MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

MARCH, 1974

Directors & Officers Liability Insurance Coverage Page 63

De-Risking Loans Page 50

INSURANCE and LEASING ISSUE

Auto Leasing Page 42

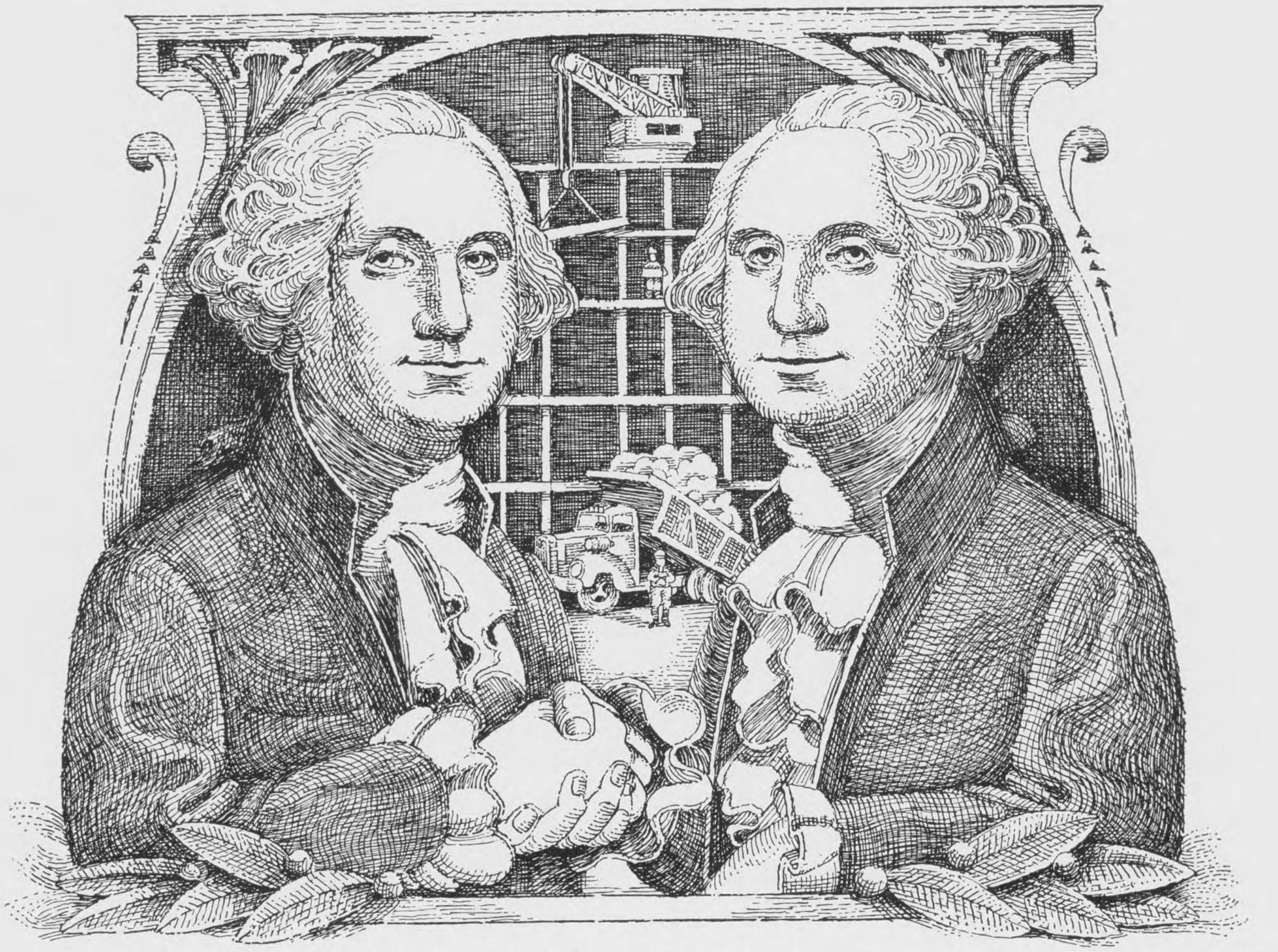
Potentials of Equipment Leasing Pages 35-41

Coping With Kidnap-Extortion Threats Pages 72-74

Board Room News Page 92

MID-CONTINENT BANKER is published 13 times annually (two issues in May) at 408 Olive, St. Louis, Mo. 63102. March, Vol. 70, No. 3. Second-Class postage paid at Fulton, Mo. Subscription: $8.

First-class loan evaluation for overlines that successfully bring up bottom lines.



See if you've heard this before: "Banks in the Gulf South just can't handle big loans."

Yes, you've heard it. And frankly, there used to be some truth in it. Before.

But today it's dead wrong. And we can prove it. We do, every day.

First National Bank of Commerce experts work with our correspondent partners to evaluate the financing of construction, petroleum exploration and international trade. And when they determine that a loan will be profitable for everyone, we usually offer to participate in it ourselves.

So don't listen to dead rumors. Together we and our correspondents can handle just about any loan that comes along.

If our kind of banking is for you, call Michael J. Rapier collect at (504) 529-1371, ext. 237. He'll give you complete information about loan evaluation, overlines and all other First-class correspondent services.

CORRESPONDENT DIVISION
FIRST NATIONAL BANK
OF COMMERCE
NEW ORLEANS, LOUISIANA

In this age of quick moves, Mercantile dependability keeps you a jump ahead.

NEW REGULATIONS. New problems. A whole new game in banking. For immediate help on—faster collections via regional check processing centers—a cash letter analysis—or any other banking opportunity of these fast-moving days—

count on Mercantile in St. Louis

Serving over 1100 banks throughout the nation

MERCANTILE TRUST COMPANY
Phone 314/231-3500
MEMBER F.D.I.C.

AFFILIATE OF MERCANTILE BANCORPORATION INC.


If you have a banking problem here are nine great solutions.
Larry Hunter
Joe Blank
Ross McClain
Jim Walker
Joyce Brewington
1-800-251-8514
(BORDERING STATES)
1-800-342-8392
(TENNESSEE)
Bob Smartt
Robert Dillon
Sam Gates
Sharon Swindell
First American National Bank
Nashville, Tennessee 37237
First American
First Amtenn Bankgroup

Convention Calendar

March

March 18-20: ABA National Marketing Conference, Bal Harbour, Fla., Americana Hotel.
March 20-24: Independent Bankers Association Annual Convention, Dallas, Fairmont Hotel.
March 22-25: Assemblies for Bank Directors, New Orleans, Fairmont-Roosevelt Hotel.
March 25-27: ABA National Installment Credit Conference, San Francisco, San Francisco Hilton Hotel.
March 31-April 3: ABA Trust Operations & Automation Workshop, Chicago.

April

April 7-9: Introductory Conference on the Bank Holding Company, Dallas, Sheraton Hotel.
April 9-10: Young Bankers of Tennessee Annual Convention, Memphis, Holiday Inn Rivermont.
April 10-12: ABA Southern Trust Conference, Arlington Hotel, Hot Springs, Ark.
April 21-23: Bank Administration Institute Southern Regional Convention, New Orleans, Marriott Hotel.
April 21-26: Robert Morris Associates Loan Management Seminar, Bloomington, Ind., Indiana University.
April 27-30: Louisiana Bankers Association Annual Convention, New Orleans, Fairmont Roosevelt Hotel.
April 28-30: Association for Modern Banking in Illinois Annual Convention, Oak Brook, Drake Oakbrook.

May

May 5-7: Texas Bankers Association Annual Convention, Ft. Worth.
May 5-8: Arkansas Bankers Association Annual Convention, Hot Springs, Arlington Hotel.
May 6-8: ABA National Mortgage Conference, Atlanta, Marriott Motor Hotel.
May 7-9: Oklahoma Bankers Association Annual Convention, Oklahoma City.
May 8-10: Alabama Bankers Association Annual Convention, Mobile, Municipal Auditorium.
May 8-10: Kansas Bankers Association Annual Convention, Kansas City, Kan., Ramada Inn Center City.
May 12-14: Missouri Bankers Association Annual Convention, St. Louis, Stouffer's Riverfront Inn.
May 12-14: Tennessee Bankers Association Annual Convention, Knoxville, Hyatt-Regency Hotel.
May 18-21: Mississippi Bankers Association Annual Convention, Biloxi, Buena Vista Hotel.
May 19-21: Illinois Bankers Association Annual Convention, Peoria, Peoria Hilton Hotel.
May 19-22: ABA National Operations & Automation Conference, San Francisco.
May 22-24: ABA Southern Lending Workshop, New Orleans, Fairmont Roosevelt Hotel.
May 27-29: AIB Convention, Baltimore, Baltimore Hilton Hotel.

June

June 2-5: Conference on Bank Holding Company Management Problems, Dallas, Sheraton Hotel.
June 3-8: ABA International Monetary Conference, Williamsburg, Va.
June 5-7: ABA Mid-America Workshop (commercial lending), Chicago, Palmer House.
June 12-13: Indiana Bankers Association Annual Convention, French Lick, French Lick-Sheraton Hotel.
June 13-15: New Mexico Bankers Association Annual Convention, Albuquerque, Hilton Inn.

July

July 11-14: ABA Central States Conference, Mackinac Island, Mich., Grand Hotel.
July 21-Aug. 2: Southwestern Graduate School of Banking, Dallas, Southern Methodist University.

August

Aug. 31-Sept. 3: Assemblies for Bank Directors, Colorado Springs, Colo., Broadmoor Hotel.

MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 70, No. 3 *March, 1974*

FEATURES

DEPARTMENTS

STATE NEWS

Editors

Ralph B. Cox
Editor & Publisher

Lawrence W. Colbert
Assistant to the Publisher

Rosemary McKelvey
Managing Editor

Jim Fabian
Associate Editor

Advertising Offices

St. Louis, Mo., 408 Olive, 63102, Tel. 314/421-5445; Ralph B. Cox, Publisher; Margaret Holz, Advertising Production Manager.
Milwaukee, Wis., 161 W. Wisconsin Ave., 53203, Tel. 414/276-3432; Torben Sorenson, Advertising Representative.

MID-CONTINENT BANKER is published 13 times annually (two issues in May) by Commerce Publishing Co. at 1201-05 Bluff, Fulton, Mo. 65251. **Editorial, executive and business offices, 408 Olive, St. Louis, Mo. 63102.** Printed by The Ovid Bell Press, Inc., Fulton, Mo. Second-class postage paid at Fulton, Mo.

Subscription rates: Three years $18; two years $14; one year $8. Single copies, $1.25 each.

Commerce Publications: American Agent & Broker, Club Management, Decor, Life Insurance Selling, Mid-Continent Banker, Mid-Western Banker, The Bank Board Letter and Program. **Donald H. Clark,** chairman; **Wesley H. Clark,** president; **Johnson Poor,** executive vice president and secretary; **Ralph B. Cox,** first vice president and treasurer; **Bernard A. Beggan, Allan Kent, James T. Poor** and **Don J. Robertson,** vice presidents.

By Dr. Lewis E. Davids

Hill Professor of Bank Management,
University of Missouri, Columbia

The Fallout of U. S. National of San Diego

THE FAILURE of U. S. National of San Diego, the largest bank to go under in our nation's history, initially caused an amazing reaction—which was, paradoxically, the notable lack of reaction by the press, the depositors of the bank and the public. On the surface they all could not have cared less, and from a banker's viewpoint, this may be considered as a tremendous vote of confidence for our banking system.

Frank Wille, FDIC chairman, and James Smith, Comptroller of the Currency, are both to be congratulated by bankers and the general public for a job—a most difficult task—well done in support of the financial community. Weighed in a subjective context, a greater good was accomplished by the way the situation was handled than the trade off of the lack of full disclosure-to-equity and debt investors and creditors in those firms regulated by the Securities & Exchange Commission which had become involved with, and were a major contributing cause of, the bank's failure.

The SEC was in a most unenviable position vis a vis the bank and its related borrowers. If the tragic situation had been publicized when the SEC first became aware of it, a crisis could have been precipitated in which many more innocent individuals would have been financially hurt than the relatively few new investors who purchased stock or other securities of the bank or their "related" companies. Some vehicle should be available to make whole these innocent investors who had reasonable grounds to assume that the bank was properly run, when in fact, several government agencies knew it was not.

This is only one of the fallout problems of that historic bank failure. That is, the trade off of the greater good for many (the depositors and communities served by the bank) related to recent and innocent investors in that bank.

Another fallout involves every remaining commercial bank in the United States. It is the recognition that the system of bank supervision and reporting has not kept up with the dynamic realities of the world of finance. Simply stated, the national bank examiners who followed the historic practices in their supervision did not stay on top of the contingent liabilities that U. S. National of San Diego was creating by the use of letters of credit. These were allegedly issued to customers who were "associated" with the chief executive of the bank.

"The overseas fallout of the U. S. National case is that commercial banks in Europe and the Orient will be less naive in their relationships with U. S. commercial banks in the future."

Even when this contingent liability was identified by bank regulators, there appeared to be some question of the *de jure* relationship of "control" by the bank's then CEO—and the *de jure* concept of the bank's exceeding its legal loan limit. Related to this is the honoring of the letters of credit issued by the bank by a number of foreign and domestic commercial banks.

As a result, examiners in the days ahead will be increasingly concerned with evaluating the extent of the "contingent liabilities" of banks they supervise. This will make for a significantly different and broader type of examination than bankers previously have been accustomed to experiencing.

The overseas fallout of the U. S. National case is that commercial banks in Europe and the Orient will be less naive in their relationships with U. S. commercial banks in the future. Their assumption that U. S. bank regulators could not permit a billion dollar, major bank to fail has been shown to be sanguine. Thus, some of the ready acceptance of European banks to go along with proposals of American banks will be diminished and a more hard-nosed, pragmatic and evaluative process will be followed.

The initial impact on American banks doing business with foreign banks will be that foreign banks will require more specific documentation of transactions and thus will slow down the time involved in some transactions and result in rejection of a number of marginal financing arrangements. The longer run impact should be a more thorough analysis of financing arrangements between domestic and foreign banks. The more thorough scrutiny of interbank accommodations is a needed step of self-disciplining by banks as contrasted to that of bank regulators.

Still another fallout is the need for legally trained bank regulators to have the strength of character to recognize the real facts of corporate life. Too long have bank lawyers titillated themselves with such quantitative factors as 50+% of stock ownership is "control," 25% of stock ownership "qualified" is a bank holding company and 10% of stock qualified as an "insider" when the reality and substance of "control" or "insider" was not really dependent on the preceding numbers.

But, perhaps the greatest fallout of the bank failure is the apparent fact that the board of directors and the internal auditors of the bank were bypassed by inside management to an incredible extent. How a board of a billion dollar bank could not have had one or more of its outside directors ask

the reasonable and prudently penetrating questions on the legal loan limits of the bank or on the proportion of the total loans of the bank which were made to companies related to the then-CEO, is difficult to fathom.

Peripheral fallout involves clearing banks and clearinghouse relationships. That at least one or more major banks was a "serious problem bank" could be gleaned from a close reading of the FDIC's annual report. This was apparent by the division of the number of problem banks by the total dollars of deposit liability. Efficient clearinghouses maintain data on member banks which is often superior to that of federal and state regulatory agencies.

But the most significant fallout has been the working together and mutual understanding that is now observed between not only the FDIC and the Comptroller's office, but also between two other major governmental agencies, the Securities and Exchange Commission and the Justice Department.

In previous years, the cooperation between all of these powerful governmental agencies left something to be desired. It is premature to conclude that they are all in complete harmony and in cooperation one with another, but the degree of cooperation between them has flowered dramatically. Hopefully, it will continue and even expand.

The term fallout is today identified in people's minds as a result of nuclear activity—a most significant development. While the failure of U. S. National of San Diego was of historic importance, the initial *public reaction* was amazingly bland and verged on indifference.

The *subliminal* reaction among bankers and bank regulators is still taking place, but most of it has been of an encouraging and positive nature. While any bank failure involves some social cost, the social and economic costs of this largest bank failure in our history have been truly minimal—the trade off of improved cooperation between governmental agencies, improved concepts of bank examination and improved communication between bankers (both in the United States and abroad). All these redound to the improvement and healthy growth of banking. • •

Three AMBI Regions Hold Elections

Three regions of the Association for Modern Banking in Illinois (AMBI) have elected officers. They are:

Region I—president, Frank S. Read, chairman, First National, Lake Forest; first vice president, Thomas F. Monahan, president, Sears Bank, Chicago; second vice president, Donald G. King, president, First National, Harvey; and secretary-treasurer, Joseph D. Barnette Jr., president, First National, Evanston.

Region III—president, W. G. Lyman Jr., chairman and president, University National, Peoria; vice president, Richard L. Walsman, president, Bank of Illinois, Normal; and secretary-treasurer, Eugene R. Mischke, president, Colonial Trust, Peru.

Region IV—president, John J. White, president, First National, Beardstown; first vice president, Frank M. Strieby, president, Illinois State, Quincy; second vice president, William B. Hopper, chairman, First Trust, Taylorville; secretary, Grant Fleenor, vice president, First National, Mattoon; and treasurer, Stuart Brown Jr., assistant vice president, Springfield Marine Bank.

It's Still Honolulu!

WASHINGTON—The 1974 ABA convention will be held in Honolulu as originally planned. The association decided to keep that site for its annual meeting October 19-23 after investigation indicated convention plans do not conflict with the national energy-conservation effort.

According to the ABA, to have canceled the convention would have hurt Hawaii's economy. The event represents about 15% of the convention business scheduled in the state for 1974.

Barring unexpected change, said ABA President Rex J. Morthland, regularly scheduled airline flights can accommodate the more than 14,000 persons expected to attend the ABA convention. Current flights from the mainland to Hawaii carry some 110,000 seats per week.


Mike Jones will swap receivables financing help for one golf lesson.
Mike's a lot better at helping you help your customers out of deep water with accounts receivable than he is in the deep rough on the golf course. Because he works closely with our Accounts Receivable/Inventory Financing Department.
We've helped hundreds of cash-starved companies get past the awkwardness of growing pains. Helped companies survive a split-up of partners, and provided the funds for others to weather seasonal squeezes.
You know First National. But you may not know enough about our Accounts Receivable/Inventory Financing Department. And you know a lot about what our Correspondent Division can do to help you. But you may not know how well we do it. Call Mike Jones at (901) 523-4174. An amateur golfer, but a professional banker.
FIRST NATIONAL BANK OF MEMPHIS
1st ®

Satisfy 'the Need to Know'

Banks Can 'Talk' to Their Employees Through Informative House Organs

By LOUIS C. FINK

MOST BANKERS like to brag about how their institutions have grown: more deposits, more branches, more loans, more employees . . . and less communication. While banks have grown bigger, people haven't changed; they still have that curiosity that distinguishes human nature.

If you are old enough, you'll remember how easy it was in the old days. The president could take all his vice presidents to lunch, occupy one table and tell them how things were. At the Christmas party or the summer picnic, the president could make a little speech and summarize the full year at the bank.

At two banks I worked for, the president and a couple of his aides walked through the bank and wished every employee a Merry Christmas. It took about eight hours.

Go further back to World War II and you may recall that banks in the coastal cities installed public-address systems. They were designed for air-raid alerts, but they could be used nicely to convey current information to everybody on the staff.

Inform Employees

Employees should be told what's going on in their bank. Do they all want to know? Truthfully, no. There are two kinds of employees: One kind considers the job as just a job, leading nowhere and to be abandoned when something different (better or not) comes along; the other class of employees are the ones you want to keep and encourage. They look on their bank as their career, and they want to know all about it: its earnings, its prospects, the personality of its leaders, decisions of the directors. To the extent that they know what is going on, so much do they feel a part of the bank. An employee who considers the bank as his or hers is a better employee.

For the majority of banks, communicating with employees became popular in the late 1940s, right after the war. Editors were hired to publish employee magazines; substantial budgets were established, and management felt that it had solved its problem.

Debate began almost immediately about the contents of these employee magazines, or "house organs." Were they a monthly compilation of news releases already given to the newspapers? Did they include some platitudes from management? Should they be filled with tidbits about vacations, weddings, engagements, transfers from one department to the other?

Implement Policy Decision

In some cases, the basic policy decision was never made—or having been made, it was not implemented. If you are concerned about the value of your employee magazine, you might decide first what it is supposed to be. The arguments are heated on both sides.

Do you publish a magazine for employees, by employees and probably about employees (paid for by the bank, of course)?

Or—is your magazine really management's way of communicating with employees, telling them what management honestly believes they want to know?

Because the bank almost always pays for the magazine and hires its editor, a bank publication almost surely will reflect management's view of things. No house organ editor can be completely independent, but you—the management of the bank—can decide how much independence you want him to have.

After you've decided whether the emphasis is on management's viewpoint or the staff's viewpoint, your editor can decide what he is going to publish.

The classic textbook approach to information is that there are three kinds of knowledge about a bank:

1. Things the employee has a *need* to know: the rate paid on savings, the name of the head of installment loans, the location of the branch being opened next week, your policy on making home mortgage loans. Customers ask a thousand questions like this and the employee needs to know the answers.

2. Things the employee has a *right* to know: How are the earnings each month, what holidays do you observe, how much will his pension be, who was promoted at the board meeting today? (And he has a right to such information promptly, not next month or next quarter in the bank magazine.)

3. Things the employee *wants* to know: Is the new vice president married, who designed the Christmas decorations in the lobby, will there be a picnic this summer, are you thinking about lowering the age for normal retirement? There is less urgency about this information, and maybe the employee will not be told everything he wants to know.

Good Editor Alert

The good editor is alert for all three classes. He'll publish items the employees want to know, like where his friends went for vacation and which of them is being married. But he'll also beleaguer management to prepare informative statements about bank policy, something the career man or woman can get his teeth into.

Let's assume you have a competent editor, the best you can find. In all banks except the very largest, editing will not be a full-time job—and the editor may be busy in personnel or public relations. In any case, there is a danger that he will face two problems.

1. Some high officers will decide that the employee magazine is not the best medium for their important announcements, and they'll undercut the editor by sending out really interesting news in their own memos. Occasionally, this may be necessary but most of the time the news could be published in the bank magazine and add greatly to its readership.

2. The magazine will be too slow with the news. Unless you have your own print shop, a quarterly or even monthly magazine will take from two to four weeks to prepare—and to be distributed. (I recommend mailing the publication home, so that families may read it and take an interest in the breadwinner's job.) The result of this delay is that the grapevine has disseminated the interesting news long before the editor gets his paper out.

(Continued on page 22)

For Wiser Decisions

Financial Planning Course Developed to Aid Customers Of Continental of Chicago

Continental Illinois National, Chicago, has launched a correspondence course in personal financial planning, the latest in its series of money-management education programs aimed at helping consumers make wiser decisions in the employment of their resources.

The bank already sponsors family financial education programs for high school students and adults, both designed to teach money-management simulation techniques, and publishes "The Family Banker," an every-other-month money-management newsletter.

The course, a six-lesson program being offered through the bank's trust department, is a sophisticated educational tool that seeks to encourage sound long-range planning in the accumulation and employment of assets.

Ray F. Myers, executive vice president in charge of the trust department, said the new program will further reinforce Continental's commitment to money-management education.

"Our efforts to date have concentrated on teaching the rudiments of handling income and expenses, skills which are sorely needed both by young people and by adults who are entering the job stream from disadvantaged backgrounds. We have also attempted to provide common-sense information on everyday money-management problems."

"Now, however, we are taking our program one step further. We are providing information to individuals about more sophisticated financial vehicles available to them—the same procedures used by trust counselors and financial advisers—to help prepare individuals for long-range management of assets."

Here is how the course works:

• Individuals will receive six lesson booklets describing various areas of personal financial planning, such as taxes, investments, savings plans, retirement plans, trusts, wills, insurance, employee benefits and estate building. Each lesson is written in non-technical language and can be completed in about 1½ hours.

• The individual will complete a quiz after reviewing each lesson and return it to Continental for evaluation. The quiz will be critiqued and returned to the individual with the next lesson.

• In addition to the lessons and quizzes, each individual will complete a questionnaire pertaining to his own personal financial situation. This questionnaire becomes the basis for a confidential analysis of his financial condition which is returned to him by mail. A copy of the analysis will also be sent to his attorney or other financial adviser at the individual's request.

Continental's involvement in family financial planning began in 1961 when it instituted the "Family Banking Center" concept aimed at providing banking services to consumers at a one-stop convenient location.

Community Involvement

'How Bank Helps'

Bank Subject Teaching Aid Developed by Bankers Trust For Use in Public Schools

"Saving, Spending and Lending: How Your Bank Helps You" is the name of a multi-media teaching kit that Bankers Trust, New York City, has produced and donated to the 275 junior and senior high schools in the New York City School System and will soon present to 100 public high schools in adjoining Nassau and Westchester counties.

Representing the culmination of a year's research, development and production by the bank, the kit consists of a 168-frame filmstrip, a synchronized soundtrack on a 12-inch disc, a 50-page teacher's guide and visual masters of checks, deposit slips, bank statements and quizzes that the teacher can reproduce in the school and hand out to the students for practical exercises.

"Inquiries with educators revealed that schools had virtually no teaching aids dealing with banking subjects," William T. Knowles, senior vice president in charge of consumer banking, said, adding:

"After we looked into what was available for purchase from suppliers, we decided to produce our own teaching kit."

The decision as to the approach to take in presenting the material resulted from discussions involving members of the bank; the production group division of Guidance Associates of Pleasantville, N. Y., the producers of the kit; and an advisory committee of five educators from the city schools and neighboring suburban systems.

"We feel that by opting for the slice-of-life approach, rather than a sermonizing one, we have produced a program that will keep the student's interest and at the same time teach the basic fundamentals of personal banking," Mr. Knowles said.

The filmstrip, which runs about 20 minutes, is in four segments that can be used separately with discussion at the end of each segment, or may be viewed in its entirety during one class.

In the first portion, a banker-on-the-street stops a variety of people and asks them what they think of banks. Reactions range from the very negative to the very positive. Students are then asked what they think of banks, a question that leads into the first discussion break.

The segment on savings deals with a young man in his upper teens who has saved money to buy a camera. On a trip of photographing animals at the zoo, he explains to a friend how he opened a savings account and what the bank was like.

Checking accounts are taught in the case of Walt and Diane, a young couple about to be married. Walt has a savings account, but no checking account. When they go to the bank to withdraw the money for a deposit on the apartment they've found, they decide to open a joint checking account. Mrs. Martone, the bank representative, helps them open the account and explains the convenience and safety of checks.

The final sequence deals with Linda, a community college graduate who has just landed her first job as a photographer's assistant. She needs a car to get to and from work. When she finds that Dad isn't so flush that he can lend her the money and she can pay him back, they decide on a bank loan. At the bank, they find that she will have to have a co-signer because she is just beginning her first job and has no previous credit experience. Dad agrees to co-sign, and Linda gets her car.

In addition to the public schools, the bank also plans to donate the kits to parochial and private schools in the seven-county area and to make it available for use by the other eight member banks of Bankers Trust New York Corp.

• **Worthen Bank,** Little Rock, has inaugurated a downtown bus shuttle service for senior citizens. The buses leave from three points that are centers for retired persons. The service includes round trip transportation to Worthen's Capitol Avenue Branch and is offered once a month to coincide with the time when Social Security checks are received. Dubbed the "Pacesetter Express Service," the chartered buses include hostesses that are available to assist passengers with their banking business. Passengers need not be Worthen customers to receive the free rides to the bank.

NEWS ROUNDUP

News From Around the Nation

Examination Report Curb Tightened

An addition to national bank regulations has been made by Comptroller James E. Smith that reminds banks that an examination report should not be made available to a person or organization not officially connected with the bank.

The more definite statement of the prohibition, which was implied in previous regulations, is said to be due to the increasing involvement of the Comptroller's office in litigation during the past 10 years. This often results in requests for examination records as a legal maneuver and the growing number of securities issued by banks that has resulted in increased contacts with underwriters who are required by law to get as much information about the solvency of an institution as possible before accepting its stock.

SEC Powers Backed by Treasury

The Treasury has recommended that the SEC receive new powers over securities dealings by banks, along with increased authority over the nation's stock exchanges. Should this power be granted, the SEC would give the agency new or strengthened power over banks and others who act as transfer agents and provide clearing and depository facilities for securities.

The recommendation would affect certain bank trust department operations. It is highly controversial because banks have steadfastly resisted SEC attempts to regulate them.

Some bankers have argued for a super agency to take over the SEC's functions or help settle jurisdictional disputes between the SEC and the bank regulatory agencies. The Treasury report concludes that the SEC should be that super agency.

More Disclosure for Trust Depts.?

Greater disclosure of trust investment activities and a stronger wall between the trust and commercial departments at banks may be required by the Comptroller's office by the end of 1974.

Such a change in policy is said to be needed to create greater public confidence in bank trust activities.

The Comptroller has warned banks to make their trust operations more profitable and said he does not favor removal of trust operations from banks.

Changes being considered would deny access by decision-makers in trust departments to commercial credit files and would state that trust department investment decisions cannot be based upon nonpublic information that is obtained from any source—even by accident.

Other regulations being considered would require national banks to disclose their asset holdings and their securities transactions to the Comptroller's office and to the public.

Full Insurance for Public Funds Voted

The House has voted to permit thrift institutions and banks to hold public deposits under full insurance after a battle with opponents who said such a move would destroy the municipal bond market.

The legislation also increased the deposit insurance ceiling from the present $20,000 per account to $50,000 per account.

The 100% federal insurance provision could result in the transfer of billions of dollars of public funds from commercial banks to savings institutions, due to the higher interest rates obtainable there.

Should the measure receive Senate approval, which is doubtful, no increase in insurance fees is expected, due to large surpluses in the insurance funds of the FDIC and the FSLIC.

Fed Asks 'Poor-Area' Interlocks

The Fed has proposed a regulation that would permit an official of one bank to serve another bank if the second institution is located in a low-income or economically depressed area.

The proposal was made to make more management expertise available to banks located in depressed areas. At present, interlocks are generally prohibited by the Clayton Act.

The proposal recognizes the need for minority-owned and other banks in low-income areas to have managerial assistance that could be supplied by other banks and institutions.

The proposed regulation states that, "any director, officer or employee of a member bank of the Federal Reserve System may be at the same time a director, officer or employee of not more than one other bank located, or to be located, in a low income or other economically depressed area."

Before the interlock would be permitted, however, the second bank's federal supervisory agency must determine that such a relationship is necessary to provide management or operating expertise. Not more than three interlocks between any two banks will be permitted, except that persons serving in interlocking relationships shall in no instance constitute a majority of the board of the second bank. In addition, no interlock can continue for longer than five years.

Security

Security Officers' Recommendations Should Be Followed by Bankers

By GAIL M. MELICK
Executive Vice President
Continental Bank
Chicago

BANKS have changed dramatically in recent years and nowhere has this change been more evident than in the area we now call security.

Ten years ago security was a guard, and his prime function was to help a bank greet its customers. Once in a great while, he had to perform some duty that might be comparable to those he now performs. Today he is not a guard, he is security, and he will be faced with one or more of the following, daily, weekly, monthly or annually, depending on where his bank is located, how large and lax it is: attempted robbery or robbery, attempted embezzlement or embezzlement, kidnapping, highjacking, drug use and sale, drunkenness on the premises, forgeries, bad-check passing, threats of bodily harm from customers, threats of bodily harm from employees, mugging, rape and murder and militant marches near, in and through his premises. Theft on the premises has moved from the traditional September supply of pencils, pens and paper to significant amounts of cash, securities, clocks, radios, typewriters, terminals and even small computers and —if an organization is foolish enough to buy them—pocket calculators. These dramatic invasions have come about over a short period of time and are increasing in frequency of occurrence and with more certainty. So it is obvious that the threats and opportunities presented to modern businessmen have grown at an unprecedented pace in the last decade. They have caused management to include professional skills within the corporate structure and have forced re-evaluation of methods and practices in light of changing conditions. In each case, we have learned to utilize the contribution of experts and, in the case of the security expert, have come to realize, after the initial shock has worn off, that security is an important part of the management team.

Many banks who entered the charge card business in the '60s learned to their sorrow what the absence of effective security can mean. The positive action that was necessary to counteract the threat implicit in charge card operations generated an interest in total security for the organization in many instances, and passage of the Bank Protection Act gave added impetus to such programs.

When one realizes the benefits of such activities, it becomes natural to assign the same weight to the efforts of security representatives as to any other responsible member of the management team.

Unprecedented Danger

The first question I ask myself when I review my operation is, "Is it necessary to the operation of the organization?" A glance at the statistics relating to attacks against business, and financial institutions in particular, indicates that the type and sophistication of attack currently being made against this group is unprecedented in its scope and danger. I feel that there has been some positive action taken to reduce the number of successes in this field. I refer to the so-called fountain pen criminal and to the international fraud operator, to the dishonest customer and the thief within one's own organization. It is here where the greatest losses are sustained and it is here where the services of the security specialist can be put to the best use.

FBI statistics indicate that embezzlements and defalcations are increasing in size and number.

The damage possible here far exceeds that sustained in an average robbery and the threat is two-fold: Not only can huge amounts disappear before a chance of discovery—in some cases large enough to cause failure of an institution—but equally importantly, such disasters cause an erosion of confidence in the management of the institution so victimized, and in the managements of similar institutions. This can have grave long-range repercussions far in excess of monetary loss. Threats of this type are greater today than ever before for a number of reasons. One in particular is the caliber of employees available on the labor market. The prestige once accompanying a job with a financial institution no longer has the impact on the individual employee it once had. The pride of being involved with a major corporation, or with one which is a significant part of its community's growth, no longer carries the weight it once did.

Right Off Street

The need to operate also intrudes on this feeling and, where once tellers were required to work several years at an institution before being considered for the job, they are now hired directly from the street, and turnover ranges up to 50% per year in some organizations. The transient nature of these and other jobs has greatly reduced the identification of the individual with the organization and has opened the door for attitudes that make theft and carelessness a relatively simple next step.

In all operations such as ours, there must be a mutual trust between employee and company. Indeed, this holds true here far more than in the average business since our principal commodity is money, and it is uniquely and readily disposable. When we sustain a loss, it is difficult to recover it.

The same holds true for external attacks against the bank. The check passer in his many variations of fraud, the confidence man and the international fraud specialist, many of whom are connected with organized crime, all pose constant threats to the financial community. Banks and other financial institutions no longer are the sacred cows they once were, and many competent criminals know as much about a particular operation as the bankers running it. Each institution is vulnerable since there must be certain latitudes allowed if operations are not to be stifled under their own blanket of protection. This does not mean, however, that weaknesses are not to be constantly monitored by one's own staff and countermeasures to attack developed. It does not mean that a criminal attack, once discovered, should not be ruthlessly and effectively investigated and prosecuted. To do less is to abdicate responsibility to those who have placed their trust in our organizations, and this is not the image we would like our banks to have.

Positive Action's Results

Results of positive action reflect themselves in greater confidence in the institution. They also are visible when loss statistics are reviewed at year's end. Most importantly, they are reflected in the attitudes of those who would


Standing tall is not a matter of size.
It's a matter of integrity. □ In design. □ In efficiency of operation and management. □ In profit productivity. □ Sure, Leavell Development Company has built and developed sky-touching bank/office buildings. □ And we're proud of them, of course. □ But we're equally proud of smaller bank buildings we have created throughout the country in commercial marketplaces outside larger metropolitan areas. □ You see, as successful equity investors, we have a broad range of flexible capabilities. □ From finance to building management—the entire gamut of professional expertise. □ Ready and available to work with you. □ Wherever you may be located. □ Whatever your planning calls for. □ With emphasis on making you stand tall. □ Regardless of size.
LEAVELL DEVELOPMENT COMPANY
a subsidiary of Rio Grande Industries, Inc.
One Park Central □ 1515 Arapahoe Street □ Denver, Colorado 80202 □ Phone (303) 573-8676


CASH WITHDRAWAL
DEPOSIT
TRANSFER MONEY
INSERT CARD
MAGNETIC STRIPE DOWN
DEPOSIT

assault your corporation. You get the reputation as a bad place to try their favorite scheme and they look elsewhere for a more likely victim.

Perhaps the most significant problem we must recognize and solve as it relates to the introduction of a security man or men to our organizations is that the security man will have a different set of perceptions of what people are like than do most bankers. Bankers tend to view people as being basically good and honest, loyal and filled with a desire to avoid criminal behavior at all costs, whether it be out of fear or some set of strong moral principles. The security man sees man as being considerably more base with a propensity to be self serving, with a willingness to take risks and with a selfishness sufficient to prompt him to steal from an organization. In my discussions with security men, I conclude that they see the potential for this in all men, greater in some than in others.

It's not true that the appropriate perception falls somewhere in between these two positions. Each is an appropriate set based on personal experiences and knowledge. The security man deals with people who are trying or who have been successful at performing some dishonest act. It is appropriate that his perception be what it is. The banker may well relate to a lot of such people, but rarely do they display that side of themselves to him so it is appropriate that his perception be what it is.

Bankers must learn to accept the perception of their security men and even accept their recommendations relative to what one should be. As I said earlier, security men are professionals and, like all good professionals, they take their jobs seriously. All too often, bankers keep them from doing it effectively. On the other hand, the security man must recognize that the banker has a corporate reputation and image to uphold, that he must consider the ramifications of any and all behavior of his corporation within the community and from the community's point of view. Resolving the conflicts between these two perceptions is our most critical task. We must learn to cooperate with each other if our institutions are to be safe from those who wish to do them harm.

We also must learn to cooperate well with our local law enforcement authorities. We must be willing to follow their counsel. When they say "prosecute," we must be willing to do it even though the person they are asking us to prosecute may be a long-time friend or possibly a relative. We also must cooperate with them fully by giving them full and complete information on the events that take place because these law officers can and will and do put together inter-organization experiences and from those derive some pattern of activity that may impact us all.

One of the questions that often needs to be answered is, "How can the security man best approach the senior management of his bank?" The great legalist philosopher of ancient China, Han Fei Tzu, wrote an essay entitled, "The Person You Are Speaking to." He managed to squeeze more practical wisdom into three simple paragraphs than will be found in a whole shelf of psychology texts. This is what he said:

"The hard part about speaking to your superior is not deciding what you ought to say or how best to say it. Neither is it a matter of getting up the courage to speak your mind fully and frankly. The hard part lies in understanding the mind of the person you're speaking to and adapting your approach accordingly. If the person you're speaking to likes to think of himself as an altruist and an idealist, and you speak to him of profits, he will consider you vulgar and steer clear of you. On the other hand, if he has a sharp eye for profits and you speak to him of idealism, he will think you an impractical fool and have nothing to do with you. If the person you're speaking to is basically concerned about profits but likes people to think of him as an idealist, what can you do? If you speak to him about principles, he will pretend to agree with you and will like to have you around, but he won't trust you. If you speak to him about big profits, he will secretly take your advice but outwardly keep you at a distance. These things you ought to know.

"Certain things must be accomplished in secrecy and can be spoiled by the news leaking out. You may not be the person who leaks it out, but if you show in your language that you know the secret, then you're in trouble. If your superior has certain personal faults and you're too frank with your advice, you're in trouble. If you tell your superior all you think before you've really earned his confidence, and he goes ahead and follows your advice, he will resent you if he succeeds and suspect you if he fails: Either way you're in trouble. A very important personage likes to take credit for what he does, and if you spoil it by making it seem that he merely followed your advice, you're in trouble. If he has already done something for which he likes to take credit and you point out the deficiencies in it, you're in trouble. Try to get him to do what you know he'll never do, or to stop doing what you know he'll never stop doing, and you're in trouble. Therefore, it is said that if you talk to him as though he were an idealist, he may think you are being sarcastic and if you talk to him as though he were interested in petty gains or mean advantage, he will consider you a sly flatterer. If you talk to him about what he loves, he may think you want a favor, and if you talk to him about what he hates, he may think that you're testing him or trying to provoke him. If you do not talk enough, he thinks you do not know, and if you talk too much he gets tired of listening. If you bring up a thing casually, he thinks you're timid, and if you bring it up as though it were a big idea, he thinks you're incautious and insolent.

"These are the difficulties of speaking to one's superior that you ought to know about." • •

Banks Can 'Talk'

(Continued from page 12)

The answer is to remember this: Once you have a magazine established, you have not solved all your problems of communicating with employees. Some news won't wait. For those items, a weekly bulletin is in order, probably run off on your own duplicating equipment and delivered by hand. It will be necessary for management to play fair with the editor and take him into its confidence when something big is about to break.

Take the two news media—a magazine and a frequent bulletin—and add the personal touch. Many banks have regular meetings of officers, at which the president explains various situations to the official staff. Communication should continue when the officers go back to their departments—so that every employee gets at least the news that he has a right to know and a need to know. It is my experience that this chain breaks down as often as not, and the employees never hear. Checkups by management are in order.

Authorities on employee communication remind us of another essential: It should be two-way. Management makes the decisions and should relay them to the staff. But management also should be interested in what the staff is thinking—about salaries, working conditions, official appointments, unions and the future of the bank. If you are proud of the way you run your bank, take time to listen as well as speak. It pays. • •

The hand that holds the pen can rob you blind.

New Photoguard® Camera captures check forgers.

Check forgers and check alterers steal 10 times more money from banks than holdup men and burglars combined!

New Photoguard Super 16 camera captures bad check artists in the act for positive identification.

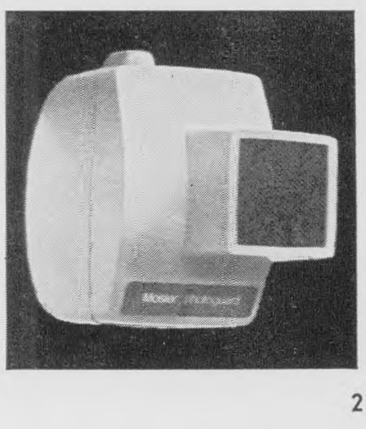
Camera automatically can record transactions all through the day at any interval between 15 and 180 seconds.

Or teller can actuate camera secretly by using a check time-date stamp.

For information on our complete systems approach, write Mosler, Dept. MC-374, Hamilton, Ohio 45012.

Mosler

AN AMERICAN-STANDARD COMPANY
HAMILTON, OHIO 45012



Mosler. Full security is only the beginning.

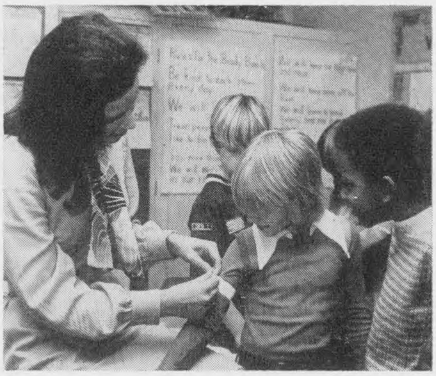
Selling/Marketing

Help on Dark Mornings:

Reflective Material Given Free by Banks To School Children

Institution of year-round daylight-saving time may be helping to alleviate the energy crisis, but it has created another problem: School children now have to go to school in the dark, and, as a result, there has been a rash of accidents—some of them fatal—involving these children because motorists can't see them as they walk along roads or cross streets,

However, many banks around the country are finding that this situation gives them double opportunity: to demonstrate their roles as community leaders and to obtain favorable publicity for their institutions. How? By providing free reflective stickers that school children can apply to their clothes so that the youngsters can be seen by motorists.



Mrs. Joy Greer, a.v.p. & customer services representative, First Nat'l, Little Rock, shows school child how to use Scotchlite strips bank offered free to students. Safety program was developed to aid motorist recognition of school children early in morning and at night.

Two of the banks that have conducted such programs are First National, Little Rock, and City National, Detroit.

The Little Rock bank announced the availability of free strips of special Scotchlite safety material at all 10 of its locations. The 1x12-inch strips can be made into armbands or can be sewn or pinned to clothing.

The material—developed by the 3-M Co. in 1972—has a treated white side made especially for pedestrian recognition. The other side has a cotton, jean-type surface. The reflective side, according to 3-M, is 260 times brighter than the best white paint and can be seen by headlights at a distance of more than 300 feet.

Young woman demonstrates use of round reflective stickers City Nat'l, Detroit, made available free to area school children. Like First of Little Rock, City Nat'l hoped to relieve problem of drivers being unable to see school children during early morning hours.

First National urged parents to use the material on the arms of children's clothing because the arms provide a great amount of movement and thus attract more attention from approaching motorists. The bank suggested that armbands can be made of the material by attaching an elastic strip or, more simply, can be tied or pinned to clothing.

City National of Detroit offered free reflective stickers to all area school children. The stickers are small round discs, about the size of a quarter. The bank said these stickers can be placed virtually anywhere on clothes or articles. They are on peel-off rolls and can easily be attached to clothing, books, raincoats, hats, etc., with no harm to the clothing. Because of the limited supply, the bank limited the distribution to six discs per child.

Although these and similar programs are aimed at reducing accidents involving children on the way to school, they can be continued through the summer months. During vacation from school, children often stay out after dark and, therefore, are as vulnerable to being hit by cars as they are while going to school on dark winter mornings. Banks could offer reflective material any time of year and suggest that it be used on bicycles as well as on clothing, books and other articles.

Bank Celebrates

Year of Centennial Events Includes History Book, Cookbook, Fashion Show

It isn't often that a bank has an opportunity to celebrate its centennial and the people at Gary-Wheaton (Ill.) Bank have embarked on am ambitious centennial year-long program that should be long remembered in its trade area.

Among the events scheduled for the year are publication of a hardbound history of the area highlighting local people who have gone on to international renown, photographic displays in the bank, a fashion show of pre-World War I clothes modeled by senior citizens, publication of a cookbook-calendar featuring local pioneer families' recipes that are from 75 to 100 years old, a dinner and a musical concert.

The cookbook was recently released and the Greater Wheaton Chamber of Commerce plans to use some of the pioneer recipes at its annual dinner meeting and officer installation.

The centennial activity is being co-

Use our software to get rid of hard wear on your computer staff.

We have two computer programs. Developed by a bank, they fit the internal workings of a bank easily. They use less computer running-time. They are debugged.

The result is an important new dimension of computer use for you with no tremendous stress on your personnel.

Our Credit Card Software is a true "system" with logical progressions. Its detailed reporting helps you better control bad credit and fraud.

Our two options are unique. First, descriptive billing that eliminates tons of paperwork and even has the capability to identify out-of-the-area merchants by name. Second, an on-line, stand-alone system for both monetary and non-monetary data entry with video display for instant accurate credit card authorizations.

More foreign and domestic banks have purchased our credit card system than any other available.

Our Central Information File identifies your customers. Tells you what they're doing with you. And, more important, what they're not doing. So the marketing people can cross-sell additional services.

In addition, CIF gives the credit people complete borrowing status information. And the operations people increased efficiency.

Both of these proven programs come complete. Even in-depth training at our center is provided. For more details write: Herbert M. Richardson, Jr., Vice President, First National Bank of Louisville, First National Tower, Louisville, Kentucky. Or call (502) 581-5386.

FIRST NATIONAL BANK
OF LOUISVILLE

ordinated by Project Wheaton History, an organization that draws on the services of the curator of the county historical museum, the mayor, a 97-year-old former mayor, an assistant superintendent of schools, the chamber of commerce, library director and the director of public relations at Wheaton College.

Silent Film Show

How to Keep Them Happy When Down at the Bank Waiting for Service

How can a bank keep customers standing in line happy? By giving them a blank wall to stare at? By encouraging them to look over the shoulders of customers making transactions? Or by projecting silent films on the wall to entertain them?

Chemical Bank, New York, has chosen the latter in some of its busiest branches. Laurel and Hardy comedies or sporting events have been found to be great crowd pleasers. Not only have the complaints from waiting customers dropped to near-zero, people waiting in line have been known to let others step ahead of them because they want to see the film to its conclusion.

Customers waiting in line for service at Chemical Bank branch view old silent movies and sports events on screen in background. The bank reports complaints have dropped to near-zero on busy afternoons and even passersby on the street have been known to pause to watch the films through the window.

The films have attracted attention from passersby, also. Some films have caused minor traffic jams on the sidewalks in front of the banks as passersby jockey for places from which they can see the films through the banks' front windows.

The films are supplied by a service company, using equipment made by Kodak. Screens and projectors are placed high enough to be out of reach and the films are changed weekly. A special screen was developed by Kodak to enable the films to be clearly seen despite the lighting in the bank and the light coming through the plate glass windows.

Some of the branches are experimenting with adding bank advertising slide shows to the program as a means of introducing new services or reminding customers of existing services that they might not be using.

The films have borne fruit. At least one branch has reported an increase in deposits during a period when there was a general decline in deposits in the area.

Marketing on Ice

Professional Skating Star Promotes Bank Services

Four northwestern Illinois banks should have no problem attracting the public's attention for the next year. Why? They've engaged skating cham-

pion Janet Lynn as spokeswoman for their commercials.

The petite Miss Lynn is a five-time U. S. figure skating champion as well as world silver and Olympic bronze medalist. She recently turned professional and since has won the world professional figure skating championship.

The skater will promote various bank services through a total communication effort on radio, TV, newspaper and other media.

To launch the initial campaign, which depicts the banks as "The Progressive Bankers," Miss Lynn's book "Peace and Love" is being offered free to anyone depositing $300 in a savings account at any of the banks.

Participating banks are Central National, Park State, Southgate and State, all in the Rockford, Ill., area. Marketing services are provided by North Central Financial Services Corp., also of Rockford.

Skating, anyone?

Expression on stuffed St. Bernard dog's face shows that he was aptly named "Loansum" in Bank of Westmont's mascot-naming contest held in conjunction with its "We Deliver" program. Stuffed dog and two $25 U. S. Savings bonds were given to Charles Holman, Woodridge, Ill., who submitted winning name. Presenting bonds is Cathi Durr (l.), bank's marketing officer. With Mr. Holman are his wife and two daughters.

2,800 Entries!

Mascot-Naming Contest Promotes New Service At Bank in Illinois

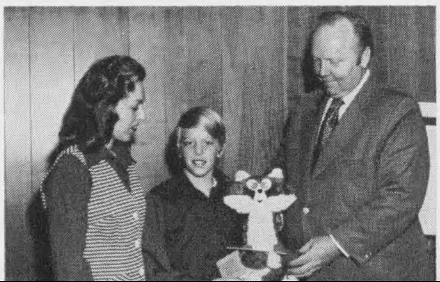
A mascot-naming contest held by Bank of Westmont, Ill., attracted 2,800 entries from adults and children in the metropolitan Chicago area. Some entered from Augusta, Ga., Hammond, Ind., and Granite City, Ill.

The month-long contest was designed to promote the bank's "We Deliver" program, under which representatives are sent to customers' homes to provide counseling on banking services. The bank chose the St. Bernard breed of dog as the program's mascot and awarded a four-foot-high, stuffed replica of such a dog to the contest winner for submitting the name, "Loansum." In addition, the winner received two $25 U. S. savings bonds.

Variations of the winning name—"Lonesom" and "Lonesome George"—prompted the bank to award two consolation prizes—19-inch-high, stuffed St. Bernard dogs—to the two entrants.

Bank Mascot Gets a Name

What's a bank mascot without a name? In reply to the plea of Valley Bank, South Elgin, Ill., for a name for its new stuffed animal to be used in bank promotions, young Scott Cravens, 10, submitted the name "Reggie Fox" and was rewarded with a savings bond. The name was appropriate, since the bank is located practically on the banks of the Fox River and, of course, the animal is a fox. Fifth-grader Scott is shown with his mother and bank President Delvin W. Johnston. Hundreds of students in the town's two elementary schools participated in the contest. That Scott's a pretty foxy fellow!



Jack Sanders likes to say that he spells progress: p-r-o-f-i-t.

He's First's man on the spot in northeastern Oklahoma, Arkansas and Louisiana. He works with co-banks to make necessary extra funds available for growth and expanded earnings.

Jack needs insight, imagination and bankers' instincts to be effective. The banks he visits regularly know him not only as a diligent researcher but also as a farm owner himself who practices the same resourcefulness and flexibility he urges on others.

The First of Tulsa invites you to consider full service thinking. Put Jack Sanders on the spot to spell progress his way for you. Call (918) 560-5157.

The First National Bank and Trust Company of Tulsa, Box One, Tulsa, Oklahoma 74193.

put Jack Sanders on the spot

FIRST TULSA

YOUR FULL SERVICE BANK

MEMBER FDIC

Energy Crisis, Too!

ABA's Installment Lending Conference To Discuss Leasing, Package Programs

LEASING, mobile home financing and retail package programs are just a few of the topics to be discussed at the ABA's 33rd national Installment Credit Conference March 24-27 at the San Francisco Hilton Hotel. Presiding at the opening session will be Forrest D. Jones, chairman of the ABA's Installment Lending Division and senior vice president, Fidelity Bank, Oklahoma City.

JONES

The current energy situation will be spotlighted by Dr. Paul Nadler, professor of business administration, Rutgers University, New Brunswick, N. J. His luncheon topic March 25 will be "The Energy Crisis and You." In addition, energy ramifications will be on the agenda of a March 26th panel.

Former U. S. Attorney General Elliot Richardson will be the luncheon speaker March 26. Mr. Richardson also held three other Cabinet posts—Secretary of Defense, Secretary of Health, Education and Welfare and Under Secretary of State.

The first morning (March 25) will include talks on "Student Loan Marketing Association" and "A Woman Looks at Consumer Credit," as well as a legislative update from Charles R. McNeill, executive director, Government Relations, ABA, Washington, D. C.

That afternoon, there will be concurrent workshop sessions on "Leasing," "Simple-Interest Payment Plans" and "Computer and Terminal Applications to Installment Credit."

The next morning, early-bird sessions will be held on "Mobile Home Financing," "Club Accounts (Retail Package Programs)," "Student Loans (Sallie Mae)," "Integration of Installment Credit and Bank Card Operations," "Insurance" and "Home-Improvement Loans." They will be followed by a presentation—"Installment Lending, a View From the Top"—on the profitability challenge facing the installment lending industry.

Also on the morning of March 26, a panel presentation on "The Profitability Challenge" will focus on major components of profitability planning, which —in addition to energy ramifications— include portfolio management, personnel management, cost analysis, organization, cross-selling and use of service companies.

A traditional feature of the conference—afternoon rap sessions—is scheduled for March 26. At these sessions, representatives of banks of similar sizes can get together in an informal atmosphere to discuss topics of common interest and problems of common concern.

The March 27th morning program will begin with a talk on "Retail Marketing—1974 Style" and will conclude with a panel on "New Directions in Consumer Credit." The latter is described as a "free-wheeling panel" that will explore new techniques and approaches such as simple-interest payment plans, extended-term auto financing, personal banking and retail package plans, as well as some new forms of consumer credit such as direct leasing and revolving credit. • •

'Numerical Sequence' Statement Offered by Republic of Dallas

DALLAS—Republic National is offering "numerical sequence" bank statements that list all checks in numerical order and flag any outstanding checks that interrupt the sequence.

Nicknamed the "unscrambled bank statement," the new service shows customer balance at the beginning and end of the period, itemizes each check in the same numerical sequence in which they're written, notes the day they cleared after the check number and flags with three stars any checks that haven't cleared as of the closing date.

The service is said to cut the time necessary to reconcile an account from 45 to 15 minutes.

A Tight-Money Tool:

Combine Bankers Acceptances With Field Warehousing

By DONALD J. RYAN
President
NYTCO Services, Inc.
San Francisco

CERTAIN BUSINESS techniques often continue on parallel courses for years or decades with no one envisioning a mutually beneficial relationship between them. Then suddenly an imaginative businessman will, in special circumstances, conceive a method by which the two techniques can be combined to open previously neglected avenues of enterprise.


RYAN

A classic example of this has been the combination of bankers acceptances and field warehousing as devised by NYTCO Services, Inc., nationwide third-party collateral control company. This combination is particularly applicable in times when money is tight or high priced and was initiated by NYTCO in the 1969-70 money crunch.

Bankers acceptances have been commonplace in foreign trade for many years but were rarely used in domestic business. However, the concept is simple. A banker has made or wishes to make a large loan with a readily marketable staple as collateral. Rather than tie up bank funds in the loan, the banker issues an "acceptance," which guarantees to repay the face amount of the acceptance plus interest in 180 days. This "acceptance" then is offered for sale on the commercial money market, where obviously it is considered a prime investment.

The funds then are loaned to the borrower at the rate of interest for the acceptance plus a usual 1½% for the bank. Obviously, the return to the bank is less but the outstanding advantage is that bank funds are left free for other uses instead of being frozen in a few large loans on staples. Indeed, the proposed loan often is so large that the funds could have been made available only in this way.

Until July, 1973, the Federal Reserve did not require a reserve account on bankers acceptances whether "eligible" or "ineligible." However, an ineligible acceptance could not be rediscounted with the Fed as could an eligible one. The most effective and commonly used method of making an acceptance eligible was through issuance of warehouse receipts on the collateral by a third-party collateral control company that had established a field warehouse on the borrowers' premises.

A warehouse receipt representing the collateral in its custody, issued by a company such as NYTCO, is a legal document accepted by banks as security for the loan. But the 8% reserve deposit imposed in July and subsequently increased to 11% in September made the financing of customers via ineligible acceptances uneconomic. Therefore, warehouse receipts became desirable to the lender not only because of the traditional security offered, but also because they qualified the acceptance as an eligible document.

Although almost all bankers are familiar with the concept of field warehousing, a quick review of the service may be in order since so many variations have been developed in recent years. For example, NYTCO Services will act as the third party controlling collateral on all of the conventional products commonly placed under warehouse receipts. But the company provides the same service for accounts receivable, for fast-moving, complex inventories with documents issued on total value rather than individual items and most recently for consumer-oriented paper.

The precise application of the method may vary but the principle is the same for all. A qualified, bonded and insured company—a third party between borrower and lender—assumes physical control of the collateral on the premises of the borrower. This third party, for example NYTCO Services, issues legal documents to the lender which verify the inventory and that it is there and in its (NYTCO's) possession. These documents constitute legal evidence of the collateral. The collateral control company then supervises all additions and withdrawals from the collateral, issuing new documents or releases as required.

The program's costs are remarkably low, especially considering the security provided to the lender, and are paid by the borrower. In return, he can make working capital loans that would have been impossible without the security of collateral control. The banker is able to make many good loans that would have been marginal or perhaps refused without the security afforded by third-party collateral control companies such as NYTCO Services.

In addition to the expansion of collateral control services, there has been increased emphasis on imagination and innovation in collateral control methods. For example, NYTCO now issues a monthly stock and value report reflecting the status of all collateral, including a detailed aging report. This has become an effective control tool for the borrower as well as a concise report to the lender.

The tie-in of bankers acceptances with warehouse receipts is another example of the inventiveness of third-party collateral control companies today, an inventiveness especially critical in today's volatile economic climate.

Comm'l Lending Workshops

The ABA's Commercial Lending Division will hold two regional lending workshops this spring—the third southern lending workshop, May 22-24, Fairmont Roosevelt Hotel, New Orleans, and the third Mid-America workshop, June 5-7, Palmer House, Chicago.

The southern workshop will concentrate on problem loans, while the Mid-America program will be geared primarily to the effects of the energy crisis on the commercial loan portfolio. Other topics to be covered at both workshops will include cash flow, accounts receivable, financing, computer-assisted credit analysis and international lending.

Make your ground-breaking symbolic of a new financial facility that has been **Success Structured** by Bank Building Corporation.

Bank Building Corporation

Plan accelerated growth into your new building program. Maximize the yield on your investment too. Have Bank Building tend to it start to finish.

Our early analysis of your needs will result in a "Design for Earnings" Plan . . . a formula for your future. Following through, Bank Building will build it into a functional, attractive, operationally efficient building that is completely furnished and equipped . . . ready to grow.

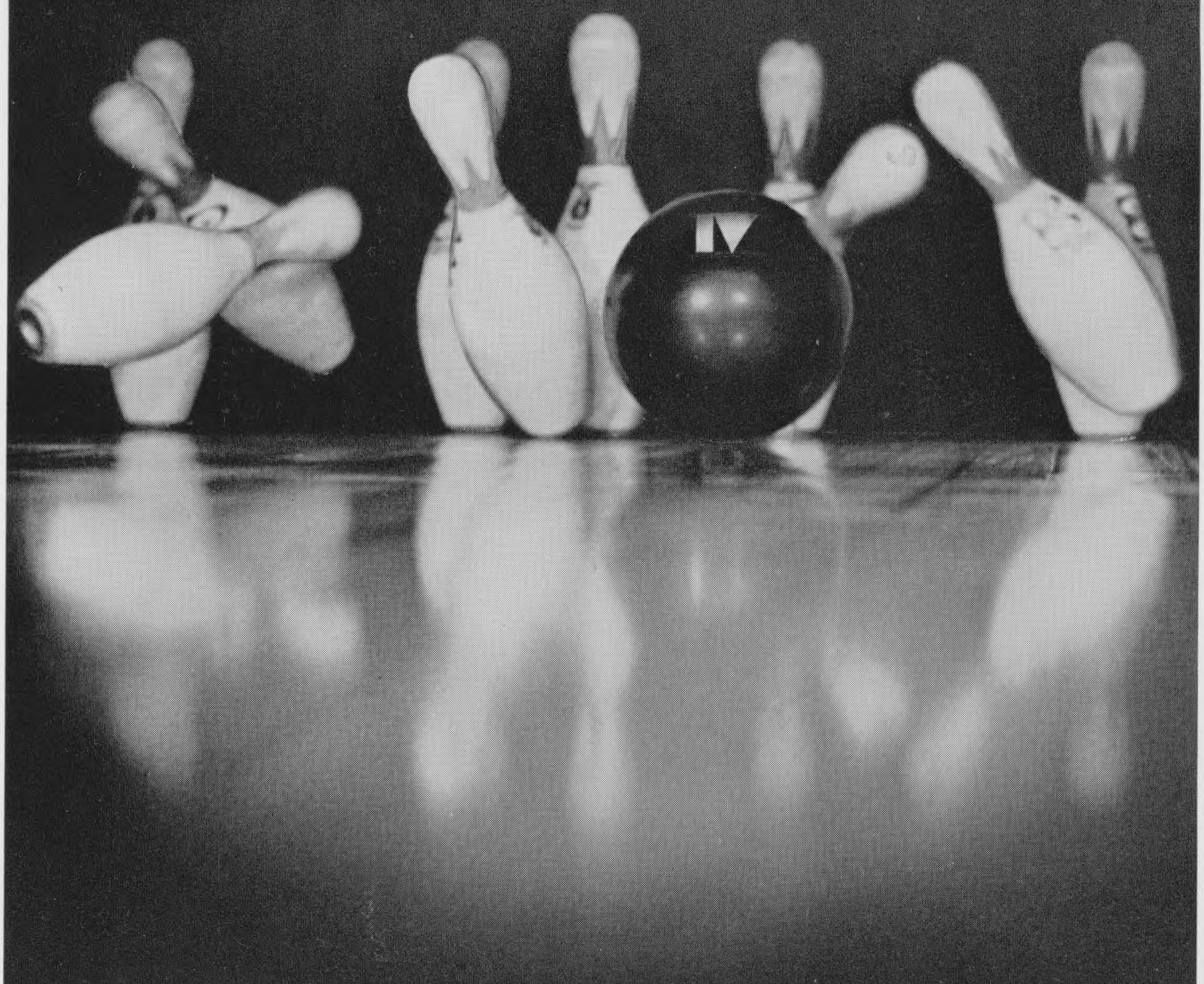
Start today by sending for our new brochure on the subject.

Please send us .... copies of your new brochure, "The Last Thing Bank Building Corporation will do is build you a bank".
Bank Building Corporation • 1130 Hampton Avenue • St. Louis, Missouri 63139

Name
Firm
Address
City
State
Zip Code
Telephone

MCB 374

Right down your alley.



Equipment you lease to customers can be more profitable than some commercial loans—and keep your loan customers at home.

What's leasable? Computers of all kinds. Electronic instruments like radio control panels and cable TV paraphernalia... EKG, EEG, X-Ray, centrifuges, all that "solid gold" medical and lab apparatus for local hospitals or clinics... in fact, almost any kind of expensive equipment except over-the-road vehicles.

Ask Tom Potter, Joe Stout or Fred Swinson to set you up with Dick Hall, our leasing pro. In one line's time he can improve your averages in the leasing game. Call (316) 268-4441 for leasing or any other bank-and-Fourth service that's right down your alley.

FOURTH NATIONAL BANK & TRUST CO. / WICHITA, KANSAS 67202 / MEMBER FDIC

TheFourth

Equipment Leasing Scores High With Bank Holding Companies

Fed paves way for rapid expansion following 1970 HC Act amendments

BANK HOLDING companies are acquiring existing leasing companies and establishing new leasing subsidiaries almost faster than compilers can keep accurate records.

Since the 1970 amendments to the Bank Holding Company Act were passed in Congress, the Fed has had broad authority to implement new regulations permitting HCs to engage in nonbanking activities, using as criteria "whether the performance of a particular activity by an affiliate of a bank holding company can reasonably be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices."

These factors must be considered on a case-by-case basis whenever a HC makes application for permission to engage in a nonbanking activity; however, the Fed has implemented procedures designed to expedite HC de novo entry into permissible nonbanking activities, since such entry, as opposed to acquisition of a going concern, seldom raises competitive problems.

Equipment leasing was made a part of the Fed's initial "laundry list" of nonbanking activities determined to be permissible under Regulation Y, which authorizes HCs to engage in "leasing personal property and equipment, or acting as agent, broker, or adviser in leasing of such property, where at the inception of the initial lease the expectation is that the effect of the transaction and reasonably anticipated future transactions with the same lessee as to the same property will be to compensate the lessor for not less than the lessor's full investment in the property."

The Fed has emphasized that only full-payout financial leases are allowed.

Yet, major questions exist concerning the scope of leasing activities in the future, since each new type of leasing arrangement presented to the Fed for approval constitutes a possible broadening of the scope of leasing activities authorized for HCs. Several important and controversial issues are currently awaiting Fed rulings, which could well result in some changes in the rules of the leasing game.

The Fed's basic rule of permissibility, that a lease must be "the functional equivalent of an extension of credit," is part of new proposed Fed regulations. These regulations have been in the works for the past two years. The proposals also specifically prohibit operating leases and require that property to be leased may be acquired only in connection with specific lease transactions. The major policy issue affecting equipment leasing concerns the Fed's requirements for achieving an anticipated full-payout.

The proposal indicates that full-payout means recovery of "the lessor's full investment in the property plus the estimated total cost of financing the property over the term of the lease."

This full-payout return can come from rental payments, estimated tax benefits and estimated residual value of the property at the expiration of the initial term of the lease, "which in no case shall exceed 10% of the acquisition cost of the property to the lessor."

This proposed 10% limitation has been criticized by HC lessors who say that the restriction would seriously inhibit their ability to compete with unregulated leasing firms.

It appears that the Fed's full-payout standard is designed to keep HC lessors out of the riskier segments of

EDITOR'S NOTE—This is the third in a series of articles on recent structural trends in bank holding companies. Subsequent articles will cover other nonbanking activities of HCs.

Attractions of Equipment Leasing to Bank HCs

Direct leasing has been recognized as a means of gaining a competitive advantage by banks and HCs in their own markets. Principal benefits of equipment leasing include:

- Improved profitability and the advantage of tax benefits available from ownership and leasing.
- Provision of an alternate method of financing for customers, thus affording the customer more complete banking services.
- Increased earnings through the attraction of lease financing previously obtained by the bank's customers from independent lessors or banks outside the bank's market region.
- The prospect of profits, not only from tax benefits, but also from increased yield due to the residual value of the leased equipment.

These, and other, reasons account for the over 120 bank HCs that have established or acquired equipment leasing subsidiaries. Forty-seven of the 50 largest U. S. commercial banks were engaged in equipment leasing as of last June 30, either directly or through subsidiaries or HC affiliates.

the industry where lessors have been increasingly speculating on residual values as part of their anticipated return.

Although the proposed rules would effectively bar HCs from competing in some rapidly growing areas of financial leasing, the Fed has made assurances that it would try to draw regulations that would keep the industry competitive with unregulated leasing firms.

Chances of Fed approval of a HC's proposal to engage in leasing activities that are within the Fed's permissibility guidelines are excellent. Equipment leasing has been one of the most popular nonbanking activities opened up to HCs since the 1970 amendments. De novo entry has been particularly widespread.

. . . the Fed has made assurances that it would try to draw regulations to keep the industry competitive with unregulated leasing.

In most Fed approvals of leasing acquisitions, the point has been made that the affiliation should enable the acquired leasing company to compete more effectively.

This is due to easier geographic expansion and the possibility of leasing more costly equipment as well as the acquired firm's improved status as to access to capital—and at lower cost. This suggests the possibility that lessees might be able to obtain leases at lower rates.

Through 1972, the majority of equipment leasing operations entered into by HCs were via the acquisition route, rather than de novo. Among the 88 HCs in a sample taken by the Boston Fed that added leasing subsidiaries after the 1970 amendments, almost half had some prior leasing business within their corporate organizations—either directly or through a subsidiary or existing HC leasing activity. In only 33 cases did the establishment of a leasing subsidiary represent truly de novo entry.

A number of HCs with prior leasing operations established de novo subsidiaries as part of corporate reorganizations to enable them to offer related services such as acting as broker or adviser in lease transactions, or in order to take advantage of the increased geographic flexibility possible with a HC subsidiary as opposed to a bank leasing department.

Many HCs, however, are developing successful equipment leasing business on a true de novo basis. One particularly successful operation has contributed over 8% of the HC's net income in less than two years of operation.

Leasing activities cover the full gamut of equipment types, including tanker fleets, aircraft, electronic data processing equipment and generators. Yet many firms write leases for relatively small amounts—under $5,000. Few subsidiaries are drawing customers from more than a handful of states at present, but this is expected to change.

Many banks received their initial exposure to leasing through cooperative ventures with independent lessors and later initiated direct leasing programs of their own. Today, bank-lessors are introducing leasing to correspondent banks that are able to use tax benefits from lease participations. Through these syndications, the correspondent banks are becoming familiar with the documentation and techniques of leasing and, after participating in a few transactions, have gained sufficient understanding of the process to start their own activities.

Leasing activities by HCs and banks have significantly affected the leasing market.

Large bank leasing firms are major competitors in leveraged leasing, a market they were instrumental in developing. Such contracts are written on big ticket items—a profitable area.

Profitable leveraged leasing by banking firms is dependent on the capacity of the firms, on a consolidated basis, to absorb tax write-offs. Should these firms run out of the ability to absorb tax write-offs in a given year, bank-related lessors may temporarily withdraw from the market or redirect their activities to packaging leveraged transactions, often placing the equity with smaller banks while retaining management responsibility for administration of the lease.

. . . bank-lessors are introducing leasing to correspondent banks that are able to use tax benefits from lease participations.

The market for nonleveraged financial leases is the least concentrated segment of the equipment leasing market and bank-related lessors appear to be in range of this market, which includes contracts of relatively small to medium size. The increasing interest on the part of banks to enter the auto leasing field is evidence of this situation.

More bank organizations are offering a variety of lease-related services to their stables of financing plans.

A recent development is the offering of lease advisory services by bank leasing organizations. These lessors sell their legal and accounting expertise to potential lessors, which often are affiliated or correspondent banks. The adviser may utilize a computer program that can generate rapid analyses of intricate lease transactions. This can provide the client with estimated yields implied by different sets of working assumptions.

Most experienced bankers involved in leasing consider the lease as a financial instrument with a rosy future. The work of the pioneers in this field is paying off, not only for themselves, but for most operations joining the field.

Growth through expansion of general equipment leasing is possible through the exploitation of special situations in which leasing can be effectively marketed, including the areas of nonprofit organizations, such as hospitals, which cannot take advantage of tax benefits from equipment purchases; state and local governments, utilizing leases that can be structured so that implicit interest is treated as tax-exempt income to the lessor; utilities, which can often get better rates from leasing than from borrowing due to their particular accounting requirements; overseas leasing activities, where large bank lessors have been major participants in order to serve the needs of their multinational customers and as a way of gaining additional tax benefits; and leasing of pollution control equipment, which some firms would rather lease than purchase due to its nonproductive nature.

While profits from bank leasing operations have been good, the continuing entry of new subsidiaries and their subsequent expansion is expected to squeeze prevailing profit margins. Bank leasing operations are expected to continue to provide considerable competition for independent financial lessors, many of which will probably be acquired by banks or HCs.

The role of leasing in bank HC operations has a lot going for it, including the opportunity for increased profits, attracting new customers, retaining existing customers and offering a service that has gained widespread acceptance. • •

How a Holding Company Leasing Subsidiary Benefits Affiliate, Correspondent Banks

EQUIPMENT leasing has come into its own at First Amtenn Corp., the Nashville-based bank holding company, bringing with it a host of benefits to the corporation and its banking affiliates, according to the HC's management.

First Amtenn Leasing Corp., which became a subsidiary of First Amtenn in mid-1973, leases all types of equipment from IBM System 3 computers to tanks and wiring for liquefied natural gas plants.

It has also been involved in several major leasing projects, including the Anaconda Co. mill near Sebree, Ky., which represents about 3% of U. S. aluminum capacity today.

But perhaps more important, leasing has given the corporation new profit opportunities and the ability to satisfy the needs of its many affiliates and correspondent banks.

"Primarily, of course, First Amtenn Leasing Corp. was organized for profitability," said John Lynch, vice president and director of First Amtenn Leasing, who was previously with U. S. Leasing Corp. "The corporation is able to take advantage of the tax benefits from ownership and there is also an increased yield due to the residual value of the leased equipment."

The corporation's direct lease financing for the year ending December 31, 1973, totaled $24,965,661.

First Amtenn Corp. is said to be the first bank holding company in Tennessee to offer leasing and the first to have a subsidiary leasing corporation. "In terms of correspondent banks, we're beginning to show them how they can use us to afford their customers more complete banking services," Mr. Lynch said.

First American National Bank, which is the principal subsidiary of First Amtenn Corp., recently mapped out a series of economic development seminars to demonstrate what an independent bank can do for today's business community by utilizing the expertise of a correspondent bank.

Then a team of officials and development people from First American, First Amtenn Leasing and First Amtenn Financial Corp.—another subsidiary which engages in factoring and accounts receivable financing—visited the areas.

At the Bowling Green, Ky., seminar, co-sponsored by American National and Bowling Green Bank, more than 100 community leaders turned out.

"We wanted to show them the various services available through their local banks in the areas of industrial development, international banking, factoring, trusts and leasing," said J. T. Walker, vice president of First American's correspondent division. "And we felt like they were particularly interested in the leasing service of First Amtenn Leasing," he said.

"I think one of the aspects our bank affiliates and correspondent banks enjoy is that they are allowed to participate in the leasing transaction to the extent they wish," said Mr. Lynch.

"They control the participation, which lets them get into a lending situation of higher yields. They also share in the residuals.

"This way there is the possibility for them to attract new customers and/or retain old ones by offering a service that has gained widespread acceptance.

"All they have to do is call us and we'll do all the leg-work," said Mr. Lynch.

The director of First Amtenn Leasing also pointed out that a bank affiliate—or correspondent bank itself—can benefit directly from leasing.

Mr. Lynch said for several years First American used its data processing division to provide services for correspondents.

"Then we went out and found a program to meet the needs of any bank and now we will lease the IBM System 3 program along with the hardware.

"With our consultation the bank determines what fits its needs. In this particular instance, the System 3 would have to be used for seven or eight years. If it can be used profitably for that length of time, leasing is considerably more economical than purchasing or renting the equipment on a conven-

(Continued on next page)

How does a bank decide if it should be in leasing?

According to John M. Brennan, senior vice president, Boatmen's National, St. Louis, bank management felt that leasing offered great potential as a customer-attracting service for a full-service bank. Management also reasoned that customers desiring leasing services would be forced to turn to a competitor if they could not obtain leasing services at Boatmen's—an action that could result in loss of the entire account.

Boatmen's also had the essential expertise in its various departments that made it possible for the bank to organize a leasing section, Mr. Brennan said.

Discussions with bankers in the Mid-Continent area concerning the advisability of small-town banks offering leasing services brought a consensus that the volume of leasing business a small-town bank could expect would not warrant the expense and risk of setting up a leasing department.

It would be next to impossible for a small-town banker to accurately determine whether a customer should lease instead of borrow, because the small-town banker ordinarily does not have the expert backup necessary to make such a determination.

In addition, leasing operations are becoming more complicated almost daily—not to mention more competitive.

Big-city banks advise downstream correspondents to shoot their leasing business upstream.

tional basis," said Mr. Lynch.

Another area where bank affiliates and correspondents can benefit is through leasing their own facilities and equipment.

"Some banks need new facilities badly but for some reason or other can't afford it. That's when we can go in and write a true lease for the facility, the equipment and even the drive-in facility, complete with automatic banking machines. We can lease anything as long as it is personal property," he said.

First Amtenn Leasing also plans to offer First American's correspondents and bank affiliates tax shelter leverage leases.

In the Anaconda leasing operation, First American was one of six banks with Chrysler Financial to put up $38.7 million in equity capital. The seven lessor owners in a complicated leasing arrangement get a part of the lease payments and own the plant itself, which means they receive the tax benefits from depreciation and the federal investment tax credit on the plant.

Fourteen other companies were involved in the deal that raised $110.7 million and brought the plant into existence, which Anaconda leased for 20 years, according to Mr. Lynch.

From Anaconda's point of view, the objective was to reduce the cost of financing the plant. Company officials estimate that over the 20-year period, its lease payments will total some $74 million less than would the cost of interest payments on bonded debts.

"Of course, I also understand Anaconda's calculations assume that its effective tax rate will remain low," said Mr. Lynch. "If it should rise sharply, then it will miss the tax deferrals it has given up by not owning the plant.

"In short, we think we're offering a service—leasing—that is extremely beneficial to the holding company as well as to our affiliates and correspondent banks.

"We think leasing is a means of extending full banking services to our existing customers—and those of our affiliates and correspondents—as well as a means of attracting new ones for them. Leasing is also a profitable use of funds," said Mr. Lynch.

"We are located in an extremely heavy market area, which has a number of highly competitive leasing organizations, but we feel we offer a service that is in high demand for our HC and correspondent banks." • •

Direct, Indirect Leasing Differences Explained

THE DIFFERENCES between direct and indirect leasing should be understood by all bankers contemplating leasing activities, according to Norton B. McLean, president, First National Leasing Corp., Milwaukee.

The primary difference between direct and indirect leasing, according to Mr. McLean, is that in direct leasing, the bank owns the asset, while in indirect leasing, the bank does not own the asset but creates a loan receivable.

Direct leasing requires the following on the part of the bank:

- Experienced leasing personnel to promote and generate business, to control losses and to re-market equipment.
- Substantial volume to cover the overhead necessary to maintain a leasing department.
- The granting of longer terms than are given with conventional leasing.
- Expertise in many product lines.
- Serious study relative to the rental factor to be charged and the items that make up the composition of the rental factor.

Direct leasing is a 100% financing transaction, Mr. McLean said. Generally, the equipment has little asset and collateral value in relation to the original cost of equipment in the event of the need for re-marketing because of lease default and repossession.

On the other hand, indirect leasing requires no specialized personnel, Mr. McLean said. The installment loan officer and/or commercial loan officer supervises transactions.

Only secured lending techniques are required and simplified documentation consists of a note, security agreement on the equipment and assignment of the lease rentals, a method similar to that of funding automobile lessors, with terms usually for five years and with minimal receivable service.

Indirect leasing loans are usually made on a recourse basis to the lessor. Indirect leasing is equivalent to two-party paper by assignment of the lease rentals.

Bookkeeping for indirect leasing is similar to that necessary for an installment loan receivable, according to Mr. McLean. Service costs are low when the lessor assumes all collection activity.

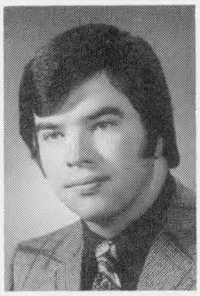
There is no credit loss with indirect leasing, providing the bank is doing business with a responsible lessor, Mr. McLean said. • •

Competitive Equipment Leasing: The Race for Residuals

By RICHARD M. HALL JR.

Credit and Discount Officer
Fourth National Bank
Wichita, Kansas

IN AN INCREASINGLY complex financial environment in which we must deal with the "dual prime" and the "bullet loan," the concepts of equipment leasing, to some, are becoming "old hat." The benefits derived at both ends of a lease arrangement have precipitated the formation of an expansive and profitable industry which shows no signs of decreasing growth rates. Although the leasing industry is still in its infancy, many financial institutions are reaping great rewards from participation in the ever-widening spectrum of lease transactions. At the same time, increasing numbers of corporate executives are becoming more and more sophisticated in analyzing the lease vs. buy alternative, with a resultant increase in lease financing. The banker who fails to provide this form of financing will do a disservice to his customer and to his bank.



Before attempting to tackle the complexities of documentation and scheduling, it is important to understand how leasing works in relation to other forms of term financing. In a "true" financial type lease, the lessee receives only the use of the leased equipment in return for a periodic rental which, over the term of the lease, will recoup the investment of the lessor plus a "reasonable" return. This "net lease" arrangement typically requires the lessee to pay all costs associated with the maintenance, insurance, taxes, fees, etc., and to assume all liabilities connected with the use of the equipment. Title to the equipment is vested with the lessor throughout the lease term with provision for purchase at "fair market value" or lease renewal, generally available to the lessee upon expiration.

The absolute dollar outlay, involved in the lease contract, coupled with the failure to accrue an equity interest in the equipment, combine to form the single largest objection to this form of financing. Any finance lease typically requires a greater capital expenditure than any other method of payment. For example, a bank term loan would perhaps require a total repayment of 120% to 130% of the funds disbursed. Lease financing would, in nearly all cases, require a much larger rental outlay over the base term.

Further disadvantage lies in the fact that the lessee does not share in the residual value of the equipment. As previously noted, all benefits of ownership accrue to the lessor unless some election is made to pass through available tax credits. Viewed from a balance sheet standpoint, the lease represents an increased liability which is not offset by a corresponding increase in fixed assets.

Why, then, should a bank be concerned with offering lease financing to its customers? Four principal benefits weigh against these disadvantages in the lease decision.

First and foremost, is capital conservation. Although the absolute dollar repayment of a given lease will, in many cases, exceed alternative financing methods, the net capital outlay will be less than in those alternatives. Through leasing, maximum capital conservation is achieved as a result of a few basic factors. Leasing typically provides 100% financing. In addition, lease terms are somewhat extended, thereby providing relatively small rental payments which, in turn, when treated as a business expense, are fully tax deductible.

Credit expansion is generally sighted as a second advantage. As a lessor, a bank can seldom give this advantage anything more than lip service. Although not reflected in most balance sheets, except as footnotes, leases represent very real obligations on the part of the firm. In appearance, leases do not adversely affect debt relationships, but proper analysis of lease arrangements can sometimes reveal a somewhat overleveraged position.

(Continued on next page)

A very real advantage in today's sophisticated business climate is the obsolescence protection afforded by leasing arrangements. As an equipment owner, it is often difficult to justify replacement of a machine that has outlived its usefulness but not its depreciation write-off. Leasing provides replacement flexibility on two fronts. Since the lease term is generally shorter than the depreciable life of the asset, the lessee is not committed to any depreciation schedule. In addition, most lessors make provision for equipment update even before the base term has expired.

Leasing's ability to soften the impact of inflation is an especially attractive characteristic in today's unsettled economy. The basis for all leasing transactions is ultimately reduced to a "present-value" computation. Trading present equipment use for future dollars presumes that inflationary pressures will bring the net cost of lease payments continually downward.

Although additional variables enter into the lease decision, these factors, favorable and unfavorable, ultimately tip the scales. As bankers, we should be able to aid our customers in making the lease-vs.-buy decision; and in the same role, we should be able to provide the proper vehicle to carry out that decision. If a bank is unable to furnish leasing expertise, there is a tendency to rule out that alternative for the firm, rather than deliver that firm into the hands of the competition. If, on the other hand, equipment leases can be processed in the bank's familiar surroundings, already good relationships can be further cemented.

The ultimate best method for entry into the lease financing arena remains to be seen. Several banks have chosen the direct route—themselves becoming equipment owners and, in turn, lessors. Others have set up what could be referred to as "captive" leasing companies, either as holding company subsidiaries or affiliated corporations.

For the small bank which is not out to corner the leasing market, but rather to provide a much sought after service to its customers, cooperation with a leasing company provides an alternative. This alternative has proved to be profitable and effective for bank and business alike. For the bank, it provides a leasing capability without costly involvement in personnel and legal counsel. For the leasing company, it employs previously acquired technical expertise without employing its own funds, credit judgment or marketing time. The leasing company merely serves to document each transaction and to share its knowledge on a fee basis.

Unfortunately, a number of smaller banks cannot generate enough volume to make it profitable to develop a full-blown leasing program. These banks would be well advised to seek out a correspondent already involved in lease transactions and inquire into a participating lease arrangement. Versatility and flexibility make the lease an ever more attractive financing vehicle. As capital investment decisions are made, the banker, on all levels, should be able to provide the structure for building solid financial organizations.

Whether on a direct basis or in association with leasing companies or correspondents, banks are availing themselves of high yields and residual values; but they have yet to scratch the surface. Without a doubt, equipment leasing will become increasingly competitive. Progressive banking in our complex financial system dictates a knowledge of all available options.

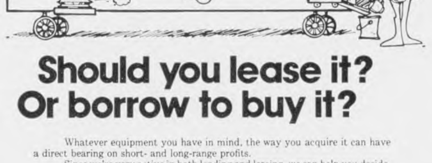
Equipment leasing is an option that bankers and their banking customers will find hard to pass up. • •

Leasing's Upward Surge Expected to Continue; Outlook for Banks Good Despite Obstacles

THE ASSOCIATION of Equipment Lessors estimates that the value of goods under lease today exceeds $40 billion, compared to less than $20 billion five years ago, writes Donald L. Deters, assistant vice president and head of the leasing department at First National, St. Louis. His comments appeared in the January issue of "First-St. Louis Bankers News," a monthly publication for bank correspondents.

Mr. Deters says the upward surge is not expected to diminish. Potential new growth areas include medical equipment, pollution control equipment, petroleum shipping equipment and nuclear fuel power generation equipment.

Not only is banking's market for leasing growing in scope, he says, but the public's attitude toward leasing has changed in recent years from the negative to very positive. Many executives now realize that use, and not ownership, is the crucial test, and that leasing is simply an alternative mode of financing.



Should you lease it? Or borrow to buy it?

Whatever equipment you have in mind, the way you acquire it can have a direct bearing on short- and long-range profits.

Since we're very active in both lending and leasing, we can help you decide. Based on your needs, your objectives. Without losing valuable time.

Our commercial banking operations are organized around teams of officers. Each team serves companies within specific industries.

So you'll be able to plan with officers who understand the credit needs and cash flow requirements of companies much like yours. All their expertise and knowledge can be put to work on your problems.

And your opportunities.

Just phone Dick Ford, (314) 342-6333, or Jeff Miller, (314) 342-6444. Or write if you prefer. We're looking forward to working with you.

First Union Group

First National Bank in St.Louis Member FDIC
St. Louis, Mo. 63166

First National, St. Louis, has used this advertisement in regional sections of national magazines to draw attention to its leasing services.

Some bankers maintain they get double the return on their funds from a lease in comparison with the return from standard commercial loans, Mr. Deters says. In addition, both the lessor and lessee are likely to benefit in decreased taxes.

Among the benefits to the lessee cited by Mr. Deters is the fact that leasing is a cheaper way to finance equipment purchases, particularly for firms that are in lower corporate tax brackets or do not generate enough taxable income to use accelerated depreciation deductions or ITC; these benefits may be exchanged for a lower financing cost.

Leasing as opposed to other means of installment financing does not, in most instances, require a down payment, offering, in effect, 100% financing.

Leasing can provide longer terms than conventional borrowing arrangements as the length of the lease is directly related to the useful life of the equipment to be leased.

An element of flexibility in structuring lease payments exists that is not always applicable in straight lending situations. Payments can be structured to reflect a company's needs in terms of cash flow projections and/or seasonal business patterns.

Leasing provides "off-balance-sheet financing" as debt ratios, borrowing restrictions and credit ratings typically are unaffected.

Negative covenants are usually avoided as normal lease agreements seldom contain restrictions that constrain borrowing capacity.

A purchase option provides maximum flexibility in regard to the con-

(Continued on page 69)

Arkansas Banks Lease Temporary Mobile Units To Establish Branches Under New Law

EARLY IN 1973, the branch law in the state of Arkansas was changed to permit full-service branching. Banks were granted the authority to branch in their home cities or within their home counties as long as the communities they chose to move into were not home bases for competing banks.

With this relaxation of the branch law, and faced with more aggressive competition from S&Ls, which already had a more liberal branching authority, many Arkansas banks began making immediate plans to establish full-service branches in growing areas of their headquarters cities or in other communities in their counties where banks had previously not been chartered.

During this period many Arkansas banks were eager to get the jump on their competition. They wanted to establish neighborhood facilities or branches in other communities as quickly as possible. This desire led to the establishment of a special division of First Bank Financial Services, Inc. (FBFS), the wholly owned subsidiary of Little Rock's Worthen Bank, which was organized, primarily, to provide marketing services to financial institutions. This special FBFS division was created to provide temporary mobile facilities to banks that wanted to move quickly into new markets.

FBFS research indicated that converted mobile homes had been used for some time as temporary facilities by financial institutions. Research further indicated that these buildings were essentially mobile homes converted for bank use rather than special mobile facilities designed and constructed with a bank's use in mind.

Working with Worthen operations people who had worked in converted house trailers and with the Diebold people in Little Rock, FBFS came up with a standard temporary bank design which was attractive, functional and sturdy. The objective was to be able to provide such a facility, fully equipped, on a "turnkey" basis. Informal research indicated that many banks, in Arkansas and throughout the nation, wanted to be in position to lease temporary facilities without being bothered with the details of design, construction and maintenance.

Armed with the basic design and a concept of quality not always found in temporary structures, FBFS sought out manufacturers who could build these special units. Ultimately, a custom manufacturer was found to produce the units according to specifications that dictated the use of a heavy steel frame and sturdy building materials. One FBFS requirement was especially significant—the units must be built so they would hold up to a move every six months for a period of 10 years.

The manufacturer was originally given a purchase order for five of the mobile bank units. They measured 14′ x 60′ and were designed to accommodate two inside teller positions, a drive-in window, lobby, private office, after-hours depository and chest, a small kitchen and lounge, restroom facilities and a storage area. Each unit was furnished with Diebold bank equipment (including an alarm system), office furniture, teller counter and check desk, kitchen equipment and a heating and air conditioning system. All units are paneled and carpeted throughout.

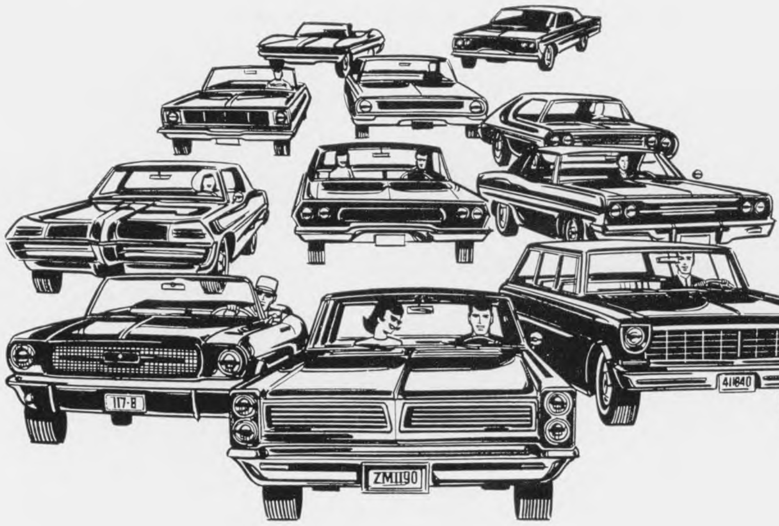
The five original units were leased to banks in Jonesboro, Hot Springs, Bentonville, Fayetteville and Little Rock. The Fayetteville lease was to a newly chartered bank. Others were for branches of existing banks. Lease periods varied according to the construction and development plans of the lessee. Most of them placed the mobile unit on a part of a site while construction proceeded on a permanent facility. In one instance, the bank decided to keep the temporary facility on the site for a minimum of two years so that the area's development could be more definitively measured before deciding on the ultimate size of the permanent facility.

Slight design modifications have been made and orders have been placed for additional units by FBFS. Inquiries from six states outside Arkansas indicate a strong market interest in the temporary facilities by both banks and S&Ls. • •

This temporary facility was leased to Worthen Bank for use as a branch in the northwest section of Little Rock.

Rear of Worthen facility shows drive-up window and driveway. After-hours depository is located under canopy.

Interior view of Worthen facility shows pleasant decor and ample work space featuring Diebold equipment.



Long-Term Auto Leasing Outlook Bright Despite Short-Term Obstacles

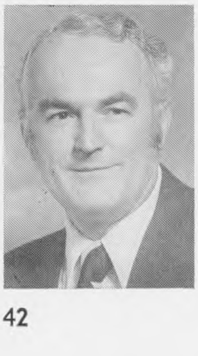
By WILLIAM G. TIDWELL
Vice President
American National Bank
Chattanooga

DESPITE the slowdown in the economy and the shortage of energy that have dampened the outlook for auto leasing somewhat, industry leaders remain optimistic about the long-term prospects for bank auto leasing.

One of the pioneers in auto leasing, First National, San Jose, Calif., has been leasing autos since 1964 and services a large portfolio of leases. The manager of the bank's auto lease department has stated that he is not too concerned about the slowdown in the economy and the energy crisis. "I think leasing is here to stay regardless of what the economy does," he said.

Bank auto leasing can be either (1) *direct* to the customer, in which case the bank purchases new cars from dealers and leases them to customers, or (2) *indirect*, wherein the bank purchases lease contracts from new car dealers. Leasing as referred to here is defined as an open-end lease in which the customer guarantees the residual or lease-end value.

The lease is essentially a financial transaction. But since it is not classified as a loan, it does not come within the usury statutes or under Regulation Z, at least at this time. According to interpretations issued by the Fed, an open-end lease does not come under Regulation Z, requiring disclosures as do auto loans, so long as the lease agreement signed by the customer does not provide that the customer has the right to purchase the leased car upon termination of the lease. However, the Fed has recommended that the current Congress review Regulation Z and its exemption of auto open-end leases and look into the possibility of revising the regulation, because open-end leases normally require that the customer guarantee the residual or lease-end value of the auto.



Mr. Tidwell has done extensive research on bank auto leasing on behalf of his bank. American National has deferred organizing an auto lease department due to the energy crisis and its effects on the auto market.

Auto leasing appeals to banks because it is projected to represent about half of the new car market within a few years. In addition, yields are reported to be 15% or more in the East, and even higher on the West Coast.

Auto leasing appeals to customers because there is little or no cash investment required, monthly payments are lower with a lease than with an installment loan of equal term and the fuss of bargaining for and owning a car is eliminated.

A bank must control the approval of lease credit, the residual value and the purchase of leased cars and accessories. The recommended method of control is to establish an auto lease center and appoint a lease manager who will be responsible for controlling the lease operation for the bank.

The lease manager should have at least five years' experience in installment lending, including purchase of dealer auto paper, and should be qualified in auto dealer relations and sales promotion activities. He should be at least a junior officer of the bank and have the ability to be a department head.

His responsibilities include the following:

- Supervision of approval of direct

and dealer leases.

- Control of the purchase of all cars for direct leases.
- Approval of documentation on all leases including branch leases.
- Seeing to it that necessary records are kept either by ledger or by computer.
- Making contacts with auto dealers regarding the purchase of leased cars and lease contracts.
- Recommending advertising for the lease department to management.
- Supervision of sale of cars upon the expiration or termination of direct auto leases.

The following are typical guidelines for lease credit:

- Age—over 25.
- Stability—two years on present job.
- Residence—home owner for two years at same address.
- Income—$10,000 per year or more.
- Insurance—must be confirmed before car is delivered and bank must be named as loss payee and as named insured.

The residual value can be determined on a lease of, for example, two years, by using the value of a 1972 model as shown in a used car guide. This guidebook value should be reduced by 10% or more as a safety factor in arriving at the residual value. If the leased car is driven more than 1,500 miles per month, the residual value is reduced to compensate for the extra mileage.

The purchase of the car for the lease customer should be controlled by the auto lease center. This includes issuance of the purchase order, control of the price of the car, control of the type of car purchased and control of the accessories added to it.

A sample lease worksheet might contain the following items as a part of the lease computation:

Factory invoice cost	$3,679
Dealer markup (fleet)	100
Cost of auto	3,779
Lease markup (for dealer or bank)	200
Lease tag and title	21
Capitalized cost (value of car at execution of lease)	4,000

In order to compute approximately 15% yield, the following formula may be used: $4,000 capitalized cost × .0097 monthly money factor = $38.00. $38.80 × 24 (for two-year lease) = $931.20, yield or lease income. (Rental payments: 24 @ $122.13, adjusted for equal payments. Lease income plus $2,000 depreciation, amortized in two years.)

This example assumes that the residual value and depreciation each equal one-half the capitalized cost. However, if the residual value is less than one-half the capitalized cost, the above formula will merely increase the yield.

More paperwork is required to complete an auto lease than an auto loan. While it is not possible, due to space limitations, to discuss each item of documentation, the following checklist may be helpful:

- Credit application.
- Credit investigation.
- Lease worksheet.
- Vehicle requisition.
- Lease agreement.
- Insurance confirmation.
- Advance rental payments.

Regarding insurance, it is customary to require the customer to furnish $100,000/$300,000/$50,000 public liability and property damage, $100 deductible collision and comprehensive insurance. In the event the customer does not furnish this coverage, the bank's basic general liability policy, which usually amounts to $500,000, will protect the bank. Banks usually carry an umbrella-excess liability policy, with a $5 million limit of liability, as do other commercial and manufacturing firms. In the event a bank's liability is in excess of the coverage provided under its basic general liability policy, this umbrella policy of $5 million would provide coverage for the bank on cars, including any vehicles leased to customers. The bank would project the number of auto leases outstanding for each 12-month period and the insurance company would assess the bank at the rate of approximately $12 per year per car.

Bankers consider leasing a logical financial activity for banks and many banks have been pleased with dealer acceptance of their auto leasing programs. However, suits have been brought by auto dealers, with the support of the National Automobile Dealers Association, to force banks out of the auto leasing business. The impact of these suits, if any, will have to await their outcome.

Many bankers have cautious outlooks regarding auto leasing in the short term, since neither the economy nor lease volume can be predicted until the energy policy and its effects are known. Many bankers feel that by late spring a clearer reading of economic trends and their effect on auto leasing will be available.

An official at National Bank of Georgia, Atlanta, when asked to comment on the effect the energy crisis

Auto Leasing Aids

Helpful aids in the auto leasing field are available.

National Bank of Georgia, Atlanta, sells a lease-consulting package including an operations manual, a lease seminar and marketing materials. Its program is being used by banks in 15 states. For information, call E. J. Foster, senior vice president, 404/523-1461.

First National Lease Systems, Los Angeles, offers a rate manual listing 350 new car makes and models. The manual also includes monthly lease payments, factory invoice price and residual value on each car. A computer program is also available. For information, call Jim Aiken, general manager, 800/421-6569.

Area Bankers Named to Posts On Federal Advisory Council

Two Mid-Continent-area bankers have been elected directors of the Federal Advisory Council of the Federal Reserve System. They are Allen P. Stults, chairman, American National, Chicago, and Lewis H. Bond, chairman, Fort Worth National. In addition, they also are on the council's executive committee.

Elected president of the council was Thomas I. Storrs, chairman, NCNB Corp., Charlotte, N. C. Vice president is James F. English Jr., chairman, Connecticut Bank, Hartford. The third director and executive committee member is Gabriel Hauge, chairman, Manufacturers Hanover Trust, New York City.

Herbert V. Prochnow, retired president, First National, Chicago, has been reelected council secretary. William J. Korsvik, vice president, First of Chicago, was reelected assistant secretary.

■ ARTHUR S. BLAND JR. has moved up from vice president to senior vice president, City Bank, St. Louis. Thomas B. Mock was named an assistant vice president and Joseph J. Mercurio installment loan officer.

■ JACK HENIGAN has joined Dallas' Main Street National as assistant vice president. He was formerly with Republic National, Dallas, where he was in the trust department's home sales division.

is having on auto leasing, replied, "None whatsoever, other than the make of car being selected has shifted from the luxury class to the standard and compact classes." He stated that his volume of leases was up 200% in 1973 and, when asked if there had been a noticeable drop in volume due to the energy crisis, he said, "No, we've built a lease headquarters and have a strong, going department now. The size of leases has fallen off, from a high of $6,200 per lease to the current $4,500. That's because of conversion to smaller cars."

In summary, excepting possible adverse legal decisions, the future of auto leasing for banks is dependent on the auto market. The market is changing and an increasing segment of the market formerly held by larger cars is being captured by intermediates, compacts and subcompacts. The small car segment of the market is projected to hit 50% to 60% by September. The volume of new car sales for 1974 is expected to be about 12% less than the 11.5 million units sold last year.

In a period of diminished automobile sales, auto leasing appeals to banks as a profitable new service and as a way to build volume. It has been predicted that leasing will soon constitute an important share of the market.

Bankers in auto leasing feel that the present transition to smaller cars will not affect auto leasing significantly in the long term. In short, the consensus is that auto leasing is here to stay. • •

■ A NAME CHANGE has been announced by Hickman Mills Bank, Kansas City. The new name is United Missouri Bank of Hickman Mills. The bank joined United Missouri Bancshares, Inc., Kansas City, last December.

Holding Companies Realize Potential Of Insurance Underwriting Subsidiaries

The time is right and the potential is great, but pitfalls face the unwary

By WILLIAM R. STOVER

INSURANCE underwriting is one of the brightest business service opportunities to come down the banker's pike since the One-Bank Holding Company Act was passed by Congress in 1956. It has been a long pike, though, and one not without a number of curves and switchbacks along the way. More curves and more obstacles lie ahead, but the worst is behind.

Thus, even though the struggle to open the insurance industry to bank competition continues, the Federal Reserve Board, through Regulation Y, clearly and unequivocally has provided bank HCs with a significant new source of potential profits.

Holding companies are now moving to realize these opportunities, through acquiring such businesses as finance companies (which have insurance subsidiaries), or through starting de novo insurance operations. The greatest potential is, of course, in underwriting—where the insurance company assumes the risks and the profit or loss.

To date, the Fed permits HCs to underwrite credit life and credit disability insurance only. And, before an application to own an insurance company is approved, the HC must meet three tests imposed by the Fed:

- The insurance underwritten must be closely related to banking; credit life and credit disability have been so defined.
- The insurance must be generated in the HC system in credit-related transactions.
- The HC must show that a public benefit is being provided.

In February, 1973, the Fed approved the first HC applications to own insurance companies and engage in underwriting. In the intervening year the Fed has approved 18 other HC applications. More are in the hopper, and a great many more are waiting in the wings. They need not wait, though. With careful business planning and skill in developing the application to the Fed and in obtaining proper state chartering, a HC can be in the insurance business in fairly short order.

The real burden for the HC is to design an operation which can best serve its customers and earn a good profit. This is not necessarily an easy task. An insurance underwriting operation is incredibly complex, and for anyone not a thorough-going insurance professional, the risk of losing a lot of money is considerable.

Fortunately, there is a way in which nearly all of the pitfalls facing a HC can be avoided: Reinsurance. With reinsurance the HC draws on the expertise and resources of an established, large insurance company. The HC winds up having its cake and eating it, too. Using reinsurance—as have all of the HCs which have thus far formed or purchased insurance underwriting companies—a HC which has been successful with credit life and credit disability (either through a master policy or an agency arrangement) virtually can be guaranteed great profits in its first year of operations as an underwriter.

This is where our company comes in. Old Republic writes the largest volume of credit life and credit disability insurance premium in the world. We pioneered the industry and our credit life and disability premiums have grown with the industry, rising from \$5.7 million in 1950 to \$258 million in 1973.

Over this 23-year period we have

EDITOR'S NOTE—This is the fourth in a series of articles on nonbanking activities of HCs. The author is president of Old Republic International Corp., Chicago.

AMERICAN BANKERS
Insurance Group

Our Regional Office, located in Memphis, Tennessee specializes in all types of credit collateral insurance programs for banks.

- LIFE INSURANCE
- HEALTH INSURANCE
- SAFEGARD
- CAPTIVE REINSURANCE
- REVOLVING CREDIT CARDS
- MORTGAGE PLANS
- CASUALTY PROGRAMS
- MOBILE HOME PACKAGES

For detailed information on any or all of the above, contact Sonny Thomas, our Regional Director and he'll show you how to maximize profits in your credit insurance programs.

REGIONAL OFFICE BOX 4855
MEMPHIS, TENNESSEE 38104

(901) 725-6988

HCs Realize Potential

helped hundreds of corporations organize insurance subsidiaries—including 10 of the 15 largest consumer credit companies. We now do business with eight major HCs that have insurance subsidiaries. We are working with 30 more on their survey of profit potential and preparation of application. In some cases we expect our HC clients to earn several million dollars from insurance underwriting.

Here is our approach and how HCs have used it.

We act as the direct insurer and the HC acts as the reinsurer. That means that the HC has complete access to our legal, actuarial, accounting, claims handling, rate approvals and state regulatory relations expertise. Relatively few HCs could generate enough premium volume to support overhead for such services, let alone recruit sufficient experienced staff in the various disciplines who were knowledgeable about credit life and disability insurance. Reinsurance also permits a sharing of underwriting risk. A HC can assume as much or as little of the risk as desired. The direct insurer assumes the rest.

Because of our unique partnership approach to other financial companies entering the insurance business, we stand apart from the rest of our industry—which views such incursions as harmful to its interests. We succeed to the extent that our partners do, so we take great pains to make sure that our partners' insurance businesses are soundly established.

We begin with an intensive evaluation of the HC's credit involvement. We look at its potential for credit life and disability insurance—the degree to which various insurance features have been employed; how they can be made more successful; and which other promising types of coverages can be utilized. While doing this we also evaluate the potential for the HC for forming an insurance agency in addition to its underwriting company. HCs can sell many more coverages as an agency, including property and casualty insurance, although they cannot underwrite these coverages. From this information we generate a "consumer credit survey" for the HC which summarizes its consumer loan volume and the data needed for analysis of the rating characteristics of each of its loan portfolios.

We then recommend an insurance program for the company, specifying the following for each loan department: Insurance lines, rates chargeable in the HC's marketing areas, additional coverages, rate change possibilities and techniques of penetration of the HC's loan portfolios. We then produce a detailed five-year underwriting projection for each insurance line offered, computing premiums, claims, reserves and underwriting profit. We work with the HC's auditors and compute the effects of insurance accounting on the HC's overall results.

If our recommendations are accepted, we then assist the HC in formulating its application to the Fed. We work with the HC to provide statistical support for rate or benefit provisions that will satisfy the Fed's public benefit requirement. (It is sometimes not necessary to reduce rates to show public benefit, as two recent cases have shown.)

Once approval is received from the Fed, we work with the HC to choose a state in which to be chartered. Different states have distinct chartering advantages and disadvantages in terms of the amount of capitalization required; the time that is taken to process an application; restrictions on investments; restrictions on where directors' meetings must be held, and so forth. Choosing the wrong state, for example, might require a capital investment that is $1 million or $1½ million more than is necessary from a sound business standpoint.

Inexpert advice on just two considerations—filing with the Fed and obtaining a state charter—can result in wasted time and money and foregone profits. Our experience is such that we provide our clients with a predictable timetable, a predictable investment schedule and a predictable P&L statement.

We help design a marketing program, and develop sales literature, rate charts and internal processing systems. We help file rates and forms with state insurance departments—a particularly complex job for a HC with multi-state operations—and maintain a continual surveillance of the selected insurance programs. We help analyze the nature of the risks assumed and advise prudent underwriting procedures, obtain rate deviations and expand coverages. Because our interest is in growing with the HC as partners in the insurance industry, we make no consulting or other additional charges for these services.

The HC receives a monthly statement for its insurance operation. It shows insurance written and terminated for the month; insurance cumulatively in force, computed in accordance with accepted accounting practices recently required by the Accounting Principles Board; losses paid for the month; reserves for insurance cumulatively in force; reserves for claims incurred and unreported; and the net effect of the month's business—gain or loss.

When the HC becomes an underwriter, it picks up advantages that are not available to an agent. First, of course, is the opportunity for underwriting profit, and an underwriting operation optimizes the income on any profitable operation. Keeping the activities profitable demands a good direct writer.

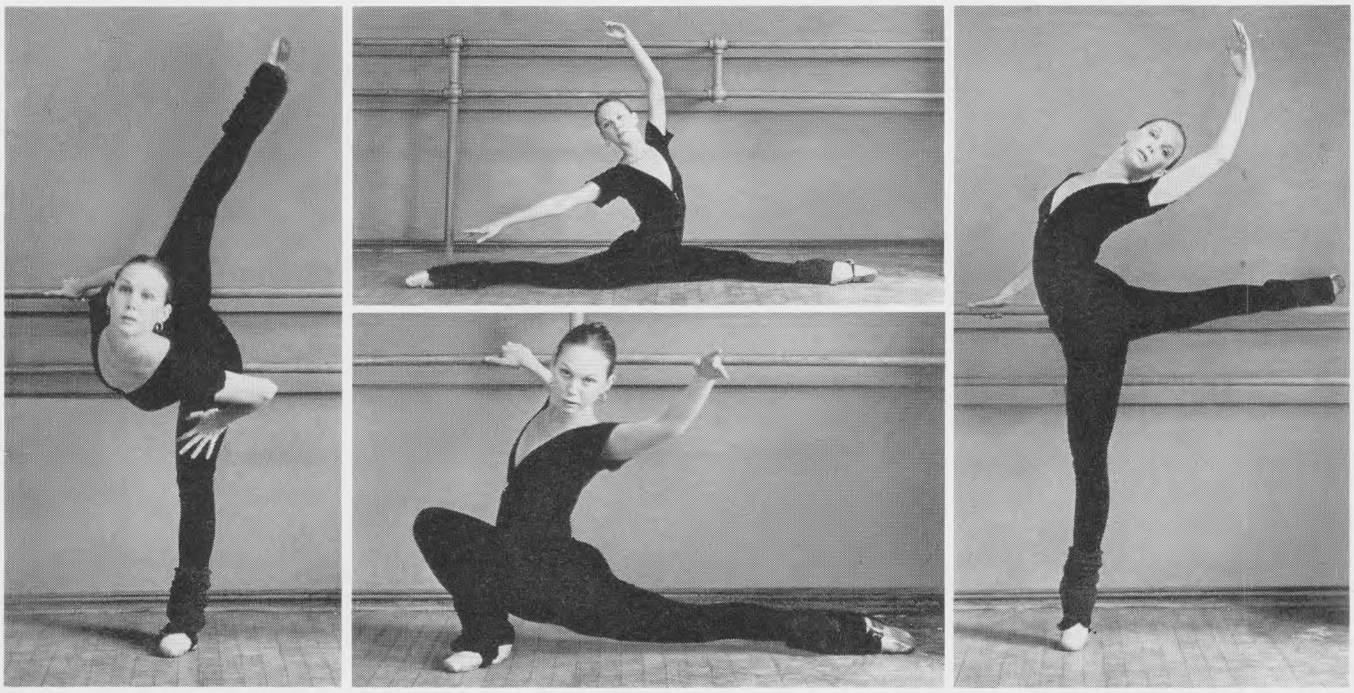
Second is the investment income that is derived from the investment of premium reserves. This can be a substantial portion of an insurance company's income.

Finally, there may be tax deferral of income realized, which further improves the impact of the insurance operation on the HC's financial performance.

It must be recognized, though, that contrary to its image, insurance is not a natural gold mine, available to anyone with a pick who can climb the hill. Mass-merchandising techniques, competition, state commission pressures and the Fed's public benefit provision have made credit life and disability insurance very economical—so economical that members of the National Association of Insurance Agents, who are fighting the entry of banks into the insurance industry, do not sell these kinds of insurance because of their modest profitability.

However, for the HC that can generate at least $½ million in premiums per year and is prepared to seek competent professional advice, the formation of an insurance underwriting operation can be profitable. And, the more holding companies that are offering insurance to their customers, the more the public will be served by having fuller competition. It was this reasoning that led the Justice Department to file a brief with the Fed advocating broad rights for HCs in the insurance area.

At Old Republic we are proud to be in the forefront in serving banks. Increased competition means reaching more people with better products at lower prices. To the extent that we can all serve the public better, we will be realizing our potential. We also will be serving ourselves and our shareholders.



Allegra Kent Of The New York City Ballet Works Very Hard For Flexibility.

...So Does Old Republic!

It is a different kind of flexibility to be sure, but one that is as important to bankers as Ms. Kent's flexibility is to ballet audiences. *Thus, Old Republic is welcoming banks into the insurance industry and showing them how to set up profitable operations and meet the test of public benefit.* (Less "flexible" insurance companies are resisting this.)

Old Republic offers counsel and insurance service for commercial bankers on:

- entering the insurance business by forming an agency or an underwriting company.
- entering the insurance business indirectly through the acquisition of mortgage bankers and commercial finance companies.
- establishing "Edge Act" insurance companies overseas.
- "in-house" pension, life and hospitalization plans.

To do all this well requires a good deal of flexibility . . .
and knowledge, and more than 50 years of successful pioneering in the insurance field.

PARTNERSHIP FOR PROFITS

OLD REPUBLIC
international corporation

INGENUITY IN INSURANCE

$6.8 billion insurance in force • $228 million consolidated assets

For more information, please contact William R. Stover, President
Old Republic International Corporation, 307 North Michigan Avenue, Chicago, Illinois 60601; 312-346-8100.

Bankers Can De-Risk Loans With Specialized Insurance Plans

By JIM FABIAN
Associate Editor

FEW THINGS are more important to a banker than the safety of his bank's loans. And few, if any, things have been more effective in taking the risk out of loans than specialized insurance coverages.

This year is rapidly becoming known as the year of caution on the loan front. The energy crisis alone is going to be responsible for innumerable business reverses, according to financial predictors. Special care must be exercised on the part of bankers whose customers are involved in markets that depend on energy in one form or another for a livelihood.

Many business firms in the U. S. today are not going to be around a year from now, due to many reasons, including neglect, fraud, lack of experience, incompetence and disaster.

What can a banker do to protect those loans made to customers that might be listed among the 1974 business casualties? Following are brief descriptions of a few specialized de-risk insurance plans that can help bankers sleep better.

• According to Dun and Bradstreet, more than 16% of the manufacturer business failures and almost 19% of the wholesaler business failures in 1972 were caused by receivables difficulties. Any firm that does not have a broadly based receivables spread is vulnerable to slow-payment of receivables. Yet how many carry commercial credit coverage?

Bankers are usually quick to ascertain that a commercial customer carries adequate fire insurance, yet apparently few investigate insurance coverage that guarantees a firm's receivables—often a firm's greatest asset.

A bank might provide a commercial account with assets of $500,000 with an open line of credit up to $400,000. This account might have receivables from just one of its customers in the amount of $250,000. Should the debtor declare bankruptcy, the bank's customer's worth will have been halved, prompting the bank to call in the loan. If the banker had insisted that the customer carry commercial credit insurance, the $250,000 would have been guaranteed and the customer's loss would not have occurred; neither would there have been a reason to recall the loan, since the insuror pays direct to the bank in the event of a loss.

After spending an hour or two with a commercial credit insuror, the banker will know how to spot an accounts receivable risk situation and will know when he should insist on commercial credit coverage. Insurors have a wealth of credit information at their fingertips and can advise the banker whether his commercial customer is insurable or not—a fact that could bear considerable weight on whether or not the customer gets his loan.

Just what is commercial credit insurance? It's a guaranty to manufacturers, wholesalers, advertising companies and other service organizations that they will be reimbursed by the insuror for credit losses sustained in excess of an agreed primary loss in connection with merchandise shipped or for services rendered.

There is a deductible, in an amount of dollars of credit losses, which the insured agrees to bear as his own loss, usually not more than a small fraction of 1% of sales volume covered by the policy.

Coverage is automatic, as far as possible, on the basis of the debtor's mercantile agency rating at the date of shipment. A schedule of ratings and coverage is built into the policy. Special lines of credit are created by naming accounts not otherwise covered by the mercantile agency rating.

The usual premium amounts to a fraction of 1% of covered sales volume.

Claims against the policy are established in one of two ways: past due accounts or insolvency. Service fees are assessed when past due accounts are

Readers wishing to contact the firms offering the specialized coverages described in this article can do so by writing to MID-CONTINENT BANKER. *Inquiries will be forwarded.*

filed for collection.

Commercial credit insurance can be helpful even if no losses are experienced by a firm through the following benefits: credit loss control, credit guidance, safe sales expansion and collection service.

An Illinois bank has been recommending the use of credit insurance for many years for its customers dealing in livestock. Such a customer's exposure to receivables is great, with amounts running in excess of six figures representing livestock shipped. The customer has invoices for the livestock but has to wait for the receivables.

To stay in business, he takes his receivables to the bank and uses them as collateral for funds to purchase additional livestock for other customers. The bank insists on credit coverage to cover possible nonpayment of receivables because of bankruptcy. The policy carries a loss payable clause that guarantees the bank's investment in case of default.

The insuror handles much of the paperwork for the bank, including keeping tabs on the credit ratings of the firms owing the customer. The bank, in turn, must double check the amounts of the accounts receivable to make sure they are accurate, so adequate coverage is provided to cover any possible loss.

A banker could be fooled by assuming that a debtor with a good credit rating will not default. Facts show that, for 1973, 45% of the insured dollar claims were made against highly rated firms. The Penn Central situation of 1970 is the classic example.

• Another form of specialized coverage protects bankers granting mobile home loans. With rising unemployment due to the energy crisis, it behooves any banker with a mobile home loan portfolio to do his utmost to protect that portfolio from default caused by unemployment or other reasons.

Flood Insurance Ruling

As of this month, regulatory agencies have ruled that real estate or mobile home loans made in connection with property liable to flooding must carry adequate flood insurance, providing such coverage has been made available under the National Flood Insurance Act of 1968 or providing other adequate flood insurance has been obtained.

Effective July 1, 1975, banks will be prohibited from making such loans unless the community in which the area is situated is then participating in the National Flood Insurance Program.

A five-part insurance program is available that provides credit insurance, borrower's credit life, vendor's single interest, wholesale finance protection and physical damage protection.

Credit insurance covers the deficiency between the resale of a repossessed mobile home and the unpaid balance of the loan, along with any repossession and resale costs.

Borrower's credit life pays off the loan in the event of the death of the borrower. In most states, the insurance will pay off the full amount of the loan or up to $15,000 for a 12-year term.

Vendor's single interest coverage insures the bank for losses due directly to the mobile home owner's acts of conversion, embezzlement or secretion as well as any uninsured collision or upset loss. It also provides a transportation allowance.

Wholesale finance protection covers dealer theft, conversion, misappropriation or embezzlement of mobile homes (or their sale proceeds) carried on a bank's dealer floor plan. Full coverage is available, but usually the policy is written to cover 90% of the losses minus the deductible the bank selects when taking out the policy.

Physical damage protection provides comprehensive coverage for the bank and its customers. The policy covers fire, theft, windstorm, flood and almost any other direct, sudden or accidental loss, including off right-of-way collision.

• A package of protection for chattel loans has been developed that covers a bank's interest on a blanket basis for all secured chattels in the event an uninsured chattel is damaged, stolen or destroyed and the borrower becomes delinquent.

The policy enables the bank to cease making chattel mortgage filings and gives the bank the same protection such filings afforded. It protects the bank if a borrower skips or if the chattel is confiscated by authorities. It protects the bank against named natural perils, including collision, if repossessed property is damaged, stolen or destroyed before the bank has time to dispose of the repossessed property. And it indirectly protects dealer customers who sell loans to the bank, because the insuror does not subrogate against dealers without the bank's permission.

Lenders single interest auto insurance protects the bank's security when the borrower is not insured and his car

(Continued on page 64)

"We use MGIC for much more than just insuring home loans."

Progressive lenders count on MGIC for fresh ideas to help them serve a broad range of financing needs in their communities. And thus expand their business.

Besides home loans, MGIC insurance helps in financing condominiums, second homes, joint loans... and we can help you in your commercial and industrial lending... protect your directors and officers from financial loss in lawsuits... and much more.

MGIC service doesn't stop with insurance. Our Secondary Market Sales Facility, by far the largest and most active in the business, is in daily touch with buyers all over the country. It provides accurate, up-to-the-minute information and fast action when you want to sell or buy mortgages.

Behind MGIC service is experience, unparalleled in the industry. And a determination to keep on giving you personal attention. That's what put us out in front in the first place.

Talk things over with your MGIC representative. He can help you with creative ideas on mortgage insurance—and much more. Dial toll-free 800-558-9900; in Wisconsin, the number is 800-242-9275.

MCB-3

Money Protection. MGIC

Please send me your brochure, "This is MGIC."

Name ____________________

Organization ____________________

Address ____________________

City, State, Zip ____________________

Mortgage Guaranty Insurance Corporation, MGIC Plaza, Milwaukee, WI 53201

Government All-Risk Insurance Policies Guarantee Agricultural Loans for Bankers

FARMERS in 1974 will have a lot going for them unless something goes against them! On the plus side, the government's call for all-out production coupled with relatively favorable prices add up to a good year for those farmers who harvest good crops.

The other side of the equation is bleak. Farmers who have the bad fortune of losing their crops in 1974 will find that their efforts to shoot for big profits have backfired into big losses, largely as a result of increased acreage and high production costs.

Additionally, few farmers need to be reminded that the income cushion of past years—namely government set-aside payments—has now been deflated. There will be no such checks arriving in the mail this summer.

The lender's stake in this suddenly changed financial picture is an obvious one: Sharply larger lines of credit extended to farmers for crop production purposes. Many lines will not only be larger in number of dollars but also larger in relation to the borrower's liquid net worth.

To sum it up, most farmers who have set their sights on maximum production this year will be fully extended from a credit standpoint—and highly vulnerable to any disaster that damages or destroys their crops.

The same arithmetic that makes it advantageous for a farmer to invest for a good year also makes it prudent for him to protect his investment against the possibility of a poor year.

In the 1,430 counties where it is available, all-risk insurance policies written by the U. S. Department of Agriculture's (USDA) Federal Crop Insurance Corporation (FCIC) guarantee farmers approximately the number of bushels or pounds of production needed to cover their costs of production.

If an insured crop falls short of its production guarantee, the policy makes up the difference in cash at a rate selected by the farmer at the time the policy is purchased.

All FCIC policies written in 1974 will contain an optional "collateral assignment" feature. That is, the policy can be pledged to a lender as loan collateral. In the event of a loss covered by insurance, the indemnity check is made payable jointly to the policyholder and the lender.

All-risk insurance is currently written on more than 20 crops—including corn, soybeans, wheat, cotton, tobacco, barley, oats, grain sorghum, rice, sugarbeets, flax and peanuts.

To illustrate the arithmetic of the insurance protection, assume that a corn grower elects to insure his crop at, say, $1.25 a bushel. If his yield, due to any unavoidable cause, is 40 bushels per acre below the yield guaranteed by the policy, his basic indemnity would be $50 an acre.

In addition, to help defray the costs of harvesting the damaged crop, he would be paid for another three bushels per acre loss. At the $1.25 a bushel rate, this would bring his total indemnity to $53.75 an acre.

Both the number of bushels of production guaranteed per acre and the cost of protection vary from county to county, and often even within a county, depending on risks and previous losses.

Can crop insurance turn a poor year into a good year? Up to now, the answer has been a firm "no." FCIC policies are designed to cover a farmer's approximate costs of production, and are prohibited by law from guaranteeing a profit. This year, however, insurance *can* mean the difference between a loss and a profit.

The reason is a little-noticed provision of the Farm Act passed by Congress last year. It provides for a program of federally funded disaster payments to feed grain, wheat and cotton farmers who are unable to plant their crops or whose crops are severely damaged or destroyed. These payments, when supplemented with all-risk insurance protection, add up to what officials of the FCIC call "super insurance."

Details aren't all spelled out yet, but, in general, the new program assures farmers of at least two-thirds of the "normal" production of their allotted acreage. If production falls short of this, the difference between actual production and normal production is compensated for at the rate of 46 cents a bushel for corn, 68.33 cents a bushel for wheat and 12.67 cents a pound for cotton.

USDA officials, who will be administering the new program, point out that the disaster payments are no substitute for adequate insurance. For one thing, protection under the disaster program is limited to a farmer's allotted acreage. There is no protection for any acreage in excess of the allotment. Furthermore, there is no payment for a loss on allotted acreage if it is offset by production on over-the-allotment acreage.

Even so, the *combination* of disaster payments plus all-risk insurance offers farmers a level of income security never before available. Farmers who take advantage of the opportunity will thus have something going for them in 1974 even if things go against them.

And so will their lenders. • •

Some of the things you might think you need to insure all your customers.

Everything you need.

Durham Life has put it all in a single, compact kit.

All the credit life policies you need to insure everything from small loans to large, long-term loans.

Instead of dealing with a drawer full of different companies, you'll deal with one company, one man. You'll get a complete credit life kit from him and much more. He's an expert who can set up a system tailored to your system.

We even have a special policy that covers the $10,000 to $15,000 loan. The unique feature of this policy is a premium determined by age. The form is short, easy to fill out, and no physical is required.

You'll have competitive premiums and fast claim settlements too.

Durham Life. It's all you need to know when it comes to credit life.

Durham Life

Durham Life Insurance Company
Home Office: Raleigh, North Carolina

Bankers Can Assist Their Customers By Recommending Insurance Protection

Insurance agents consider bankers to be their best source of leads

By JIM FABIAN
Associate Editor

MR. BANKER, have you noticed yourself becoming more popular among insurance agents lately?

If you have, it could be a result of an article in a national life insurance publication that referred to the banker as the world's best source of insurance leads.

What makes this so?

According to the article, the banker knows who's moving to town before almost anybody else. Why? Because new people need banking services almost as rapidly as they need housing.

The banker is often the first to know of a new industry moving to town, because such an industry must have bank services before it can open its doors.

The banker is usually on the ground floor when new businesses are established, because he usually is asked to make initial loans to finance the businesses.

The banker knows when businesses are expanding, because expansion takes money.

The banker often knows when businesses are enjoying increased earnings, when estates have potential liquidity problems, when corporations are about to go public, when businesses have key executives who are underinsured, when individuals or businesses have large cash balances.

And, of course, bankers often know how much life insurance a customer has, since most financial statement forms ask for this information.

It would be natural for any aggressive insurance agent to want to cultivate a relationship with a banker who could provide leads of this type. But what's in it for the banker? Must he be a provider of insurance leads just because he's a good fellow?

Covering Larger Risks

Among the insurance firms expressing agreement with the philosophy of the accompanying article is Insurance Enterprises, Inc., St. Louis.

Paul V. Helein, president, states that many bankers tend to neglect customers who have large and long-term notes; those with business loans, home loans, partnerships loans.

He recommends that bankers review and note cases of substandard risk and, when notes are renewed, suggest insurance protection on the balance of the note through some form of ordinary life or term insurance—not credit life.

Mr. Helein says bankers should keep in mind that advising adequate insurance for customers is one way of enabling the customers to assure their loved ones that they will have a "deed instead of a debt" should the customer die before paying off his loan.

Not at all! The perceptive banker realizes that he is in a position to assist his customers by referring them to insurance agents.

A bank customer wants a loan to expand his business, yet he is considered a substandard insurance risk. What happens if the man gets the loan and then dies? The business dies, too—and so might the loan. If the banker puts the businessman in touch with a substandard risk underwriter, the picture brightens. He has guaranteed a loan and set the stage for providing money for the borrower's estate, should it be needed.

Perhaps two partners had built a business that had suddenly mushroomed in value. Neither man had sufficient money to buy the other out in the event of death. Key man insurance, provided by the local underwriter, could solve that potential dilemma.

The banker is not only in a position to see the need for insurance, he is able to see how much insurance is available to solve the need. Then, if additional coverage is warranted, he will make a referral to the proper insurance agent.

Of course, the banker himself can be the agent. Any national bank in a community of 5,000 or less can have an insurance agency and state banks can usually operate agencies in any size city (depending on the state regulation), provided they have licensed agents.

Many insurance firms recognize the

WHERE THERE'S DEBT
THERE'S USUALLY A NEED FOR MORE LIFE INSURANCE

Bankers should recognize these insurance needs in order to protect their loans and also the borrower's estate:

Loans made to small businesses quite often have hidden risks in them. Bankers should "probe" for these hidden risks when they make or renew this type of loan and never hesitate to recommend additional insurance protection where needed.

For example: Determine if the business is dependent almost entirely on the owner. Will the business survive if he dies? If the answer is "no" or "doubtful," then protect that loan with ordinary or term-life insurance.

Another example: What will happen to a partnership if one of the partners dies? Can the surviving partner "buy out" the heirs of the deceased? Most often this is desirable. Again, protect these cases with ordinary or term-life insurance.

Another example: Does "Farmer Brown" have sufficient insurance for estate taxes on farmland that has appreciated in value since he bought it 40 years ago? Another insurance need!

We stand ready at Insurance Enterprises to help all of our banker agents with insurance problems of this type. Often we can explain the insurance need to the borrower and thus help the banker protect BOTH his loan and his borrower.

Isn't it better for the banker to present an estate with a "Deed Instead of a Debt"?

MAY WE WORK WITH YOUR BANK ON THESE INSURANCE PROBLEMS?


PAUL V. HELEIN
President


JULIAN PAUK
Vice-President


JOHN D. CAULFIELD
Vice-President


BERT R. CORNELISON
Vice-President


WALTER (BRUFF) McQUADE
Vice-President


JAMES W. FINGER
Field Representative


DOUGLAS HELEIN
Field Representative

Serving Banks in Kansas—Missouri—Illinois

Insurance ENTERPRISES

Complete Insurance For All Financial Institutions

5811 Hampton Avenue, St. Louis, Mo. 63109 **Phone 314 VE 2-2717**

*General Agents for SBL SECURITY BENEFIT LIFE INSURANCE COMPANY importance of the banker in the sale of large amounts of insurance. In fact, many firms that have specialized in credit life are now working closely with bankers in generating larger amounts of ordinary insurance to cover key man situations, provide tax money for estates, provide "buy out" money in the case of the death of one of two partners and many other types of business-related insurance needs.

Bankers making referrals to insurance agents should not violate a customer's confidence by giving the details of a customer's coverage or needs to an insurance agent. A simple statement that it might be a good idea for the agent to call on Mr. Jones should be enough to get the ball rolling.

How does this cooperation pay off for the banker? It not only serves to protect outstanding loans, it helps perpetuate the viability of the community's business firms and promotes the welfare of the residents of the community. And it opens the way for two-way reciprocity between the insurance agent and the banker.

For instance: An insurance agent realizes that one of his clients needs trust services and he refers the customer to the local bank. Just as the agent's new business can come through the banker's referral, the bank's new business can come through the agent's referral. All it takes is a good relationship between the banker and the insurance agent.

This relationship can be developed on the golf course, through a study group or whatever. Any insurance agent worth his salt will see to it that the relationship is developed and maintained.

The important thing to keep in mind, whether the banker sells insurance himself or makes referrals to agents, is that he is performing a valuable service for his bank, his customers and the community. • •

Insuror Helps Banker Help Customer

Ferd D. Lightner, sales manager in the credit life department of New American Life, Columbia, Mo., helped a banker assist a customer who needed more life insurance. The customer's business was good and the banker had agreed to a new equipment loan. He realized it would be a simple matter to supply credit life or term insurance to cover the risk. On the other hand, the customer had repaid several notes. As each term policy had expired, the cost of coverage had risen (based on the advancing age of the customer). The banker wanted to know if the insurance man could come up with a better solution to coverage.

Mr. Lightner proposed life insurance adequate to cover both the customer's new obligation and his equity in a going business. The paid-up-at-65 life policy would do several good things for this sole proprietor of the business, Mr. Lightner said. In a few short years the cash value increase of the policy would be greater than the premium paid. The cash value would provide a solid business asset, constituting greater security for any future loans. Later, the policy would become a retirement program. In addition, in the years ahead when a term policy would be expiring with no remaining value, the permanent life policy would show a net profit instead of a cost to be assessed with the loan.

The plan satisfied both the banker and his customer and credit goes to the banker for his desire to be helpful to the customer—as well as protecting his bank's loan portfolio.

■ JON J. COLLINS has been named assistant vice president of Dallas/Fort Worth Airport Bank. Jerry W. Corley was appointed cashier.

Photography, Orchid Exhibits Held at First NBC in N.O.

NEW ORLEANS—First National Bank of Commerce held two exhibits last month.

At its Main Office, there was the 1974 Masters of Photography exhibit, composed of 100 of the most outstanding prints of the Masters of Photography, including portraits, commercial subjects, industrial photography, some media and pictorial photography and work of leading illustrators. The American Society of Photographers, an organization dedicated to furthering the art and science of photography, sponsors the Masters Exhibit each year on a tour of major banks across the country.

At First NBC's St. Charles Office, the New Orleans Orchid Society held its annual orchid show. All horticulture competition was open to the public.

■ FIRST STATE, Houston, has named David P. Danheim executive vice president and director and Stewart M. Brown Jr. assistant vice president, operations. Mary Beddoe and Rosalie Coleman were promoted to assistant vice presidents and Gloria Hebert was promoted to assistant cashier.

■ ROBERT C. BUSH has joined Bank of the Southwest, Houston, as a senior research analyst. He was on the teaching staff of Florida State University.

Scott Beesley, Jr., Chairman, The F & M Bank & Trust Company, Tulsa, Oklahoma, says:

"Standard Life does the greatest job on credit insurance... we offer our customers every plan they have!"

"Here in Tulsa, they call F&M 'The Innovators'; we're a very progressive bank just celebrating our Silver Anniversary."

"I think Standard Life must be the innovators in credit insurance. I know they've made it available almost as long as we've been in business; and they were first to offer us Joint Credit Life. Now, Standard Life's new program to insure the credit lines of our commercial loan customers has a lot of promise."

Scott Beesley, Jr. displays an enthusiastic community pride in the Arkansas River Navigation project's Port of Catoosa; and in Tulsa's role as Oil Capital of the World. Before coming to F&M (formerly Farmers & Merchants), Scott had been an executive officer of banks in Arizona and Wyoming, as well as Oklahoma. He knows what it takes to serve a bank's credit insurance needs well.

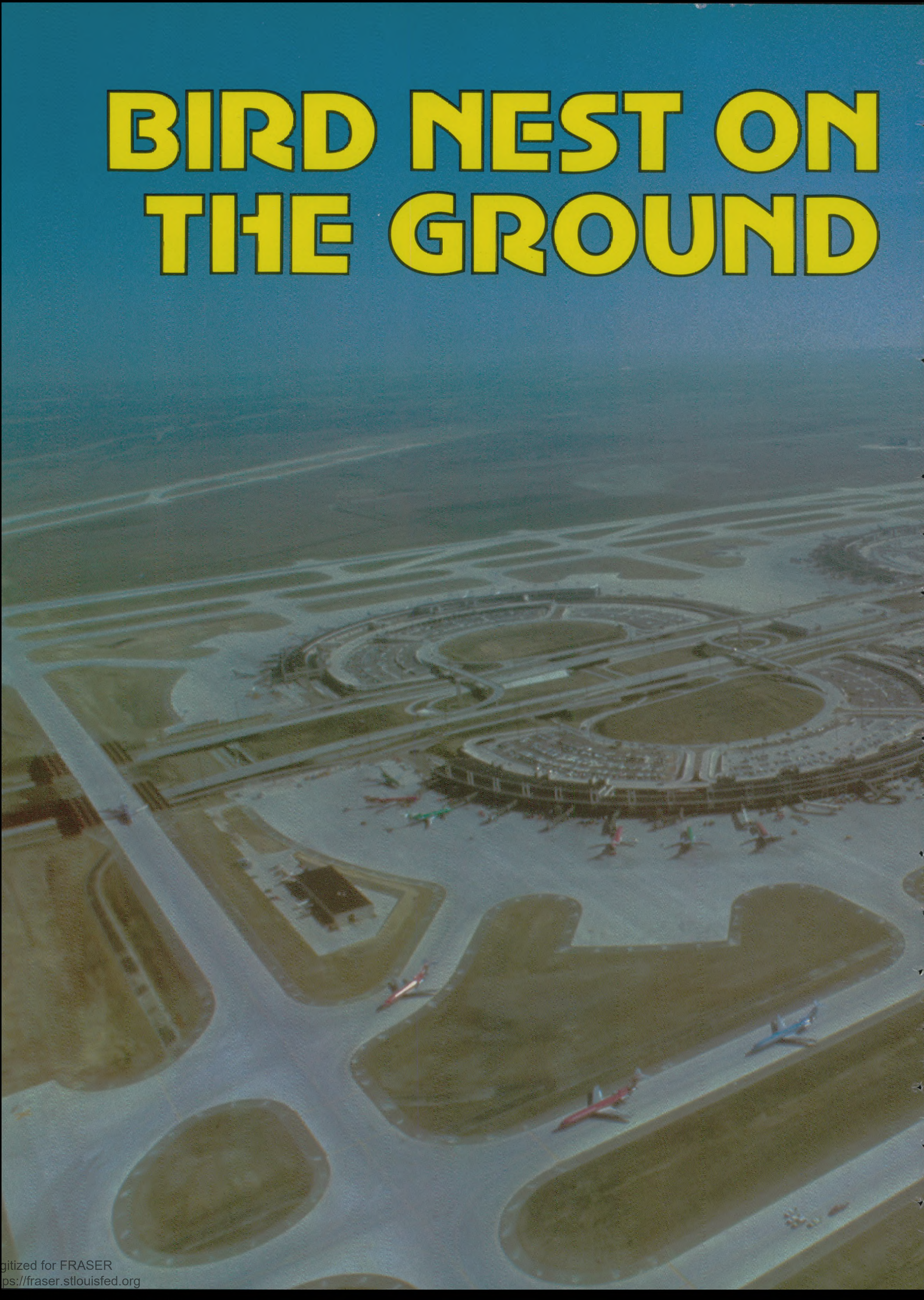
"We're impressed by the caliber of Standard Life's representatives. They're specialists in banking insurance; better informed about our particular problems and needs. That's why their service just couldn't be better. We get the signatures, and they take it from there!"

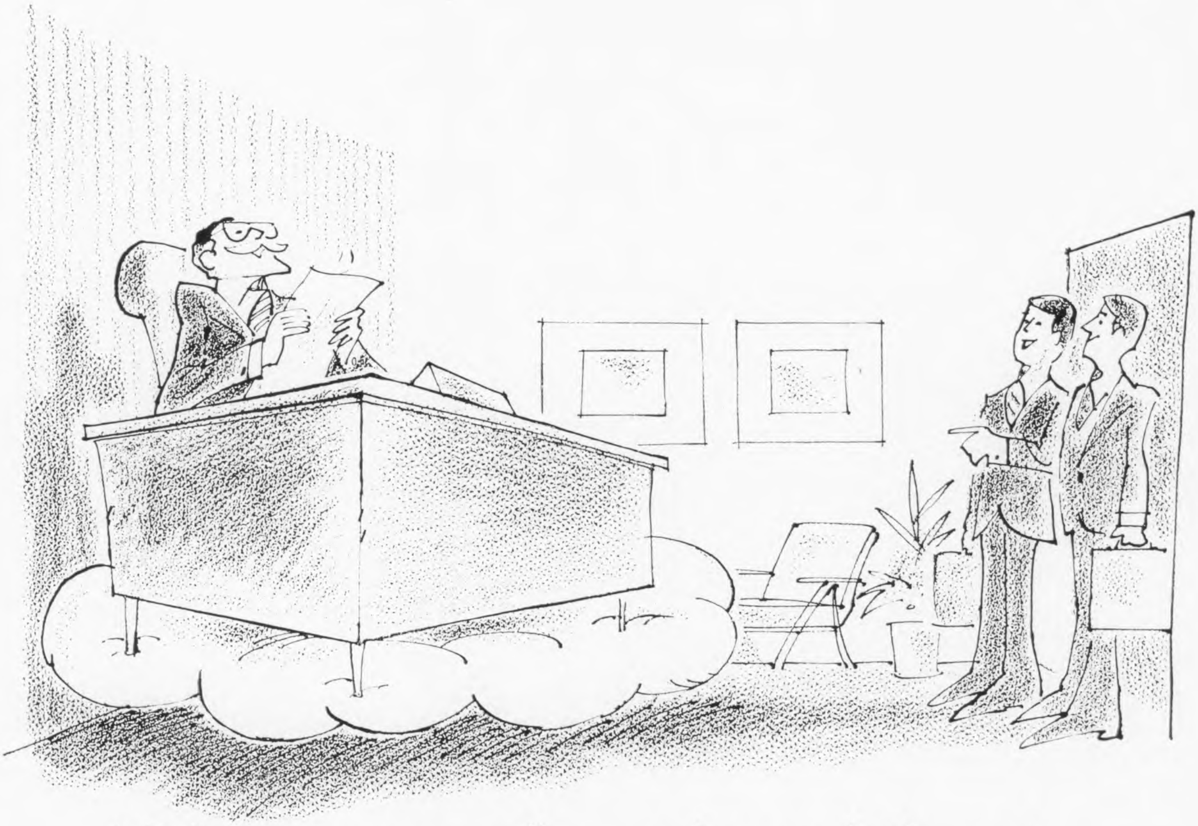
If credit insurance specialists with unbeatable service and a full line of excellent plans is what **your** bank needs, write or call collect: Gordon Green, Vice-President, Credit Insurance Division, (405) 232-5281. Set your credit insurance profits ticking on **Standard** time.

Standard Life
AND ACCIDENT INSURANCE COMPANY
Oklahoma City, Oklahoma

STANDARD LIFE FAMILY OF COMPANIES: Standard Life and Accident Insurance Company • Standard Title Insurance Company • National Guaranty Insurance Company • Standard Life and Accident Insurance Company of California

BIRD NEST ON THE GROUND





"...D&O insurance really smooths out the bumps"

Court Cases Point Up Need for Protection From Suits Against Directors, Officers

ALTHOUGH MANY banks have made investigation into directors and officers liability coverage, relatively few have elected to make its protection available to key personnel (see box).

What are some of the situations that make a bank and its management vulnerable to suits of various types? Bankers may ask themselves why they should have D&O. What can happen to the bank? What has happened in other banks that has led to suits and awards made by the courts?

Following are cases illustrating areas of personal liability of bank directors and officers.

• *Bates v. Dreser—251 U.S. 524.* This case is concerned with the failure of bank directors to exercise sufficient oversight over the cashier and other officers and agents to prevent such acts on the part of these employees as embezzlement or the making of illegal or unsafe loans. In this case the director liability was dismissed but the president was held liable for negligence in failing to uncover the embezzlement caused by the employee.

• *Harris v. Pearsall et al—190 NYS 61.* The directors of a bank may be held liable for losses due to bad loans made by their predecessors in office, where they are negligent in failing to take steps to prosecute the former directors and recover the amount of the losses. The plaintiff was awarded a judgment in an individual capacity and judgment was also awarded against the directors in a representative capacity for the total amount of the loss, even though the majority of the stockholders ratified the previous loans and did not acquiesce in the suit against the current directors.

• *Anderson v. Akers et al—7 Fed. Supp. 924.* The receiver of a national bank sued its directors to recover damages claimed to have been sustained by the bank as a result of the alleged failure of the defendants to properly perform their duties as directors. Defendants who were both officers and directors were liable for damages in the aggregate sum of $6.5 million. Certain defendants who were directors but not officers were liable in various sums totaling $518,000. The plaintiff in this case contended that the defendants were liable both by reason of their violation of various provisions of the National Banking Act and also because they failed to exercise the reasonable care required by common law of directors of a national bank.

• *Chicago Title & Trust Co. v. Charles Munday—131 N.E. 103.* In an action by the receiver of an insolvent trust company against the officers and directors of the company, it was alleged that the bylaws provided for a board of 15 directors, five of whom should constitute a quorum; that the

BAI Surveys D&O Coverage

The majority of banks surveyed recently by the Bank Administration Institute do not carry officers and directors liability insurance. Results of BAI's insurance survey appear in the February issue of *The Magazine of Bank Administration.* All banks reporting had assets in excess of $100 million.

Most of the banks responding to the survey (83%) said they did not carry D&O, and that they had considered coverage at some time but had rejected it, primarily because of the high cost. The second most-mentioned reason for not carrying this coverage was limitations of the coverage itself.

Among the banks that do carry D&O, coverage in the group of banks with assets between $100 million and $500 million ranged from one-half million dollars to $15 million. Banks with assets over $500 million reported a coverage range from one-half million dollars to $20 million. Average coverage in the first group was about $2 million; in the second group it was about $7 million.

A number of banks reported that only senior management was covered with D&O protection and one bank reported that the cost of D&O was shared by the officers and directors and the bank.

business of the bank was entirely conducted by the president and vice president; that some of the directors were dominated and controlled by the president and vice president, while others took no part in the management of the bank and paid no attention to its affairs, thus enabling the president and vice president to make unsafe loans and to misapply the funds of the bank, bringing about its insolvency. It was held that these facts, if proved, would establish personal liability on the part of the directors.

• *Atherton v. Anderson—99 F. 2d 883.* Bank directors were held liable for their failure to learn of large ultra vires loans made by the president and to prevent him from making further loans of the same sort. They had discontinued an examining committee of three directors which had formerly operated as a check on the president, and had not looked at the reports from the national bank examiners, except such extracts as the president chose to read to them.

• *Hart v. Guardian Trust Co. et al—75 N.E. 2d 570.* The superintendent of banks of Ohio brought action against former directors of an insolvent bank for losses caused by the maladministration of the directors in allowing the bank to act beyond its corporate authority and in violating provisions of the Banking Act. The case was the result of nine years of litigation and contained 97 causes of action which in themselves ran to 318 pages.

• *Gamble v. Brown—29 Fed. Rep. 2d 366.* The directors were held personally liable to creditors where the bank failed as a result of fraudulent acts of the vice president, whom they permitted to run the bank, and it appeared that the directors neglected to hold or attend monthly meetings, to cause the affairs of the bank to be periodically examined and audited, to cause the loans discounted by the bank to be passed upon by a discount committee and to bond the vice president.

• *Finley v. Exchange Trust Co., Oklahoma—80 PAC. REP. 2d 296.* The directors of a trust company, acting as trustees, who are present and participate in the approval of negligent investments of the trust fund, will be presumed to have knowledge of the fact, rendering such investments unsafe, in the absence of a contrary showing, and may be held personally responsible for any loss sustained by the trust estate.

• *Solomon v. Bates—118 N.C. 311.* If bank directors do not manage the affairs and business of the bank according to the charter and bylaws, or fail to use ordinary diligence to supervise the conduct of their office and to understand the condition of the bank, and loss ensues, they are liable for all losses their misconduct may inflict either upon stockholders or creditors.

• *First National Bank v. Smith—150 S.E. REP. 605.* In an action by an insolvent national bank against its directors to recover sums of money alleged to have been misappropriated and misapplied by the directors, the release, pending the suit, of some of the directors will not release the other directors from liability.

D&O underwriters can report on dozens of other actions that have involved banks. Following is a sampling.

• A shareholder filed a derivative action against a banking corporation charging directors with dereliction and demand for reimbursement and damages in connection with political contributions by the defendant.

• A suit was filed against a bank charging dismissal from employment based on false information resulting from a conspiracy of a director and officer so that the law firm of the director would secure the bank's business. There also is a claim for damage to reputation.

• A plaintiff alleges illegality, overreaching, fraud and solicitation of professional counsel in connection with the granting of a construction loan. Plaintiff alleges he was compelled to use counsel ordered by the defendants and not informed that the counsel were general counsel for the defendants so that there was a conflict of interest on the part of the counsel to the detriment of the plaintiff.

• A suit was filed against a bank and directors and officers charging libel and slander in the closing of plaintiff's account at defendant's bank and also disseminating wrongful credit information.

• A suit alleges that certain directors and officers of the insured violated the securities laws in an attempt to beat back a takeover by a bank holding company. The claim sought injunctive relief and also equitable relief to tender the shares.

• A complaint was filed alleging that the bank, as trustees, improperly handled certain real estate property. The action was contested by the bank and ultimately a dismissal with prejudice was obtained. Attorney fees allocated to directors and officers were substantial and above the deductible.

• A class-action suit on behalf of all former and present patients of a hospital alleged generally that a number of defendants, including other banks, did banking business with the nonprofit organization and generally kept trust funds in non-interest-bearing accounts.

D&O is still considered a relatively recent insurance coverage. Bankers who do not keep abreast of current situations in the liability area may not realize the extent and type of risks facing bankers.

This article is in no way an attempt to alarm directors and officers. Rather, it is an attempt to inform them of the possible claims that can arise in the course of the banking business. D&O is designed to protect bankers involved in such claims and to assume the high cost of defense against them. • •

De-Risk Loans

(Continued from page 52)

is lost, stolen, damaged or destroyed. The blanket policy protects the bank's security on every individual loan, covers direct and dealer purchased paper, pays losses up to replacement value, unpaid balance or cost to repair at the time the claim is made, whichever is least.

The policy may cover existing loans, except on cars where scheduled payments are over 60 days past due. It may include losses occurring after repossession. It covers light panel and delivery trucks up to one ton, but does not cover mobile homes or cars transporting persons for hire.

Every time a borrower agrees to carry insurance payable to the bank and doesn't do it, although the bank requested it, the bank is automatically covered under the policy. The bank is covered if the borrower's policy lapses, is voided or canceled out and the borrower didn't insure or renew after notification. The bank is covered if the insurer becomes insolvent or the insurance becomes uncollectable for any reason, including denial of liability by the primary carrier.

• Lenders perfected lien insurance reimburses the bank whenever it can't recover a chattel or retain the proceeds because the bank didn't perfect its security interest, if at the time the bank made the loan it was in a position to do so under the Uniform Commercial Code.

The policy indemnifies up to the full amount of the unpaid balance, or the actual value of the collateral, or the amount of money the bank has to pay out to put the bank in possession of the collateral, whichever is least—the same position the bank would be in had it perfected its security interest.

These are just a few of the specialized insurance coverages available to bankers to de-risk loans. Most underwriters have long lists of others. And they're all designed to encourage bankers to protect their customers—and themselves! • •

Customers Buy 'Nest Egg' Life Insurance Through Bank-Sponsored Programs

"HELLO, Tom, I'm Bill A. from North Central Life of St. Paul. I know you've been curious about the letter you received recently from your bank concerning our new "Shatterproof Nest Egg" program, and I'm here to tell you what it's all about.

"Simply stated, Tom, we've made arrangements with your bank to provide a unique accumulation and protection program that will help you achieve a specific financial goal—whether you live or die. Or become disabled.

"This program is available at this time only through your association with the bank. As you will see, it would be very difficult for you to duplicate it on your own.

"Now, before I go into specific details of the plan, Tom, let me tell you more about who we are and how we happen to be here working with your bank . . ."

The above introductory conversation, conducted by a special agent for North Central Life, is typical of many that are taking place in towns all over the upper Midwest.

With increasing economic pressures causing banks to seek more creative ways to service customers and sustain profits, North Central Life has developed and refined a program that offers advantages—financial and otherwise—to the banking community.

Although several banks across the country have begun to experiment with life insurance as an incentive for customers to open checking or savings accounts, North Central has provided a different tack.

As indicated above, the "Shatterproof Nest Egg" is life insurance that provides bank customers with an unusual way to accumulate money for important and worthwhile purposes anytime in the future—whether they live or die. The program features an automatic, fixed amount (usually $10 or $20) monthly deduction from the customer's checking account, and a variable interest rate paid by North Central that allows the customer's plan to keep pace with the growth of the economy.

The customer chooses a specific accumulation goal he would like to achieve over a period of time and selects the exact amount of money he wishes to have deducted each month. North Central then backs his goal with flexible life insurance. If he dies, the customer's plan is completed immediately and paid directly to his family. If he becomes sick or hurt and cannot work, there is a provision to continue the program on his behalf.

The customer may increase or decrease his deduction at any time or he may discontinue the plan at his option. He may withdraw all of his cash value, leave it as a paid up plan, or, at retirement, use it as a lifetime account.

The program is vested by North Central through a "reserve accumulation fund" set up for each customer by the company. The deductions which go into the fund are in effect premium payments to North Central, but have the added benefit of the flexible interest rate working for them.

North Central Life financial planning agents do all of the legwork for the program—personally calling on all eligible (must have a checking account) customers from lists provided by the bank, and providing the necessary sales promotion material and administrative implementation. The bank is paid a substantial service fee for handling

Banks Recommend Plan

Bankers cooperating with North Central Life in its "Shatterproof Nest Egg" insurance program speak highly of the plan.

Northwestern State, Cumberland, Wis., went into the program for three reasons: To assist customers in building their insurance protection, as an added customer service and as an additional source of income for the bank. The bank reports customer complaints about the program to be almost non-existent. It also says the program is a money-maker for the bank.

First Bank, Grantsburg, Wis., reports that the most important aspect of the program is the manner in which it is handled by company agents. Two agents lived in Grantsburg during the sale period and were available at any time for questions which came up from time to time from customers. The customers were pleased with the soft-sell approach by the agents.

Keeping them healthy and wealthy is wise.

Group Wealth Insurance — Directors' and Officers' Liability from MGIC — usually costs less than group health insurance. Yet the potential dollar benefits can be substantially greater. D&O protects you against personal financial loss from legal liabilities, actual or alleged. And it reimburses banks which indemnify their own personnel.

Tailored especially for the needs of bank directors and officers, MGIC D&O Insurance covers defense costs as well as settlements and judgments. Whether you settle or fight, with MGIC you're in the driver's seat in deciding how best to protect your financial interests, and your standing in the community.

You depend on your management team, and they depend on you for financial security. Protect them with Directors' and Officers' Liability from MGIC. With lawsuits becoming more and more prevalent, it's a wise policy. Ask your MGIC representative for full information. Or call Dennis Layne or Ed Walline in our home office. Dial toll-free 800-558-9900; in Wisconsin, the toll-free number is 800-242-9275.

Money Protection. MGIC

MGIC Indemnity Corporation, a subsidiary company of MGIC Investment Corporation.

certain functions, such as the monthly checking account deductions.

According to North Central, the program offers the following advantages to participating banks:

First, the program fulfills a need among the bank's customers—a need of which, surprisingly, most bankers are not fully aware. It is an established fact that most people are underinsured and do not have the financial security they should have in the event of sudden death or family emergencies. This is particularly true in smaller towns and rural areas where, somehow, the average-size bank's customer has been overlooked by the life insurance salesman and has a genuine need for a program such as this.

Examples abound, from conversations with banking officials, of estate settlements which, too often, showed little or no insurance benefits to offset final expenses and contribute to future needs. In this day of "full-service banking," with many customers looking to their banker for nearly all of their financial advice, many bankers feel a need to bring this kind of information to their customers.

Second, the program serves a public relations function for the bank, without any cost. It makes available an extra service for the bank's customers, one that is available exclusively through the bank and that is presented by financial planning agents of North Central Life. These agents are trained to demonstrate the same professional care and competence that they would if they were on the bank's own payroll.

Third, the program provides a new source of income to the bank. The previously mentioned service fee averages $3,000-$5,000 for the typical bank during the first year of the program (depending on the number of customers), and $1,000 to $2,000 each year thereafter. Perhaps even more importantly, a depository is established at the bank when a minimum number of customers has signed up for the program.

Fourth, the program is on-going, with a North Central Life general agent appointed to service the bank's customers on a full-time basis after the initial plan has been put into operation. This maximizes service to the bank and its customers and minimizes problems that might develop with the home office.

Finally, the program requires no obligation on the part of the bank except the preparation of its customer list and the signing of an announcement letter. North Central handles the entire program from that point on. It is not necessary for the banker to work with the special agent, write applications, call the customer into the bank, handle future service work, obtain a required number of participants, operate within a limited enrollment period, or any of the things which have caused bankers problems in the past in working with insurance companies.

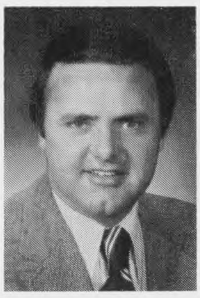
To date, the "Shatterproof Nest Egg" program has achieved some rather impressive success statistics. After a little over a year and one-half, the program had been taken on by nearly 100 banks in five states with about 6,000 customers enrolled. The number of participants is expected to triple in the next two years. Just under 20% of all eligible bank customers contacted have signed up for the program. • •

Missouri Bankers Assn. Young Bankers Conference Scheduled for April 17-18

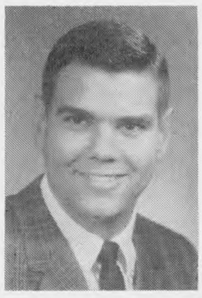
The 10th annual Young Bankers Conference of the Missouri Bankers Association will convene April 17-18 at Tan-Tar-A Resort, Osage Beach, Mo. Chairman this year is William W. Gillmor, cashier, Missouri Bank, Kansas City. Vice chairman is Michael G. Harper, vice president, Plaza Bank, Kansas City.

The program for Wednesday morning, April 17, will include a call to order by the chairman. Kermit Hansen, president, U. S. National, Omaha, will speak on "The Road Ahead—Are You Committed?"; George B. Ward, director of the ABA's personnel division, will follow with a presentation entitled "Personnel and Labor Relations"; and Ronald G. Garthwaite, director of public relations and advertising for United Missouri Bank, Kansas City, will speak on "Marketing Is for Small Banks, Too!"

Following a luncheon at which officers will be nominated and elected, panel discussions will be held concurrently and repeated later in the after-



HARPER



GILLMOR

noon. Horace Dunagan Jr., president, First State, Caruthersville, and Jim F. Hudson, president, South County Bank, Ashland, will discuss "Better Ideas for Personnel and Operations." H. Duane Pemberton, president, Southern Missouri Trust, Springfield, and Richard S. Pryor, president, Bank of Jacomo, Blue Springs, will discuss "Better Ideas for Higher Profits."

A banquet and entertainment are included in the evening.

Thursday's program will include a session on bank security, conducted by the FBI, a report on the Young Bankers statewide economic education program, given by John W. McClure, correspondent banking officer, Mercantile Trust, St. Louis, and John D. Novak, vice president, Grand Avenue Bank, Kansas City; "Taxation of Banks" by Thomas Curry, partner, Touche, Ross & Co., Kansas City; and a talk by James I. Spainhower, Missouri state treasurer.

Mr. Gillmor has been with Missouri Bank for five years. In addition to duties as cashier, he serves as assistant trust officer. He has attended the Missouri, Kansas and Nebraska Bankers Associations' Intermediate School of Banking and has been Kansas City area economic education co-chairman, state of Missouri economic education co-chairman and vice chairman of the Missouri Young Bankers.

Mr. Harper joined Plaza Bank in 1971, and he is in charge of the savings and real estate mortgage loan departments. Prior experience includes service as a stockbroker and journalist.

■ UNITED BANK, Chattanooga, has promoted Jimmy L. Goddard from assistant vice president and cashier to vice president and cashier and named Gregory L. Riddle manager of its new St. Elmo Branch.

Upward Surge

(Continued from page 40)

tinued use of equipment upon termination of a lease.

A business can avoid a large capital expenditure and the resultant draw on working capital by leasing. This aspect of leasing is particularly beneficial to a lessee who can more profitably invest his working capital in other earnings assets (i.e., inventory, etc.). And, in periods of costly money, leasing is one of the few ways in which small companies without access to credit can obtain new equipment.

The financial projection process is simplified in that lease payments are fixed and constitute a cost that can be accurately projected and measured against revenues produced by the leased equipment.

Leasing enables a company to deal with a single financing source when purchasing various pieces of equipment from different suppliers. In addition, all transportation and installation costs can be included in the leasing package.

Leasing simplifies bookkeeping for tax purposes, as lease payments are fully deductible business expenses and replace the need for asset, depreciation, etc., bookkeeping entries.

The major obstacle facing many banks entering the leasing market, Mr. Deters says, is possibly being at a competitive disadvantage. Although their cost of funds is normally lower, banks are faced with numerous legal constraints regarding what they can lease and under what conditions. For instance, banks can lease only personal property—theoretically no real estate, no leasehold improvements, no turnkey leases.

Even more damaging is the fact that banks are still limited to full-payment leases, which require full amortization of equipment costs. This is particularly discouraging when bidding against leasing firms that can offer operating leases that are renewable and which in effect protect the lessee from equipment obsolescence.

Banks must be involved only in net leases, those in which all maintenance, insurance and tax expenses are borne by the lessee.

Finally, banks are, again theoretically, limited to offering customers only fair market value purchase options. Those leasing firms that can dictate a dollar purchase option amount can inject that into their yield and lower their rate accordingly.

In spite of present contraints, Mr. Deters says, the leasing market is an extremely attractive one and one in which banks can compete actively and profitably. • •

■ FIRST INTERNATIONAL BANCSHARES, INC., Dallas, has formed two new subsidiaries. They are First International Services Corp., which offers a variety of services to the HC's member banks and their customers, including data processing, interbank transportation of items, electronic communications and marketing services; and First International Investment Management, Inc., which will provide investment advisory services to trust departments of HC member banks and direct portfolio advice for certain types of investment accounts. Both subsidiaries are headquartered in Dallas.

Home Improvement Loans Are Insurance For Ailing Installment Credit Industry

WHAT effect is the energy crisis having on the installment credit industry? Will the economic situation create greater problems for large metropolitan banks or for suburban and rural institutions? What alternatives do bankers have to offset the negative effects of the energy situation?

SCHUMANN

These and other questions are answered in the following question-and-answer dialogue with William F. Schumann, president, Insured Credit Services, Inc., Chicago-based home improvement loan insuror, which, this year, observes its 20th anniversary.

* * *

Q. What impact do you see the energy crisis having on the installment credit industry?

A. Judging from the responses we've been getting from across the country, the impact is, and will continue to be, quite dramatic. The most apparent problem has been an immediate drop off in auto loan volume causing substantial changes in portfolio mix. Other fuel-consuming products, such as boats, airplanes and recreational vehicles have also seen sales plummet and this is being reflected in these mix elements as well.

One fairly typical example is a midwestern bank which last September had 72% of its portfolio in automobile paper. In the past two months it has experienced a runoff in outstandings of nearly $1.5 million. Traditionally, most commercial banks have been rather top-heavy in auto loans and now are searching somewhat anxiously for alternatives.

A second—and perhaps equally important—area concerns defaults and delinquencies. The energy crisis has adversely affected vital industries such as autos, trucking, plastics and airlines, causing lower employment. This, in turn, has created a reduced payment capacity for many current loan holders and will inhibit future new loans. When one considers further cutbacks in other petroleum related industries, the general economic implications suggest a continuing squeeze on personal income.

The combination of these two economic realities has caused many installment bankers to aggressively seek increased diversity into areas showing greater immediate long-term profit potential and stability.

Q. Hasn't the boom in sub-compacts and compacts helped take the sting out of lost auto loan volume?

A. Not really. Although *unit* compact sales are up, these increases do not nearly approach previous *dollar* volume generated from full-size and luxury models. In fact, our lenders have found the average finance balance is off approximately 25% from just two or three months ago. What has resulted is not only decreased dollar volume, but higher overhead and operating expenses, because bank paper work and personnel requirements remain constant whether one is talking about a loan for $2,500 or $4,500.

Q. How has the depressed auto market affected those banks involved in auto leasing operations?

A. Banks participate in this market on two levels, either on a direct basis or through financing of leasing companies. They are being adversely affected because the bottom has fallen out of the full-size and deluxe resale market. Most leasing operations which concentrate in these types of vehicles for professionals and executives rely on the residual sale value to generate their profits. Existing leases, where profits were computed prior to the energy crisis, have become almost worthless based on today's nonexistent resale market. Future bank participation may be substantially reduced for the near term and efforts will be concentrated on working out of current problems. I think we may even see a number of banks drop out of this area entirely until resale values begin to firm again.

Q. Will the current economic situation create greater problems for large metropolitan banks or for suburban and rural institutions?

A. That's a difficult question, because every bank necessarily approaches its credit policies differently, depending on local market conditions. However, it is my feeling that larger metropolitan banks, which often have substantial third-party portfolios and participate in dealer floor plan financing, will be most affected. Suburban and rural banks, which are oriented toward direct, retail activity will see less of a decrease in walk-in volume.

With full size auto inventories at record highs and sales well off, indirect lenders also have had to wrestle with the problem of curtailments on dealer inventory financing. They have a quandary in that enforcement of reduction payments contractually called for might close down the dealer, and lack of enforcement, while collateral value is decreasing, further jeopardizes their position. The lender could lose either way. It's really a question of how much, given the chosen course of action.

Q. With the prospects for fuel-consuming products appearing so bleak, what lending alternatives do you see providing the earning power and security needed for profitable installment banking?

A. The strongest market, both in terms of volume and security, appears to be home improvement loans. Industry sources estimate this market to reach $25-26 billion in 1974, versus the projected 1973 volume of slightly over $20 billion. When you consider one home in five either needs major repairs, or an addition because of family-size growth, these figures must be viewed as being rather conservative. I've seen some estimates placing 1974 volume as high as $28 billion.

Q. What factors are contributing to

(Continued on page 84)

5 ways Integon makes your credit insurance more profitable and less problem.

1 YOU'RE NOT ORPHANED.
You don't get signed up, then left out. Even after your program is set and running smoothly, your Integon representative comes to see you about every six weeks. To see that everything keeps running smoothly. Of course, if anything comes up between his regular visits, he's at your call.

2 YOU GET THE TOOLS.
You can't sell from an empty barrow; so we make sure you always have all the supplies you need. Your Integon representative will check and replenish them on his regular calls. And if you ever need anything, you can just call him, or call the home office, or send one of the stamped, addressed order cards we provide.

And since rates vary from state to state and loan to loan, we double check every shipment you get. (We can't afford mistakes, either.) The supplies are free, and so are the complete Monthly Payment Charts that Integon provides, to save you time and work.

You get this total field and home office support on every Integon service; Security Protector Plan, Single and Joint Credit Life, Credit Accident and Health, Monthly Outstanding Balance programs, and our $10,000-Ten Year Term plan.

3 YOU GET THE TRAINING.
At the outset, and whenever you have a new Loan Officer come aboard, your Integon representative provides a complete training presentation. This unique audio-visual indoctrination helps your staff to sell better and earn more for the bank.

As part of the training, you receive a thorough Reference Manual detailing the whole Integon program of Life and Health coverage, contract limits, maximum terms, samples of all charts, forms and certificates, procedures for claims, refunds and reports, and how to sell.

4 YOU KNOW WHERE YOU STAND.
You handle credit insurance to protect your loans, to protect your customers, and to make some money. Each month, if you wish, you receive a computerized status report showing your commissions, claims, premium income by branch and by month, plus year-to-date totals and aggregate totals since your contract began. Meanwhile, your Integon representative works with you to improve market penetration, cut the loss ratio, and make the whole operation as easy and profitable as possible.

5 YOU'RE NOT IN OUR BUSINESS.
You're in banking; and we keep that in mind. All the paperwork is designed for ease, speed, and completion by Loan Officers, not Underwriters.

GET THE DETAILS.
These are just the highlights of Integon's professional approach to complete credit insurance for you. For all the facts, call or write to J. Wayne Williard, Jr., Assistant Vice President, Credit Insurance, 420 N. Spruce St., Winston-Salem, N. C. 27102.
Telephone 919/725-7261.

INTEGON®
LIFE INSURANCE CORPORATION

Telephone Plays Major Role In Most Extortion Attempts

Publication lists steps to take to thwart callers

THE TELEPHONE is perhaps the most essential instrument involved in an extortion plot. It enables the criminal to remain anonymous and it gives him ready access to a banker. The immediacy of a phone call sets the scene for fast action, prompted by fear for the safety of one's family.

The illustrations on the facing page show how simple it is for an extortionist to operate by telephone. He can call a banker's wife and request that she not answer the phone for a given period of time, no matter how often it rings, stating that the rings will be meaningless as the phone line is being worked on.

Knowing that the banker's wife will be unavailable for that given period of time, the extortionist can call the banker, make his demands and be assured that the banker will not be able to contact his family.

Many a successful extortion plot has unfolded in just that way, according to "Spectrum," a publication of Minimum Risk Banking, a division of Execudec, Inc., internal security consultants, Wausau, Wis.

Typical was the case of the banker who received an anonymous phone call from a person claiming to have kidnaped the banker's wife and daughter. The caller gave the victim a series of detailed instructions, telling him to take $100,000 from the vault, place it in a briefcase and leave the briefcase on a bench in a downtown mall. A four-minute deadline was imposed and the banker was told that if he attempted to notify the police or did not follow the instructions to the letter, his wife and daughter would be killed.

The banker immediately attempted to call his wife but received no answer after many rings. He then unsuccessfully attempted to contact the bank's attorney and his own personal attorney, but was able to reach only the latter's partner. He informed this attorney of the call and said he could not risk the lives of his family. The attorney agreed. The banker then told several employees about the call and they gathered the ransom. The banker left with the money and the employees called the police. Before the police arrived at the money drop, the briefcase was gone.

The banker's wife was contacted eventually and it was learned that neither she nor her daughter had been held hostage. The wife explained that for the past two weeks she had been receiving numerous harassing phone calls, including two on the day of the crime. After the second call was received, a person identifying himself as a telephone company employee called and instructed her not to answer the phone for the next hour to enable the telephone company to complete its investigation of the prank calls. Thus, when the banker called his wife, she did not answer.

The extortionist was never identified nor was any of the $100,000 recovered.

Execudec officials say there are ways to thwart extortioner's tactics. The "Spectrum" article advises bankers and their wives to make themselves familiar with the workings of the local telephone company. By so doing, they can determine whether an extortionist posing as a telephone company employee is telling the truth when he discusses telephone procedures.

Perhaps more important, bankers' wives should be instructed to question any caller representing the telephone company. She should ask for his name, his employee identification number and the name of his supervisor. Then she should tell the person that she is going to hang up and then will call the phone company (using the number listed in the directory) to ascertain the veracity of the situation. The wife should never use a number offered by the caller. Upon reaching the supervisor, she can readily verify whether the telephone line is being worked on, or whatever the anonymous caller told her.

If the caller's story is false, the banker's wife should immediately call her husband, to prepare him in case the extortionist was not deterred in his efforts to bilk the bank.

The next step would be to inform the police and for the wife to take any pre-planned action to insure her safety (such as locking all doors, going to a neighbor's house or to the bank, etc.).

The "Spectrum" article stresses that bankers and their wives should develop a personal plan of action to be placed in effect if the wife receives a suspicious phone call and/or finds that she cannot use her phone to call her husband at the bank. Such a plan would depend on many individual sets of physical, familial and psychological variables.

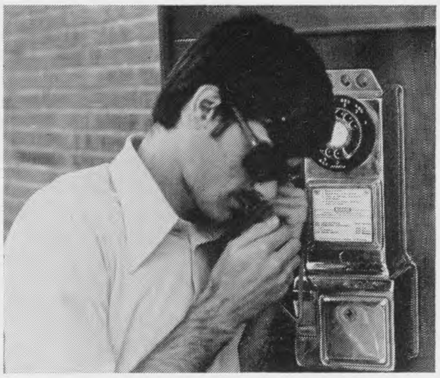
In some instances, it might be convenient for the wife to go to a neighbor's house to make the phone call to the bank; in other instances, this may not be practical because the nearest neighbor is too far away or the wife is too frightened to leave the house. Also, a plan of action appropriate to one time of day may not be practical at another time.

. . . unless fully satisfied that a caller's threat is only a threat and does not involve actual kidnapping, a banker must honor the caller's demands.

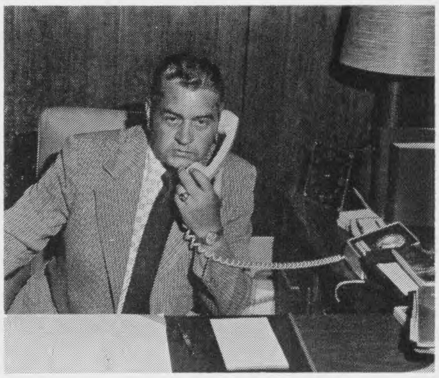
Scenario of an Extortion

"I'm with the phone company. We'll be working on your line for about the next hour. Your phone may ring. Please don't answer it."

"O.K. Thanks for letting me know."



"If you want your wife and daughter back, take $50,000 . . ."



"What!"

"She's not answering. She's not at home. They must have kidnapped my family."

"No, Susan, it's just the telephone company ringing."

A banker receiving an extortion call should adhere to the following procedure, according to the "Spectrum" article:

He should attempt to verify the threat (by calling the person said to be held hostage), to notify another bank officer and to notify the FBI.

If a banker receives a phone call from a kidnap-extortionist claiming to be holding a hostage, the banker should attempt to verify his claim during the conversation. Questions should be asked of the caller, such as: Who is this? How do I know this isn't a prank? What is the hostage wearing? May I talk to the hostage to verify this call?

If verification cannot be determined before the caller hangs up, the banker should take the following actions, according to the "Spectrum" article.

1. Notify another bank officer and tell him of the demands made. This officer should notify the police and begin assembling the ransom package.

2. Call his home in an attempt to reach the hostage. If the home is equipped with a second line with an unlisted number, this line should be used.

3. If the hostage cannot be reached, the banker should notify the bank's switchboard that the hostage might be calling soon, that the incoming call is very important and that the banker will be at such-and-such place in the bank to receive the call.

4. The banker should also call the telephone company's business office and inform the office supervisor of the emergency and ask that appropriate measures be taken. The supervisor can determine if the home phone line has been cut or if the line is in use. If it has been cut, the supervisor should inform the police and FBI; if the line is in use, the supervisor can break in and relay a message to the hostage.

5. If contact still is not possible, the banker should consider locations where the hostage might be, such as stores, club meetings, etc., and place calls to those locations in an attempt to contact the hostage.

Bankers are advised that, unless they are fully satisfied that the caller's threat is only a threat and does not involve actual kidnapping, they must honor the caller's demands.

The "Spectrum" article includes additional information on the topic of how to thwart an extortion attempt. Copies of the article are available from Minimum Risk Banking, 221 Scott Street, Wausau, Wis. 54401. The firm also offers a "Kidnap/Extortion Security Handbook" as a source for additional materials and systems on the subject.

It Couldn't Happen to Me —But It Did!

By CECIL PASSMORE JR., President, Knight State Bank, Dexter, Ga.

"IT COULDN'T happen to me." I do not recall having made such a statement but I am sure it was in my subconscious mind.

On the night of August 29, 1973, the impossible did happen. Five masked gunmen invaded my home, held me, my wife and our two-year-old son hostage. We experienced six hours and 20 minutes of horror and are left with a lifetime of accepting and adjusting.

The Wednesday evening in question started as usual with a quiet meal at our home. Mark, our young son who has all the curiosity and energy of any normal two-year-old, was anxious to go to "prayer meeting" at our church. We attend this service almost every Wednesday night. It's impossible to predict the manner in which God answers prayer and I'll not attempt to do so now. However, I offered this prayer on this particular Wednesday night: "God, if You have something You want us to do, then show us the way because we want to do it."

Fifteen minutes after the close of the meeting, as we parked under our carport and opened the doors of our automobile, we were suddenly approached by three masked men with sawed-off shotguns. As I opened the door and faced the shotguns my first reaction was that they scared me. Of course, this was the understatement of the year. I reached to the dash of my car and picked up my Bible before getting out of the car. "Faye, do what they say," I uttered as I saw her holding Mark closely to her.

We were ordered into the house at gunpoint and told not to turn on the lights. Out of habit, Faye flipped the master light switch, and there in our home were two more gunmen with revolvers pointed directly at us. Two of them quickly took Faye and Mark to another room. I was told to sit down and the interrogation began.

"You know what can happen to your wife and son if you do not cooperate," I was told.

"First, you must assure me no harm will come to my wife and boy and you must bring them in here with us before I will tell you anything," I said.

This was quickly done. The separation of a family is used to break resistance, and it often works. All imaginable thoughts were going through my mind, but the highest priority was, and still is, that no harm be done to my wife and child.

I learned in a matter of minutes that these people knew their business and a lot about mine. My every movement had been watched by the robbers or some of their group for the preceding two weeks. As the questioning proceeded, I was amazed at how calm Faye was. She was quietly singing "Happy Birthday" to Mark, thus making a game for him. At one point, Mark sang "Happy Birthday" to the men. Also, he asked, "Man, will that gun go bam-bam?" You can imagine my feelings at that point. I later learned from Faye that her total thought was to keep Mark calm in the hope he would be left with no emotional scars.

The robbers discovered their slip-up about this time. Because we're located in a small rural area, we close our bank on Thursdays and are open on Saturdays. This policy blocked admission to the bank's safe the following morning because of the time lock. Because our bank building was erected around the turn of the century, we still have a combination vault door, and the gunmen knew about it. They discussed holding us until Friday morning, when the vault would open, but decided instead to go to the bank and empty the safe deposit boxes.

At about two o'clock in the morning we were taken to the bank. I was told to get out of the car along with four of the men. My wife and son were taken as hostages in my automobile by one of the robbers. I had no idea where they were to be taken. The robbers maintained walkie-talkie communications between the bank and my car at all times. I realized the danger if I set off any alarm. They broke open every safe deposit box in the vault and took all cash and securities as well as other valuables in what seemed to be a short time.

Upon return to our home around 3:40 a.m., we were bound, hands and feet, and left alone. Mark started to cry when he saw us tied up. Not knowing if this was the last minute of our lives we talked to Mark, telling him not to cry and that everything was all right. We would not let him realize the danger we were in.

At this point, one of the robbers showed sympathy for Mark and wanted to know if he could find some candy for him in the house. We knew from the very beginning these men would stand for no foolishness. However, we also found they would treat us with kindness if we did not trick them. Thank God for compassion among men, even when they are committing a criminal act.

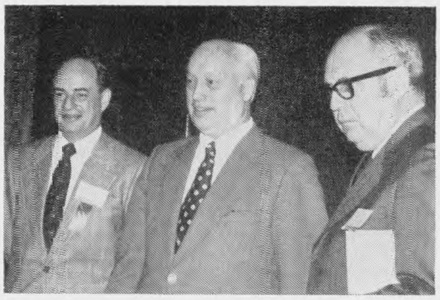
The front door slammed. Six hours and 20 minutes of horror were over; now we had a lifetime to live with it. We untied each other and ran for help.

What can you as a banker do to pre-

(Continued on page 80)

At Missouri Bank Management Conference

Outlook for Real Economic Growth Is Termed 'Very Clouded' For First Half of 1974—Leonard



Charles W. Lear (l.), ch., bank management comm., and pres., Bank of Springfield, and James E. Cline (r.), MBA pres., and pres., Citizens State, Maryville, flank guest speaker Kermit Hansen, pres., P.S. National, Omaha.

By LAWRENCE W. COLBERT
Assistant to the Publisher

LAKE OF THE OZARKS, MO.—A record crowd of more than 600 bankers gathered at Tan-Tar-A Resort February 12-14 for the 34th annual bank management conference sponsored by the Missouri Bankers Association.

> **Cline Resigns MBA Post**
>
> James E. Cline resigned February 15 as president of the Missouri Bankers Association and as president of Citizens State, Maryville. He cited general health reasons for leaving both posts.
>
> The MBA's board has appointed MBA Vice President Charles W. Risley Sr. as president pro tem of the association. Mr. Risley is president, Excelsior Trust, Excelsior Springs.
>
> Mr. Cline joined Citizens State in 1956 as vice president and became president in 1959.

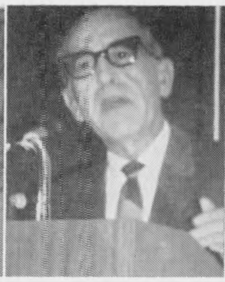
"A View From the Top" was the theme of the two-and-a-half-day conference.

Eugene A. Leonard, first vice president, Federal Reserve Bank of St. Louis, speaking the first day of the conference, said that the outlook for real growth in the first half of 1974 is very clouded. For the second half he predicted a 2% growth. "The performance of the economy in the first half of 1974 may not qualify as a recession if we follow the traditional standards of two consecutive calendar quarters of zero or negative real growth," Mr. Leonard said.

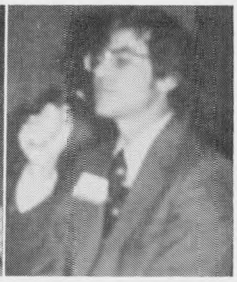
"The overall rate of inflation this year will probably be 7% as compared with 6% for 1973." Mr. Leonard continued, "Unemployment could go to 5½%, although 'full employment' probably implies about 4-4½% unemployment. Unemployment cannot be cured by the

MacINTIRE

ERWIN



POSTON



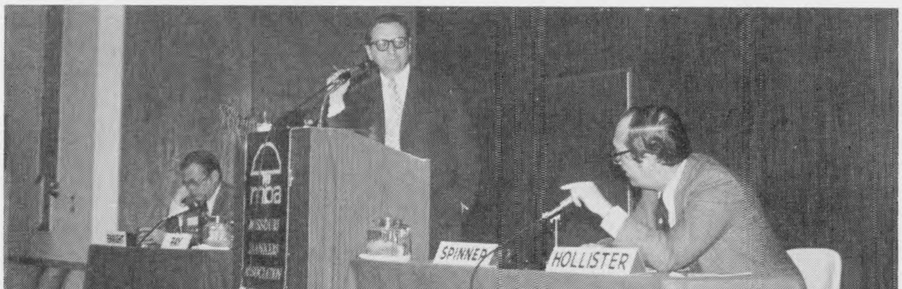
LEONARD

Federal Reserve or fiscal policy, but only by adequate training programs, a willingness of the work force to be mobile and good job information. These are long-range problems that require long-range solutions."

Turning to interest rates, Mr. Leonard said the long-term rates tend to reflect the degree of inflation and will therefore probably not go down this year. Short-term rates depend on things that haven't yet happened . . . what happens to the demand for bank credit, etc.

Commenting on fiscal policy as outlined in the Economic Report of the President just issued, Mr. Leonard said, "Our analysts are still studying this, but first indications are that it will be quite

TOP: Hal Hollister fields a question on the investments panel, as Frank Spinner (at microphone) moderates. BOTTOM: Richard W. Poston makes a point on the community development panel. Other panel members are (l. to r.), Ben Daugherty, extension community development specialist, University of Missouri; William H. Corken, pres., Bank of Atchison County, Rock Port; Gordon W. Warren, pres., Pulaski County Bank, Richland; and Loren W. Schneider, pres., Farmers Bank, Gower.



Our Bank Will Be a Credit to Yours

Mercantile's new bank will do a lot more than deliver the most up-to-date banking facilities to Kansas Citians.

It'll be a brand new correspondent bank, too! With even more of the services you'd expect from an affiliate of the biggest financial organization in our 6 state trade area, Mercantile Bancorporation.

Services including overline loans, bank stock loans, investment services, safekeeping, fed funds, cash letters, special collections, data processing services, and trust assistance.

Take a look at your present correspondents. Maybe it's time to move up with Mercantile.

An Affiliate of Mercantile Bancorporation

MERCANTILE
BANK AND TRUST COMPANY
1119 Walnut, Kansas City, Missouri 64106
(816) 842-2000

Call Mel Schroeder, Vice President in charge of Correspondent Banking Division.

stimulative to the economy. The economy might be beefed up by an additional six billion dollars."

On world monetary problems and balance of trade surpluses and deficits, Mr. Leonard said the Federal Reserve Bank of St. Louis favors floating rates. "These have worked well in the past, and I hope the idea of a fixed rate is not imposed on us. The conventional wisdom tells us an export surplus in our balance of payments is a good thing. This is not necessarily so. It is not a battle between countries so much as a battle between consumers and producers. U. S. consumers benefit when they can buy West German Volkswagens, Japanese radios and French wine that are partially subsidized by the cheap dollar. Is this bad for us or not?

"As to the fear that some people have that the Arab oil producing countries might take over many of our industries, such action is unlikely. All of their dollars put together would buy only a small portion of U. S. industry. You must also consider what *we* will do with the dollars they spend."

Speaking frankly on the energy crisis, Mr. Leonard asked and answered three questions—"Is there a shortage—yes. Is it a crisis—no. Who's to blame—government." He continued, "I do not believe there is an oil company conspiracy, and even people who are critical of the industry say there is nothing to indicate the existence of a conspiracy. The oil and gas problem is similar to that of the railroad industry—they've been over regulated and they've had a lack of incentives. The solution—less interference by government.

"As to rationing, we are not out of the woods yet. Anytime there is a need for rationing, it means subsidizing the price of gas. Rationing could come, although it would be tragic to our poor. When you set up local ration boards, who gets the clout with the disbursers? Who gets the black market supplies? Who has the ability to see it through? Is it the poor? No. Is that equity? That's not my idea of equity. Let the market do the rationing. Let the price rise until supply meets demand. This condition will probably occur at a price below the dollar-a-gallon prediction of some prophets of doom. I am against rationing for three basic reasons—1. Why should we subsidize the rich? 2. Why can't we avoid a vast bureaucracy that would have to be set-up for doling out the gas? 3. How can rationing increase our supply of fuel? Let's take the stronger road of providing more incentives for more supply. This could mean hardship to the poor if gas were to go from 50¢ to 75¢, but I don't believe it would. But if it did, I would put more money in the pockets of the poor and let them bid in the market for the fuel they want. I would lower withholding taxes, or give a tax credit to lower-income people.

"Overall, we must recognize our short-term problems and work toward solutions that provide a steady—but non-inflationary—rate of growth. Our fiscal policy will hopefully avoid the big deficit, and thereby help get our growth rate back on target," he concluded.

James E. Cline, MBA, president and president, Citizens State, Maryville, addressed the convention at the opening session. He pointed out that the State of Missouri continues to suffer economically compared to surrounding states. "Our image in such important areas as agriculture is eroding away. Agriculture in mid-America holds out the greatest promise for expansion—growth and profits of any industry, but our share of this market continues to decline. Mr. Cline reported that the MBA board of directors went on record the preceding evening (February 11) opposing any action requiring all banks to join the Fed, or keeping their reserves there. *Mr. Cline resigned as MBA president February 15.* *See box on page 76 for more details.*

Village and country bankers face unprecedented opportunities, just ahead, to increase their farm and other rural development business and to increase service to rural people. The U. S. Department of Agriculture will help them meet such opportunities.

These predictions were made by Assistant Secretary of Agriculture William Erwin.

"USDA believes that the level of farm loans will double in the next decade. Missouri is in the heart of the nation's bread basket. Farmers are experiencing prosperity. Global food supply and demand relationships are changing. And bankers should find their new rural business, 'good business.'

"Meeting the non-farm credit needs of rural development offers great opportunities to local lenders. Increasingly, business is placing job-producing plants, offices and laboratories in rural areas. Such installations often set off an economic chain reaction of major proportions.

Secretary Erwin said, "It is the policy of the U. S. Department of Agriculture to do all it can, as authorized by law, to help local communities, including their bankers, to bring about constructive and needed development.

"Rural development is a local matter. Bankers are involved as community leaders. Our role is to help local people help themselves. If they ask for assistance, we are building the capacity to help them. USDA's aim is to help rural communities enhance their area by adding to its economic opportunities, by increasing standards of living and by improving the quality of life of its residents.

"Congress, as a part of the Rural Development Act of 1972, authorized the Department of Agriculture to guarantee repayment of rural development loans made by local lenders up to 90% of losses. This augments our philosophy that it is the function of the federal government to help local communities help themselves," Mr. Erwin said.

"USDA, of course, continues to make direct loans and grants for many developmental purposes.

"But both the Congress and USDA are determined that federal assistance primarily shall be used to help local communities meet their rural development challenge. For instance, federal sewer, water and other community facility loans jumped from $198 million in 1969 to $520 million this year. And President Nixon has suggested to Congress a level of $600 million for the year ahead.

"Business and industry guaranteed loans, slated at the $200 million level this year, are budgeted for $400 million

for the year beginning July 1, 1974. Rural housing loans, which stood at the $507 million level in 1969, are budgeted for well over $2 billion for the year just ahead. All in all, USDA's rural development lending program stands at roughly three times its 1969 level," Mr. Erwin concluded.

Richard W. Poston, research professor of community development, Southern Illinois University, Carbondale, Ill., and president of the Community Development Society of America, spoke on community development. He challenged the bankers present to stand at the fountainhead of American business.

"Your institutions more than any others are in a position to supply the stimulation that will engage people in effective efforts to develop their communities for themselves. The state of Missouri, all America, must have your skills in management, in leadership and in organization for this kind of community development effort—the only development that truly puts democracy to work. This will pay off as a by-product and in better community relations, and I might add, in dollars and cents," Mr. Poston said.

Stuart C. MacIntyre, vice president, Lester B. Knight and Associates, Inc., Chicago, addressed the convention on management by objectives. He outlined management by objectives as a process whereby the superior and subordinate managers of an organization jointly identify its common goals, define each individual's major areas of responsibility in terms of results expected of him and use these majors as guides for operating the unit and assessing the contribution of each of its members. He further stated that, first of all, it is a system; second, it is a process; third, superior and subordinate managers jointly identify common goals, define responsibilities and results expected of people and then, fourth, measure performance and contribution.

A bond panel consisting of Frank K. Spinner, senior vice president, First National St. Louis; William F. Enright, Jr., executive vice president, American National, St. Joseph; Thomas L. Ray, senior vice president, Mercantile Trust Company, St. Louis; and Harold R. Hollister, senior vice president, United Missouri Bank of Kansas City, made their annual "fearless forecasts" for various rates. The panel, which has become a tradition at the conferences, made the following forecast for February 15, 1975: Fed funds drew a 7% forecast. The prime rate was predicted to be at 8%. One-year treasury bills drew a 6% figure. Seven-year government were forecast at the 6½% level. Ten-year municipals drew a 4% response, and 20-year municipals drew a 5% response.

It Couldn't Happen!

(Continued from page 74)

vent or lessen the possibility of a similar experience happening to you?

- Watch strange people.
- Watch strange cars.
- Lock doors.
- Maintain proper lighting at home.
- Make children aware of the possibility of their being held hostage.
- Install warning systems in bank officers' homes.
- Take names off mail boxes.
- Keep names and pictures of bank personnel out of newspaper advertisements.
- Remain calm at all times.
- Never underestimate robbers if held hostage.

It is of the utmost importance periodically to review your safe deposit box customer contract with your insurance company. Be sure you are not contracting for something your policy will not cover. Cash money loss in a safe deposit box is not covered unless the court renders judgment. This is almost an impossibility because the burden of proof falls on the customer. My insurance company is one of the major firms in the country, and I found this to be true.

It is my earnest hope that no reader will have an experience such as mine, but don't make the mistake of saying, "It couldn't happen to me." • •

Stewart Named Manager Of Hancock Mortgage Co.

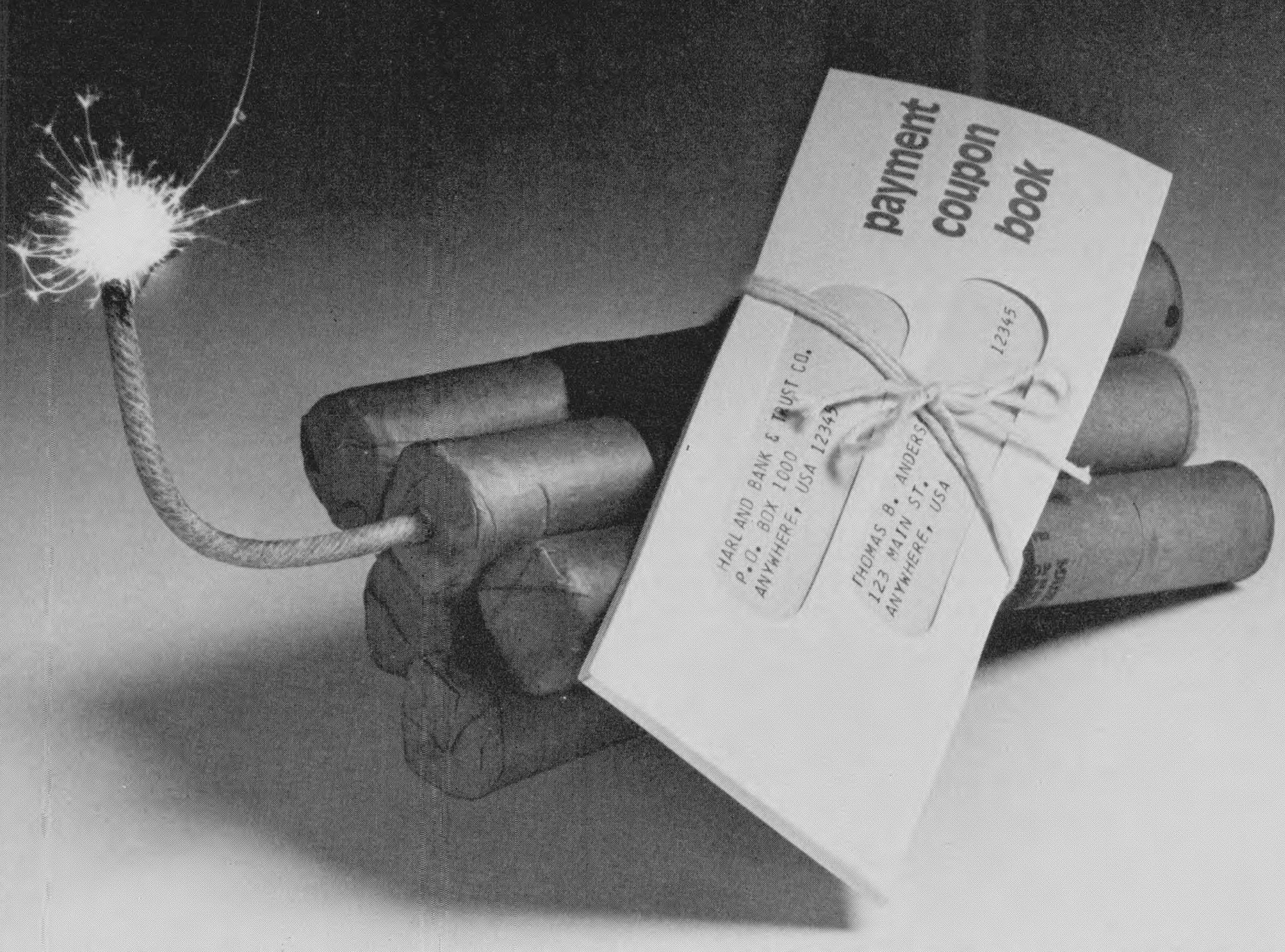
GULFPORT, MISS.—Gerald D. Stewart, assistant vice president at Hancock Bank, has been named manager of the Jackson Office of Hancock Mortgage Co., a division of Hancock Bank Securities Corp.

Hancock Mortgage Co. was incorporated in 1936 and became active in mortgage banking in 1966.

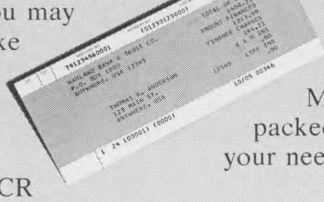
Mr. Stewart has been associated with Hancock Bank Securities Corp., since 1972.

■ MERCANTILE TRUST, St. Louis, has announced the following promotions: Richard E. Drummond from assistant trust officer to trust officer, Chester C. Patton to assistant trust officer, Thomas S. Lombardo to operations officer, Marjorie A. Longo and Curtis E. Underwood to communications officers and Karen Lynne Vasileff to marketing officer.

If you didn't need reliable service on loan coupons, ours would have bombed.



But since reliable service is an absolute must, Harland's loan coupons are becoming more popular every day. ■ A sophisticated computer center and advanced technical experience enable Harland to process your customers' coupon books with the fast turnaround you need. And without many of the snags you may be running into with other coupons. ■ Like accuracy. Harland loan coupons regularly test out at better than 99.5% computer readability . . . The kind of accuracy you need. ■ You also get the flexibility you need, highlighted by an MICR line adjustable to your *exact* needs. It can be programmed to include the payment number and amount, identification numbers, branch or department designations, and transaction or loan codes. Or you can even have the MICR line blank. The flexibility is there for you. ■ Combine this flexibility, accuracy and reliable service, and you've got yourself a real loan coupon. A Harland loan coupon. ■ Write today, c/o our Marketing Department, for an information-packed kit on how Harland loan coupons can meet your needs. Reliably. Exactly.



Because you need more, we give you more.

JOHN H. HARLAND COMPANY
BANK STATIONERS
P.O. Box 13085, Atlanta, Georgia 30324.

Energy Crisis Was in Spotlight At Economic Symposium Held By Deposit Guaranty Nat'l

IN THIS year of the great energy crisis, making economic forecasts is extremely difficult, but speakers at a recent economic symposium sponsored by Deposit Guaranty National, Jackson, Miss., gave it a good try. As one of them—Robert J. Dineen—put it, quoting from the *Wall Street Journal,* "All cards are wild in the game we're playing." Another speaker—James E. Lee—used the late Winston Churchill's 1939 description of Russia to describe the fuel forecast, "It is a riddle wrapped in a mystery inside an enigma." Mr. Dineen is vice president, Allis-Chalmers Corp., Milwaukee, and president, Allis-Chalmers Power Systems, Inc. Mr. Lee is president, Gulf Oil Corp.

Mr. Lee began his talk on "The Energy Overview" by listing what he terms are three "mistaken notions" about the energy shortage: 1. The Arabs are to blame for the U. S. energy crisis. 2. U. S. energy resources are about to be exhausted. 3. The major oil firms, like instruments of the devil, have conspired to produce shortages so they can get everything they want.

He then told his audience why these notions are mistaken: 1. The Arabs are *not* to blame for the energy crisis because this situation has been creeping up on this country gradually and was foreseen by many spokesmen in industry, Congress, the Administration and the public. Their warnings were numerous and remarkably prophetic, but were generally ignored. 2. The U. S. does *not* lack basic energy resources, but is faced with a serious long-term shortage because the capital investment in energy has been inadequate for a long time. An enormous additional supply of energy could be made available if the necessary capital commitment were made. 3. The oil firms didn't conspire to bring about the shortage. It happened for many reasons. For instance, a low price for natural gas, set and controlled by the Federal Power Commission, artificially stimulated consumption and provided too little income to pay for enough exploration, resulting in a decline in natural gas reserves. The low natural gas prices had an inhibiting effect on development of other fuel resources. Nuclear power plant construction was delayed because of lengthy and changing licensing procedures and objections to plant sites. Oil import controls were used as a price control mechanism, thus encouraging offshore construction of refineries rather than in the U. S. Reduced tax incentives and lower return on invested capital tended to dry up availability of risk capital.

In addressing himself to what must be done to get us out of this national energy predicament, Mr. Lee warned his listeners not to make the mistake of thinking that if the Arabs lift their embargo, all will be well again. The problem is long term, he added, and therefore he offered what he called two "absolute essentials" rather than a solution. The first such essential, according to Mr. Lee, is that we need to develop a national consciousness or awareness that each one of our worldly possessions requires energy in manufacture, if not in use. He urged the development of a conservation ethic, which means smaller cars and cars with high-compression engines and keeping the lead in gasoline.

His second "absolute essential" is that we urgently undertake four massive efforts: 1. Reduction of personal use of energy at home, at work, at play. 2. Installation of mass-transit systems. 3. Increasing power generation from nuclear energy and coal, lessening demand on oil. 4. Financing a solution to the energy problem perhaps through formation by the federal government of a program similar to the Export-Import Bank. Gulf Oil has proposed that an Energy Development Bank be established, with its funds to be provided or guaranteed by the government and with low-interest loans or loan guarantees for facilities to produce and refine synthetic gas from coal or oil from shale or coal.

Mr. Dineen of Allis-Chalmers focused on "The Outlook for Industrial Development in Mississippi." His firm, by the way, has located its new power circuit-breaker manufacturing plant in Jackson. Mr. Dineen touched on the fuel crisis by pointing out how Mississippi's temperate climate is extremely inviting to individuals and firms in the North because of the shortage of gas and oil for homes, schools and factories and the skyrocketing costs of fuel when it can be found. In fact, he added, "Your future problems may well be how to limit development in Mississippi rather than how to encourage growth."

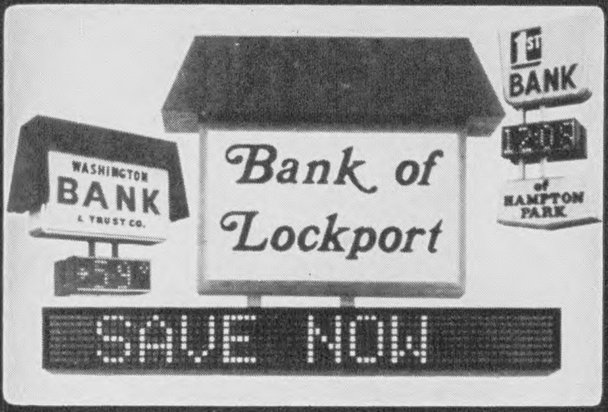
Mr. Dineen listed what he believes Mississippians must do to continue their state's orderly growth and development of business and industry: 1. Continue to plan carefully for future expansion. 2. Continue to encourage growth of major cities like Jackson to make them attractive physically and socially to the people who will run the new businesses and factories. 3. In line with the above, maintain and improve the quality of grade and high schools. 4. Preserve and

Pictured at Deposit Guaranty Nat'l of Jackson's economic symposium are participants and hosts (l. to r.): Jim Buck Ross, Mississippi commissioner of agriculture and commerce; W. P. McMullan Jr., vice chairman of bank; Dr. Cecil Mackey, president, University of South Florida; Robert J. Dineen, president, Allis-Chalmers Power Systems, Inc.; James E. Lee, president, Gulf Oil Corp.; Russ M. Johnson, chairman & CEO of bank and Deposit Guaranty Corp.; Dr. Paul S. Nadler, professor of business administration, Rutgers University, and J. H. Hines, president of bank.

(An Advertising Page)

The Financial Buyer's Guide

PRODUCTS • SERVICES • IDEAS

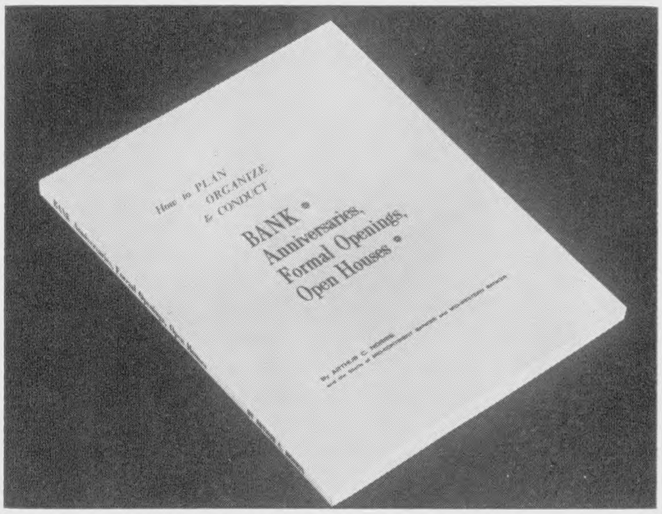


GRATE SIGNS

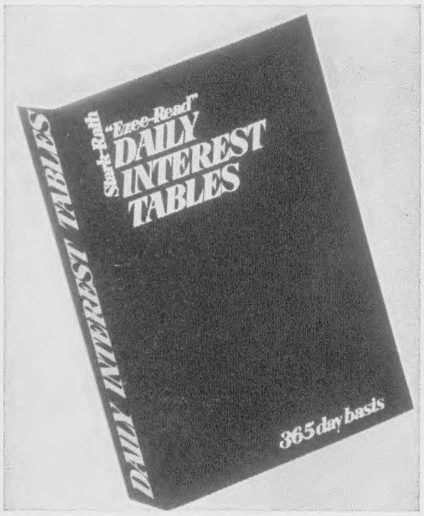
NATIONWIDE SALES & SERVICE

- TIME & TEMP
- MESSAGE CENTERS
- ELECTRICAL DISPLAYS

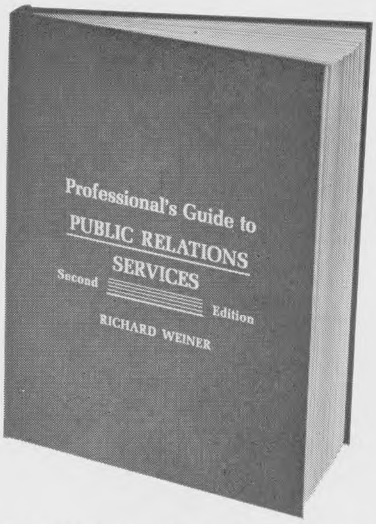
rock run road, joliet, ill. 60436 PHONE: 815-729-9700



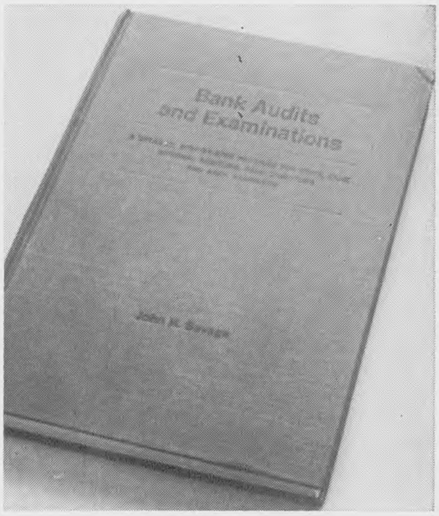
HOW TO PLAN, ORGANIZE & CONDUCT BANK ANNIVERSARIES, FORMAL OPENINGS, OPEN HOUSES. This book is actually a practical "how-to" manual that provides the banker with workable "formulas" for organizing and conducting any type of bank opening. Based on hundreds of successful openings, the book presents a planning approach, checklists of opening-day problems, as well as detailed plans (including budget samples) used in actual openings and anniversaries. **$14.00** postpaid. Send check to MID-CONTINENT BANKER, 408 Olive, St. Louis, Mo. 63102 (Missouri banks add 3% sales tax.)



EZEE-READ DAILY INTEREST TABLES. Book covers rates from 1% to 14¼%, from one day to 10 years, on both 360-day and 365-day basis. Visible thumb index makes for speed in locating desired rate. Book size: 6" x 9" . . . sturdy cover, pages lie flat when open. Complete instructions for use of tables. Each loan officer should have one. **$17.50** postpaid. Send check to MID-CONTINENT BANKER, 408 Olive, St. Louis, Mo. (In Missouri, add 3% sales tax.) Money-back guarantee.



PROFESSIONAL'S GUIDE TO PUBLIC RELATIONS SERVICES. A handy new guide to 614 public relations services every P.R. man must use! Includes clipping bureaus, filmstrip companies, mailing services, fine art and photo sources, contest organizations, radio publicity, records, research . . . every kind of P.R. service you will ever need, described and evaluated in detail. **$25.00** postpaid. Send check to Commerce Publishing Co., 408 Olive, St. Louis, Mo. 63102. (Missouri banks add 3% sales tax.)



BANK AUDITS AND EXAMINATIONS. This book is designed to be helpful (1) to an independent accountant, (2) to an internal bank auditor who wishes to make his work more effective and (3) to a bank director who wishes to compare his bank's procedures with the modern methods outlined. **$32.00.** Send check to Commerce Publishing, 408 Olive, St. Louis. (In Missouri, add 3% sales tax.)

enhance opportunities for higher education in the humanities and social sciences as well as in the professions. 5. Continue to develop technical education programs so that essential skills are available. 6. In line with development of technical skills, continually balance skill availability against requirements of both new and existing industries. 7. Continue to welcome newcomers as graciously as Allis-Chalmers and its people were welcomed.

One of the symposium's hosts, Russ M. Johnson, chairman and chief executive officer of the bank and its holding company, Deposit Guaranty Corp., gave "The Outlook for the Money Market." He predicted that interest rates will respond to demand/supply relationships and, based on long-term investor expectations of future inflation, long-term rates will continue at present levels and range between 7¼% to 8½% for the better-quality corporate and utility bonds.

According to Mr. Johnson, the spot market for funds will be subjected to severe swings in the immediate months ahead; the market rate for short-term money will lose some of its bounce in the second quarter, and there probably won't be any drastic declines of short-term rates to former levels. The two-tier flexible-rate structure designed for commercial borrowers will operate in a downside movement, he continued, just as it was designed to do in the upside movement, to accommodate the hard requirements of the marketplace. Large prime-rate borrowers, he said, will return to a lower rate than will be available to smaller commercial borrowers, whose rates have been more stable and less severe under the guidelines of the Committee on Interest and Dividends and under the two-tier pricing mechanism. Short-term money rates aren't likely to ease much unless there is an actual business downturn, said Mr. Johnson.

In the speaker's opinion, the economic mix for 1974 is: (a) continuing inflation at a rate of not less than 5% as the most pressing problem; (b) personal incomes still moving up; (c) personal savings rate maintained; (d) rising unemployment and rising prices; (e) little real growth in the economy. He added that all these factors must be weighed against the special circumstances of energy requirements and international pressures that at times buffet the domestic economy. Mr. Johnson said he looks for the prime rate to be at the 7¾% level in the second quarter and the Fed discount rate to be near 6½%.

In summary, he said, only prime short-term interest rates will decline throughout the first three quarters of the year, become stable and will turn upward early in 1975. Rate swings in this short-term sector should be volatile as economic cross currents cause temporary fluctuations. Mr. Johnson expects the prime rate to reach a low of 6½% before the turn upward. • •

Home Improvement

(Continued from page 70)

this strength and optimism in the home improvement market?

A. Ironically, one of the major factors is the energy crisis. People are simply having to stay at home more. Because of this, home surroundings become more meaningful and needed improvements are more in the consumer's mind. This awareness, coupled with workers' increased discretionary income and traditional desire to improve living conditions, points to increased loan activity.

Another positive factor is the relatively high cost of mortgage money. This will especially affect the World War II baby boom homeowners who are expanding their families and would normally be seeking new, larger homes. High mortgage rates make expansions and improvements more attractive than buying new homes and paying higher interest rates. Also, many homeowners are viewing improvements as investments that will improve their home values when market conditions improve and they are free to move.

High money costs also will affect homebuilding contractors. With projected 1974 housing starts at 1.6 million, off from 1973's estimated 2.1 million, contractors will be pushing for more remodeling business to keep their crews together and shops as busy as possible. Their increased marketing efforts will further stimulate home improvement volume.

Q. Do you feel banks will also be increasing their marketing efforts in this area?

A. Very definitely. Given the need to diversify portfolios and the increasingly heavy advertising and sales promotion to retail bank markets, a reemphasis toward cross-selling home improvements is inevitable. Every day, we are seeing more and more manufacturer promotion for new heating systems, insulation and other energy-oriented products. At the same time, banks are beginning to advertise the availability of funds for "energy conscious" consumer projects. These two factors should stimulate loan volume. If Congress passes the proposed legislation giving a tax deduction for fuel-economizing improvements, I see even greater marketing activity aimed at the homeowner.

Q. Will the energy crisis create new business patterns in installment credit, or is this simply a current problem?

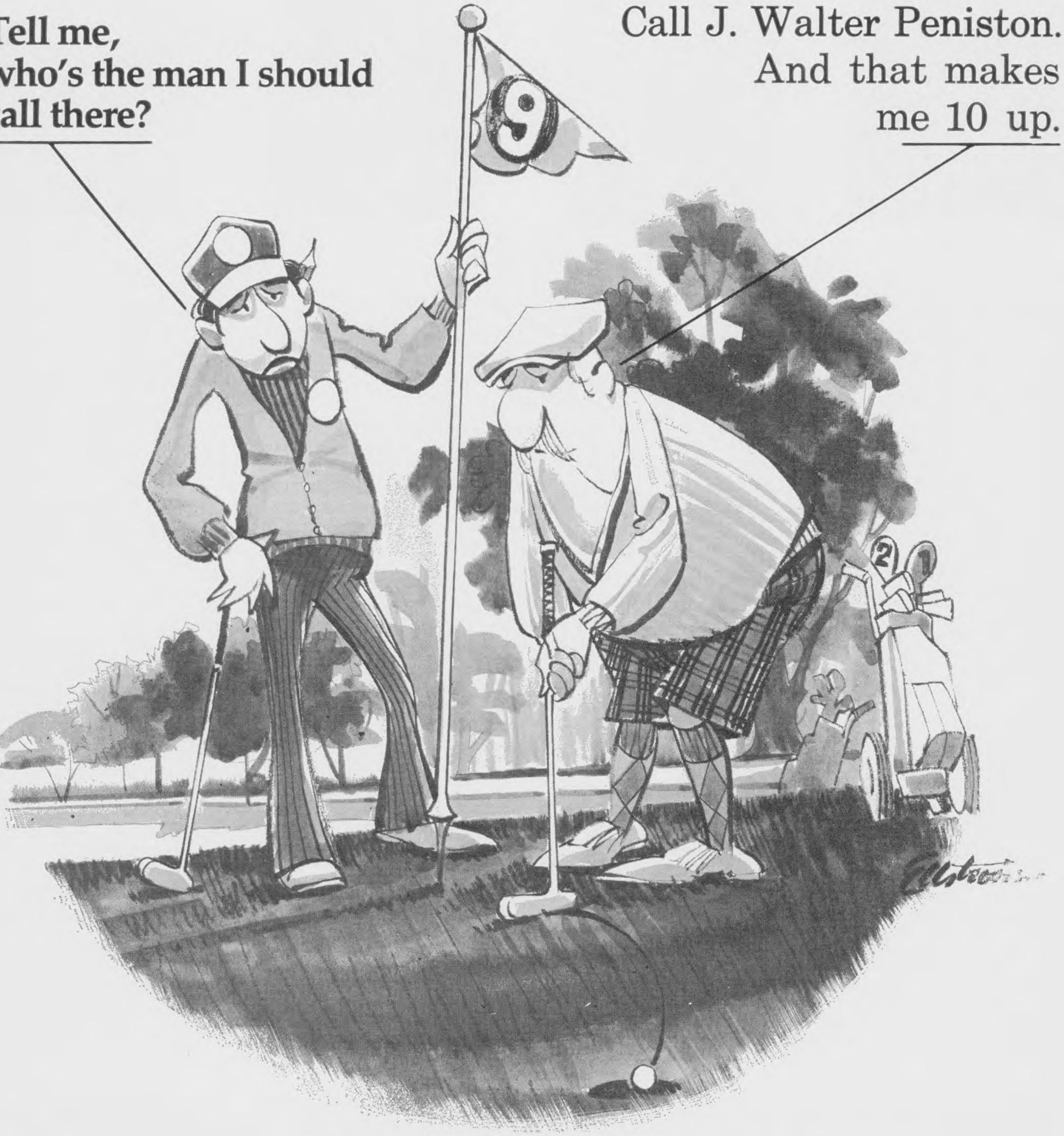
A. Although the extent of the "crisis" really isn't known, I've seen a definite shift in senior bank management thinking on the need for greater portfolio diversity, particularly as it relates to home improvement loans. Once a bank has been burned by having too many "eggs" in any one basket, that mistake seldom recurs. I believe we will see a long-term pattern emerge which will give greater emphasis to home improvement loans. This will provide for diversification which better complements auto- and fuel-related loan volume.

The current market for bank services represents a truly unique socioeconomic situation. After all, we've never, in any economic cycle, experienced any appreciable energy shortage. It's simply a brand new factor which will require new ideas and approaches if installment credit is to continue to grow and prosper. • •

J.B., I hear that the correspondent people at the First National Bank of Kansas City are first class. Your bank uses them, J.B.

Tell me, who's the man I should call there?

Call J. Walter Peniston. And that makes me 10 up.



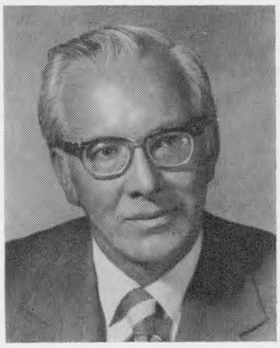
FIRST NATIONAL BANK
of Kansas City, Missouri

Call J. Walter Peniston. (816) 221-2800
Correspondent Division, P. O. Box 38, Kansas City, Missouri 64141

Ralph Nader, Wright Patman Scheduled To Speak to Independent Bankers


NADER


HOLLAND


HELLER


PATMAN

NATIONALLY KNOWN figures like consumer advocate Ralph Nader and Representative Wright Patman (D.,Tex.), chairman, House Banking and Currency Committee, will speak at the Independent Bankers Association of America's 44th annual convention March 21-23 at Dallas' Fairmont Hotel. The keynote address will be given by IBAA President Fred T. Brooks, president, Merchants State, Dallas.


BROOKS

Mr. Nader will discuss "The Banker and the Consumer" at the final general session March 23, while Representative Patman will appear at the first session March 22.

Other speakers will include Dr. Walter W. Heller, regents' professor of economics, University of Minnesota, Minneapolis; William A. Nolen, M.D., Litchfield, Minn., surgeon and author of best-selling books about surgeons, and Robert C. Holland, Board of Governors, Federal Reserve System, Washington, D. C. Dr. Nolen's topic will be "Your Money and Your Health," and Governor Holland will speak on "Protecting and Not Protecting the Small Independent Bank."

A legislative seminar at the final general session will be presented by Glenn A. Swanson, IBAA Washington manager; Thomas C. Brickle, IBAA Washington legislative counsel, and Lewis I. Markus, IBAA Washington consultant.

IBAA members will hear the following committee reports: agriculture-rural America, bank study, competing financial institutions, federal legislative, government fiscal policy, resolutions and nominations.

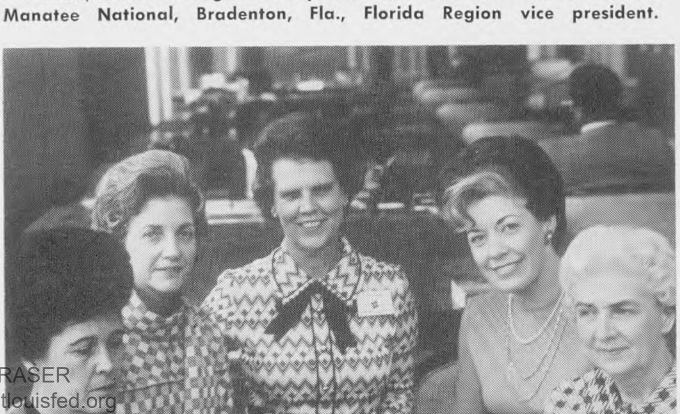
Dr. John Hazleton, Oklahoma City communications consultant, will be the men's luncheon speaker March 22. Texas' Governor Dolph Briscoe will extend greetings at the first general session March 22.

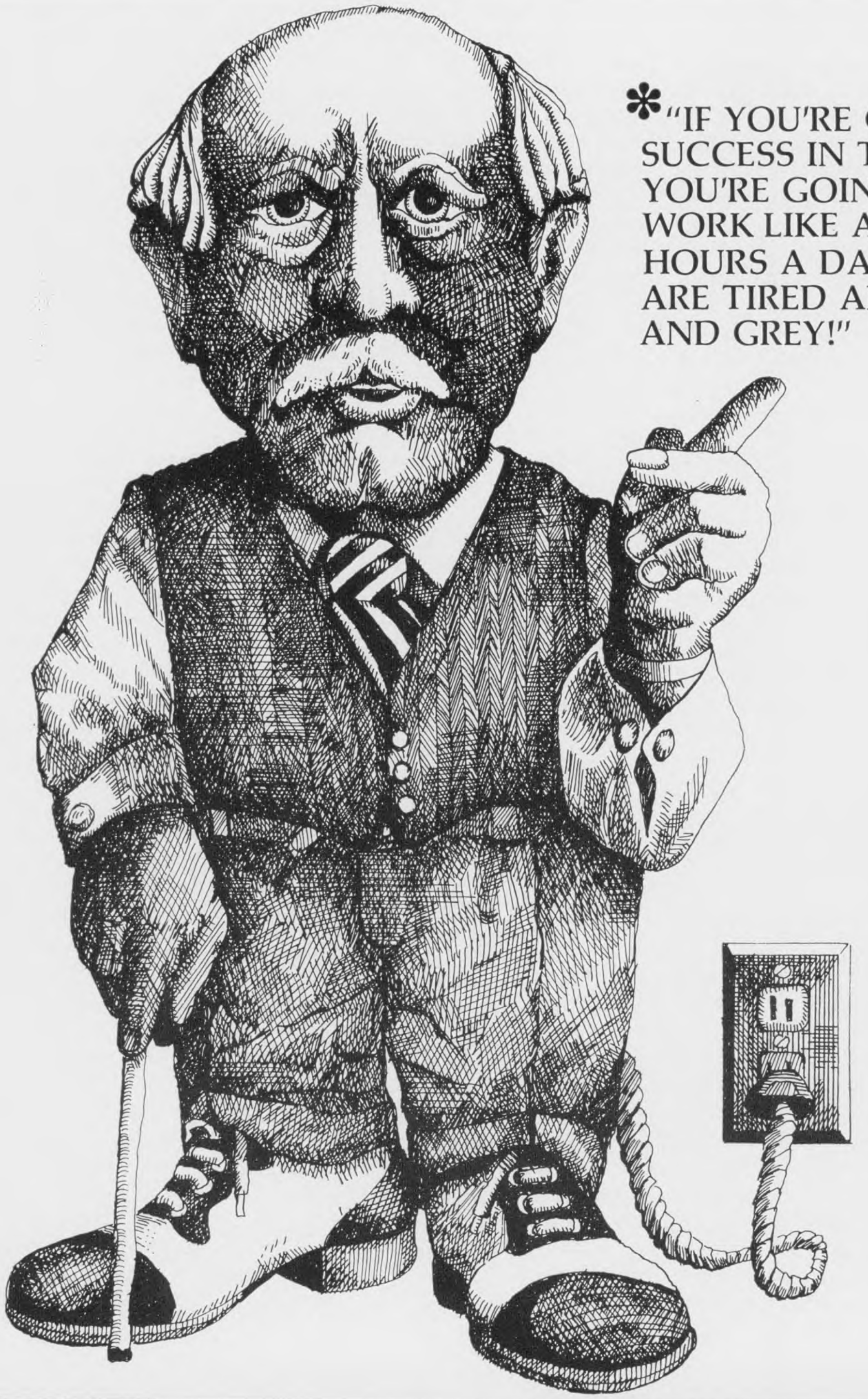
Also scheduled are a tour of Dallas homes and gardens for women guests and two evening dinners, to be followed by dancing to the Mal Fitch "big band" music. • •

NABW Plans Regional Conferences

Two regional conferences will be held in the Mid-Continent area in April by the National Association of Bank Women, Inc. In photo at left, members of Quad-Regional Conference to be held in Louisville April 21-24 pose at planning meeting. They are (from l.) Mrs. Wheeler L. Carr, Coahoma National, Clarksdale, Miss., South Central Region vice president; Mrs. Edith Calliham, First National, Charleston, S. C., Southeastern Region vice president; Mrs. Nada Glaze, First National, Louisville, conference chairman; Mrs. Esther Smith, Commerce Union, Nashville, Southern Region vice president; and Mrs. Annie Lou Jones, Manatee National, Bradenton, Fla., Florida Region vice president.

Photo at right shows planning committee (all Arkansans) for Southwestern Regional Conference, set for April 19-21 in Little Rock. From left (seated) are Betty Stewart and Pat Phillips, Worthen Bank, Little Rock; Dorothy Harris, First National, Wynne, conference co-chairman; Melda Rice and Sibyl Adams, First Jacksonville Bank, Jacksonville (Miss Rice is conference chairman); and Mary Lee Hill Sigsby, Bank of Rector. Standing are Lorene Carnes, Farmers Bank, Greenwood; Sue Parks, Bank of Cabot; Dorothy Wall, Arkansas Bank, Hot Springs; Sue Harding, First National, Blytheville; and Myrna Black, First National, Hot Springs.





Uniform Reserve Requirements For ALL Financial Institutions Sought by Federal Reserve Board

THE FED'S Board of Governors is seeking the power to extend uniform-reserve-requirement regulations to *all financial institutions*—commercial banks, S&Ls and mutual savings banks. If draft legislation the Fed recently sent to Congress should become law, reserve requirements would be extended to demand deposits and negotiable orders of withdrawal (NOWs) at these institutions. (NOW accounts are permitted only in Massachusetts and New Hampshire.) In addition, the Fed's proposal would widen the permissible range of reserve requirements.

According to the board, the basic principle underlying the proposed legislation is that equivalent cash reserve requirements should apply to all deposits that effectively serve as a part of the public's money balances, regardless of the type of institution in which those balances are held.

The Fed said that while the legislation would provide a greater measure of monetary control in the economy, it would, at the same time, preserve the balance of supervisory powers inherent in a dual-banking system. It pointed out that more than 3,000 of the smaller nonmember banks would be effectively exempt from the new requirements, and the proposal does not require state banks to be members of the Federal Reserve System. As at present, state-chartered banks could join the Fed or not, as they choose. Regardless of their membership status, however, under the proposed legislation, state banks would be subject to the Fed's reserve requirements on demand deposits and NOW accounts and would have access to Federal Reserve credit at the discount window. Supervision of thrift institutions also would remain unchanged.

Reserve requirements set by state authorities under state law vary from state to state. In about half the states, said the Fed, the percentage requirements for demand deposits are identical or differ little (except for large banks) from the percentages now set by the Fed. Percentages in 15 states are higher, while they are lower in seven others.

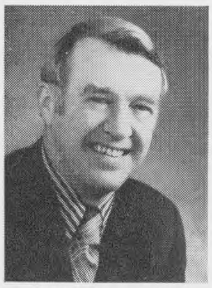
The major difference between state requirements and Fed reserve requirements is in the form in which requirements are held. Reserve requirements set by the Fed must be held, under law, in the form of vault cash or funds deposited with a Federal Reserve bank. State requirements can be satisfied not only by holding cash, but also by holding deposits with other banks or by holding interest-bearing federal or state securities. The Fed said that reserves held in this manner don't contribute to the monetary-policy function of reserves because the funds are available to finance additional deposit and credit expansion.

1. Demand deposits would be subject to reserve requirements, set by the board, ranging from 5% to 22%. The present range is from 7% to 22%—from 10% to 22% at reserve city banks and from 7% to 14% at other banks. Under the proposal, no distinction would be made between reserve city and other banks.
2. Interest-bearing deposits from which withdrawals may be made by negotiable instruments (such as NOWs) would be subject to a reserve requirement ranging from 3% to 20%.
3. There would be no required reserves against the first $2 million of net demand deposits and NOWs at nonmember institutions.
4. Time and savings deposits of member banks would be subject to a reserve requirement ranging from 1% to 10% (instead of 3% to 10% as at present). Time and savings deposits of nonmember institutions would not be subject to the Fed's reserve requirements.
5. Every institution that receives demand deposits or offers NOW accounts would be required to report its deposit liabilities and required reserves, if any, as the board requested.
6. Nonmember institutions that would be required to maintain Fed reserve requirements would be able to obtain credit through the Fed's discount window, subject to regulations issued by the board.
7. A transition period of four years would apply to the total amount of demand deposits held by nonmember institutions at the time of the new law's enactment. During the first calendar year following the date of enactment, an institution would be required to carry 20% of the required reserve on these base-period demand deposits, 40% during the second year, 60% during the third year, 80% during the fourth year and 100% after that. Additions to demand deposits beyond the base-period amount would be subject to the full reserve requirement.
8. The new law would become effective at the beginning of the first calendar year following its enactment.

In announcing its proposed legislation, the Fed said that the essential function of its reserve requirements is to serve as a fulcrum for monetary policy. Such reserve requirements, the Fed continued, provide a known and controllable base through which the reserve-supplying and reserve-absorbing actions of the Fed can affect the supply of money and credit. The different reserve requirements set by the various states don't serve this purpose, it added.

However, at present, the Fed's reserve requirements apply only to banks that are members of the FRS—about 5,700 out of 14,000 commercial banks in the country.

In addition, according to the Fed, the proportion of demand deposits held by member banks has been declining over the years so that the Fed's control over bank reserves (and the money supply) has been eroding. In 1960, member banks held about 83% of the demand deposits that make up the money supply. Presently, about 75% of the demand-deposit component of the money supply is held at member banks. Also, the demand-deposit component of the money supply has grown more rapidly at nomember banks than at member banks, and the rate of growth at nonmember banks has varied much more from year to year. Since 1960, the demand-deposit component of the money supply held at nonmember banks has grown 164%, while the growth at member banks has been 61%. • •



Don Thomason
Senior Vice President

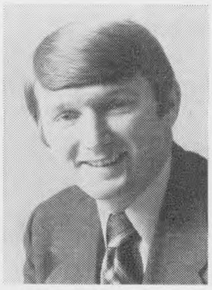
E.L. Burch
Vice President

Jack Beets
Kansas

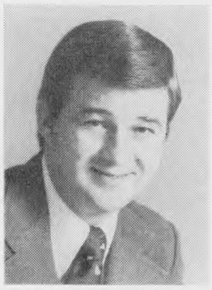
Art Krebs
Arkansas-Louisiana

Ben Adams
Missouri

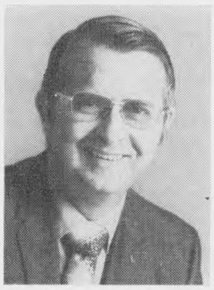
Jack House
Iowa



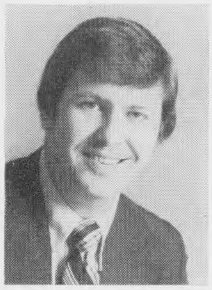
John Kreighbaum
Texas-Oklahoma



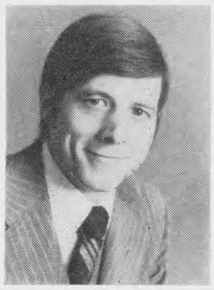
Paul Libbert
Missouri



Verne Schweder
Kansas City Metropolitan



Phil Straight
Nebraska-Colorado



Tom Wood
Kansas

Meet the men behind the United states of correspondent banking.

These men have been trained specifically for the territories they serve.

Call the man who represents you any time you have a correspondent problem or question, at 816-221-6800.

You will find him corresponsible and able to help you handle such things as credit overlines, to help you design your pension and profit sharing plans, and to help you with your municipal and government bond portfolios.

He can help you do wonders to improve your state of banking.

united missouri bank of kansas city, n.a.

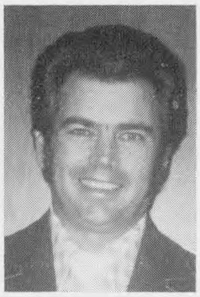
Louisiana Bankers Assn. Junior Bankers Section To Meet March 28-30

The 17th annual Junior Bankers Section of the Louisiana Bankers Association will meet March 28-30 at the Bellemont Motor Hotel in Baton Rouge.

Keynote speaker on Friday, March 29, will be E. L. "Bubba" Henry, speaker of the Louisiana House of Representatives. The balance of the morning program will be in the hands of Charles McCoy, president, Louisiana National, Baton Rouge, speaking on banking ethics, and Donald B. Wehrmann, senior vice president, Mercantile Trust, St. Louis, whose topic will be "Commercial Lending in the Mid-Seventies."

SPENCE

TOUPS



McELVEEN

The afternoon program will begin with Peny J. Shepard, head of industrial and economic research at the Texas Engineering Experimental Station of Texas A&M University, whose topic will be "Banking and Economic Development." Phillip E. Doolen, auditor, Whitney National, New Orleans, will follow with "Internal Auditing," and Ken P. Ouim, acting regional chief of the Equal Employment Opportunity Program of the U. S. Treasury, from Houston, who will conclude the day's program with a talk entitled "Banking and Equal Employment Regulation."

The Saturday morning program will begin with a talk entitled "Municipals—A Place in Banking" by William M. Wilcox, assistant vice president, Harris Trust, Chicago, who is in the bank's St. Louis office. Fred M. Smith, senior vice president and trust officer, First National Bank of Commerce, New Orleans, will follow with a talk entitled "Trust for All Banks," and Larry J. Acosta, assistant vice president, Hibernia National, New Orleans, and Junior Banker educational committee chairman, who will give the committee's report. A business meeting will conclude the business portion of the conference.

A president's banquet and dance will be held in the evening.

Officers of the Junior Bankers Section are A. Hartie Spence, vice president, First National, Shreveport—president; Henry Toups, vice president, Terrebonne Bank, Houma—vice president; Ray McElveen, assistant vice president, First Guaranty Bank, Amite—secretary; and Jerry A. Fielder, vice president, Louisiana Bank, Shreveport—treasurer.

Tennessee Young Bankers To Hold Convention In Memphis April 9-10

MEMPHIS—The 14th Annual Young Bankers Division Convention of the Tennessee Bankers Association will be held April 9 and 10 at the Holiday Inn Rivermont.

Presiding will be Jeffrey A. Golden, division president and first vice president, City Bank, McMinnville.

The program for April 9 consists of a reception and banquet followed by dancing.

The business program on Wednesday, April 10, will include opening remarks by John P. Wright, TBA president, and president, American National, Chattanooga; a talk on what senior management expects from junior management by McCoy C. Campbell, senior vice president, American National, Chattanooga; a talk entitled "How to Make Your Banking Career Go Twice as Fast With Half the Work" by Somers H. White, president, Somers H. White Co., Phoenix.

The afternoon program will include "Enactment of a Bank Extortion Plot" by FBI personnel; a panel entitled, "Attracting the Young Adult Market" by Ronald R. Lankford, assistant vice president, First Farmers & Merchants National, Columbia, and Edenton Smith, assistant cashier, Second National, Jackson; a president's message by Mr. Golden; and a business session, at which new officers will be elected.

A reception and banquet will conclude the program.

A tour of the Victorian Village will be held for bankers' wives.

Young Bankers Division officers,

ALEXANDER

HAWKINS

WILLIAMS

GOLDEN

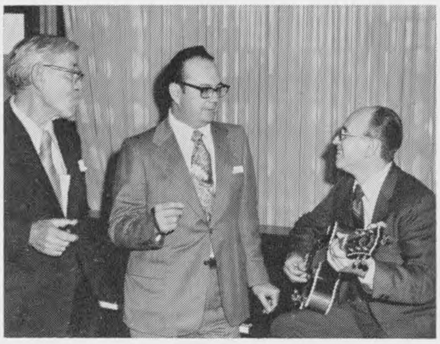
other than Mr. Golden, include Harbert Alexander, executive vice president, Second National, Jackson—chairman; R. Murry Hawkins Jr., president, National Bank of Murfreesboro—president-elect; and Robert J. Williams, cashier, First National, Savannah—vice president.

The Bank's Jumping!

Jazz Duo Plays at Bank In Music Education Show

Can you imagine doing your banking in jazz tempo?

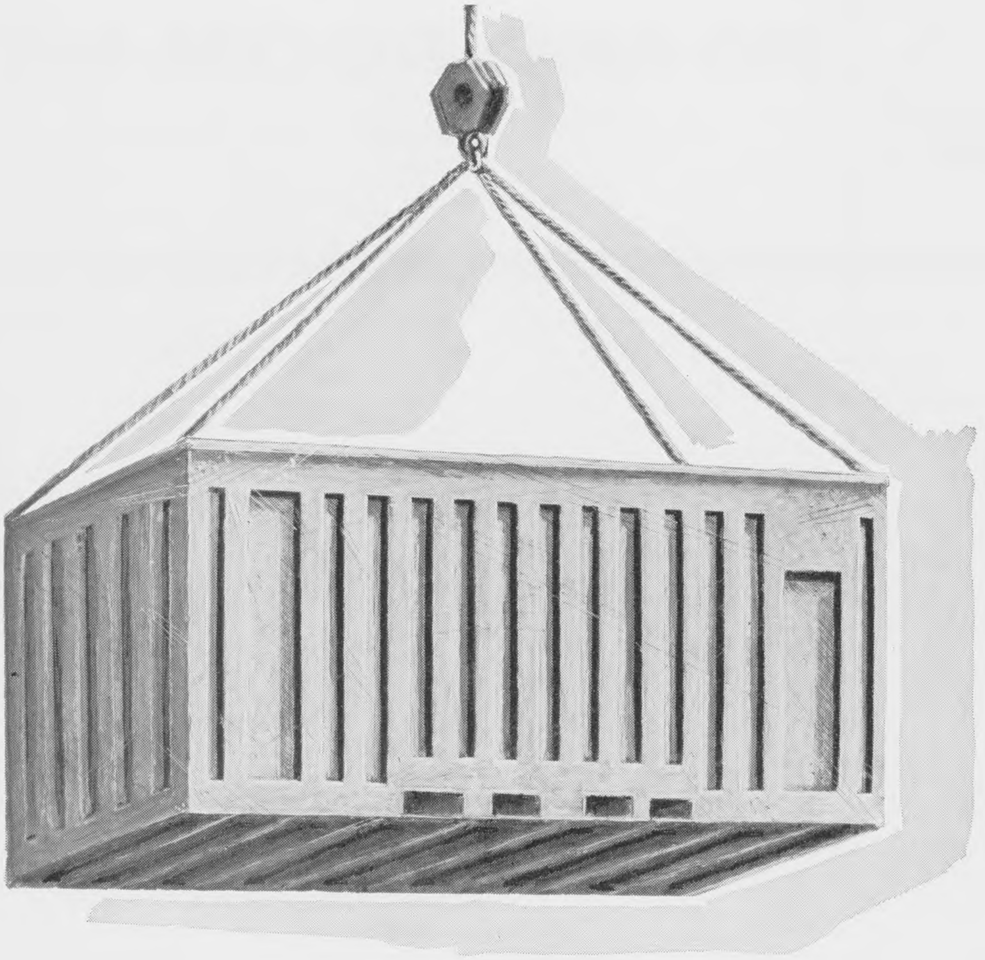
That's what customers at Corpus Christi (Tex.) Bank did recently. They found that the bank was sponsoring a jazz duo in its lobby during the noon hour. The duo featured a pianist and guitarist connected with Young Audiences, Inc.



The duo was one of four ensembles presenting programs for the Corpus Christi Chapter of Young Audiences. The twosome played for over 45 minutes and was responsible for gathering a large crowd.

Young Audiences provides educational programs for children having difficulty in mastering regular school curricula. Children were encouraged to become active participants in the creative musical event. They were asked questions that encouraged them to listen, to apply reason and then to verbalize their personal discovery of a specific music concept.

The photo shows bank President C. Ivan Wilson, center, welcoming the duo.



IT SAYS WHAT WE MEAN.

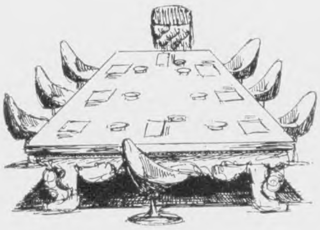
The Port of New Orleans accounts for a large part of America's export-import trade — it is the nation's second port. Together with the other Gulf ports — Mobile, Gulfport, Baton Rouge and Lake Charles — it comprises a "Golden Circle" which reaches out with thousands of commodities to every country in the world. In international trade — as in every form of banking — the Whitney, with almost ninety years of experience, is "at home" and uncommonly qualified to help. Our capabilities are exceeded only by our desire to be of service.

A FULL SERVICE BANK®

Ready when needed since 1883

Whitney

NATIONAL BANK OF NEW ORLEANS

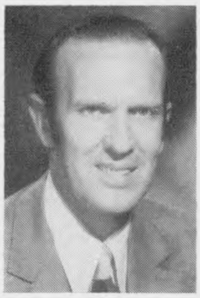


BOARD ROOM NEWS

Promotions • Staff Changes

Southwestern Division Created in Ft. Worth; Snodgrass Named Head

FORT WORTH—Senior Vice President Alan C. Snodgrass has been named head of a new line division at First National called the southwestern division. The latter includes correspondent banking, agricultural loans, petroleum and chemical loans, international banking and the bond department. Mr. Snodgrass had managed the bank's investment activities since 1968.



SNODGRASS

The division was created to centralize the expertise of the above specialized areas of banking. Managers of the departments in the newly formed division include: Vice President John H. Cope, correspondent banking; Senior Vice President Tommie E. Stuart, agricultural loans; Senior Vice President Harold O. Stallings, petroleum and chemical loans; Vice President Peter Jay, international banking, and Assistant Vice President Alan Greear, bond department.

First National also named Vice President Paul J. Harmon Jr. head of its new commercial development function, which is a part of the commercial banking division and was created to market commercial services in the metroplex and on the national level. Vice President Tom F. Turner was named manager of the installment loan department of the retail banking division. The department includes the personal banking center, consumer, home improvement and dealer loans.

International Department Formed By American of Chattanooga

CHATTANOOGA, TENN.—American National has formed an international banking department, with Gregory F. Wright as international officer and John F. Eary as the new department's operations officer.

Mr. Wright joined the bank in 1969 and has worked in the commercial credit and commercial lending departments. Mr. Eary, also with American National since 1969, had been commercial credit officer since last May.

Wiethaupt Gets Marketing Post At First Nat'l of St. Louis

ST. LOUIS—First National has elected Warren B. Wiethaupt vice president-marketing.

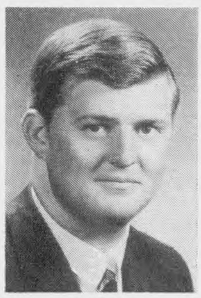
Mr. Wiethaupt, a St. Louis native, was formerly vice president and group head in the New York City advertising agency, Wells, Rich, Greene, Inc. From 1953-73, he was with Gardner Advertising Co., St. Louis, and was a vice president of the agency when it was purchased in 1972 by Wells, Rich, Greene.

WIETHAUPT

In his new post, Mr. Wiethaupt will develop and coordinate an expanded marketing program for First National and other affiliate banks of First Union, Inc., St. Louis-based multi-bank holding company. First National is the HC's lead bank.

Grove Gets Correspondent Duties At American Nat'l of Chicago

CHICAGO—Wayne M. Grove, second vice president, American National, has been assigned to the correspondent banking division, with responsibility in the Illinois area. He was formerly in the business services division.



GROVE

Mr. Grove joined the bank in 1965, became an officer in 1969 and second vice president in 1971. Most recently, he worked with Tel-a-Data Corp., a subsidiary of the bank that offers data processing services to other banks and businesses.

HCs Get Correspondent Service From National Bank of Detroit

DETROIT—National Bank of Detroit has placed Thomas B. Rogers in charge of service to banks and related holding companies in several states, including Illinois and Missouri.

ROGERS

Mr. Rogers is part of a new group to handle the credit and overline requirements of bank holding companies and their subsidiaries. The group will continue handling traditional services to correspondents.

Colonel Maynard Joins Staff Of Union of Little Rock

LITTLE ROCK—Union National has named Colonel Charles D. Maynard vice president and director of marketing. The bank also elected a new director, William T. Dillard II, executive vice president, Dillard Department Stores, Inc.

MAYNARD

Colonel Maynard was formerly vice president, Arkansas Louisiana Gas Co. Before joining that firm, he was in the Army 24 years, the last three of which he was the district engineer, Little Rock District, U. S. Army Corps of Engineers. In that post, he was in charge of the planning, design and construction of the Arkansas River Navigation Project. From 1967-69, he was chairman, Arkansas River Interstate Basin Committee of the Governors of Oklahoma, Kansas, Arkansas and Colorado, and has been the spokesman for these states before Congress in seeking congressional appropriations for the Arkansas River.

Colonel Maynard is a graduate of the U. S. Military Academy and holds a BS degree in civil engineering.

WOOTTEN McEACHEN FOWLER DEXTER CASADY PITTS

Five Senior Vice Presidents Among Numerous Promotions At First of Kansas City

KANSAS CITY—Five new senior vice presidents head a list of officer promotions at First National.

Elevated from vice presidents to senior vice presidents were Leland R. Casady, William G. Dexter, John T. Fowler, Richard E. McEachen and Thomas H. Wootten. Mr. Fowler is in the correspondent banking department.

Advanced from assistant vice presidents to vice presidents were William Antoniello, Robert G. Bowers, Thomas W. Boynton, Gary L. Cherry and Michael W. Gegen. Promoted from trust officers to vice presidents were Donald L. Erie and David P. Ross.

Moved up from assistant trust officers to trust officers were Frank J. Bassing Jr., David Boydston, Clark C. Bradshaw, Frank E. Bysfield III, E. Marsh Douthat, Thomas A. Foster and Gaylord deLancey Wetherill Jr.

Promoted from assistant cashiers to assistant vice presidents were Mark Harris, Thomas Holcom, Roy A. Paul, Larry T. Pitts, James C. Stewart and James A. Thomas. Mr. Pitts is in the correspondent banking department.

Mr. Casady joined the bank in 1960, Mr. Dexter in 1961, Mr. Fowler in 1966, Mr. McEachen in 1962 and Mr. Wootten in 1961. Mr. Pitts has been with First National since 1964.

Promotions Are Announced By First American National And First Amtenn Corp.

NASHVILLE—First American National has made senior level promotions and administrative changes. First Amtenn Corp., parent of First American National, has also announced promotions.

At the bank, Miller F. Cheek and Fred H. White were named executive vice presidents and William L. Midgett was named senior vice president and trust officer.

John E. Sparks was named vice president and trust officer and Richard L. Goodwin was named vice president.

In the administrative area, C. A. Scarboro and James W. Smith were named group vice presidents and James O. Keathley was named personnel director.

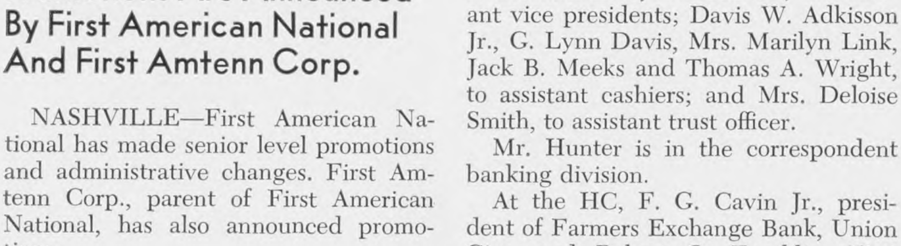
Other promotions included Carter G. Baker and Larry W. Hunter, to assistant vice presidents; Davis W. Adkisson Jr., G. Lynn Davis, Mrs. Marilyn Link, Jack B. Meeks and Thomas A. Wright, to assistant cashiers; and Mrs. Deloise Smith, to assistant trust officer.

Mr. Hunter is in the correspondent banking division.

At the HC, F. G. Cavin Jr., president of Farmers Exchange Bank, Union City, and Robert O. Franklin, First American National senior vice president, were named executive vice presidents.

Jefferson H. Dyer was promoted to vice president and Samuel W. Bartholomew Jr. was named director of corporate development.

Other promotions included Alexander P. Waddell, to controller; John C. Fox, to financial vice president and treasurer; James F. McCreary, to secretary and general counsel; and Oliver C. Carmichael III, to assistant vice president.



CAVIN FRANKLIN CHEEK WHITE MIDGETT HUNTER

New Valley Bank Posts Go to Huck, McFarland

PHOENIX—Valley National has announced the appointment of Thomas E. McFarland as senior vice president and manager, trust management group. He succeeds Leonard W. Huck, executive vice president, who has been made responsible for the bank's marketing and sales activities, personnel, communications and community relations.

Mr. McFarland comes from Lincoln First Bank, Rochester, N. Y., where he was executive vice president and chairman of the trust committee. He had been there since 1951. Mr. Huck went to Valley Bank 16 years ago, moved to the trust department in 1968 and—two years later—joined the bank's senior-management team as manager of the trust management group. Before joining VNB, he was manager, Arizona Country Club, Phoenix, for seven years.

McFARLAND

HUCK

Valley National also elected Ray L. Valour, Frank Mangin and Donald E. Hooker vice presidents. Mr. Valour is manager, business systems division; Mr. Mangin economic development officer and Mr. Hooker credit administrator, metropolitan division.

Geeslin Rejoins Austin Nat'l As Senior Vice President

AUSTIN, TEX.—Jeff E. Geeslin has been named senior vice president at Austin National and a member of the management committee. He is responsible for marketing, business development and correspondent banking.

GEESLIN

Mr. Geeslin had previously been with the bank 22 years before going to Lamar Savings Association, Austin, 1½ years ago. After joining Austin National in 1950, his first official post was trust officer. After serving as operations officer 12 years, Mr. Geeslin was named senior vice president, a title he held when he left to join Lamar Savings as president in September, 1972.

NBT's FRONT FOUR

They're our "advance men" . . . NBT's crack corps of correspondent bankers, headed by Charles Rice and backed up with the experience and professional savvy of Jerry Philpott, Charles McNamara and Marvin Bray.

When you talk to any one of these four financial specialists, you have a direct line to the total resources of National Bank of Tulsa. We call it Pacesetter banking service. It's worth a call—918-584-3411.

1. Marvin Bray 2. Charles McNamara
3. Jerry Philpott 4. Charles Rice

MEMBER F.D.I.C.

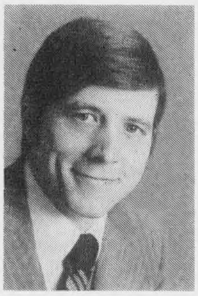
NATIONAL BANK OF TULSA
THE PACESETTER® BANK

House, Fleming, Wood Promoted in K.C.

KANSAS CITY—United Missouri Bank has announced several promotions, including those of three men who represent the bank in the Mid-Continent area—John C. House Jr. and Michael T. Fleming from assistant cashiers to assistant vice presidents and Thomas J. Wood III to assistant cashier.

HOUSE

FLEMING



WOOD

Mr. House, who travels in the St. Louis area, joined the bank early last year. Mr. Fleming, whose area is Chicago, has been with UMB since 1970. Mr. Wood, a representative of the bank in Kansas, went to the bank early in 1973.

In other action, the bank named three new vice presidents—Carl R. Ford, EDP division; John V. Gabhart, Master Charge division, and Don L. Thomason, assistant manager, international division. Other newly named assistant vice presidents are Daniel F. Fox, Master Charge, Edward H. Barnes, metropolitan area group, business development, and Duncan E. Kincheloe Jr., who represents the bank in Wisconsin. Phillip D. Straight, who travels for the bank in Nebraska and Colorado, was named an assistant cashier.

In action at United Missouri Bank's parent company, United Missouri Bancshares, Inc., David A. Proffitt was made an assistant vice president and C. Steven Cole assistant comptroller. Mr. Proffitt was formerly assistant vice president of the bank. Mr. Cole joined the HC in 1971.

HC Names New Officer

CHATTANOOGA, TENN.—Steve Graf has joined Hamilton Bancshares, Inc., as vice president and is operating out of the holding company's offices here and in Nashville. Mr. Graf was formerly vice president, Walker Bank, Salt Lake City, Utah.

Realignments, Promotions Announced by Continental

CHICAGO—Continental Illinois National has announced several changes in its commercial banking department.

Executive Vice President Robert C. Suhr has been given general administrative responsibilities within the department with emphasis on key account relationships. He reports to Executive Vice President Eugene Holland Jr., department head, and acts as department head in Mr. Holland's absence.

In the realignment, the following three senior vice presidents also report to Mr. Holland: Donald H. Myers, who has been named head, national divisions, succeeding Mr. Suhr; John E. Jones, who has become head, metropolitan divisions, as well as the business development task force, and Gerald K. Bergman, who has been made head, special industries divisions, including energy and mineral resources, securities and commodities dealers, public funds and transportation. Mr. Bergman continues as president of the leasing subsidiary of the bank's parent holding company, Continental Illinois Corp. The leasing subsidiary, Continental Illinois Leasing Corp., now is part of the special industries divisions.

SUHR

MYERS

JONES

BERGMAN

In other action, the bank elected the following vice presidents: George L. Barr, John W. Fowler, Richard R. Ridenour, David E. Owen, Robert B. Tankersley, Douglas Hall, Arthur D. James, John A. Rodgers III, Richard M. Gladziszewski, Louis H. Mertes and J. Joseph Anderson. Edwin J. Hlavka was named vice president and auditor and Joseph P. Coriaci vice president and cashier.

In addition, Continental Illinois National promoted three staff members who work with western commercial customers and correspondents: to second vice president, Howard H. Turner, and to commercial banking officers, William M. Goodyear and Charles A. Huston. Messrs. Turner and Goodyear travel in five states, including Arkansas, Louisiana, New Mexico and Texas. Mr. Huston's territory includes Kansas and Missouri.

Continental Bank, Chicago, Names Exec., Senior VPs

CHICAGO—Continental Illinois National has named one new executive vice president and five new senior vice presidents in addition to making other promotions.

David G. Taylor was named executive vice president in charge of the bond department. He joined the bank in 1957 and is a past president of the Dealer Bank Association, a national trade group.

New senior vice presidents include Eugene R. Croisant, administrative services; Gerald K. Bergman, commercial banking; Leo C. de Grijs, international banking; Herbert E. Johnson, planning and development; and Leo B. Engemann, who was also named controller.

Elected second vice presidents in the international banking department were Donn S. Smith, John R. Stevenson, Charles B. Truett and Paul M. Watson. New international banking officers are Herschel V. Jones III and William I. Rau.

In the trust department, James Allan III and Diane Curtis were named second vice presidents, Jack M. Miller and Cornelius A. Twomey were elected investment officers and Ronald B. Bremen, William J. Conroy and Laurence J. Kline were named trust officers.

Arthur A. Schultz was elected an accounting officer and Karlheinz Peter was named a systems officer.

Promotions, Appointment Made At First National of Mobile

MOBILE, ALA.—First National has named T. Redmond Foster senior vice president and senior comptroller, Paul P. Redmond vice president and comptroller and W. M. "Monty" Collins director of industrial development.

Mr. Foster was senior vice president and Mr. Redmond assistant vice president and assistant comptroller. Mr. Collins is a member of the Alabama House of Representatives and, during his career, has been floor leader for Governor George C. Wallace, the late Governor Lurleen B. Wallace and former Governor Albert P. Brewer.

When our correspondent banks need assistance, we supply it in a way that profits them . . . and their communities . . . and profits BNO, too.

Profit is the name of the game. And our correspondent banks share it with us—consistently.

Millard Wagnon will be happy to tell you more about our correspondent banks' profitable relationships with us.

BNO

Bankers with ideas

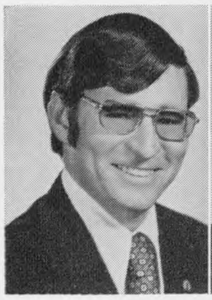
THE BANK OF NEW ORLEANS

AND TRUST COMPANY

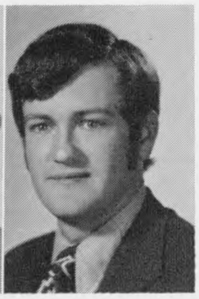
Member F.D.I.C.

P. O. Box 52499, New Orleans, La. 70152

CALL: 1-800-362-6718 (Within Louisiana)
1-800-535-6760 (From Miss., Ala., Texas, Ark., Okla.)







CRUTCHFIELD SMITH SUBLETT BRECKENRIDGE JETT

Four New Senior VPs Among Officer Promotions At Hot Springs First Nat'l

HOT SPRINGS, ARK.—Four new senior vice presidents have been named at First National.

They are C. Gerald Breckenridge, Eugene N. Smith, Howard H. Sublett and James P. Jett.

Vice President Billy I. Crutchfield was given the additional duties of cashier.

Mr. Breckenridge joined the bank in 1972, Mr. Smith in 1958, Mr. Sublett in 1946 and Mr. Jett in 1971. Mr. Crutchfield has been with the bank since 1965.

Mercantile Trust Elects VP

Mercantile Trust, St. Louis, has elected Robert L. Buenger a vice president in the trust department. He was formerly an investment officer. He joined the bank in 1957 as a junior analyst.

Commerce Bank, Kansas City, Promotes Eight Offcers

KANSAS CITY—Commerce Bank has promoted eight officers, including four to vice presidents.

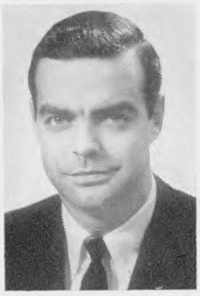
MESSINA

The new vice presidents are Betty Crow, manager of the central securities department; Mary L. Harper, manager of the money management department; John C. Messina, who serves in the correspondent department; and Robert L. Rasmussen, who heads up the BankAmericard division.

Four new assistant vice presidents include Eugene L. Mahaffey, customer service and planning manager for BankAmericard; John Harve Newlin, commercial officer in the metropolitan division; James L. Peters, assigned to the bond department; and John C. Taylor, commercial banking officer.

Miss Crow joined the bank in 1946, Miss Harper in 1950, Mr. Messina in 1948 and Mr. Rasmussen in 1972.

Sammons Named Senior VP At Republic of Dallas



SAMMONS

DALLAS—Ed E. Sammons Jr. has been elected a senior vice president in Republic National's bond division and a member of the executive committee.

Mr. Sammons joined the bank in 1962 and was elected an officer in 1966. He heads the government bond and money market group and is on the investment committee.

Mr. Sammons is a vice president, Howard Corp.

Thirteen Officers Are Raised At Mercantile of Kansas City

KANSAS CITY—Mercantile Bank has elected and promoted 13 officers including Roland V. Petering, former senior trust officer and senior vice president, who has been named executive trust officer and senior vice president.

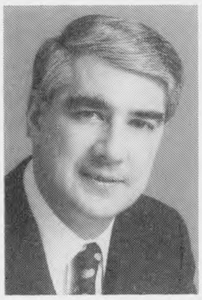
Buell L. Hoyt, formerly assistant vice president, has been elected vice president and Secretary Mrs. Dorothy Van Horn has been given the additional duties of assistant vice president.

HOYT

PETERING

Others elected were Anthony Gagliano, data processing officer; Shirely Harber and Anna L. Lawless, administrative officers; Jon F. Mallard, assistant vice president; Bernice M. Mock and Dorothy L. Smith, administrative officers, operations; Robert E. Owens, real estate officer; Karen H. Post, customer services officer; Leonard J. Saale, assistant vice president; and Michael Zuk Jr., assistant trust officer.

Jackson Elected Vice President Of Commerce Bank, Kansas City



JACKSON

KANSAS CITY—James Ned Jackson has joined Commerce Bank here as vice president and has been nominated for election as vice president of Commerce Bancshares, multibank holding company based here. Mr. Jackson will be assistant to James M. Kemper Jr., chairman of the HC and bank.

Most recently, Mr. Jackson was vice president-investment counseling, Lionel D. Edie & Co., New York City. Before that, he was managing director, Francis I. duPont (U.K.), Ltd., with responsibility for all sales, corporate and management functions within the United Kingdom. He is a native of Joplin, Mo.

Four Promoted, One Elected At Wichita State Bank

BURNS

WICHITA—Wichita State has promoted Larry G. Burns to vice president, Marjorie L. Jackson and Richard L. Mackey to assistant vice presidents and Lois Clary to assistant cashier and auditor. Don Harries was also promoted to assistant cashier.

Mr. Burns joined the bank in 1972 as assistant vice president. Miss Jackson has been with the bank nine years, Mr. Mackey joined the bank last May, Miss Clary in 1966 and Mr. Harries last May.

Harris Trust Promotes Six

CHICAGO—Harris Trust has promoted the following from assistant vice presidents to vice presidents: John Q. Arnold, Dennis A. Barnette, Randall B. Becker, Henry G. MacMorran, Roger A. Molzahn and Richard P. Patterson.

Hamilton Helps.

Hamilton Bank
Being your good things bank is our thing.
A Hamilton Bancshares bank, Member F.D.I.C.
Chattanooga, Tennessee 37401

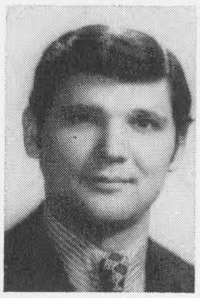
Bunting Joins Detroit HC


BUNTING

DETROIT—C. Garritt Bunting has been named a vice president of Manufacturers National Corp., holding company for Manufacturers National Bank. Mr. Bunting is working on the HC's expansion and development.

He was formerly president, Bendix Credit Corp. Earlier, he was chief financial officer, Associates Corp. of North America and Studebaker Corp. Mr. Bunting is a graduate of the University of Michigan Law School.

Novak and Miller Promoted At Grand Avenue Bank


NOVAK

KANSAS CITY—Grand Avenue Bank has promoted John D. Novak from assistant vice president to vice president and Frank C. Miller to assistant cashier.

In addition, the bank elected three new directors—George D. Gee, chairman, ISC Industries; Richard H. Spencer, partner, Spencer, Fane, Britt & Browne, and George W. Ryan Jr., vice president, G. W. Ryan Distributing Co., Inc. Capital was boosted from $562,500 to $1,125,000 through a 100% stock dividend. Surplus is $1.6 million and undivided profits $392,250.

Mr. Novak, with the bank since 1968, is in business development and commercial lending. Mr. Miller, an installment loan officer, joined Grand Avenue Bank in 1972.

American National, St. Louis, Makes Building Plans, Elections

ST. LOUIS—American National has announced that building plans are underway for its recently approved Riverview Plaza Facility in north St. Louis. Completion of the facility building is expected this year. The facility will serve the Baden and Riverview areas.

R. Joseph Heisler, vice president, will serve as manager.

In other action, the bank has elected Mrs. Pat Ruck an assistant vice president and Ferd W. Meyer a director. Mrs. Ruck is manager of the real estate loan department and Mr. Meyer is secretary-treasurer of Sunline, Inc., confectioner.

Eleven Promotions Announced At Fidelity Bank of OC

OKLAHOMA CITY—Fidelity Bank has promoted D. Kent Williams from assistant vice president and trust officer to vice president and trust officer, Kenneth W. Scoggins and James T. Hunter from assistant vice presidents to vice presidents. Mr. Scoggins is in the investment division and Mr. Hunter in the commercial loan department.

Newly elected assistant vice presidents are Wanda Beamer, Donald G. Copeland, Mary Juliet Reed, Robert L. Brixey and Donna Wilson. Robert E. Amyx and Willis Brickman were named assistant cashiers and Marjorie Mathes a trust officer.

Gets Director's Post

Warren M. Shapleigh, president, Ralston Purina Co., St. Louis, has been elected a director of New York City's Morgan Guaranty Trust and its parent company, J. P. Morgan & Co., Inc.

Retirement and Appointment Announced at Nat'l Boulevard

CHICAGO—National Boulevard Bank has announced a retirement and an appointment.

Vice President Hugh J. Copeland retired and was presented with a color TV set and round-trip tickets to California for himself and Mrs. Copeland. He joined the bank in 1928.

David J. Faron has joined the bank's commercial department as assistant vice president. He has had several years' experience in commercial loan departments of two Chicago banks.

Baltimore Bank Names Sr. VPs.

KANSAS CITY—John R. Owen has been elected senior vice president and trust officer and J. Thomas Burcham has been elected senior vice president at Baltimore Bank. They were also elected directors.

Other appointments include John Rejba to controller, Kiah Warden to marketing officer and Anna Dugger, Marsha Parker, Maxine Prewitt and June Shirley to assistant cashiers.

Two Vice Presidents Are Elected At First National Bank, Wichita

WICHITA—First National has promoted Phillip T. Miller from marketing officer to vice president and John C. Harrison from assistant vice president to vice president. Mr. Miller also was named manager of the West Office, which is housed in a temporary facility while its permanent building is being constructed. Mr. Harrison is manager, on-line services.

Other promotions announced by First National are: to banking officers, Peggy Wesley, Gwen Jones and Rigby Carey, and to data processing officers, William J. Heimerman, Max R. Barker and James C. Simon.

Liberty Nat'l Raises Four

OKLAHOMA CITY—Liberty National has promoted Mel B. Edwards to assistant vice president, Michael V. Barnes to budget officer and Jeanne M. Dawly to financial planning officer.

Wayne D. Stone was appointed operations officer.

Mr. Edwards joined the bank in 1962, Mr. Barnes in 1971, Miss Dawley in 1970 and Mr. Stone in 1969.

New Director Nominated

CHICAGO—Edward S. Donnell has been nominated to be a director of Nortrust Corp. and its banking subsidiary, Northern Trust. He is president, Marcor, Inc., and Montgomery Ward & Co. Mr. Donnell would fill the vacancy created by the retirement of Leo H. Schoenhofen, Marcor chairman. The election will take place at the annual meeting March 5.

Whitney Officer Retires

Percy L. McCay, who retired at year-end 1973 as vice chairman, Whitney National, New Orleans, was named a director emeritus last month. He joined the bank in 1928, became a director in 1965 and vice chairman in 1969.

■ FRANCIS J. "BUDDY" RICHARDSON has been promoted to portfolio investment officer, First National Bank of Commerce, New Orleans. Before affiliating with the bank's investment services department, he was a systems engineering trainee in IBM Corp.'s data processing division. Mr. Richardson holds a BBA degree from Tulane University and a master's degree in business administration from Loyola University, both in New Orleans.

A Money Machine on Mars?

Far out perhaps but not farfetched

As space-age exploration reduces the universe, the prospect of interplanetary banking excites the imagination and challenges modern technology

But before today's banker installs a bank on Mars, he must deal with other more down-to-earth problems

Old problems such as turning a profit in a competitive market

Everyday problems such as protecting the bank, acquiring new accounts, and keeping abreast of the latest financial information

And new opportunities presented by new strides in automation, new services, and renewed social awareness

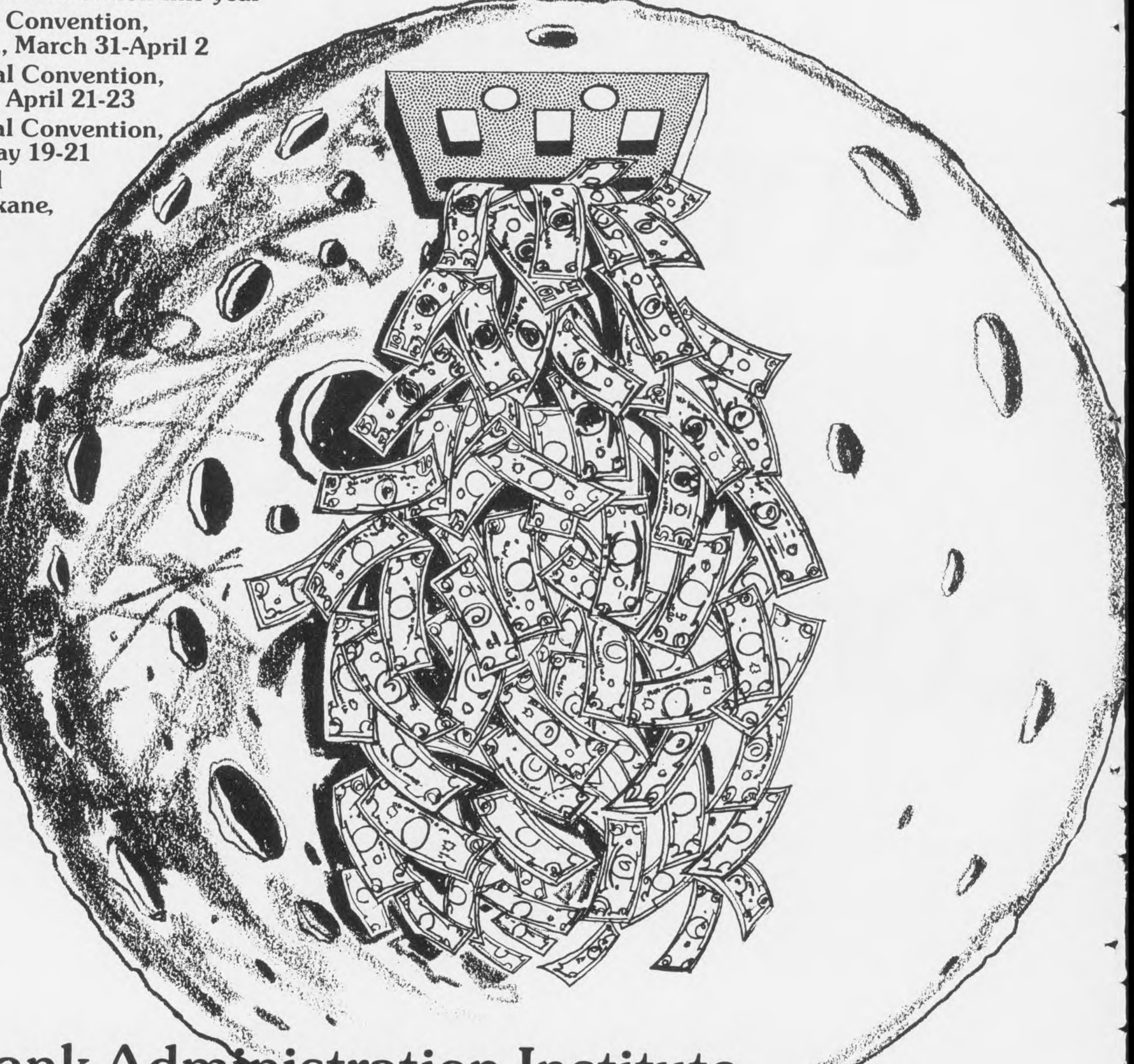
For 50 years Bank Administration Institute has been providing the banking community with practical programs of education, research, and technical support

In 1974 thousands of bank executives will attend BAI conferences, seminars, and workshops to add new dimensions to their banking professionalism

Will you be among them?

Plan to attend a BAI convention this year

- **Eastern Regional Convention, Jacksonville, Fla., March 31-April 2**
- **Southern Regional Convention, New Orleans, La., April 21-23**
- **Northern Regional Convention, Duluth, Minn., May 19-21**
- **Western Regional Convention, Spokane, Wash., June 9-11**
- **50th National Convention, Chicago, Ill., September 15-18**



Bank Administration Institute

P. O. Box 500, Park Ridge, Illinois 60068

Illinois News

First National Bank, Peru, Makes Officer Promotions

PERU—First National has elected Mrs. Trese M. Hollerich chairman, the first woman to serve the bank as chairman. Promoted were Harold L. Simkins to president and trust officer, Kenneth A. Bishop to vice president and cashier, Roger F. Kowalski to vice president, Elsie Caveglia to assistant vice president, Joan Mankowski to assistant vice president and assistant trust officer and James F. Erlenborn and Michael S. Walzer to assistant cashiers.

The bank celebrated its 40th anniversary in December, during which it distributed an eight-page tabloid newspaper insert to 12,000 households in the area. An open house featured live radio broadcasts from the bank lobby.

■ NATIONAL BANK of North Chicago has promoted Mrs. Doris J. Rampale and O. W. Dalrymple to assistant vice presidents and named James A. McCraigh assistant cashier.

■ NORTHBROOK TRUST has promoted Larry G. Gillie from cashier to cashier and vice president and Kenneth H. Cooke from trust officer to assistant vice president.

FNB, Mattoon, Elects Director

Clark W. Brogan, vice president and trust officer at First National, Mattoon, has been elected a director. He joined the bank in 1956.

■ JOHN D. KITCHEN has been named president of Ashland State, Chicago, and Mrs. Ruth E. Olson was named assistant cashier. Mr. Kitchen was formerly senior vice president at Michigan Avenue National, Chicago.

■ AMERICAN NATIONAL, Granite City, has promoted David Giese from cashier to vice president and cashier and elected Kiro Vasiloff, a retired merchant, to its board.

Officer Promotions Announced At Edwardsville National

EDWARDSVILLE—Edwardsville National has promoted William S. Alexander from vice president and auditor to vice president and cashier, R. Paul Burrus from assistant vice president to vice president, Mrs. Jeanette Cravens from trust officer to vice president and trust officer and William F. Rader from cashier to assistant vice president.

Also promoted were Dennis R. Hessel, Dennis M. Terry and Richard L. Watson. Mr. Hessel is assistant cashier, Mr. Terry is associate trust officer and Mr. Watson is administrative assistant.

Elmer Schumacher, senior vice president, was elected to the board.

■ FIRST NATIONAL, Harvey, has promoted George Diersen and Robert Piel to assistant vice presidents, Emmett Hainsworth to assistant cashier and honored Walter Haines, a director since 1942, who has had perfect attendance at all board meetings since his election.

■ MILLIKIN NATIONAL, Decatur, has elected Lester F. Buchanan assistant trust officer. He joined the bank in 1971.

Indiana News

Hinkley Gets Correspondent Post At Merchants of Indianapolis

INDIANAPOLIS—Robert F. Hinkley has joined Merchants National as vice president and senior commercial banking officer. In this post, he is responsible for all commercial accounts, including correspondent banks and national accounts.

HINKLEY

Mr. Hinkley comes from New York City, where he was a vice president, Franklin National, and was responsible for the southwestern United States. Before that, he was a vice president, corporate banking group, Chase Manhattan, New York City.

LIKE

McCART

Among recently named assistant vice presidents are two members of Merchants National's correspondent banks division: Marvin G. Like and Thomas R. McCart. Both travel in Indiana. Mr. Like joined the bank in 1965 and Mr. McCart in 1968.

Retirements, New Appointments Announced at Indiana National

INDIANAPOLIS—Two officers have retired, and one plans to retire soon at Indiana National.

Edwin F. Pattison, senior vice president in charge of the domestic branch system, and Kenneth L. Peek, vice president and head of the trust division's pension and profit sharing department, have retired. J. Harold Wright, vice president and manager, Tower Banking Office, will retire April 30.

Senior Vice President Joseph C. Buergler has succeeded Mr. Pattison. Mr. Peek's successor is William F. Tearman, assistant vice president and trust officer. Scheduled to take Mr. Edwards' place is Vice President R. Donald Edwards, who was manager of the branch at 5635 North Illinois Street. Mr. Edwards joined the Tower Branch staff February 11 and was succeeded in his former post by John E. Hollett III, assistant vice president.

Yates Elected Vice Chairman, Bankshares of Indiana HC

MERRILLVILLE—H. A. (Bud) Yates has been elected vice chairman of Bankshares of Indiana, parent firm of Bank of Indiana, Gary.

YATES

Mr. Yates is a senior vice president of Bank of Indiana and was formerly vice president in the correspondent bank division of Merchants National, Indianapolis.

Mr. Yates was formerly president of the HC, a position now filled by Ray A. Felicetti, who was named executive vice president, Bank of Indiana, in 1970. Mr. Felicetti joined a subsidiary of the HC in 1961.

First Security Nat'l, Lexington, Names Three Executive VPs

LEXINGTON—First Security National has appointed three executive vice presidents, including Neilan R. Thurman, Hosmer L. Drew and W. L. Rouse Jr. Frank E. Wilford and Arthur E. Abshire were promoted to first vice presidents and R. C. Cranfill and Stephen W. Johnson were promoted to vice presidents.

Messrs. Thurman and Drew were senior vice presidents; Mr. Rouse was a first vice president; Messrs. Wilford and Abshire were vice presidents and trust officers; Mr. Cranfill was assistant vice president and trust officer; and Mr Johnson was assistant vice president.

DREW THURMAN ROUSE

Kentucky News

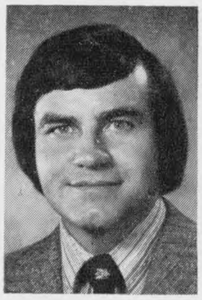
Central Bank Promotions

LEXINGTON—Central Bank has announced the following promotions: to assistant vice presidents—Larry D. Camic, Glenn D. Leveridge, Ronald E. Burden and John S. Shropshire; to assistant cashiers—Danny G. Abner, William T. Buford, Shirley P. Young, Stephen Weissmueller, David L. Gayheart, Lawrence Hobbs, Len Duren and William Stevenson Jr.

■ CITIZENS BANK, Paducah, has elected Fred L. Nagel chairman and Patrick J. Cvengros president and CEO. Mr. Nagel was formerly president and Mr. Cvengros was formerly executive vice president. Also promoted were Mrs. Ann Edwards to assistant vice president, Teddy L. Hudson and Gary M. Kettler to loan officers, and Miss Heddy Beyer, Mrs. Janis Morris and Mrs. Jean Toon to assistant cashiers.

Promoted in Louisville

B. Darrel Thore, who was administrative assistant, correspondent banking division, Citizens Fidelity, Louisville, has been named an assistant cashier. He joined the bank in 1963 and has been in the division since 1970.



■ LOUISVILLE TRUST has elected Richard G. Thomas a trust investment officer. He was formerly with Stifel, Nicolaus & Co., Inc.

■ MICHAEL S. KEITH has been promoted to cashier and secretary to the board, First Farmers Bank, Owenton. He joined the bank in 1970 and was assistant vice president.

■ CHARLES ELZA has been named assistant cashier, Corbin Deposit Bank. He joined the bank last March.

■ BANK OF DANVILLE has promoted Raymond Kirkland from cashier to vice president and cashier. He also is secretary to the board.

Chase Moss Dies at 61, Was in Banking 37 Years

NASHVILLE—Chase Moss, 61, chairman, Third National Corp., parent firm of Third National, died the last week in January.

MOSS

Mr. Moss joined Third National in 1937 and was assigned to the correspondent banking department in 1947 when he was named assistant cashier. He was promoted to assistant vice president in 1951, vice president in 1956, senior vice president in 1965 and executive vice president in 1970. He had been chairman of the HC since 1972.

He served as president of the Tennessee Bankers Association in 1969-70 and as ABA vice president for Tennessee in 1964-65.

■ BANK OF OAK RIDGE has promoted Donald I. Carpenter Jr. from assistant vice president to vice president and Harry E. Minge from assistant cashier to assistant vice president. Mr. Carpenter joined the bank in 1971 and has charge of the bank's marketing program and consumer loan department. Mr. Minge, with the bank since 1972, is manager, Downtown Office and mortgage loan department, and is personnel officer.

Tennessee News

■ WILLIAM F. CLARK, an attorney, has been named senior vice president and trust officer, Pioneer Bank, Chattanooga. Mr. Clark has been associated with the bank for many years as its general counsel and a member of its trust and investment review committees. He has given up his private law practice to devote full time to the operation and development of Pioneer Bank's trust department.

■ FIRST NATIONAL, Memphis, has elected S. R. Leatherman Jr. to its board. He is executive vice president, Memphis Furniture Manufacturing Co.

■ MISS NORMA JEAN CLEVELAND has been promoted to assistant cashier and manager of the Ridgedale Branch of Hamilton National, Chattanooga. She joined the bank in 1963.

■ JOHN G. SQUIRES has been named manager of the Old Hickory Office of First American National, Nashville. He is an assistant cashier.

Bank Wins Advertising Awards

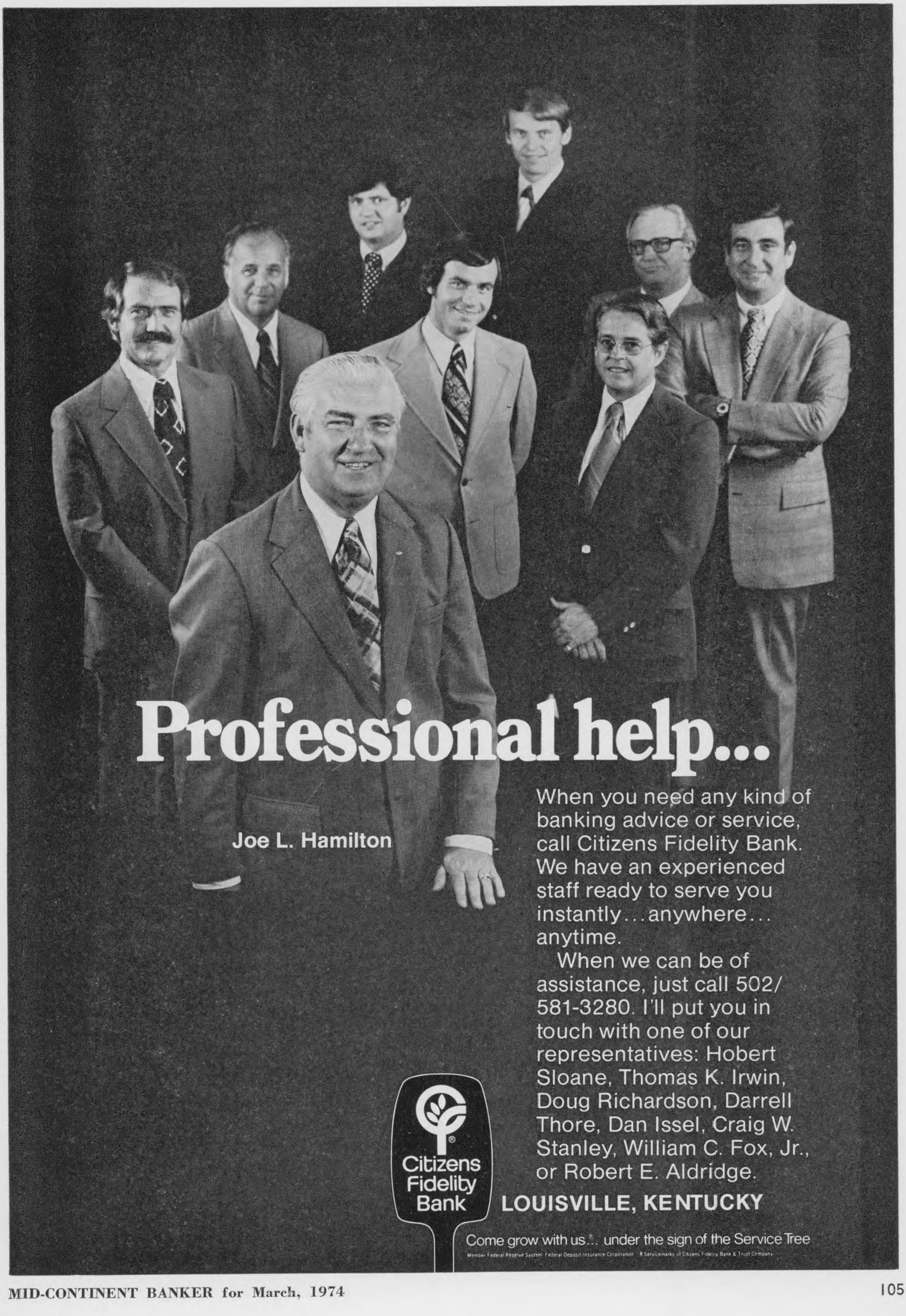
CHATTANOOGA—American National won the lion's share of awards at the 1974 Chad Awards competition, sponsored by the Chattanooga Advertising Federation recently.

First place gold awards were given to the bank in each of 10 categories and silver awards were given for two other categories.

■ JOHN R. ALLEN, who was chairman, Hamilton Bank of Jefferson County, White Pine, has been named president and chairman. Charles T. Scarbrough, formerly vice president and manager, Jefferson City Office, has moved up to executive vice president and chief executive officer. Kenneth A. Gross has advanced from assistant vice president to vice president and manager, White Pine Office. Charles Mixon, who was assistant cashier, Jefferson City Office, now is assistant vice president and manager of that office.

■ TENNESSEE VALLEY BANCORP., Nashville, plans to acquire Union Bank, McEwen-Waverly. Union Bank has deposits in excess of $13 million.

■ FIRST AMTENN CORP., Nashville, plans to acquire Virginia Mortgage & Loan Association, Newport News, Va. The firm has 15 offices in Virginia.

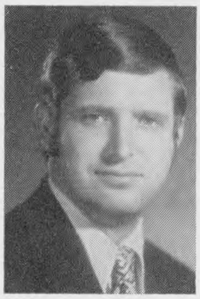

Professional help...
Joe L. Hamilton
When you need any kind of banking advice or service, call Citizens Fidelity Bank. We have an experienced staff ready to serve you instantly... anywhere... anytime.
When we can be of assistance, just call 502/581-3280. I'll put you in touch with one of our representatives: Hobert Sloane, Thomas K. Irwin, Doug Richardson, Darrell Thore, Dan Issel, Craig W. Stanley, William C. Fox, Jr., or Robert E. Aldridge.
Citizens Fidelity Bank®
LOUISVILLE, KENTUCKY
Come grow with us®... under the sign of the Service Tree
Member Federal Reserve System · Federal Deposit Insurance Corporation ® Servicemarks of Citizens Fidelity Bank & Trust Company

Robert Gulledge Resigns

MONTGOMERY—Robert I. Gulledge has resigned as Alabama superintendent of banks to run for the state Senate. Before being named to the state post in 1971, Mr. Gulledge was president, Baldwin National, which he joined in 1964. Before that, he was assistant cashier, American National, Mobile.

■ MICHAEL R. RILEY has been promoted to assistant vice president, Exchange Security Bank, Birmingham, where he heads the bookkeeping department. Mr. Riley joined the bank in 1968.

Alabama News



THOMPSON

PINKERTON

Pinkerton, Thompson Promoted At Birmingham Bank and HC

BIRMINGHAM—Carlton P. Pinkerton, head of Central Bank's correspondent bank department, has been promoted from vice president to senior vice president. He joined the bank in 1966 as an assistant vice president, business development, and was placed in charge of the correspondent bank department in 1968.

Central Banschares of the South, Inc., of which Central Bank is an affiliate, elected John W. Thompson senior vice president and to the executive management board as head of operations. Mr. Thompson joined the HC last August as vice president in charge of operations. He was formerly vice president-operations, North Carolina National, Charlotte.

First Billion-Dollar Bank

BIRMINGHAM—First National has become the state's first billion-dollar bank, according to its statement of condition. Assets totaled $1.03 billion as of December 31, 1973, compared to $938 million a year earlier.

■ STANLEY E. SHIPPER has joined First National, Florence, as assistant vice president. He is a former stockbroker.

■ CITY NATIONAL, Birmingham, has promoted Johnny R. Wallis to senior executive vice president and Hoy L. Taylor Jr. to executive vice president. A. Wayne Bowen was named vice president; Charles E. Pinion Jr., assistant vice president and auditor; Anthony D. Snable, assistant vice president; and Mark A. Crayne, John C. Kearney and Jane N. Turman, assistant cashiers.

Mississippi News

Deposit Guaranty Promotes At Branches, Headquarters

JACKSON—Promotions have been announced by Deposit Guaranty National and two of its branches.

Changes at City Bank, Natchez branch of Deposit Guaranty, include N. L. Carpenter from president to chairman of the advisory board, the elevation of Earl W. Lundy from executive vice president to president and advisory board member and the promotion of Louis W. Foster from senior vice president to executive vice president.

At Monticello Bank, Frank C. Allen, president, has retired from active management but will retain his titles as president of the bank, chairman of the Monticello/Newhebron advisory board and member of the advisory boards of Deposit Guaranty Corp. and Deposit Guaranty National. Ray Poole has been promoted from vice president to senior vice president and manager and Paul K. Sutton was raised from assistant vice president to vice president and assistant manager. P. K. McLain Jr., realtor and hardware dealer, has been named to the Monticello/Newhebron board, succeeding his father, P. K. McLain Sr.

At Deposit Guaranty National, Lowell F. Stephens was elevated from vice president and trust officer to vice president and senior trust officer. Hulon H. Bilbo was promoted from assistant vice president to vice president.

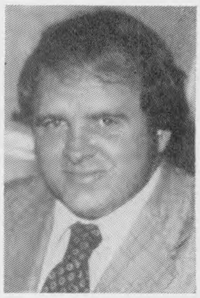
Complex to Have Rooftop Club

JACKSON—A private rooftop club atop the new Deposit Guaranty Plaza building will open when the complex is completed late this year, according to officials of Deposit Guaranty Corp. and Deposit Guaranty National.

The club will be on the 22nd floor of the tower and will be designed for both the business and social use of its members. The club will be named in the near future.

■ MORGAN McLAIN JR. has been promoted from assistant cashier to assistant vice president at Brookhaven Bank. He joined the bank in 1971. The bank has also elected Stephen J. Smith and Robert V. Massengill directors and Clifton C. Clark and Virgil D. Youngblood to its newly formed advisory board.

Bryan Named Corres. Manager At Mississippi Bank, Jackson



BRYAN

JACKSON—John R. Bryan has been promoted to vice president and manager of the correspondent bank department at Mississippi Bank. Jim Crell has been appointed as a representative in the same department. L. D. Whigham will remain as a consultant.

Mr. Bryan joined the bank in 1966 and was formerly assistant vice president in the correspondent department, a post he held since 1968. Mr. Crell joined the bank in 1972. Mr. Whigham has been with the bank since 1962, but his banking career began in 1921. He organized Mississippi Bank's correspondent department in 1963.

Women's Finance Forum Held at Brookhaven Bank

BROOKHAVEN—Brookhaven Bank recently sponsored a finance forum for women, with 140 attending.

The program included an attorney, speaking on wills and legal aspects of estate settlements; an investment specialist; the branch manager of the Social Security Administration; and an attorney with the Internal Revenue Service, speaking on tax problems. Bank Vice President Juanita G. Summers spoke on taking advantage of bank services.

The forum was moderated by Lewis J. Weeks Jr., vice president and trust officer. Bank President Ray Davis also took part in the forum.

Bank of Laurel Will Open In Shopping Center

LAUREL—Bank of Laurel, being readied for an early opening, has elected W. Bill Ainsworth vice president and cashier.

The bank will open in a temporary facility in the Parkside Plaza Shopping Center. The facility will include a drive-in window. The bank's permanent building will also be located in the shopping center.

President of the bank is A. Jackson Huff Jr.

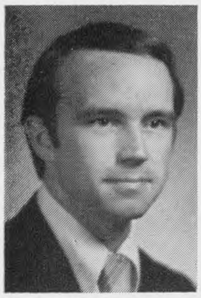
■ HANCOCK BANK, Gulfport, will merge with Bank of Commerce, Poplarville. The latter will become a branch of Hancock Bank.

Louisiana News

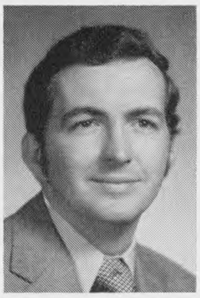
Four Vice Presidents Elected At Hibernia National Bank

NEW ORLEANS—Hibernia National has appointed the following vice presidents: Edward B. McConnell, national department (correspondent banking), Glen E. Bascom, investment division, Thomas D. Blake, management development, and George J. Giuliani, international division. Joseph B. Storey Jr. was named assistant vice president, Rodney J. Abele Jr. assistant trust investment officer and Paul Muehlemann international officer.

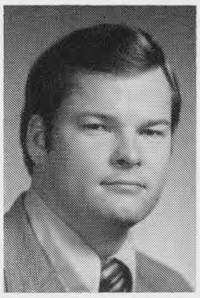
Mr. McConnell was previously with First Union National, Charlotte, N. C.,



McCONNELL



BLAKE



BASCOM

GIULIANI

where he was vice president, U. S. north group-national division. Mr. Bascom came from Marine Bank, Tampa, Fla., where he was vice president, investments. Mr. Blake was with North Carolina National, Charlotte, as assistant vice president and regional personnel director. Mr. Giuliani has had 20 years' experience in international credits and investments. He has been made responsible for Hibernia's Cayman Island Branch and assists in Eurodollar and foreign exchange trading. He went to the bank from Atlanta. Mr. Storey joined Hibernia in 1970 and was a commercial officer. Mr. Abele went there in 1972.

NYTCO Appoints Frederick Kemp To New Orleans District Office

KEMP

Frederick Kemp has been appointed district manager of the New Orleans office of NYTCO Services, Inc., San Francisco.

Mr. Kemp, who is from Louisiana, joined the firm in 1965 as field representative in its Los Angeles office and opened the Santa Ana, Calif., office in 1972.

In addition to supervising collateral control services, Mr. Kemp also is active in NYTCO's equipment leasing division in Louisiana and Mississippi.

Arkansas News

New Correspondent Title At Worthen Bank, Little Rock

LITTLE ROCK—Worthen Bank has announced several promotions, including that of Dusty Edwards to correspondent bank officer and operations manager, correspondent division. He has been with the bank since 1968.

EDWARDS

In other action, Worthen elected these assistant vice presidents: Miss Margaret Grinstead, Wynton Moore, Mrs. Willie Lock, Edward T. Buchy Jr. and Randy Oates. Miss Grinstead supervises the installment loan department's operations section. Mr. Moore is collection manager of the consumer division over the BankAmericard, Master Charge and installment loan departments. Mrs. Lock has been named manager, new accounts department. Mr. Buchy is manager, data processing operations. Mr. Oates is responsible for the marketing program of Worthen's 12 branches throughout Little Rock.

Named loan officers were Larry Holcomb, John Lopez, Jack Fleischauer and Terry Skyrmes.

Elected Bank Director

Dr. Roy B. Shilling Jr., pres., Hendrix College, Conway, has been elected a director of Little Rock's Commercial National. He has been in higher education 15 years, and his assignments have included teaching, research and administrative responsibilities.

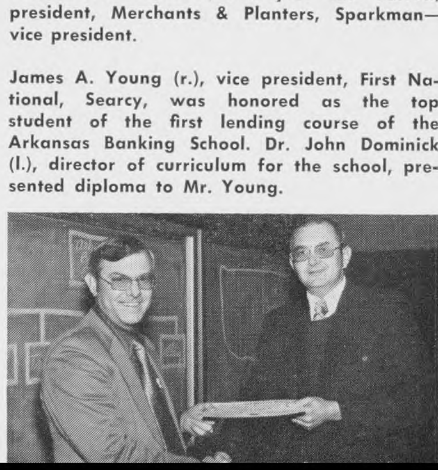
■ FIRST NATIONAL, Mena, has announced the promotions of George Penick, Forrest Ogden and Mrs. Wanda Mos. Mr. Penick was promoted from cashier to vice president and cashier and Mr. Ogden and Mrs. Mos were named assistant cashiers.

■ FIRST NATIONAL, El Dorado, has promoted Robert G. Dudley from vice president and cashier to executive vice president and cashier, elected James Endel manager of the property department and added Wallace E. Luttrell to its board.

Ark. Bank School Elects Officers

Class officers for the first lending course of the Arkansas Banking School were elected in January at Arkansas State University, Jonesboro. From left: Alice Holbrook, cashier, Perry County Bank, Perryville—secretary; Carl Holt, chairman, Bank of Ozark—president; Betty Wilkinson, president, Farmers Bank, Greenwood—treasurer; and Tyrol "Kit" Carson, president, Merchants & Planters, Sparkman—vice president.

James A. Young (r.), vice president, First National, Searcy, was honored as the top student of the first lending course of the Arkansas Banking School. Dr. John Dominick (l.), director of curriculum for the school, presented diploma to Mr. Young.



Texas News

Finley New Corres. Head At Capital Nat'l, Austin


FINLEY

AUSTIN—Capital National has promoted L. Gene Finley, formerly assistant vice president and credit department manager, to vice president and manager of the correspondent banking department. He joined the bank in 1972.

Named assistant vice presidents were James Carssow, Jerry Morgan, Randal Peschel and Rodney Boydstun. James H. Leech was elected trust real estate officer and Charles Miller was elected assistant cashier.

■ FIRST NATIONAL, Amarillo, has promoted Don F. Duffield, Bob J. McMurry and Bill W. Cantwell to senior vice presidents; James K. Cox to vice president and controller; Lena M. Houseman, Ralph Myrick, Richard Womack, Sharon Brown, Thomas Buckner, Doris Rogers and Fred Hancock to assistant vice presidents; Craig Evetts and Gary J. Turner to trust officers; and John Kritser, Ernestine Oakley, Boyd Milner and Betty Goodin to assistant cashiers.

■ FIRST NATIONAL, Port Arthur, has promoted A. B. Hornaday from assistant vice president to vice president and elected Miss Ernestine Calhoun assistant cashier.

■ FIRST NATIONAL, Panhandle, has promoted Bob Roberts from assistant vice president to vice president, Elmer Tuggle from cashier to vice president and cashier and Miss Beth Hodges to assistant cashier. Mr. Roberts went to the bank in 1956, Mr. Tuggle in 1958 and Miss Hodges in 1967.

■ FROST NATIONAL, San Antonio, has promoted Mrs. Angie De Los Santos and Guy Spiller to assistant vice presidents, Darrell Downs to credit administrative officer and Jesse Martinez to administrative officer.

■ JOHN A. ROSSITTO has been promoted to assistant vice president at Bank of the Southwest, Houston. He is customer services officer and manager of the special services department.

Williams Named Vice President At Lubbock National Bank


WILLIAMS

LUBBOCK—Lubbock National has promoted five officers from assistant vice presidents to vice presidents, including Bryan Williams III, a correspondent bank officer who joined the bank last June. Mr. Williams came from First National, Fort Worth, where he also handled correspondent bank work.

The other new vice presidents are Harry H. Howle and Bill M. Whorton, installment loan officers; Miss Joy L. Lambert, head of bookkeeping in the operations department, and DeWayne V. Pierce, who also continues as controller.

Named assistant cashiers were Lin Hall, Richard Hutchins, Charles Kitten, Bernard McNamara and Alan B. White.

Four Named Sr. Vice Presidents At First City Nat'l, Houston

HOUSTON—First City National has promoted Fred C. Homeyer, George W. Grosz, Charles M. Prather and George L. Risien from vice presidents to senior vice presidents.

Mr. Homeyer is manager, real estate department. Mr. Grosz, Mr. Prather and Mr. Risien are all trust officers and are managers, respectively, of the following departments in the trust division: corporate trust services, estates and property management and business development, trusts and agencies.

In other action, First City National elected the following: to vice president, trust officer and manager, securities portfolio management department, Charles L. Elliott Jr.; to vice presidents, metropolitan department, Terry M. O'Donnell and Randall E. Meyer; to vice president and manager, executive/professional group, retail banking, Mason Webster III; to vice president, real estate, Edward H. Baird; to vice president and manager, systems and procedures, William P. Mobley Jr.; to vice president and credit manager, London Branch, John S. Stanton; to vice president, trust officer and manager, trust business development, Andrew J. Yiannis, and to vice president and trust officer, corporate trust services, Jack M. Little III.

■ EXCHANGE BANK, Dallas, has promoted Mrs. Janell Hobbs from assistant vice president to vice president, Mrs. Nell Campbell and Mrs. Sharon Wright to assistant cashiers and Gerald R. Canon to assistant comptroller.

Fiftieth Anniversary Celebrated By Albuquerque National Bank

ALBUQUERQUE—Albuquerque National recently celebrated its 50th anniversary with an open house in each of its offices. Historical exhibits and displays are scheduled for all offices throughout the year.

Other celebration events will include a party for correspondents, a symphony concert, a sporting event and special recognition of people who have played important roles in the bank's history.

A special eight-page, two-color section in the Albuquerque *Journal* presented the history of the bank.

■ FIRST NATIONAL of Dona Ana County, Las Cruces, has promoted three to senior vice presidents—Cashier Ben H. Haines Jr., John A. Papen III, head of the loan division, and Thomas N. Mobley Jr., head of the trust and investments division. All three were vice presidents.

■ WILTON H. PARSONS has been appointed manager of the White Rock Branch of Los Alamos National. He joined the bank last year and has had experience in Santa Fe and Taos banks.

New Mexico News

Albuquerque's Plaza del Sol Bank Receives Preliminary Approval

ALBUQUERQUE—Preliminary approval for Plaza del Sol National has been granted by regulatory agencies. The bank will be located in an eight-story building and construction is set to begin next month.

The bank plans to launch "an educational program on the benefits of banking," through which it hopes to attract customers and stockholders.

Organizers of the bank, which is the fourth national bank in Albuquerque, include Avelino Gutierrez, Dr. Alonzo C. Atencio, Raymond J. Baca, Dr. Robert Castillo, Dr. Manuel A. Ferran, John T. Garcia, Dr. Jose A. Garcia, Lawrence A. Garcia, Phillip Gonzales and Ruben G. Ortega.

New Mexico Death

CHARLES DiLISIO, 61, president and chairman, International State, Raton, following a short illness. He had been president since 1956.

■ MRS. MARTHA STONEHAM has been elected a vice president of New Mexico Bank, Hobbs. She was formerly assistant vice president at the Lovington Office.

■ COMPLETION of a new branch of First National, Farmington, at Shiprock is expected before mid-summer. The new 4,800 square foot facility will replace a previous branch in Shiprock.

■ BOB DEAN has been promoted from vice president to senior vice president at First National of Lea County, Hobbs. Mr. Dean is manager of the Lovington Office. Bob Oberfell was promoted from assistant cashier to assistant vice president.

■ JIM McCUTCHAN, senior vice president at First National, Lordsburg, has resigned due to personal business.

■ FIRST NATIONAL, Albuquerque, has promoted to vice presidents Donald Donadio, head of the automated services department, and James R. O'Connor, a member of the real estate loan department. Both were formerly assistant vice presidents.

■ FIRST NATIONAL, Albuquerque, has promoted Joseph H. Badal and Ted E. Montgomery to assistant vice presidents.

Vose, Murray Promoted At 1st of Okla. City; 10 Others Advance

OKLAHOMA CITY—First National has elected Charles A. Vose Jr. executive vice president and Ron Murray senior vice president.

Mr. Vose joined the bank in 1965 and is a director and a member of the executive committee. He is vice president and a director, First Oklahoma Bancorp., Inc., and an officer and director of three other banks.

Mr. Murray, who heads the correspondent bank division, has been with First National since 1961.

The bank also named Raymond L. Hicks, Robert B. Holland Jr. and Jerry G. Stillwell vice presidents, Don C. Collier auditor, Thomas W. Norwood trust officer, James R. Elder and William B. Strecker assistant vice presidents, Mrs. Nell Jones and John H. Neely assistant cashiers and Charles Edward Noyes assistant trust officer.

In other action, Chris Speligene was appointed a director. He is president and chief executive officer, Fred Jones Industries, Oklahoma City.

VOSE

MURRAY

Oklahoma News

■ MADILL NATIONAL has elected two new directors—Joe Orr, vice president, who joined the bank in 1958, and Bryant Watts, funeral director, Watts Funeral Home. In other action, the bank boosted capital from $300,000 to $500,000 through a stock dividend and reduced par value of stock from $100 to $10.

■ CITY NATIONAL, Lawton, has elected Gerald N. Eason and Donald Wicker, M.D., to its board.

New Tulsa Bank Directors

TULSA—Tom P. Henson, executive vice president—lending division, Fourth National, has been elected to the boards of the bank and its holding company, Fourth National Corp., as has John H. Conway Jr., partner in the law firm of Martin, Logan, Moyers, Martin & Conway. Mr. Henson joined the bank in 1954 and became executive vice president last September.

■ JACK R. FOSTER, executive vice president and senior commercial loan officer, Citizens National, Oklahoma City, has been elected a director of the bank. He joined Citizens National in 1954.

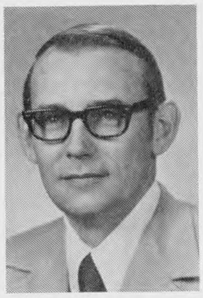
■ THREE NEW DIRECTORS were elected to the boards of First Bancshares, Inc., and First National, both of Bartlesville. They are Kenneth Adams, vice president and general manager, Central States Investment Co., Bartlesville; Harry Brookby, executive vice president, planning and budgeting, Phillips Petroleum Co., and C. M. Kittrell, executive vice president in charge of the petroleum products group, Phillips Petroleum Co.

Kansas News

Two Senior Vice Presidents Elected at East Side Nat'l

WICHITA—East Side National has promoted Roger T. McKinney to senior vice president in charge of the personal loan division and Dale Wheeler to senior vice president in charge of the business loan department. Both were vice presidents.

WHEELER



McKINNEY

In other action, C. W. Barber, who was vice president and cashier, was named vice president with new responsibilities in business lending. Bruce D. Ellis, formerly assistant vice president, now is vice president and cashier and also will coordinate operations and personnel functions. Mrs. Judy G. Lyon was named assistant cashier and Mrs. Patricia Winters assistant trust officer.

Central State Adds Trust Dept.

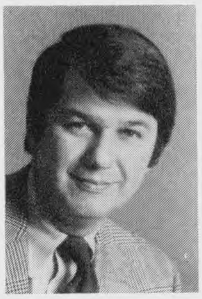
WICHITA—Central State has changed its name to Central State Bank and Trust Co. and has established a two-man trust department staffed by T. H. Means, senior vice president, and Ted Wells, vice-chairman.

■ AMERICAN STATE, Osawatomie, has elected Alden O. Weber chairman, N. J. Chamberlin president and Adelaide Weber vice president. Alden Weber had been president since 1956.

■ MRS. GAIL KIRKENDALL has been elected cashier of First National, Shawnee Mission, Fairway.

Kansas Representative Named At Commerce Bank of KC

KANSAS CITY—John J. Hilliard has joined Commerce Bank as a vice president in its correspondent department and is representing the bank in Kansas.



HILLIARD

Mr. Hilliard was with First National, Ottumwa, Ia., from 1959 until last January. He was most recently senior vice president of that bank and a member of the board and executive committee. He is a graduate of Northeast Missouri State University, Kirksville, and the Graduate School of Banking at the University of Virginia.

Security Nat'l Promotes Eight

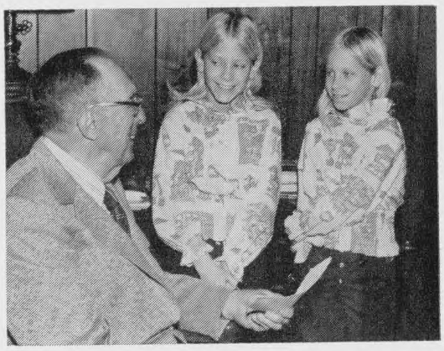
KANSAS CITY—Security National has promoted the following: to assistant vice presidents from assistant cashiers, Violet J. Laing and Stanley C. Griffin; to assistant trust officer, Margaret V. Hackett; to assistant cashiers, Elizabeth L. Burrell and Barbara J. Rohrback; to manager, Security National West, Russell O. Sage III, and to loan officers, Larry D. Sherraden and John E. Tiszka. Mr. Tiszka was an assistant loan officer.

In other action, Security National elected Joseph L. Poizner, a lawyer, as an advisory director.

■ UNION STATE, Clay Center, has named Maurice Lervold assistant cashier and elected Gary N. Griffiths and Raymond L. Orr directors. Stockholders voted to increase the bank's capital from $300,000 to $600,000.

■ COMMERCE STATE, Topeka, has promoted Al Moore Jr. to assistant vice president, David P. McClellan to customer service officer, Jerry K. Anderson to assistant cashier and auditor, Donna Brozen to assistant trust officer, Betty Christian to assistant cashier and branch manager and Mary Herman to branch manager. Eldon Danenhauer and Duane L. Fager were elected to the board. Mr. Fager is a vice president of the bank.

Loans for Small Fry



Customers come pretty young these days, according to W. L. Webber (l.), chairman, Security National, Kansas City, shown with the bank's youngest agri-loan customers, Stacy and Tracy Mears, twins, who are raising an angus steer as part of a Wyandotte County 4H Club project. The twins raised a prize-winning steer last year that was purchased by the bank.

■ PLANTERS STATE, Salina, has advanced L. Dean Tinkler from vice president to senior vice president, Lawrence A. Beil Jr. from assistant vice president to vice president and Linda Rowden and Wanda Serrien from assistant cashiers to assistant vice presidents.

■ MRS. JOYCE MOZZICATO has been elected assistant cashier at Twin Lakes State, Wichita. Miss Donna Reichenberger was appointed secretary.

■ UNION NATIONAL, Manhattan, has elected Olin Stansbury vice president and trust officer, Gary Thomas assistant trust officer and Terry Talarico data processing officer. The bank elected Vice President Kenneth W. Thomas a director.

■ L. GERALD SHARBUTT has been named assistant trust officer at Johnson County National, Prairie Village. He joined the trust department last May after graduating from the University of Kansas Law School.

■ FARMERS STATE, Norwich, has boosted capital from $25,000 to $50,000 through a stock dividend.

■ CAPITAL at University State, Lawrence, has been increased from $300,000 to $350,000 through a stock dividend.

Missouri News

New Boatmen's Bank Is Opened In North St. Louis County

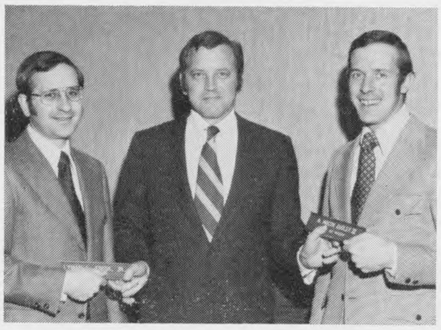
Boatmen's National Bank of North St. Louis County held a ribbon-cutting ceremony February 2 after opening for business January 21. Capital is $500,000; surplus is $300,000, and undivided profits are $200,000.

McNORTON

Lee W. McNorton, president, was formerly vice president, correspondent banking division, Boatmen's National of St. Louis. Both banks belong to Boatmen's Bancshares, Inc., St. Louis-based multi-bank holding company. Mr. McNorton, a banker 31 years, was a vice president, Mark Twain State, Bridgeton, before joining Boatmen's of St. Louis.

The new bank celebrated its opening by offering a free gift each week for five weeks. The first week's gift was a Polaroid SX-70 camera; the second week, it was a stereo component set; the third week, a side of beef; the fourth week, three months' rental on a car; the fifth week, a four-day, three-night trip for two to New Orleans. In addition, those opening savings or checking accounts were offered such free gifts as watches, miniature grandfather's clocks, barometers and travel alarm clocks.

Promoted in St. Joseph



Roger Hegarty (c), president, First National, St. Joseph, congratulates two officers who were recently promoted as he hands them their new desk nameplates. At left is Lyman L. Frick, who advanced from trust officer to vice president and trust officer. At right is Macon Dudley III, who moved up from assistant vice president to vice president, commercial and industrial loans. Mr. Dudley's father, the late Macon Dudley Jr., was with First National for many years before his death in 1970. The younger Mr. Dudley joined the bank in 1964 and Mr. Frick joined it in 1970.

St. Johns Bankers Break Ground

Representatives of St. Johns Bank, St. Louis County, are shown at groundbreaking ceremonies for the bank's new facility at 9229 Natural Bridge that will offer drive-up/walk-in service. From left: William O. Robards, a.v.p.; Walter C. Branneky, exec. v.p; Sylvester F. Witte, pres.; Jerry L. Byrd, v.p.; Becki Hillman, sec. to Fletcher Wells; Fletcher E. Wells, v.p. & cash.; and Earl D. Peppers, v.p. The facility is scheduled for mid-summer completion.

■ MILTON TOOTLE JR. has joined American National, St. Joseph, as assistant vice president. He was with the law firm of Strop, Watkins, Roberts & Hale and is a former special agent, Federal Bureau of Investigation. Mr. Tootle is the fifth generation of the Tootle family to be associated with American National and its predecessors.

■ C. C. BARKSDALE, president, First National, St. Louis, has been elected president, St. Louis Clearing House Association. George I. Baggott, chairman and chief executive officer, Manufacturers Bank, is the CHA's new vice president.

■ COMMERCE BANK, Moberly, has elected Kenneth E. Fox a senior vice president and Larry M. Rogers a vice president. Mr. Fox has been with the bank since 1970, Mr. Rogers joined the bank last year.

■ BANK OF CRANE has promoted Glen Wiley from vice president to senior vice president, Elizabeth Ward from cashier to vice president and cashier and Alma Maples from note teller to assistant cashier.

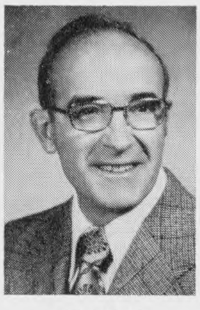
■ MRS. JEAN OEBERMANN was elected assistant cashier, Gravois Bank, Affton, last month. She also was named one of the two officers assigned to the new Gravois Bank-South Facility, located off I-55 at Union and Reavis Barracks roads. Mrs. Oebermann, who joined the bank in 1957, is the daughter of one of its retired officers, Mrs. Charles Heim, the former Mrs. Florence Gulath.

■ FLORISSANT BANK plans to become affiliated with First Union, Inc., St. Louis, whose lead bank is First National, St. Louis. Florissant Bank was chartered in 1904.

■ CRYSTAL CITY STATE has elected Richard F. Mayer to controller, in addition to duties as assistant cashier. Joyce M. Laiben was elected assistant to the president and board secretary and Dr. Walter T. Judge was elected an advisory director.

■ JOHN A. MEYER has joined Commerce Bank of Columbia as executive vice president and a director. He had been a regional vice president, Commerce Bancshares, Inc., Kansas City-based multi-bank holding company to which the Columbia bank belongs. He has been in the banking field 14 years.

Graham Heads Corres. Dept. At First National, Joplin



GRAHAM

JOPLIN—Gale A. Graham, vice president, has been named head of the newly formed banks and bankers division at First National. The department will be devoted entirely to correspondent bank services.

At press time, it was learned that Mr. Graham and R. Donald Miller were named senior vice presidents of the bank. Mr. Miller has charge of the marketing division.

Mr. Graham joined the bank in 1937, was elected vice president in 1958 and secretary to First Community Bancorp. in 1971.

The bank has made major changes in its transit system and has named Harry Greninger, second vice president, transit department head.

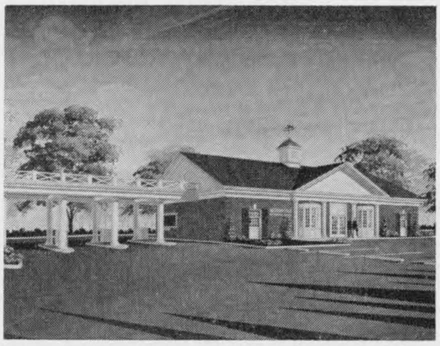
Union Nat'l Promotes Dye

DYE

SPRINGFIELD—Union National has promoted Kyle Dye to vice president and Jim Riggins and Steve Smith to consumer loan officers.

Mr. Dye joined the bank in 1971 following 16 years in banking in Kansas City. Mr. Riggins has been with the bank since 1969, Mr. Smith since 1972.

Mercantile Nat'l Begins Building



Mercantile National of St. Louis County has begun construction on its new building at Clayton and Woods Mill roads. Completion is set for mid-summer. The bank site is in the Clayton Village Shopping Center. The bank will offer a full range of personal and corporate services and have four drive-up teller units. Architect on the project is Wilburn C. McCormick, with Bank Building & Equipment Corp. as the consultant and construction manager.

Larry Quigley Joins HC As VP, Marketing Director

QUIGLEY

ST. LOUIS—Lawrence P. Quigley has been elected vice president and director of marketing of First State Bancshares Corp., said to be the ninth largest HC in Missouri. Member banks are First State Bank, Wellston; First North County Bank, Jennings, and First Northwest Bank, St. Ann.

Mr. Quigley was formerly head of the marketing and public relations department at First National, St. Louis. Prior to that, he served with Marine Midland National, Poughkeepsie, N. Y., where he organized a marketing department.

■ CAPE STATE, Cape Girardeau, has added the duties of cashier to those of Executive Vice President John K. Hale, promoted A. W. Seboldt from assistant cashier to assistant vice president and elected Mrs. Bonnie L. Kinder assistant cashier.

■ HOME BANK, Savannah, has been acquired by First Midwest Bancorp., Inc., St. Joseph.

■ ST. LOUIS COUNTY NATIONAL, Clayton, has elected John K. Lilly and David D. Chomeau to its board. Mr. Lilly is international sales manager, Plasticizers, Monsanto Co., and Mr. Chomeau is president, Reliable Life Insurance Co.

• Index to Advertisers •

■ BANNISTER BANK, Kansas City, has promoted William J. Elliott from assistant cashier to assistant vice president and Sandra Holtcamp and Barbara Paul to assistant cashiers.

John B. Prentis (l.) and R. Crosby Kemper Jr. gingerly lead a tiger through a ribbon-cutting ceremony during the official opening of United Missouri Bank of St. Louis. Mr. Prentis is the bank's president, and Mr. Kemper is chairman, United Missouri Bancshares, Inc., Kansas City multi-bank HC to which the new bank belongs. In addition to creating a stir by using a live tiger at the opening, the bank made still more news when its opening-day deposits reached a record-breaking $29.1 million.

Record-Breaking Opening-Day Deposits And Tiger Launch New St. Louis Bank

A NEW RECORD in opening-day deposits was set January 28, when United Missouri Bank of St. Louis received $29,075,454 during its official grand opening. Actually, the bank was established last May 23, but transaction of "public" business was delayed until the bank's offices were completely remodeled.

In addition to receiving the large amount of deposits, UMB of St. Louis made news another way—a live tiger helped President John B. Prentis and R. Crosby Kemper Jr. break the ribbon at the bank entrance. Mr. Kemper is chairman, United Missouri Bancshares, Inc., Kansas City-based multi-bank holding company to which the new bank belongs. The tiger also figures prominently in the bank's various advertising media, including newspaper ads and TV commercials. The animal ties in with the total communications program developed by the St. Louis firm, Stolz Advertising Co., for the four United Missouri banks now operating in the greater St. Louis area. According to the ads and commercials, these banks present "a different breed of cat in St. Louis banking."

The tiger was chosen because it's a well-recognized "Missouri animal" (for instance, it's the symbol of the football team at the University of Missouri-Columbia) and presents an image of strength, elegance, aggressiveness and vitality. In "Project Czar," as the advertising program came to be called, Stolz worked closely with famed animal trainers, Frank Inn and Steve and Jackie Martin.

The new bank's quarters feature 18th-century decor, with a handmade brass chandelier and a check-writing desk reproduced in imported mahogany. Polished solid brass inlaid into oiled and waxed Honduran mahogany accent each teller station. An antique Bokhara carpet hangs on the rear wall. The officers' area is entered through a fully paneled, double-arched arcade on a floor of genuine African Karpawood laid in basket-weave pattern. The president's office has a majestic arch encompassing mahogany paneling, French doors, architrave and fan light, all glazed with antique glass imported from Belgium.

The walls are graced with an extensive collection of paintings by leading American portrait artists of the colonial era. These artists include Gilbert Stuart, George Romney, Benjamin West and Charles Willson Peale.

United Missouri Bank of St. Louis was established under terms of a consent decree to settle a Justice Department antitrust suit against the 1965 merger of Mercantile Trust and Security Trust, both of St. Louis. The new bank occupies part of the latter bank's former quarters. • •

Fred Bowman Dies Feb. 17, Retired Kan. BA Executive

TOPEKA—Fred M. Bowman, who was on the staff of the Kansas Bankers Association for 50 years, died February 17. He retired as KBA executive secretary in 1961.

BOWMAN

Mr. Bowman was born in 1887—the same year in which the KBA was formed—in Concordia, Kan., where his father, the late Walter W. Bowman, was cashier of First National. Fred Bowman had the distinction of being graduated from high school and the College of Emporia, Kan., on the same day in 1911. He worked in various banks in the Concordia area and First State, Norton, Kan.

Mr. Bowman's father began the long association of the Bowman name with the KBA by being named the latter's first full-time secretary in 1907. He continued as executive head until his death in 1938. Fred Bowman joined the KBA in 1911 and became executive secretary in 1946. When he retired in 1961, the Bowman-KBA relationship continued with the naming of Fred Bowman's son, Carl A. Bowman, as executive secretary. Carl Bowman now is KBA executive vice president.

During Fred Bowman's tenure, the association attained 100% membership, developed an insurance department and started the annual Bank Management Clinic, said to be the first in the U. S. Mr. Bowman was an organizer and director of the Kansas Bankers Surety Co., which serves Kansas banks.

■ CITIZENS FIDELITY, Louisville, has promoted Mrs. Georgia M. Ellinger from assistant cashier to assistant vice president. She's in the marketing department. Also promoted were: to operations officer, data center, Robert Robinson, and to assistant cashiers, Kenneth Berger, Phillip W. Danhauer, Paul B. Davis, Robert E. Huff, Daniel L. Kirby and Ronald Kresen.