

MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

ABA CONVENTION ISSUE

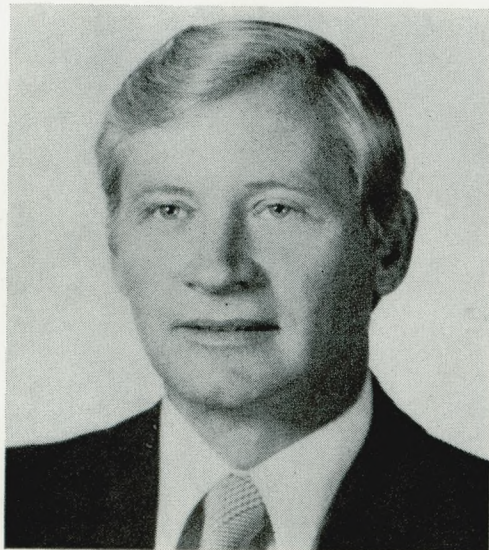
OCTOBER, 1974

ABA President Rex Morthland and Mrs. Morthland



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Convention Calendar

MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

October

- Oct. 17-18: Association of Registered Bank Holding Companies Fall Meeting, Honolulu, Kahala Hilton Hotel.
 Oct. 19-23: American Bankers Association Convention, Honolulu, Hawaii.

November

- Nov. 7-8: ABA Midwestern Regional Operations/Automation Workshop, Milwaukee.
 Nov. 10-13: ABA National Agricultural and Rural Affairs Conference, St. Louis, Chase-Park Plaza Hotel.
 Nov. 10-13: Robert Morris Associates Fall Conference, Atlanta, Regency Hyatt House.
 Nov. 21-22: ABA Mid-Continent Trust Conference, Chicago, Drake Hotel.
 Nov. 21-22: ABA Western Regional Operations/Automation Workshop, Phoenix.

December

- Dec. 1-3: ABA Payments System Policy Conference, Chicago, Sheraton-O'Hare Hotel.

January (1975)

- Jan. 19-24: Robert Morris Associates Loan Management Seminar, Bloomington, Ind., Indiana University.
 Jan. 30-Feb. 5: Assembly for Bank Directors, San Juan, P. R., El Conquistador Hotel.

February

- Feb. 2-5: ABA Midwinter Trust Conference, New York City, Waldorf-Astoria Hotel.
 Feb. 9-11: Bank Marketing Assn. EFTS Seminar, Atlanta, Fairmont Colony Square.
 Feb. 19-21: ABA Bank Investments Conference, San Francisco, Hotel St. Francis.
 Feb. 23-26: Bank Marketing Assn. Holding Company Workshop, Miami, Fountainbleau Hotel.

March

- March 2-4: ABA National Credit and Commercial Lending Conference, New York City, Americana of New York.
 March 3-5: ABA National Marketing Conference, San Francisco, Fairmont Hotel.

April

- April 7-9: ABA Installment Credit Conference, Chicago, Conrad Hilton Hotel.
 April 8-9: Young Bankers of Tennessee Annual Convention, Knoxville, Hyatt Regency Hotel.
 April 23-25: Alabama Bankers Association Annual Convention, Birmingham, Kahler Plaza Hotel.
 April 27-30: ABA Mortgage Conference, Denver, Denver Hilton.

May

- May 3-6: Louisiana Bankers Association Annual Convention, Fairmont Hotel, New Orleans.
 May 4-6: Arkansas Bankers Association Annual Convention, Hot Springs, Arlington Hotel.
 May 4-6: Association for Modern Banking in Illinois, Chicago, Hyatt Regency Hotel.
 May 4-6: Illinois Bankers Association Annual Convention, Chicago, Palmer House.
 May 4-6: Texas Bankers Association Annual Convention, Houston, Hyatt Regency Hotel.
 May 11-13: Tennessee Bankers Association Annual Convention, Nashville, Hyatt Regency Hotel.
 May 11-13: Missouri Bankers Association Annual Convention, Kansas City, Crown Center.
 May 12-14: ABA Operations and Automation Conference, Bal Harbour, Fla., Americana Hotel.
 May 13-15: Oklahoma Bankers Association Annual Convention, Tulsa, Fairmont-Mayo Hotel.
 May 14-16: Kansas Bankers Association Annual Convention, Topeka, Ramada Inn Downtown.
 May 17-21: Mississippi Bankers Association Annual Convention, Biloxi, Pete Fountain's Buena Vista Hotel.
 May 18-20: ABA Southern Trust Conference, Williamsburg, Va., Williamsburg Lodge.
 May 18-31: School of Banking of the South, Baton Rouge, Louisiana State University.
 May 25-29: Assembly for Bank Directors, Hot Springs, Va., the Homestead.

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Charles C. Smith

Ralph B. Cox

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By Dr. Lewis E. Davids

Hill Professor of Bank Management,
University of Missouri, Columbia

Hinky Dinky and Now NEACH

BANKERS in the Mid-Continent area should be well aware of the implications of the words Hinky Dinky as the focal point for an S&L experiment in automated electronic funds transmission by First Federal S&L of Lincoln, Neb.

Introduction of the electronic funds switching between the Hinky Dinky supermarkets and First Federal caused a material shift in sentiment on the part of a large number of Nebraska and other commercial bankers. Many heretofore "independently oriented" bankers were confronted with the pragmatic recognition that the public liked and used the EFT program at Hinky Dinky, that the Federal Home Loan Bank Board had "blessed" the venture and—if banks successfully fought other banks' EFT efforts—that the S&Ls might wind up with a competitive lead that would be difficult to overcome. In fact, much effort had been in the area of precluding commercial banks from expanding either by branching or holding company.

"The pressure of thrift institutions in California would indicate that ability of a clearing house to exclude noncommercial financial institutions from membership will not stand up too long."

The phenomenal success while Hinky Dinky was using the electronic funds transmission technique has caused not only bankers, but the S&L industry to anticipate that the time frame of the electronic funds remissions systems will be of a more immediate nature than had been conceived in the pre-Hinky Dinky period.

The purpose of this article is not to comment pro or con about the Hinky Dinky experiment, but simply to use it as a springboard for discussing NEACH. Relatively few bankers and

S&L executives in this area are conversant with it. NEACH stands for the New England Automated Clearing House, which went on line July 1, 1974, and is in the process of continual expansion outside the Boston area, going into New Hampshire, Maine and Rhode Island and will be in Connecticut sometime probably during 1975. NEACH will offer direct deposit of payroll, deposit of social security checks, Veterans Administration payments and dividends, corporation and insurance company dividends and annuities to be switched to its participating members.

For the typical commercial banker, the services appear to be simply an expansion of conventional services bank clearing houses have generally provided. However, in this instance, not only have the services been expanded, but the institutions that can qualify for membership also have been expanded. Thus, thrift institutions, such as S&Ls, cooperative banks, mutual savings banks, building and loan associations, can join the automated clearing house. For example, account holders will be able to have their bills paid by pre-authorized fixed debits, such as mortgage payments, periodic and automatic savings deposit payments of insurance premiums, level payment utility bills, regular installment loan payments and other contractual-type payments. In fact, it is designed to permit a variable debit service through which customers of financial institutions can instruct institutions to pay irregular amounts such as department store bills, credit cards, etc.

Thus viewed, it is apparent that the former virtual monopoly banks had when checks were used as paper entries for clearing purposes has now been broken. Any qualified noncommercial bank financial institution can now join the automated clearing house.

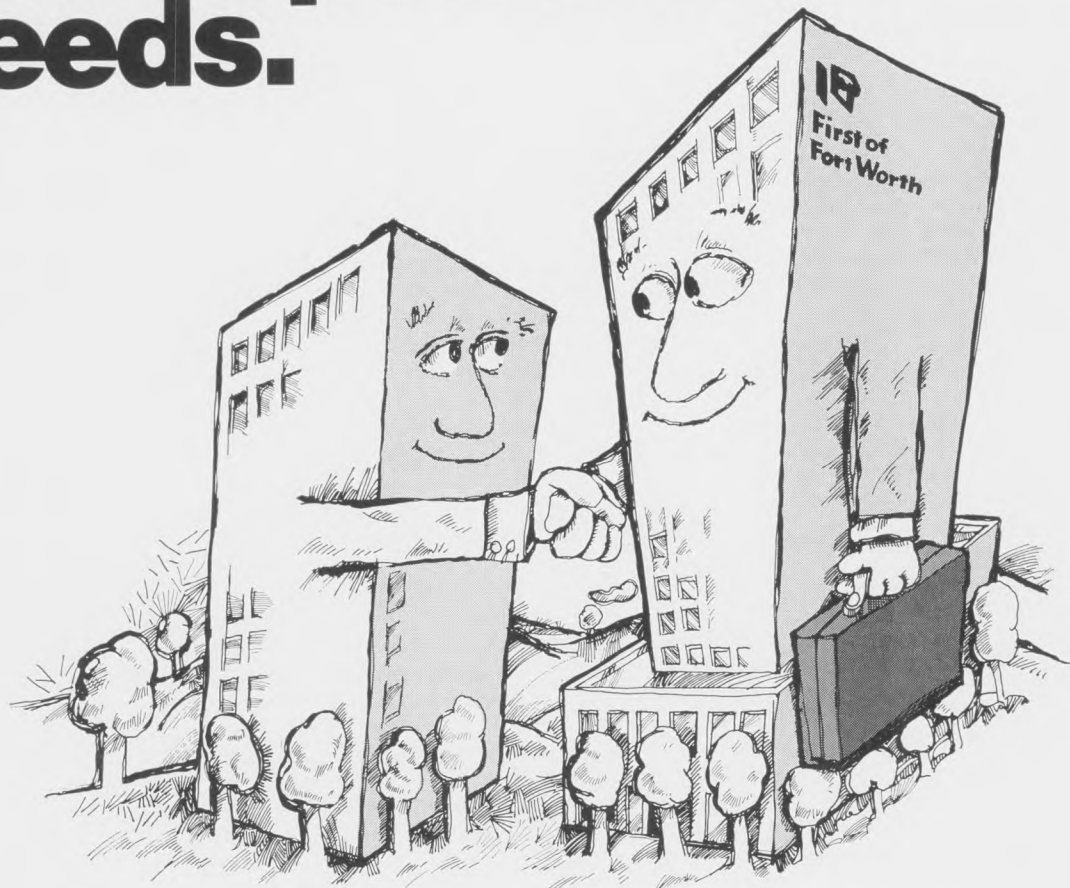
It's true that the automated clearing house is, at this time, housed in the Federal Reserve Bank in Boston and uses computer software developed by banks in the SCOPE system as well as other software programs. It is interesting to note that the senior vice president of the Federal Home Loan Bank notes, however, that thrift institutions cannot be originating "banks" for direct inputs for the NEACH nor can they be equity holders of the association or participants in its managing body. However, this does not prevent them from using the facilities of a member, and these restrictions can be changed and eased at some future time.

"... while the automated clearing house has been associated mostly with operations on the East and West coasts, it's only a matter of time before automated clearing houses will be found in this geographical area."

The pressure of thrift institutions in California would indicate that ability of a clearing house to exclude non-commercial financial institutions from membership will not stand up too long. Viewed from one direction, the automated clearing house certainly is an improvement over the use of paper, which must be handled manually a dozen or so times. Utilization of the electronic automated clearing house is partly a marketing function. Many will prefer the comfort of their familiar checking accounts to what appears to some to be the almost bewildering complexities of the computer with its associated lack of personal contact. However, it does appear that a significant portion of the public will want automated clearing house services. It also seems that use of EFT will evolve not only in terms of covering broader

(Continued on page 97)

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Agricultural News

In Comprehensive, One-Day Tour:

First-Hand Look at Farming Operation Provided Bank Officers, Directors

WHEN Charles Daily, chairman of five Illinois banks, realized that his banks would be doing more business with agriculture than with any other basic industry during the next decade, he decided that those banks' officers and directors should get a first-hand look at farming. The result: a comprehensive, one-day tour of a successful farm operation in Mascoutah, Ill.

The idea really originated with the farm's owner and operator, Roy Klingelhoef, a director of Mascoutah Bank, one of Mr. Daily's five banks. While talking to a friend in the bank, Mr. Klingelhoef happened to mention that a combine cost him about \$20,000. When the friend expressed shock and almost disbelief at this price, Mr. Klingelhoef decided that "something has to be done about this." It was then that he took his idea of a farm tour to the Mascoutah Bank, which helped sponsor the tour. According to Mr. Daily, "We jumped at the chance. Our primary objective was to give personnel an insight into farming and the farming operation."

Mr. Klingelhoef emphasized that he didn't want to show what *he* was doing; he wanted to demonstrate

what's happening in agriculture and merely used his farm as an example.

The tour began at a Mascoutah school with an invocation by Dr. Eric Rackham, president, McKendree College in Lebanon, where another of Mr. Daily's banks, Lebanon Trust, is located. Tour members then had lunch and were introduced to Mr. Klingelhoef, who said they already were getting a "taste" of farming by being away from their air-conditioned offices (the temperature on the tour day was 90-plus degrees).

Mr. Klingelhoef explained that he was primarily a beef farmer, although he does raise some hogs. He introduced Bob Twenhafel, a representative of Curtis-Harvestore, manufacturer of sealed storage containers. Mr. Twenhafel talked briefly about agriculture in the past and future and said that today's farmer must learn to produce more food with less manpower. He used slides to show that the United States is the only country in the world that can practically produce enough food for the rest of the world. He pointed out that farmers are losing a million acres of land a year to urban development such as airports, lakes and interstate highways. He concluded his talk



U. S. Representative Melvin Price (l.), Charles Daily (c.), ch. of five Illinois banks, visit with Roy Klingelhoef (r.) on latter's farm during tour he conducted for officers and directors of Mr. Daily's banks and their spouses.

by saying, "The future of agriculture will depend on how the farmer can adjust to efficiency, which is the most expensive part of expansion."

The 80 bankers, directors and their spouses then went to the Klingelhoef farm, located about a mile east of Mascoutah. They were shown an 80x54-foot shed that's used for machinery storage and a "loafing" area for 81 beef cattle. The group showed surprise when Mr. Klingelhoef said the shed cost \$18,000. However, as the tour continued, those on it learned to adjust to the prices quoted on the various pieces of equipment. Mr. Klingelhoef took them from building to building, stopping in between each to demonstrate how a certain machine is used.

To illustrate rising farm costs, Mr. Klingelhoef said that an auger had increased in value 12% in eight days and that the 60-foot-high, airtight Harvestore silo and the machinery on his farm actually were increasing in value, rather than depreciating.

An equipment firm representative,



LEFT: Roy Klingelhoef sits on 715 International combine while he discusses its cost and how it is used. RIGHT: Mr. Klingelhoef (extreme l.) and Charles Daily (3rd from l.) are shown with some mem-



bers of group that toured Mr. Klingelhoef's farm. Mr. Daily is ch. of five banks whose officers and directors took tour.

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Dick Kammann, was present to quote prices on farm machinery. For instance, Mr. Klingelhoef's 715 International combine, purchased in 1972, was worth \$20,000. When asked to quote a price on a cornhead for the combine, Mr. Kammann said it was worth about \$2,500, but added that "it didn't really matter because you can't get them anyway." He said that his firm hasn't received one cornhead all year and the same situation exists with all farm machinery.

Mr. Klingelhoef showed the tour members his \$6,000 bunk feeder, which distributes feed to his cattle. When he said that this was a cheaper

system than another one, a special guest—U. S. Representative Melvin Price of East St. Louis, Ill.—jokingly said, "I wouldn't have noticed the difference."

Mr. Klingelhoef pointed to his beef cattle as a good example of how the farmer does more with modern equipment. He said he's feeding 81 head on 33 acres of alfalfa hay by chopping the hay into the silo and feeding it via the feed bunk. He said he has 45 head on pasture, and they require 50 acres to be fed adequately.

Mr. Klingelhoef said he was taking the pasture to the cattle rather than the cattle to the pasture and that this was

one way he has boosted his farm's efficiency.

Lacy Harris, who markets Mr. Klingelhoef's cattle, told the tour group that it was looking at a top-notch farming operation, that the machinery is in good condition, the place is well kept and Mr. Klingelhoef is a hard worker.

Mr. Klingelhoef's objective was to illustrate the state of agriculture today, not necessarily what he's doing on his farm. As he put it, "I just wanted to give the people an idea of what is going on in farming."

That he was successful in this objective may be gathered from remarks made by Allen A. Kaiser, president, Lebanon Trust: "I think this tour did a heck of a lot of good. It gave people a chance to get to know the farmers. It allowed us to become familiar with some of the problems farmers have today."

Mr. Kaiser said he was impressed with how the tour was so well organized and with the Klingelhoef farming operation. He noted that it takes a lot of money to operate a farm. In fact, he added, although he was fairly familiar with the farming situation, he was still impressed with the amount of money it takes.

In addition to Mascoutah Bank and Lebanon Trust, members of the tour were from Mr. Daily's three other banks—Edgemont Bank, East St. Louis; Metropolitan Bank, Alton, and Lincoln Trail Bank, Fairview Heights.

Oklahoma Independent Bankers Plan November Convention

OKLAHOMA CITY—The first general convention of the Independent Bankers Association of Oklahoma (IBAO) will convene at Trade Winds Central, Oklahoma City, November 7-9.

The business portion of the program will begin at 9 a.m., November 8. The keynote speaker will be Embree K. Easterly, president, Independent Bankers Association of America, and president, Capital Bank, Baton Rouge, La. The program will include other speakers from the Independent Bankers Association of America as well as representatives from various state independent banker associations. A women's program is also being planned.

Members of the convention committee include R. S. Amis, president, First National, Midwest City, and IBAO chairman; Gary Huckabay, president, First Mustang Bank, IBAO vice president; Robert L. Moser, president, Quail Creek Bank; and Don J. Harr, IBAO executive manager.



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10 more.



Management and Field Representatives

(Front row) H. B. Martin, Jr., Assistant Vice President, Regional Sales Manager East; J. Wayne Williard, Jr., Vice President, Department Manager; Robert B. Johnston, Territory Manager; J. Thomas Bunton, II, Territory Representative; (Back row) E. Bruce Tarleton, Territory Manager; Ray M. Shore, Territory Representative; James E. Hollingsworth, Territory Manager; Truman I. Myers, Jr., Assistant Vice President, Regional Sales Manager West; H. Lester Morris, Jr., Agency Supervisor; Joe B. Bass, Territory Representative.

NEWS OF THE BANKING WORLD

• **Samuel D. Daume** has been named head of all correspondent relationships in the Midwest for First National City Bank, New York City. He succeeds Howard Morgan, who joined the bank's real estate industries division. Mr. Daume is a vice president and joined the bank in 1962.

• **Dr. Beryl W. Sprinkel**, executive vice president, Harris Trust, Chicago, was one of 21 economists selected to confer with President Gerald Ford in



DAUME



SPRINKEL

Washington last month. The meeting was the first in a series which culminated in a two-day presidential summit conference on inflation.

• **John W. Hanley**, president and CEO, Monsanto Co., St. Louis, has been named to the boards of Citicorp and First National City Bank, New York City.

• **Joseph A. Rice** has been elected vice chairman of Charter New York Corp. He was formerly an executive vice president. He is also president and chief administrative officer of Irving Trust, principal affiliate of Charter New York Corp. He joined Irving as a vice president in 1967.

• **Dr. David H. Jones** has been appointed as special assistant to the Comptroller of the Currency for strategic policy planning. He was formerly acting director of economic and financial research at ABA and prior to that

was an economist at the Dallas Fed. In other action, the various units of the Comptroller's staff have been consolidated under one roof at the Comptroller's new quarters at L'Enfant Plaza in Washington, D. C.

• **James R. Drumwright** has been appointed president and CEO of Bank of America, New York, succeeding A. H. Brawner Jr., who recently resigned. Mr. Drumwright will continue as senior vice president and manager of the New York loan production office of parent Bank of America, San Francisco. He joined the bank in 1955.

• **Wilson D. McElhinny**, president, National Central Bank, Lancaster, Pa., has been appointed chairman of the National Advisory Committee on Banking Policies and Practices of the Comptroller of the Currency's office. The 28-member committee meets with the Comptroller for consultation and discussion. Committee members from the Mid-Continent area include Lewis H. Clausen, president, Champaign (Ill.) National; W. A. Carpenter, president, Whitney National, New Orleans; Henry M. Bell Jr., president, Citizens First National, Tyler, Tex.; Ernest F. Ladd Jr., chairman, Merchants National, Mobile; Walter F. Johnson, president, First National, Abilene, Tex.; and William H. Vernon, chairman, Santa Fe (N. M.) National.

• **Eugene H. Adams**, chairman, First National, Denver, and ABA Governing Council chairman, has been named first recipient of the James C. Scarborough Memorial Award for leadership in the banking profession. The award is presented by the Colorado School of Banking.

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Eugene H. Adams (l.) receives sterling silver bowl as recipient of first James C. Scarborough Memorial Award from Joseph L. Frasca, director of Colorado School of Banking.

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But tires are just one of a thousand consumer products made possible by petrochemicals—a billion dollar industry that has grown up around the Southwest's largest city, to meet the needs of consumers around the world.

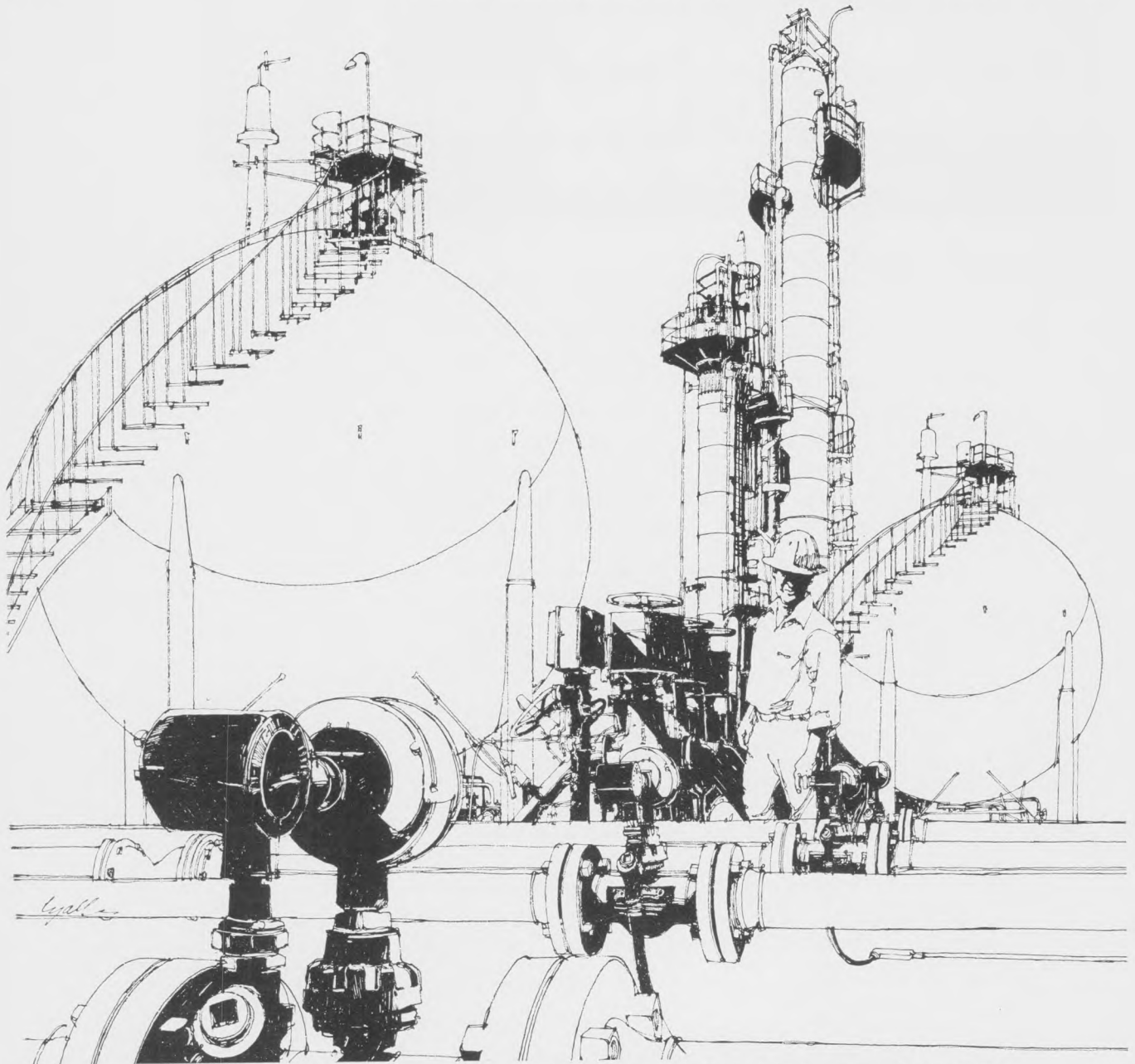
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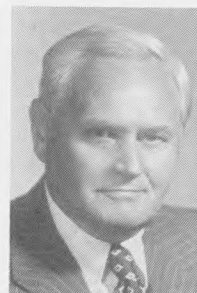
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Commercial Lending

RMA Fall Conference Set for Atlanta; Dyer, Young, Mitchell Are New Officers

MORE THAN 1,700 members of Robert Morris Associates and their spouses are expected to attend the group's 60th anniversary Fall Conference November 10-13 at the Hyatt Regency in Atlanta.

Highlighting the conference program will be three government officials—U. S. Senator William E. Brock III (R., Tenn.), member, Senate Committee on Banking, Housing and Urban Affairs; Fed Governor Jeffrey M. Bucher; and



DYER



YOUNG



MITCHELL

**BANKING HAS
CHANGED A LOT SINCE 1934
...OR EVEN 1964**

**So has third party collateral control...
or "field warehousing" as it was generally known then.**

Then it was limited, straightforward issuance of warehouse receipts for canned goods, lumber, grain, etc., as a guarantee of inventory used as collateral for working capital loans.

It's still that of course but now third party collateral control has expanded to a flexible, sophisticated method that makes many other kinds of loans possible; that often provides access to additional loanable funds for banks themselves; and makes funds available for banks in excess of legal loan limits.

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Please send me more information about NYTCO's third party collateral control.

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Comptroller of the Currency James E. Smith.

Conference addresses will cover how bad lending practices can ruin a bank; financing requirements of the railway industry; how personal attitudes, motivations and incentives affect business; and the outlook for the economy and the dollar. A presentation on international lending will be given by the Bankers' Association for Foreign Trade.

Panel discussions will cover changing conditions in habitat and life style and their impact on residential and commercial development; the views of a banker and credit user on corporate/banking relationships; and an overview of lending to REITs.

Concurrent sessions covering a wide range of lending subjects will be offered on two days of the conference. Topics will include innovations in lending and credit training, loan administration in a multibank HC, management of bank assets and liabilities, challenges in credit reporting, collections, workouts and recoveries and agribusiness in the 1970s.

Hosts for the conference are Atlanta bank members of RMA.

New RMA officers for 1974-75 include Frank R. Dyer Jr., executive vice president, Philadelphia National—president; Robert A. Young, president, Northwest Bank, Vancouver, Wash.—first vice president; and Dan W. Mitchell, president, Old National, Evansville, Ind.—second vice president.

The officers will be formally installed at the conference. • • •

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Community Involvement

Time, Effort, Too!

Getting Involved in Civic Activities Means More Than Just Giving Money

By LOUIS C. FINK

EVERY BANK probably gives something to charitable causes these days. It's almost impossible to say no, and banks do feel a sense of responsibility to communities in which they operate.

More and more, the giving of money has become systematized—through a foundation or through some sort of donations committee to screen the requests. I'm sure that once a year the directors look at the total money given away and make up their minds whether the bank has been generous enough.

But how about the things besides money we have to give away? Those things that actually may be more important, more productive of good community results and more beneficial to the bank in the long run.

I'm speaking of *time* and *effort*. It takes only a stroke of the pen to give money to a worthy cause, but giving time and effort demands a deeper commitment.

Since any one banker has just so much time and effort to give, it follows that the bank will do well to involve a great many of its employees. This may call for some sort of monitoring system, and a growing number of banks are doing just that. They established a community affairs office (or something similar) to screen the requests for help and to try to involve more members of the staff.

The man or woman who gets this job is likely to discover three types of bankers:

1. The extrovert, who enjoys working with people and who will be in half a dozen community projects with or without the bank's encouragement.

2. The introvert, who dislikes going out after hours and who will say he is not a joiner. He'll have a dozen reasons for not giving any time; many of them will be excuses and not reasons—although there are, in fact, men and women with personal problems to keep them at home.

3. The employee who is afraid to say no and will take on any assignment. The trouble is that he won't show up

at meetings; he won't make his calls in the fund drive, and he'll give the bank a black eye.

The person coordinating these activities needs tact and understanding. He should encourage every employee to do as much as he can, realizing always the limitations of many. Incentive programs have been tried, but they are difficult. One bank tried to select the employee who had done the most in civic affairs, but the choice proved impossible. Perhaps recognition from management is the most meaningful incentive, assuming that management wants to encourage the sort of activity we are talking about.

Jobs to be done arise in many ways, and youth work gives a good example. Girl and Boy Scout leadership is a year-round thing, often involving nights and weekends. Bank employees probably will be enlisted through their own children. Junior Achievement, on the other hand, gets busy when school starts—and the bank may be approached to sponsor one of the young people's enterprises, requiring a group of advisers. Good judgment must be exercised in selecting the advisers.

These two activities point out another distinction to be made. For valid reasons, some men and women may not be able to serve as advisers, meeting one or two nights a week all winter—nor as Scout leaders on camping trips. (Correspondent bank men, for example, are out of town too much.) But to compensate, both groups have administrative jobs and fund-raising projects some employees could work at.

There is a danger in filling requests for manpower and then stopping. A bank needs a firm policy about what its commitment means. I'm sure every bank president sooner or later becomes the leader of the United Fund, or some other major campaign in town. He goes to a lot of meetings, and he gives a lot of his own time. But normally, he doesn't do the detailed legwork. He has some of his people keep the books, a secretary to mail letters, perhaps even a dining room to entertain the committees and big donors.

What about the junior employee who agrees to work on the Cancer Crusade?

Can he use bank postage? Can his secretary write letters? Can he entertain his team workers in the bank dining room or on an expense account? Can the print shop get out some notices? These can be items of substantial expense, and the bank should make its policy known. Further, such privilege can be abused and often is. Employees have been known to print song books for their churches, promise door prizes for clubs that are strictly social and entertain friends not truly engaged in civic activities.

There is real value to the bank in becoming involved in the civic life of the community, and it is a trend to be encouraged. Certainly, banks should not be in the position of seeking glory, but they don't have to be anonymous, either. A good impression will be made in the community by a bank and its employees whose contribution is sincere and wholehearted.

We spend so much with our advertising and our buildings to construct a favorable image that it seems obvious to better that image through involvement in civic life.

Some activities can even become known as bank-sponsored. For years, the Trust Co. of Georgia in Atlanta offered a three-foot bronze plaque and a college scholarship to the bank that did the most in the state to promote agriculture. Competition was keen for 20 years, and favorable publicity appeared in literally scores of newspapers.

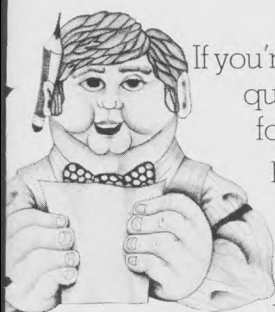
Planters National in Rocky Mount, N. C., has a different twist. It sponsors a group of men and women from all over eastern North Carolina who engage in handicrafts. They make clocks, build boats, do silk screening, paint, dress dolls and engage in a hundred crafts. They call themselves the Planters Craftsmen, and the bank works closely with them. The bank's contribution is a room for regular meetings, postage to mail out meeting notices and every fall—use of the main lobby for two weeks to display and sell the handcrafted products.

So being involved doesn't have to mean being limited to providing workers for the United Fund drive. It can mean decorating a Christmas tree at the hospital, or taking underprivileged kids on a picnic, or tutoring children and adults on a one-for-one basis, or sending speakers to local schools.

Money is needed in all these projects. But imagination is just as important and personal dedication the most valuable quality of all. • • •

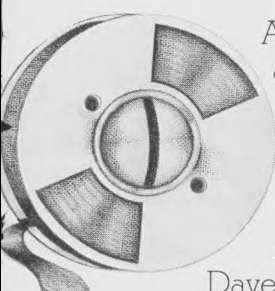
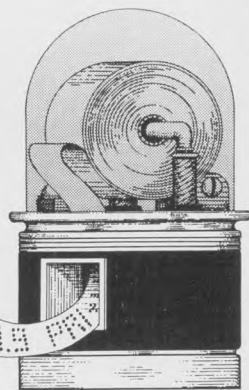
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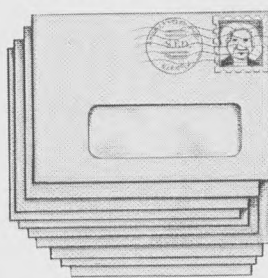
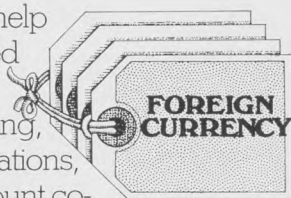


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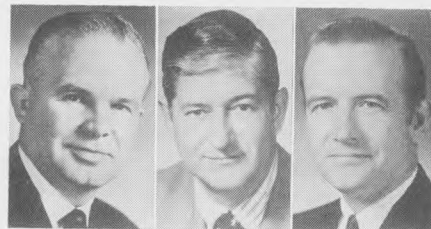
• **John H. Harland Co.** This Atlanta-based firm has opened its 21st check printing plant, located in Dallas. The plant was opened to enable the firm to keep abreast of increased demand for checks. The firm has increased production capacity from 40 million to 72 million checks per week during the past five years.

• **Hamilton Financial Services.** Jerry T. Mason has been elected assistant vice president of Hamilton Financial Services, nonbanking subsidiary of Hamilton Bancshares, Inc., Chattanooga. The firm finances mobile home sales in Kentucky, Alabama, Tennessee

Corporate News Roundup

and other states. Mr. Mason came from Peoples First National, Paducah, Ky.

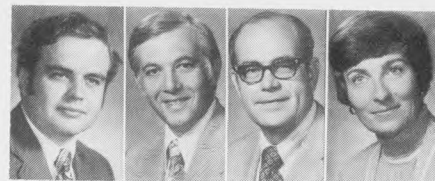
• **James Talcott, Inc.** Norman W. Cameron Jr. has joined James Talcott, Inc., New York City, as a vice president and treasurer. He came from Mercantile Bankshares Corp., Baltimore. Mr. Cameron was also elected



GRUTTEMEYER MAYLONE CAMERON

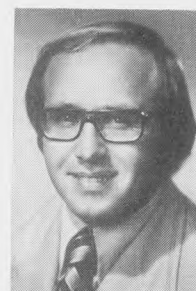
to Talcott's board along with Paul C. Maylone and William R. Gruttemeyer. Mr. Maylone is executive vice president-finance and Mr. Gruttemeyer is a senior vice president and also president of Talcott's Factors Division.

• **Diebold, Inc.** Jack D. Morgan has been appointed director of product and market management for Diebold, Inc., Canton, O. Also appointed were Robert P. Barone as general manager, automatic banking systems; Peter W. Malin as general product manager, remote banking systems; and Judith H. Edwards as customer training representative.



MALIN BARONE MORGAN EDWARDS

• **BBC Real Estate Services Corp.** John D. Higgins has been named a consultant services manager for BBC Real Estate Service Corp., St. Louis, a subsidiary of Bank Building Corp. He will represent the firm in the Central Financial Facilities Division. He joined the firm in 1972.



HIGGINS

• **Standard Life.** John Jondahl has been named vice president, credit insurance sales, by Standard Life and Accident Insurance Co., Oklahoma City. He will direct credit insurance sales activities throughout the firm's northern operating area. He joined the firm in 1970, coming from a Tulsa bank.

• **GAC Finance, Inc.** A new name has been adopted by GAC Finance, Inc., Allentown, Pa., which was acquired by BankAmerica Corp. early this year. The new name is Finance-America Corp.

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Holding Companies

Fed Board OKs Atlanta HC's Proposal To Engage in 8 Insurance Activities

AN ATLANTA HC has been granted Fed approval to engage in eight different insurance agency activities through a subsidiary.

First National Holding Corp., through its Tharpe and Brooks, Inc., subsidiary, has been granted permission to sell insurance covering itself and subsidiaries; assets financed by the company or its subsidiaries; insurance on inventory being financed; assets leased where the company or its subsidiaries were the lessors; real estate financed by the company; business equipment financed by the company; life and health insurance on a borrower or lessee; and insurance sold "as a matter of convenience" to the purchaser.

The HC's application was opposed by the National Association of Insurance Agents and other independent insurance agents groups. The agents charged that allowing the company to operate this type of insurance business was unfair competition because the HC could use its bank services to coerce customers to purchase insurance. First National, Atlanta, is the HC's lead bank.

In approving the application of the HC without dissent, the Fed said the record on the case contains "no specific instances of a tying arrangement resulting from either coerced or voluntary tying."

The Fed also said in a statement that, on the other side, there was testimony from company witnesses during hearings on the case that insurance was not discussed with borrowers until after a loan transaction was closed. The Fed said this would appear to alleviate any potential danger of voluntary tying. It

pointed out that coerced tying is forbidden by the Bank HC Act and under certain provisions of antitrust laws.

The statement also said there were numerous alternative commercial banks in Atlanta to which a borrower could turn, in addition to numerous nonbank lenders.

"Considering these nonbank sources of credit together with the banking alternatives in Atlanta," the Fed statement said, "the Board concludes that the sale of certain forms of insurance by applicant will not create a possible danger of voluntary tying by borrowers of their insurance needs to their loans."

The Fed also noted that permitting the HC insurance subsidiary likely would result in increased competition among insurance agencies in Georgia.

Mortgage Insurers Nixed

The Fed has ruled that HCs cannot acquire mortgage-guarantee insurers for the time being. The Fed said that even though guaranteeing mortgages is closely related to banking, "these are times when it would be desirable for bank HCs generally to slow their present rate of expansion" and to direct funds internally.

The Fed said the uncertainties of HCs going into this area are sufficient to outweigh public benefits that could result. It also said the mortgage-guarantee insurance industry, due to its short track record, has an "untested" operating history.

HC Surveillance Beefed Up

A beefing up of Fed surveillance of HC activities is indicated by the appointment of Peter E. Barna to head a new unit regulating HC expansion and financial condition. Mr. Barna is a Washington real estate investment trust official who is slated to become program director for a new Fed section that will deal with HC analysis.

HC expansion and existing holdings in the real estate field are frequently mentioned by Fed members as among those of greatest concern to the Board because of risks involved.

The appointment of Mr. Barna came after rejections in recent weeks of international expansions planned by some large HCs.

- **Republic of Texas Corp.**, Dallas, has received Fed approval to issue commercial paper. The HC's commercial paper carries a "Prime-1" rating classification.

- **Bank of Bronson**, Kan., has been acquired by newly approved HC Bronson Agency, Inc. The HC will continue its insurance agency activities.

- **First Bancgroup-Alabama, Inc.**, Mobile, and United Alabama Bancshares, Inc., Dothan, are planning to merge. United Alabama controls four banks with assets of \$104 million and First Bancgroup controls two banks with assets exceeding \$400 million.

- **First Commerce Corp.**, New Orleans, has received Fed approval to acquire voting shares of First Boeing Data Services, Inc., New Orleans.

- **First National**, First Kentucky Trust and First Kentucky Co., all of Louisville, are now wholly owned subsidiaries of First Kentucky National Corp, HC that grew out of the reorganization of First National Bank Trustees into a corporate form HC.

- **Main Corp.**, Chicago, has been granted Fed approval to acquire Health Management Services Corp., Hillside, Ill., a firm engaged in the factoring of medical receivables.

- **Tennessee Valley Bancorp., Inc.**, Nashville, has been granted approval by the Fed to acquire Tennessee Valley Life Insurance Co., Phoenix, Ariz.

- **The Fed** has granted approval of the application of Fredonia (Kan.) Bancshares, Inc., to form a HC by acquiring State Bank, Fredonia, and the credit life insurance business conducted by Beal & Beal, Fredonia.

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tions to use the NFL name and logo in their promotions without paying the required fees normally charged by the league. The items come in walnut grain material with logos embossed in the colors of the NFL team selected. The items can be used as giveaways or premiums.

Write: Best Checkbook Co., 1416 Harmony Drive, Janesville, WI 53545.

• **Diebold, Inc.** A full-color booklet on the Diebold Visual Auto Teller III System has been published to serve as a demonstration in print of the system's operation. The booklet stresses the importance of the remote banking teller in terms of the institution's overall public image. It explains the operation of the system from the viewpoint of both the teller and the customer.

The booklet leads a teller through a typical transaction as experienced by the customer. This enables the teller to understand what steps the customer takes in a transaction. As a result, the

New Products and Services

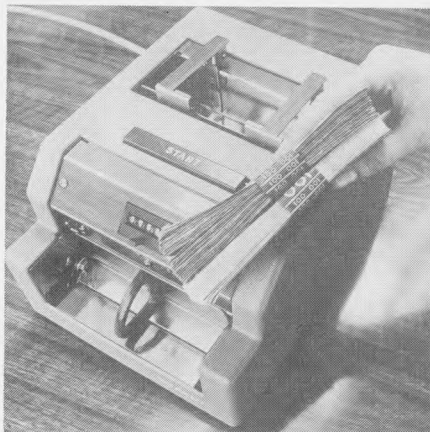
teller is better able to anticipate if and when a customer might not follow the proper sequence and can take immediate corrective action.

A slide presentation that parallels the familiarization booklet is also available.

Write: Diebold, Inc., Canton, O 44711.

• **Brandt, Inc.** A high-speed bill counter and verifier that is said to handle from 30% to 40% more currency than older models has been introduced by Brandt, Inc.

The Model 804 operates on a photo electric cell counting principle rather



than a mechanical one. The photo electric eye eliminates a mechanical steel roller which was extremely sensitive to older bills. The new model has a receiver area that has been enlarged by more than 25%, which enables the machine to count and verify lower quality bills than did its predecessors.

The unit weighs 23 pounds and is portable.

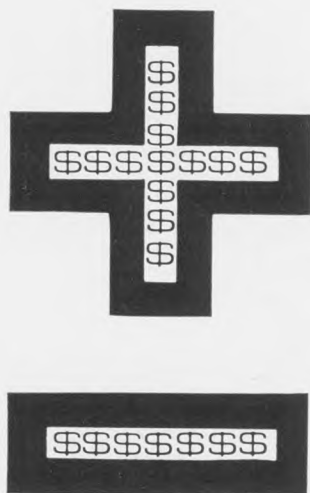
Write Brandt, Inc., Watertown, WI 53094.

• **Mosler Safe Co.** What is said to be the first color TV banking system in the nation has been installed at F&M Savings in Minneapolis. Conversion of the bank's original black and white units to color has been described as an effort to personalize TV banking as much as possible.



The equipment enables customers to see tellers in color and the Mosler Message Insertion System that is used with the units enables the bank to present its cross-sell messages in color, too. The color units were installed during the summer and general distribution is expected by the end of this year.

Write Mosler, 1561 Grand Boulevard, Hamilton, O 45012.



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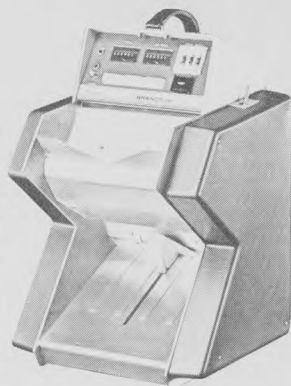


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BANK ADMINISTRATION INSTITUTE

A new logo was unveiled at the 50th annual BAI convention last month. The symbol consists of a stylized, lower case "b" in white on a blue shield, with the words "Bank Administration Institute" in red beneath. The two elements comprising the "b" are said to symbolize the upward growth of the banking industry through the interaction of bankers working together within BAI.

BAI Issues Report on Exception Items, Most Serious Operations Problem

EXCEPTION items are said to have inflated the banking industry's 1973 check processing costs by \$285 million, according to a report entitled "The Impact of Exception Items on the Check Collection System," made by the Bank Administration Institute.

The research report states that exception item handling—return items, MICR rejects and errors and discrepancies in cash letters—constitutes the most serious operations problem in check processing and collection.

The report warns that if exceptions are occurring or being generated faster than they are being resolved, banking may be on the verge of losing its daily battle to balance the books.

The objectives of the project were:

- To determine the exception item cost impact for individual banks and the industry as a whole.
- To develop a set of recommendations or alternative solutions that would reduce the volume and/or costs of exception items.
- To promote the implementation of the recommendations, and to monitor their results.

To provide data for measuring the exception problem, intensive studies were undertaken by 24 banks. In total, these banks represented about 8% of the 1973 industry check volume.

Data collected during the exception item study set the overall MICR reject rate at 3.1%. The extra handling costs caused by these rejects amounted to approximately \$75 million, or 6.5% of the total check processing dollars expended in 1973.

In 1973, return items totaled 167 million items and the extra processing required by these items cost commercial banking more than \$125 million. Return items accounted for 11% of the total check processing dollars spent in 1973.

Slightly more than 19 million cash letter adjustments of differences and discrepancies were made in 1973. The cost of these adjustments was approximately \$85 million.

Exception item processing will continue to become more expensive unless

something is done on an industry level, the report states.

The report makes 11 recommendations to the banking industry:

1. Explore changes in the requirements for return deadlines on NSF items of less than \$100 to give the payor bank more time for action.

2. Study the potential impact and possibilities in amendments to Fed regulations and commercial bank cash letter agreements to require separate cash letters for items of \$100 and under.

3. Study the possibility of modifying the return document to permit easy re-entry into high-speed check processing systems.

4. Research other plans for handling return items, such as using stamps and coded identification on the items.

5. Begin an industry level effort to improve equipment and operator skills. With proper controls and procedures, each bank can reduce the volume of its rejects considerably. Not only do these failures affect their own bank, they affect every bank that must handle their items.

6. Improved check ordering procedures. All check orders should originate from a bank and follow a standard order form design developed for use within the industry. Although many check orders are processed through banks, many business accounts deal directly with a check printer rather than with a bank when new checks are needed. This practice must stop. If an error occurs, the banking industry has to correct it.

7. Study the possible ways in which rejects can be re-entered into the high-speed MICR reader-sorter system as fully qualified documents.

8. Secure the cooperation of stationery manufacturers and printers and high-volume creditor-payees, such as insurance companies, to have check remittance envelopes standardized so that personalized checks or postal money orders do not have to be folded.

9. Work with manufacturers to improve performance of the following equipment: Reader-sorters, unit encoders, microfilers and endorsing units.

10. Develop a standardized and comprehensive cash letter difference communication procedure. It is recommended that standards be developed regarding the designation and placement of specifically desired information on cash letter listings.

11. Develop improved machine endorsement codes that would facilitate the resolution of adjustments involving free items and the handling of returns. For example, unique machine-readable identification numbers on checks would permit direct links to data bases containing information about the source of the check and the index of a microfilm copy.

Copies of "The Impact of Exception Items on the Check Collection System" have been mailed without charge to BAI members as part of their annual dues. Cost of the new publication is \$3 to members and \$6 to nonmembers. ••

Commercial Nat'l, Little Rock, Introduces EasyCheck Service

LITTLE ROCK—Commercial National has introduced its EasyCheck account, a new checking account service that includes a photo ID card that can be used for identification when cashing checks. Customers maintaining minimum balances of \$200 receive the service at no cost; others pay \$2 monthly.

The service features \$100 overdraft protection; free and unlimited personalized checks; automatic loan payment and savings transfer; a vinyl check file folder; access to American Express Executive Money Card, BankAmericard and Master Charge; free bank-by-mail; free service from the bank's travel service; direct deposit of paychecks, dividend checks and Social Security checks; free notary service and free cashier's checks.



North Central Regional Vice-President Bill Ball discusses insurance programs with Frank Romero, Vice-President of the North Hills Bank, Kansas City, Missouri.

THINK OF BILL AS YOUR MAN ON OUR PAYROLL!

Bill Ball is a North Central Life Redcoat. A dedicated insurance professional in the fullest sense of the word. Although we carefully selected him and pay him, he really works for *you*.

His job is to show you how to effectively and *profitably* merchandise insurance services to your customers right along with your savings, checking, lending and other services.

Bill is backed by a team of home office pros whose blended skills form the ultimate in customer collaboration — "Red Coat Service".

"Red Coat Service", (exclusive with North Central, and one of the reasons why we're considered the leader in insurance through financial institutions), provides tailored-to-your-needs insurance programs; creates direct mail and point-of-purchase materials for you; shoulders your administrative and book-keeping chores; and, where necessary, even totally trains your staff.

And, importantly, "Red Coat Service" gives you access to the Red Coat Desk — North Central's unique, toll-free, direct, national HOT-LINE system that links you to our home office

and makes available three vital benefits: (1) NO-LIMIT CREDITOR INSURANCE. A program that allows you to get immediate over-the-phone approval for extended coverages beyond the limits for which you normally can contract. (2) INSTANT RATE CALCULATIONS. North Central can solve your complicated rate problems in a moment, via computer, whenever you have need for immediate calculations. (3) Instant answers to your questions from NCL's Red Coat specialists.

North Central sets the whole thing up for you. And continually solves any problems for you as you go along.

What do you do? Make money! And protect your customers from the unexpected.

For more information on how Bill, or any other of North Central's expert fieldmen can work for you, call the Red Coat Desk at the numbers shown below:

Wis., N. Dak., S. Dak., Ia., Nebr. - (800) 328-1612
Minn. - (800) 792-1030; All Other Areas - (800) 328-9117

North Central Life Insurance Company

NORTH CENTRAL LIFE BUILDING, 275 EAST FOURTH STREET, ST. PAUL, MINNESOTA 55101



Personnel

A '\$50 Reward' Plan:

Bank Uses Own Employees as Source Of Prospects for Job Openings

IN LOOKING for new employees, banks have an excellent source of prospects—referrals from their own present employees. New York City's Manufacturers Hanover Trust has been conducting an employee-referral plan among its staff members for about eight years and considers it quite worthwhile.

The bank pays a \$50 "reward" to an employee who refers a person—who later is hired—to fill a vacant post at clerical and other non-officer levels. The program, according to Ronald Woods, vice president-personnel, continually reminds present staffers to turn in names of prospective employees to the personnel department whenever there are vacancies to fill. The bank uses its company publication, "Topics," to keep the program in front of its staff. The paper describes a particular job currently open. For instance, a recent issue announced openings for unit teller trainees. It also describes the responsibilities of the job, requirements candidates for it must have and salary. If a referral is hired, the person who submitted his or her name is paid the \$50 reward in two installments—\$25 after the referral completes three months' continuous employment and the other \$25 at the end of six months. This

money is subject to tax and social security deductions.

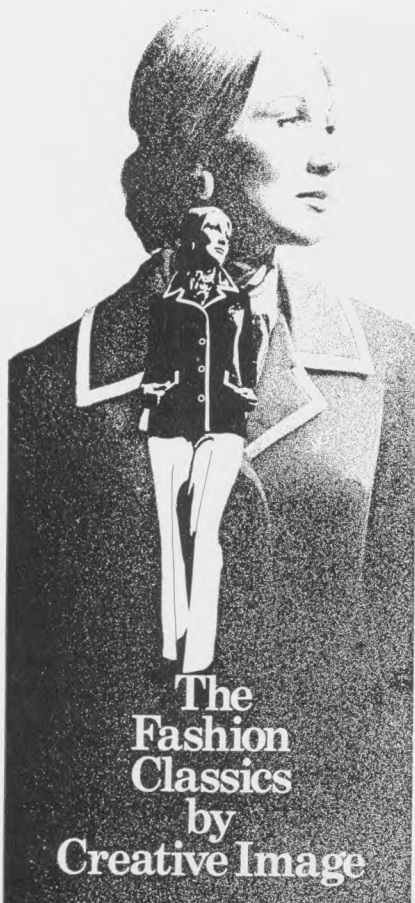
A person can refer a relative at certain non-officer levels.

This method of hiring people is equal to and perhaps somewhat better than others the bank uses to obtain employees, said Mr. Woods, who added that it is a good source of prospects, considering the bank has 13,000 employees.

It's a money-saver, he added, because the \$25 paid for a referral who is hired is much less than the cost of classified ads the bank would have to run to advertise positions that are open. He said that employees hired through this referral system don't necessarily work harder or less hard than employees hired through other methods.

Mr. Woods looks on the program as a good motivator for its minority employees since it gives them opportunities to suggest names of friends for jobs at the bank.

Mr. Woods cited one drawback to the plan. He said it's more difficult to turn away a referral from a present employee than it is to turn away someone else, but the bank does it. In other words, a person isn't hired just because he is a bank employee's friend if he doesn't have the qualifications for a job. • •



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MCB M-10

Co. Name _____

Address _____

Phone _____

City _____ State _____

Zip _____ No. of Girls _____

This is sample of job opening announcement Manufacturers Hanover Trust publishes in its publication, "Topics," to encourage present employees to refer prospective ones. Reward of \$50 is paid employees whose referrals are hired and remain at least six months.

Reward Offered

The Bank pays a reward of \$50 for the referral of new employees as indicated in the poster attached. The Personnel Department asks all of us to be on the lookout for applicants and to clip the coupon to make a referral for any job. This month the Employment Section is particularly looking for:

UNIT TELLER TRAINEES

RESPONSIBILITIES: Maintain cash supply, accept deposits, pay out cash, certify items, verify signatures and maintain records.

REQUIREMENTS: Candidates must be High School graduates and over 18 years old. Good clerical experience, figure ability and a pleasant personality are also necessary.

SALARY: Commensurate with background.

Effective immediately and until further notice:

\$50 REWARD

For information from you (non-officer only) leading to the hiring of fulltime employees (U. S. graduates not included within 2 months of graduation)

\$25 reward after your referral completes 3 mos. continuous employment.

\$25 additional reward at the end of 6 mos. (maximum amount is \$50)

WANTED

Your friends who are interested in a banking career. Use the attached introduction cards. Relatives of non-officer employees are now eligible for employment, except for summer positions.

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This will introduce . . .

(NAME) _____

Who is interested in a job with the Bank and is recommended by me.

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(Dept./Branch) _____ (Telephone) _____

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Automated tellers aren't an inexpensive proposition. Obviously, mistakes can be quite costly. American Fletcher can help you minimize the risks, and maximize the profits in any automated teller program. Our Automated Consumer Services Bureau knows the ins and outs of the business, because we've developed automated teller programs for American Fletcher and over twenty other banks. You don't get that far in this business unless you know



CHARLEY ALBER
Sales and Marketing Officer
450 E. Washington Street
Indianapolis, IN 46277

317-633-1501

what you're doing. American Fletcher's Automated Consumer Services Bureau offers you a comprehensive teller program. We'll assist you in acquiring the automated tellers you want. We'll help you emboss, encode and issue your plastic teller cards. We'll provide marketing and operations guidance. Everything you need is available from American Fletcher, at a highly competitive price. If you're interested in automated tellers packages, call us collect. We'd like to talk with you. Contact: Charley Alber, American Fletcher National Bank.

317/633-1501 Call Collect.

AMERICAN FLETCHER NATIONAL BANK AFNB
Indianapolis, Indiana

NEWS ROUNDUP

News From Around the Nation

Bail-Out Loans Hit

Senator William Proxmire (D., Wis.) has called for an end to subsidized loans to bail out troubled banks.

The senator, who is in line to become chairman of the Senate Banking, Housing and Urban Affairs Committee, said restrictive legislation could be passed if the Fed fails to act in this area.

He called on the Fed to remove all subsidies in bail-out loans by charging a rate at least equal to two percentage points above the prime rate.

Senator Proxmire was critical of the recent advance of more than \$1 billion made to Franklin National by the New York Fed at an 8% discount rate.

Special Discount Rate Proposed

The Fed has proposed an amendment to Regulation A that would permit a special discount rate for those banks needing assistance over a prolonged period. The special rate would be higher than the basic discount rate, but would not exceed the rate established for emergency loans to nonmember banks.

Under the proposed amendment, member banks could apply for the special rates when borrowing for prolonged periods—more than eight weeks—when the loan has exceeded on average the amount of the borrowing bank's required reserves. The special rate could be waived in individual cases.

The Fed said the special rate could be applied in two instances: in unusual emergency circumstances resulting from national, regional or local difficulties or for prolonged assistance involving only a particular member bank.

House Approves Bank Funds

The House has voted to extend financing for the Export-Import Bank but placed new restrictions on its interest rates and the countries to which it can extend credit.

House action has directed the bank to adjust its interest rates by considering its average costs of doing business as well as its mandate to support U. S. exports at rates competitive with other nations. The bill would also curb loans to Russia and Turkey.

Intensified Job Equality Checks Due

A more thorough review of bank efforts to comply with equal employment opportunity programs is being predicted. Bankers are being advised to familiarize themselves with a new and more detailed set of guidelines that the government will be using in evaluating employment programs.

The requirements are contained in Revised Order 14, which became effective in May. The order was issued by the Office of Federal Contract Compliance in the Labor Department.

It has been reported that the Labor Department is coming under increased pressure to make more thorough reviews by its compliance agencies.

Fed Curbs HC Expansion

The Fed has let it be known that HCs are growing too fast. It cited the growth factor as a major reason for denying HC expansion into the area of writing mortgage guarantee insurance, even though such activity is closely related to banking.

"The board believes that these are times when it would be desirable for bank holding companies generally to slow their present rate of expansion," the Fed said in a statement, "and to direct their energies principally toward strong and efficient operations within their existing modes, rather than toward expansion into new activities."

Insurance firms opposed permitting HCs into the mortgage guarantee insurance field, citing that HCs could use their credit-dispensing services to force customers to buy insurance. The Fed said this argument was not an issue in the rejection, since adequate safeguards existed to avoid potential conflict-of-interest situations.

A Municipal Bond Task Force

The Conference of State Bank Supervisors has created a task force to explore the need for, and the economic viability and legal feasibility of, an interstate financial institution as a possible solution to the apparent problems confronting medium and small municipalities as they attempt to raise capital through the municipal bond market.

The institution would be similar to bond banks now existing within certain states but it would be on an interstate level. The task force would also examine other potential solutions to the problem.

CD Reserve Requirements Eased

The Fed plans to ease reserve requirements on longer-maturity, large-denomination CDs in an effort to bolster the debt and equity securities markets without creating substantial additional credit.

The 3% marginal reserve requirement on CDs with an initial maturity of four months or longer was removed so that the cost to banks of issuing longer-term CDs will be lowered somewhat, which should encourage banks to lengthen the maturity of their large CDs. Longer-term deposits will carry a 5% reserve requirement, while shorter ones are subject to an 8% reserve.

The change is expected to release some \$400 million of reserves.

TED SMITH
Assistant Vice
President
405/272-4095



Southwest
Oklahoma and
adjoining states

CHARLES HILL
Vice President
405/272-4096



Northwest Oklahoma
and adjoining states

RON MURRAY
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President
405/272-4093



Correspondent
Department Head

KENDALL HERT
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405/272-4094



Central Oklahoma
County

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Assistant Cashier
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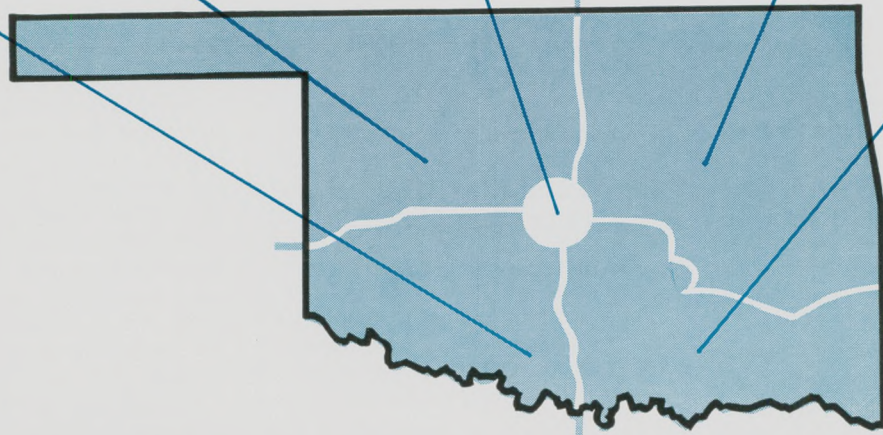


Northeast Oklahoma
and adjoining states

JOHN GREER
Vice President
405/272-4099



Southeast
Oklahoma and
adjoining states



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These are the men who bring the long-term stability, experience, and proven profit record of The First to your neighborhood. That's why you're never alone with the problem of participation or the many other problems our men of the Correspondent Department of The First can help you solve. They've got the largest capital structure and loan limit in Oklahoma behind them. And you've got The First. Call one of us soon, whatever your need.



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Selling/Marketing

At Long Last:

Frank and Jesse James 'Hold Up' Branson Bank— That's One They Missed

If you believe the stories Missouri bankers tell at conventions, practically every bank in the state was held up by the James brothers gang. Except one perhaps. And notorious Frank and Jesse finally got around to that one not too long ago.

In a daring daylight robbery, Frank and Jesse James burst into Peoples Bank, Branson, Mo., just before it opened one day in late July. But apparently their "casing" of the job was pretty sloppy. They did not know that the first set of doors locked automatically behind them and that they should pull instead of push the second set.

Nonetheless, threats with toy pistols led Ben Parnell, bank chairman and former president, Missouri Bankers Association, and Mrs. Peggy Baker, loan department clerk, to stuff money sacks with wads of paper masquerading as currency. As the legendary train and bank robbers exited, they took pretty Peggy along as hostage.

The entire caper was captured on film by a cameraman for a Springfield, Mo., television station and by news-

paper photographers, as well as on tape by radio station reporters.

The entire "heist" was a publicity stunt for a stage production, "Missouri Legend," a folk comedy-drama about the final days of Jesse James being staged at nearby Beacon Hill Theater of the School of the Ozarks.

Commenting, Mr. Parnell said: "Supporting community activities usually is a serious obligation at Peoples Bank, but playacting with these kids turned it into fun."

In Words, Pictures:

Bank Combines Its History With That of Chicago In Anniversary Booklet

Northern Trust, Chicago, marked its 85th anniversary this year by issuing a 16-page booklet that pictured and described the evolution and progress of the bank against the backdrop of concomitant national and municipal history.

Frontispiece of the booklet is a 75-year-old photograph of a Loop corner in which trolley cars and horse-drawn vehicles are prominent. The inside back cover shows the Northern Building at Adams Street and Wacker Drive on the Chicago riverfront and pictures

Northern Trust offices ranging from London to Hong Kong. The two pages in themselves represent a capsule history of the bank's progress.

In between, the bank tells its story and that of its leaders over the years, Byron Laffin Smith, its founder; Solomon A. Smith, the founder's son, who led the bank through World War I and the Great Depression; Solomon Byron Smith, the founder's grandson; and Edward Byron Smith, the bank's present chairman.

Along the way, the photographs reproduced find time to underline that a bank also has human interest. Like the picture of the bank's branch at the 1893 World's Colombian Exposition with a camel at the door. Or the jam-packed corner of State and Madison streets, the center of Chicago's Loop, on Armistice Day. And again, the unloading of the first foreign ship to dock in Chicago after World War II.

Throughout its story, the bank emphasizes its theme: Partners in Progress. The 85th-anniversary booklet emphasizes that Northern Trust and the Chicago metropolis have progressed together.

Study Results:

Traveler's Cheque Users Said to Be Best Customers

Individuals who use traveler's cheques are the bank's best customers, according to a study conducted in more than 40 counties in seven eastern states by Accountline Data Systems, Inc.

"While the study is not statistically projectable to the entire country, the data indicates that traveler's cheque purchasers have higher incomes and use more services than those who do not use traveler's cheques," according to Michael E. Lively, senior vice president and general manager of the Traveler's Cheque Division of American Express Co.

The study also revealed that traveler's cheque users are better educated, more affluent and more likely to work in white collar occupations; that they maintain an average demand deposit balance about 30% higher than that for all customers combined, while for savings accounts their average balance is almost 40% higher; that they borrow higher initial amounts when they take out personal loans; and that they use one-fifth more bank services and accounts.



Mrs. Peggy Baker, loan department clerk, and Ben Parnell, ch., Peoples Bank, Branson, Mo., register shock and fear as "Frank and Jesse James" finally get around to holding up Shepherd of the Hills country bank. Stunt publicized folk drama about James outlaws being staged at School of Ozarks.

“Heirloom Bibles helped us increase our deposits over 50%.”

Highland Park State Bank, San Antonio, Texas.

“We’ve had outstanding success building both checking and savings accounts with the Heirloom Bible promotional program. It’s great for increasing deposits from present customers as well as attracting new business. We can provide quality Family Bibles for less than \$10 to our depositors.

“Everything’s right in the program: free promotional material, colorful lobby displays, ad mats, glossy prints, brochures, even radio and TV scripts.

“Heirloom Bibles really work for us!”

Heirloom’s guaranteed sale arrangement has worked for more than 400 banks across the country, ranging in asset size from \$1 million to \$1 billion, and it can work for you.

Write today for complete details, plus the names of banks in your area who have used Heirloom Bibles. We’ll also send you an Heirloom Family Bible for your inspection.

Statement stuffers, filmed TV spots and radio tapes are available at nominal cost.

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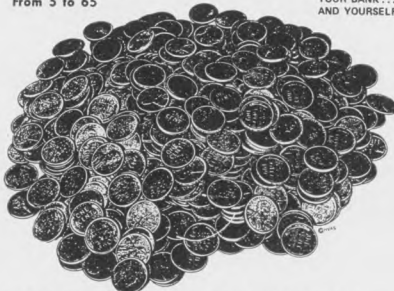
Ad Seeks Pennies

Kids

Here's Your Chance to HELP

From 5 to 65

YOUR COUNTRY
YOUR COMMUNITY
YOUR BANK
AND YOURSELF



For EVERY \$5.00 Worth of PENNIES that YOU BRING to **Gary National Bank**

From Now to the End of July, You Get

- ① A CHANCE ON A NEW 10 SPEED SCHWINN BIKE
- ② A SPECIAL CITATION MAILED TO YOU FROM THE UNITED STATES TREASURY DEPARTMENT
- ③ A NEW \$5.00 BILL FOR YOUR PENNIES

SO....., OPEN UP YOUR "PIGGY BANK" AND BRING IN YOUR PENNIES



Gary National Bank

YOUR GOOD NEIGHBOR BANK

In its effort to help alleviate the penny shortage, Gary (Ind.) National published this ad, which was aimed at "kids from 5 to 65." The ad explained that for every \$5 worth of pennies a person brought in, he or she would be given a chance to win a new 10-speed Schwinn bicycle and also would get a special citation from the Treasury Department—and a new \$5 bill for the pennies. Other banks could use different incentives—perhaps a couple of tickets to an athletic game.

Breaking the Copper Jam:

Penny Shortage Attack Includes Coin Counters At Detroit Bank Offices

Detroit Bank was the site of a two-pronged program to relieve the current penny shortage last month.

The bank installed automatic coin counting machines at 13 of its locations to encourage people to bring in their stored pennies and have them counted automatically. This was done because people are known to loath counting pennies by hand. The machines were available for one month.

In addition, the bank's Main Office was the site of a special event on September 16 at which the director of the U. S. Mint, Mrs. Mary T. Brooks, inaugurated a nationwide program designed to persuade school children and their parents to help get pennies back into circulation.

Mrs. Brooks stressed that hoarding of pennies is futile, since the Mint has no plans to substitute aluminum pennies for copper ones. She said the price of copper has declined in recent months, which has resulted in a continuation of the manufacture of copper pennies.

In Three Weeks:

Central Bank, Denver, Drive Collects 9 Tons of Pennies

A three-week summer campaign to collect pennies by Central Bank, Denver, resulted in more than nine tons of one-cent pieces being brought to the bank's special penny teller window.

As an incentive, the bank gave an uncirculated Eisenhower silver dollar plus a dime for every 100 pennies exchanged.

Although most people brought in small amounts, one group of three persons turned in 550,000 pennies. One customer was responsible for bringing in two tons of pennies in a pickup truck. The 440,000 pennies were delivered in 88 bags weighing about 50 pounds each.

Total worth of the pennies brought in was \$19,477.65.

Coppers Fill the Air!



There were pennies galore at Pontchartrain State, Metairie, La., after the bank's successful penny collection program. The bank offered \$1.10 for each 100 pennies brought in during the program and ended up with more than one million coppers. Douglas Mayeux, son of Ned Mayeux, vice president and cashier at the bank, knows how to have fun with pennies. Stacks behind boy are portion of pennies bank collected. Program had two-fold purpose: to unearth pennies and alert citizens about penny shortage.

Banking on Wheels



These skating bankers greeted customers of newly opened drive-in bank of First National, Blue Island, Ill., recently. Skaters directed traffic and demonstrated how the equipment worked.



COMMEMORATING THE BICENTENNIAL OF THE AMERICAN REVOLUTION

Commemorating this historic occasion, we are pleased to present a new, special check package portraying ten memorable events of the revolutionary period. As we review these scenes we are reminded of the courage, dedication and sacrifice of our founding fathers—united for the cause of independence, liberty and freedom. In this great heritage, we truly have the “Spirit of America.”

“SPIRIT OF AMERICA”

PERSONALIZED CHECKS

Attractively boxed to commemorate the Bicentennial, the package features full-color checks with ten historic events depicted, a special cover and an educational descriptive brochure giving the story behind each check. A complete promotional program is available for your bank’s use.

1776

1976



DELUXE CHECK PRINTERS, INC.
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STRATEGICALLY LOCATED PLANTS FROM COAST TO COAST

Bicentennial Metalware Offered as Premiums



Although the nation's bicentennial year of 1976 seems far away, banks can begin holding their bicentennial promotions at any time. One way would be to offer as a premium this Series '76 Wilton Armatale® metalware, which—according to its distributor, Abrams & Shiverdecker, Kansas City—has a unique and original bicentennial design. Each piece—ranging from tankards to salt and pepper sets—bears the Wilton "touchmark," which guarantees it as a handcrafted original, said the distributor. The latter firm also described the pieces as a fusion of 10 different metals, giving it strength and durability surpassing pewter, yet still retaining the pewter look. In addition, said Abrams & Shiverdecker, they won't dent, bend or break and can go safely from refrigerator to range. The junior colonial tankard usually is offered first free of charge to new customers, who then can begin buying the other pieces each time they add certain amounts to their accounts.

Anyone opening a new Pacesetter Account also was entitled to the discount.

The coins are the largest silver coins ever minted by any government, according to a bank representative. The coins are also the first in three centuries to portray both the reigning English monarch and a second person, in this case her husband, Prince Philip.

Collectors could charge their coin purchases to either their BankAmericard or Master Charge accounts.

Bank Golf Event Winners



Jane Blalock (l.) and Sue Roberts (r.) pose with golf trophy they won at sixth annual Southgate Open Golf Tournament, sponsored by Southgate State Bank, Prairie Village, Kan., over the Labor Day weekend. The two women tied for first place and were declared co-winners when rain washed out the final round of the \$35,000 event. Gentleman in center is J. Wesley St. Clair, bank president and founder and general chairman of event.

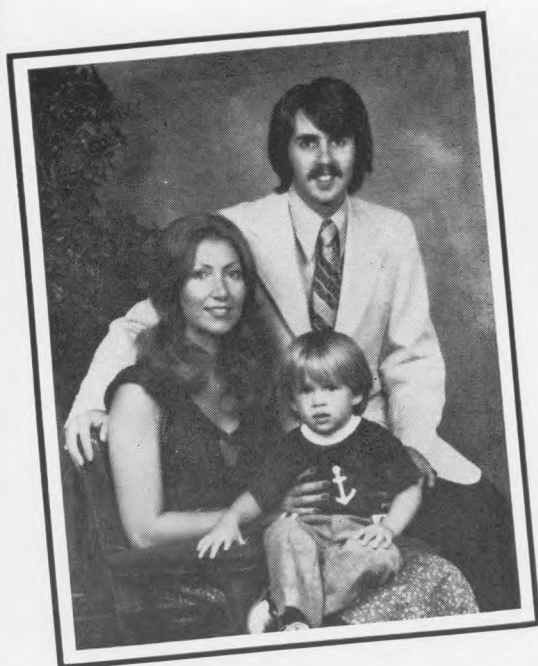
Commemorative Coins Sold By Worthen Bank & Trust

Worthen Bank, Little Rock, recently offered \$25 silver coins minted in honor of Queen Elizabeth's silver wedding

anniversary by the Cayman Islands. The offer lasted for three days.

The coins were offered at their U. S. face value, which was \$30. However, holders of the bank's Pacesetter Accounts were entitled to \$3 certificates toward purchase of the coins.

Let your customers know you feel they're Special People



When a customer chooses your bank, it's because he feels confident in your services. Now you can let your customers know you appreciate their confidence by giving them a personal gift—a professional, 8x10 Natural Color family portrait through our Depositors Portrait Service.

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Forest of hotels at Waikiki Beach will house 15,000 bankers and spouses expected to attend ABA's 100th convention. (Photo courtesy Hawaii Visitors Bureau.)

Focus of ABA's 100th Convention Will Be on Inflation Problems

Bankers to pay second visit to Honolulu

THE FOCUS of the 1974 ABA convention in Honolulu will be on inflation fighting and other key issues affecting the banking industry, according to convention program planners. Among the key speakers will be Dr. Arthur F. Burns, Fed chairman, and Stephen S. Gardner, Deputy Secretary of the Treasury, who will tackle the complex inflation situation.

For the first time, the convention will begin on a Saturday (October 19) and run through Wednesday noon (October 23), with two general sessions scheduled for Monday and Wednesday. The 100th ABA convention will mark the beginning of the association's centennial observance, which will run through the 1975 convention in New York City.

A record-breaking 15,000 bankers and spouses are expected this year, the first time the ABA has met in Hawaii since 1969. That year, attendance was 12,000 (about the same figure as last year's attendance in Chicago).

The first general convention session

will feature a special presentation by Willis W. Alexander, ABA executive vice president, inaugurating the ABA's centennial year with a forward look at banking in the years to come. A welcome address will be given by Congresswoman Patsy T. Mink (D., Ha.).

A key feature of the Wednesday general session will be a special panel discussion of current events in foreign affairs. Moderating this group of international experts will be Harrison Salisbury, foreign affairs editor of *The New York Times*. The panel will include

Edwin Reischauer, former U. S. ambassador to Japan; Paul Volcker, former Under Secretary of the Treasury for monetary affairs; and Paul Nitze, former Deputy Secretary of Defense.

A series of concurrent forums will highlight major issues facing banking on Tuesday morning and afternoon.

Featured speakers at the forum on regulation and the public interest will be James E. Smith, Comptroller of the Currency; Frank Wille, FDIC chairman; Jeffrey M. Bucher, Fed governor; John H. Perkins, president, Continental Illinois National, Chicago, and member of the ABA government relations council; and Maurice Mann, president, Federal Home Loan Bank of San Francisco.

Concurrent forums will also discuss inflation, the competitive scene (EFTS), managing today's environment, the investment outlook, ways to improve bank profits, bank taxation and kidnap-hostage protection.

A series of special interest sessions will be offered each morning of the



Willis W. Alexander, ABA executive vice president, will present special centennial feature at this year's ABA convention.

ABA Officers—1973-74



MORTHLAND



WHYEL



BICKMORE



ADAMS

convention, ending on Tuesday. The sessions will be participation-oriented and will cover the following topics:

Pension legislation; banks as gold brokers; NOW accounts; the implications of Hinky Dinky; the outlook for international banking; the installment and mortgage lending situation; a perspective on Small Business Administration lending; the outlook for financial institution reform; point-of-sale system developments; packaged services; the student loan task force;

The effect of commitments and contingent liabilities; compliance requirements for affirmative action; the agricultural outlook; liability management developments; usury laws; direct and indirect leasing programs; loan classification by supervisory authorities; the role of the bank director;

The current status of Fed operational activities; an appraisal of trust busi-

Aloha!



ABA President and Mrs. Rex Morthland symbolize the thousands of ABA members who will be flying this month to Honolulu for the 1974 ABA convention. Both wear the Hawaiian leis traditionally presented to visitors to the islands.

ness and the SEC; the Rural Development Act; capital adequacy; banking's role in urban and community economic development; current compensation policies for community banks; small bank portfolio management; small bank automation alternatives;

ABA Bank Protection Manual utilization; media relations; shelter financing; developing a written lending policy; automated tellers in the community bank; direct deposit of government checks; and the current and future plans for the ABA advertising program.

Representatives of the Menninger Foundation will conduct several seminars beginning Saturday that will examine man's development and his relationship to the people and world around him.

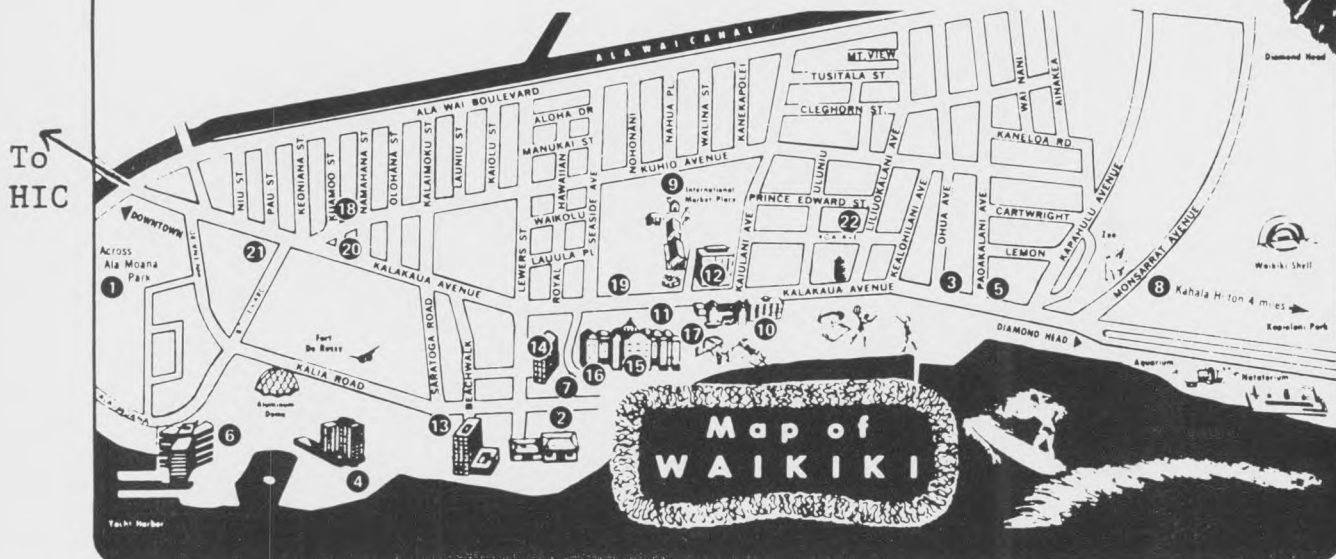
On Sunday morning, all registrants are invited to attend a fellowship gathering at the main arena in the Honolulu International Center. The Reverend Billy Graham will be featured at the gathering, accompanied by Hawaiian musicians. This gathering takes the place of the traditional prayer breakfast and there is no extra charge involved.

Throughout the convention, three pavilions of exhibits will be open to conventioners at the Honolulu International Center.

Delegates will be housed in 28 hotels in the Waikiki Beach area. The two general sessions and the fellowship

HOTEL REFERENCE GUIDE

- | | | |
|----------------------------|-----------------------|-------------------------|
| 1. ALA MOANA | 8. KAHALA HILTON | 16. SHERATON-WAIKIKI |
| 2. HALEKULANI | 9. KUHIO | 17. SURFRIDER |
| 3. HAWAIIAN REGENT | 10. MOANA | 18. WAIKIKI AMBASSADOR |
| 4. HILTON HAWAIIAN VILLAGE | 11. OUTRIGGER | 19. WAIKIKI BEACHCOMBER |
| 5. HOLIDAY INN-WAIKIKI | 12. PRINCESS KAIULANI | 20. WAIKIKI GATEWAY |
| 6. ILIKAI | 13. REEF | 21. WAIKIKI MARINA |
| 7. IMPERIAL HAWAII | 14. REEF TOWER | 22. WAIKIKI RESORT |
| | 15. ROYAL HAWAIIAN | |



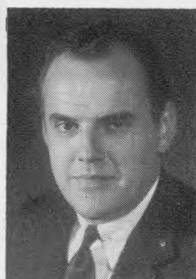
Convention Speakers



BURNS



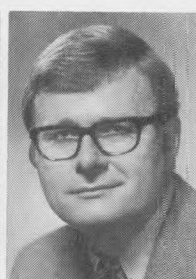
GARDNER



WILLE



MANN



BUCHER



SMITH



PERKINS

gathering will take place at the Honolulu International Center, located between Waikiki and the downtown area. A shuttle system will provide transportation between the hotels and the center.

New officers expected to be elected at the convention include George L. Whyel, vice chairman, Genesee Merchants Bank, Flint, Mich.—ABA president; and J. Rex Duwe, chairman, Lucas (Kan.) State—ABA president-elect. J. Grant Bickmore, president and CEO, Idaho Bank, Pocatello, is expected to be reelected as ABA treasurer. Rex J. Morthland, chairman & CEO, Peoples Bank, Selma, Ala., will become chairman of the ABA governing council upon becoming the immediate past president.

Presiding over the convention will be outgoing ABA President Rex J. Morthland. Serving with Mr. Morthland for the past year were Mr. Whyel as president-elect; Mr. Bickmore as trea-

surer; and Eugene H. Adams, chairman, First National, Denver, chairman of the ABA Governing Council. Mr. Adams is immediate past ABA president.

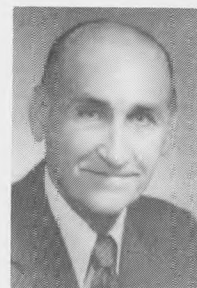
Mr. Morthland joined Peoples Bank in 1946 and was named chairman in 1971. He served as a member of the Hunt Commission in 1970-71.

Mr. Whyel has been in banking more than 25 years and joined his bank in 1947. He is a past president of the Michigan Bankers Association.

Mr. Bickmore joined Idaho Bank in 1950 and was named president in 1963. He is a past president of the Idaho Bankers Association.

Mr. Adams began his banking career with International Trust, Denver, in 1934. When the firm merged with First National in 1959, he became executive vice president. He was named chairman this year. • •

ABA Officer Candidates



DUWE



McPETERS

Expected to be elected to an ABA post at this year's convention, in addition to George L. Whyel, candidate for pres. (see page 39), is J. Rex Duwe, ch., Lucas (Kan.) State, candidate for pres.-elect. W. Liddon McPeters, pres., Security Bank, Corinth, Miss., is unopposed at this time as candidate for pres.-elect at the 1975 convention.



Authentic replica of Japanese temple is located within a 30-minute drive of Honolulu. (Photo courtesy United Airlines.)

ABA Makes Plans for 100th Birthday

*Smithsonian Exhibit, Documentary Film and Commemorative Stamp
Among Projects Planned by Association's Centennial Commission*

THE ABA, which will be 100 years old in 1975, owes its beginning indirectly to a predecessor of the current women's liberation movement. It seems that, in January, 1875, two St. Louis bank cashiers—James T. Howenstein of Valley National and Edward C. Breck of Exchange Bank—were walking by that city's Mercantile Library Hall, which had a conspicuous sign announcing a "woman's suffrage mass meeting." Mr. Howenstein asked his companion, "If women can get together to heal their sorrows and woes, why cannot bankers get together to soothe their sorrows?" The two banks, by the way, were located in the general area of what is now the Jefferson National Expansion Memorial, site of the famed St. Louis Gateway Arch on the Mississippi Riverfront.

The following May, at Mr. Howenstein's invitation, 17 bankers met at New York City's Barnum's Hotel, as Mr. Howenstein put it, to put "their heads and hearts together to bring into a union of business interest and hearty affection the bankers of our country for a better bankerhood and a nobler manhood."

Then, in July, 1875, 350 bankers from 32 states and territories met in Saratoga, N. Y., after all banks had received invitations recommending that an association of bankers be organized. About 15 months later—in October, 1876, the nation's centennial year—the ABA was created as a permanent organization at a national convention in the Bankers' Building on the Centennial Exposition Grounds in Philadelphia.

Now—nearly 100 years later—although Messrs. Howenstein and Breck are long dead and their banks out of

MID-CONTINENT BANKER is indebted to the ABA, particularly the January, 1950, issue of its official publication, Banking, for some of the historical material contained in this article.

existence for many years—the ABA is a strong, viable and influential part of the American business scene.

Although the association's 100th convention actually will be held this year in Honolulu, it will celebrate its centennial at the 1975 convention in New York City. However, this milestone will not be overlooked at the 1974 meeting. Earlier this summer, W. Liddon McPeters, chairman of the ABA Centennial Commission, told *MID-CONTINENT BANKER* that the ABA staff was developing a film to inaugurate the ABA centennial observance at the 1974 convention. This film also will be avail-

able for various divisional meetings during the centennial year.

Mr. McPeters, president, Security Bank, Corinth, Miss., also is a candidate for ABA president-elect in 1975. Here's how he outlined the Centennial Commission's plans for the coming year:

1. A banking industry exhibit will be located in the National Museum of History and Technology in the Smithsonian Institution in Washington, D. C. The ABA is funding the exhibit up to \$400,000. The designer, Wetzel & Associates, Stamford, Conn., is well along in this work. At present, commission members are actively soliciting lists of banking artifacts and memorabilia that may be considered for inclusion in the exhibit. Such items might be made available on loan or by donation to become part of the Smithsonian's permanent collection. In either case, it's the

Mid-Continent-Area Centennial Commission Members



McPETERS



VINSON



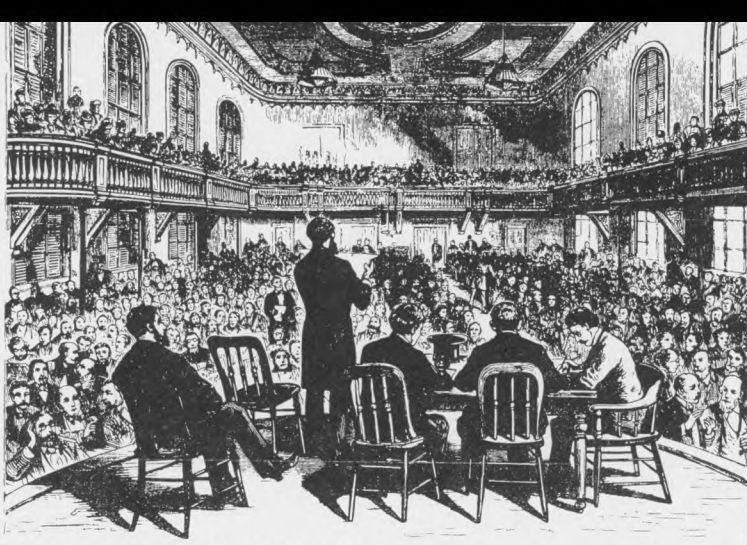
PERRY



GISH

W. Liddon McPeters, pres., Security Bank, Corinth, Miss., is ch., ABA Centennial Commission, which is charged with developing plans to celebrate the association's 100th anniversary during 1975. Three Mid-Continent-area bankers are on Mr. McPeters' commission: Norville R. Gish, v.p.-marketing, First National Charter Corp., Kansas City; B. Finley Vinson, ch., First Nat'l, Little Rock, and Mrs. Marcella D. Perry, ch., First Pasadena (Tex.) State. Mr. McPeters also is candidate for ABA pres.-elect in 1975.

MID-CONTINENT BANKER for October, 1974



This is an artist's sketch of ABA's third annual (1878) convention in Saratoga, N. Y. According to the ABA, which supplied the sketch, delegates to this convention voiced their opposition to "greenbacks," calling their use a monetary revolution. One statement read, the ABA continued, that "nowhere except in this country has it entered the mind of a sane man that the act of the government in stamping on a piece of paper or leather 'This is a dollar' and making it legal tender could impart to it commercial or exchangeable value equal to a coin dollar . . . (others) were never so silly as to attempt to enforce the use of 'flat money' as currency."

Mid-Continent-Area ABA Presidents

Of the 88 men who have served the ABA as president, 37 have been from the 13-state MID-CENTRANT BANKER area. They were (present affiliation, if changed since year of service, is designated by italics):

- 1883—*Lyman J. Gage, v.p., First Nat'l, Chicago.
- 1888—*Charles Parsons, pres., State Bank, St. Louis.
- 1894—*John J. P. Odell, pres., Union Nat'l, Chicago.
- 1899—*Walker Hill, pres., American Exchange Bank, St. Louis.
- 1904—*E. F. Swinney, president, First Nat'l, Kansas City.
- 1905—*John L. Hamilton, v.p., Hamilton & Cunningham, Hoopston, Ill.
- 1907—*J. D. Powers, v.p., Third Nat'l, Louisville.
- 1908—*George M. Reynolds, pres., Continental Nat'l, Chicago.
- 1910—*F. O. Watts, pres., First Nat'l, Nashville.
- 1912—*Charles H. Huttig, pres., Third Nat'l, St. Louis.
- 1916—*P. W. Goebel, pres., Commercial Nat'l, Kansas City, Kan.
- 1919—*Richard S. Hawes, v.p., First Nat'l, St. Louis.
- 1925—*Oscar Wells, pres., First Nat'l, Birmingham, Ala.
- 1926—*Melvin A. Traylor, pres., First Trust, Chicago.
- 1927—*Thomas R. Preston, pres., Hamilton Nat'l, Chattanooga, Tenn.
- 1928—*Craig B. Hazlewood, v.p., Union Trust, Chicago.
- 1929—*John G. Lonsdale, pres., Mercantile-Commerce Bank, St. Louis.
- 1930—*Rome C. Stephenson, v.p., St. Joseph County Savings Bank, South Bend, Ind.
- 1933—*Francis Marion Law, pres., First Nat'l, Houston.
- 1934—*Rudolph S. Hecht, ch., Hibernia Nat'l, New Orleans.
- 1936—*Tom K. Smith, pres., Boatmen's Nat'l, St. Louis.
- 1940—*P. D. Houston, ch., American Nat'l, Nashville.
- 1941—*H. W. Koeneke, pres., Security Bank, Ponca City, Okla.
- 1942—*W. L. Hemingway, pres., Mercantile-Commerce Bank, St. Louis.
- 1945—*Frank C. Rathje, pres., Chicago City Bank.
- 1946—*C. W. Bailey, pres., First Nat'l, Clarksville, Tenn.
- 1948—*Evans Woollen Jr., ch., Fletcher Trust, Indianapolis.
- 1954—*Homer J. Livingston, pres., First Nat'l, Chicago.
- 1955—*Fred F. Florence, pres., Republic Nat'l, Dallas.
- 1957—*J. C. Welman, pres., Bank of Kennett, Mo.; *chairman of exec. committee, Bank of Kennett.*
- 1958—*Lee P. Miller, pres., Citizens Fidelity, Louisville.
- 1961—*Sam M. Fleming, pres., Third Nat'l, Nashville; *ch. of trust board and dir., Third Nat'l.*
- 1966—*Jack T. Conn, ch., Fidelity Nat'l, Oklahoma City; *ch., Fidelity Bank, Oklahoma City.*
- 1968—*Willis W. Alexander, pres., Trenton (Mo.) Trust; *exec. v.p., ABA, Washington, D.C.*
- 1969—*Nat S. Rogers, pres., First City Nat'l, Houston.
- 1971—*Allen P. Stults, ch. and CEO, American Nat'l, Chicago.
- 1973—*Rex J. Morthland, ch., Peoples Bank, Selma, Ala.

* Deceased

Smithsonian's policy to give appropriate credit to the lender or donor.

2. An illustrated banking history will be produced by the Smithsonian in connection with the above exhibit.

3. A documentary film on banking and its role in the nation's development will be produced for use on public TV, in schools and by service clubs. Production of the film is under the auspices of A. R. "Bo" Naunheim, now executive vice president, First Charter Corp., Kansas City-based multi-bank HC. Until recently, Mr. Naunheim was chairman and president, Charter Bank of Jennings, Mo., a member of the HC. He is chairman of the film committee of the ABA's Communications Council.

A. R. "Bo" Naunheim, exec. v.p., First Charter Corp., Kansas City, is ch., film committee, ABA Communications Council. Under Mr. Naunheim's auspices, a documentary film on banking is being produced as part of the ABA's centennial observance.



4. A commemorative stamp will be released in 1975 honoring the American banking system. Mr. McPeters said the ABA has received encouragement from postal authorities that such a stamp may be issued, but approval was not yet final.

5. Development of the film that is to be shown at the ABA's 1974 convention.

Dr. Charles Haywood, dean, School of Business, University of Kentucky, is a special consultant to the Centennial Commission on the Smithsonian bank exhibit, the film and the proposed publication. The museum exhibit will be located on the third floor of the Smithsonian's newest Washington building, which draws some seven million visitors annually. According to Mr. McPeters, it's estimated that this museum alone will have some 30-35 million visitors during the nation's bicentennial year of 1976. Therefore, he continued, the ABA Centennial Commission is highly privileged to have the banking exhibit located where it may be seen by so many of the visitors to the nation's capital.

According to a list compiled last January by the ABA library staff, there were 15 founding member banks of the association, including Mr. Howenstein's Valley National and Kentucky National, Louisville, which evidently went out of business in 1894. For some unknown reason, Mr. Breck's Exchange Bank was not on the list. Most of the other

(Continued on page 48)

1973-74—A Year of Change And Unexpected Challenges

THE PAST YEAR, during which I was privileged to serve as president of the American Bankers Association, was marked by rapid and extensive change throughout our financial system.

Who would have anticipated the magnitude and rapidity of changes that have taken place during the year? That inflation would cut so deep into our personal budgets and our business outlook for such a protracted period? Who could have foreseen a 12% interest rate, supermarket point-of-sale terminals for savings and loan associations, guaranteed loans for livestock producers . . . that there would be a new President in the White House.

The complexities of American life seem to bear on everyone. But the overriding complicating factor in all changes this year is the record inflation that was intensified by the energy crisis and certain food shortages.

The ABA has recognized for years that inflation was a major problem in our economy and has urged that rigorous steps be taken to cure it.

In early spring, the ABA planned an Inflation Symposium to develop an even greater awareness of the deleterious effects of, the causes of and possible cures for inflation. In mid-July, while inflation was still peaking and "Watergate" was aggravating our economic outlook, the ABA Inflation Symposium was held in Washington. It brought together leading economists and financial world opinion makers, congressional and regulatory officials and leading bankers.

Bankers are acutely aware that the housing industry is one of those hardest hit by inflation. The problems of that

By **REX J. MORTHLAND**
President
American Bankers Association

industry are complex, and we have studied them intensively and sympathetically. Even prior to the time when the full impact of inflation was affecting interest rates and availability of money, higher prices for housing were reflecting the shortages of building materials and the cost of land.

Land prices have increased more than any other cost element of a home. During the last 10 years, they have risen at an average annual rate of 9.1%. Moreover, lots are getting smaller. In 1967, the average lot size for a home was 8,202 square feet, according to home builder industry statistics. By 1973, it was 6,990 square feet. Taking account of both rising lot prices and smaller lots, land costs rose at an annual rate of 13.4% between 1967-73.

"The ABA has recognized for years that inflation was a major problem in our economy and has urged that rigorous steps be taken to cure it."

The average new home that sold in 1972 for \$35,000 sold for \$40,900 in 1973, one year later—up by 16%. Mortgage rates, by comparison, still remained the best, albeit expensive, buy in the overall home-buying picture with only a 10% increase. This is only one area where inflation has been so injurious to our welfare.

Financial Institutions Act. As housing loans diminished because of high interest rates and disintermediation, the need for changes in our financial system became even more apparent. The

Financial Institutions Act (FIA) is of prime importance for the future of banks and other institutions. The FIA would make major changes in the operations of banks, savings and loan associations and mutual savings banks to provide competition, under conditions of equality, in furnishing a wide range of services. It also would have a major significance for both savers and borrowers.

Voicing vigorous support for the act before the Senate Subcommittee on Financial Institutions, the ABA asserted that this proposed legislation, with minor changes, offers the best means of ensuring that the nation's financial system will be responsive to the economic and social needs of the future.

We feel that the comprehensive restructuring in the FIA will increase the competitive ability of depository financial institutions, vis-à-vis other elements of the general money market. This should better enable these institutions to weather periods of economic fluctuation and rapidly increasing interest rates by giving them additional flexibility.

Attuned to current housing needs and other social priority areas, the bill calls for a tax credit on income from loans for such purposes as an inducement to increase flows of funds into these areas. Such a credit has the advantage of being attractive to all lenders and thus broadening the market for these loans. It also is flexible and avoids creation of "grandfather rights." It can be changed as social priorities change or as economic conditions lessen the need for it.

Usury ceilings must be recognized as impediments to deposits in financial institutions in inflationary periods. They restrict earning capacity and hence

(Continued on page 122)

Mr. Morthland is chairman, Peoples Bank, Selma, Ala.

MID-CONTINENT BANKER for October, 1974



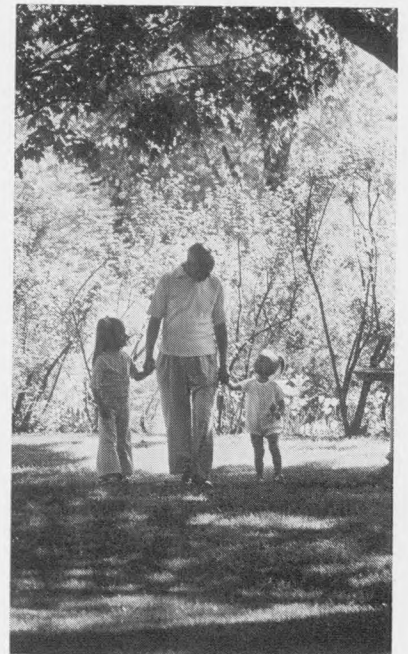
ABA President-Elect George L. Whyel and Mrs. Whyel chat with their oldest daughter, Mrs. Adelaide Smith. Mr. Whyel is vice chairman, Genesee Merchants Bank, Flint, Mich., and—by tradition—will advance to ABA president during the association's convention this month in Honolulu.

**A Product of the
Wolverine State:**

**George Whyel
To Step Up
To ABA
Presidency**



Genesee Bank business is discussed by Mr. Whyel and John R. Butler (l.), president & CEO, and Edward J. Neithercut, chairman.



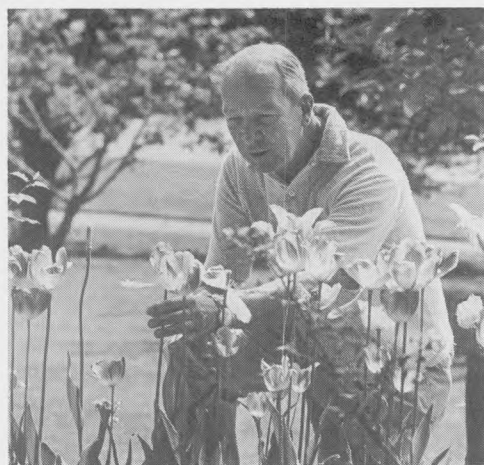
The Whyel yard provides attractive setting for strolls by Mr. Whyel and his two granddaughters.



Mr. Whyel stops by the new accounts desk at his bank's Main Office.



Mr. Whyel enjoys a chat with his granddaughters, Christina Smith (l.) and Katharine Smith.



Despite a busy year as an officer of a bank and the ABA, Mr. Whyel finds time to examine some flowers in his back yard.



During a stop in Genesee Bank's trust department, Mr. Whyel visits with Webb F. Martin (l.), vice president & personal trust officer, and M. Harry Piper, senior vice president.

In Addition to Formal Speeches:

ABA Ag Conference To Feature Workshops, Early-Bird Sessions

WHAT ARE the world markets for U. S. agriculture? What is the consumer's view toward agriculture . . . can we improve understanding? Will we be able to transport full production? Can we, in fact, sell and pay for it? These are questions that bankers should have the answers to, according to Oliver A. Hansen, president, Liberty Trust, Durant, Ia., and they are questions that will be spotlighted at the ABA's 23rd national Agricultural and Rural Affairs Conference, of which Mr. Hansen is chairman. The conference will be held November 10-13 at St. Louis' Chase-Park Plaza Hotel. The theme will be "Agri-Banking—the Forward Look."

The program will include concurrent workshops on: "Legal Aspects of Agricultural Lending," "Agricultural Lending Procedures for New Loan Officers," "Estate Planning for Farm Families," "Financing Capital Requirements of Young Farmers," "Warehouse Receipts Financing," "Land-Use Policies" and "Financing Feeder Pig Production." They will be given from 10:50 a.m.-12:10 p.m. November 10 and repeated from 2:30-3:50 o'clock that afternoon and from 2:00-3:20 o'clock the following afternoon.

Concurrent early-bird sessions are scheduled on: "Feedlot Financing," "Bank Directors' Responsibilities," "Leasing Agricultural Capital," "Rural Development Guarantee Loan Programs," "Financing Specialized Agricultural Lending," "Kidnap/Hostage in Perspective" and "Alternative Sources of Funds Techniques." They will be held from 7:45-9 a.m. November 12 (preceded by a 7:15 continental breakfast) and repeated the following morning.

Former Secretary of Agriculture Clifford M. Hardin will give the keynote address, "World Markets for U. S. Agriculture," during the first general session November 11. Dr. Hardin, now vice chairman, Ralston Purina Co., St. Louis, was born on a farm near

Knightstown, Ind., and has been connected with agriculture ever since. He won a 4-H scholarship to and received a B.S. degree in agriculture from Purdue University, Lafayette, Ind. He did graduate work in agricultural economics at Purdue and in economics at the University of Chicago, receiving a master's degree from Purdue in 1939 and his doctorate from there in 1941. He has been on the staffs of the University of Wisconsin and Michigan State University and became chancellor of the University of Nebraska in 1954 at the age of 38.

Dr. Hardin helped establish Ataturk University in Turkey through a cooperative aid program, took part in the University of Nebraska's program of technical assistance for agriculture in Colombia and inaugurated the Nebraska Center for Continuing Education and a new educational TV facility. During his 15 years at the university, it underwent its greatest period of growth, expanding from 7,000 to 30,000 students. Before taking the Nebraska post, Dr. Hardin helped with the administration of an agricultural training program sponsored at the National University of Colombia by Michigan State University and—in 1953—assisted with the operation of a similar program at the University of Ryukyus, Okinawa.

Dr. Hardin became Secretary of Agriculture in January, 1969, and left that post in November, 1971, to join Ralston Purina.

In a talk he gave last May at the World Trade Seminar in St. Louis, Dr. Hardin touched on the problem of world hunger and pointed out that, because of this country's capacity to produce more food than it needs, there has been a growing pressure to create within the U. S. a "food and feed reserve" designed to stabilize and even out world supplies. He pointed out in that talk that although the world needs such a reserve, maintaining it here would impose a heavy cost on U. S.



WHYEL



LITTON



HARDIN

Three of the speakers to be featured at the ABA's 23rd national Agricultural and Rural Affairs Conference November 10-13 are George L. Whyel, who will have moved up from ABA pres.-elect to ABA pres. at the time of the conference; Dr. Clifford M. Hardin, v. ch., Ralston Purina Co., St. Louis, and U. S. Representative Jerry Litton (D., Mo.). Mr. Whyel is v. ch., Genesee Merchants Bank, Flint, Mich. Dr. Hardin is a former Secretary of Agriculture.

Behind the Scenes



HANSEN



WALTON

Oliver A. Hansen, pres., Liberty Trust, Durant, Ia., is chairman of the ABA's 23rd national Agricultural and Rural Affairs Conference, scheduled to be held November 10-13 at St. Louis' Chase-Park Plaza Hotel. Robert L. Walton, pres., Farmers & Merchants State, Bushnell, Ill., is ch., ABA Agricultural Bankers Division.

Red's and Wilbur's back...



And Tulsan's will never come back.

At the Fourth, back in Tulsa, backs are popping up everywhere.

But that certainly doesn't mean that we are turning our backs on our customers. It means just the opposite.

Our new slogan, "You'll never come back," has created quite a stir among Tulsans. It was purposely a week after the first introduction of the slogan that our advertising explained the true meaning of the phrase. Fourth National Bank had decided to make itself the most convenient bank in the city.

Being large, and downtown—the obstacles were great. But our program was to change the systems of our bank so that once a new customer came to the bank and signed the various papers—he would never have to come back.

With this new approach, Fourth National fortifies its position as the city's most aggressive—and convenient—bank.

Watch for future news of The Background—what the Fourth is doing back in Tulsa. You'll see the aggressiveness of our programs in the city and understand the aggressiveness of our programs for you—correspondent banking.

Backs, courtesy of Wilbur Waters and Glenn "Red" Ward.

The Background,

what the Fourth is doing back in Tulsa.

 **Fourth
National Bank**
You'll never come back.
Member F.D.I.C.

taxpayers and U. S. farmers. Dr. Hardin suggested that as a partial alternative, this country should encourage importing countries to carry some of the burden by constructing storage facilities of their own for a significant portion of their own annual needs—whether from their own production in good years or from imports. For those countries with insufficient capital to construct these storage facilities, Dr. Hardin recommended that loan funds be made available through one of the international agencies, such as the World Bank, and that such funds be available for both construction and inventory costs.

"Stocks which are part of another nation's programmed reserve," he added, "and located on foreign shores will be less of a depressing force on U. S. farm prices than if the same stocks are still in this country."

The November 11 luncheon speaker will be U. S. Representative Jerry Litton (D., Mo.), who himself was a farmer before entering politics. A breeder of Charolais cattle near Chillicothe, Mo., the young congressman sold his Charolais ranch to avoid conflict-of-interest charges and put the money (in the millions of dollars) in a blind trust. A member of the House Agriculture Committee and three agricultural subcommittees, Representative Litton holds a B.S. degree in agricultural journalism from the University of Missouri at Columbia.

Upon his election to Congress, he decided to try to overcome the growing lack of confidence in government. Thus, he initiated a program whereby he brings national leaders back to his district in Missouri each month to join him in a two-hour, no-holds-barred question-and-answer session with the voters in his district. The program has become so popular that it's now car-

ried by TV and radio throughout Missouri.

When consumer boycotts threatened to further divide rural and urban America, Representative Litton invited America's agricultural leaders to Washington, where he challenged them to unite behind one voice to close the producer-consumer communications gap. More than 100 members of Congress were at the head table at one of the luncheon meetings he called to spearhead the program. As a result of his efforts, the Agriculture Council of America was formed and is considered by many as American agriculture's first chance to put together a unified voice to close the rural-urban communications gap.

In addition to these speakers, Mrs. Esther E. Peterson, assistant Secretary of Labor during the Johnson Administration and special assistant for consumer affairs to President Lyndon Johnson, will discuss "How the Consumer Views Agriculture." Mrs. Peterson now is vice president of consumer programs, Giant Food, Inc., Washington, D. C.

"The ABA Reports to You!" will be the subject of George L. Whyel, now ABA president-elect, but who will have become ABA president by the time the conference is given. He is vice chairman, Genesee Merchants Bank, Flint, Mich.

The program will include a talk on "The Transportation Crisis" by James V. Springrose, vice president-transportation, Cargill, Inc., Minneapolis, and outlook presentations on the general economy, energy, cotton, grains and soybeans, fresh fruits and vegetables, hogs and cattle. A question-and-answer period will follow.

Robert L. Walton is chairman of the ABA's Agricultural Bankers Division. He is president, Farmers & Merchants State, Bushnell, Ill. ••

ABA Publishes 'Thruput'

A new ABA monthly newsletter, called "Thruput," is set to debut this month. It will be published by the Operations/Automation Division in cooperation with the ABA Communications Group.

The publication has been planned to be a timely newsletter emphasizing two-way communication between the division and bankers who are responsible for the operations and data processing functions within their banks.

Annual subscriptions are \$12 for 12 issues and additional information is available from "Thruput" editor, Communications Group, ABA, 1120 Connecticut Ave., N.W., Washington, D. C. 20036.

'Peoples Gallery':

Art Director Joins Staff At Central Nat'l, Denver

Central Bank, Denver, has appointed Leslie Ann Barton as director of art. Miss Barton is responsible for selecting and scheduling exhibits for the bank's mezzanine "People's Gallery."

The bank has set aside space for art exhibits because its building provides a natural setting for such exhibits and the building and adjoining park have become popular gathering places during the working day.

The initial exhibit featured works in stained glass and subsequent shows included contemporary prints and Navajo handcrafts.

ABA Convention Cities

Mid-Continent-area cities have been hosts to ABA conventions 26 times since the first convention was held in 1875.

Louisville was the first in the Mid-Continent area, having been the site of the 1883 convention. However, Chicago has been the site of most of the conventions held in this area: 1885, 1893, 1909, 1918, 1924, 1933, 1941, 1944, 1946, 1951, 1955, 1958, 1965, 1968 and 1973.

In St. Louis, the convention was held in 1896, 1906 and 1919. Kansas City was host in 1889 and 1916; New Orleans in 1891, 1902 and 1935; Houston in 1927 and Dallas in 1972.

College Student Package Plan Offered by Bank of America

SAN FRANCISCO—Bank of America is offering a special package plan for college students called the College Plan.

The package includes a checking account with a \$1 per month service charge during the school term, with no fee during the summer months or when the balance is \$300 or more; a BankAmericard to students of sophomore standing or higher; special low-cost checks; overdraft protection; a savings account; and study plan loans.

At college banking offices, participants can apply for educational loans that are federally insured and they can receive assistance with banking and money matters from trained student reps.

Upon graduation, the College Plan checking account automatically converts to the bank's Custom Checking Plan or, if the student has BankAmericard and overdraft protection, to the bank's All-in-One Checking Plan.

ABA's Birthday

(Continued from page 42)

charter banks were located in the East, although there was one in Detroit and one in Richmond, Va. One source said Valley National, St. Louis, went out of business in 1886, but the "family tree" of St. Louis' Mercantile Trust shows a Valley National Bank, and so it might have been absorbed into a predecessor of Mercantile many years ago.

With the ABA centennial set for 1975 and the nation's bicentennial for 1976, the country's bankers have a double reason to celebrate during the next couple of years. ••

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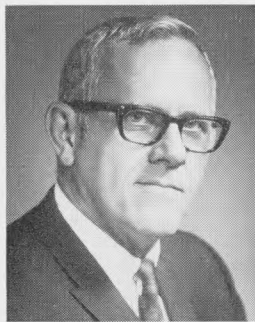
about wanting to see everyone at the
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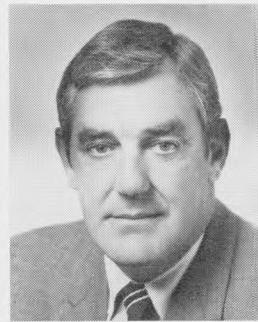
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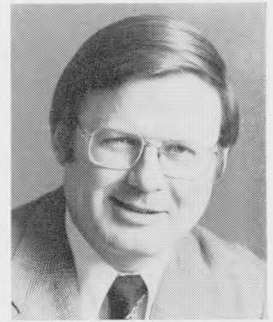
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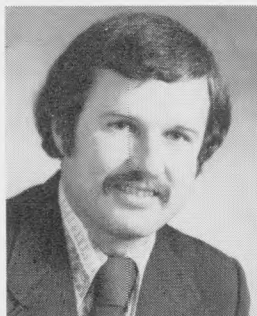
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EFTS, Financing of HC Expansion Stressed at Correspondent Meeting

By LAWRENCE W. COLBERT
Assistant to the Publisher

MORE THAN 500 bankers were in attendance at the third annual ABA national correspondent banking conference in Atlanta September 8-10.

"Developing Strategies for the Future" was the conference theme. Speakers and discussion sessions dealt primarily with electronic funds transfer, financing holding company expansion and how correspondent banking is going to meet the challenges of the future.

Conference Chairman C. Paul Lindholm, senior vice president, Northwestern National, Minneapolis, said, "Correspondent banking is becoming increasingly involved as users, as well as suppliers, of funds.

"For this reason," he added, "the correspondent banker has to continually be aware of future developments in banking."

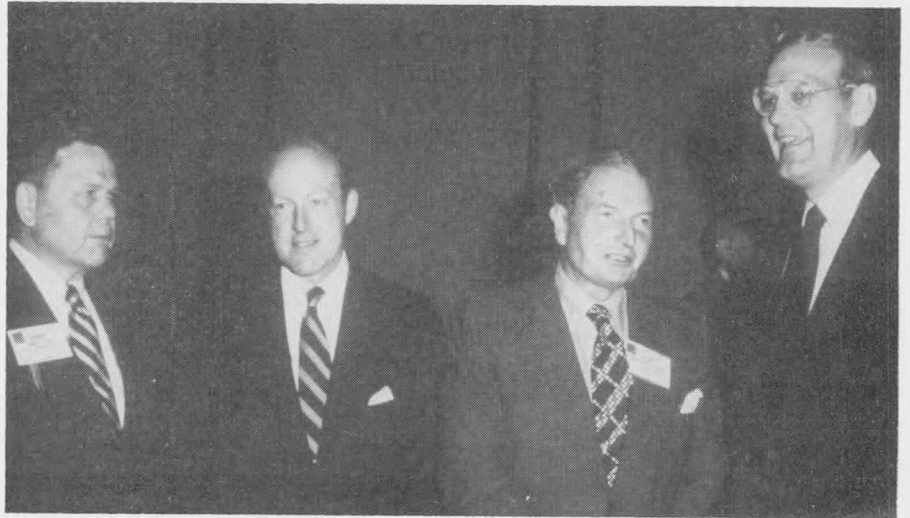
General sessions and workshops at the conference confronted issues such as appraising credit needs and risks for bank holding companies, opportunities with thrift institutions, the evolving payments system, check processing, electronic funds transfer systems, credit card payments strategies and new services and products.

David Rockefeller, chairman of Chase Manhattan Bank, New York City, in the keynote address, urged the Federal Reserve Board to release "its pressure on credit expansion," thereby permitting rates to move down and "the housing industry to resume more normal production."

Mr. Rockefeller acknowledged that "monetary restraint must continue and that we cannot return quickly to a period of easy money" to solve economic problems.

However, Mr. Rockefeller cautioned that "interest rates have reached a point where they promise to do positive harm if relief is not soon provided."

Such relief, he noted, would be "beneficial to supporting institutions in the savings industry which have suffered severe disintermediation."



Visiting as the conference was about to begin were (l. to r.) Roger A. Lyon, ch., ABA correspondent banking division and exec. v.p., Chase Manhattan Bank, New York City; Richard L. Thomas, pres., First Chicago Corp.; David Rockefeller, ch., Chase Manhattan; and C. Paul Lindholm, ch. of the conference and sr. v.p., Northwestern National, Minneapolis.

In addition to a balanced and well-timed monetary policy, the New York banker called "for progress on the fiscal side—for the curbing of government expenditures at the federal, state and local levels."

"In addition, we should take steps to conserve those basic products which are most likely to be in short supply and to develop alternative sources."

To promote conservation, Mr. Rockefeller said, "The federal government must take the lead in a massive program, combining education and action, to alert industry, state and local governments and individuals to the extent of global shortages of critical commodities."



Addressing the general session on Tuesday morning were these three speakers (l. to r.): Barry F. Sullivan, exec. v.p., Chase Manhattan Bank, New York City; J. C. Welman Jr., sr. v.p., First National, Minneapolis; and John S. Reed, exec. v.p., First National City Bank, New York City.

He added that a parallel drive must be undertaken to stimulate business investment and improve productivity.

Mr. Rockefeller called capital spending "the main source of strength in our domestic economy over the past year and a half."

He said increased capital spending is vital "if we are to get at the heart of inflation by developing new and more efficient capacity and by increasing overall productivity.

"Indeed, it is imperative that productivity be increased if the nation's workers are to gain the higher real wages which they need to sustain or improve their standards of living," he noted.

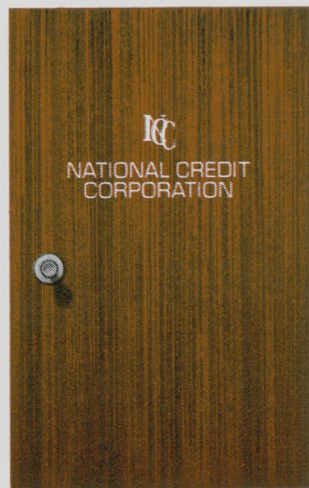
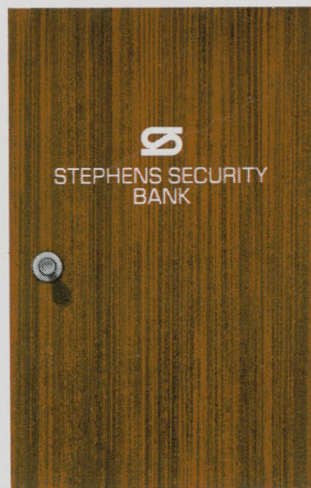
Mr. Rockefeller added that while he opposed a return to mandatory wage and price controls, he thought "the President and Congress have been wise" in establishing the new Council on Wage and Price Stability.

The Chase chairman emphasized that inflation is an international problem which must be dealt with in a spirit of international cooperation.

Richard L. Thomas, president, First Chicago Corp., speaking on holding company growth, told the conference that the principal thrust of expansion of non-bank activities is being carried out by newly formed or acquired sub-

(Continued on page 61)

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Thriffs' Actions in EFTS Arena Portend Bank Structure Changes

CHANGES in the payments system are of deep concern to bankers throughout the country, regardless of bank size, structure or ownership. Spurred on by the radically changing nature of nonbank competition, many bankers have recognized that change not only is necessary, but desirable if banking is to retain its position in the financial industry.

Changes now developing are altering radically the techniques by which we deliver deposit and withdrawal services to our customers and are radically affecting the No. 1 factor in obtaining deposits, that factor being convenience. Any attempt to respond to these external challenges must necessarily demand at least consideration of changes in banking structure. While it's apparent that the threat from nonbank competitors has become substantial in the last few years, our deliberations cannot help but raise the specter of the continuing philosophical differences between holding company banks and independent banks, unit banks versus branch banks and country and suburban banks versus major corporate banks. It's in this environment of concern, coupled with some animosity, that city correspondent bankers must continue to serve their customers as well today as they have in the past.

If you take away the technological implications of the changes taking place in the payments system, you will find that developments are keying on three parts of our relationship with the consumer. We are attempting to make it easier for the consumer to deposit money with a bank without going to

J. C. WELMAN JR.
Senior Vice President
First National Bank
Minneapolis

a bank-owned location. The technique developed to improve the deposit function for ourselves and thrift institutions is called an automated clearing house. The savings and loan industry also has developed another technique utilized in Nebraska through the Hinky Dinky stores. This technique apparently is not available to many banks and, therefore, some alternative must be developed.

On the withdrawal side, we are keying on two different types of transactions—one in which the consumer is attempting to pay in response to a periodic billing and the other in which the consumer comes face to face with a retailer either to pay for goods or obtain cash. For payment of bills in response to periodic billing by a company, the automated clearing house probably is the most efficient vehicle utilizing either pre-authorized techniques or some other techniques not yet developed for payment of recurring bills through some type of bill-paying service. The need to meet the retailer in a face-to-face environment either to pay for goods or obtain cash probably is going to be handled in what we refer to as the point-of-sale (POS) environment. My only comment would be that the definition of the ultimate structure of this system is not totally clear at this time, and many discussions in which I have participated across the country in the last few months have centered around the need to determine this structure and proceed in order to respond to the perceived threat from the S&L industry. And so we come to a point when the evolving electronic

funds transfer system seems to revolve around the automated clearing house and point of sale. I would like to discuss the current status of the automated clearing house movement.

As of today, over 50% of the people in the United States are located in areas that have or are committed to installation of an automated clearing house. Apparently, these areas would include somewhere in the vicinity of 80% of the banks in the country. Automated clearing houses are operational in five of the major cities, and by the end of 1975, automated clearing houses should be operational in 20 to 30 major cities.

Development of automated clearing houses at the national level has raised some philosophical questions that have resulted in development of concepts somewhat different from the present check collection. In handling pre-authorized debits on an electronic basis, we have moved from a traditional technique in which the pre-authorization agreement normally has moved to the bank that handles the account of the consumer. As automated clearing houses became operational, it was determined that it was more desirable to utilize a concept we have called pre-notification. Pre-notification, while it may sound like a technical term, merely means that the documents signed by the customer remain in the hands of the company and the company and the originating bank warrant to the consumer's bank that they have the authority to make such an entry. As utility bills, life insurance drafts and other similar payments begin to move through the system in greater volume, it will be necessary for your correspondents to understand the conceptual difference between the old technique

(Continued on page 61)

The talk on which this article is based was given last month at the ABA's national Correspondent Banking Conference in Atlanta.

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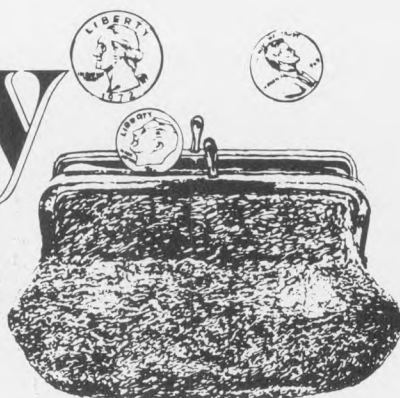
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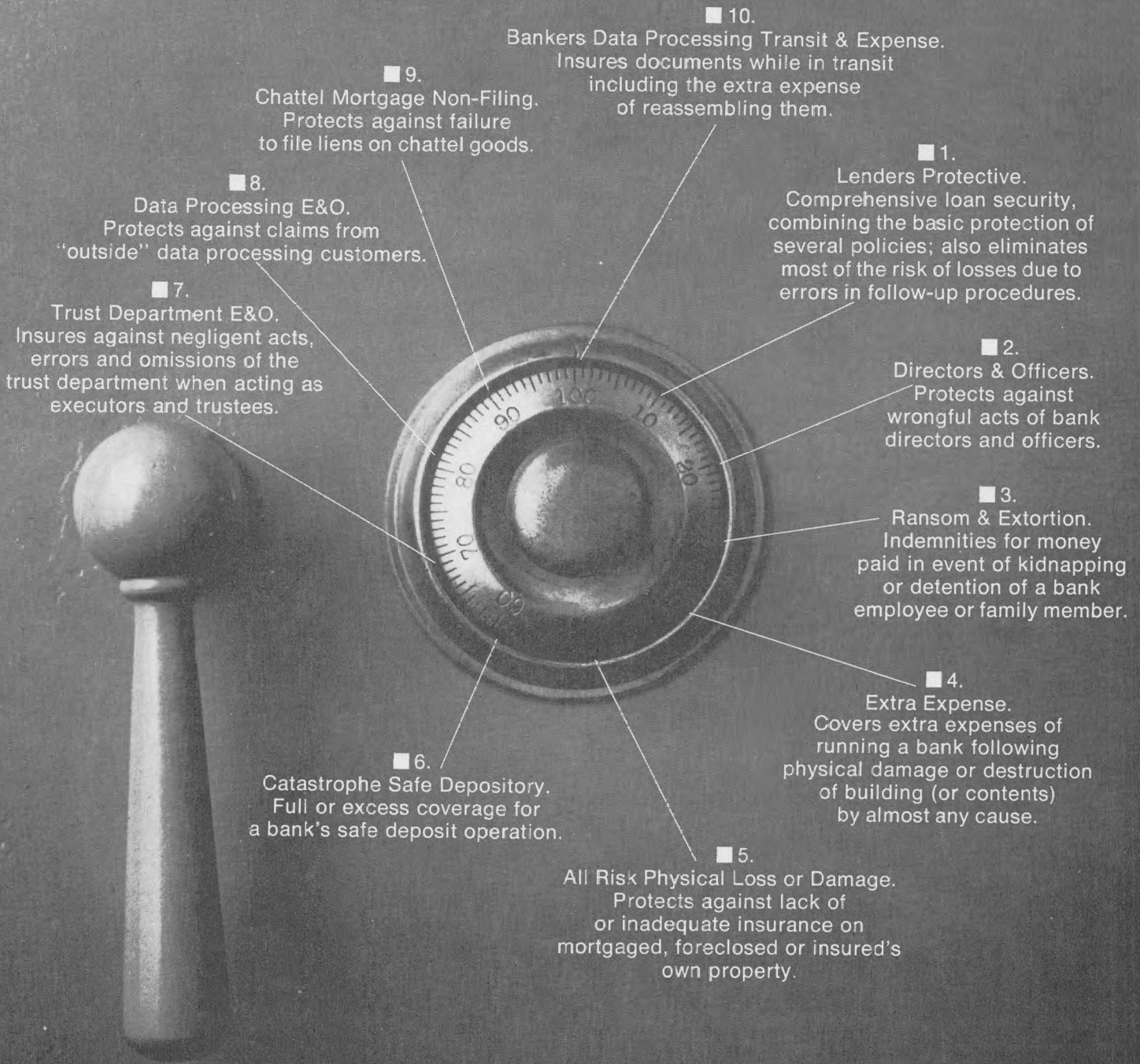
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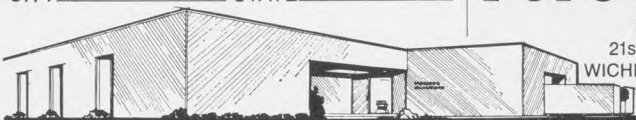
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and the concept of pre-notification.

Perhaps one of the most consequential decisions at the national level was the one to settle electronic funds transfers in federal funds rather than in clearing house funds. This decision is the greatest single selling point to correspondent banks with regard to an automated clearing house. To country and suburban banks, it means their customers will have collected funds inside their bank on payday rather than receiving a check which, in many cases, was a clearing house or RCPC item that was available the following business day. It is this better availability of funds and the lack of the need to clear the deposited item that create the significant economic benefits for correspondent-bank customers in their participation in an automated clearing house.

Finally, the automated clearing house nationally had to face the question of participation by thrift institutions. At the present time, a thrift institution can participate in the automated clearing house process only through a commercial bank. However, as we could have expected, the thrift institutions continue to try to whittle away at the difference between commercial banks and thrift institutions to gain competitive advantages without paying the price of membership. The current attack on the automated clearing house is an attempt by the thrift institutions to have direct presentment of their electronic items to them rather than through commercial banks. This attempt has been, and I hope will continue to be, successfully opposed by the banking industry.

I would like to point out the impact on correspondent bankers in relationship to their customers if these correspondent bankers are now in areas committed to implementation of automated clearing houses or if they subsequently become involved in such an area.

In the Upper Midwest Automated Clearing House Association, called UMACHA, we made a massive effort over an 18-month period to conduct a campaign of education of bankers, corporations and consumers. Despite this, we were all overwhelmed by requests for information, publications, discussions and speeches. In the entire 18-month period, there were few weeks when someone from UMACHA did not go before a bankers group to talk about the automated clearing house. Some of these presentations were by correspondent bankers, and many of the requests came through the various correspondent banking departments. It became one of the major subjects of dis-

ABA's Lincoln Specials

As part of its centennial celebration, the ABA is co-sponsoring six hour-long specials, "Sandburg's Lincoln," starring Hal Holbrook. The first special was aired September 6; two more are scheduled for the 1974-75 TV season, and the other three will be presented during the 1975-76 TV season.

These specials—keyed to America's bicentennial celebration in 1976—concentrate on six different aspects of Lincoln the "man." There aren't any debates or speeches; he's being presented as a flesh-and-blood person, not a marble image.

Commercials prepared to accompany these specials are designed to show the role of banks in the growth and development of communities and how people can make better use of their banks. Former Astronaut Neil Armstrong, the first man to land on the moon, is appearing in several of the commercials.

discussion at practically every banking meeting in the upper Midwest for at least a seven- or eight-month period. Your educational problems will be no less than ours and the time for you to become knowledgeable concerning these developments is before your customers ask you.

The second area of your participation will occur when it is necessary for your automated clearing house association to sign up as participating banks all banks in your area. The success of the sign-up procedures of UMACHA, in my opinion, is a direct result of substantial efforts on the part of the correspondent banking divisions of the various Twin Cities' banks. I know of no more effective vehicle than the various correspondent bank divisions, so I suggest that such divisions elsewhere will face the same challenges and responsibilities we did as they approach the implementation stage.

After an automated clearing house becomes operational, your work has only begun. As soon as the capabilities of the system become apparent to your customers, they will begin immediately to inquire about the possible techniques for continuing to service their customers who need automated clearing house services when they do not have computer capacity. UMACHA rules specifically permit a wide range of relationships between major banks and their correspondent bank customers. As the various operating rules are written for your local associations, you must ensure that this capability is granted to correspondent bank customers and that people in correspondent bank divisions understand these

capabilities sufficiently to explain them.

The final responsibility is education on new developments. If there is one thing that's certain in the payments system, it's that what we perceive as being the direction today probably will not be the direction tomorrow. It is in this environment of uncertainty over new developments from ourselves and our competitors and the basic lack of inherent knowledge of the payments system that correspondent bankers of this country must dwell. Changes in the payments system have passed the point where they are operational or technological considerations and are treading heavily on the basic underlying philosophical considerations of banking structure. The systems will not be developed because they are operationally efficient, but they will be developed in an environment of major policy considerations in which correspondent bank customers will be active participants. The correspondent banking concept is one of the principal vehicles that has permitted the wide diversity of banking structure we have in this country today. The challenge for its continuation rests with city correspondent bankers' willingness to serve their customers as knowledgeable and concerned advisers. • •

Correspondent Meeting

(Continued from page 50)

sidiaries. Mr. Thomas called for appropriate financial planning if this growth is to be sustained.

"Affiliation with a well-regarded bank will no longer be sufficient to command large amounts of additional credit," Mr. Thomas stated. "Lenders will increasingly insist, and rightly so, on better information about the credit-worthiness of the borrowing entities," Mr. Thomas concluded.

Roger A. Lyon, chairman of the ABA correspondent banking division and executive vice president of Chase Manhattan, said that we have seen the correspondent relationship change and additional strains put on our end of the equation. "I firmly believe that the inherent strength of the correspondent banking system has turned problems of the past into opportunities for the future . . . and will continue to do so," Mr. Lyon said.

Other major conference speeches appear elsewhere in this issue or will appear in future issues. • •

What Lies Ahead for EFTS?

THE SUBJECT of electronic funds transfer systems (EFTS) is both timely and important. While we may be several years away from the final stages of complete electronic funds transfer, the first efforts are all around us.

The policy issues are of such magnitude that the Senate Banking Committee has sponsored legislation to establish an Electronic Funds Transfer System Commission—to be appointed by the President—to make a two-year study and recommend administrative action and legislation. The Fed recently issued its proposed amendment to Regulation J—to cover EFTS—and asked response. The response was overwhelming—from every quarter, not just from commercial banking. Even the Justice Department has voiced its opinion on the role the Fed should play in future EFTS. Competitive battle lines are being drawn now—by financial institutions and by commercial enterprises outside the finance industry.

How do we move funds to make payments today?

We move large amounts by wire transfer, using one or both of two systems. The Bank Wire System is privately owned and serves 235 commercial banks in 72 cities. It's currently being replaced with newer technology to do a bigger job in the future.

The Federal Reserve Wire System provides a high-speed service through a network of Federal Reserve banks connected through an elaborate computer switching system located in Culpeper, Va.

These systems might be referred to as low-volume, high-dollar value systems.

We move smaller payments through an elaborate local and national check-processing system. This is a high-volume

By CHARLES C. SMITH
Administrative
Vice President
Bankers Trust Co.
New York City

system for collecting low-dollar items.

We operate bank credit card systems, which compete with one another. I choose to define them also as systems for making payments.

Recently, systems have been developed for executing payments at the point of sale by means other than checks, cash or charges to credit accounts.

How will we move funds to make payments in the future?

We still will be using Bank Wire and Fed Wire to move large-amount transfers. We still will be processing checks and making credit-card payments. But we will see some whole new systems come into play.

Automated clearing houses (ACHs) are in operation or are being planned in more than 40 cities, and these will be linked together in national networks to facilitate electronic payments.

Bank debit cards and American Express depositor's card are in the system-planning stage and will provide the next evolutionary step in point-of-sale payments by facilitating direct charges to deposit or checking accounts.

Let's look first at the developing automated clearing house network. This will be the new electronic funds transfer system for the great bulk of transactions which gradually will replace checks. But the flow is different from

that of check payments. Let's visualize a corporate payroll process. The corporation provides a magnetic tape—containing payments it wishes to make—to its bank. The bank debits the corporate account and electronically forwards the credits through the local automated clearing house. The clearing house distributes local credits to the banks of the payees and forwards others to the automated clearing house of the city where the payee resides. That clearing house, in turn, distributes the credits to the payee's bank for credit to his account. As you can see, the automated clearing house is a sort of switch, distributing payments and replacing the clearing house function of exchanging checks.

This direction of flow is changed and provides only one handling and nearly instantaneous payment. While it raises many problems of authentication, guarantee and potential fraud, this advanced system will be much more efficient and will dramatically reduce float.

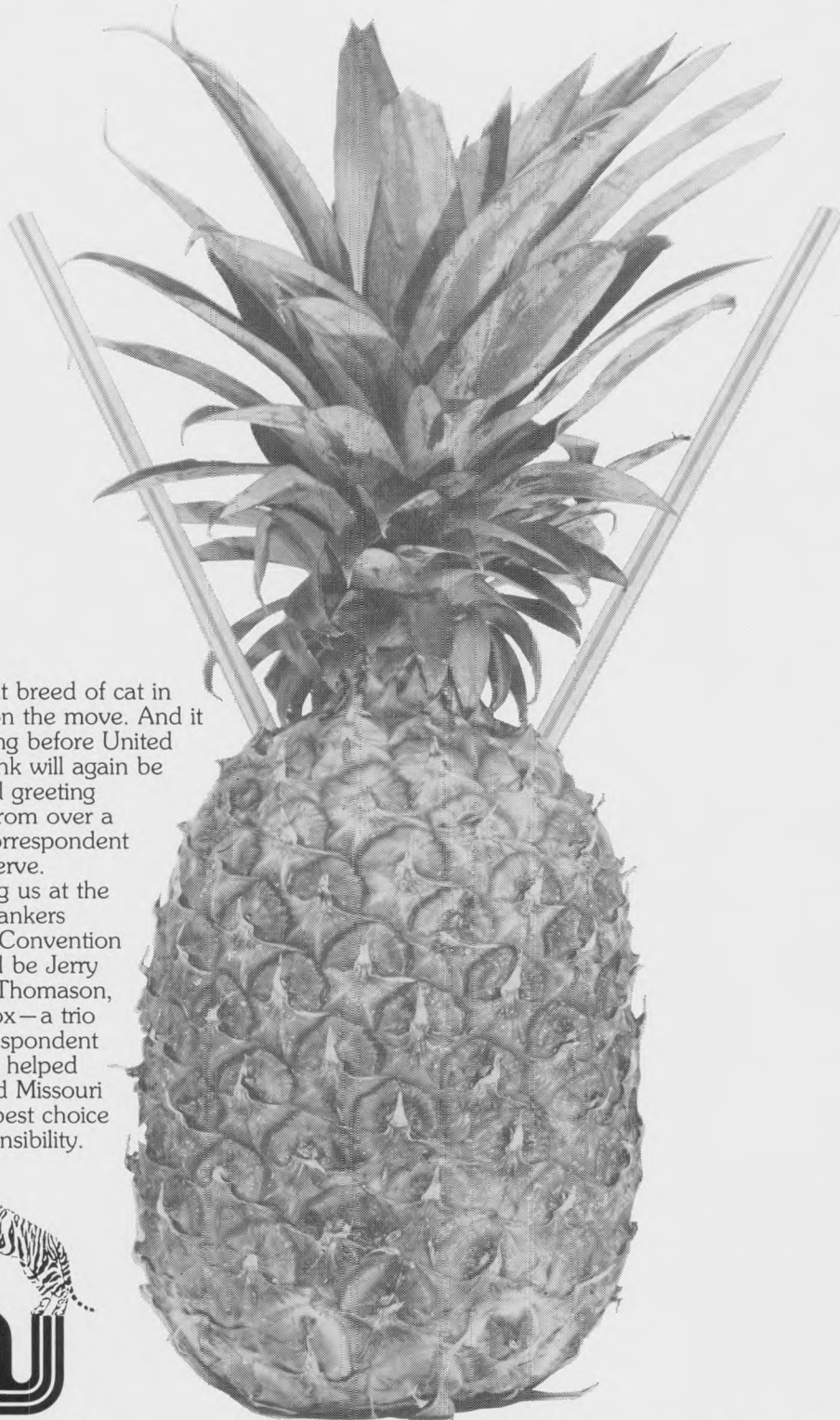
Note that the flow here may be directly between automated clearing houses, between Federal Reserve banks or through combinations of these facilities.

The point-of-sale payment really will begin to come into its own as commercial banks introduce debit cards and systems to provide the means of directly debiting customer deposit accounts for purchases at point of sale. The system might be that of National BankAmericard, Interbank or even American Express, with its depositor's card.

The customer presents his debit card exactly as he did his credit card and, in fact, the debit card might be the reverse side of his credit card. Authorization and debit to his account are made through the same sort of local authori-

The talk on which this article is based was given last month at the ABA's national Correspondent Banking Conference in Atlanta.

ALOHA!



The different breed of cat in banking is on the move. And it won't be long before United Missouri Bank will again be meeting and greeting colleagues from over a thousand correspondent banks we serve. Representing us at the American Bankers Association Convention this year will be Jerry Scott, Don Thomason, and Bud Cox—a trio whose correspondent talents have helped make United Missouri Bank your best choice for responsibility.



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zation system as is used for credit card transactions. The merchant receives instantaneous credit through his bank—but without depositing sales slips. If the customer's bank is in another city, the national authorization system is used.

Note that to the degree only bank members of one of the big credit card systems are involved, items can be electronically exchanged without use of the Fed, but the ACH network or Federal Reserve System also may come into play. Thus, these credit card systems provide major parallel paths for the flow of electronic payments.

Now, let's look at methods by which payments will be originated in the future.

Those payments that are fixed in amount and made periodically in the same way can be placed on standing order with the bank—just as transfers between checking and savings are today.

Those that vary in amount or are made infrequently will be made in one of three ways. The most exotic way is to key the instruction to pay on a terminal—perhaps from home—as was done in the Seattle "In-Touch" program. A business customer may send instructions by magnetic tape—for example, his payroll. A customer may give a bank written instructions to pay—in the form of a list of payments or by delivering invoices he wishes to have paid. You have heard of "Bill Check" or "Super Check." They are examples of this.

Those that arise at point of sale will be made by presenting an identification card for either credit (the credit card) or debit to a deposit account (the debit card). The keyed purchase description and amount complete the transaction.

As a reminder that we are not the only institutions that plan to operate in the payment system, remember that the thrift institutions are making a determined bid with the Transmatic Money System of First Federal S&L of

Lincoln, Neb., and with MINTS—the Mutual Institutions National Transfer System—similar in concept.

Two huge retail systems have their own early versions of payment systems. It is worth mentioning that the Sears outstanding credit volume is larger than either BankAmericard or Mastercharge.

The time to get at the subject of EFTS is now. The technology is already here; experiments are under way; ACHs are being rapidly brought into play; the proliferation of point-of-sale devices is absolutely overwhelming.

Nevertheless, every study made of market readiness says we have a major marketing job to do.

"Retailers are split in their attitudes toward EFTS. Food stores, accustomed to a cash business, are positive toward EFTS, but department stores, with their own credit systems, remain negative."

The ABA made a market study in 1970 and another one last year. The COPE group in Atlanta and the Bank Marketing Association have also made studies. Several other more limited surveys have been made by others.

In a very summary way, let me express the results of these studies this way:

Consumers feel no great urge to depart from checks as a means of payment, and there may even be some resistance to doing so, centering around a preconceived loss of control. Certainly, they are not willing to bear additional cost to go to electronic payments. However, there are good indications that they can be educated to the values in direct deposit of their pay and to the payment of some types of bills by electronic means.

Commercial banks—at least those beyond the few large institutions—see no overpowering reason for making a change now, despite the steadily in-

creasing cost of check processing. The pressure from thrift institutions and major retailers embarking on EFTS is changing that attitude. The question of the economics involved in going to EFTS is perhaps uppermost in the banker's mind.

Business customers show some interest in getting their money faster, but are not so interested in paying faster. They are concerned about changing their present electronic systems and they have serious doubts that electronic payments will function without the accompaniment of extensive hard copy to permit proper crediting of payments. And, of course, they foresee a gigantic problem in creating nationwide standardization of bank codes, and customer codes, to permit electronic routing. They are not ready to bear any additional costs to help banks enjoy the benefits of EFTS.

Retailers are split in their attitudes toward EFTS. Food stores, accustomed to a cash business, are positive toward EFTS, but department stores, with their own credit systems, remain negative.

Government agencies show some real enthusiasm for electronic funds transfer. The Air Force entered into an early experiment on direct payroll deposit. Social Security is getting ready to launch a direct-deposit system for payment to those who will volunteer to have a checking account. Reduction of fraud by doing away with check payments is a big motivator here.

I am reminded of the period when we were beginning the MICR program for magnetic ink inscribing of all checks and deposit slips. It looked as though we might never completely establish that program. We did it, and it is saving our lives today. The move to EFTS will accelerate as the benefits are clearly established. For the success of EFTS does not hinge on technology, but rather on satisfaction to the users of payment systems—our corporate and individual customers. • •



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This is artist's sketch of Exchange, 24-hour-a-day, seven-day-a-week facility operated by group of thrift institutions in Seattle suburban shopping center. Free-standing structure offers wide variety of financial services, and there is separate postal facility (at left under Exchange roof), which also is operative all day and night all week.

Usage 'Beyond Wildest Dreams' Is Prediction For Thrift Institutions' Shared Facility

By ROSEMARY McKELVEY
Managing Editor

A PREDICTION that usage of the experimental multi-thrift-institution EFTS operation in Washington state will go beyond his "wildest dreams" was made last month by Richard P. Yanak. He is president, Exchange Systems, Inc., which operates the \$100,000 facility in Bellevue Square Shopping Center in Bellevue, a Seattle suburb.

As described in the July issue of MID-CONTINENT BANKER, this pilot program was set up June 1 as the result of legislation passed this year by the Washington legislature. This legislation allows thrift institutions to set up cooperative automated branches, but doesn't require them to share such facilities. The legislation also permits commercial banks to establish similar operations, but banks must share them on a nondiscriminatory basis.

Mr. Yanak's operation, called "the Exchange," now is being shared by 10 thrift institutions, with two more about to go on it, three additional in the planning stages and five thrifts applying for membership. The Exchange is located in a free-standing building at the shopping center and offers 24-hour-a-day, seven-day-a-week financial services. In addition, an unmanned postal facility, similar to those now located outside post offices around the country, has

been installed alongside the Exchange and also is available 24 hours a day, seven days a week. Although the Exchange has no live tellers, there are hostesses on duty during the hours the shopping center stores are open—9 a.m.-9 p.m. Monday through Friday



This is type of Diebold TABS 500 automatic teller used in Exchange facility in shopping center in Seattle suburb. This equipment allows participating thrift institutions' customers to make deposits to or withdrawals from their accounts, cash checks up to \$100, make mortgage payments and even some other bill payments.

and noon-5 p.m. Saturday and Sunday. The young women are there to answer questions about the facility, explain its operation, help customers who may have trouble using the automatic teller, etc.

Customer services at the Exchange include telephones, writing materials, adding machine, participating institution directories and Bellevue Square directory and a bill and coin changer.

Financial services offered are:

- *Deposits*—cash and check deposits to savings on a 24-hour basis.
- *Withdrawals*—cash withdrawals from savings accounts on a 24-hour basis.
- *Check cashing*—cardholders can cash checks of up to \$100 24 hours a day.
- *Mortgage payments*—payments to participating institutions can be made 24 hours a day. Payments can be made by cash, check or transfer from savings.
- *Bill payments*—capability to pay bills for a variety of goods and services from savings or cash is available.

Each participating institution is establishing features of its own. They include:

- *Check cashing*—checks of up to \$100 may be cashed at most branches of institutions participating in the Ex-

change, subject to proper identification and clearance with the institution issuing the Exchange card.

• *Special services*—money orders, travelers checks, notary public services and the like.

Exchange customers are served by a Total Automatic Banking System (TABS 500), manufactured by Diebold, Inc., Canton, O. Mr. Yanak pointed out that the Bellevue Square installation is the first for this piece of equipment. After a customer inserts his or her transaction card and the machine verifies that the card is properly encoded and the user is entitled to further access to the machine, a set of services is displayed. The customer selects the service desired (deposit, withdrawal, etc.), amount of money involved and other information by pressing the appropriate buttons. The machine records the transaction on a multiple-copy document, extends one copy to the customer for his records and retains one or more copies for use by the Exchange and participating institutions. In addition, the machine records the usage on the magnetic stripe of the plastic transaction card itself before returning the card to the customer. Customers using this equipment may communicate via a TV monitor with an aide, who will assist with the machine's operation during the transaction, or the customer may ask for di-

rect assistance from a hostess during shopping-center hours.

The plastic card that activates the TABS 500 machine contains imprinted and embossed information, customer's signature and magnetically encoded information on three tracks: Track 1 carries customer name and other information reserved for future use; Track 2 contains the primary account number expiration date and member card number, and Track 3 contains primary and subsidiary account numbers, service and use allowances and levels, validity dates and security techniques codes.

Primary objective of this cooperative effort, said Mr. Yanak, is to research the technology of electronic financial transactions, equipment and services so that the thrift industry will be able to extend to its customers new services with convenience and efficiency now and in the future.

Specific objectives established for this particular program, said Mr. Yanak, are:

1. To make the Washington state thrift institutions better able to serve their customers and the public with the financial services evolving rapidly from the drastic changes in the country's financial systems and to take positive action in development of new funds transfer services.

2. To plan for changes in new services in such a way that small institu-

tions have equal opportunity to take part and serve their customers.

3. To educate and update every Washington state thrift institution executive on the subject of new EFTS developments and provide him with the flexibility to choose those services he believes his customers will want or need.

Mr. Yanak said that through the Exchange, thrift institution customers will—for the first time—have easy access to a portion of their savings funds and earn interest on the money they have in their convenience accounts. An account at any participating Exchange system institution, he continued, thereby will encourage thriftiness on the part of the account holder and reward him or her for the accumulated funds in his or her convenience account.

Eventually, the services may be available to customers of all 65 thrift institutions that are taking part in the project through the Washington State Association of Mutual Savings Banks and the Washington Savings League.

EFTS Is Subject of Banking Leaders' Meeting in St. Louis

ELECTRONIC Funds Transfer Systems (EFTS) were the key topic at the ABA's Advisory Conference of State Associations held in St. Louis last month. Nearly 100 elected presidents and managing officers of state bankers associations were present at the day-long meeting.

While still relatively new to the banking consumer, EFTS has been recognized by bankers as a major force for change in the banking structure as it is known today.

One of the revolutionary new programs, of course, is the famous TMS or "Hinky Dinky" program in Lincoln, Neb., where First Federal S&L customers can deposit to or withdraw from their accounts at service counters at two Hinky Dinky supermarkets.

Last spring, the Federal Home Loan Bank Board granted permission to federal S&Ls for state-wide electronic financial services and relaxed regulations covering interstate operations. The Justice Department subsequently approved these FHLBB actions.

"EFTS will, in effect, provide a computerized system of gaining more convenient time and location access to funds through electronics," said ABA President Rex J. Morthland, presiding officer of the meeting and chairman, Peoples Bank, Selma, Ala.

"We can envision a day when electronic banking might replace, in part, a paper-based financial system with electronic impulses that flow from a terminal, across a telephone network, into a bank computer," continued Mr. Morthland.

Plans for a proposed Nebraska Electronic Transfer System (NETS) were outlined by William Osterberg, executive manager, Nebraska Bankers Association. NETS would enable participating Nebraska banks to provide a full range of services made possible by existing technology, including deposits, withdrawals, transfers and credit line advances. It also would allow participating bankers to offer these services to customers instantly, no matter where in the state a customer is located at the

time of the transaction.

"NETS will provide the greatest impact to customers that banks have ever offered in Nebraska," said Mr. Osterberg. "In the meantime, Nebraska's bankers must realize that both regulatory and legislative changes are necessary to permit a state-wide electronic transfer system among the commercial banks to become fully operational."

Arthur Collins, chairman, Hutchinson (Kan.) National, spoke about the Kansas Bankers Association's role in moving toward an EFT system. "It may be necessary," he warned, "to redefine the legal nature of banking transactions."

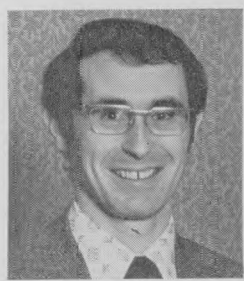
As a result of the discussion among banking leaders, ABA Executive Vice President Willis W. Alexander summed up the outlook for bankers: "The future holds some dramatic changes for the banking industry. Both large and small banks are going to be challenged to use computer technology to make banking services more readily available to customers." • •



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Point-of-Sale Terminals For National Banks?

**Comptroller James Smith Indicates He Will Issue Regulations
To Allow EFT Installations Regardless of State Branching Laws**

A POINT-OF-SALE system similar to the Transmatic Money Service program initiated by First Federal S&L of Lincoln, Neb., in two Hinky Dinky supermarkets may become available to national banks. Comptroller of the Currency James E. Smith said last month that he expects to issue regulations this month to allow national banks to establish POS terminals and unmanned automated teller machines regardless of state branching laws.

In what would be an historic development for banking, Mr. Smith's proposal—if implemented—would give national banks a free hand to set up automated units in off-premise locations on a state-wide basis. In cases where cities are located near state borders, *Mr. Smith would allow facilities to be installed on an interstate basis.* In addition, banks would have to give just a 30-day notice of intent to set up such facilities; they wouldn't have to make formal applications. However, Comptroller Smith added, regulatory controls would be used to ensure against excesses.

Consideration of the planned regulations came, said Mr. Smith, after weeks of study by his legal staff, who concluded that EFT units are *not* branches.

If such a proposal becomes a reality, national banks could follow First Federal of Lincoln's example and set up POS terminals at service counters in supermarkets. Then, those banks' customers would have access to their bank accounts any time those supermarkets would be open. Also, the bank POS terminals, like those in the Hinky Dinky stores, would be operated by

store personnel.

Mr. Smith revealed his plan in a speech at the annual correspondent conference of First National of Lincoln, "Hinky Dinky country," as he called the location. He indicated that he anticipated a possible legal challenge to his proposed regulations and, therefore, he is seeking the support of the Federal Reserve Board and the FDIC "to help our odds in court."

He said he foresees the litigation ending up in the U. S. Supreme Court, where, he forecast, a more favorable position might be taken than the court took in the 1969 Plant City, Fla., armored car case. In the latter, the High Court ruled that a Florida bank's armored car services constituted branching.

In a meeting with reporters after his speech, the Comptroller said lawyers in his office believe the McFadden Act of 1927 as amended referred to actual buildings where a full range of banking services is offered. In today's electronic environment, he continued, the act could not be construed to include limited-service, remote, off-premise installations, such as First Federal of Lincoln's TMS program. The McFadden Act says that national banks follow state law on establishment of branches.

Comptroller Smith said the Supreme Court "should be given one more chance" to review the issue of off-premise installations and then, hopefully, it might deliver a less narrow and inflexible interpretation than it did in the Plant City case.

According to Mr. Smith, the proposed regulations are now in tentative draft form and have been reviewed by

FDIC Chairman Frank Wille, George W. Mitchell, vice chairman of the Fed's Board of Governors and chairman of the Fed's system steering committee on improving the payments mechanism, and Jeffrey M. Bucher, a member of the Board of Governors.

As described by Comptroller Smith, his proposed regulations would allow a bank to establish off-premise facilities anywhere in its home state and, for border communities, 50 miles from a bank's home office or five miles from its farthest branch.

He promised that the EFT rules would provide regulatory controls against banks that try to establish a large number of EFT units in their markets beyond their capacities to operate them in a safe and sound manner.

Mr. Smith said he hadn't decided whether the regulations would make it mandatory or optional that national banks share EFT facilities. He added, though, that his regulations would contain a provision that if a national bank decided to operate EFT terminals jointly with one other bank, it then must be willing to share its facilities with all other institutions wanting to join.

According to the Comptroller, he was working on such regulations not only to give flexibility to banks so they can compete with thrift institutions, but also so they can compete with non-banking firms such as General Motors Corp.'s subsidiary, General Motors Acceptance Corp., and Ford Motor Co.'s financing subsidiary, as well as with Sears, Roebuck & Co. and J. C. Penney. • •

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S&L's TMS Program Once Again Is Airborne, But Bank HCs' Check-Guarantee Systems Are Shot Down by Federal Reserve

THE FAMOUS TMS PROGRAM of First Federal S&L in Lincoln, Neb., was reactivated September 16 following a ruling in August by a state district judge in Lincoln that this point-of-sale (POS) operation by the S&L in two Hinky Dinky supermarkets didn't violate Nebraska law. The program was begun last January, but was suspended less than two months later because of legal actions initiated against it and a restraining order issued by a Douglas County district judge in Omaha. This order was later lifted.

Briefly (more complete articles on TMS have appeared in previous issues of MID-CONTINENT BANKER), TMS—or Transmatic Money Service—is a remote electronic funds transfer system that allows First Federal Lincoln customers to make deposits or withdrawals from their savings accounts at the customer service counters of the Hinky Dinky supermarkets and at future participating merchants. Supermarket personnel operate the S&L's terminal at the service counter.

The TMS program has been put together in a package, which now is available to financial institutions across the country. The firm offering the package is called TMS Corp. of the Americas of Lincoln, a subsidiary of First Federal Lincoln.

Although First Federal of Lincoln's supermarket program again is underway, two bank holding companies were unsuccessful in trying to start check-guarantee services in supermarkets.

New York City's Citicorp sought the Fed's permission to expand use of an in-house check card to cover checks drawn on other banks. However, the Fed said no, maintaining the HC's service would go beyond the present definition of what is legal under the amended Bank Holding Company Act.

Under its plan, Citicorp hoped to guarantee the credit worthiness of customers cashing checks at supermarkets that bought its service and that it would make good on any checks that bounced. Under the proposed system, Citicard holders could get checks cashed at supermarkets by presenting

the cards with the checks and having their credit worthiness verified through computer terminals in the stores.

Citicorp had planned to guarantee checks drawn on banks other than its own First National City, providing each store turned over its check-cashing records on customers. From the records, the HC planned to program its computers to reflect the check-cashing histories of the stores' customers and thus indicate whether a check could be accepted or rejected. The verification would not involve a check of a person's actual account balance.

If the plan had been approved, it would have been tested in a Long Island supermarket.

A Citicorp spokesman indicated that the HC is "rethinking the situation" and has high hopes that eventually it will be able to put the plan into operation.

In Atlanta, First Holding Co. also was turned down by the Fed on a check-verification plan. This plan would have guaranteed checks on the

(Continued on page 156)

Fed's Rejection of Assistance Kills Planned POS System in Atlanta

A COOPERATIVE point-of-sale (POS) system that had been planned for Atlanta by that city's five large banks has been dropped. The reason given last month by the five member banks of the Atlanta Committee on Paperless Entries (COPE) was that the Federal Reserve Board last June denied the banks' request that the Atlanta Fed fund and operate a switching and processing center there.

The Fed gave two reasons for denying COPE's request: 1. The Federal Reserve Board hasn't yet established its position on the broad issues raised in the publication of proposed modifications to Regulation J. 2. Congressional attention now is being given to the issues posed by EFTS developments.

The FRB noted in particular a proposal now before Congress for establishment of a national commission to

"explore the entire subject, which the board favors."

The Atlanta COPE committee was formed in December, 1971, by the following banks in that city: Citizens & Southern National, First National, Trust Co. of Georgia, Fulton National and National Bank of Georgia, as well as by the Atlanta Fed.

POS may still be in Atlanta's future, said Atlanta Payments Project Director Allen H. Lipis, who has been directing the COPE committee's research efforts since its inception in 1971. However, he added, if it comes, it will be on an individual-bank basis.

Because of the Fed's decision, the five major banks' efforts to establish a POS system have been stopped, and the COPE group will phase out its research activities in the EFTS area by year-end. However, the COPE commit-

tee's work in the automated clearing-house area will be assumed routinely by the Georgia ACH Corp., whose development has been funded by COPE and whose membership has grown to more than 230 Georgia banks.

The Georgia ACH, operated by the Atlanta Fed, now processes more than 20,000 debit and credit items a month received on magnetic tape. It's anticipated that the ACH's volume will grow to more than 100,000 monthly transactions by year-end because of the direct-deposit social security pilot program scheduled to begin in November under sponsorship of the Treasury Department, Social Security System and the FRS (see page 46, Sept., 1974, MCB). This increased ACH activity also is expected because of stepped-up marketing efforts by the banks and corporations' increasing interest in the ACH.

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LEFT: Trio of speakers at morning session of MBA-BMA marketing seminar includes (from l.) James Herfurth, ch., MBA operations committee; C. Donald Degendorf, v.p. & dir. of marketing, Bank of St. Louis; and Edward T. Smith, asst. manager, communications, First Nat'l, St. Louis. At podium is Larry D. Bayliss, a.v.p., Boatmen's Nat'l, St.



Louis. RIGHT: Seminar Ch. Lawrence P. Quigley, v.p., First State Bancshares, St. Louis, stands behind (from l.) Robert F. Bastilla, dir. of p.r., First Nat'l, Highland, Ill., program ch.; Charles W. Risley Sr., pres., Excelsior Trust, Excelsior Springs, Mo., MBA pres.; and Eugene J. Callan, v.p., First Nat'l City Bank, New York City, speaker.

Bank Marketing Techniques, Practices Discussed at MBA-BMA Seminar

A HOST of bank marketing people shared the podium at the day-long first annual Marketing and Public Relations Seminar in St. Louis last month. The meeting was sponsored jointly by the Missouri Bankers Association and Bank Marketing Association. Lawrence P. Quigley, vice president, First State Bancshares Corp., St. Louis, was seminar chairman. He is chairman of the MBA's marketing-public relations committee and president of the Illinois-Missouri BMA chapter.

MBA President Charles W. Risley Sr., president, Excelsior Trust, Excelsior Springs, welcomed those attending the seminar and cited the major factor bank marketing has been in the growth of the banking industry. He said bank

marketing efforts were responsible for an increase of 40 million savings accounts since 1952, with dollar volume in those accounts being raised by some \$200 billion.

Eugene J. Callan, vice president, First National City Bank, New York, spoke on the importance of banks determining their identities as far as what kind of a bank they want to be. Then, he said, the determination of the scope of their marketing objectives can be made. He stressed the importance of full support from top management for the bank's marketing efforts and the necessity for management to provide a favorable environment for the bank's marketing efforts. He called on management to provide encouragement for

new services development and to seek new ways to perform established services better and at a profit. He said that management's chief role is in planning and determining the bank's objectives and then providing the proper training of its staff to achieve its objectives.

Luncheon speaker George C. Bitting of WOL Securities, Clayton, discussed undeveloped markets for individual financial planning and investment services. These services, he said, require a knowledge and understanding of the business, profits, tax and estate planning opportunities presented by direct investment in such areas as oil and gas and other mineral exploration as well as farming and real estate development.

He said that oil and gas exploration offer a wide variety of risk and potential and that a healthy climate exists for profitable investment in this area as the demand for fuel will keep that climate healthy for the foreseeable future.

Thomas W. Parry Jr., manager, com-
(Continued on page 87)



LEFT: Chatting during seminar break were (from l.) Lou Hicks, Peoples Bank, Branson, Mo.; Virginia Rehme, v.p., Southern Commercial, St. Louis; and Alyce Richardson, MAP Advertising, Springfield, Mo. RIGHT: Conversing at seminar were (from l.) Nancy Schanbacher, Bank of



Ladue, Mo.; Thomas W. Parry Jr., manager, communications div., Mercantile Trust, St. Louis (program speaker); and N. E. "Pat" Paton Jr., Paton & Assoc., Kansas City.

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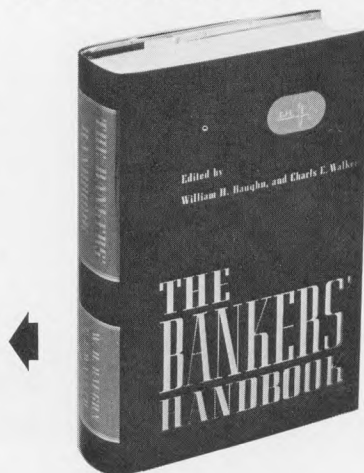
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Jan. 4, 1974	Payroll	Withheld Income & FICA Tax for December 23-31, 1973	All	(a)
Jan. 10	Payroll	Withheld Income & FICA Tax for January 1-7, 1974	All	(a)
Jan. 18	Payroll	Withheld Income & FICA Tax for January 8-15, 1974	All	(a)
Jan. 25	Payroll	Withheld Income & FICA Tax for January 16-22, 1974	All	(a)
Jan. 31	Payroll	All Undeposited 1973 Withheld Income & FICA Tax	All	(c)
Jan. 31	Excise	All Undeposited 1973 Excise Tax	All	(e)
Jan. 31	Unemployment	All Undeposited 1973 Unemployment Tax	All	(f)
Feb. 5	Payroll	Withheld Income & FICA Tax for January 23-31, 1974	All	(a)
Feb. 12	Payroll	Withheld Income & FICA Tax for February 1-7, 1974	All	(a)
Feb. 15	Payroll	Withheld Income & FICA Tax for January, 1974	All	(b)
Feb. 21	Payroll	Withheld Income & FICA Tax for February 8-15, 1974	All	(a)
Feb. 27	Payroll	Withheld Income & FICA Tax for February 16-22, 1974	All	(a)
Feb. 28	Excise	Excise Tax of January, 1974	All	(d)
Mar. 5	Payroll	Withheld Income & FICA Tax for February 23-28, 1974	All	(a)
Mar. 12	Payroll	Withheld Income & FICA Tax for March 1-7, 1974	All	(a)
Mar. 15	Payroll	FICA Tax for February, 1974	All	(b)
Mar. 15	Corporate Income	Corporate Income Tax for February, 1974	All	(b)

- (a) Assumes cumulative undeposited payroll tax liability reached \$2,000 or more during the quarter monthly period shown. See below: "REQUIREMENTS FOR DEPOSITING PAYROLL TAXES".
- (b) Assumes monthly payroll tax liability was at least \$200 but less than \$2,000. See below: "REQUIREMENTS FOR DEPOSITING PAYROLL TAXES".
- (c) Assumes undeposited quarterly payroll tax liability was under \$2,000. See below: "REQUIREMENTS FOR DEPOSITING PAYROLL TAXES".
- (d) Assumes excise tax liability exceeded \$100 for the month shown. Deposits of \$100 or less are permissible but not required. See below: "REQUIREMENTS FOR DEPOSITING EXCISE TAXES".
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- Withheld Income and FICA Taxes (Tax Reported on Forms 941, 941E, 941PR, 941[010], or 941SS)
- Corporate Income and Estimated Taxes (Taxes Reported on Form 1120)
- Excise Taxes (Taxes Reported on Form 720)
- Railroad Retirement Taxes (Taxes Reported on Form CT-1)
- Unemployment Taxes (Taxes Reported on Form 940)
- Voluntarily Withheld Income and FICA Taxes for Agricultural Workers (Taxes Reported on Forms 943 or 943PR)
- Tax Withheld at Source on Non-Resident Aliens, Foreign Corporations, and Tax-Free Covenant Bonds (Taxes Reported on Form 1042)

WHERE TO MAKE FEDERAL TAX DEPOSITS:

As a service to our business customers, this bank, an authorized depository of the United States Treasury, accepts Federal tax deposits

WHEN TO MAKE FEDERAL TAX DEPOSITS:

Businesses must periodically deposit certain Federal taxes in an authorized depository of the United States Treasury on or before the pre-established due dates included here. Many rules have been established by the government for these tax deposits, and the application of these rules can vary between depositors. The Notes included with the Timetable will help determine if a due date applies to your situation.

HOW TO MAKE FEDERAL TAX DEPOSITS:

1. Verify all the information preprinted on the appropriate Federal tax deposit form. The following forms can be ordered at the Internal Revenue Service Center or District Office where you file your returns, and must accompany all deposits:

- Form 501—Withheld Income and FICA Taxes
- Form 503—Corporate Income and Estimated Taxes
- Form 504—Excise Taxes
- Form 507—Railroad Retirement Taxes
- Form 508—Unemployment Taxes
- Form 511—Voluntarily Withheld Income and FICA Taxes for Agricultural Workers
- Form 512—Income Tax Withheld on Non-Resident Aliens, Foreign Corporations, and Tax-Free Covenant Bonds

(Federal tax depositories are prohibited from accepting any Federal tax deposits without appropriate or correct tax forms. Tax payments without appropriate or correct forms must be mailed directly to the Internal Revenue Service Office where your returns are filed. Include a letter stating your name, address, taxpayer identification number, type of tax, tax period ending date, the amount of the enclosed deposit, and a request for a supply of tax deposit forms.)

2. Complete the appropriate form and the stub.
3. Draw your checks payable to this bank.
4. Bring or mail your payments to us by the dates shown on the Timetable, together with the completed Federal tax form. Keep the stub with your tax records.

FEDERAL TAX RETURN FORMS AND DATES

Withheld Income and FICA Taxes:

- Form 941, 941E, 941PR, 941(010), or 941SS
 - *(Filed Quarterly: 4/30/74, 7/31/74, 10/31/74, 1/31/75)
 - *(1/31/74 for Fourth Quarter 1973 return)

Corporation Income Taxes: Form 1120

- ** (Filed Annually: 3/17/75)
- ** (3/15/74 for 1973 return)

Excise Taxes: Form 720

- *** (Filed Quarterly: 4/30/74, 7/31/74, 10/31/74, 1/31/75)
- *** (1/31/74 for Fourth Quarter 1973 return)

Railroad Retirement Taxes: Form CT-1

- (Filed Quarterly: 5/31/74, 9/3/74, 12/2/74, 2/28/75)
- (2/28/74 for Fourth Quarter 1973 return)

Unemployment Taxes: Form 940

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- *(1/31/74 for 1973 return)

Voluntarily Withheld Income and FICA Taxes for Agricultural Workers: Form 943 or 943PR

- *(Filed Annually: 1/31/75)
- *(1/31/74 for 1973 return)

Income Taxes Withheld on Non-Resident Aliens, Foreign Corporations and Tax-Free Covenant Bonds: Form 1042

- (Filed Annually: 3/17/75)
- (3/15/74 for 1973 return)

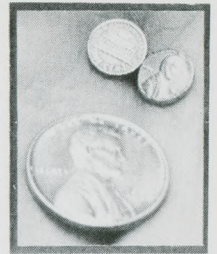
*If timely deposits were made of all taxes for the quarter, you have 10 additional days to file your return.

**Or, on the 15th day of the third month following the close of the taxable year when the corporation is not a calendar-year taxpayer.

***10 additional days are allowed on excise tax returns when timely deposits were made during the quarter (applies to all returns except those for air transportation and communications taxes). Returns for air transportation and communications taxes are due on or before the last day of the second month following the end of the quarter.

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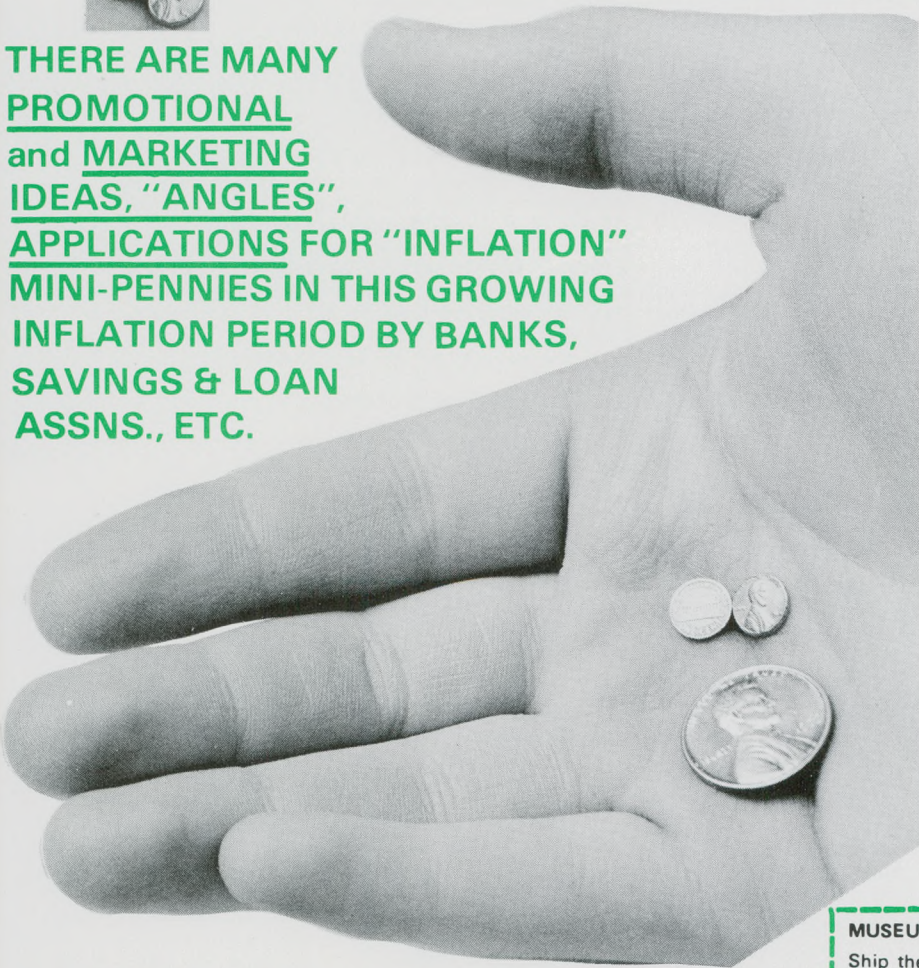
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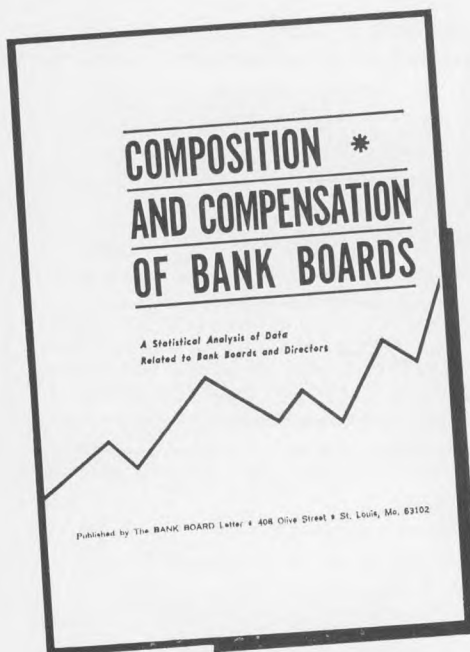
THE AUTHOR, Raymond Van Houtte, is currently president of the \$100-million Tompkins County Trust Company, Ithaca, N.Y., where his service as a director and the interest of fellow directors made him personally aware of this subject. Thus, it was "natural" for him to write his thesis for The Stonier Graduate School of Banking on this topic. His education and ex-

perience as a lawyer, C.P.A. and banker lend themselves ideally to give the author additional insights into the problems faced by the director. In his book, Mr. Van Houtte blends with his knowledge extensive hours of research, correspondence and interviews to bring to the banking field a timely reference on "Responsibilities of Bank Directors."

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Sometimes, we're the only difference between the ag loans you wish you had made, and the ag loans you wish you hadn't.

The loans you think are too expensive to service: Not enough field examiners or branch offices? Not enough hours in the day to keep up with agricultural commodities?

Lawrence can provide effective, practical, custody of pledged collateral around the clock and ensure its existence. You get regular field audits and reports no matter how many locations are involved. Routine account activity is your only servicing cost. There is no need to invest in new overhead or staff.

The loans that don't seem quite prudent: Perhaps the borrower does not have an established business record or his bookkeeping leaves something to be desired. Possibly not every facet of the commodity's risk is completely clear...

Lawrence can protect your interest in a real, rather than

merely legal, sense plus, give you a \$20 million legal liability and fidelity bond from Lloyd's of London. Lawrence can be the extra margin that lets you bank the loan.

The loans you don't realize Lawrence can service: Do you equate Lawrence simply with field warehousing? Have you only used us to secure grain, cattle or fertilizer?

Like any other successful company, we've grown by adding services that meet the needs of our customers. Today there's hardly a demand for agricultural working capital that can't be met by calling in Lawrence to back up your judgment with meaningful, profitable collateral protection. In fact, if

you haven't been brought up to date on Lawrence's services, you may well be turning down ag loans you could be banking.

Mail the coupon or write for information on how you can start profiting immediately from Lawrence's services.

Now's the time to talk to a Lawrence man.

Mr. Patrick B. Dooling, Jr., Vice President
Lawrence Systems, Inc.
180 N. LaSalle Street, Chicago, Ill. 60601

- Please call for an appointment.
 Please send literature.

Name _____ Phone _____
Title _____ Bank _____
Address _____
City _____ State _____ Zip _____

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INA CORPORATION

LAWRENCE SYSTEMS, INC.
We protect your judgment.

munications division, Mercantile Trust, St. Louis, speaking on how to communicate with employees, stated that, contrary to general belief, most employees are basically satisfied with their jobs. However, management faces considerable problems when trying to communicate with employees.

In order to improve management-employee communication, he said, management must be genuinely concerned about its employees; otherwise, communication will be misunderstood or simply not believed. The lack of a communication program hampers management-employee communication. Any such program must have a purpose. Management should decide what it wants to communicate, then formulate a plan to see that the communication is made.

He called for the dissemination of job-related information when communicating to employees. He recommended audio-visual communication when practical. Such a system would enable a bank to preview its TV commercials to its employees, to enable the bank president to speak on closed circuit TV to employees on important topics. The visual portion of the communication effort would serve to promote credibility.

Mr. Parry urged his audience to not only be concerned with the "how" of communicating with employees, but the "why" and "what" factors as well.

Robert M. Martindale, president, Hughes-Martindale & Associates, Chicago, defined marketing as the "creation and delivery of customer-satisfying services at a profit." He added that it also means to analyze the situation as it is now and develop new methods or techniques to produce customer satisfaction and bank profit.

He referred to consumerism, unions and women's libbers, things that tend to concern bank marketing people, as marketing opportunities if they are handled in the right way.

Bank marketers can mollify consumers by having complete pricing information—including service charge fees and interest rate schedules—readily available. Unionism trends can be combatted by reminding employees of the bank's existing benefits, such as pensions, profit-sharing plans, superior working conditions, etc. Women's libbers become less frightening when management makes an honest assessment of its employment practices, basing them on guidelines from the federal government.

Concluding speaker was N. W. "Red" Pope, vice president, marketing, Sun Banks of Florida, Orlando. He spoke on the most important ingredient in bank marketing, which he said

was balance. Too many bank marketing people are seeking gimmicks, he said, that will make their banks the runaway favorites in the competitive arena. But there is danger in this, he said, because

no bank can expect to insulate itself from its competition. "Being different seldom affects the bottom line," he said. "There is no long-term benefit to it." • •

'Compensating Changes'

Interest on Demand Deposits Foreseen By 1980 by Washington Consultant

COMMERCIAL BANKS may be paying interest on checking account balances by 1980, Carter H. Golembe has predicted. The chairman of Golembe Associates, Inc., a Washington-based banking and economic research and consulting firm, made this forecast in an address to the annual convention of the Vermont Bankers Association.

Mr. Golembe called the rationale behind Congress' 1933 prohibition against interest payments on demand deposits "dubious" and said there is a growing recognition that this ban has had a crippling effect on banking.

"If I were planning for the decade of the 1980s," Mr. Golembe said, "I would incorporate in those plans the distinct possibility that interest might well have to be paid on virtually the entire range of demand deposits."

At the same time, he said, "it seems virtually certain that the thrift institutions will be deeply if not completely into the demand deposit or checking account business by 1980."

As a result, he said, "Probably not by 1980, but not long thereafter, *we may no longer be talking about institutions identified as commercial banks, savings banks, savings and loan associations, or even credit unions, but rather about depository institutions with varying degrees of specialization.*"

Looking ahead to other structural changes that might occur by 1980, Mr. Golembe predicted an increasing ability to conduct banking activities across state lines and a relaxation of restrictions on branching.

In connection with interstate bank-

ing, which, he said, already is developing through nonbank expansion by bank holding companies, Mr. Golembe noted that many states "are positioning themselves so as to be able to provide for full interstate banking through various reciprocal agreements." Such developments at the state level, he added, might be caused by the feeling that action by the federal government could occur by 1980.

In connection with branching, Mr. Golembe suggested that "it is not the immutable order of things that national banks shall be forever restrained from expanding geographically only to the extent that state banks may do so."

The McFadden Act of 1927, which lets state law dictate national banks' branching limits, is coming "increasingly into question from a variety of sources including, not surprisingly, the Department of Justice."

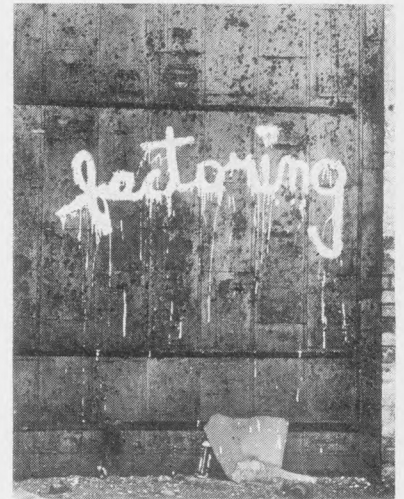
Moreover, he said he would expect legislation introduced in Congress to free national banks from branching constraints contained in state laws to run into diminished opposition as more and more states revise their statutes to permit state-wide branching.

Mr. Golembe cautioned bankers not to be upset by the changes he anticipates in 1980 because "no change occurs without offsetting or compensating changes." As an example, he suggested that if interest were to be paid on demand deposits, one of the changes would be banks charging fees for services now provided free of charge.

He stressed that for the well-managed and innovative institution, "change also means opportunity." • •

Factoring: Is It a Dirty Word?

By William R. Gruttemeyer



FACTORING has been around for over 150 years. It has kept one of the country's largest industries afloat. And to thousands of businessmen it has literally meant the difference between success and failure.

Yet to the majority of companies in the United States, factoring is a dirty word. Mention factoring to the average businessman and he'll probably say: "That's for somebody going under," or talk about exorbitant interest on loans, or people coming in and taking over his business.

Talcott Factors, one of the largest factoring organizations in the country, operates full-service domestic offices in New York City, Atlanta and Los Angeles. Overseas business is conducted through a subsidiary based in Zurich, Switzerland. It is a division of James Talcott, Inc., which was founded in 1854 and has assets of more than \$695 million.

Fact is, he'd be dead wrong. Factoring is a unique business tool involved with the lifeblood of any company: credit protection and cash flow. These two areas are high stakes in normal business situations and could mean a business's life or death in today's economy. Factors not only provide credit guarantees, but they are a source of unsecured, fast financing; modern, computerized bookkeeping and collection; market forecasts and evaluations; and an array of management information, sales and marketing counseling. And through factoring's total services, a company not only can alleviate its problems, but help itself grow.

Why all the mystery about factoring? It has a lot to do with the concentration of this service in the textile business for the past hundred years. Because of this, many businessmen have had little contact with the service, and, worse, have succumbed to the mythology surrounding factoring.

Things are changing. Today, businessmen faced with the enormous bur-

dens of inflation and declining profits are looking beyond traditional financing sources for help. And when they take a hard look at factoring, they're discovering what the textile industry has known for a long time: Factoring is a very special business tool that's unavailable anywhere else.

For businessmen who have not taken that hard look at factoring or still think of it as a dirty word, it's time to learn some basics about the business. At the very least, factoring will provide an option to present financing resources; at the most, a way out of difficult, and possibly traumatic, business problems.

First off, let's dispel some myths. Factors are not loan sharks, company-acquisition mills or "shady operators." Factoring is a \$16-billion-a-year industry practiced by many of the largest private finance corporations and banks. All factors offer a simple basic service. They guarantee businessmen's credit by purchasing their accounts receivables and make available advances, not loans, on the receivables to ease cash flow. Talcott, as well as other major factors, also offers credit checking, bookkeeping and collection services. And one final point. Factors are as interested in taking on a "down-and-out" client as a business is in selling to a "down-and-out" customer.

Now that we've dealt with myths, let's get on to reality. To size up the impact a factor can have on a business, certain key questions must be answered. Questions like: Is factoring right for this business's particular situation? What



William R. Gruttemeyer is a senior vice president, James Talcott, Inc., and president, James Talcott Factors. He spent four years with New York City's Chase Manhattan, where he was vice president, factor and finance division.

does it really cost? Can the business justify the service? What types of factoring plans are there? Which are best for the business? And, finally, how should a factor be chosen?

A business should determine its need for a factor's help by asking itself the following questions:

- Does your credit department have sufficient expertise to make proper judgments in today's complex economy?
- Have credit exposures reached the point where if one or more customers failed, profits and capital would be seriously impaired?
- Have customers' late payments and insistence on extending terms put a heavy strain on working capital?
- Is the cost of executive talent-making credit decisions causing neglect in other important business areas?


If the answer to many of these questions is "yes," then a factor can be of great assistance, providing, of course, the business can afford the service.

As far as a factor's costs are concerned, several things have to be considered: total range of factoring services, degree of risk assumed by the factor, what a business can accomplish with the funds and what it will lose without them.

For receivable bookkeeping, collection and assumption of credit risks, the factor's fee amounts to a single discount ($\frac{1}{2}$ -1 $\frac{1}{2}$ %) of the net receivables purchased. This fee is based on volume of sales, average character of a firm's customers, terms of sales and average size of invoice unit. Interest for receivables advances or short-term seasonal loans usually is at a rate slightly higher than prevailing bank rates. Inventory and longer-term loans unsecured or secured by mortgages on plants and equipment are slightly higher.

Once factors' costs are defined, a business should compare them to the cost of its credit operation. The following schedule can be used to calculate this:

“Week after week, you depend on one of our correspondent bankers. But a lot of people you never see are helping you, too.”



George Dudley,
Correspondent Division

Clockwise from top:
J. Walter Peniston
William O. Weis
William J. Fisher



“When a good customer asks for a lot of money, we can help.

We can help when a key employee leaves and you have to fill the position quickly; when you want to sell Fed funds; when you need checks collected—fast; when you want to buy bonds and treasury bills.

You want a correspondent banker you can depend on. And you want to know that the bank he represents is staffed with professionals in every department—people who

know how to solve problems like yours.

We’ve got really good people in our Correspondent Division. And we have hundreds of other professionals—behind the scenes—helping your First National correspondent help you.”

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How a worldwide bank

First Chicago puts the professional talents of a great multinational bank at your disposal. To help you serve your present customers better, to help you compete harder for new ones.

Three special resources to help you gain a competitive edge.

1. Through the Financial Advisory Service of our Corporate Finance Division, we act as financial advisor to companies in connection with the structuring and private placement of long term financing with institutional investors, including Title XI bonds for ship financing.

2. Our Merger and Acquisition Services advise the seller of his real market value, locate and evaluate logical buyers, and identify tax and accounting implications. Corporations throughout the world provide our lending divisions with their merger and acquisition criteria.

3. Our First Chicago Leasing Corporation can help you structure lease arrangements and offer you participations in direct and leveraged leases.

Fast, smooth moving money.

4. For your customers, our Cash Management Services Division will assist you in designing collection and disbursement systems. Automated Depository Transfer Checks and Zero Balance Disbursing. Reconciliation and Sorting programs. Cash flow analysis techniques.

5. For your bank, immediate availability and quickened cash letter services designed to your needs. To help you serve the needs of your customers.

6. For prompt collection and availability of your funds, we will act as your agent to collect items payable anywhere in the U.S.

7. Our Money Transfer Department will handle your domestic transfer of funds, help you exchange commercial messages and assist your customers in the movement of funds.

Making money work smarter.

8. For your profitability and capital forecasting, we use a combination of new and traditional methods. Evaluation with specialized computer reviews. Plus, our insight gained through analysis of many banks similar in size to yours.

9. We can help you generate shareholder goodwill through a dividend reinvestment program. Join a growing number of bank and corporate users.

10. The Monthly Investment Service enables you to offer your checking customers a simple, economical and convenient way to have a continuing stock investment program through your bank.

11. We have one of the nation's largest trust departments to assist you with comprehensive investment research information and a broad range of other specialized skills to help you serve your customers with additional professionalism.

The Banks, Bank Holding Companies

The First National You compete.

can help your bank win.

12. First Computer Services can perform a wide range of commercial and financial data processing functions: Payroll systems for large and small companies. Accounts receivable and general ledger services. Employee information systems.

Greater portfolio power.

13. As one of the nation's 25 primary government dealers, we provide current market expertise in government and federal agency paper — and in municipals, where we maintain an active secondary market.

14. We buy Fed Funds on a daily or continuing basis. Call us when you need funds, or for the latest quotes on rates.

15. Our Money Market experts are eager to help you plan and execute short-term investment decisions. One phone call gives you a complete market rundown.

16. Our Bond Portfolio Analysis Service uses computer-based techniques to help you manage your entire investment portfolio. Includes a current pricing report and several detailed accounting reports. Also, profitable bond swap ideas from our new computer swap model.

17. Our Custody Services can safekeep your fixed-income securities, clip coupons, collect interest, credit income to your account and handle pledges and exchanges. Our on-line system expedites

security movements and provides accurate statements of holdings for your operational needs.

Developing management and markets.

18. Our Management Advisory Service can help you further professionalize your bank's managerial talents. Individual counsel, personnel assistance, seminars and annual conferences are all available.

19. Sounding board discussions, in-house call program training visits, detailed consultant-type presentations: You decide the extent of our involvement in your business development and marketing.

20. We have many years' experience planning and coordinating conferences and workshops, with unmatched capabilities in graphic arts and visual aids. You're invited to use any of our facilities for group communications.

Anywhere in the world.

21. Our global network, plus the complete list of services of our International Banking Department, gives you the expertise to help your customer compete in virtually any country.

Starting things off.

There are probably many more ways we can help your bank expand and maximize earnings.

Call Bill Dwyer or your account representative, or one of his associates at 312-732-4102.

Don't just count the ways we can help. Use them.

and Related Activities Division.

Bank of Chicago

We compete.

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1. *Cost of Credit Checking & Collection*
 - a. People
 - b. Bad debt, credit history
 - c. Credit agency report
 - d. Cost of monthly statements, collection forms, postage, mailing
 - e. Telephone expense
 - Total
2. *Cost of Bookkeeping*
 - a. People—Salaries plus Fringes
 - b. Equipment
 - c. Space utilized
 - Total
3. *Cost & Time of Management Effort in Credit and Collection Area*
- Total

If a business's financial problems point toward factoring as a possible solution, and it can afford the service, the next step is to decide which factoring plan is best. This is a decision Talcott and most factors can help a company make by evaluating its business needs.

Most factors offer several basic plans. In notification or conventional factoring, the factor buys receivables for cash, if desired, and undertakes credit checking, receivables bookkeeping and collection on a fee basis. The factor's credit department checks credit on orders, and when the orders are shipped, the factor purchases the sales invoices. These will tell a firm's customers that bills are due and payable to the factor. If for any financial reason, any of these customers can't pay, it's the factor's problem, not the business's. The latter receives payment from the factor on the due date of the receivables. If advances are required, the factor will

make them as necessary. These are not considered as a liability or a loan, but simply an advance on monies due at a later date.

Maturing factoring differs from the conventional plan in that the factor pays a business on maturity dates of the receivables whether its customers do or do not pay promptly. The business still receives all credit guarantees, receivables bookkeeping and collection-service benefits and can continue to borrow normally unsecured money from its bank.

Non-notification factoring is primarily for manufacturers and wholesalers who sell mostly to retail outlets. As in other factoring agreements, the factor purchases accounts receivable outright and guarantees credit on shipments. But a firm's customers are not notified, and the firm assumes its own receivables bookkeeping and collection functions. The fee for this type of factoring is usually lower than conventional factoring arrangements.

For companies involved in foreign trade, Talcott—as well as other factors—offers an export-import factoring plan. Under this plan, the factor not only assumes all the credit risk, but also covers currency and political risk. The service includes: establishment of letters of credit, trust receipt interim financing, bonded warehouse loans, making advances for import duties and freight, complete with factoring of resultant receivables.

Knowing what factoring can and cannot do for a business is, of course, vital. But picking the right factor for the job is equally important. Factoring is a highly personalized business. A factor maintains close contact with the busi-

ness, its customers and its markets. If the factor's full range of services are taken advantage of, he can become a valuable financial counselor. This kind of involvement demands serious thought.

How does a firm decide? As a start, it shouldn't rely on hearsay. After all, that's how factoring got to be a dirty word. Factors come in all shapes and sizes. And as in any business, there are good and bad ones.

What's needed is an assessment of the pluses and minuses of factors. To help out, here's a checklist of areas to look into:

- *Financial Backing:* The factor should have sufficient financing to meet a business's needs.

- *People:* The best factor is one who has people who are experts in a firm's business, customers and markets and flexible enough to adjust to situations that don't fit neatly into a set plan.

- *Service:* Since a firm will be working closely with the factor, it should pick one that is close enough to respond quickly to its needs and is familiar with the region in which the firm operates.

- *Facilities:* Credit checking is the heart and soul of factoring. A factor must have the most modern credit analysis systems and professional bookkeeping and collection capabilities.

Once armed with the facts and figures a business should be able to make a choice. The field is large and, on the whole, made up of professionals who value their industry, understand its importance and the role they can play in helping other businessmen. And, above all, it consists of people who have a special interest in seeing a "dirty word" become part of the vocabulary of top-level financial management. • •

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When you're looking for passbook designs, your decision is easy . . . if you want to look just like every other bank in town.

If you'd like to be a little more particular, talk to a Rand McNally man.

He's got a lot of new ideas about passbooks. And he's saving one . . . just for you.



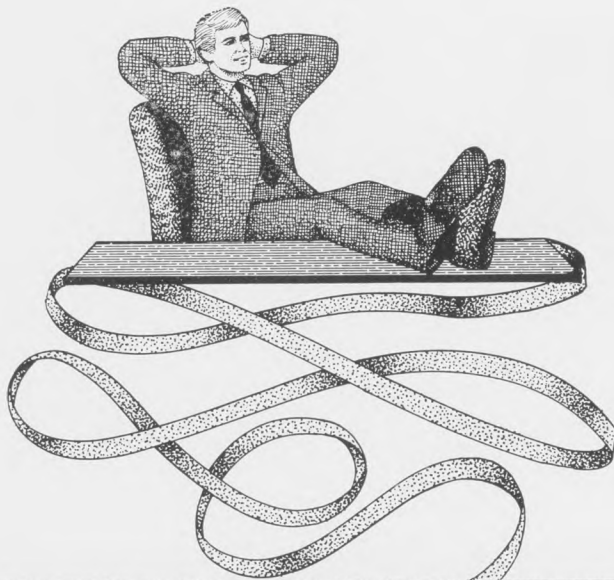
RAND McNALLY
Financial Systems Division

Box 7600, Chicago, Ill. 60680
10 East 53rd Street, New York, N.Y. 10022
206 Sansome St., San Francisco, Calif. 94104

Bank Donates Safety Flags



Kids of all shapes and sizes crowded round as a juvenile officer of the Olivette (Mo.) Police Department checked bicycles for safety. Owners of bikes that passed the test received a pennant on a flexible pole to be attached to the bike to make it more visible to motorists. The pennant and pole were gifts of Commercial Bank, Olivette, and the tests were part of a city-wide Summerfest carnival, which raised funds for the policemen's and firemen's pension fund. The bank donated more than 200 pennants.



If you need some peace of mind, use our brain.

If you're up to your ears in processing N.S.F.'s, C.D.'s, O.D.'s, 1099's, etc., you could use some help.

Bank of the Southwest can take all that work off your hands and worry off your mind. With our automated accounting service.

Instead of manual posting, you can have our modern computer service. Without laying out a bunch of money in equipment and manpower.

That way, you can stop taxing your brain and start taxing our electronic one.

Here's what you get:

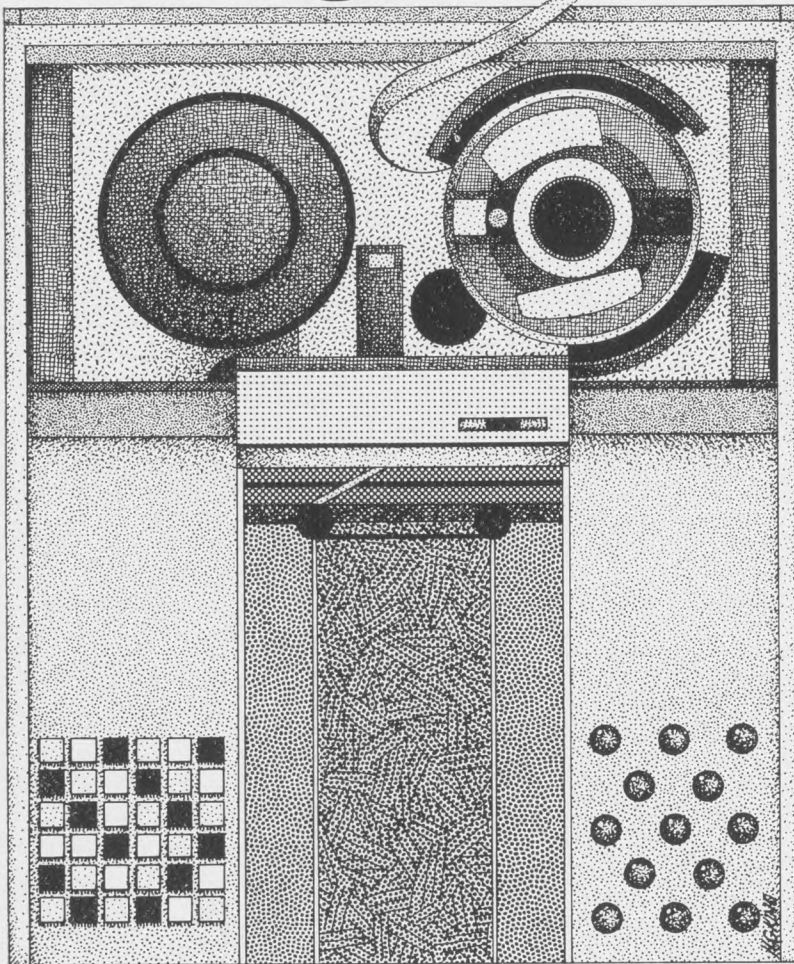
1. Demand deposit accounting. Complete posting, daily reports including action reports for N.S.F.'s, O.D.'s, and stop-pay items.
2. Savings account accounting. Programmed to suit you. Compounded daily, quarterly, semi-annually. Plus daily reports, calculation of interest, statements, 1099's.
3. C.D. accounting. Analysis reports on C.D.'s by interest rates, amounts, maturity dates. Also basic reports including interest paid, new C.D.'s, renewed C.D.'s and matured C.D.'s. Annual 1099's.

If you'd like to find out how profitably our electronic brain can work for your hands, call Roy Caughfield, manager of our Correspondent Banking Department, at (713) 225-1551. Or, drop him a line.

Get it out of your system. And into ours. It'll save you time and money.

If you have any other ideas about updating your bank's services, share those with us, too.

Because, at Bank of the Southwest, we bank on your ideas.



Bank of the Southwest

910 Travis Houston, Texas 77002 Member Southwest Bancshares, Inc. Member F.D.I.C.



Bus tour took bankers to nearly completed King Hill Plaza Facility of First Stock Yards Bank. Facility is scheduled to open this month.

At St. Joe Market Day:

Better Markets Should Be Around Corner; Bankers Urged to Support Agriculture

THE MARKET has no way to go but up—hopefully. That seemed to be the general consensus of opinion of those who should know among the experts taking part in the 18th annual Market Day at the Yards, sponsored by First Stock Yards Bank, St. Joseph, Mo., early last month.

The audience of bankers from Missouri, Kansas and Iowa was brought up to date on the current market situation and bankers were asked to dig in their heels and do everything they could to support agriculture in these trying times.

The day-long program began with a bus tour of South St. Joseph industrial plants, many of which have been

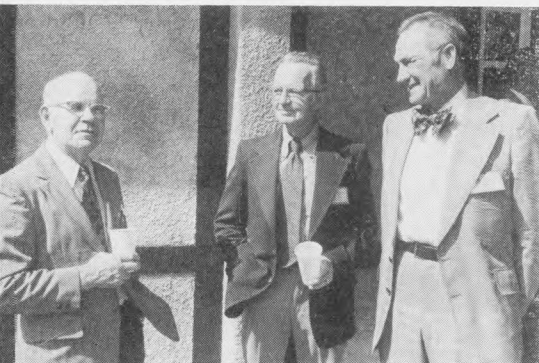
By **JIM FABIAN**
Associate Editor

built in the last two-to-four years. A stop was made at the Carnation pet food plant, whose manager spoke briefly. He said the primary reason Carnation located two plants in St. Joe was that essential raw ingredients were available. He also cited the excellent utilities situation in St. Joe as an important factor in locating the plants in the city. Carnation's can manufacturing plant and its pet food plant were built in 1970 as part of a five-year building program involving \$25 million.

Following the industrial tour, buses took the bankers to the almost completed King Hill facility of First Stock Yards Bank. The facility, which is scheduled to open this month, is located in an as-yet uncompleted shopping center and represents the bank's first major attempt to attract retail customers. According to Phillip R. Miller, vice president and ag rep for the bank, the facility and the shopping center are expected to attract new housing developments to the King Hill area. The facility is about two miles from the

bank's Main Office in the Commerce Building.

Following luncheon at the Pig Auction Center in the yards, bankers were appraised of the current livestock market. The cow market was reported to be up from its depressed status the week previous and sharply lower prices on all feeder cattle were predicted for the coming months. The hog market

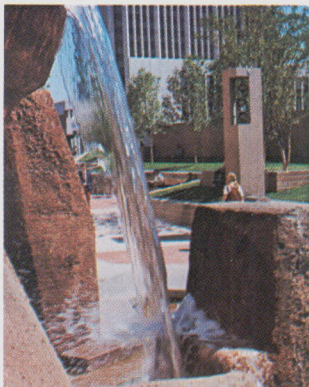


TOP: Enjoying sun during refreshment break at First Stock Yards Market Day were Missourians (from l.) Charles Hill, Farmers State, Cameron; John Rogers and George W. Ozias, both from Exchange Bank, Richmond. BOTTOM: Also from Missouri banks were (from l.) Harry Lanpher and Jim Whitter, Trenton Trust, and T. H. Tye, Farmers State, Cameron.



TOP: John E. Karn (l.), v.p., and H. H. "Beanie" Broadhead Jr., pres., both from host bank, confer during break at Market Day. BOTTOM: Art McClaskey, host bank, and R. A. Ruth, Union State, Everest, Kan., during refreshment break.

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A strikingly beautiful skyline addition, yes. But, instant? Well, not quite.

For welding style and substance into a unity of form and function initially requires the productive time of a thoughtful, working partnership.

Of varied professional, creative talents.

Of a business-like consensus on goals.

Of an appreciation that esthetics and efficiency can be comfortably compatible.

And once these factors evolve into shared purpose and decision, the work proceeds. On time and on schedule, immediately.

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Leavell Development Company?

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That big one is tougher than he thought.

His orders are at the high water mark.
But his inventory's pretty low. And so's
his bank balance.

It still takes cash. And more than you
can loan him.

Tell him again it's time to call Talcott in
Chicago or Dallas.

Our Business Finance Division can help
him bring in the big ones and get him
cash to pay his bills and restock.

As a banker you know Talcott's Chicago
or Dallas experts can help him with
financing.

Together we can help him from getting
in over his head.

For information, contact James Talcott, Inc., Business Finance
Division, 230 West Monroe Street, Chicago, Illinois 60606.
(312) 782-9044 or 2222 Republic National Bank Tower,
Dallas, Texas 75201. (214) 742-2546.

Tell him to call Talcott.

He's hanging on. His business needs a
big one and that's no minnow he's got
on the hook.

So he's come to the bank for help. But
he needs more cash than you can float.

You tell him it's time to call Talcott in
Chicago or Dallas.

We've got the financial muscle to help
him bring in the big ones. Your bank
might even want to be a partner with us.

There are all kinds of possibilities. But
the key thing is for you to help get him
cash fast. So when he's got a live one on
the line, he can land it.



Still tell him to call Talcott.

is expected to remain steady because pressures in that area are not as great as in the cow market. Hogs are weighing less due to lack (and the high cost) of feed.

After adjourning to the St. Joseph Country Club, the bankers heard about performance testing from a local rancher. He told how farmers can save money on feed by raising cattle that have a superior weight-grain ratio. The rancher stated that the U. S. now has the largest number of cattle and more feed than it has had in 20 years, a factor that makes for a good long-term cattle picture. He also said that today's cattle are better buys than those selling a year ago when prices were high and that performance testing profits all aspects of the cattle industry.

A group of ag industry representatives reported on the current and (to some extent) future prospects for agriculture.

Concern was expressed regarding obtaining funds to keep elevator operations running due to high interest rates and low return. The short-term cattle picture has been darkened by the recent drought, which caused ranchers to sell their cattle earlier than planned. The fact that the price per pound for cattle has dropped some 75% in the past year has placed many farmers and bankers in deep trouble. Cited as the principal reason for the depressed cattle market was the fact that much more beef is being slaughtered this year than last. More than 100 million additional pounds of beef are in the coolers this year than last year. Also, beef production was up 12% in the second quarter, on top of a 4% increase during the first quarter. Imports were down 4% during the first quarter but exports were only half what they were last year in the first quarter.

Bankers were called upon to support passage of the Prompt Payment Act in Congress. The act would assist farmers who have been paying interest on their bank loans while waiting for payment from processors. They were asked to maintain their support of swine growers because their situation should be improving.

A return to the position of having a grain surplus in the U. S. was termed doubtful, due to the crop disasters throughout the world that keep the grain market in disorder.

The U. S. Department of Agriculture is expected to publish its recommendations regarding changes in meat grades now being considered. Various proposals have been made by a number of groups, but all seem to be slanted in favor of the best interests of those groups. • •

MID-CONTINENT BANKER for October, 1974

Clouds No Hindrance to Fun As Citizens Nat'l, Decatur, Hosts Correspondent Party

DECATUR, ILL.—The near-perfect weather record racked up during 35 years of correspondent golf parties sponsored by Citizens National almost sprang a leak on September 9, but the 172 banker-golfers who took to the links of the Decatur Country Club had ample time to complete their games before the skies opened during the dinner hour.

The traditional event included a golf tournament, stag dinner, and the awarding of golf prizes. First prize: a 10-pound sack of granulated sugar!

Approximately 300 were in attendance at the day-long party, presided over by William Barnes III, chairman, and J. L. Hunter, president. Dale P. Arnold, vice president in charge of the bank's correspondent relationships, awarded the golf prizes.



TOP: Bill Van Law (l.), dir., Citizens of Decatur, and W. B. Trenchard (r.), ch., Deland State, chat with William Barnes III, ch., Citizens of Decatur. BOTTOM: Topical golf prize of sack of sugar was presented by Dale Arnold (l.), v.p., host bank, to G. E. Barr, dir., First State, Beecher City.

Six Students:

Indiana Nat'l Supports Theater Intern Program

Indiana National, Indianapolis, is sponsoring six young students of theater administration at the Indiana Repertory Theater. The students will

learn about the practical realities of a working professional theater as interns.

The bank is said to be breaking new corporate ground in Indianapolis with the intern program. Three of the interns are from Indiana. Five of the six are receiving living allowances during their internships.

NEACH

(Continued from page 6)

geographic areas and services to businesses, but to family accounts as well.

Conclusion. "The Federal Home Loan Bank Board Journal"—in commenting on NEACH—says, "NEACH operating rules specifically defined receiving non-member depository institutions to include financial institutions which are 1) authorized by law to accept deposits, 2) have a valid transit routing number and 3) have made arrangements for settlement for receipt of account detail. All these qualifications can be met readily by a savings and loan."

To these observations, one also may add that, undoubtedly, the more aggressive S&Ls will qualify. In addition, while the automated clearing house has been associated mostly with operations on the East and West coasts, it's only a matter of time before automated clearing houses will be found in this geographical area. It's unlikely that automated clearing houses will be able to preclude in some manner other financial depository institutions from participating in the clearing house. Thus, in considering the possible developments in the days ahead, commercial bankers should recognize that times are changing. The structure of financial institutions also is changing rapidly. While the '60s were called the revolutionary decade in banking, the '70s may well prove even more revolutionary in their technological changes. • •

Savings Equalizer Passbook Started at First of Chicago

CHICAGO—First National is offering a new Savings Equalizer Passbook account that pays up to 7½% interest on minimum four-year \$1,000 deposits.

Interest is compounded daily, credited quarterly and can be paid quarterly, semi-annually or annually. Interest can also be credited to another account at the bank. When interest is left on deposit, the account yields 7.52% annually. Previously the highest interest rate on savings passbook accounts at First National was 6%.

Additional deposits of any amount may be made up until four years before maturity.

Problem Review Session Of Graduate School Held at St. Louis Bank

ST. LOUIS—First National was host August 29 to the 10th annual problem review session of the Graduate School of Banking at the University of Wisconsin. Seventy-nine bankers from Illinois, Indiana, Iowa, Kansas, Kentucky, Missouri, Nebraska, Oklahoma and Tennessee attended.

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3 ways your bank can get into leasing . . . The growth of leasing in the last decade has caused many banks to look at the possibility of entering the leasing field. The interest is natural for an organization emphasizing a full service aspect.

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For complete details, call John Cornwall or Emmett Scherrman at AC 319/366-5331. Write to BANKPLANS, LeaseAmerica Corporation, 400 American Building, Cedar Rapids, Iowa 52401.



Clarence C. Barksdale (at podium), pres. & CEO, First Nat'l, St. Louis, speaks to 79 bankers attending annual problem review session of Graduate School of Banking at University of Wisconsin. Session was held at Mr. Barksdale's bank.

After a welcoming speech by the bank's president and chief executive officer, Clarence C. Barksdale, the Graduate School of Banking's first-year students attended hour-long discussions of investments, the financial system in the economy, bank public relations and marketing and commercial bank credit.

Second-year students heard talks on bank financial management, bank man-

agement, automation, retail banking and agricultural and rural credit policy.

Lecturers included Clifton B. Luttrell, assistant vice president and economist, Federal Reserve, St. Louis; Dan Cain, Doane Agricultural Service, Inc., St. Louis, and officers of First National and First Union, Inc., St. Louis-based multi-bank holding company in which First National is the lead institution.

New Constitution Fails At Texas Convention; Banks Keep Status Quo

The Texas constitutional convention has adjourned three votes shy of voting approval of a draft of a new constitution. And the result is continuation of the status quo for Texas banking regulations.

The effect of this development on Texas banking is to retain the ban on branching contained in the present constitution. The ban was included in the proposed constitution, also.

The proposed constitution also contained a provision prohibiting foreign banks from operating in Texas. The term "foreign banks" would include banks domiciled in other states as well as in other countries. The ban against foreign banks operating branches in Texas is also contained in the present constitution.

During the constitutional convention, which met in Austin for more than six months at a cost of more than \$3 million, an attempt was made to limit the

size of Texas HCs. The convention's general provisions committee at first recommended an 8% limit on deposits that could be controlled by one HC, but later reversed that recommendation. The provision that was subsequently approved by the committee, and which would have been a part of the proposed constitution, would have required that HCs be regulated by the legislature.

With the failure of the convention to approve the draft of the new constitution, the present one, which has been in force since 1876, remains in effect.

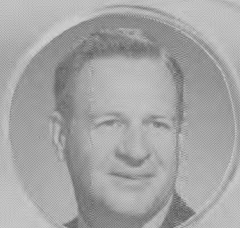
Sources in Austin had said that one of the principal issues that caused the failure of the convention's mission was a proposal to include a "right to work" provision in the new constitution. Texas has a "right to work" statute on the books now, but it is not part of the present constitution.

Labor strenuously objected to and fought against the inclusion of such a provision in the proposed constitution. However, a watered-down version of a "right to work" provision was a part of the document which failed to obtain the required two-thirds majority necessary for submission of the proposed constitution to the electorate.

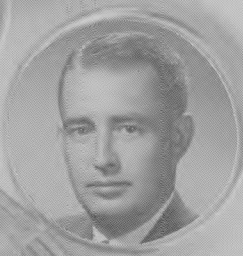
If you have a banking problem here are nine great solutions.



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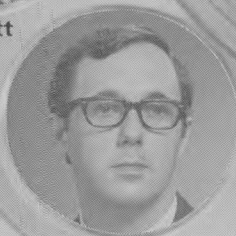
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Paperback Book Helps Bank Show Customers, Non-Customers How to Fight Inflation

WITH INFLATION admittedly the No. 1 problem on the public's mind across the country, George M. Clark, chairman, Pioneer Bank, Chattanooga, Tenn., decided an educational campaign on the subject was a natural at this time. Particularly, he added, because it fitted in so well with Pioneer's 25-year continuing program of promoting sound financial management among area residents.

Pioneer's contribution to the war on inflation came in the form of a sale of a paperback book, "What You Should Know About Inflation." It's written in layman's language by Henry Hazlitt, one of the world's top economists. Pioneer purchased the books at wholesale prices and is selling them at 95¢ each, the full retail price.

The bank aimed sales of the book only at the few Mr. Clark believed would welcome an opportunity to learn how they could fight inflation personally. However, the effect on the community and on the bank's customers was described as electrifying by Mr. Clark.

"Customers and non-customers alike," he said "are buttonholing our officers and personnel to express their appreciation and commendation for Pioneer's efforts to combat inflation via public education.

"It is interesting to receive widespread applause from people whose comments suggest they themselves believe they understand the cause of inflation, but highly approve of Pioneer Bank's effort to further the understanding of others who they feel are not so well informed. But it is even more gratifying to see immediate tangible results."

Mr. Clark cited several typical examples of these tangible results. A college professor called Mr. Clark to ask about Pioneer's interest on regular savings accounts, then admitted his real purpose was to compliment the bank on its educational effort and to advise that he not only would transfer his account, but also would like for Mr. Clark to accept a "visiting-lecturer" assignment on the subject of inflation.

A minister visited a Pioneer branch for the first time just to buy a copy of

the book. He indicated he was going to use the bank's campaign and the book as bases for his next sermon.

A local investor interrupted a conversation between Mr. Clark and Pioneer Bank President Earl J. Platt to say he always had had a high regard for the bank, but years ago had opened an account with a personal friend at a competing bank. He went on to say that his enthusiastic approval of Pioneer's educational campaign on inflation "required" him to open an account with Pioneer. Mr. Clark added that he learned later that this man's opening balance on his new checking account was \$2,314.19!

A well-known Chattanooga, Senator William Brock (R.,Tenn.), a personal friend of Mr. Clark's, reported a significant increase in correspondence in recent weeks from constituents who were expressing their concern about inflation and government spending. Mr. Clark pointed out that this increased local concern about U. S. government

spending conceivably could be traced to a bookmark placed in each Hazlitt book. The bookmark suggested that the book's readers—after finishing the book—let their elected officials know how they feel about the country's monetary policy.

In expressing his philosophy on conducting a program like this, Mr. Clark maintained that media selection and frequency of exposure don't determine whether a bank gains stature from a given advertising campaign. Rather, he continued, it's the "big idea" in each campaign and how it is tied into the bank's overall image. All 25 years of Mr. Clark's "big ideas" have been geared to the theme of sound financial management by government, customers and banking institutions. He believes this philosophy has paid off for Pioneer Bank.

Although the bank's campaign was so successful that it's been copyrighted, "any bank wishing to fight inflation is welcome to use the material verbatim at no cost," according to Pioneer's agency, Charles Tombras & Associates, Inc., Knoxville, Tenn.

However, said the agency's chairman, Charles Tombras Sr., there are a few dos and don'ts his firm has discovered as a result of its experimenting with use of communications media:

1. All bank officers should be asked to read the Hazlitt book with some degree of studiousness before the bank breaks the campaign.

2. A news release describing the book and the bank's promotion should be timed to be received by all local media one week before the paid advertising campaign begins.

3. Best results are obtained with use of frequent small ads rather than with less frequent larger space.

4. An easel card alongside a stack of the books should be placed at all officers' desks, tellers windows or wherever the exposure would act as a point-of-purchase reminder.

5. To obtain the lowest applicable wholesale price, a bank should be sure to specify "book for resale" when ordering from the publisher.

(Continued on page 109)

How to break the back of inflation
(before it breaks yours)

"WHAT YOU SHOULD KNOW ABOUT INFLATION"
is a must for everyone who wants to know why their money is worth less and what they can do about it.

- What is inflation?
- What is its cause?
- How to cure inflation
- How long will it last?

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Limited Quantity — at all 12 Pioneer Banks

PIONEER
Step Ahead BANKS

This is copy of newspaper ad Pioneer Bank, Chattanooga, ran to tell public about its sale of paperback book on inflation—"What You Should Know About Inflation." Promotion was popular with customers and non-customers. In fact, its effect on community was described as "electrifying" by bank's ch., George M. Clark.

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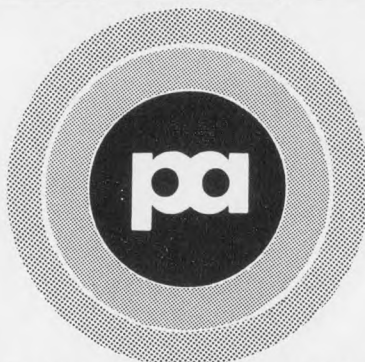
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With the look and feel of antique pewter, Armetale® is actually a space age metal alloy. Manufacturing, however, is authentically antique. Every piece of Armetale® Pewterware is handmade, by individual craftsmen using the ancient sand molding process at the foundries of the Wilton Brass Company, in Columbia, Pennsylvania.

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- E 1½-quart Coffee Pot
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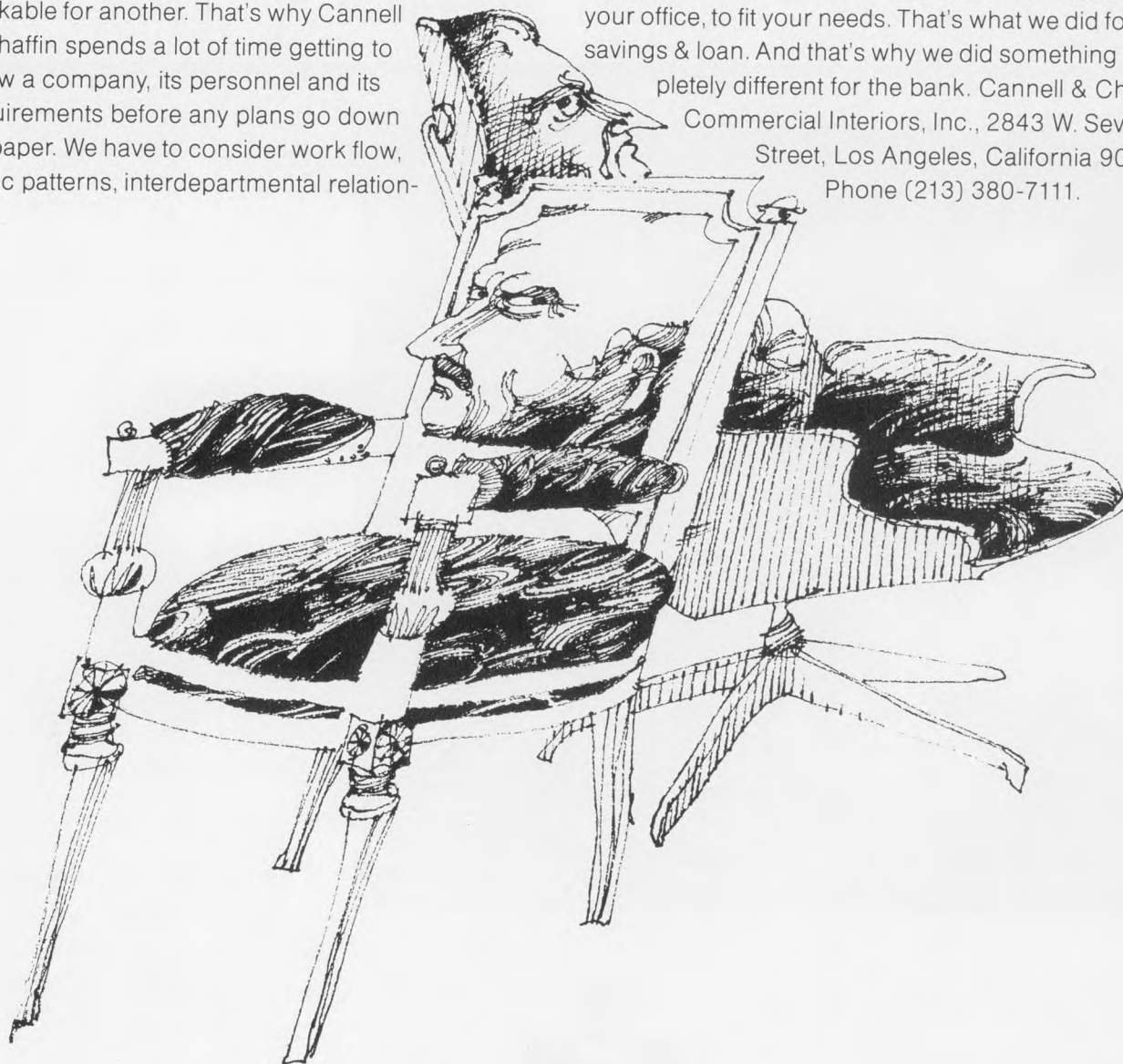
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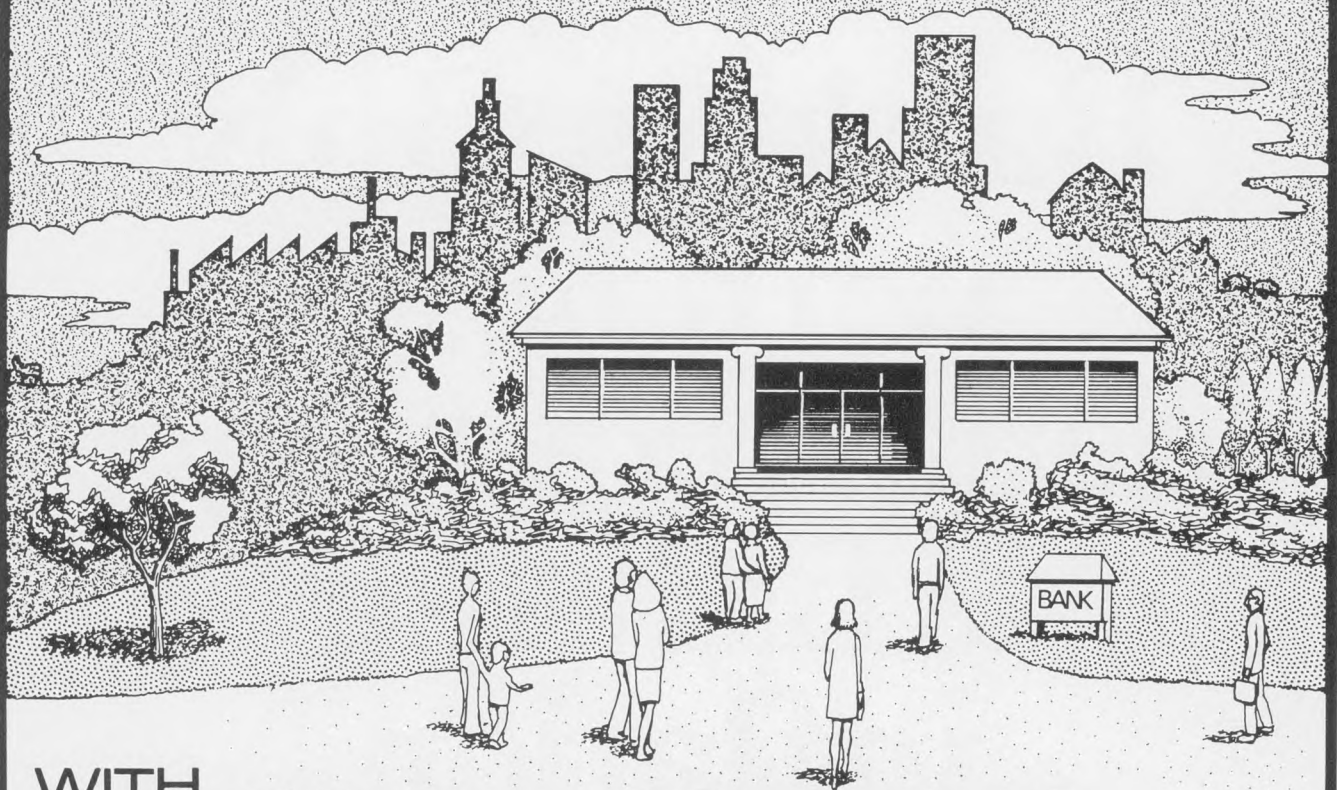


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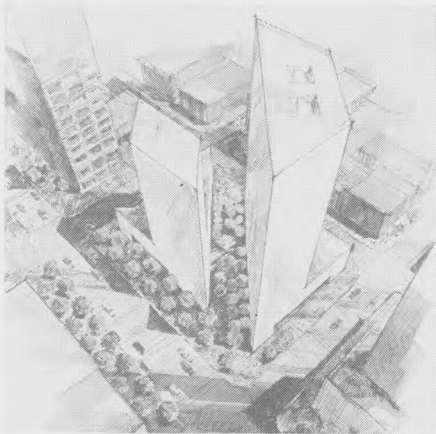
All coverages not available in all states

To explain further the reason Pioneer Bank is joining so wholeheartedly in the fight against inflation, Mr. Clark pointed out that by far, the majority of U. S. citizens erroneously conclude that high prices are inflation.

"All we try to do," he said, "is offer them easy access to an easy-to-read book that quickly proves high prices are the result of inflation. The way we feel about it here at Pioneer Bank, this new understanding of the nation's leading problem on the part of our local community is a step in the right direction in our industry's fight against inflation and particularly if multiplied by other communities across the land. We agree wholeheartedly that it is the financial industry's responsibility to 'do something about it.'" • •

Commerce Union To Develop Downtown Nashville Block With Two Towers, Promenade

NASHVILLE—Commerce Union Bank has announced plans for a new \$30 million corporate headquarters complex that will include the entire block on which the bank's present Main Office is located.



Artist's sketch shows aerial view of planned Commerce Union development.

Plans call for construction of two separate structures on the 1.8-acre property bounded by Union and Deaderick streets and Fourth and Fifth avenues, north.

The tallest structure, and the first to be built, will be a 20-story tower located in the southwestern portion of the block. This structure will house the bank and its parent holding company, Tennessee Valley Bancorp., Inc. A second 14-story structure for commercial and professional use will be built as the second phase of the development. Total square footage is about 600,000.

Phase one of construction could begin late this year, with phase two beginning shortly thereafter, according to

William F. Earthman, HC chairman. Construction is expected to take two years following final approval of plans.

The two structures will be separated by an 80-foot-wide tree-lined promenade studded with commercial shops, restaurants and an open-air cafe. The promenade will consist of several elevations conforming to the contours of the terrain. A parking garage will underlie the entire block.

The 20-story building will be trapezoid in shape and will have a glass exterior. Commercial and retail shops will be included in the ground level of the building as well as along the promenade.

Plans call for the bank and HC to occupy eight floors of the tower for retail, wholesale trust and international banking operations.

"Our objective from the outset in fulfilling our responsibility as prime developer of this block has been twofold," Mr. Earthman said.

"First, we sought to offer downtown Nashville a facility that would lend itself to public use and also meet the present and future needs of Commerce Union Bank and Tennessee Valley Bancorp. Second, our goal is to construct that facility through financing techniques that do not represent a liability in the overall objectives the corporation seeks for its customers and shareholders."

Correspondent Party Held By Millikin of Decatur

DECATUR, ILL.—Millikin National entertained 250 bankers at its 34th annual correspondent bank party August 19 at the Country Club of Decatur. Festivities included golf, a social hour, dinner and the awarding of at-

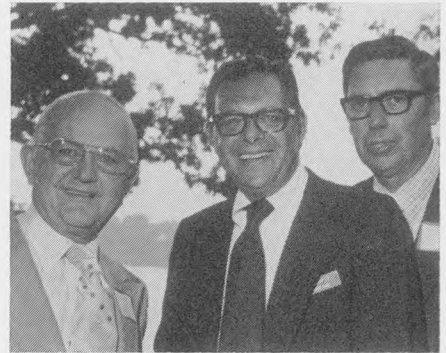


Robert D. Knapp, cash., First Nat'l, Gibson City, Ill., displays his attendance prize, toy St. Bernard dog.

tendance and golf prizes.

Fifty-year recognition was made to Howard Thorp, vice president, First National, Clinton, Ill.

Winner of the top attendance prize, a giant toy St. Bernard dog, was Robert D. Knapp, cashier, First National, Gibson City, Ill.



Visiting during social hour were (l. to r.) Frank Meara, Macon County treasurer; Ray G. Livasy, pres., Millikin Nat'l, Decatur; and Robert M. Neely, dir., Millikin Nat'l.

Banking Administrator Named

An administrator of Howard University's first commercial banking degree program has been selected by the university's school of business and the ABA.

The appointment stems from five-year grants of nearly \$500,000 to Howard University, Washington, D. C., and Texas Southern, Houston, for the establishment of banking education centers.

Administrator of the center at Howard is Jerry Parker, former assistant treasurer, American Security & Trust, Washington, D. C. He will be responsible for creating a learning environment in the field of banking that will attract, train and produce highly qualified minority men and women for officer-level careers in banking, according to the university's dean.

\$50,000 Grant:

Boston Bicentennial Exhibit Funded by Nat'l Shawmut

A \$50,000 grant by National Shawmut Bank, Boston, to Boston 200, the city's bicentennial agency, has paid for a series of 20 historical exhibits being presented throughout the city's neighborhoods.

The exhibits will be shown in Boston Public Library branches and students from the Boston Architecture Center will assist with the creation of each neighborhood exhibit.

Inflation Occupies Attention Of 80th Kentucky Convention

INFLATION—and what to do about it—was the topic of two major addresses given before the 80th annual convention of the Kentucky Bankers Association in Louisville last month. Other major addresses were concerned with the structure of the banking system, how to preserve the family farm, plus another where the speaker analyzed the ingredients that went into successful careers—successful careers of any type.

Along with a busy two-day convention program, Kentucky delegates were treated to various social events that have established themselves as welcomed “traditions” at KBA annual meetings.

Inflation, currently a popular topic with speakers, was examined minutely by ABA President-Elect George L. Whyel and by Mrs. Francine Neff, Treasurer of the United States. Mr. Whyel, who is scheduled to advance to the ABA presidency in Hawaii this month, had some particular advice for bankers and his talk appears in condensed form beginning on page 114 of this issue.

Mrs. Neff, who was sworn in as the 35th Treasurer of the United States last June 21, also expressed a viewpoint on inflationary controls. Recognizing that even “respected economists disagree among themselves as to how to collar and tame” the inflationary “animal,” Mrs. Neff offered four necessities required for a serious try at bringing inflation back to a one-digit form.

By **RALPH B. COX**
Editor & Publisher

1. We must spend less as a government, she said. Federal expenditures had been rising 6% a year from 1955 to 1965, but leaped to 10% a year from 1965 on. “It’s no accident,” she said, “that since 1965 we have had the worst peacetime inflation in our history.”

“We need a balanced or surplus budget in the next fiscal year,” advised Mrs. Neff. “We need reduced government borrowing, reduced interest rates and help for the Federal Reserve in its efforts to slow the inflationary expansion of money and credit. We need more national discipline to face up to these needs and to ask less of our government.”

2. We also must increase our national productivity, said Mrs. Neff. “We cannot neglect investment in favor of consumption for very long and still prosper,” she said, pointing to the fact that the United States has been spending only 15% of total output for plant and equipment, while France has invested 18%; Germany, 20%, and Japan, 27%.

3. We also must have a feeling of mutual trust among Americans, she declared, “that we’re all sharing this problem together.” Americans will bear great burdens in the public interest, she said, if they feel those burdens are fairly distributed. We need this “all-in-the-boat-together feeling,” she said, to



U. S. TREASURER Mrs. Francine Neff presents KBA President Fred B. Oney with a special savings bond trophy. Mrs. Neff, whose department is responsible for the sale of U. S. savings bonds, spoke to Kentucky bankers on the opening day of their convention.

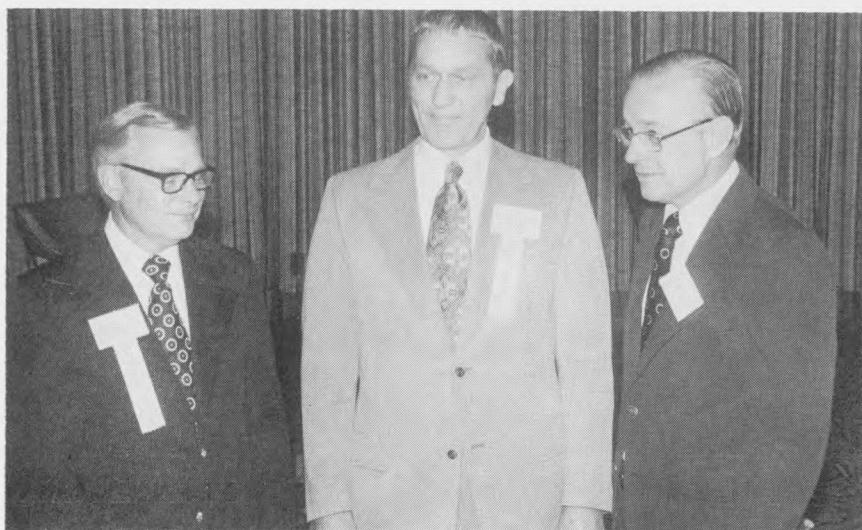
work out reasonable wage and price agreements and to take the steps necessary to cut inflation down to size.

4. We also should work hard to elect what Mrs. Neff called an “inflation-proof” Congress this fall. As Treasurer of the United States, Mrs. Neff said she finds herself becoming more concerned with how a congressman feels about the economy and less concerned with whether the congressman wears the “donkey or elephant label.”


It is Congress that votes to increase or decrease government spending, she said, noting that three-fourths of the 1975 budget will go for legally mandated expenditures. The President does not control these expenditures, she said. “Congressmen do, and the responsibility rests with them.”

Mrs. Neff concluded, therefore, that “We need an inflation-proof Congress more than ever this fall. We need men and women to attack the root cause of inflation,” she argued, “rather than merely nibbling at the results. The American people,” she advised, “must make it clear that good economics is good politics as well in this year of the rising price.”

Officers Elected. Customary elections were held during the course of the convention, with Harry B. Troutman, presi-



NEW KBA OFFICERS: President, Harry B. Troutman, pres., Stock Yards Bank, Louisville; president-elect, Leon Page, president, Franklin Bank, and treasurer W. F. Brashear, exec. v.p. & cash., Hyden Citizens Bank.



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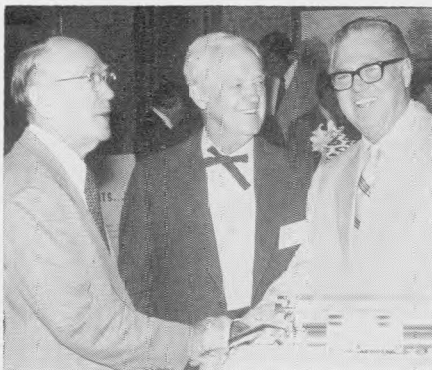
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CONVENTION PARTICIPANTS: From the left: Speaker, Dr. Lawrence E. Kreider, exec. v.p., Conference of State Bank Supervisors; KBA outgoing treasurer Elbert Burcham Jr., pres., Citizens Bank, Hickman; speaker, J. Robert Wade, pres., Kentucky Farm Bureau, and James C. Rieke, ch., Peoples 1st Nat'l, Paducah, who delivered the convention's opening invocation.



LUNCHEON SPEAKER "Mick" Delaney (2nd from r.) is pictured here with some of his Kentucky hosts: J. W. Phelps, pres., Liberty Nat'l, Louisville; Drexel Davis, treasurer of state of Kentucky; Fred B. Oney, presiding KBA president; and Frank Hower, ch., Liberty Nat'l, Louisville.



OLD FRIENDS GET TOGETHER with Ralph Fontaine (r.), long-time executive vice president of KBA and now consultant to its board. From the left: N. A. Chrisman, pres., and Paul B. Hall, v.p., 1st Nat'l, Paintsville, Mr. Fontaine.

dent, Stock Yards Bank, Louisville, being named president. He succeeded Fred B. Oney, president, First National, Carrollton.

The post of president-elect went to Leon Page, president, Franklin Bank; and the KBA post of treasurer went to W. F. Brashear, executive vice president and cashier, Hyden Citizens Bank.

The KBA's retiring treasurer, Elbert Burcham Jr., president, Citizens Bank, Hickman, moved to the board of directors for a three-year term. Others elected to three-year terms were F. C. Keiser, president, Farmers Deposit Bank, Eminence, and S. R. Mitchell, chairman, Peoples Bank, Greensburg.

Kentucky members of the American Bankers Association elected these new representatives to serve at the national level:

To the ABA Governing Council for two years, J. W. (Billy Joe) Phelps, president, Liberty National, Louisville; as a member of the nominating committee, Jake Graves, president, Second National, Lexington, and as alternate, W. C. Claycomb, president, Lincoln National, Hodgenville.

Other Speakers. One of the convention speakers, Dr. Lawrence E. Kreider, executive vice president, Conference of State Bank Supervisors, Washington, D. C., traced a number of changes that have had an effect on the nation's banking structure in recent years. Among these changes, he said, is the growth of the bank holding company and a decline in Federal Reserve membership.

"Although precise aggregate data is not readily available," he said, "multi-unit banking—including branch banking, multi-bank holding companies, one-bank holding companies, group banking, unmanned teller stations, loan production offices, etc.—may now include institutions with as much as 90% of all commercial banking assets of the nation."

Dr. Kreider expressed the opinion that the question of "Who shall regulate what in bank holding company structures" will come increasingly to the fore. The pattern of concentration of this function, he said, in a centralized monetary policy agency (Federal Reserve) seriously threatens the dual-

banking system of state-federal checks and balances and raises serious questions, he said, about the diversion of time and attention from the Fed's primary responsibilities of monetary policy.

Monetary policy authorities, in Dr. Kreider's opinion, "deserve to be free to allocate most of their time to monetary policy, and no agency, state or federal, which is protected from pressures of the free democratic system (as in the Federal Reserve System) should have direct control over individual banks. "Such an undemocratic setup," he said, "abrogates responsibilities of federal and state legislators." Dr. Kreider argued that the public would not long tolerate such an unchecked concentration of power, "no matter how well intentioned Federal Reserve officials may be."

Another convention speaker, J. Robert Wade, president, Kentucky Farm Bureau Federation, expressed concern about adequate financing of the family farm. It is almost impossible, he said, for the "beginner" to get a start in farming because of the large amount of capital needed. As an example, he stated that the average capital investment on a Kentucky farm today amounts to \$168,000. In addition, thousands of dollars of operating money are needed annually.

Mr. Wade urged bankers to work with their local farmers in helping to set up insurance plans, trust funds and even incorporate farms so that they can be passed along to heirs with the smallest amount of estate taxes. Incorporation can be one answer, he said, noting that he had incorporated his own farm with the intent of passing along "shares of stock" to his heirs, on an annual basis, thus minimizing the effect of inheritance taxes at the time of his death. Anyone incorporating his farm, said Mr. Wade, can retain operating control until his death.

Luncheon speaker "Mick Delaney" added humor and philosophy to the convention with his talk entitled "The Challenge of Change." Known as a trainer of successful salesmen, Mr. Delaney gave his identification of the single ingredient that separates the failure from the successful man (or woman). "Constant adaptation and application to change," he said. Successful people, he said, do the things that unsuccessful people are *unwilling* to do. Adaptation to change, which occurs every day of our lives, said Mr. Delaney, provides the foundation for a successful career.

Mr. Delaney also questioned the old bromide that "Love makes the world go 'round." Not so, he said: "Change makes the world go 'round. Love simply keeps the world populated!" • •



Frank Nichols, left, perfects correspondent services with the help of Vann Doyle, right, and Jim Burkholder, center.

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Inflation and Consumer Education: How Bankers Can Curb the Spiral

WHAT SPECIFICALLY can we, as bankers, do to help curb inflation?

If we knew the answer to that question, there wouldn't be any problem. The plain truth is that there is no single answer, no simple solution. Nonetheless, I think there are a number of things we can do to begin addressing ourselves to this problem.

As bankers, we are at the heart of the economic system. We know how it works—and presumably we are in a pretty good position to explain to our customers what has made it go awry.

I'm proposing a kind of consumer education program—an effort by bankers all across the country to help customers understand why deficit spending has contributed to inflation and why federal spending and excessive monetary expansion must be brought under control.

Indeed, I would go beyond this point. I think customers must understand why it's important to save—why it's important to invest capital to increase productive capacity.

As a nation we may simply have to postpone non-essential consumption in order to devote more of our capital to saving and investment activities, particularly in those areas where we now have shortages of critical materials.

Our customers—and we ourselves—must also recognize the very real risks inherent in any stringent anti-inflation program. We must recognize and be willing to accept certain short-term difficulties, such as increasing unemployment and continued slack in the economy, as the price of long-term price stability. And in the name of equity, we must be prepared to help those who are most seriously hurt by an anti-inflationary program—if necessary, through some kind of public employment program.

A program of consumer education about inflation sponsored by bankers could go a long way toward achieving that kind of understanding needed to

By GEORGE L. WHYEL
ABA President-Elect
and Vice Chairman
Genesee Bank
Flint, Mich.

begin to curb inflation. Such a program would not have to be particularly formal. It could be carried out through speeches to local civic groups, through special projects with schools, through public service advertisements in the news media.

But for me, at least, the most effective way of getting the message across is through the everyday activities of our nation's banks. Here is where bankers have the most immediate impact on their customers. Here is where we have our greatest opportunity for customer education.

For example, most of us play some part in working with civic leaders on community projects. Certainly, through our municipal bond activities, we play a major role in financing these projects. And in many cases, we ourselves are community leaders. I believe these activities offer an excellent opportunity for us to help establish a set of priorities for state and municipal spending—and a chance to set aside those projects

that are not absolutely essential right now.

The need to practice budget restraint is particularly acute when dealing with projects that involve federal funding. I recognize that many community leaders will feel that if they don't take advantage of available federal funds, others will. That may well be true. But if enough of us exercise a restraining force on local spending of federal funds, we may be able to make a significant dent in total federal spending at the local level. And that would be a major step in returning more balance to the federal budget.

Even more important, bankers must work with customers to help them understand why money may be available for some kinds of projects, such as investment activities that will enhance our productivity, but may not be available for others. This requires that we, for our part, make some effort voluntarily to channel available funds to those projects that will be most productive in the long run, such as our domestic energy industry, for example.

This does not mean I'm advocating that we stop making all kinds of consumer loans. I can think of few things that would bring the economy grinding to a halt more quickly. But I do



ABA "FAMILY" IN KENTUCKY. ABA President-Elect George L. Whyel (2nd from l.) is pictured here with Kentucky's ABA officers. Others, from left: Member of nominating committee, Jake Graves, pres., 2nd Nat'l, Lexington; member of governing council, J. W. Phelps, pres., Liberty Nat'l, Louisville; alternate to nominating committee, W. C. Claybank, pres., Lincoln Nat'l, Hodgenville; and Kentucky ABA vice president, Joe Dick, ch. & pres., Bank of Murray.

This article is based on Mr. Whyel's remarks given at the Kentucky Bankers Association convention in Louisville last month.

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think we can exercise a little more discretion in extending consumer credit—and particularly in advertising its availability.

For example, consider a recent article in the *Wall Street Journal* which pointed out that some retailers and lenders, including banks, are still urging consumers to step up their use of credit. One bank makes this pitch to its bank card customers: "If you plan to take that dream vacation this summer, buy a new wardrobe or send the kids to camp, remember you have an unused credit line at your bank. Don't forget . . . it's easy and convenient to use revolving credit . . . so enjoy."

At a time when additional consumer credit can only serve to bid up the prices of an already limited supply of goods and services, such advertising appears irresponsible.

In discussing individual credit needs with individual consumers and corporate customers, we have an excellent opportunity to make our point—that money is tight and that those funds that are available must be channeled into projects that will increase our ability to produce goods and services already in short supply and that these funds must come largely from individu-

al consumers who make the decision to save rather than spend.

I don't think this task of consumer education will be as difficult as some of us may think. As President Ford has pointed out, the men and women in the street sometimes turn out to be much more realistic about economics than we give them credit for being. Recent polls show that a growing portion of Americans think that inflation is caused, not by business or labor, but by government. And that's good, because it shows that the public recognizes that deficit spending and related monetary expansion play major roles in fueling inflation.

But this recognition by the public carries with it an element of risk—the risk that too many people may think, "If government caused inflation, government can cure it." That's true—but only up to a point. Government can help cure inflation by curbing expenditures and monetary expansion. And that means cutting certain programs. I think we all know how difficult it can be to cut back on any federal program or expenditure once it's gained a place in the federal budget.

Yet that is what we must do if we are to bring inflation under control.

That is what the public—and I include bankers as part of the public—must recognize. We must establish a range of priorities for what we want to do with our limited federal revenues. And we must be willing to discard those programs that do not fit within those priorities. In other words, it's not enough that a program be good in and of itself. It must be so good that it's worth financing out of current revenues—or worth raising taxes for.

Inflation is not a problem that has grown up overnight. It's taken 15 years for us to get where we are today. It will take years for us to get out of this mess. But every journey begins with a single step. Let us take that first step now—together. Let us work with each other to help cut non-essential federal spending in our own communities. Let us accept the President's advice to support elected officials who are truly dedicated to controlling federal spending.

Let us voluntarily allocate at least part of our banks' available funds to those areas where they can contribute most to the nation's productivity. Let us work with others to develop a broad public understanding of what must be done to arrest the inflationary spiral.

Let us begin now to bring inflation under control. • •



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Balloon Opens Bank



This hot air balloon was used to open the new Main Office of Heritage National, Tyler, Tex. As the craft rose from the bank's parking lot, it carried away the colorful ribbons from the entrance to the bank. The balloon, owned by two local businessmen, was tethered near the bank for several days before the opening and was used to advertise the bank for several days after the opening. The bank plans to use the craft occasionally in its advertising promotions. There's little doubt that you can catch the public's eye with a colorful hot air balloon!

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More Work, New Trust Business Predicted From Pension Reform Act

SIGNING of the Employees Retirement Income Security Act of 1974 into law last month has brought predictions that bankers can expect their work loads to be increased somewhat and that trust departments might be getting some new business.

The act's funding and vesting standards will probably cause business firms to contribute more to their pension plans, knowledgeable bankers say, which will mean banks will have more assets to manage.

Also, the stricter provisions of the act are expected to cause some individual trustees to throw in the towel and turn their tasks over to banks.

Bankers state that the initial impact of the act on trust departments involves fiduciary responsibility provisions, which call for immediate attention.

The entire problem of fiduciary standards should have priority, bankers say. This is especially the case in direction accounts where bankers do not have investment responsibility. Bankers should make sure that people with power of direction are appropriately licensed and approved before banks are able to accept their directions. The fiduciary responsibility provisions go into effect after December 31.

Conformity with the act's provisions

is not seen as being especially troublesome. However, fiduciary standards are expected to have an onerous effect on nonbank trustees because these individuals have not had the long experience in acting as trustees that banks have. They are not as likely to have counsel at hand to give advice, either.

It has been pointed out that almost everybody is a fiduciary under the law's provisions. That means everybody who has anything to do with investment, with pension administration and with paying out of money comes under the new law.

Bankers who have tried hard to follow a policy of prudence—avoiding conflicts of interest—in running their accounts in a trust capacity should not be worried, bankers say.

The act sets up a federal prudent man rule for the first time and there is no body of law yet, as there is in the various states that have adopted the prudent man rule.

Therefore, there are no guideposts except what has been written by state judges. Bankers will all have to look to their counsels for guidance and assistance.

More lawsuits have been predicted, due to the possibility for more class actions and due to the fact that the Secretary of Labor can bring suit if he be-

lieves trustees are not operating properly.

A new element which many trustees have not had to cope with in the past is the fact that fiduciaries now must diversify the investments of a pension plan so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

While the fiduciary standards go into effect at the beginning of next year, the funding and vesting standards go into effect in 1976. This means that every plan is going to have to be amended sometime before the end of 1975 to make it conform to the law. Predictions of logjams in this area have been made.

Reporting requirements will be more complicated under the new law, but most of the burden of reporting will be placed on the companies themselves.

The manager of each pension plan is required to file an audited annual financial report with the Secretary of Labor, including an actuarial statement. He must also make the report available to plan participants.

The funding and vesting provisions of the act will bring a larger inflow of dollars to pension funds and money going to H.R. 10 Keogh Plan accounts also should pick up with the higher contributions now allowable. • •

Private Pension Plans Face Rewriting To Conform to Law

VIRTUALLY every business firm with a pension plan will be required to rewrite it as a result of the recently enacted Employees Retirement Income Security Act of 1974. That means many banks will be combing through their plans and making changes to bring the plans into conformity with the law.

Following is a brief summary of the new law.

Eligibility—Beginning immediately for new plans and in January, 1976, for existing plans, all plans must cover every employee age 25 or older who has been on the job at least one year. However, three years can be required before enrollment in a pension plan in cases where the employee is fully vested immediately.

Vesting—Employers can select any one of three ways to let employees accrue benefits, which become payable at normal retirement age or at age 65.


(1) All pension credits would be non-

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forfeitable after 10 years of service, even if a worker later quits. (2) A worker would be entitled to 25% of accrued credits after five years on the job; the nonforfeitable benefits would gradually increase to 50% after 10 years and to 100% after 15 years. (3) A worker would be guaranteed half of his benefits when his age and years of service totalled 45, provided the worker had at least five years of service. This would gradually increase to full vesting and younger employees would be entitled to their full pension benefits when achieving 15 years of service.

Funding—In order to take pension contributions as tax deductions, a firm would have to contribute enough money each year to cover the future costs of pensions earned that year. It would also have to begin to build up a fund over a period of 30 or 40 years to pay off any past pension obligations that hadn't been funded. Existing single-employer plans must meet this requirement by 1976; multi-employer plans have to 1980 to comply.

Reporting and disclosure—Employees are to receive written descriptions of their pension plans and are to have access to other financial statements. The Secretary of Labor can demand information and can take companies into court that fail to file properly. Re-

ports on existing plans must be filed starting next year.

Fiduciary standards—Managers of pension funds cannot buy for the fund property they own personally and will be subject to penalties for fund mismanagement.

Termination insurance—The law creates a new Public Pension Benefit Guaranty Corporation to protect an estimated 23 million members of plans promising specific benefits at retirement. If any plan collapses without sufficient assets to pay benefits, the corporation could pay workers up to \$750 a month. Insurance premiums are \$1 per worker per year or 50¢ per worker under multi-employer plans.

Individual retirement accounts—Workers not covered by pension plans can set up their own individual accounts and deduct 15% of their annual income—up to \$1,500—from their tax returns as a contribution to their pension plans. Self-employed persons can deduct 15%—up to \$7,500 per year—compared to an existing \$2,500 limitation. • •

Write Legislators:

Union Planters Inflation Drive Carried in Memphis Media

Union Planters National, Memphis, is using newspaper, radio and TV to urge citizens to write their congressmen and senators to act promptly and aggressively to stop inflation.

The bank's newspaper ad (see illustration) points out that the value of the dollar has decreased more during the 1970s than in all of the 1960s and "we are not yet halfway through the decade."

Year	Change	% Change
1960-1969	100	100
1970-1979	150	150

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"As consumers," the ad says, "the more we buy at inflated prices the more we encourage manufacturers, wholesalers and retailers to borrow money at high interest rates to make and stock all sorts of products. We can help cool off inflation by buying less and putting our extra money in savings and conservative investments."

Copies of the print ad were sent to President Ford, Arthur Burns, Fed chairman, and members of Congress.

Bank Discounts Subway Tokens



A special discount sale of subway tokens was held at two offices of East River Savings Bank, New York City, recently. The bank purchased 300,000 subway tokens and sold them for three for \$1, a savings of a nickel. Disbursing tokens are Dr. Austin S. Murphy (l.), chairman and president of bank, and David L. Yunch, chairman, Metropolitan Transportation Authority.



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3 RAINBOW COIN WRAPPER

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

4 DUZITALL COIN WRAPPER

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

9 BANDING STRAPS

Ideal for packing currency, deposit tickets, checks, etc... do not break or deteriorate with age. Size 10 x 1/4 inches and made of strong brown Kraft stock with gummed end for ease of sealing. Packed 1000 to a carton.

5 OLD STYLE COIN WRAPPER

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

6 KWARTET COIN WRAPPER

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

7 FEDERAL BILL STRAP

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

8 COLORED BILL STRAP

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

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MID-CONTINENT BANKER for October, 1974

1973-74—A Year of Change

limit the rate of interest that can be paid depositors. Thus, while the ABA favors free markets, the association does not favor complete removal of regulations that establish ceilings paid on interest rates, on savings and time deposits of less than \$100,000 until corresponding ceilings on rates that may be charged on loans are raised or removed.

"To remain competitive, small banks must provide for an active role in the development of EFTS. Their future in this new environment will hinge on their willingness to use it in providing old and new services to their customers."

The ABA consistently has made it clear that given equal or uniform competitive ground rules, bankers are willing to compete with other depository institutions and other elements of the general money market in providing financial services to the American and world economy.

Electronic Funds Transfer System. Important changes also have occurred in bank operations, especially our method of transferring funds. Diverse electro-mechanical money conveniences and extended geographic facilities quickly are becoming a fact of life and are changing the banking structure and operations.

The association has pioneered efforts to establish industry-wide standards for the nationwide electronic transfer of funds. One aspect of that was the studies by the Automated Clearing House Task Force. To better inform ABA members of the impact of the electronic funds transfer system (EFTS), the ABA published a 94-page report of this group.

The National Automated Clearing House Association (NACHA) was established to carry out a major conclusion of that report. This signals the beginning of a nationwide automated clearing house system. While established as an entity independent of the AMA, the ABA provides administrative and staff support for NACHA.

To increase the general understanding of the electronic-computer developments in banking, including the automated clearing house concept, the ABA held a meeting of the Advisory Conference of State Associations in September. It was designed to assist both large and small banks in meeting the

challenge of computer technology to make banking services more readily available for their customers.

For the Future. Banking is an industry that represents one of the fastest growing sectors of the economy in terms of assets, employees, skills required and services demanded. The pace for growth can be maintained only by the industry's own efforts and increasing awareness to business and consumer needs.

To remain competitive, small banks must provide for an active role in the development of EFTS. Their future in this new environment will hinge on their willingness to use it in providing old and new services to their customers. The process has already begun, but the public is only dimly aware of the EFTS potential and is not using automated clearing house services extensively where they are available. Once a nationwide EFTS system is fully implemented, however, the use undoubtedly will increase greatly.

"The ABA did meet a number of unexpected challenges, but it did not neglect traditional responsibilities and needs of its members."

While those services may be expensive, small banks will have an opportunity to gain access to the computer/EFTS/ACH/point-of-sale systems through their own computers, jointly owned units, service centers or correspondent banks. To this end, the correspondent bank relationships can assume new importance and dimensions by providing entry into national electronic data communication networks.

Both EFTS and the Financial Institutions Act will affect individual banks and the total financial system. The principal advantage of the latter for banks is that it will provide equal or uniform competitive ground rules for all financial institutions. And it avoids the continued piecemeal changes which in the past have resulted in significant distortions and inefficiencies in the financial system.

EFTS and the FIA represent only a portion of our activities this past year, 1973-74. The ABA did meet a number of unexpected challenges, but it did not neglect traditional responsibilities and needs of its members. The association's response to those needs certainly constituted one of the most important parts of the ABA program.

During my year as president, the ABA continued to live up to its mission goal: to enhance the ability of America's bankers and banks to serve effectively the needs and wants of America's publics. ••

C&S Nat'l's Broadview Office Caters to Spanish Speakers

Bilingual banking has been introduced in Atlanta by Citizens & Southern National's Broadview Office, located in a Spanish speaking neighborhood.

The bank has translated certain banking materials and "instant banker" (automatic teller) instructions into Spanish and is providing Spanish speaking staff members. The move is designed to make it easier for Spanish speaking customers to transact their bank business.

About 1% of Atlanta's population speak Spanish.

In Chattanooga:

Minority Bank Gets Aid From American National

American National, Chattanooga, provided training and technical assistance to the organizers of Peoples Bank, Chattanooga, the city's first minority bank and the third such bank to be formed in Tennessee.

The bank plans to sharpen the business knowledge and skills of black businessmen and upgrade the economic base of the black community. It has received state regulatory and FDIC approval.

Three Peoples Bank staff members were trained at American National, with American National paying their salaries during the training period.



Jesse L. McCants (seated), chairman, Peoples Bank, Chattanooga, poses with the new minority bank's directors.



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Picture of 'Typical' Bank Leasing Department Emerges From Tabulation of Questionnaire

A COMPOSITE picture of a typical bank leasing department has emerged from tabulation of a recent questionnaire sent to banks asking for information on leasing department makeup, operations and policies.

According to the survey results, the typical bank leasing department was organized in either 1971 or 1972. The head man in the department has the rank of vice president and he was recruited from within the bank. The department is staffed with two full time people.

The bank's credit committee is entrusted with making leasing credit decisions and the commercial loan department is involved in the leasing function.

The greatest difficulty encountered in setting up the department was the

By **JIM FABIAN**
Associate Editor

acquisition of technical and legal knowledge and expertise. Assistance in securing these skills was obtained from an upstream correspondent.

The principal reason the bank set up the leasing department was to maximize profits; but the bank was also eager to add leasing to its full-service offerings.

The typical bank's leasing portfolio involves more than \$1 million in bank funds. The size of the portfolio was determined by both the bank's tax position and its deposit structure.

The typical bank leasing department offers finance leases exclusively. Among the types of leased equipment that offer the greatest exposure in either residual or collateral value are railroad rolling stock, furniture, art objects, construction equipment, autos and farm equipment.

Tax problems experienced in connection with leasing services occur in the rental and sales areas. There is agreement that tax-shelter leases can be highly profitable providing they are properly structured. The typical lease department manager believes that finance leases can be more profitable than commercial loans, due to higher yield.

The typical bank leasing department has experienced no losses in its leasing operations.

Guidelines recommended by the typical bank leasing department to a bank considering going into leasing include the following: Lease only new and easily marketable equipment; use conservative credit standards; understand the business before getting into it unless you work with a correspondent; hire experienced personnel; obtain good legal and accounting assistance; divorce the operation from the bank; make sure the manager is credit-oriented; and thoroughly investigate leasing operations before taking the plunge to organize a department.

Less than 32% of responding banks maintain leasing departments. Those that do not have leasing operations

cite the following reasons: Lack of expertise; insufficient funds and manpower; impractical for the bank; loan demand too great to permit funds to be used for leasing; a tax posture that would limit benefits obtainable from leasing; fear of alienating potential competitors; bank too small; little or no demand for leasing services; usury ceiling too low to make leasing profitable; parent HC handles leasing for affiliates; upstream correspondent handles leasing requests; leasing not a profitable operation; bank is too conservative to offer leasing.

Most banks that are considering entering the leasing field are making inquiries of their upstream correspondents. Others are going to their parent HCs or to independent bank-oriented lessors.

Banks not having leasing departments cited the following obstacles standing in the way of progress in this area: Lack of know-how, the fluctuations in the money market, state statutes, fear of customer competition, capital requirements, marketing, tax planning, obtaining qualified personnel and reallocating the bank's assets.

The one responding bank that closed its leasing department did so because it was too expensive to staff when compared to the economies realized by acquiring leases through brokers. The bank also said its yields were too low due to local competition. • •

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Junior Achievers Honored



Winners of ABA's National Junior Achievement Banking Company contest pose with judges. Winners are (from l.) Debra Kempton, Bellevue, Neb.; Michael Fried, Orlando, Fla.; and Cammy O'Connors, Richmond, Va. Judges are (from l.) Ed Begley, assistant director, ABA Education Group; Ruth Harrison, vice president, Irwin Union Bank, Columbus, Ind.; and Joseph W. Phelps, president, Liberty National, Louisville. Winners were judged on their knowledge of banking and its role in the community.

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Task Force Submits Report To Modify AIB Structure; Regional Concept Favored

WASHINGTON, D. C.—The ABA Education/Training Task Force has submitted proposals for modifications in the role of the AIB, for improved liaison between ABA-sponsored educational activities and those of non-ABA groups, and for the restructuring of staff functions in ABA's human resources development activities.

The high-level task force of ten bankers, chaired by George H. Dixon, chairman and president, First National, Minneapolis, was established by the ABA board of directors at the Association's annual convention in October, 1973. Its mission included a comprehensive definition of banking's training and education needs for the next decade; evaluation of alternative strategies for meeting those needs and suggestions of improved means for coordinating the efforts of all interested parties.

ABA President Rex J. Morthland, chairman, Peoples Bank, Selma, Ala., explained that "the need for such a

task force clearly presents itself. The projected growth of banking and the changing character of the financial services industry over the next decade call for a strong commitment by the industry to the improvement as well as expansion of its education and training programs."

The task force devoted a substantial portion of its time to a review of AIB, an important part of the delivery system for education and training programs in banking. It also studied the organizational structure of the Association's Education Group and education programs sponsored by other banking, financial and professional associations.

With the implementation of these proposals, the task force feels that the ABA's education programs will be more responsive to banking's needs. The following recommendations, the task force concludes, will enhance the ABA's capacity to provide the necessary educational leadership in the coming decade:

- AIB should be placed within the Special Activities Group, and an AIB National Committee should be established to maintain a continuous review of AIB effectiveness. AIB should be restructured along regional lines and its chapter structure possibly consolidated to facilitate employment of part-time or full-time chapter directors. The 19-member committee would be appointed by the ABA president from among the members of the proposed Education Policy and Research Group. Placement of the AIB within the Special Activities Group would be conducive to the maintenance of AIB as a distinct organizational entity within the ABA. This would also encourage the development of a closer working relationship between the AIB and state banker associations.

- The ABA's Education Group should be replaced with an Education Policy and Research Group which would report to the ABA's executive vice president. The group would be headed by an executive director with a staff that would work closely with AIB and ABA's banking professions divisions involved in human resources development programs. Its four major functions would be research and analysis of the changing employment structure in banking; development of procedures and standards for evaluation of existing education programs; research, development and publication of texts and other instructional materials in cooperation with other ABA units; and the formulation of ABA policies on education and training and long-range planning for ABA efforts to meet such needs.

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- The Education Council should be replaced with an Education Policy and Research Council, composed of 12 members, drawn from the highest levels of bank management. The new council would oversee the work of the Education Policy and Research Group and be responsible for the formulation of ABA policies on education and training programs.

- As an adjunct to this council, an Education Programs Liaison Committee should be established to provide representation of the Banking Professions Group, the AIB, the Stonier Graduate School of Banking (SGSB), the State Association Division, non-ABA programs and collegiate schools of business administration. This committee would provide a mechanism for coordination of programs and exchange of information.

- The administration of the Stonier Graduate School of Banking should be attached to the office of the executive director of ABA's Banking Professions Group, continuing under the direction of its own board of regents. This would assure that SGSB's requirements for staff support from the ABA are met.

- The Education and Training Committee should be redesignated the Bank Training Officers Division and placed within the Banking Professions Group. This change would be supportive of the further development of in-service training programs in banks.

- The Fund for Education in Economics, currently within the Education Group, should be attached to the Office of the Executive Director of the proposed Education Policy and Research Group.

Hats Off to Police



An exhibit spanning two centuries of the existence of the New York City Police Department was staged recently by East River Savings Bank. Trying on present-day patrolmen's hat is New York City Police Commissioner Michael J. Codd (r.) while "Mack Sennett" type police hat popular late in the last century is worn by former Commissioner Vincent L. Broderick (l.). In center is Dr. Austin S. Murphy, bank chairman and president.

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Insider Transactions—

*What regulatory agencies and bankers can do
to curb self-dealing practices*

INSIDER TRANSACTIONS constitute a topic that is likely to be the focus of regulatory and Congressional attention in the coming months. There are substantial reasons why such transactions should be subject to more rigorous board and regulatory discipline.

The Comptroller of the Currency recently published a proposed regulation requiring that records be kept of insiders' interests and dealings with their bank. At the FDIC, a committee of senior staff members is actively working on the development of tools to curb abuses in this area.

The most dramatic impetus for official concern and action has been the role played by self-dealing in the failure of U. S. National in San Diego (USNB) last October. At opening hearings on the proposed Financial Institutions Act of 1973 last November, Senator Thomas J. McIntyre (D., N.H.) stated: "Recent events have brought into focus a number of deficiencies existing in our present system. One can well ask how in our present regulatory scheme the 83rd largest commercial bank in the country can suddenly be placed in receivership.

"With all the intricate checks and balances that have been developed over the years, we have still experienced the largest single bank failure in the history of this country."

The issue posed by Senator McIntyre can be separated into two questions: What caused a respected billion dollar bank to become insolvent? And



By GEORGE A. LeMAISTRE
Director, FDIC

why were the bank's difficulties not discovered and addressed more quickly by federal regulators or the bank's board? Bankers and regulators must be prepared to answer these questions and face certain underlying issues illuminated by the failure.

Why USNB became insolvent is relatively simple. USNB's insolvency resulted from the wholesale and unsound extension of credit to persons and entities controlled by or associated with the controlling stockholder and former board chairman. Or, in the words of Comptroller of the Currency Jim Smith, insolvency was largely the result

This article is based on Mr. LeMaistre's remarks before the Annual Bank Directors' Conference of the Kentucky Bankers Association in July. Mr. LeMaistre presented similar remarks before the Alabama Bankers Association at its annual convention in May.

of a "... riot of self-dealing."

In effect, U. S. National was not one, but two banks. One, an apparently sound and efficient institution, served the San Diego public. The second provided credit to enterprises related to or affiliated with the dominant stockholder, ignoring both sound banking practices and regulatory requirements. Involving 200-300 corporate entities, these transactions involved between \$400 and \$450 million. They often were not handled in the ordinary course of the bank's business, but were processed by certain insiders.

If U. S. National were the only indication that self-dealing constitutes a serious problem, it might be dismissed as an aberration. This, however, is not the case. On January 25, 1971, Sharpstown State in Houston, with assets amounting to approximately \$81 million, was closed. It was then the second largest failure in FDIC history. The primary cause was the self-serving activities of a dominant shareholder.

Three weeks later Sharpstown State's failure was dropped to third place by the failure of Birmingham-Bloomfield, which, until USNB, was the largest failure of an FDIC-insured bank. Here, self-dealing was combined with an unsafe and unsound investment policy dictated by the dominant shareholder. Under the effective control of the same individual, Detroit's Bank of the Commonwealth, with combined deposits of just over \$1 billion and total assets of \$1.26 billion, would have failed in

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"Whenever a bank director functions as a rubber stamp for management . . . or merely goes along with the majority . . . , he has ceased to serve his institution and has thereby abdicated his legal responsibility."

1972 for the same reasons had the FDIC not provided assistance in the form of a \$35.5 million infusion of capital. While the billion-dollar Bank of the Commonwealth was not allowed to fail, its plight underscored the lessons of Sharpstown and Birmingham-Bloomfield and served as a warning that a respected billion-dollar bank might become insolvent.

A review of our liquidation statistics reveals that self-dealing is not limited to the spectacular bank failure as an important causative factor. Since January 1, 1960, 63 banks have failed. Among these, self-serving transactions were a significant factor in 37, or 58.8%, of the cases. Defalcations, embezzlements and manipulations caused 20, or 31.7%, of the failures, while managerial weakness in loan portfolio management accounted for only six, or 9.5%, of the failures. A quick review of our "problem bank" files reveals much the same pattern. Sixty percent of the cases classified "serious problem—potential payout" and 63% of those classified "serious problem" reflect self-serving practices on the part of management or controlling interests.

Standing alone, evidence that insider transactions are a primary factor in failed and problem banks indicates the need for special scrutiny of such transactions by boards and for innovation in the agencies' approach to the abuses of self-dealing. Cause for concern does not end here, however. The consequence of self-dealing in healthy banks is similarly pernicious.

A bank is necessarily adversely affected when an insider exacts terms not available to the public. This is true whether the deal reflects a conscious intent to milk the bank or is merely the result of tainted judgment. In either event, the bank is harmed, since the economic benefit which redounds to the insider represents a cost or loss of earnings which is borne by nonbenefiting shareholders and/or in some way passed through to the bank's customers.

For this reason, any transaction between an insider or his interests and a bank which is significantly more favorable to the insider than a comparable transaction with a non-insider is not a sound banking practice and should not be tolerated by a bank's board. Moreover, where such conduct is tolerated by a bank's board, it should be the sub-

ject of firm supervisory action. To follow any other policy is to allow banks to subsidize the non-banking financial activity of preferred insiders at the ultimate expense of minority or non-interested shareholders and, in the case of bank failure, at the expense of many creditors and depositors as well.

While it is difficult to evaluate its impact, a second consequence flows from allowing a bank's fiduciaries to exempt themselves from the discipline of the market. Not only are a bank's assets often wasted, but the allocation of a community's resources as represented by the bank's deposits can be misallocated or allocated irrationally. The construction and operation of the Westgate Plaza Hotel, said by many to be one of the finest hotels in the world, is illustrative. Capital costs per room have been estimated at more than \$100,000 and the operation was lavish to say the least. For example, a fresh pineapple was placed in the room of each guest at a cost to the hotel of nearly \$10 per pineapple. It is, I assure you, a very fine hotel. It was, however, not a sound business enterprise, and it is highly doubtful that it would have been built or run as it was if USNB and other enterprises related to the interests of the dominant shareholder had not stood ready to, and did, subsidize the operation of the hotel.

Fundamental institutional considerations are at stake—considerations which may have been laid aside for the moment's expediency. Commercial banks are chartered to serve a specific banking function in the economy. In the competitive free enterprise system, profit and compensation should flow to bankers as a result of their effectively carrying on the business of banking and not from their use of the institution to gain economic advantage which could not be gained independently. Where legal and institutional arrangements are avoided, distortions occur which may range from the failure of a billion dollar bank to a slight loss of earnings in a small country bank. Whether the consequence is large or relatively small, there is a strong societal interest in insisting that bankers as well as politicians play by the rules of the game.

What more, then, might be done by bank supervisors to protect this interest? And, what are the responsibilities

and functions of bank directors with respect to dealings between a bank and its fiduciaries?

Two general approaches might be taken by the banking agencies. On one hand, insider transactions of a certain kind or magnitude might be forbidden or significantly limited. This would not only eliminate the insider's advantage vis-à-vis the public, but also place him at a disadvantage. The second approach would seek to insure that insiders derive no benefit not available to non-insiders. In essence, this is the approach presently followed at the FDIC. However, supervision might be made more rigorous.

The Comptroller's office has issued for comment a proposed regulation which would require all national bank directors and principal officers to keep on file at the bank a written statement of their outside business interests and of any extension of credit or other transaction between those interests and the bank. These statements of interest would be available for review by national bank examiners, the bank's board, management, lending officers, auditors and attorneys.

According to the Comptroller's "Notice of Proposed Rule Making," "The purpose of this regulation is to establish an informational base upon which bank management and the Comptroller's office may assess more accurately the extent and manner by which a national bank may be engaging in transactions with its own directors and senior officers."

To insure effective regulation, disclosure requirements might go still further. For example, such disclosure requirements might include: (1) The requirement that information demonstrating the fairness of insider transactions be reported; (2) the inclusion of dominant or substantial shareholders among those required to make disclosures; (3) the requirement that self-dealing disclosures be made available to all stockholders; and (4) the requirement that all or a certain class of such transactions be disclosed in call reports or along with other disclosures made under the securities laws. The agencies might require board approval of all or certain insider transactions prior to consummation. To insure the effectiveness of such requirements, the agencies must demonstrate the clearcut inten-

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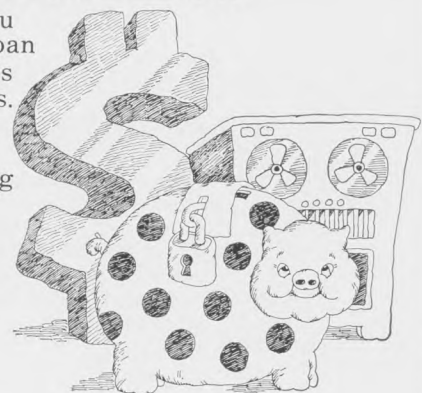
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tion to impose criminal and civil sanctions when these requirements are not complied with.

In addition to the imposition and enforcement of disclosure requirements, the supervisory agencies should make plain through interpretive regulations that corrective action will be taken where insiders or their interests receive benefits from their dealings with banks that are not generally available. The FDIC board presently takes such corrective action when presented instances of overreaching in applications of the various sorts. With comprehensive disclosure requirements, this policy might be applied more systematically. In

cases where voluntary compliance is not forthcoming, prompt enforcement action is necessary. A cease and desist order under Section 8(b) of the Corporation's Act is an effective vehicle for enforcement.

Such regulation would go far to curb overreaching and could be accomplished with a minimum of interference with the conduct of a bank's business. Ultimately, however, the most effective check on abuses by insiders is a board with sufficient information, inquisitiveness and independence to critically scrutinize and pass upon a bank's dealings with insiders and their interests. While judicial pronouncements re-

garding directors' responsibilities and liabilities do not describe a mode of conduct which will apply to all circumstances, it is possible to articulate certain guidelines which surely constitute good faith and reasonable diligence in the treatment of insider transactions.

First, a director should insist that he have adequate information to evaluate the soundness of the bank's dealings with insiders. Whether supervisory authorities require it or not, it seems to me that the bank's board should:

(1) Require the reporting of all significant interests of directors, officers, other key employees and substantial shareholders who are not members of the board;

(2) Require the reporting of all significant transactions between such individuals and the bank, including sufficient information on which to base an independent judgment with respect to the fairness of the transaction vis-à-vis the bank; and

(3) Require board approval of all or certain insider transactions and the establishment of procedures to insure the proper treatment of those for which approval is not required.

Second, in assessing a transaction between a bank and an insider, each director should satisfy himself that the transaction is a fair one and that the insider has not derived benefit at the bank's expense by virtue of his relationship to the bank. In making this judgment, it is well to recall the statement of the Supreme Court in the case of *Pepper v. Litton*. There, the Court addressed the matter of who must bear the proof in a court of law where an insider transaction was challenged. It seems to me that a director should engage in much the same critical exercise in his own review of an insider transaction.

The Court stated: "A director is a fiduciary. . . . So is a dominant or controlling stockholder or group of stockholders. . . . Their powers are powers in trust. . . . Their dealings with the corporation are subjected to rigorous scrutiny and where any of their contracts or engagements with the corporation are challenged the burden is on the director or stockholder not only to prove the good faith of the transaction but also to show its inherent fairness from the viewpoint of the corporation and those interested therein. . . . The essence of the test is whether or not under all the circumstances the transaction carries the earmarks of an arm's length bargain."

Preferential credit terms or a premium paid for assets are often viewed as a means of supplementing the compensation of an insider or as one of the benefits of association with a bank. However, the standard to be applied

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should be that of the market and, where the party on the other side of a deal is an insider, a director should take special care to satisfy himself that the terms and conditions of the transaction are at least as favorable to the bank as they would have been had the deal been negotiated with a non-insider. Application of a less rigorous standard is, in effect, to allow a wasting of bank assets.

Finally, it is important to emphasize the necessity of each board member's exercising and expressing his own independent judgment. Whenever a bank director functions as a rubber stamp for management or controlling interests, or merely goes along with the majority as a result of reticence or ignorance, he has ceased to serve his institutional function and has thereby abdicated his legal responsibility. It has been said that there are times when a "director should risk his position to the extent of brinkmanship if he is to contribute to the welfare of the bank and to discharge his trust." Where dealings between a bank and insiders are involved, the need for such independence is compounded. It is well to recall that a common element in many major bank failures of recent years has been a single individual who dominated his board.

To summarize, there are three key elements involved in a director's adequately fulfilling his institutional role and satisfying his legal responsibilities. These apply not only to the evaluation of insider transactions but to all decisions made in the supervision of a bank's business.

- He should insist upon sufficient information to make a considered decision;

- He should analyze and question critically the information provided until satisfied that a given transaction or policy is in the bank's best interest; and

- He should exercise and express independent judgment, not fearing to go on record as a dissenter.

I do not mean to be a doomsday prophet nor to suggest that insider transactions are bad *per se*. On the contrary, the vast majority of such relationships are more than fair to the banks concerned. Indeed, in many communities, dealings between a bank and its directorate are the life blood of the institution. At the same time, we must recognize that overreaching does occur, whether the result of tainted judgment or dishonest, and that its impact can be severe, as it was in San Diego.

We have the tools, which can be employed without undue burden, to better insure that abuse is minimized and that

the public does not come to believe that conduct such as that which occurred at USNB is standard operating procedure for bankers. It seems to me that the result of the imposition of these constraints will necessarily enhance public confidence in more efficient financial institutions. In light of the attention focused at San Diego and economic uncertainty generally, it seems to me that the time is ripe to employ these tools. • •

- **Robert B. White** has been named head of the operating group of First National City Bank, New York City. He is a senior vice president and succeeds Executive Vice President John

S. Reed, who will devote full time to the development of consumer business activities. Mr. White joined the bank in 1970, coming from Ford Motor Co.

- **Mellon National Corp.**, Pittsburgh, plans to acquire Local Loan Co., a consumer loan firm headquartered in Chicago with a portfolio of about \$90 million. The firm has 700 employees in 124 offices in 12 states.

- **Galbank, Inc.**, and **United States National Bancshares, Inc.**, both of Galveston, Tex., have received Fed approval to acquire voting shares of **Bankers Data Services, Inc.**, Houston.

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At Three Different Banks:

Syndicated Ad Campaign Based on One Theme Proves Successful



Mrs. Mary George Jordan Waite, pres., Farmers & Merchants Bank, Centre, Ala., points to "Heart of Gold" decal, which welcomes customers to her bank. "The Bank With the Heart of Gold" is theme of ad campaign provided Mrs. Waite's bank by Baltimore advertising firm for exclusive use in bank's market area.



"You Gotta Have Heart" bumper stickers are part of Farmers & Merchants of Centre's "The Bank With the Heart of Gold" campaign. Stickers are distributed to general public and are being used.



Imprinted balloons and colorful counter cards feature Centre bank's theme, "The Bank With the Heart of Gold," at each teller window.

DOES A syndicated, thematic advertising campaign pay off for a small or medium-sized bank in a highly competitive market area? Three banks in MID-CONTINENT BANKER'S territory believe it does and have success stories to back up their beliefs. The banks are First State, Abilene, Tex.; Farmers & Merchants, Centre, Ala., and First State, Gallup, N. M.

The Abilene bank uses a starry-eyed owl as the theme symbol of its "Wide-Awake Bank" campaign. The Centre bank calls itself "The Bank With the Heart of Gold." The Gallup bank believes it is "The Best of All Possible Banks." Each program is different to suit each bank's specific marketing problems.

All three campaigns are the brainchildren of Leon Shaffer Golnick Advertising, Inc., Baltimore, which refers to them as Golnick Bank Advertising/Marketing campaigns. Each bank has exclusive use within its market area of the particular promotion it is using.

The Golnick firm said the formula for all its campaigns (more than 1,000 banks across the country have used them the past 10 years) is the foundation for all successful advertising: Provide the advertiser with a comprehensive advertising/marketing program that will establish an appealing and memorable image, an identity that sets it apart from and above its competitors. Golnick said every one of its campaigns has a unique theme that gives a bank singular distinction, and the theme is

extended to all aspects of the bank's operation. The continuity, continued Golnick, has a cumulative effect, especially if it's dramatized in all media and carried out in coordinated merchandising aids.

As an example, take First State of Abilene's starry-eyed owl (one eye actually is in the shape of a star). This theme symbol of the bank's "Wide-Awake Bank" campaign is on the bank's front door to welcome customers. The owl is omnipresent—on teller badges, counter cards, bumper stickers, ash trays, coin savers—and is always reminding people at every turn that First State is the "Wide-Awake Bank."

Sydney Niblo, the bank's executive vice president, said, "When we started with this theme in '66, we had no idea the program would give us such strong identification that we would remain with it for more than eight years."

At the outset of the campaign in 1966, First State had deposits of \$36 million. Today, in the promotion's eighth year, the bank has deposits of about \$89 million—a 147% increase. And, Golnick reported, just about everybody in Taylor County knows First State as the "owl" bank or the "Wide-Awake Bank."

The program at Farmers & Merchants in Centre epitomizes the current trend of consumerism in bank advertising with its "The Bank With the Heart of Gold" theme.

Because there are few women bank presidents, Mrs. Mary George Jordan

Sydney Niblo, exec. v.p., First State, Abilene, Tex., stands below one of his bank's giant billboards that show theme symbol—starry-eyed owl—and theme line—"The Wide-Awake Bank"—of his bank's ad campaign. Note that one eye of owl actually is in shape of star.



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Everything you need.



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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.

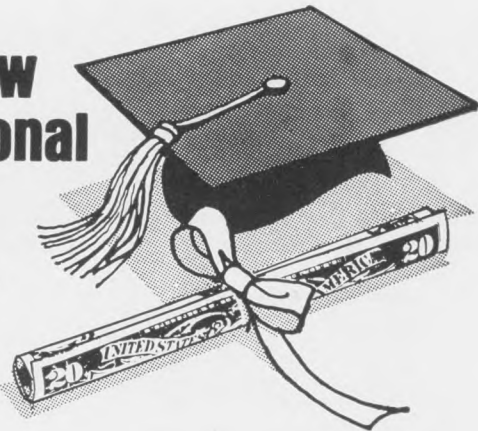
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Home Office: Raleigh, North Carolina

The know how for professional financing programs...

KCIC has it.



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Waite, F&M's president, wanted a campaign as unusual as her own position. She was doubtful of finding a complete, sure-fire program from local sources, and she was reluctant to search out and develop an untested idea with little to recommend it other than the fact that it had never been seen or heard before. What her bank needed was an advertising program that worked. Therefore, last January, Mrs. Waite decided on the copyrighted Golnick program.

"We really went into the program in earnest," she said. "In addition to print and custom-produced radio commercials, we use outdoor billboards. Our clock marquee sign and our postage meter carry out our theme identification. We even have our employees, directors and advisory directors all wearing 'Heart of Gold' pins to dramatize our theme. And if you call our bank, even the operators answer with our theme."

According to Golnick, Mrs. Waite's bank found that the theme gave it the identification it was looking for because it received complimentary comments from the public. For further identification with the "Heart of Gold" theme, the bank gave out hundreds of balloons and bumper stickers. As Mrs. Waite noted, "Cherokee County is saturated with them, and it's a joy to meet and pass cars promoting our theme line, 'You Gotta Have Heart.'"

"One of the most important aspects of our campaign," continued Mrs. Waite, "is that our theme provides an umbrella under which to develop special promotions such as 'Welcome to Our Town' and '24 Karat Kar Loans,' which we'll concentrate on this fall."

Mrs. Waite said she believes the Golnick company fills an important niche in the banking industry by providing medium-sized banks with a theme line, theme symbol and a complete campaign that has been proved successful. She described the music, radio commercials and print material as of the finest professional quality.

"We look and sound as good as any size bank in the largest markets in the country," she said. "We feel that our Golnick campaign already has helped us grow, for our deposits increased 16% in the first six months of the campaign."

The public hears claims of "the best" from just about every business and product and usually tends to dismiss this superlative. However, in Gallup and the surrounding area, residents have responded to and accepted First State as the "Best of all Possible Banks," according to the Golnick firm. Another long-term Golnick customer, First State of Gallup has been the "Best of all Possible" since 1970, when

assets totaled \$19 million. With \$40 million in assets today, First State has achieved more than 100% growth in four years.

"We have had years of opportunity to see the effectiveness of a theme line," said Executive Vice President David A. Ruiz, who initiated the Golnick program. "The Golnick theme," he noted, "touches every major aspect of advertising and promotion, such as

the Gallup *Independent*, *The Navajo Times* and Radio Stations KQAK, KYVA and KHAC."

This saturation of the "Best of all Possible Banks" theme has done more than create an image of service in the public's mind, Golnick reported. As Mr. Ruiz pointed out, the theme line tells First State employees what customers expect from them—continuation of the best service.

These three case histories show how banks can adapt successful, market-tested, syndicated advertising/marketing programs that promote one theme. And, as is the case with the Golnick firm, these programs are copyrighted and are exclusive with one bank in its market area, thus eliminating the possibility of a competitor imitating the program in any way. • •

NABW Installs Officers At Annual Convention At Walt Disney World

ORLANDO—Sally S. Buck, senior vice president and treasurer, Citizens Trust, Portsmouth, Va., has been elected president of the National Association of Bank Women for the 1974-75 year. Incoming vice president is Patricia Weninger, assistant vice president, Fidelity Mutual Savings, Spokane, Wash.

Elected to serve as secretary was Geraldine R. Eidson, vice president, Ridglea State, Fort Worth, and Mary F. Holstad, investment officer, Central National, Des Moines, Ia., is incoming treasurer.

Among the 15 newly elected regional vice presidents are six serving the Mid-Continent area. They are Marjorie



TAGGART

CAPPS

BARNES

ELLISON

CRENNELL

JONES

Crennell, vice president, Warren (Mich.) Bank—Lake Region; June Darby Ellison, public relations officer, Mercantile Trust, St. Louis—Midwest Region; Doris Taggart, assistant vice president and public relations officer, Zions First National, Salt Lake City—

Rocky Mountain Region; Patricia T. Barnes, assistant vice president, American Bank, Baton Rouge—South Central Region; Caroline C. Capps, assistant vice president, Birmingham (Ala.) Trust National—Southern Region; and Marjorie Jones, assistant vice president, Peoples National, Tyler, Tex.—Southwestern Region.

The new officers were installed at the organization's annual convention held at Walt Disney World last month.



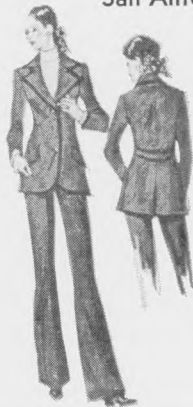
WENINGER

BUCK



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NEWS

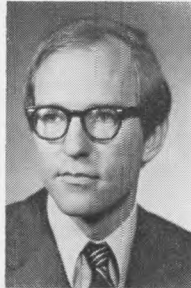
From the Mid-Continent Area

Alabama

■ **FIRST NATIONAL**, Birmingham, has named William Larry Hand an executive vice president. He had previously been senior vice president and head of the bond department. He has been succeeded by William J. Billingsley, vice president, who had been serving as portfolio manager. Other promotions include Robert H. G. Waudby to vice president and branch manager, Mrs. Peggy K. Goodwin to assistant vice president and branch manager, David R. Pruet Jr. to assistant cashier and assistant branch manager and Russell S. Frazer to assistant branch manager.

■ **O. CLAYTON DOBBINS** has been elected vice president and controller at Bank of the Southeast, Birmingham. He was formerly with an accounting firm.

HAND



■ **BENNETT S. WEST** has been promoted to business development officer of Central Bank of Alabama's Huntsville-Madison County area banks. He joined the bank in 1965.

■ **FIRST ALABAMA BANCSHARES, INC.**, Montgomery, has acquired Phenix National, Phenix City, and Farmers & Marine Bank, Bayou La Batre. The HC is awaiting agency approval to acquire Citizens Bank, Moulton.

■ **EXCHANGE SECURITY BANK**, Birmingham, has promoted Delores H. Jacobs, Carol C. Lindsay and Catherine Parsons to assistant cashiers.

■ **CITY NATIONAL**, Dothan, has promoted Mrs. Robert L. Powell to assistant to the president, Bill Cranford to auditor and Robert H. Harrison to loan officer.

■ **WAYNE W. MALONE**, president, First National, Russellville, has been chosen as one of the four outstanding young men in the state by the Alabama Jaycees.

■ **FIRST NATIONAL**, Tuscaloosa, has opened its new University Branch, located near the University of Alabama campus. Free houseplants were distributed each day of the grand opening and a 10-speed bicycle was awarded at a drawing.

■ **LEN B. SHANNON**, former vice president and general manager, Harris Communications Systems, Dallas, Tex., has been named executive assistant to the president, Central Bancshares of the South, Inc., Birmingham.

■ **NATIONAL BANK OF COMMERCE**, Birmingham, has promoted Ronald W. Currin to executive vice president and Mrs. Gail K. Gentry to vice president and cashier. Mr. Currin joined the bank in 1970 and Mrs. Gentry in 1972.

■ **FIRST NATIONAL**, Montgomery, has named John E. Hixon and Charles B. Savage vice presidents and marketing officers, Mrs. Jen Mooney vice president and women's division officer, R. Ray Rossell assistant vice president and branch manager and G. Guy Hayes assistant branch manager.

Arkansas

■ **COMMERCIAL NATIONAL**, Little Rock, has promoted four branch managers to branch officer status. They are James B. Argue Jr., Jim Hallford, David A. Short and Alan Tegethoff.

■ **WORTHEN BANK**, Little Rock, has elected Sister Margaret Vincent Blandford, Dr. Raymond P. Miller Sr. and Hardy Lathan Winburn to its

Presenting Don Lamon

He's heading up our expanded correspondent bank department

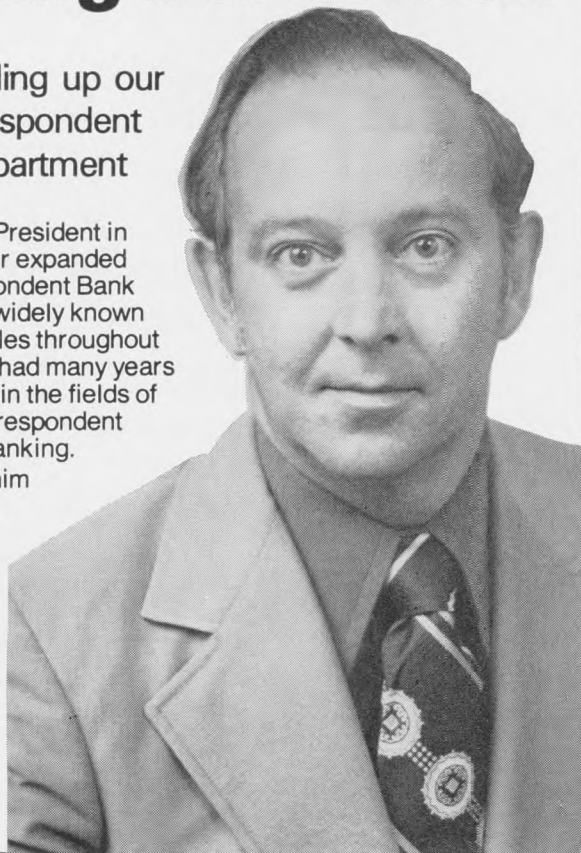
Don Lamon is Vice President in charge of our expanded Correspondent Bank Department. He is widely known in banking circles throughout Alabama and has had many years of experience in the fields of investments and correspondent banking.

In Alabama call him toll free at 1-800-392-5821.

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Not all business trips have to be all business.

A lot of correspondent bankers take you fishing. Or hunting. Or to play golf. But how many ever get around to solving your problems?

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We think you'll like doing business with us whether we're working together in your

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And when you do spend some time with us here in Mobile, bring your golf clubs and fishing rod. There'll be time for that kind of business too.

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First National Bank of Mobile



board. Sister Margaret Vincent is a hospital administrator, Dr. Miller is a physician and Mr. Winburn is president and chairman of a tile manufacturing firm.

■ MRS. BARBARA EVANS has been promoted to cashier at Merchants & Planters, Arkadelphia. She joined the bank in 1967 and had been assistant vice president since last November.

■ JAMES G. DICKSON, vice president and cashier, Twin City Bank, North Little Rock, retired recently after 38 years with the bank. He joined Twin City Bank in 1932 and rejoined it in 1936, following service with the Federal Reserve Branch in Little Rock.

■ GRAND NATIONAL, Hot Springs, has promoted Mrs. Carolyn Phillips to assistant vice president and Jim Ferguson to assistant cashier and loan officer.

■ WALTER E. "WALLY" DeROECK has been elected president of Citizens Bank, Jonesboro. He was formerly executive vice president and has been with the bank nine years.

■ PULASKI BANK, Little Rock, has been acquired by Pulaski Investment Corp., a newly formed bank HC.

Illinois

■ UNION NATIONAL, Streator, celebrated its 100th anniversary in August with a two-week-long series of special events, including the lighting of a 100-candle, three-tier birthday cake by the Illinois Secretary of State, the unveiling of oil portraits of the bank's past presidents, the awarding of \$100 cash for five days, an open house at which a seven-day Caribbean cruise for two was awarded and a guessing contest for youngsters with 10-speed bikes going to the two top winners. Officers and staff dressed in 1800-style clothes during the celebration.



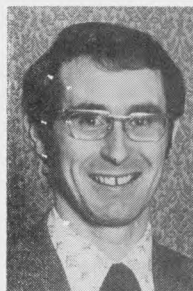
Portion of crowd of 7,000 who attended open house in observance of centennial of Union National, Streator. Note birthday cake on display.



GRIMBERG



HEADRICK



BYRNE

■ NATIONAL BOULEVARD BANK, Chicago, has promoted Howard J. Grimberg to vice president in charge of the bond department and Richard C. Petersen to assistant vice president in the bond department.

■ BENTLEY G. McCLOUD JR. has retired as executive vice president of First National, Chicago. He was with the bank 40 years, joining it in 1934. He had been in charge of the bond department since 1969.

■ FRANK B. CHAUNER has been named a second vice president in the investment management division of the trust department at Northern Trust, Chicago.

■ AMERICAN NATIONAL, Chicago, has named Howard E. Lovely administrative vice president, Richard F. Sherman vice president, Michael J. Byrne correspondent banking officer, Roger W. Keefner real estate officer, Fredrik C. C. Schokking, international banking officer in the London office and Charles W. Trautner educational loan officer. Mr. Byrne joined the bank in 1969 as a credit service representative and moved to the correspondent department last February. He will travel in Missouri and Iowa.

■ JAMES E. OLSON, president, Illinois Bell Telephone Co., has been named a director of Harris Bankcorp., Inc., and Harris Trust, Chicago. He succeeds Charles L. Brown, former Illinois Bell president, who resigned recently.

■ JOHN M. HEADRICK has been elected assistant vice president of First National, Alton. He has been in banking since 1959 and will work in business development.

■ MEREDITH NICHOLSON III has been elected president of Glenview State. He succeeded John H. Beaulieu, who was promoted to vice chairman and CEO. Mr. Nicholson was formerly executive vice president at American Fletcher National, Indianapolis; chairman, First National, Evanston; and, most recently, president, American National, South Bend, Ind.

■ MRS. MARY J. McNAY has been named installment loan officer at Town & Country Bank, Quincy. She has been with the bank three years.

Indiana

■ AMERICAN FLETCHER NATIONAL, Indianapolis, has named Aline F. Anderson vice president and trust officer, elected Peter Poolos assistant vice president and named R. Dean Fasig and John M. Sturm banking center managers.

■ IRWIN UNION BANK, Columbus, has named Carl VanZant, vice president and trust officer, head of the bank's trust division. David L. Fisher has been promoted to assistant trust officer. They joined the bank in 1970 and 1969, respectively.

■ DWIGHT G. DEETER has been named assistant vice president at American National, South Bend. He was formerly with a local finance firm.

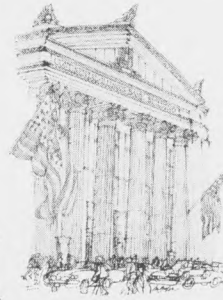
■ WILLIAM H. MONTGOMERY JR. has joined First National, Kokomo, as assistant cashier in the commercial loan department. He was previously with Valley National of Arizona, Tucson.

■ NORTHERN INDIANA BANK, Valparaiso, has named William F. Gernand vice president and trust officer and James E. Hall commercial loan officer. Mr. Gernand was with Fort Wayne National and Mr. Hall was with First National, LaPorte.

■ LINCOLN NATIONAL, Fort Wayne, has elected Robert V. Dewart and Robert C. Marshall assistant cashiers. Mr. Dewart will continue as an assistant branch manager and Mr. Marshall will continue as a loan officer.

■ ANTHONY WAYNE BANK, Fort Wayne, has promoted Louis R. Wade II to assistant vice president and David J. Scheer to assistant cashier.

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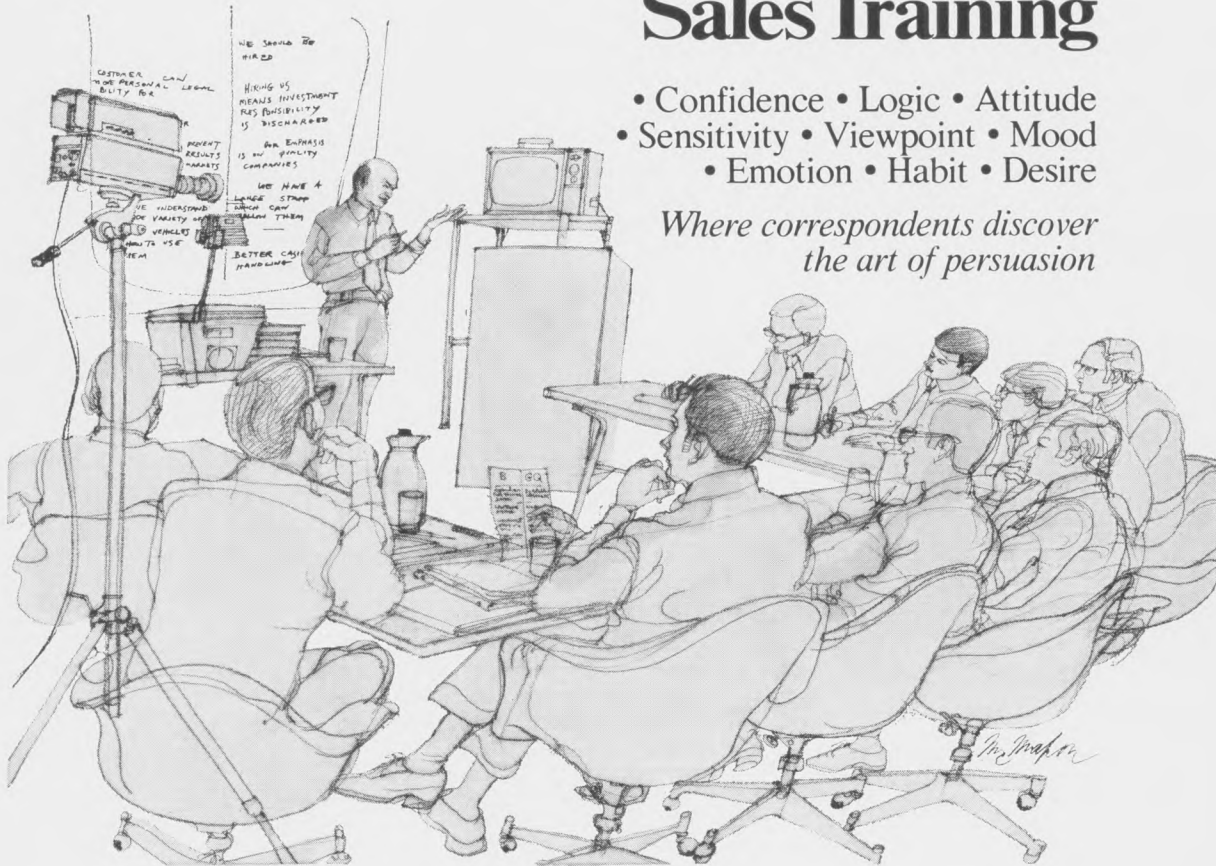


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Kansas

■ RICHARD LASHBROOK has been named president and a director of First National, Manhattan, effective November 1. He was formerly vice president, Roeland Park State. He will succeed Alvin A. Hostetler in the president's post. Mr. Hostetler will continue as chairman.



LASHBROOK

■ MRS. DORA L. HEAD has joined Union National, Wichita, as assistant trust officer. The bank has promoted Gary W. Fruits to assistant cashier from assistant auditor.

■ MIKE GLASS, vice president and cashier, Southwest National, Wichita, was elected president, Young Bank Officers of Kansas, at the group's annual meeting last month. He succeeded Dale Esmond, executive vice president, Farmers & Merchants State, Derby. Other new YBOK officers are: vice president, Dale A. Bradley, executive vice president and cashier, Citizens State, Miltonvale; secretary, Terry Odle, vice president, First National, Salina; treasurer, Ray Makalous, correspondent banking officer, First National, Topeka, and directors, Murray Lull, vice president, Smith County State, Smith Center; Robert Hyde, vice president, Union State, Clay Center, and Peter Clune, Roeland Park State.



Young Bank Officers of Kansas' new officers are: (seated, l. to r.) Terry Odle, sec.; Mike Glass, pres., and Dale Bradley, v.p.; (standing, l. to r.) Ray Makalous, treasurer, and Dale Esmond, Robert Hyde and Murray Lull, directors.



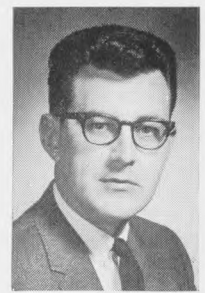
PAUL

■ KANSAS STATE BANK, Wichita, has installed a new 24-hour self-service teller unit that replaces its Action Cash dispensing machine. The new unit, a Diebold TABS total automatic banking system, will enable customers to make cash withdrawals, deposits and loan payments as well as transfer funds from one account to another.

■ PEOPLES NATIONAL, Burlington, has announced plans for a new bank building that will increase the bank's floor area from 2,500 to 8,000 square feet. The new building will be located one block from the present 90-year-old site. Completion is planned for next summer.

■ RICHARD P. ROYER has been elected trust officer at Peoples Bank, Pratt. He was formerly executive vice president and trust officer at St. Marys State.

■ C. R. (DICK) McPHERSON has been elected a director of Citizens National, Emporia. Mr. McPherson joined the bank last May as vice president and assistant to the president.



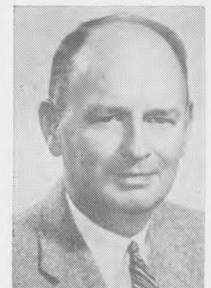
SMITH

vice president and trust officer. He was formerly a partner in a local CPA firm.

■ LOUISVILLE TRUST has promoted Richard L. Paul from senior vice president to executive vice president, Charles R. Smith and Walter I. (Sandy) Beale from vice presidents to senior vice presidents and Thomas E. Pfau from vice president and senior trust officer to senior vice president and executive trust officer in charge of the trust division. Mr. Pfau succeeds William L. Jones, senior vice president, who retired recently following 40 years with the bank.



PFAU



GATHRIGHT

Kentucky

■ FRANKLIN J. KNOOP has joined Citizens Fidelity, Louisville, as vice president and manager of the purchasing department. He was formerly with the *Courier Journal* and *Louisville Times*. He succeeds James E. Markham, who has been named a vice president in the audit department.

■ JOHN D. GRIDER has joined Citizens National, Bowling Green, as a

vice chairman and former president, First Kentucky Trust, Louisville, retired last month after 36 years with the firm. He joined First Kentucky Trust in 1938, following law practice and service as assistant city attorney for Louisville.

■ CITIZENS FIDELITY, Louisville, has promoted Robert E. Aldridge from vice president to senior vice president and operations manager of the corre-

CNB

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MAX DICKERSON



JOHN FRENCH

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The only helicopter relay service to help you meet the 10 A.M. Clearing House deadline

Getting 0210 items to the N.Y. Clearing House in time to beat the 10 a.m. gavel can be a problem for out-of-town banks. Miss a plane connection or get caught in a traffic jam, and your funds aren't "good" until the next day.

Manufacturers Hanover has found a better way to help you beat that clock. We call it the "Early Bird," a service designed to expedite cash letters arriving at La Guardia Airport during the morning rush hours. Here's how it works:

Send us your items via the priority parcel

service of the major airlines. One of our staff will personally pick up the parcel and board a helicopter as late as 9:10 a.m. to speed your items to our Check Processing Department. There, a team will be standing by to process your items with a speedy "check-out" system.

"Early Bird" is the only relay service of any major New York bank that uses a helicopter to convert your normally "late" items into "instant money."

And Manufacturers Hanover is already doing it for correspondents

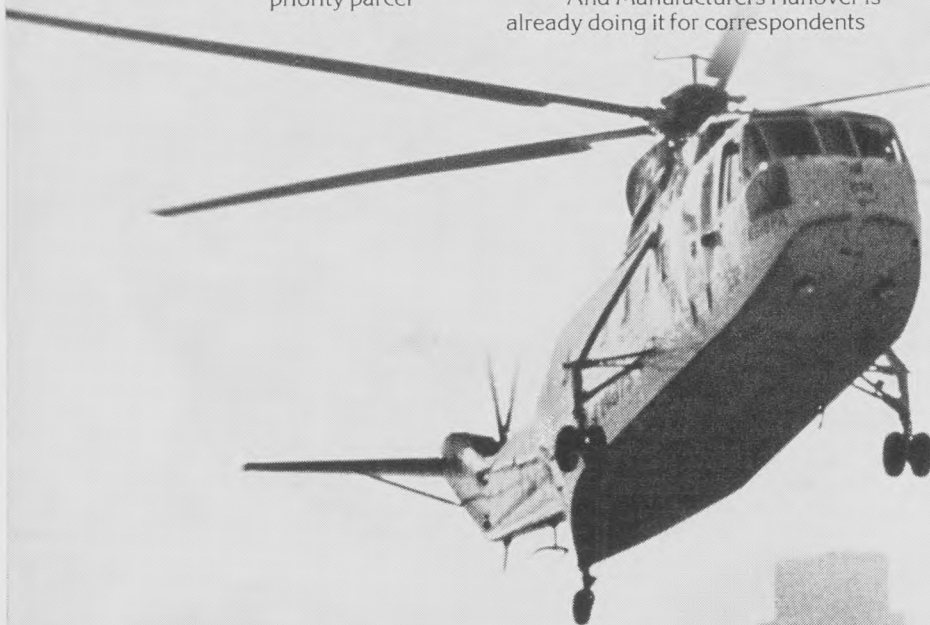
as far away as Houston, Texas.

If you'd like more information about how your bank can use our "Early Bird," call or write Herbert V. Fink, Assistant Vice President, Operations Department, 4 N.Y. Plaza, New York 10015. Tel: (212) 623-3506.

Just tell him you want "the word on the bird."

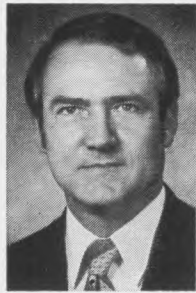
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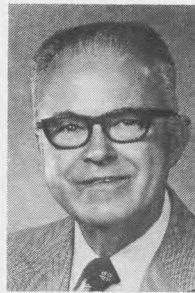
ALDRIDGE



SLOANE



MILES



DRIES



BARR



RUE

spondent banking division. Hobert Sloane has been promoted from assistant vice president to vice president in the same division. In addition, William Fox, vice president, has assumed new duties in the bond department and Michael Walz, vice president, has joined the correspondent department staff and is calling on banks in central Kentucky. Darrell Thore, assistant cashier, has been named inside officer manager in the correspondent department. In other action, the bank has elected S. Terry Irvin and Frank O. Keener vice presidents.

■ JOHN W. BARR III will become chairman and A. Stevens Miles presi-

dent and CEO of First Kentucky National Corp., Louisville, January 1. On December 31, Hugh M. Shwab, now chairman, will retire at 65 under the regular retirement program. Mr. Barr now is vice chairman, First National Bank, a subsidiary of the HC. Mr. Miles is president of the bank and also of First Kentucky Trust, Louisville, another HC subsidiary. In other action, the HC has elected William M. Rue executive vice president and secretary and Sylvester I. Dries vice president and treasurer. Mr. Rue also is executive vice president, corporate and financial services group, First National Bank, where Mr. Dries is a vice president.

Louisiana

AIB Chapter Honored



The Northeast Louisiana AIB Chapter was honored recently as the outstanding chapter of the year in District V. Pictured are (from l.) Wendell Shelton, incoming chapter president; Ed Crump, North Louisiana associate councilman; and Roy Martinez, last year's chapter president.

■ BANK OF NEW ORLEANS has promoted Jose M. Bonilla and Jose A. Gonzalez to international officers in the international banking department.

Downtown Facility for ICB

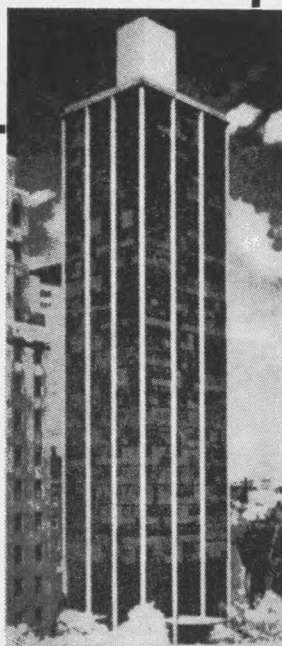


International City Bank, New Orleans, has opened a "walk-thru, see-thru" office in the downtown business section. Included on the premises is this 24-hour Mosler Tellermatic unit. At left is Eads Poitevent, president and chairman, and at right is Donald E. Feldheim, assistant vice president and manager of the office. The facility also offers lobby hours six days a week.

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When it's a question of profit or loss...

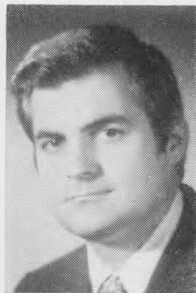
Let's talk.

Let's talk. Let's open new avenues of communication so that we get to know each other better. So that we know, and better understand, your problems. So that you know, and better use, our experience. As we've traveled down the road of ninety years of banking, we've gained worlds of experience. The kind of experience that helps banks turn losses into profits . . . the kind of experience that it's easy — and nice — to share. So — let's talk. Ask. Inquire. Question. Request. Your man from the Whitney knows — or knows where he can learn.

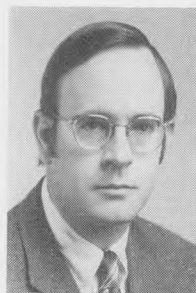
Whitney
NATIONAL BANK OF NEW ORLEANS
Established 1883



HUGHES



RICHEY



BYRD



WILD



McNEECE



SEWELL

■ **FIRST NATIONAL BANK OF COMMERCE**, New Orleans, has appointed Guy W. Byrd as senior vice president and coordinator of the correspondent and regional banking divisions. He was formerly with First National City Bank, New York City, serving in Louisiana, Alabama, Arkansas and Mississippi. Two other senior vice presidents were appointed—Robert D. Richley, who is manager of marketing and public relations for First Commerce Corp. and director of First Advertising Agency, a division of the HC, and Samuel D. Hughes, who is coordinator of the national and international banking divisions of First NBC. Allen E. Frederic was promoted to vice president and manager of the national accounts division, Glen W. Hayes was

named vice president and manager of the cash management department, Keith D. LaRose was named banking officer, Julian C. Freel Jr. was named cash management officer and John H. Palmer was named chairman of the trust committee and vice chairman of First Investors Management Co., Inc.

■ **IRWIN WILD** has retired as vice president of Guaranty Bank, Alexandria, following 37 years with the bank. He joined the bank in 1937 and had been in the correspondent department since 1972. The bank has promoted Lee H. McCann to assistant vice president. He joined the bank in 1972.

■ **RICHARD A. McNEECE** has been appointed financial vice president and

treasurer of Hibernia Corp., HC controlling Hibernia National, New Orleans.

Mississippi

■ **BROOKHAVEN BANK** has promoted Lee Roy Sanders and Mrs. Rebecca Vaughn to assistant vice presidents. They joined the bank in 1967 and 1962, respectively.

■ **CHARLES H. SEWELL** has been elected executive vice president, Deposit Guaranty Corp., Jackson. He continues as president of DGC Services Co. and senior vice president of Deposit Guaranty National. He will also continue to serve as coordinator of the Deposit Guaranty Plaza construction project.

Missouri

■ **JAMES ANTHONY** has been elected executive vice president, Summersville State, and will act as chief executive officer. Mrs. Margaret Bell has succeeded her late husband, Lee, as president. Mr. Anthony came from the Bank of Iberia. He attended the Graduate School of Banking, University of Wisconsin.

■ **ROBERT C. SCHMIDT JR.** has been promoted to vice president at First National, St. Louis. He is manager of client services. Also promoted were Michael F. Timmerman to international banking officer and Nellie M. Russell to manager of the Chippewa Banking Center.

■ **AN APPLICATION** for a charter to organize Mehlville National, St. Louis County, has been filed with the Comptroller of the Currency. Among the organizers of the new bank are William E. Peterson Jr., chairman and CEO, and Clifford A. Schmid, president, Chippewa Trust, St. Louis. No official relationship between the two institutions is planned.

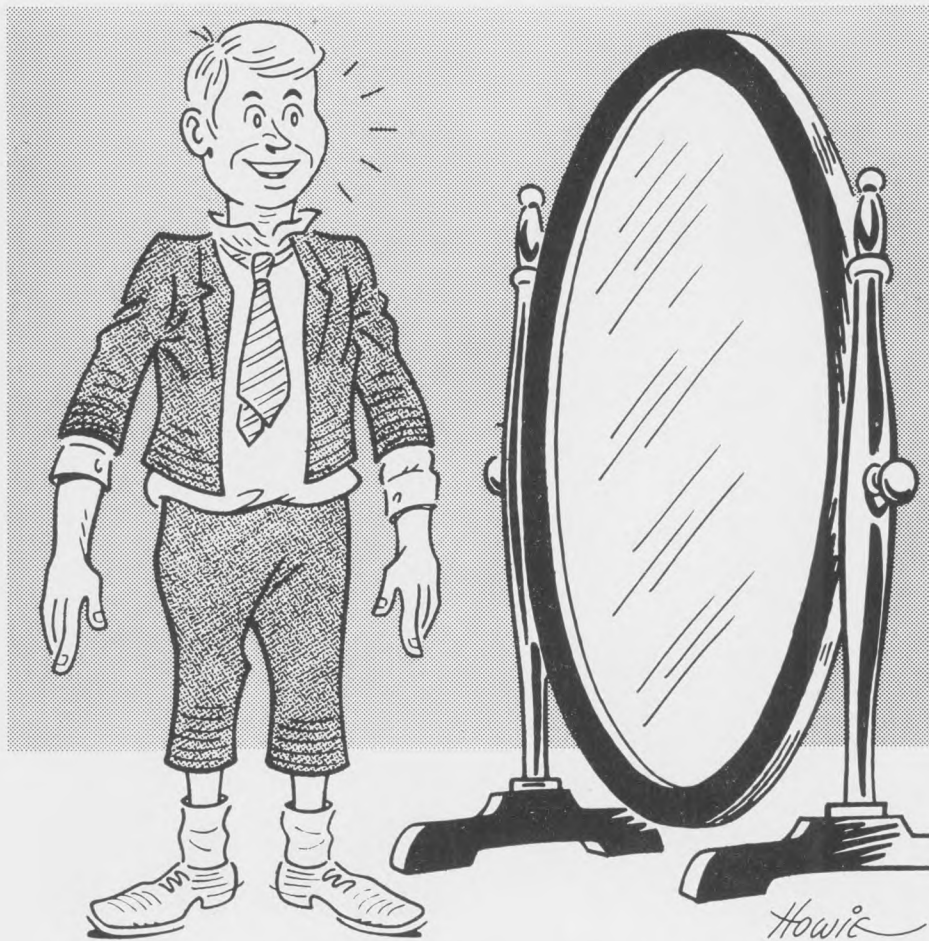
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Our size is such that we can perform the desired functions of a regional bank but without losing the personal touch. When calling, ask for Howard, Alan, Bill, Joel or Ed.



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McCOMB, MECHANICS BANK/MONTICELLO, MONTICELLO BANK/NATCHEZ,
CITY BANK & TRUST CO./NEWHEBRON, NEWHEBRON BANK/
AND OFFICES IN CLINTON AND PEARL.

'Bank-Fest' Gets Underway



The ribbon is cut to open officially the new facility of Boatmen's Bank of Concord Village. Pictured, l. to r., are: Bernard Kloster, a bank director; Edwin J. Kadlec, pres.; Earl J. Gates, ch.; State Senator Frank Mills; Donald N. Brandin, ch., Boatmen's Bancshares, Inc., St. Louis, multi-bank HC to which Boatmen's of Concord Village belongs; Carl W. Brehan (partially hidden behind Mr. Brandin), unsuccessful candidate for the Republican nomination for St. Louis County supervisor in the August primary; Don Anton, successful candidate for the Democratic nomination for the same post, and William F. Unwin, v.p. & cash. Mr. Brandin also is ch., CEO and pres., Boatmen's Nat'l, St. Louis, lead bank of the HC. About 14,000 persons attended the opening—called a "Bank-Fest"—between 2 and 8:30 p.m. on a Saturday. There were free food and cotton candy for everyone, free games for youngsters and entertainment that included music by a German band.

■ **COMMERCE BANCSHARES, INC.**, Kansas City, has promoted James Fowler to vice president in charge of real estate and construction and named John Wells an assistant vice president

in the personnel department, where he serves as director. Mr. Fowler joined the HC in 1970 and Mr. Wells joined in 1969. In other action, the HC has received Fed approval to acquire Mound City Trust, St. Louis.

■ **UNITED MISSOURI BANK**, Kansas City, has elected Joseph D. Henderson a vice president. He will head a new agricultural business division and will assist correspondents in the food producing and processing areas. In other action, the bank has promoted F. W. Stutz Jr. to vice president and trust operations officer, Dean W. Tucker to trust real estate officer, Mary Sue Nelson to bond underwriting officer and Stephan P. Blackburn to assistant cashier.

■ **RAY L. RUBY** has been promoted from executive vice president to president and CEO at Charter Bank of Jennings. He succeeds Alfred R. (Bo) Naunheim, who has been named executive vice president of First National Charter Corp., Kansas City-based HC with which Charter Bank of Jennings is affiliated. Mr. Naunheim will continue as chairman of Charter Bank of Jennings.

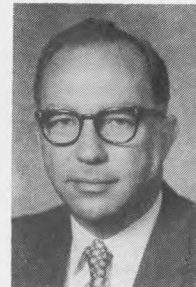
■ **AMERICAN NATIONAL**, Springfield, has received Comptroller approval to exercise trust powers and has named Dean Alumbaugh its trust officer and Richard E. McEachen, senior vice president, First National, Kansas City, as advisory trust officer. Mr. Alumbaugh joined the bank last year.



FOWLER



HENDERSON



RUBY



NAUNHEIM

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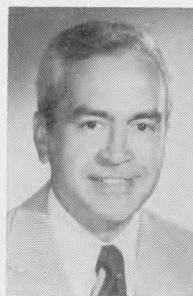




TOOLEY



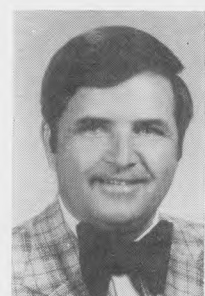
LICHTENSTEIN



KRIEG



LUNDSTROM



PATTERSON

■ APPLICATION has been made for Commerce Bank of Clay County, Kansas City. Organizers include D. Peter Newquist, Konrad L. Heid, Thomas J. Brown and Gary Callaway, all of Commerce Bancshares, Inc., Kansas City-based HC. The HC plans to acquire the bank after it is organized.

Rau Named AVP

James J. Rau, a member of the regional banking department at First National, St. Louis, has been promoted to assistant vice president. He was formerly a commercial banking officer. He travels for the bank in Tennessee, Alabama, Texas, Oklahoma and Louisiana.



RAU

■ CHARLES T. TOOLEY has been elected a vice president at Mercantile Trust, St. Louis. He joined the bank in 1940. Also promoted were John C. Conrades to trust officer, Robert P. Cange and Thomas M. McCoy to international banking officers and Joseph R. Fitzsimmons to manager, customer service center. Mercantile Bancorp. has completed affiliation with Lewis & Clark State, St. Louis County, and has received Fed approval to acquire Drovers & Merchants, St. Joseph.

■ WADE HAMPTON has been elected chairman of Central Trust, Jefferson City. He joined the bank in 1937. He was formerly executive vice president.

■ GAYLE W. LICHTENSTEIN, president, Brentwood Bank, has been elected chairman of American National, Brentwood and City banks. He succeeds his father Philip F. Lichtenstein, who died in June. American National and City Bank are in St. Louis. Brentwood Bank is in a St. Louis suburb. Gayle Lichtenstein is former vice chairman of American National and City Bank.

■ JERRY D. LUMPE has been appointed chairman of Community Bank, Warsaw, succeeding his father, W. J. Lumpe. Jerry Lumpe continues as vice president and his father continues as president.

■ FIRST CITY BANK, Springfield, has changed its name to United Missouri Bank of Springfield. The bank was recently acquired by United Missouri Bancshares, Inc., Kansas City-based HC.

■ FARMERS & MERCHANTS BANK, Bolivar, has changed its name to Commerce Bank of Bolivar. The bank was acquired by Commerce Bancshares, Inc., Kansas City-based HC, earlier this year.

■ MICHAEL P. DOLAN has been elected executive vice president at First National of Wellston, St. Louis. He was formerly senior vice president and a director of Commerce Bank, University City.

■ HARVESTER NATIONAL, St. Charles, has appointed Charles Hafer and Carleton Bruns to its advisory board.

■ CASS BANK, St. Louis, has raised Harry J. Krieg, former president, to chairman, and named Douglas E. Lundstrom, former executive vice president, as president. Mr. Krieg succeeds H. C. Hartkopf, who retired as chairman earlier this year. Mr. Krieg joined the bank in 1955, Mr. Lundstrom in 1958.

■ FIRST NATIONAL, St. Louis, has promoted J. Benjamin Courier Jr. and



COURIER



DIERKS

David A. Dierks of the regional banking department from commercial banking officers to assistant vice presidents. Also advanced from commercial banking officer to assistant vice president was Peter Gray Mills of the cash management department. Jennie M. Pipitone was named a personal banking officer in the personal banking department.

■ FIRST NATIONAL, Joplin, has promoted Charles L. Patterson to vice president, Tim Johnson to second vice president and Mickie LaNear to assistant cashier.

New Mexico

■ EDDIE YBARRA has joined Mimbres Valley Bank, Deming, as assistant cashier. He was with Farmers & Merchants, Las Cruces.

■ SANTA FE NATIONAL has named Robert E. (Ed) Lockhart, senior vice president, senior loan officer and credit officer at the head office. Larry L. Logan, vice president, has been named manager of the Southside Branch to succeed Mr. Lockhart. Jerry T. Wolff, vice president, has been named manager of the Cerrillos Road Branch.

■ CITY NATIONAL is the name of a proposed \$5 million bank to be established in the downtown area of Albuquerque if its application for a charter is approved. Spearheading the charter drive is Cale Carson Jr., a former president of First National.

■ FIRST NATIONAL of Dona Ana County, Las Cruces, has broken ground for its new South Main Motor Branch. The quarter-million-dollar facility is expected to be open by Christmas.

■ WESTERN BANK, Clovis, has received FDIC approval to organize. Eddie Pullman has been named president and CEO. The bank is expected to open next July 1 in a building soon to be constructed.

■ CITIZENS BANK, Gallup, has

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Republic Portfolio Advisory Service to correspondent banks. It could give your portfolio a new lease on life.

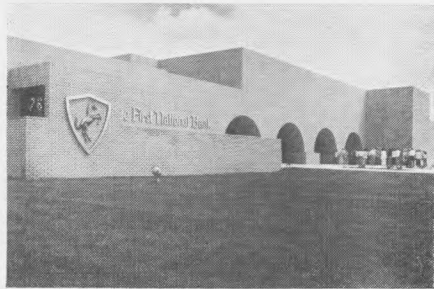


**REPUBLIC NATIONAL BANK.
THE ACTION BANKERS**

elected Jerry R. Spurlin vice president and Nada P. Cline cashier. Billie G. Gray has been elected assistant cashier.

■ **THE FEDERAL RESERVE BANK** of Kansas City and the New Mexico Bankers Association sponsored an economic forum for northern New Mexico bankers recently in Albuquerque. Speakers were Thomas E. Davis and Sheldon W. Stahl, vice presidents; and C. Edward Harshbarger, research officer, all with the Kansas City Fed.

■ **FIRST NATIONAL**, Tucumcari, has moved into its new building, which combines a contemporary look with New Mexico's traditional Spanish architecture. The interior features a black wrought iron stairway, a multi-colored, circular rug in the visitors' area and two distinctive chandeliers—one huge modernistic one made of metal to which clear glass globes are attached like diamonds on a ring; the other one a more delicate design and imported from Mexico. The building has three drive-in lanes and a mini-bank area. The latter allows First National to provide many types of bank services during extended hours after the main lobby is closed.

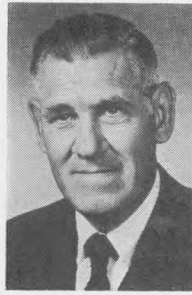


This is new home of First Nat'l, Tucumcari. Although it has contemporary design, its architecture also suggests Spanish heritage of bank's area. Note unusual location of time-and-temperature sign at left.

Oklahoma

■ **WILFRED A. CLARKE** has been elected president of Fidelity Bank, Oklahoma City, succeeding the late Grady D. Harris Jr. He was formerly president and CEO of Bank of New Mexico and president of the Springer Corp., both in Albuquerque. Forrest D. Jones has been elected an executive vice president of the bank and its HC, Fidelity Corp. of Oklahoma, and Pierce M. Gandy has been elected to the board and executive committee of the two firms. Mr. Jones was a senior vice president of the bank.

■ **JOSEPH T. CREPPS** has been elected a senior vice president at First



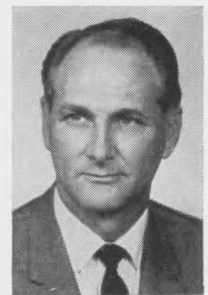
CLARKE



CREPPS



IRETON



BELLER

National, Oklahoma City. He was formerly president of May Avenue Bank. The bank has formed three new banking groups, each headed by a senior vice president. Mr. Crepps heads the corporate group, which includes the national, international and correspondent bank divisions; the commercial group is headed by Eldon Beller; and the special industries group is headed by Greg Iretton.

■ **CECIL EPPERLEY** has been named assistant cashier at First National, Bartlesville. He joined the bank last year. The bank has opened a new "Minibank" in the downtown area that includes about 1,000 square feet of floor area.

■ **NATIONAL BANK OF TULSA** has elected C. Steven Woodley assistant vice president and promoted John M. Davis to planning officer and Robert A. Jolley to accounting officer.

■ **SHAMROCK BANCSHARES, INC.**, Coalgate, has become a bank holding company through acquisition of First National, Coalgate.

■ **NATHANIEL "NATE" ROSS** has been elected a senior vice president and commercial officer at May Avenue Bank, Oklahoma City. Robert L. Vick was named an assistant vice president.

■ **JON BLOCKER** has been elected assistant cashier and installment loan officer at City Bank, Tulsa. He joined the bank in 1972, coming from National Bank of Tulsa.

Tennessee

■ **MICHAEL A. PATTEN** has joined American National, Chattanooga, as trust officer. He recently retired from the U. S. Navy.

■ **ALLEN KENNEDY**, assistant vice president, Third National, Nashville, has been elected president of the Nashville AIB Chapter. Other officers (see photo) include (from l.) Reba Harris, Memphis Fed, second vice president; Ruth Dobbs, First American National, first vice president; Frank St. Charles, Commerce Union, chief consul; Mr. Kennedy; Betsy Anderton, Nashville City Bank, treasurer; Nancy Lane, secretary.



■ **NATIONAL BANK OF COMMERCE**, Jackson, has promoted Ray Martin from loan collection officer to assistant vice president and Ted Welch from consumer lending officer to assistant vice president. The two will direct the consumer lending effort of the bank as a team.

■ **BENNY R. LOWE** has been elected assistant cashier by Hamilton Bank, Johnson City. He joined the bank in 1970.

■ **DONALD E. FREE** has been named president and CEO of Hamilton Bank of Warren County, McMinnville. He succeeds F. C. Boyd, who was president and chairman since 1971 and who remains as chairman.

■ **HAMILTON NATIONAL**, Chattanooga, has elected Robert B. Adams assistant cashier and Miss Mary D. Simmons business development officer.

Grady Harris Jr. Dies



Grady D. Harris Jr., 48, pres., Fidelity Bank, Oklahoma City, died August 22 in a Houston hospital. He entered banking at his father's bank, First Nat'l, Alex. After World War II service, he joined Liberty Nat'l of OC and was sr. v.p. and a director when he joined Fidelity Bank (then Fidelity Nat'l) as pres. in 1960.



The Movers work together to serve you and your bank.

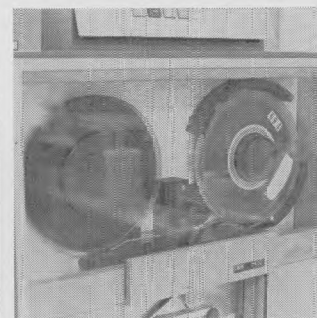
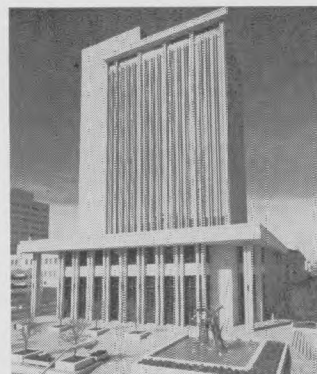
Correspondent officers ... top officers ... all the Movers at Fidelity believe the key to a mutually profitable relationship is knowing you and the people in your bank. You always have access to their experience and knowledge. And, they work together to provide a full range of services to your bank.

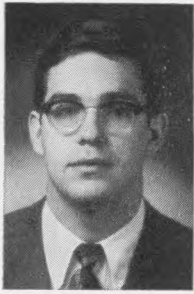
Correspondent Officer Olen Treadway is a Mover who is eager to become the vital link between your bank and the total resources and services of Fidelity. Give Olen a call.

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BLOOM

■ **FIRST NATIONAL**, Memphis, has named Frank Bloom vice president in the correspondent bank division, promoted Robert S. Swords to controller and appointed Kenneth Balogh to advertising manager. Mr. Bloom joined the bank in 1968.

■ **JOHN E. DONOVAN**, vice president and specialized lending officer at First American National, Nashville, has joined the bank's correspondent banking division. He joined the bank in 1950.

■ **UNITED BANK**, Chattanooga, has elected Wilbert P. Rundles executive vice president and Ray C. Albright and Bert L. Hicks senior vice presidents. Mr. Rundles was also elected a director.

Texas

■ **CHARLES E. DIXON** has been elected assistant vice president in the real estate department at First City National, Houston. First City Bancorp. of Texas, Inc., has received Fed approval to acquire Southwood Bank, Houston, a proposed new bank.

■ **MRS. OLETA CARLIN** has been promoted from assistant cashier to vice president in charge of the special services department at Dublin National. Mrs. Carlin has been with the bank 27 years.



DONOVAN

■ **SAM MONROE**, president, Port Arthur College, has been named an advisory director of First National, Port Arthur.

■ **GEORGE T. COOK** has been elected senior vice president at Great Southwest National, Arlington. He was with First National, Fort Worth, for 19 years and served in the correspondent banking department.

■ **EDWARD C. NASH JR.** has been elected president and a director of National Bank of Commerce, Dallas. He had been executive vice president and joined Empire Bank, which merged with NBC, in 1963. He succeeds Lewis H. Johnson Jr., who resigned as president in July.

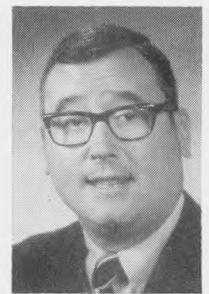
■ **H. DON GILL** has joined Amarillo National as vice president in the correspondent bank division. He was formerly in the correspondent department at First National, Dallas.

■ **CLARENCE E. BLAND** has been elected vice president at First National, Arlington. He was formerly assistant vice president at First National, Fort Worth.

■ **FRED T. BROOKS**, president, Merchants State, Dallas, was elected president of the Independent Bankers Association of Texas at a recent meeting in Austin. L. Scott Anderson, president, Atlanta National, is first vice president, and Arthur F. Hoehn, president, Lockwood National, Houston, is second vice president.

■ **FROST NATIONAL**, San Antonio, has promoted Lois M. Scott to vice president and Jon J. McLinden to assistant vice president. Allen L. Courmyer was elected automation officer and James M. Caruth was named personal banking officer.

■ **FIRST DENTON COUNTY NATIONAL**, Denton, has promoted Tommy Turner to senior vice president and Ray Massey to vice president.



BRACKMAN

■ **THEODORE P. BRACKMAN** has joined Bank of the Southwest, Houston, as vice president, trust officer and manager of the employee benefits department. He came from Pittsburgh National and had been with Fifth Third Bank, Cincinnati.

■ **JAMES H. MADDUX**, auditor, Fort Worth National, has earned the designation of chartered bank auditor from the Bank Administration Institute.

■ **J. HOWARD SHELTON**, senior vice president, First National, Fort Worth, has been appointed by the White House as metro chairman of the Fort Worth office of the National Alliance of Businessmen. Assisting Mr. Shelton is James Scribner, vice president.

In San Antonio:

Frost National Helps Boys By Donating Phone Books

Frost National, San Antonio, gave a boost to the Boys' Clubs of San Antonio recently when it contributed more than 1,000 old telephone directories to the club's "Books for Boys" program.

The books represent more than 2½ tons of paper and gave the clubs a good start in collecting more than 700,000 discarded San Antonio phone directories. The sale of the paper provides funds for club activities.

Collection of the books has been termed a significant contribution to the conservation of natural resources.



COOK



NASH



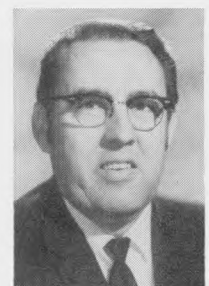
GILL



BROOKS



SHELTON



SCRIBNER

There are a lot of bright business ideas just waiting for a six-figure loan.

Don't wait any longer.

Somewhere out there, there's a tremendous business opportunity just waiting to get the wheels turning. All it needs is the right bank.

Cullen Center Bank can help you out with the business loan or line of credit you need. Even if it's six figures and up. We may even find that you need to borrow more than you think.

You see, we're not just any bank. We see things a little differently, because we look at your ideas first as businessmen, then as bankers. We can usually find strong points that sometimes elude other commercial lenders. Sometimes, we point out the weak spots and send you back to the drawing board. In many cases, we'll sit down at the drawing board with you to make your plan workable.

Another thing about us. We're

a young bank that vigorously pursues new ways of doing things. And while we're careful to stay within the bounds of sound banking practices, we're not afraid to depart from the norm if an idea looks particularly good to us.

If you've got a bright business idea that just needs a good bank behind it, call Cullen Center Bank & Trust. You'll like the way we do business. We're just about the fastest growing bank in the country, reaching \$210 million in only five years. We'd like to have you growing with us.

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**CULLEN
CENTER
BANK OF
IDEAS**



TMS Program

(Continued from page 72)

basis of a customer's check-cashing history and would have covered checks drawn on other banks. The plan would have required merchants who subscribed to supply continuous information on the status of bad checks and on persons holding the HC's check-approval cards.

In denying the Atlanta HC, the Fed said that although the plan might involve some extension of credit when a bad check was assumed, the service "would more closely parallel the activities of a credit bureau" than a lending or data processing activity.


The Fed also indicated that it was concerned that the HC would dispense financial information from many different sources to merchants on their

customers. According to the Fed, all this information could be made available to a merchant on a card holder's request.

The Fed suggested that First Holding Co. could refile to have the service considered as a new HC activity. • •

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20th Year: Police Scholarship Award Given by Republic Nat'l

Republic National, Dallas, has presented its 20th Police Scholarship Award to Lieutenant Richard P. Horn, who plans to study at Northwestern University's Traffic Institute in Evanston, Ill.

The award was initiated in 1955 by the late Fred F. Florence, then the bank's president. The recipient, selected each year by the police department, must be an outstanding supervisor and have potential for further advancement.

The \$3,000 award covers tuition and fees for the recipient.

Child Snips Ribbon



Grand opening ribbon of dollar bills is cut by Kurt Atkins, representing Douglas County Association of Retarded Children, at First National, Lawrence, Kan., ceremony opening new South Bank. The ribbon was presented to the Association following the ceremony. Others in photo include (from l.) Lynn L. Anderson, vice president and trust officer; Warren Rhodes, bank president; and David Gast, president, Douglas County Association of Retarded Children.

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