Don G. Robinson was made a personal trust officer.

Mr. Love joined Texas Commerce in 1965 as a senior vice president and was elected president in 1969. Mr. Whitmore, an attorney, joined what was then called the National Bank of Commerce in 1945 and became president of the bank in 1965, when it was known as Texas National Bank of Commerce. The bank's present name was adopted in 1970. Mr. Cater, who also holds a law degree, started at the bank in the trust department, worked in the personal trust and corporate trust divisions and the commercial banking department's national division. Later, he was made manager of the operations department and last year became manager of the commercial banking department. Mr. McDade is manager of the investment department.

■ HORACE W. MANN has been named trust real estate officer at San Antonio's National Bank of Commerce. He has been in the department since 1971.

TV Motor Bank Addition Opened By First Nat'l, Fort Worth

FORT WORTH—First National recently held ribbon-cutting ceremonies for its new TV Motor Bank addition. Six new lanes have been added to the eight existing lanes in the original motor bank.

Diebold, Inc., Canton, O., designed and installed the structure's "Visual Auto Teller III" units. The closed circuit television units provide eye-to-eye contact between customers and tellers.

Shown participating in ribbon-cutting ceremonies for First of Fort Worth's new TV Motor Bank addition are Paul Mason (c.), ch., with R. M. Stovall, Fort Worth mayor, and Tom Law, Chamber of Commerce pres.

Metropolitan Nat'l Bank Opens for Business

McALLEN—Metropolitan National recently received approval from the Comptroller of the Currency to open for business. The bank is located in a new 6,000-square-foot building with four drive-up lanes.

Officers of Metropolitan National are: Raul L. Longoria, chairman; Jose Noe Gonzalez Sr., vice chairman; Leonel Garza Jr., president; and James W. French, vice president and cashier.

■ FIRST NATIONAL, Brownsville, has elected A. J. "Jack" Moser a director and A. G. McNeese Jr. an advisory director. Mr. Moser is president of a supermarket chain and Mr. McNeese is president, Southwest Bancshares, Inc., Houston.

■ HOUSTON CITIZENS BANK has elected Kenneth W. Bradshaw vice president and director of corporate business development. Mr. Bradshaw joins the bank after 21 years of financial and administrative experience with Standard Oil Co. of New Jersey.

■ NEALE S. McGEE recently was elected president, a director and member of the executive committee of Greenville Avenue State, Dallas. He formerly was associated with the international division of another Dallas bank.

■ FORT WORTH NATIONAL has named Vice President Peter A. MacQueen manager of the oil loan department. John G. Richards, vice president, who was the department's manager and also served as a commercial loan officer, is now devoting full time to commercial lending as a loan officer in the commercial loan department. James H. Maddux, assistant auditor, has been given additional responsibilities as assistant manager of the auditing department.

■ AMERICAN BANK, Austin, has promoted James D. Daniell and John E. Magness to senior vice presidents and elected Mrs. Betty Young and Mrs. Mary Frances Kissko assistant cashiers. Mr. Daniell, in charge of personnel since 1968, now is in both operations and personnel. Mr. Magness, vice president and controller since 1971, now is senior vice president and controller. Mrs. Young joined the bank in 1969 as secretary to the chairman and now heads the newly created women's division. Mrs. Kissko comes from West Side National, San Angelo, where she was vice president. She was named a loan officer in the installment loan department.

Oklahoma News

Eugene Swearingen Honored

Eugene Swearingen, ch. & CEO, National Bank of Tulsa, is congratulated by Evelyn Fulkerson, bank employee, on being elected to membership in the Association of Reserve City Bankers. Membership in the organization is limited to 400 policy-making officers of banks in Reserve and Central Reserve cities.

■ EDWARD L. MORTON has been elected vice president and trust officer of Citizens National, Oklahoma City. He comes to the bank from May Avenue Bank, Oklahoma City, where he organized the trust department. Mr. Morton also has been associated with First National, Oklahoma City, as a trust officer.

Utica Nat'l Receives Approval For Charter Application

TULSA—The Comptroller of the Currency has approved Utica National's charter application for Union National Bank of Tulsa. The new bank, to be closely associated with Utica National, will have a capital structure of $1 million and will open in temporary quarters. Permanent quarters will be in a new high-rise office building.

■ FIRST NATIONAL, Enid, promoted Mrs. Judy A. Roberts to assistant cashier and Mrs. Judy Wheeler to assistant trust officer.

Oklahoma Death

IVAN BROWN, 71, chairman of Citizens Security, Bixby, and Arkansas Valley State, Broken Arrow.

NBT Holds Employee Contest To Rename Building

TULSA—When National Bank of Tulsa decided to rename the 11-story Nine East Fourth Building, purchased in July, 1971, the bank held an employee contest to select a name. The winning entry—Main Mall Building—was turned in by Miss Evelyn Fulkerson of NBT's public relations department. She received a $100 savings bond.

The renaming was in line with NBT's updating and modernizing effort on the building. The bank wanted a new name to convey the structure's "uptown address."

During the past 18 months, NBT also has bought the seven-floor former National Bank of Commerce Building (renamed Mentor Building) at 10 East Third Street.

'Cheerleader' in Good Hands

Skitch Henderson, conductor of the Tulsa Philharmonic, and Mrs. F. G. McClintock, wife of First of Tulsa's ch., listen to "Little Miss Red" lead cheers for the University of Oklahoma football team. The doll, made exclusively for the bank by Mattel Toymakers, is a new-accounts premium (see p. 34, Nov. MCB). The doll leads seven different cheers when a string in its back is pulled.

New Mexico News

Agricultural Award Presented To New Mexico Bankers Assn.

The New Mexico Bankers Association has received the annual agricultural award of the American Bankers Association. The award is presented to state bankers associations whose programs and activities have been of notable service to agriculture during the preceding year.

The NMBA was cited for its cooperation with New Mexico State University in conducting its annual agricultural credit conference. The association also participated in the annual convention program of the New Mexico Farm and Livestock Bureau and continued to support the state's 4-H Club program.

■ WOMEN EMPLOYEES of New Mexico Bank, Lovington, are sporting new uniforms of navy blue and off white. The outfits include two skirts, blouses, vests and pants.

■ RAY APODACA has resigned as vice president of Farmers & Merchants Bank, Las Cruces, to become president and a director of Cabrillo State, San Fernando, Calif. He joined Farmers & Merchants in 1955.

■ JACK G. STROMAN has been elected executive vice president of First National, Clovis. He had been vice president and head of the agricultural loan department of Farmers & Merchants Bank of Las Cruces, which he joined in 1963.

■ BANK OF NEW MEXICO, Albuquerque, recently elected five new assistant cashiers. They are: Mrs. Karen Ferner, commercial note department; Mrs. Darlene Hagemeier, pension trust administrator; Mrs. Irene Horn, administrative assistant, real estate department; Frederick Peralta, operations officer, San Pedro Office; and Mrs. Ruby Tangman, administrative assistant, North Valley Office.

■ MISS MARY FIDEL, assistant vice president, Grants State, recently celebrated her 25th anniversary with the bank.

■ FIRST NATIONAL, Albuquerque, recently opened its new Montgomery Branch, which will be housed in a temporary structure until a permanent building is completed. James Harris, recently named assistant cashier, is branch manager.

■ MRS. RITA NEAL and Monroe C. Watkins Jr. have joined First National Bank of Lea County, Hobbs. Mrs. Neal is assistant trust officer and Mr. Watkins is a field officer.

■ CITIZENS BANK, Clovis, has received approval to establish a new branch in Clovis.

■ ROSWELL STATE appointed Ralph Nix Jr. assistant vice president in the installment loan department. Formerly, he was with El Paso (Tex.) National.

■ RAYMOND A. LIND joined First National Bank of Dona Ana County, Las Cruces, as assistant vice president in the installment loan department. He previously served with the bank from 1964 to 1966.

■ FIRST NATIONAL, Artesia, has elected Fred G. Hansen a director. He is president of a refining company.

Kansas News

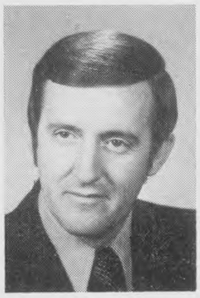
Fourth National of Wichita Names Potter Senior VP

WICHITA—Thomas M. Potter, head of Fourth National's correspondent bank division and a commercial loan department officer, has been promoted from vice president to senior vice president.

POTTER

Advanced from assistant vice presidents to vice presidents were Jerry D. Newman, mortgage banking division, and Vernon E. Wasinger, head of BankAmericard operations.

NEWMAN

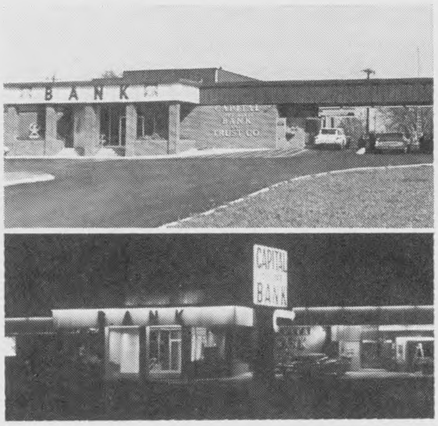


WASINGER

New officers named by the bank were: Helen R. Allison, marketing officer; Gary L. Gamm, investment officer; and Brad Granberry, Hazel I. Holder and Marvin H. Robinson, operations officers.

Fourth National also announced title changes for: Jerry L. Dean, from data services officer to computer operations officer; Richard M. Hall Jr., from discount officer to credit and discount officer; Ray L. McManness, from consumer loan officer to consumer services officer; Thomas J. Robison, from credit officer to commercial loan officer; Eugene H. Smith, from consumer services officer to consumer loan officer; and Fred L. Swinson, from operations officer to trust operations officer.

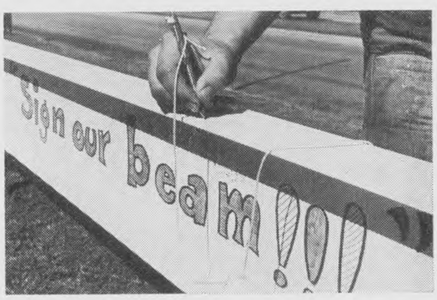
Bank Completes Expansion



Looming as a new landmark on Topeka Avenue in the Kansas capital is the rebuilt exterior of Capital City State. The expansion project has more than doubled space for operation. Including its drive-in operation, the bank now has 160 feet of frontage. Interior design includes a mural depicting the history of space flight.

■ RICHARD L. JOHNSON has been appointed cashier of East Side National, Wichita, and has assumed responsibility for managing the operations and personnel functions of the bank. He succeeds James F. Chartrau, who has joined Guaranty State, Oklahoma City, as vice president and cashier. Before joining East Side National, Mr. Johnson was coordinator of bank operations for First National, Columbia, Mo.

East Side Nat'l 'Beaming'



Hundreds of bank customers and friends autographed the last 16-foot steel beam placed on East Side National of Wichita's new building. The bank's eight-story financial center is scheduled for completion in the spring.

Rittgers Named President Of Wichita State Bank

WICHITA—William G. Rittgers, former senior vice president and trust officer, has been elected president of Wichita State. He succeeds Jack L. Roberts, who has resigned to join a financial organization in Kansas City.

RITTGERS

Mr. Rittgers joined Wichita State as discount and head teller in 1953. He became senior vice president and trust officer in 1970.

■ DIRECTORS of Commercial National, Kansas City, recently authorized the transfer of $1 million from undivided profits to surplus, increasing surplus from $5 million to $6 million.

■ W. B. GLENN was promoted from vice chairman to chairman of Union National, Manhattan, succeeding the late Thomas Griffith. Mr. Glenn has been with the bank 50 years. In other action, L. W. Stolzer, president, was named chief executive officer.

■ INDEPENDENCE STATE has announced the transfer of $325,000 from undivided profits to surplus, bringing capital and surplus to $1 million.

■ CENTRAL STATE, Wichita, has named Russell Oliver a consumer loan officer. The bank also elected Dr. Othello H. Curry Jr. a director. He owns and operates an animal hospital in Wichita.

■ JAMES A. SMITH has joined Southwest National, Wichita, as assistant vice president in the consumer loan department. He had been a loan officer at Union National, Wichita.

KBA President's Brother Dies

LUCAS—William D. Duwe, president, Farmers State, died of cancer December 10. His brother, J. Rex Duwe, is president of the Kansas Bankers Association and chairman of Farmers State.

Missouri News

MBA Plans Conference For February 13-15 At Tan-Tar-A Resort

The Missouri Bankers Association will hold its 33rd annual bank management conference February 13-15 at Tan-Tar-A Resort, Osage Beach.

Following a buffet breakfast and registration on Tuesday morning, February 13, the opening session of the conference will be held with David W. Lewis presiding. He is chairman, MBA committee on bank management, and president of Park Bank of St. Joseph. The session will feature remarks by Ben A. Parnell Jr., MBA president, and president of Peoples Bank, Branson, and a speech by Dr. Harvey M. Thomas, psychologist with Thomas & Associates, Liberty.

Dr. A. James Meigs, vice president, Argus Research Corp., New York, N. Y., will speak at the Tuesday afternoon session, along with William A. Glassford, executive director, Banking Profession Political Action Committee, Arlington, Va. Mr. Glassford will discuss "BANKPAC—The Importance and Need."

Special interest sessions will include —"Tax Planning for Your Bank" by Jerry Sprong, partner, Peat, Marwick & Mitchell, Kansas City, and "Fuentes Forever or Why Does the Supreme Court Hate Creditors?" by Frank Koger, Kansas City attorney.

Dinner that evening will feature a film on conservation prepared by the Missouri Department of Conservation in Jefferson City.

Speakers at the Wednesday morning session will be Somers H. White, president, Management and Financial Consultants, Phoenix—"Effective Lobbying and Politics"; Hayward Elliott, president, Sutro Mortgage Investment Trust, Los Angeles—"REITs—Friend or Foe?"; and James W. Lewis, senior vice president, Mitchum, Jones & Templeton, Inc., Los Angeles.

In the afternoon, there will be a panel on risk management and special interest sessions. Speaking at the sessions will be Robert P. Scott, program officer, Federal Insured Student Loans, U. S. Dept. of Health, Education and Welfare, Kansas City—"Student Loans"; Roy Lee, vice president, First National, Kansas City—"Direct Equipment Leasing"; and John Meyer, president, Commerce Bank of Tipton—"International Financing."

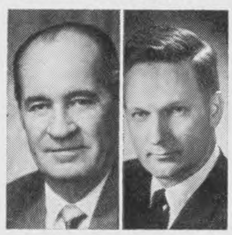
The sessions will be followed by size-group meetings and a banquet with George Nigh, lieutenant governor of Oklahoma, as speaker.

Appearing at the last session of the conference on Thursday morning will be Michael B. Yanney, senior vice president, Omaha National, who will discuss "Lead Your Competition in Getting the Deposits to Service Your Investment Goals."

The conference will be closed with a panel on "Political Scientists vs. 'The Market.'" Panel members will be: Frank K. Spinner, senior vice president, First National, St. Louis; William F. Enright Jr., senior vice president, American National, St. Joseph; Thomas L. Ray, senior vice president, Mercantile Trust, St. Louis; and Byron G. Thompson, executive vice president, City National, Kansas City.

Manufacturers Bank, St. Louis, Elects Schwering President

ST. LOUIS—Manufacturers Bank has elected Harley E. Schwering president and a director. He assumes the title formerly held by George I. Baggott, who remains chairman and chief executive officer.



SPENCER SCHWERING

In other action, Raymond F. Reininger was advanced to vice chairman as well as secretary, Joseph J. Spencer to executive vice president and David V. McCay to vice president.

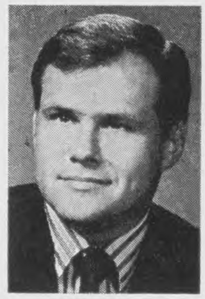
Mr. Schwering, who joined Manufacturers Bank in 1947, was formerly a senior vice president as was Mr. Spencer. Mr. Reininger was formerly executive vice president and Mr. McCay was an assistant vice president.

■ BANK OF CONCORD VILLAGE, St. Louis County, recently received approval to open a new facility to have more than 1,000 square feet of office space, three drive-in teller stations and adjacent parking. Completion of the facility is expected within one year.

■ LYNN HARMON, assistant vice president, Farmers Bank, Stover, has been elected a director of the bank. He also is vice president of Citizens Bank of Warrensburg.

Duane Pemberton Resigns As Finance Commissioner; No Successor Named Yet

Missouri Commissioner of Finance H. Duane Pemberton tendered his resignation recently, effective January 8. He will assume the presidency of Southern Missouri Trust, Springfield, sometime in January. Robert L. Shannon, current president of the bank, will become vice chairman.



PEMBERTON

Mr. Pemberton assumed the office of commissioner of finance in mid-1971, following service as president of Jackson County Bank, Kansas City. He was also involved with banking activities in the Springfield area and served with Columbia National for eight years prior to that.

Mr. Pemberton replaced C. William Culley as finance commissioner, after Mr. Culley resigned for health reasons. Mr. Culley is now a senior vice president at Bank of St. Louis.

Mr. Pemberton's resignation was not unexpected, since he was appointed by outgoing Governor Warren Hearnes. Incoming Governor Christopher Bond had not announced a successor at the time of this writing.

One of the most notable actions taken by the Legislature in the banking field during Mr. Pemberton's time in office was the updated facilities law, which has led to a flurry of applications for bank facilities. The law permits a bank to establish two facilities anywhere in its home city. In addition, small-town banks can open facilities in communities not having banks, provided the communities are within a 10-mile radius of the bank's main office.

Mr. Pemberton has recommended that his post be for four years and the appointee be subject to removal only by the Legislature. He also has recommended a salary increase from the current $18,000 to $25,000 annually.

William R. Courtney Dies; Former MBA President

MEXICO—William R. Courtney, 71, died recently after a brief illness. He was retired president of Commerce Bank of Mexico and a past president of the Missouri Bankers Association.

Mr. Courtney began his career with Bank of Carthage in 1923, after graduation from Princeton University. He helped organize Sedalia Bank in 1932 and served as cashier for 10 years before joining Mexico Savings Bank, now known as Commerce Bank of Mexico.

Peoples Bank Opens Facility

W. W. Johnson (second from l.) officially opens the new Hollister facility of Peoples Bank, Branson, assisted by (from l.) Jean Toler, facility mgr.; Virginia Kenyon, teller; Emmett Fulkerson, Hollister mayor; and Ben A. Parnell Jr., Peoples Bank pres. Mr. Johnson, who was a pioneer developer of Hollister, chartered Bank of Hollister in 1909 and served as president.

Three Appeal Charter Granted St. Louis Suburban Bank

Three appeals have been filed with the state banking board objecting to the granting of a charter by H. Duane Pemberton, Missouri commissioner of finance, to a proposed Spanish Lake bank. Spanish Lake is a St. Louis suburb.

Filing the appeals were Lewis & Clark State, which is in another St. Louis suburb nearby, the proposed Boatmen's National Bank of North St. Louis County and the latter bank's parent, Boatmen's Bancshares, Inc.

At press time, no date had been set for a hearing on the appeals. If the appeal is denied, it is possible for the objectors to take the case to the Circuit Court.

Earlier, objections had been filed with the commissioner of finance by First North County Bank, Jennings, and Valley Bank of Florissant as well as the three institutions named above.

■ TOTAL RESOURCES of Lewis & Clark State, St. Louis County, recently rose past the $12-million mark for the first time. The bank opened in June, 1971.

United Missouri Bancshares Proposes New Jeff City Bank

KANSAS CITY—United Missouri Bank of Jefferson City is the name of a new bank proposed by United Missouri Bancshares, Inc. Capital structure would be $1 million.

An application for the bank was filed by R. Crosby Kemper Jr., John J. Kramer, William J. Bolt Jr., John R. Kirk Jr. and John B. Prentis III, all of whom are affiliated with the HC. The group plans to request Fed approval to affiliate the new bank with the HC.

Two Buildings Underway For Bank of Springfield

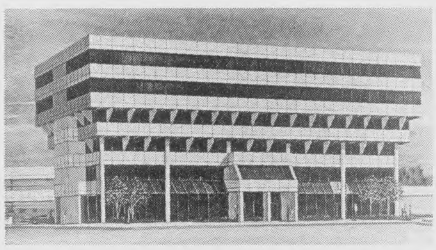
SPRINGFIELD—Construction is underway on two buildings for Bank of Springfield—a six-story Main Office complex and a drive-in facility.

The Main Office, located on the southeast corner of Jefferson and McDaniel streets, will have a total area of 80,000 square feet, plus an attached, direct access, three-level parking garage accommodating 210 autos.

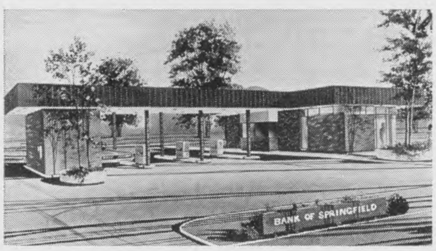
Design of the building will be similar to an inverted pyramid, with each upper floor providing more space than the floor below it.

The bank will occupy the basement, 75% of the first floor and 50% of the second floor. Eight teller windows will serve the lobby with four drive-in lanes and an automatic teller device providing additional services. Total cost is estimated at $2 million.

The drive-in facility will house two walk-in teller units and a four-lane drive-in unit. An additional drive-in lane will provide access to the bank's second automatic teller device that will operate on a 24-hour basis. Total cost is estimated at $200,000.



New Main Office of Bank of Springfield will feature inverted pyramid design.



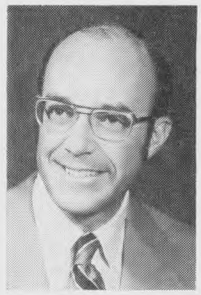
Bank of Springfield's new drive-in facility will feature four drive-in lanes and teller-less banking device.

■ FARRELL KAHN has been elected a director of First North County Bank, Jennings. Mr. Kahn serves as an officer to nine firms dealing in agriculture, office furniture and oil development.

■ LEMAY BANK, St. Louis, has begun construction on a new facility that will have five drive-up banking lanes and four inside tellers. When the new facility is completed in early summer, the bank plans to close its present drive-up facility.

Heimburger Joins ABC Banks As Vice President/Controller

ST. LOUIS—Roy R. Heimburger, former chief financial officer of Blue Cross Hospital Service, has joined the ABC group of banks as vice president and controller.



HEIMBURGER

Mr. Heimburger has been elected vice president of Brentwood Bank and will function as controller of ABC Bank Services. The three banks in the group share and operate their own data processing center. The other two banks are American National and City banks, both of St. Louis.

Computer Center in Lebanon Will Serve Area Banks

ST. LOUIS—Financial Computing Corp. has announced plans to build a computer center in Lebanon, Mo., to serve banking institutions in the area.

The center will provide data processing, accounting and management information services. It will also make it possible for participating banks to offer computer services to their commercial and institutional depositors.

The facility will be the third installation planned in Missouri by the firm.

Nine banks will participate in the ownership and management of the center with Financial Computing Corp. Other banks in the area can use the center's services on a contract basis without ownership participation.

Participating banks include Camden County Bank, Camdenton; Central Bank and First National, Lebanon; Citizens Farmers, Cole Camp; Bank of Iberia; Farmers Bank, Lincoln; Bank of Macks Creek; Bank of Salem; and Bank of Tuscumbia.

■ COUNTRY CLUB BANK, Kansas City, has broken ground for a new motor bank, to be completed in the spring.

Missouri Death

MRS. HELEN COLEMAN HARDY, president, Belle State, in an auto accident December 10. Her husband, W. Clyde Hardy, died last May 1, and Mrs. Hardy then succeeded him as the bank's president. Mrs. Hardy also was Maries County Democratic Committee chairman and former Missouri legislator. She served three terms in the state House of Representatives, retiring in 1966.

■ ST. LOUIS UNION TRUST has appointed David M. Koenig and Gary L. Nelson as trust officers and assistant secretaries, Robert J. Hinkebein as assistant counsel and Michael W. Alivernia as assistant auditor.

■ THOMAS V. McEVILLY, head of the new business department, Jefferson Bank, St. Louis, has been named an assistant vice president. He has been with the bank since December, 1971.

Flexible Tax Commission Urged on President

CHICAGO—A blue ribbon Presidential Commission to work out the details of a flexible tax system is being urged by Exchange National.

Writing in its December *Economic Forecast*, the bank recommends that the Commission consist of public members and members of Congress. The bank feels that such a Commission could work out a tax system capable of stimulating or dampening overall demand for goods, depending on national economic needs.

"Many economists have declared that a tax increase must be made to stop inflation, but neither the President nor elected members of Congress will stick their necks out on such an unpopular move," the bank declares. "Therefore, this nation must develop a flexible tax system that can automatically vary tax revenues to meet the needs of the national economy."

Exchange National warns customers, "The nation now faces a resumption of demand-pull inflationary pressures caused by continuing huge federal budget deficits. The federal government is already running a $35 billion deficit in this fiscal year and little improvement is in sight for next year—or the year after. . . ." The bank says this is so because, "So much of the federal budget is already committed that it's doubtful that the President or Congress can cut expenditures to the extent necessary to hold back inflation.

"In 1960, a private Commission failed because it could not come up with a workable solution," the bank notes. "However, President Nixon's election victory would give the (new) Commission special strength."

ABA Installment Credit School Schedules Second Session

WASHINGTON—A second session has been added to the ABA's 1973 National Installment Credit School. The action was prompted by a record number of applicants to the two-week school.

The first session opens February 11 on the campus of the University of Oklahoma in Norman. It will be attended by 250 students.

The repeat session is scheduled to open June 17 at the University of Colorado in Boulder. A total of 150 students will be accepted.

The school was created to help member banks supplement in-bank training with a national program that would expose students to the experiences and knowledge of counterparts throughout the country. In order to achieve this objective and maintain small class size, the repeat session was added.

Information concerning the second session can be obtained from Alan R. Ettman, registrar, the National Installment Credit School, ABA, 1120 Connecticut Avenue, N.W., Washington, D. C. 20036.

Convention Calendar

MID-CONTINENT AREA

Alabama, May 2-6, Bermuda, Southampton Princess Hotel
Arkansas, May 6-9, Hot Springs, Arlington Hotel
Illinois, May 23-25, Chicago, Palmer House Hotel
Indiana, June 13-14, French Lick, French Lick-Sheraton Hotel
Kansas, May 10-12, Wichita
Louisiana, May 5-8 (Tentative), New Orleans, Fairmont-Roosevelt Hotel
Mississippi, May 19-23, Biloxi, Buena Vista Hotel
Missouri, May 13-15, Kansas City, Muehlebach Hotel
New Mexico, May 31-June 2, Santa Fe, Hilton Inn
Oklahoma, May 8-10, Tulsa, Fairmont-Mayo Hotel
Tennessee, May 13-15, Memphis, Rivermont Inn
Texas, May 6-8, El Paso

NATIONAL

ABA, Oct. 6-10, Chicago
ABA Agricultural Conference, Nov. 11-14, Minneapolis, Leamington Hotel
ABA Bank Investments Conference, Feb. 28-March 2, St. Louis, Stouffer's Riverfront Inn
ABA Credit Card Conference, Oct. 29-31, St. Louis, Chase-Park Plaza Hotels
ABA Credit and Commercial Lending Conference, March 5-7, San Francisco, San Francisco-Hilton Hotel
ABA Installment Credit Conference, March 19-21, Dallas, Statler-Hilton Hotel
ABA Marketing Conference, Jan. 14-17, New Orleans, Fairmont Roosevelt Hotel
ABA Mid-Continent Trust Conference, Nov. 5-6, St. Louis, Stouffer's Riverfront Inn
ABA Mid-Winter Trust Conference, Feb. 5-7, New York City, Waldorf-Astoria Hotel
ABA Mortgage Conference, May 7-9, San Francisco, St. Francis and Sir Francis Drake Hotels
ABA Operations and Automation Conference, June 3-6, Chicago, Palmer House
ABA Personnel Conference, Sept. 16-19, Philadelphia, Sheraton Hotel
ABA Southern Trust Conference, May 16-18, Louisville
AIB Convention, May 28-30, Dallas, Statler Hilton Hotel
Bank Administration Institute, Oct. 28-31, San Francisco
Bank Administration Institute Southern Regional Conference, April 15-17, St. Louis
Bank Marketing Association, Sept. 23-27, San Francisco

■ ANDERSON CHANDLER, president, Fidelity State, Topeka, recently headed the Topeka United Fund drive, which reached its goal of $1.2 million. It was the first time in three years that the United Fund drive reached its goal.

• Index to Advertisers •

'73 Mobile Home Sales to Hit New High Despite Overall Decline in Housing Starts

ANOTHER record year for mobile home sales is predicted for 1973, in spite of a decline in total housing starts.

This prediction was made at the fourth annual Mobile Home Forecast Conference, sponsored by Elrick & Lavidge, Inc., Chicago-based marketing consultant to the Mobile Homes Manufacturers' Assn., which has worked closely with MHMA in providing the industry's shipment figures.

Industry leaders were also told to expect major changes in mobile home financing in the next few years, as banks and S&Ls become more active in writing mortgages on mobile homes.

It was predicted that in 1973, mobile home shipments will rise to 625,000 units, up from 570,000 in 1972. Total residential housing starts, including mobile home shipments, will reach 2.8 million units, down from 2.9 million in 1972. The decline is expected to be wholly in the conventional housing sector.

William A. Wildhack, director of the office of mortgage-backed securities for the Government National Mortgage Association (GNMA), outlined the objectives of GNMA's programs and their potential influence on the mobile home industry.

As one of its programs, GNMA can issue securities based on pools of FHA-insured loans on mobile homes. In contrast to the add-on financing practices now prevalent in the mobile home field, these loans carry simple interest rates and are amortized, as are single-family home loans.

While predicting that 1973 will see at least $500 million in GNMA mobile home securities, Mr. Wildhack said what the program really needs is for a major manufacturer to market it on a large-scale basis.

He added that the marketing success possible with this type of financing "is going to be a real jolt to those manufacturers who think financing is not their concern. I guarantee you that the first company that gets in there in a big way with simple interest-rate financing is going to find itself an incredible portion of the market."

Mr. Wildhack predicted that mobile home loans with simple interest and long terms will amount to roughly "two billion dollars at least" in the next few years. He also said close observers are "very optimistic" about some improvements in federal statutes concerning mobile home financing in 1973.

O. Keith Weikle, vice president of Citizens & Southern National, Atlanta, was another observer who saw a bright future for the industry.

"Now that the mobile home age has more than arrived," he said, "it has become obvious to us that we should not only sustain our lending in this area, but we fully intend to increase our penetration into the mobile home lending field."

Mr. Weikle agreed that "there is going to be a transition to simple-interest loans." But he said that in the meantime, "the leaders today that are financing the ultimate product will continue to play an important part in your industry for at least the next five years, and possibly the next 10 years."

Arthur H. Hartwig, president of Kensington Mortgage & Finance Corp., Madison, Wis., said he views the FHA-GNMA program as "only the first in a series of simple interest rate programs to be offered to the mobile home industry."

He reported that his firm, which issued the first GNMA mortgage-backed security based on Title I mobile home loans, intends to specialize in this "as yet untapped market."

Mr. Hartwig predicted that within five years, 40% to 50% of all mobile home loans will be under FHA or some other direct amortization type of financing. Noting that under the program consumers have lower down payments, lower interest rates, lower monthly payments and faster equity buildup, he added that "in the years ahead, as your industry demonstrates the mobile home's economic life, I can see mobile home financing extending to 15, 20 or perhaps 25 years."

Jack Kronemeyer, claims manager for CMI Credit Insurance, Inc., Madison, Wis., termed credit insurance "one of the most significant changes to occur in our industry."

He said it frees all of the dealer's working capital, frees the manufacturer from dealer financial concern and makes it possible for any bank or S&L to enter the field.

He also noted that steps are being taken for the exchange of information between insurers on cases of questionable practices. "We can expect the government or consumerism to exert strong influences on the mobile home industry if we do not exercise good judgment and control ourselves," he observed.

Philip S. Auchincloss, operations director of Elrick & Lavidge's National Housing Index Division, said economic factors and national wealth have a marked impact on the mobile home industry, with recessions having a severe impact.

He added that one thing to watch is the comparison of GNP to population growth, and that in that regard, "clearly GNP in current dollars is growing substantially faster than our population."

"This has implications for mobile homes," he went on, "because it means people who buy them are going to be able to buy more expensive, deluxe models."

He also noted that while the business has been sustained by a strong expansion in the 20-29 age group in the last 10 years, demographic statistics show that this age group will not grow as rapidly in the next 10 years. On the other hand, he said, the market for retirees is expanding "and is likely to continue doing so." • •

Three Promotions, One Election At Commerce Bank, Kansas City

KANSAS CITY—Commerce Bank has promoted three officers to vice presidents. They are Joseph R. Bartels, George C. McCarten Jr. and Norman T. Williams. Mr. Bartels serves as manager in the money market center; Mr. McCarten is in charge of the business development section of the trust division; and Mr. Williams is in the installment loan department.

In other action, the bank has elected James L. Miller general vice president in the trust division. Mr. Miller joined the bank in 1950 and was elected vice president and treasurer of Commerce Bancshares in 1970.

Fourteen Officers Promoted At National American Bank

NEW ORLEANS—Fourteen employees have been promoted at National American Bank.

Named banking officer and manager was Edward J. Powers III. New banking officers and assistant managers include Robert M. Becnel, Mrs. Birtie Bernard, Jerry P. Herbert, Mrs. Lillian Koppens, Arnold T. McCormick, William Mares, Mrs. Inez Navarre, Martin E. Zeller and Robert A. Tomlin.

John E. Kent and Scott S. Zelden were named banking officers; Lucas H. Bacino was named assistant cashier and assistant auditor; and Jules J. Patin was named assistant cashier.

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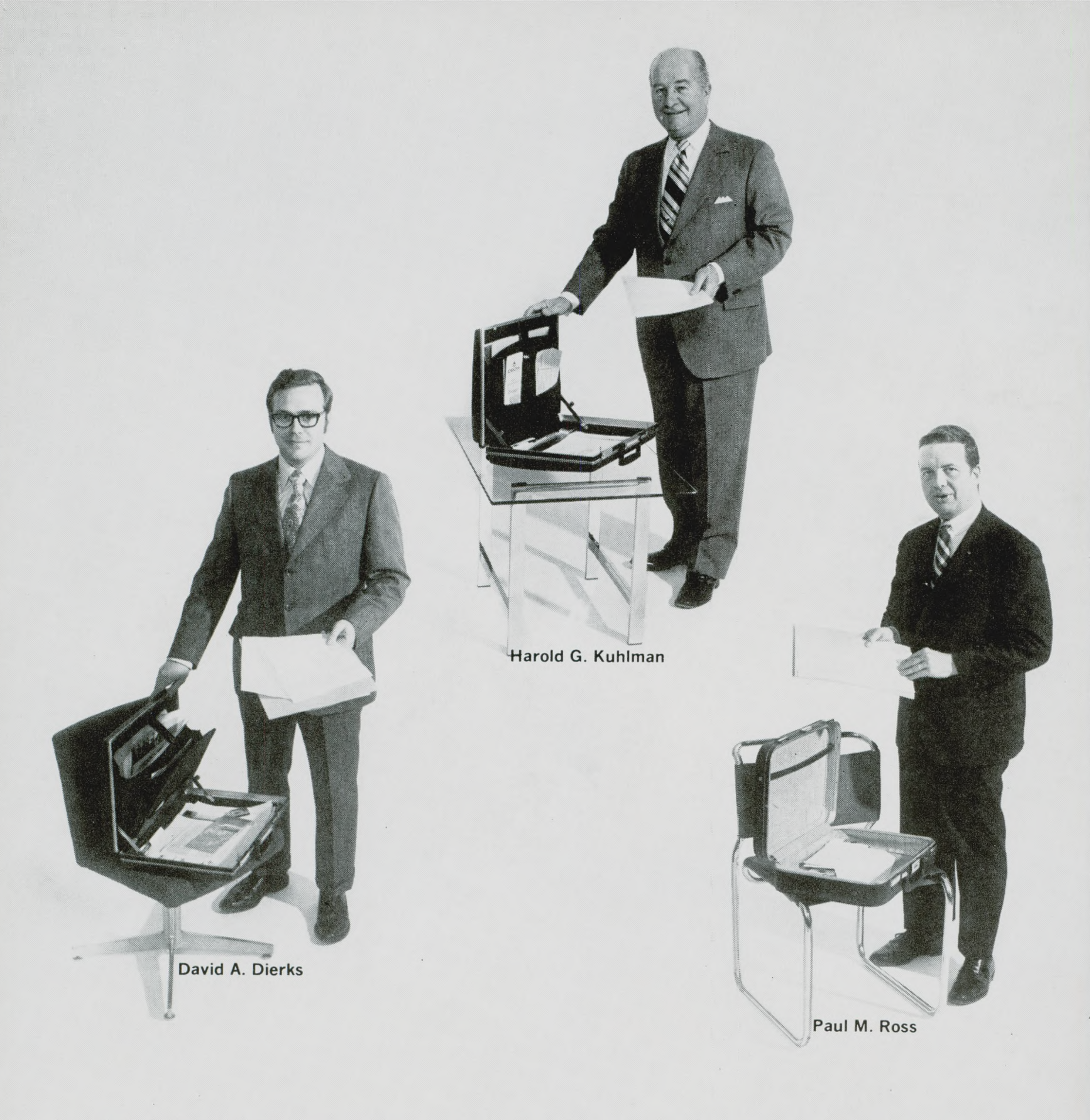

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