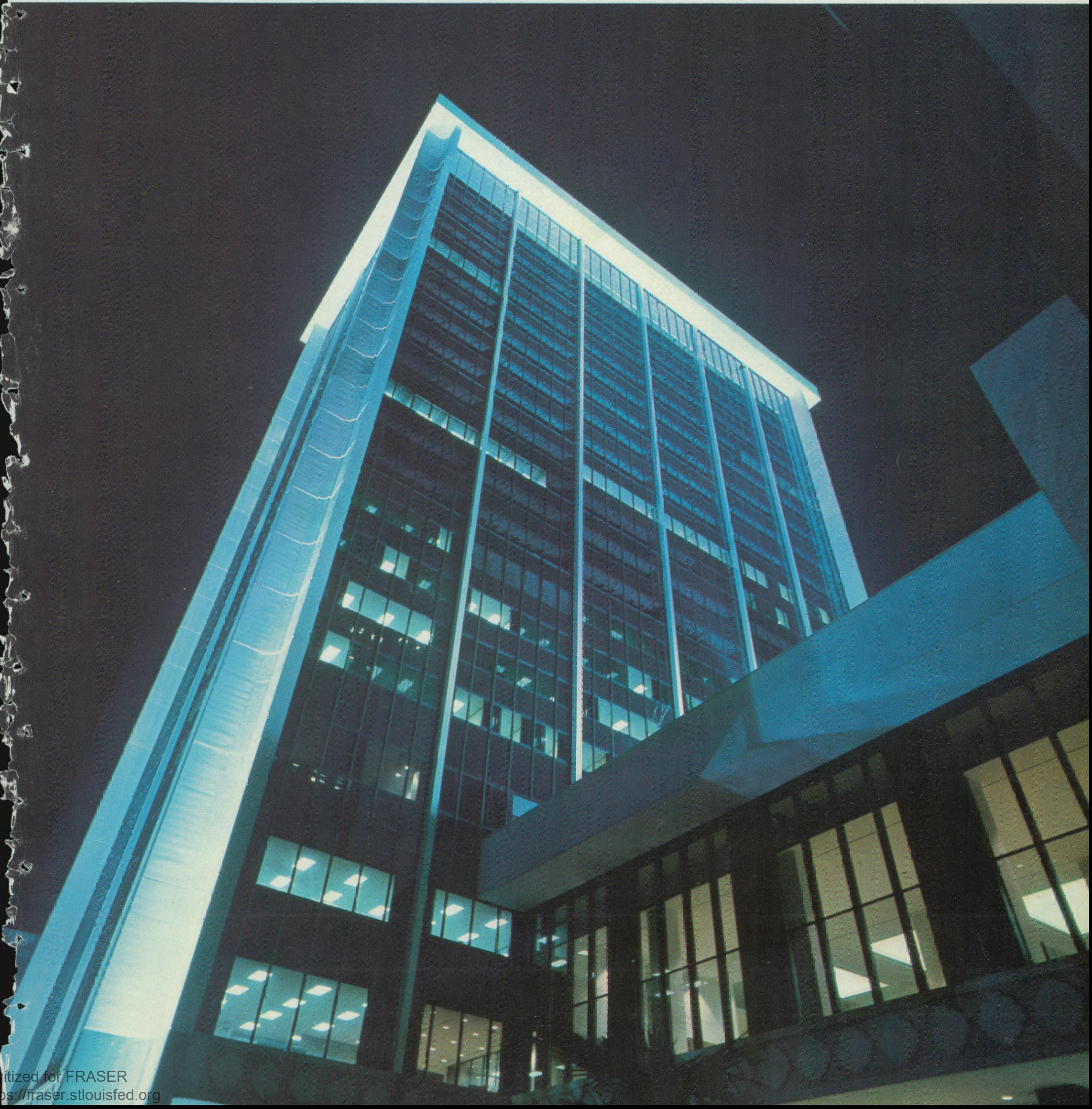
MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

LEASING AND INSURANCE ISSUE **MARCH, 1975**

Deposit Guaranty Plaza Opened in Jackson, Miss. (Page 100)

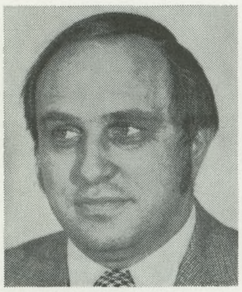


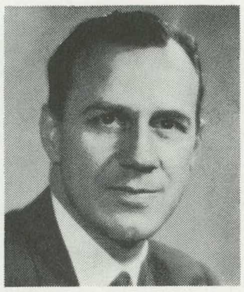
Interdependence...
and the Correspondent Banker

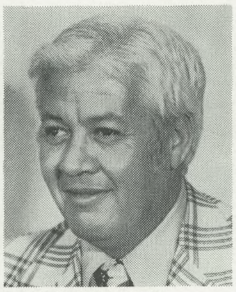
The Bankers attending Liberty's 17th Annual Correspondent Conference came away with a better understanding of INTERDEPENDENCE in Banking. Interdependence . . . the important and vital aspects of working together to serve all banking customers.

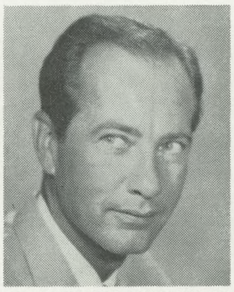
Oklahoma's leading bankers were reminded of the myriad services Liberty has available . . . to help them help their customers, their communities and to help them manage their own banks more efficiently and profitably.

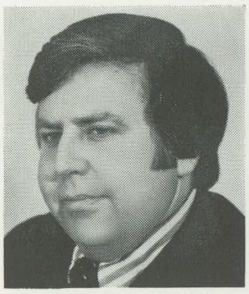
Here is a listing of the subjects covered and the people who talked about them. If you missed the conference and would like information on any of these subjects, contact the Correspondent Department at your Liberty.

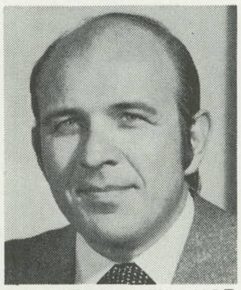

AUTOMATION AND NATIONAL SHAREDATA
William A. Banks, Jr.
Corporate Vice President
National Sharedata Corp.


PROOF OF DEPOSIT — A NEW SERVICE
Leland Nelson
Vice-President

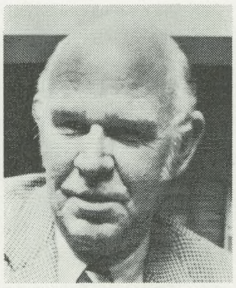

BANK SECURITY
Robert N. Dawson
Security Officer


INVESTMENT SERVICES
L. W. Smith
Vice-President


ASSET AND LIABILITY MANAGEMENT
James W. Bruce, Jr.
Vice-President


COMMERCIAL FINANCE
Richard E. Wood
Vice-President
Liberty-Heller Factors, Inc.


WHAT'S NEW IN BANKAMERICARD
Carl E. Grant
Senior Vice-President


PACKAGING SERVICES for DIFFERENT MARKETS
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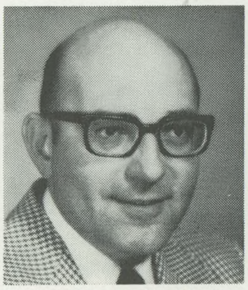
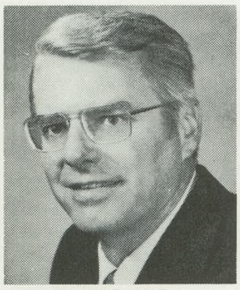
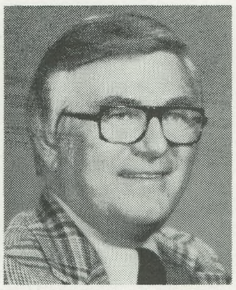
Senior Vice-President — Marketing

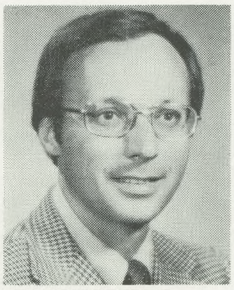

INDUSTRIAL DEVELOPMENT
Jay C. Casey
Vice-President

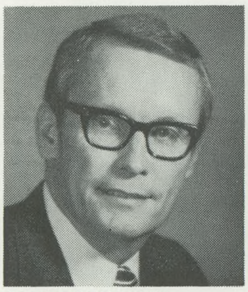

ECONOMIC EDUCATION
James L. Kienholz
Vice-President

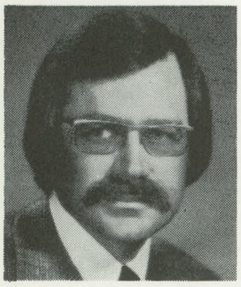

INSURANCE AND BONDING
Robert E. Hogue
Senior Vice-President


INTERNATIONAL BANKING
Harry E. DeBee
Vice-President


LEGAL ASSISTANCE ON UNUSUAL PROBLEMS
James A. Jennings
Vice-President

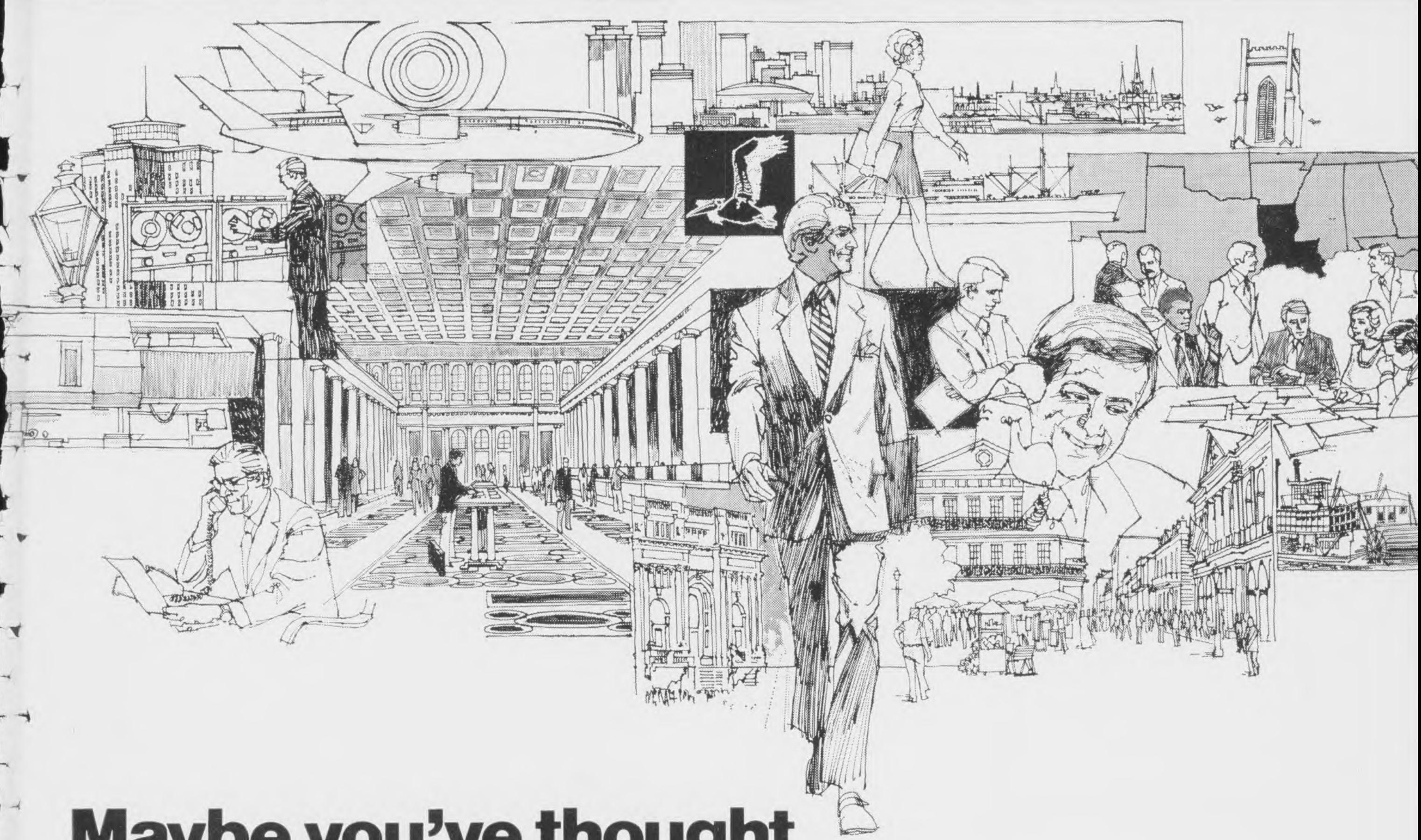

LOAN PORTFOLIO MANAGEMENT
Gordon Greer
Executive Vice-President


TRUST SERVICES
W. Kenneth Bonds
Chairman, Trust Committee


REAL ESTATE SERVICES
William M. Bell
President
Liberty Financial Corp.

LIBERTY
THE BANK OF MID-AMERICA

Liberty National Bank and Trust Company • P. O. Box 25848 • Oklahoma City 73125 • Member FDIC • Phone 405/231-6164



Maybe you've thought of New Orleans banks as sleeping giants.

As a banker in the Gulf South, you have watched New Orleans lag behind other, newer cities in becoming centers of Southern finance. Whatever the reasons, New Orleans, the nation's second largest port, one of the South's largest metro areas, may appear to have been financially sleep walking. But as a banker you have noticed . . .

First National Bank of Commerce has identified the problem and is moving to solve it. And our efforts are paying off. For us and for our correspondents. We report more correspondents in a wider area than any other bank in the region. For a number of sound reasons. Our aggressive calling program. Our desire and ability to meet, head on, any correspondent requirement, quickly, confidentially and successfully. And, of course, our strategic location.

Our aim is to promote banking throughout the Gulf South, if we wake up a few sleeping giants in the process, we'll all benefit from the competition. Because only through an active, vitalized banking system will our region grow and prosper. If you're looking for our type of correspondent, you'll find us in New Orleans. If we don't find you first!

CORRESPONDENT BANKING
FIRST NATIONAL BANK OF COMMERCE
NEW ORLEANS

TS LINES—Louisiana 1-800-362-8530. Alabama, Arkansas, Mississippi, Oklahoma and East Texas 800-535-8542. In other areas call collect 504-529-1371.

DETROITBANK CORPORATION
Consolidated Statement of Condition, December 31, 1974

ASSETS

Cash and Due from Banks	$ 327,464,000
United States Treasury Securities	227,038,000
United States Government Agency Securities	40,058,000
State and Municipal Securities	377,240,000
Other Securities	9,660,000
Trading Securities	16,877,000
Total Securities	670,873,000
Federal Funds Sold and Securities Purchased Under Agreements to Resell	96,076,000
Commercial Loans	935,518,000
Consumer Installment Loans	191,780,000
Real Estate Loans	676,635,000
Total Loans	1,803,933,000
Premises and Equipment	29,240,000
Customers' Liability on Acceptances	14,643,000
Accrued Income Receivable and Other Assets	42,032,000
TOTAL	$2,984,261,000

LIABILITIES

Demand Deposits	$ 795,058,000
Savings and Personal Time Deposits	1,299,116,000
Other Time Deposits	388,509,000
Total Deposits	2,482,683,000
Federal Funds Borrowed	161,985,000
Securities Sold Under Agreements to Repurchase	23,873,000
Other Borrowed Funds	9,972,000
Unearned Income	22,618,000
Liability on Acceptances	14,643,000
Accrued Expenses and Other Liabilities	43,823,000
Total Liabilities	2,759,597,000
RESERVE	
Reserve for Loan Losses	29,984,000
SHAREHOLDERS' EQUITY	
Preferred Stock—No par value	—
Authorized 500,000	
Issued —	
Common Stock—$10 par value	33,705,000
Authorized 4,500,000	
Issued 3,370,483	
Capital Surplus	125,000,000
Retained Earnings	42,583,000
	201,288,000
Less Treasury Stock—182,282 shares in 1974 at cost	6,608,000
Total Shareholders' Equity	194,680,000
TOTAL	$2,984,261,000

On December 31, 1974, securities having a par value of $132,125,000 were pledged where permitted or required by law to secure liabilities and public and other deposits totaling $84,336,000 including deposits of the State of Michigan of $16,964,000. Standby letters of credit amounted to $9,730,000 as of the same date.

BOARD OF DIRECTORS

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Chrysler Corporation

Walker L. Cisler
Chairman of the Board
The Detroit Edison Company

Frank A. Colombo
Retired Executive Vice President—The J. L. Hudson Company

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Executive Vice President
Empire-Detroit Steel

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Director

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Chairman

Arbie O. Thalacker
President—Detrex Chemical Industries, Inc.

Cleveland Thurber
Counsel—Miller, Canfield, Paddock and Stone

Herbert B. Trix
Director—The Standard Products Company

William R. Yaw
President
Wabeek Corporation

DETROITBANK CORPORATION

Convention Calendar

March

March 13-14: Mississippi Young Bankers Conference, Hattiesburg, Mississippi Southern University.
March 14-15: Mississippi Young Bankers Convention, Biloxi, Pete Fountain's Buena Vista Hotel.
March 16-20: Independent Bankers Association Annual Convention, Las Vegas, Nev., International Hotel.
March 23-25: ABA National Marketing Conference, Chicago, Hyatt Regency.
March 23-28: Kansas-Missouri-Nebraska Commercial Lending School, Lincoln, Neb., University of Nebraska.
March 31-April 10: ABA National Commercial Lending School, Norman, Okla., University of Oklahoma.

April

April 3-5: Louisiana Junior Bankers Study Conference, Baton Rouge.
April 5-8: Association of Reserve City Bankers Annual Meeting, Boca Raton, Fla.
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 20-22: Bank Administration Institute Southern Regional Convention, San Antonio, Tex., Palacio del Rio.
April 20-25: Robert Morris Associates Loan Management Seminar, Bloomington, Ind., Indiana University.
April 23-25: Alabama Bankers Association Annual Convention, Birmingham, Kahler Plaza Hotel.
April 27-30: ABA National Conference on Real Estate Finance, Denver, Denver Hilton Hotel.
April 27-30: Bank Marketing Association Research Conference, Philadelphia, Bellevue Stratford Hotel.
April 27-May 2: ABA National Commercial Lending Graduate School, Norman, Okla., University of Oklahoma.

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: Illinois Bankers Association Annual Convention, Chicago, Palmer House.
May 4-6: Texas Bankers Association Annual Convention, Houston, Hyatt Regency Hotel.
May 7-9: Alabama Young Bankers Convention, Gulf State Park, Gulf Shores.
May 11-13: Association for Modern Banking in Illinois Annual Convention, Chicago, Hyatt Regency Hotel.
May 11-13: Tennessee Bankers Association Annual Convention, Memphis, Holiday Inn-Rivermont.
May 11-13: Missouri Bankers Association Annual Convention, Kansas City, Crown Center.
May 11-14: 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.
May 26-28: AIB Convention, Minneapolis.

June

June 8-20: ABA National Installment Credit School (Second Session), Boulder, University of Colorado.
June 11-12: Indiana Bankers Association Annual Convention, French Lick, French Lick-Sheraton Hotel.
June 11-12: Missouri Young Bankers Seminar, Osage Beach, Tan-Tar-A Resort.
June 12-14: New Mexico Bankers Association Annual Convention, Albuquerque, Albuquerque Hilton Hotel.
June 14: Arkansas Junior Bankers Conference, Hot Springs, Arlington Hotel.

MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 71, No. 3 **March, 1975**

FEATURES

DEPARTMENTS

STATE NEWS

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Lawrence W. Colbert
Assistant to the Publisher
Rosemary McKelvey
Managing Editor
Jim Fabian
Associate Editor
Daniel H. Clark
Editorial Assistant

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By Dr. Lewis E. Davids

Hill Professor of Bank Management, University of Missouri, Columbia

Indexing Loan Principal: The End of Usury?

WHILE LECTURING on banking and finance in Chile 15 years ago, I repeatedly was questioned about common dollar accounting. This is a concept based on the idea of maintaining books of record in terms of constant dollars, through the use of indexing numbers. The books of record are kept in terms of an established index representative of the field of activity, i.e., using a consumer price index for a retail business, a wholesale price index for wholesale establishments or agricultural prices for those that are agriculturally related.

There was great interest in common dollar accounting among bankers and businessmen in Chile because they were experiencing a 100%-per-year inflation rate. Conventional bookkeeping practices were an exercise in futility. One borrowed as much as possible and bought anything. Inflation encouraged merchants not to sell because their merchandise grew in value while on their shelves, in terms of then-current prices. Techniques and principles used in North American banking were impractical in Chile. Thus, credit files with profit and loss balance sheets and cash flow studies, backed up with relevant financial ratios, were valueless for making bank loans.

"Today, while reading the financial press, one is more impressed with the dissatisfaction that businessmen have in accounting systems."

Because of this, a Chilean banker would lend only to a friend who he knew possessed considerable property or to those designated by the government, so that lending policy had adverse social and economic implications.

The double-digit inflation we have been experiencing in the United States, though not as serious as that found in Chile, is serious enough to cause reconsideration of many of the conventional money and banking concepts we have almost assumed to be enduring truths. Today, while reading the financial press, one is more impressed with the dissatisfaction that businessmen have in accounting systems, be they LIFO, FIFO, or average cost inventory accounting.

One of the most significant observations is that a dollar paid sometime in the future will not have the purchasing power it had at the time it was loaned. Union Planters National, Memphis, once considered a fairly conservative bank, innovated with indexing of loan principal as compensation for the rate of inflation.

An interesting lawsuit, involving Union Planters and Aztec Properties, arose from this concept. Union Planters lent Aztec $50,000 in July, 1974, at the state's legal maximum interest rate, 10%. Aztec waived its right to plead usury on the 31-day promissory note. Part of the loan arrangement had been that the principal be paid in constant United States dollars adjusted for inflation or deflation: "Amount of principal due shall equal amount of original principal multiplied by the consumer price index adjustment factor. This adjustment factor shall be computed by dividing consumer price index at maturity by consumer price index on date of borrowing. Said consumer price index number shall be for the most recent month available for borrowing and maturity dates."

Between the time the loan was made and became due, there was an increase in the consumer price index that Union Planters computed to be the equivalent of $500. Aztec refused to pay this amount and was sued by the bank in Shelby County Court, Memphis.

Though Aztec Properties had waived its right to plead usury, it argued that it could not waive its defense of usury because that would be against public policy. The court found for Union Planters, stating that usury was not a legal or factual question in the suit, ruling that the $500 adjustment was not interest. (Aztec Properties is expected to appeal the decision.)

The concept of variable interest rates on loans that has been widely accepted in Europe and, to a lesser extent, in the United States is relating interest rates to some index (of interest), such as the yield on Treasury bills or U. S. government bonds of certain categories. In the Union Planters instance, however, it was related to the principal. Thus, an argument could be made that relating loan agreements to both interest *and* principal may be the next step down the road.

"An interesting lawsuit, involving Union Planters and Aztec Properties, arose from this concept (indexing of loan principal)."

It is interesting to note that consumers or business borrowers have tended to view the variable interest rate or indexing of principal in the context of upward movement. In this context, they have been correct for the last several years, yet, the current modest drop in some of the key interest rates reminds us that indices can and have moved in both directions.

It seems that the use of variable interest rates and indexing will help us come to grips with the problems of keeping records and responding to the workings of the marketplace that wish to preserve values of the principal and provide a real rate of return on the principal during periods of high inflation. Yet, the idea, in view of its philosophy, tends to be saddening and psychologically depressing, because it appears to accept the thesis that government is unable to deal with an inflation rate that calls for the extra work and effort in the implementation of concepts of common dollar accounting,

(Continued on page 88)

NEWS OF THE BANKING WORLD

• **T. Scott Fillebrown Jr.,** president, First American National, Nashville, recently spoke to members of the Japan Management Institute in Nagoya and Hamamatsu, Japan. His topics were "Management Philosophy" and "Banking and the Music Industry." Mr. Fillebrown also spoke to the Hamamatsu Chamber of Commerce on "The Bank and Community Development."

FILLEBROWN

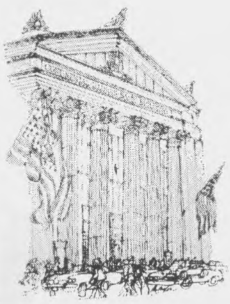
• **Mrs. Claire Giannini Hoffman,** daughter of A. P. Giannini, founder, Bank of America, San Francisco, recently accepted an award honoring her father's inclusion in the newly created Business Hall of Fame of Junior Achievement, Inc. The award was made in Chicago at the National Business Leadership Conference and honors Mr. Giannini for his contribution to the advancement of the nation and the prosperity of its people.

• **New members** of the advisory committee on banking policies and practices for the Regional Administrator of National Banks, Kansas City, include Oliver H. Hughes, chairman, Citizens National, Emporia, Kan., and Merchants National, Topeka, and Bruce Adamson, chairman and president, First National, Joplin, Mo.

• **Five new members** of the advisory committee on banking policies and practices for the Regional Administrator of National Banks have been appointed for the Eleventh National Bank Region. They are Charles Pistor, president, Republic National, Dallas; Nat S. Rogers, president, First City National, Houston; Floyd F. Watson, president, First National, Pampa, Tex.; Gerald R. Marshall, president, First National, Oklahoma City; and Ned Stuart, president, Shattuck (Okla.) National.

• **Stanley C. Silverberg,** former deputy director, FDIC Division of Research, has been appointed director of the FDIC's new Office of Corporate Planning. Activities of the new office will be varied and will include the coordination of planning efforts within the agency; the conduct of specific planning projects involving matters likely to have a major impact on future FDIC policies, operations, procedures or organization; and the examination of possible changes in the economic and legislative environment to determine their future impact on banking and the requirements of the FDIC. Mr. Silverberg joined the FDIC in 1967, coming from Bank of America, San Francisco.

INDIVIDUAL BANKS
COMMITTED TO MUTUAL GROWTH



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CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY OF CHICAGO
231 SOUTH LA SALLE STREET, CHICAGO, ILLINOIS 60693

Corporate News Roundup

• **Lawrence Systems, Inc.** Jack Leathers has been named senior vice president and general manager, Chicago region, Lawrence Systems, Inc., Chicago. He is responsible for collateral control services in 12 midwestern states. Mr. Leathers has 10 years' experience in business development and loan management with a commercial finance company in San Francisco and Chicago.

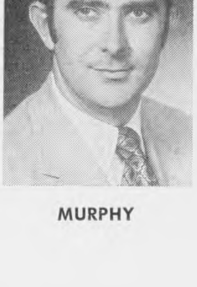
• **Meilink.** James J. Akers has been named president, Meilink, Toledo, O., succeeding Stanley R. Akers, who was elected chairman. Mr. Akers joined the firm in 1971 as vice president. Previously, he was director of finance, Lee filter division, Filter Dynamics International. Mr. Akers also was with Arthur Andersen & Co.'s Detroit Office and in Mexico City, where he was a manager, administrative services division.

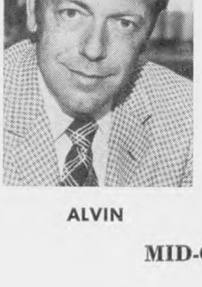

AKERS


LEATHERS

• **Centennial Corp.** Centennial Corp., Grand Rapids, Mich., has reassigned three executives in its subsidiary companies. Norman J. E. Roe has been named president and CEO, Sebrite Corp. He previously served as senior vice president, Centennial Corp., and as vice chairman, Foremost Insurance. Prior to that, Mr. Roe was executive vice president, Foremost Insurance, since 1966. A. C. Laughlin has moved from president, Sebrite Corp., to president and CEO, Minnehoma Financial Co. He will devote his efforts to restructuring the firm to concentrate and specialize in the financing of used mobile homes. Mr. Laughlin joined Centennial Corp. in 1972 as vice president and staff assistant to the president, later becoming president, Sebrite Corp. K. George Paganis has resigned as president, Minnehoma Financial Co., to devote his attention to the presidency of Minnehoma Insurance and Minnehoma Life. Mr. Paganis had been president, the Minnehoma companies, since 1971.

• **Heritage Bancorp.,** Evergreen Park, Ill., has formed a new subsidiary named Heritage Office Services, located in Chicago. The subsidiary supplies bank systems, business forms and office machines to banks. Subsidiary president is Larry E. Puntney, a member of the Heritage staff since 1972. According to Mr. Puntney, the subsidiary can be described as a bank store where a banker can purchase all of his supplies for his operations in "one-stop shopping."


MURPHY

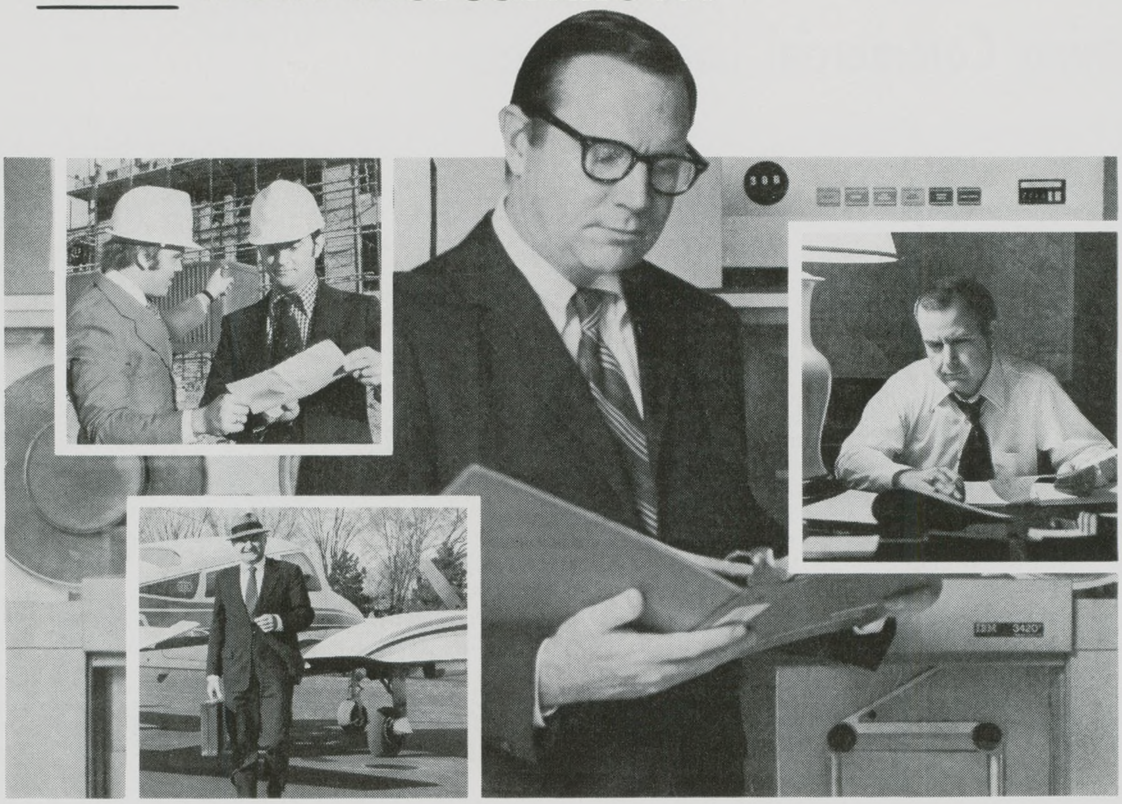

ALVIN


Watching stocking of shelves at Heritage Office Services Co. are (from l.) Larry E. Puntney, pres.; Robert H. Hammergren, sales mgr., both of Heritage Office Services, and Glenn Taylor, v.p., and Walter H. Ehrmann, v-ch., both of parent, Heritage Bancorp.

• **First Ogden Corp.,** Naperville, Ill., has appointed William J. Murphy assistant vice president of its Banking Services Division. Mr. Murphy comes from First National, Chicago, where he served in the corporate banking department. His duties will include assisting in the areas of new bank organization and client bank services.

• **James Talcott, Inc.,** New York, has elected Donald S. Alvin senior vice president for marketing and operations planning. He formerly was director of marketing and is responsible for the firm's public relations, advertising, sales promotion and market research. He joined Talcott National Corp., parent firm of James Talcott, in 1970 as vice president and joined James Talcott as vice president in 1973.

Talcott National Corp. has elected four new directors, including Paul C. Maylone, Russell B. Donahue, Wallace A. Woodmansee and William R. Gruttemeyer. All are associated with various Talcott subsidiaries.



Booklet Outlines Credit Department Role In Training Commercial Loan Officers

THE IMPORTANCE of the credit department in training future commercial banking officers is the subject of a new publication from Robert Morris Associates (RMA).

The Credit Department: Its Role in Training is the first of four paperbacks RMA plans to issue over future months on various credit department functions. The publication was authored for RMA by Charles S. Dickerson, senior vice president, First National, Princeton, N. J.

The booklet does not follow a "how to" format. Rather, it describes in general terms the various subject areas that should be covered to develop a well-rounded commercial banker, the author states. The specific methods that work best in one bank might not be the most appropriate for another; hence, operating decisions must be left to the credit training officer.

Chapter One describes the typical commercial officer's assignment with emphasis on the wide variety of skills and knowledge needed for competent performance.

Chapter Two points up the need for senior management's support for officer training programs. It also discusses problems that may occur if that support is lacking.

Chapter Three is devoted to a discussion of various instructional methods and techniques available to the credit training officer. The strengths and weaknesses of these educational approaches are discussed in detail.

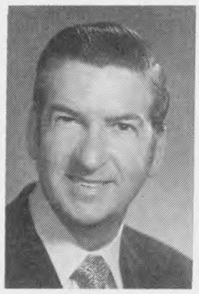
Chapter Four offers what is said to be a "complete curriculum" for the credit trainee. In addition to a general discussion of the material to be covered, the chapter suggests criteria to be used in the selection of applicable training methods and individuals within the bank who might be the best instructors for each unit in the curriculum.

A self-testing exercise in Chapter Five is designed to assist responsible individuals in evaluating their present training procedures objectively. A suggested analytical approach can help determine where improvements might be made and what indirect, as well as direct, costs might be incurred.

The booklet also contains a list of some 100 additional related articles and materials previously published by RMA which might aid a training officer in developing a more complete training program.

Two free copies of the booklet were sent to each of RMA's 1,525 member banks. Additional copies are $3 for member banks and $5 for non-member banks and are available from the RMA National Office, 1432 Philadelphia National Bank Building, Philadelphia, PA 19107. • •

ABA Presents Award



Charles M. Fugitt, senior vice president, First National, Fort Worth, has been presented a special award by the ABA for "outstanding services and accomplishments to the commercial lending profession." Mr. Fugitt joined First of Fort Worth in 1971 and also is vice president of First United Bancorp, parent HC of the bank.

Charge Cards

Electronic Value Exchange Service Speeds Midwest BankAmericard Billings

CUSTOMERS of First National, Chicago, using BankAmericards are now being served by what has been called the largest, most advanced "electronic value exchange" system in the banking industry, designed to eliminate the mailing of more than one million pieces of paper a day among BankAmericard banks across the country.

The system, developed by First of Chicago and the other member banks of National BankAmericard Inc. (NBI), San Francisco, went into nationwide operation last November 1, replacing the mailing of most BankAmericard sales draft paper with electronic transmission of sales draft data.

The result, according to John T. Borman, First National vice president and head of the BankAmericard division, is better service to BankAmericard customers in the Midwest area and to cardholders all over the country.

How does the cardholder benefit?

"Billing information will be more up-to-date and more accurate," Mr. Borman said, "reflecting more closely the cardholder's current account status, which we think is important for budgeting purposes. And because there is less handling of paper, there is less chance for error. Errors don't happen very often, but when they do they are an inconvenience to the cardholder. The system has very stringent requirements and numerous error-detection capabilities, which will reduce mistakes even further.

"We also feel that such a fast, accurate, economical system will provide the foundation for more cardholder services in the future," he added, "and for enabling us to work more closely with BankAmericard merchants."

Mr. Borman explained that nearly half the BankAmericard transactions taking place in the U. S. today involve two BankAmericard banks, one handling the merchant's account and another handling the cardholder' account.

In the past, this meant that a sales draft signed by a First of Chicago cardholder making a purchase from a merchant located in another city or state, for example, had to be processed by the merchant's bank, then mailed to First of Chicago for billing to the cardholder and settlement of accounts between banks. This paper-handling system worked, Mr. Borman said, but with the number of these interchange transactions approaching one million per day nationwide and with postage costs rising, BankAmericard bankers could see the day when it might become overloaded, expensive and inefficient.

Thus NBI's member banks decided to proceed with the development of an electronic system for the transmission of sales draft data, called BASE II (BASE stands for BankAmericard Service Exchange, and this is the second in a series of computer-related services developed by NBI and its members).

The system went into operation on schedule November 1, linking all 86 BankAmericard processing centers in the U. S., including Alaska and Hawaii, on a computer-to-computer basis. As a result, most BankAmericard processing centers no longer separate, sort and mail interchange sales draft paper. Instead, information from that paper is captured on magnetic tape and transmitted daily over telephone lines to a central NBI computer facility which in turn sorts and distributes the data to appropriate card-issuing processing centers. The interchange procedure, which used to take several days, is accomplished overnight.

The nationwide BASE II System is already handling between 500,000 and 750,000 items daily, Mr. Borman said. By March 1 it is expected to be handling one million items daily.

"BASE II is the largest, most sophisticated system of its kind in the country. We feel it is the most significant project yet undertaken within the

(Continued on page 78)

Installment Lending

Citibank's 'Plain Language' Loans Are Written in Spanish or English

A NEW, simplified consumer loan agreement written in everyday English instead of traditional, hard-to-understand legal language has been put into use by First National City Bank, New York City.

Reportedly the first personal loan form in simplified language in the banking industry, the new agreement contains only one-third as many words as the old form it replaces and also is available in Spanish.

Under terms of the new form, Citibank agrees to pay a borrower's reasonable attorney's fees and court costs if the bank takes a borrower to court for default and the borrower wins the case.

Furthermore, the bank gives up the right to consider a consumer automatically in default on a personal loan when he has defaulted on other loan payments, such as Master Charge.

The new loan agreement also drops the wage-assignment clause giving the bank the legal right to assign a portion of the borrower's wages to the bank if he defaulted.

Bank officials feel this to be a long overdue step, giving the consumer a clear understanding of what the agreement means before he signs anything.

James D. Farley, executive vice president, stated, "We think this is the first time a consumer lender has given the borrower this benefit. We recognize that a wage assignment has the effect of immediately siphoning off a portion of a borrower's wages without an opportunity to be heard in court. The wage-assignment elimination will give consumers more time for adjustment when the question of nonpayment arises and will give the courts a chance to grant special relief in hardship cases.

"Through better understanding of what's involved in taking out a loan, a consumer can do an even better job when it comes to borrowing," Mr. Farley added.

The new consumer loan agreement, developed by Bess Myerson, the bank's consumer affairs adviser, and Duncan MacDonald, Citibank's urban affairs advisory group head, is the first step in the process of simplifying other consumer agreement forms, according to Mr. Farley. He concluded, noting that a simplified revolving-credit form is expected to be ready for use in the coming months. • •

Walking, Talking, Joking Robot:

EBS (Electronic Bank Spokesman) Draws Crowds to Opening Events

OFFICIALS at South Hills Bank, Charleston, W. Va., felt that, in their area, one bank opening was much like the next. For their bank opening, they enlisted Klatu, a 240-pound robot-master-of-ceremonies, which proved to be the "extra touch" needed to generate response from local residents. Officials reported that Klatu's opening also drew a good share of business from South Hills' large downtown competitors.

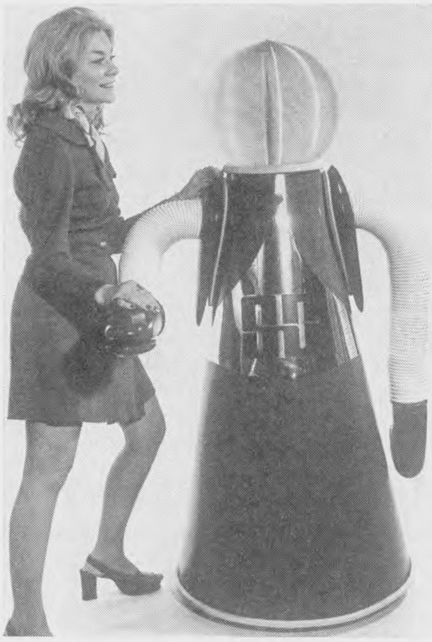
"Since we offer every modern banking convenience, we thought it only fitting to offer an equally 'modern' spokesman," commented Joseph A. Turner, bank president.

In addition, a combination of many features added to the successful opening. A giveaway prize and account-opening incentives which were aimed at the total involvement of the local community counted as major factors in the celebration.

To make the new-accounts program attractive, South Hills gave away gift certificates redeemable at 49 stores, restaurants, gas stations and many other establishments throughout the area, rather than the normal array of toasters, clocks, etc. A $5 certificate was given to each customer opening a new account of $50 or more.

Anyone attending the event could register to win one of two $50 gift certificates, or one of four $25 certificates, and the grand prize, a color portable television. All gift certificates were in the form of 50-cent coupons, so the customer could choose his own gift or gifts from different merchants.

Two weeks prior to the opening, bright yellow posters appeared in the participating merchants' store windows, giving the details of the event and stating that the certificates were redeemable at that establishment. Small "teaser" ads began appearing in local papers and a direct mail campaign was launched, blanketing the market area with invitational mailers emphasizing the appearance of Klatu ("fun for the whole family"). The prizes, giveaways and convenience of the new neighborhood bank also were advertised. A nominal schedule of advertising in the major media of the area was not started until four days prior to the event.



What's 5' 4" Tall, weighs 240 pounds and helps inspire over 3,800 people to come out in cold weather to attend small neighborhood bank opening? A walking, talking, joking robot named "Klatu."

Klatu was built by the computer specialists of Quasar Industries and is programmed to walk, talk, answer questions, pass out literature and do almost anything his team of engineers wants. The robot has a 4,800-word vocabulary of his own, and his miniature memory banks were programmed with information about the bank, its services and the grand-opening details.

Excellent media coverage occurred during the pre-opening publicity and public relations campaign, when the robot appeared in Charleston the day before the event.

In addition to special interviews by the media, two benefit shows at the pediatrics ward of area hospitals were arranged. Local Cub Scout packs were invited to speak personally with Klatu, since it had been programmed with Cub Scout data.

During the two-day opening, or a total of 15 hours, South Hills bank opened 370 new accounts, with deposits in excess of $250,000. • •

In Los Angeles:

'Know Your Customer' Rings a Few Bells

The Buenaventura Center Branch, Security Pacific National, Los Angeles, held a promotion entitled "Get to Know Your Customer," which had a few bells ringing at the teller windows. Eight-by-ten-inch posters were displayed in each window, proclaiming, "If I don't call you by name, ring the bell and you will get a prize."

Each teller was supplied with items such as caps to reseal soda bottles, rain bonnets, key chains, etc., which were given to customers who rang a small bell when a teller forgot their names. At the end of the week, the teller with the largest number of items remaining won a dinner for two.

The idea, suggested by an employee rather than management, was termed a success by officials. It made tellers aware of the ease of using customers' names, not numbers, by simply looking at checks or deposit slips. Many customers were reported to be so happy with the name-calling that they commented favorably about it.

Grenada Bank's Bags Score

Grenada (Miss.) Bank has presented 250 travel bags to the athletic departments of the three area high schools. J. M. Robertson, bank e.v.p. (l.), presents the bags, which bear each team's name and colors, to coaches of the public and private schools. Looking on is Pete Boone (far r.), a.c. and resident football expert for Grenada Bank.

At Chicago's Hyatt Regency Hotel:

'Meeting Tomorrow's Challenges Today' Is Theme of ABA Marketing Conference

THEME of the ABA's 1975 National Marketing Conference, set for Chicago March 23-25, is "Management/Marketing—Meeting Tomorrow's Challenges Today."

Keynoter for the conference will be A. Robert Abboud, deputy chairman, First National, Chicago, and chairman, ABA Commercial Lending Division. He will discuss how marketing's input can influence the balance sheet and earnings statement and how marketing can assist the CEO in explaining the financial markets and banking industry in a credible light.

Other speakers include Charles Agemain, chairman, Garden State National, Hackensack, N. J.; John J. Moriarty, president, Keefe Management Services, New York; and Richard M. Rosenberg, senior vice president, Wells Fargo Bank, San Francisco. These three will discuss "Management/Marketing—Who Needs the Partnership?"

Dr. Paul S. Nadler, professor of business administration, Rutgers University, will speak on the extent of information needed by the marketing professional to properly assist the CEO's needs. Dee W. Hock, president, National BankAmericard, Inc., will discuss the significance and future plans of financial organizations other than banks. Dr. Morris Massey, associate dean, University of Colorado, will discuss what changes to expect in asset and liability management. Clarence C. Barksdale, chairman, ABA Marketing Division, and president and CEO, First National, St. Louis, will address the conference on what management and the marketing professional must communicate and why they must interact for banking to survive in the future.

The conference will include a series of five workshops, broken down by bank deposit size, each presenting a CEO and marketing professional discussion on the management/marketing partnership.

The conference will close with informal "rap" sessions on such topics as advertising, product development, branch location, planning research, sales training, officer call programs, marketing legislation, holding company marketing and Keough plans. • •

Sport Fans Get Mini Basketballs

Cheerleaders from Glenbard West High School, Glen Ellyn, Ill., show miniature basketballs, donated by First Security Bank of Glen Ellyn, that are tossed to fans at the halftimes of all the school's home contests.

Direct Mail Pays Off:

Monetary Bonuses Given To Purchasers of CDs In 'Coupon' Campaign

By blanketing their trade areas with a concentrated direct-mail campaign, four St. Louis-area banks describing themselves as the Dynagroup Banks obtained more than 300 new accounts and over $711,000 in new money. Of the new accounts, more than 200 were for four-year CDs.

The campaign was built around two coupons similar to the type housewives receive that advertise a new product available at the local supermarket. One coupon was worth $5 with the purchase of a four-year CD of $1,000 or more. The other was worth $10 with the purchase of a similar CD of $5,000 or more. In each case, the bonus was to be added to the face value of the CD. In other words, the bonus money was only a bookkeeping entry until the CD was cashed.

To circulate the mailing, the banks used a direct-mail company, which addressed and arranged the mailing by carrier routes. Thus, the carrier had individual letters addressed to "Resident" at a specific address. Close to 75,000 homes were circularized.

The mailing was broken up so that each of the three banks had what might be termed a "personalized" mailing. That is, letters delivered in the trade area of a particular bank contained a message on that bank's letterhead, signed by that bank's president.

The letter "sold" three services: four-year CDs at an effective annual yield of 7.62%, free checking and six-year CDs with an effective yield of 7.89%.

The reverse of the bonus coupons was a deposit form, which the new customer could fill out to purchase a CD. Names and addresses of all four Dynagroup banks were listed beside the deposit form and a business-reply envelope for the particular bank soliciting the account was enclosed.

The four Dynagroup banks are Clayton Bank, Bank of Crestwood, Hampton Bank and Bank of Ellisville.

For the Ailing Economy:

A New 'Doctor' on Call: Banks Offer Rebates

Because of the current recession and poor new-car sales, Detroit is offering rebates to those buying certain new cars. The idea is being adapted by banks as well. People taking out loans on 1975 American-made autos are getting rebates, reductions or longer periods in which to repay from a growing number of banks.

Frank West, assistant vice president, Cape State Bank, Cape Girardeau, Mo., says of the $50 rebate being offered by his bank to new-car loan customers, "The rebate reduces our yield somewhat, but if the customer pays it off over 36 months, we'll still make a good enough yield."

Those financing at State Bank, Freeport, Ill., or requesting financing with the bank through their local dealers, receive a 2% or minimum $50 cash re-

"Recession fighting measures" are illustrated in new car loan ad of United Carolina Bancshares Corp., Whiteville, N. C. Affiliate banks offer 9% loan rate or $200 rebate.

bate on a new automobile. State Bank calls the campaign "We're Banking on America."

Colonial Bank, Waterbury, Conn., offers its employees $100 just to buy a new American-made car, and Farmers & Citizens, Lancaster, O., has set up a $100 plan for borrowers.

In Atlanta, Citizens & Southern has a 90-day offer of 42-month loans, lowering payments on a $4,000 auto by $15.87 per month, compared to the 36-month rate. Manufacturers Bank, Detroit, offers reduced loan rates, as does another Motor City-area institution, State Bank of Escanaba.

According to Norbert A. Sylvester, Manufacturers Bank executive vice president, "Our program, along with other rebate programs, should stimulate the economy and get us moving again. In short, it is a most attractive time to buy a car."

An Iowa 'Caper':

'Take the Money and Run' Ends Toy Nat'l Opening

Toy National, Sioux City, Ia., opened its new building with grand-opening ceremonies dubbed "the Great Toy National Bank Caper." The "Caper" ended when Mrs. Carolyn Koesters "got away" with $2,000.

The festivities, advertised on radio, TV and in the newspapers, featured free commemorative coins, each individually numbered. Those attending were given one and, at a later date, a drawing took place and whoever had the lucky number was allowed five minutes in which to remove as much cash ($10,000 maximum) as he or she could carry from the vault.

Bank officials termed the promotion a success, and the story was reportedly covered in every major U. S. city newspaper and TV news program.

Americana Exhibit:

Rockwell Pencil Drawings In Bank Lobby Showing

Pencil drawings by Norman Rockwell recently were exhibited in the lobby of Corpus Christi Bank. The 35 sketches were from a collection of more than 70 of the artist's drawings commissioned by Massachusetts Mutual Life, which used them for a series of national advertisements between 1950 and 1964.

Included in the showing of popular Rockwell drawings were such works as "Girl in Front of Mirror," "Boy at Mirror," "Family With Pups," "Father Helping Son With Homework" and others. The collection, or parts of it, has been exhibited at many of the country's well-known galleries and museums.

Banker 'Picks' Name

Aston Kennedy, founding pres., Volunteer-State, Knoxville, Tenn., took to the air in a "cherry picker" to unveil a sign bearing the bank's new name, First American. In 1973, the bank became an affiliate of First Amtenn Corp., Nashville. Prior to the unveiling, Mr. Kennedy, now ch. emeritus, announced that under the new name, additional banking services will be introduced to Knoxville and new offices will be opened during 1975. The ceremony was covered by local newspapers, radio and TV stations. In addition, the name change was announced in morning and evening newspaper ads.

No Religious Experience Necessary:

Exorcise Your Own Ghost (Writer): You Can Be a Man of Letters!

By Louis C. Fink

MOST males in my peer group—friends and banking associates—hate to write. They leave the Christmas messages and sympathy notes to their wives. They don't mind dictating a letter if it's similar to some they've dictated before. (Bankers are well known for looking in the file to see what was written the last time.) But give the male banker a new idea to express on paper, and he'll shy away as long as he can.

I know scores of men who are given highly paid secretaries to save time—and these men carefully write out their letters in long-hand and then dictate their messages to stenographers.

It's not that bankers don't know what they want to say. Put the customer face-to-face, and the banker can express himself concisely, pleasantly and accurately. But put paper in front of him, and he freezes.

This little-discussed character trait quite unintentionally gave me a second career. Whether I was a loan clerk on Wall Street during the Big Bust, a credit investigator later or an advertising manager years after that, I found myself typing messages for men who knew what they wanted to say but couldn't put it down in black and white.

The custom even spilled over into the Army. Just after I was drafted at Fort Dix, a sergeant half my age asked (ordered?) me to write a love letter to a waitress at a nearby cafeteria. He promised dire punishment if the letter was unsuccessful. I was shipped out before the results were in—fortunately.

In the three banks that paid me salaries—and the scores of correspondent banks with which I consulted—I never wrote any more love letters, but I did just about everything else.

A vice president drops by: "Lou, I'm making a Fourth of July speech at the high school. Write me a rousing ending." He said I wouldn't need to see the beginning; just give him a closing paragraph.

A telephone call from a distance: "Lou, write a message for my annual report. We had a good year."

One of the favorite (but not mine) requests was for "something funny" for the office party. If it could be a poem, so much the better. Parodies of well-known poems are always satisfactory, and my Oxford Book of English verse is well thumbed. So are Roget's Thesaurus, Bartlett's Quotations, Bergen Evans' beautifully indexed Dictionary of Quotations and even the Reader's Digest's 1,001 Inspirational Things. It impresses people if you throw in a classical quotation.

Sometimes the letters were delicate, like a short one for the man who was leaving for another job; he wanted to submit his resignation, but make sure the bank knew how much he loved it. He told me exactly what he wanted to say; I sat down and typed it very nearly word for word, and he thanked me for composing his letter for him.

The most challenging ghostwriting efforts are always major speeches and magazine articles. There is nothing immoral about using a ghostwriter, if you furnish the ideas and let the writer furnish the words. Bank presidents hire architects to design buildings and tellers to cash checks, so they have a right to use speech writers, too. It's important that the speaker provide the ideas and that he edit the speech or article to give it his own personality. He's taking a chance if he doesn't.

I wrote one speech for a bank officer, and he was in such a hurry that he rushed to the dinner without glancing at it. His plan was simply to read the speech, which is a sure-fire way to put your audience to sleep. Midway in the speech, I had rung in a joke or two to liven it up. The speaker read the humor, realized that it was a joke gone wrong and muttered audibly, "Who wrote that?" The audience groaned.

The banker occasionally seeks a second opinion on his speech. Some wives are very helpful at this sort of thing. They can make constructive suggestions. But some are not so helpful. I remember the time I was asked for a very sentimental tribute, short, but sugary. I took one of Milton's sonnets, followed the poet's theme and his iambic pentameter scrupulously and was pleased with the result.

The next day I was thanked. "Your poem was very good, but my wife noticed that you had two lines at the end which didn't rhyme like the others. So she added two lines so it came out even."

Of course, I frequently was on the other side, editing instead of being edited. I once was responsible for printing economic reports by two distinguished economists. One realized that he was a better economist than a grammarian, and he let me correct any obvious errors. But when I pointed out a mistake or two to Economist Number Two, he nearly took my head off. Nobody was going to monkey with his prose!

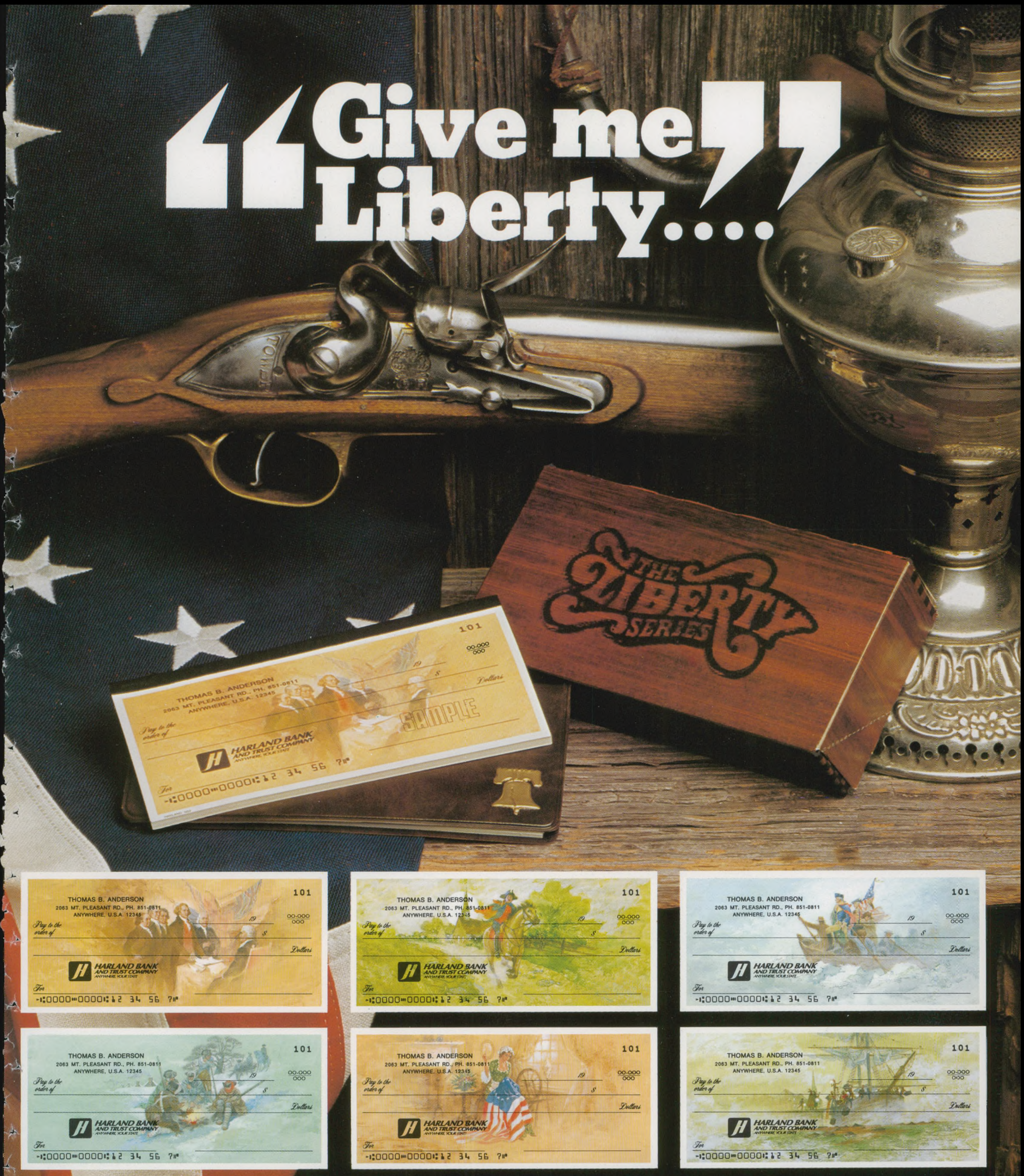
Bankers really should not be so afraid to write. The best way to learn to write is to write, as much as you can. If your vocabulary is weak, try spending 15 minutes a day on a crossword puzzle; it will help. Most of us can improve the readability of our work by using the rules of Rudolf Flesch: short sentences, short paragraphs, no multi-syllabled words and lots of personal pronouns—YOU and I and WE. That's the way we talk, and that's the way newspapers are written. Like your letters, the purpose of a newspaper is to be read, not to compete for a Pulitzer Prize.

Banks can help their staff, of course. Every office should have a couple of good reference books—on rules of grammar, for instance, and on etiquette, so we'll know how to address an archbishop or a United States senator.

Also, banks can provide instruction. The AIB has good courses, and attendance can be encouraged. Outside consultants can be hired. One bank in a large city uses a successful advertising man, now retired. He lectures on several aspects of writing, gives plenty of assignments, which he criticizes in a helpful way, and even gets file copies of letters his students have written. Those copies reveal as much as anything.

If all else fails, and you have a big speech coming up, hire a newspaperman. He makes his living by reporting events and describing situations so that thousands of readers can understand, quickly.

If we could forget about glorious prose and confine ourselves to the message we want to convey, writing would be less of a chore. • •



Those famous words, spoken by Patrick Henry in defiance of the British, truly reflect the feeling of colonial Americans as they fought to free themselves from oppression.

That same spirit and flavor of revolutionary America is now captured in The Liberty Series from Harland, a collection of seven full-color checks depicting great people and memorable moments in American history, classic matching vinyl cover and simulated woodgrain check box. Beautifully different, The Liberty Series is a fitting tribute to America's 200th Anniversary.

HARLAND FINANCIAL STATIONERS
P. O. BOX 13085, ATLANTA, GA. 30324

In Norristown, Pa.:

Delinquency Problems? Help Them Find Jobs!

When John Carr, president, Suburban Bank, Norristown, Pa., learned that many of his loan customers were delinquent because of unemployment, his solution was simple and effective. He helped them get jobs.

After a meeting with the loan department at Suburban, during which the idea of employment for idled loan delinquents was "kicked around," Mr. Carr had lunch with a local manufacturer of small motors. His plant had openings on the night shift, so the manufacturer agreed to work something out.

Noreen Lawless, loan department manager, began calling delinquent loan customers that night. After finding 87 unemployed because of recent layoffs, she began contacting local merchants. In three days, Miss Lawless had placed 22 in new jobs.

According to bank officials, the men have been hired full- or part-time as maintenance workers, machinists, truck drivers or production workers.

"One became a production manager and got paid in the high teens, a job for which he had been looking for over two years," Mr. Carr said.

Miss Lawless indicated that even though many firms in the area had been hit by job furloughs in recent weeks, employment does exist. "The problem is that the unemployed had been on the job for a long term, and now that they are out of jobs, they don't know where to go because they think no one is hiring. But people are," she stated.

Mr. Carr concluded, saying, "Since we placed the first ones, we have had calls from several other local businesses. Firms are calling us, asking to be put in touch with available workers."

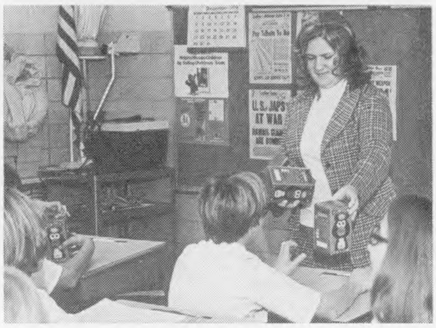
Understanding Banking:

Bank-Sponsored Course Is for Jr. High Students

In conjunction with a "mini-course" program, Mary Ferguson, an employee of First Security Bank of Downers Grove, Ill., is instructing seventh and eighth graders at St. Joseph's Junior High, Downers Grove, in basic banking principles.

The course, called "Understanding Banking," is part of a program to orient junior high students toward a profession. It's a combination of lectures, class participation, guest speakers and field trips, giving an in-depth look into bank operations.

Community Involvement



Mary Ferguson teaches 7th and 8th graders at St. Joseph's Jr. High, Downers Grove, Ill. She is employee of First Security Bank of Downers Grove and part of bank's community involvement program designed to help students toward professions.

In addition to regular course work, the class has heard presentations by experts in various areas of banking. The class also took a field trip to see the computer center at First Data Services, Naperville, Ill., a computer accounting firm servicing a number of the area's suburban banks. After that, they visited LaSalle National, Chicago, to see how a large bank operates.

The Big 'C':

Milwaukee HC Program Teaches Cancer Detection

One thousand women were told how to detect breast cancer, the leading form of cancer and leading cause of death among women, in its early stages through self-examination in a program for staff members and wives of employees of Marine Corp., Milwaukee.

The American Cancer Society presented the teach-ins at the 15 member banks of the HC, which is anchored by Marine National Exchange Bank, Milwaukee.

An earlier program was held at corporate headquarters in conjunction with the Milwaukee Department of Public Health, and one case of breast cancer was detected among the 200 in attendance.

Eileen Sagar, registered nurse in charge of the corporation's health services department, took advantage of the publicity generated by Mrs. Gerald Ford's and Mrs. Nelson Rockefeller's bouts with the disease to organize the initial program. She later served as liaison between the HC and the American Cancer Society, which presented its teach-ins free of charge.

The programs, which resulted in nearly 100% attendance, provided films, speakers and demonstrations of examination techniques on anatomical models.

In Prize-Winning Campaign:

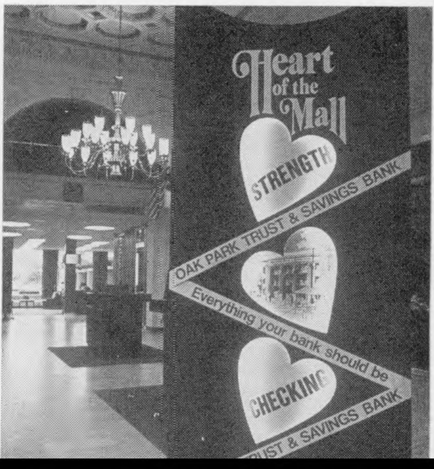
Bank Promotes Town Mall, Generates Local Good Will

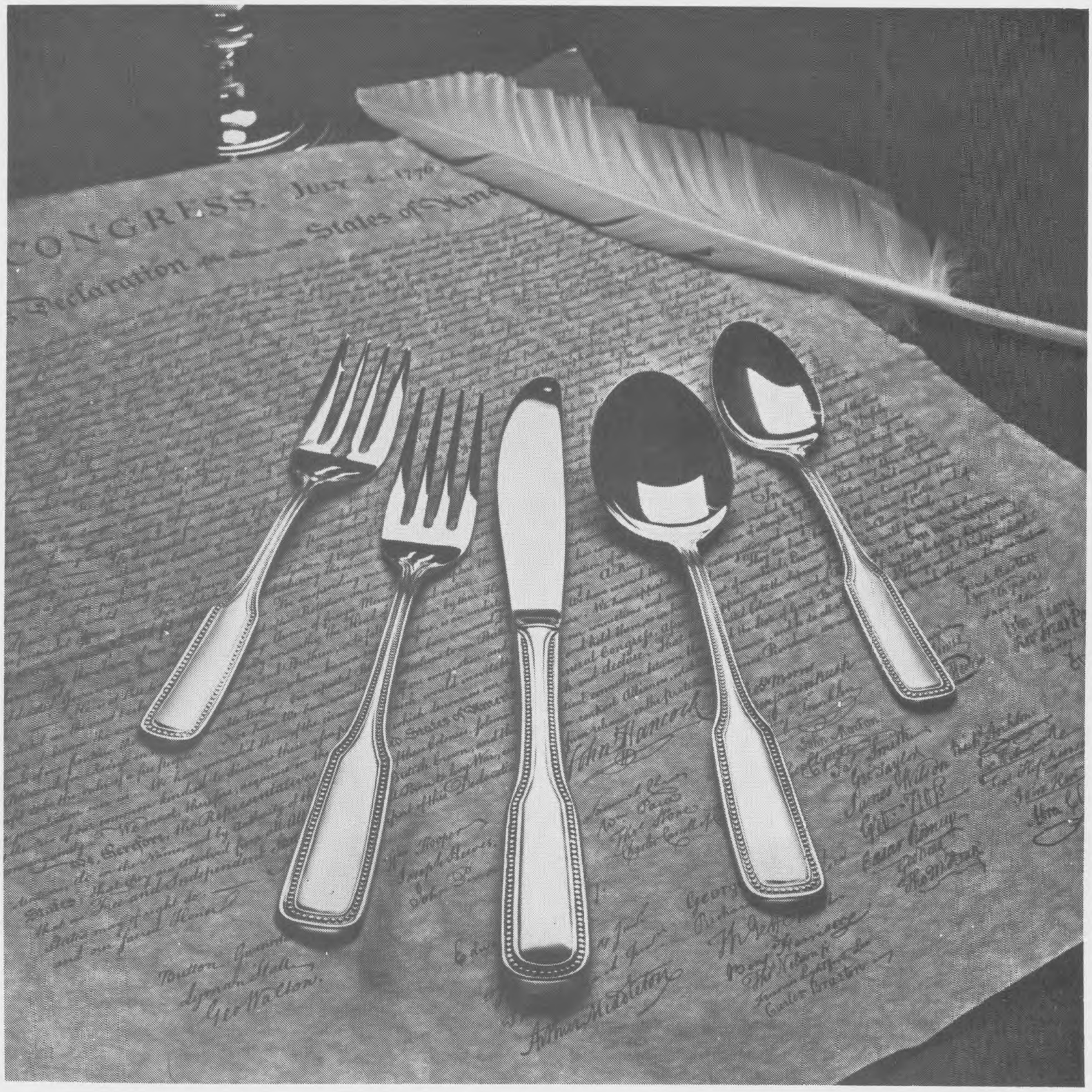
The Jack Carpenter Award for community service was given to Oak Park (Ill.) Trust, citing the bank's television campaign for promoting the town before the institution.

With construction of Oak Park Village Mall underway, the bank, in order to tell the public about its positive side, developed a campaign, using the theme "Heart of the Mall." It used newspaper ads, billboards and direct-mail pieces in addition to television coverage. During the mall's grand opening, Oak Park Trust will be giving away "Heart of the Mall" shopping bags, buttons and balloons.

ABOVE: Oak Park (Ill.) Trust has added message "Heart of the Mall" to its clock, follows award-winning ad campaign theme promoting Oak Park as "a way of living."

BELOW: Bank has erected revolving, lighted "Heart of the Mall" sign in lobby. Display is nine feet tall.





"1776!" Stainless...by Salem

The timeless beauty of fine silver – a tradition cherished by the time of the American Revolution. Master silversmiths took painstaking care with every detail to make each piece a masterpiece.

Salem recreates this proud tradition in "1776!" silverware. Even at first sight its uncompromising quality is evident. The rich beading around broad, gently-curved handles is authentic Early American design. Each piece is finished to perfection with a softly-brushed sheen and dramatic highlights. Quality stainless steel, "1776!" needs no special care or storage to protect its beauty. All this, plus its solid weight and perfect balance make "1776!" a true masterpiece.

Catch the spirit and glow of our heritage in these Bi-Centennial years . . . "1776!" the newest addition to the Salem Collection of fine products. All Salem products are part of complete programs, including: successful track records, displays and advertising materials, direct-mail pieces, TV, internal control and report forms, personnel training, an exclusive market, and return privilege of unused merchandise.

Write for more information about "1776!" and other fine Salem programs. Better yet, Phone: (216) 332-4655

Salem Silversmiths
A DIVISION OF THE SALEM CHINA COMPANY, SALEM, OHIO 44460

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• **The Fed** approved an application by Bankshares of Indiana, Inc., Merrillville, to acquire Goodwin Brothers Leasing, Inc., Lexington, Ky.

• **Application** by Deposit Guaranty Corp., Jackson, Miss., to engage de novo in providing management consulting advice to nonaffiliated banks through DGC Services Co., wholly owned subsidiary, has received Fed approval.

• **Merchants National Corp.**, Indianapolis, has received Fed approval to acquire Pacific American Leasing Corp., Phoenix. The Fed also confirmed the HC's bid to form Plaza Life Insurance Co., Inc., a new wholly owned subsidiary that will offer credit life and disability and engage in underwriting as a reinsurer for credit life and credit accident and health insurance. The new company is an Arizona corporation with the head office in Phoenix, and it will have a branch in Indianapolis. Otto N. Frenzel III will serve as chairman; Howard Sites, as president; Richard A. Cantin, as vice president; and Donald W. Tanselle, as secretary-treasurer.

• **William H. Laird IV** and Dennis R. Morrison, assistant vice presidents, and Peter F. Faletti, accounting manager, all of the comptroller's department, Mercantile Trust, St. Louis, have been transferred as officers to the HC, Mercantile Bancorp., Inc., St. Louis. Mr. Laird will handle insurance administration and Mr. Morrison will head the tax administration area.

Fed Amends 'Y'

The Fed has issued a clarification of a portion of Regulation Y covering acquisitions of assets by HCs in the normal course of business without Fed approval.

The Fed has amended Regulation Y by stating that if *all, or substantially all,* of the assets of a company, or a subsidiary, division, department or office are acquired by an HC in the ordinary course of business, the acquisition must be approved by the Fed.

Comments on the provision are invited until March 19.

New Customer Services

Free Checking at 1st of Tulsa Termed Anniversary Gift

TULSA—First National has begun offering unconditionally free checking to its personal account customers. The service, said to be the first free checking to be offered in the Tulsa area, has been termed a "gift" to the people of Tulsa in observance of the bank's 80th anniversary.

Existing checking accounts were automatically converted to free checking last month. The bank provides free checks imprinted with the customer's name and account number, and there is no limit to the number of checks that can be written.

Transit Token Vending Machine Installed at Continental Bank

CHICAGO—Customers of Continental Illinois National can purchase transit tokens from a vending machine in the bank's personal banking department.

The one-of-a-kind machine, built for the bank, dispenses two tokens and gives 10¢ change when a one-dollar bill is inserted. It generates 10 tokens and 50¢ change when a five-dollar bill is inserted.

The machine provides 24-hour service and speeds up manual teller transactions by providing customers with a specific location for purchasing tokens.

More machines are being built for future installation.

Check Cashing Service Card Offered by Illinois Banks

ROCKFORD, ILL.—Central National and five other banks have begun offering a check cashing service card to any preferred checking account customer at any of the participating banks. Customers, using ID cards, can cash personal checks for up to $100 at any of the banks.

To qualify for a photo ID card, customers must maintain a checking account at any of the banks and have a good credit standing.

The service is being promoted on TV, radio, in newspapers and by direct mail.

Personal Data Use Task Force Proposed To Assess Situation, Draft Ethics Code

A PROPOSAL has been made by the Bank Administration Institute for the banking industry to form a top-level task force to study the ways bankers currently use personal data collected in routine transactions with customers. End result of the action would be to have the task force recommend a code of ethics to prevent abuses in the handling and dissemination of such data.

BAI also has urged that banking take an active role in the initiation of privacy legislation.

The recommendations appeared in a report entitled "Personal Data Privacy and Banking," prepared by the Assessment of Concepts and Technology Division of BAI. Division Director Robert H. Long said that BAI is awaiting the response of members before a decision is made concerning whether steps will be taken to implement the suggestions made in the study, and, if so, how they will be implemented. Depending on member response to the privacy report, Mr. Long said, he would like to see the formation of a "cooperative, coordinated committee" which would "define what needs to be done, and do it."

The report states that, to date, "it appears that the industry's awareness and participation in privacy studies and conferences has been minimal." If banking's best strategy is to "do nothing and simply react to regulations" as they are passed, then this strategy should be consciously arrived at, rather than being a decision by default, the report stated.

Through a survey conducted in 1974, Mr. Long's division discovered that banks were not very involved in the drafting of privacy legislation. In many cases, banks were not aware of the issue on a nationwide basis. Although banks often take steps within their own institutions to keep customer records confidential, Mr. Long said, they "often aren't aware of what's going on in the outside world" on this matter.

The survey showed that procedures for confidentiality and codes of ethics concerning customers' data files were either nonexistent or extremely informal.

In addition to suggesting the formation of a banking industry task force, the BAI report listed recommendations that the study group might consider, including:

- Assignment of "degree of privacy" classifications to personal data commonly collected by banks.
- Development of a code of personal data ethics that can be communicated to bank personnel and to customers, so as to clarify the bank's position on the issue.
- Establishment of a program whereby customer data with the bank may have the same privileges in a doctor/patient relationship.
- Establishment of penalties within the bank for violations of a personal data ethical code.
- Establishment of data safekeeping services that banks could offer to customers who might desire them.

It was concluded from the BAI survey that banks are unclear on the responsibilities of confidentiality and that consumers are often uninformed about what information they are required to supply for such things as credit applications, business and government agencies and meeting registration lists.

"The key problem is that few definitions or guidelines exist," the BAI report maintains. "Thus, an individual is in a weak bargaining position when confronted with a government form, or an employment or loan application.

The report states that privacy and abuse of confidential information is "a strong emotional issue." At the present time, a law does not exist that clearly defines personal data rights. Many citizens and legislators feel that there is no effective way to correct data abuse, and businesses and government agencies may unintentionally cause harm and frustration to the public through careless handling of personal data.

Privacy Commission Praised

A senior vice president of Bank of America has urged leaders of business and industry to "cooperate fully and participate actively" in a congressional commission's study of recordkeeping and the right to privacy.

Russell L. Fenwick said that "the private sector should recognize that public interest in individual right to privacy is not likely to abate. On the contrary, it is likely to grow, to become more profound, to be tested through litigation and remain high priority for legislation."

He said creation of the commission "affords a golden opportunity for the private sector. . . . We ought to seize it immediately and take the initiative now—before we find ourselves saddled with elaborate and burdensome legislation that needlessly impedes the efficiency of our operations and services for years to come. . . ."

New Coupon Envelope Endorsed by ABA

A NEW standard window envelope for the collection of interest coupons from bearer bonds has been endorsed by the ABA Trust Division's Corporate Trust Activities Committee.

The new envelope will be required by the members of the New York Clearing House and the Federal Reserve banks after May 15, Robert I. Landau, chairman of the committee, said. The envelope was developed as a result of a study conducted by a task force of the nation's Federal Reserve banks and New York Clearing House members, he added.

"The use of this new standard window envelope will enable collection agents to identify the paying agents of the enclosed coupon(s) without opening the envelopes," Mr. Landau said. He pointed out that under the new system, envelopes would be returned to the sender for a records check if the correct number of coupons listed on the outside of the envelope were not found inside.

Mr. Landau, who also is a vice president of Bankers Trust, New York, said the new system will reduce costs by eliminating the hundreds of types of envelopes in varying sizes, shapes and formats that now exist within the system. It also will improve the security of handling the coupons by retaining them in their original sealed envelope from depositor to paying agent, he added.

The New York Clearing House banks and the Federal Reserve banks will furnish each correspondent with an initial supply of the new envelopes, Mr. Landau said. Inquiries about the new system, he stated, should be directed to the coupon collection departments of these organizations. • •

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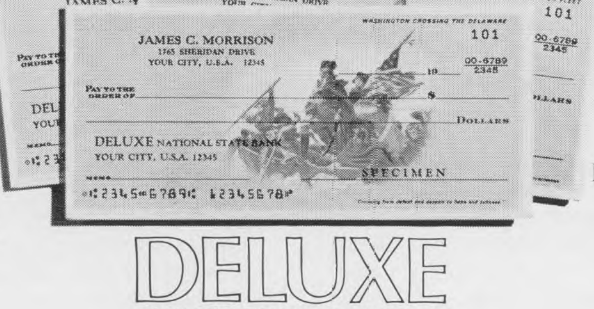

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NEWS ROUNDUP

News From Around the Nation

Senate Forms Bank Probe Unit

A permanent investigations subcommittee with broad powers to probe the effectiveness of the nation's banking system has been established by the Senate Banking, Housing and Urban Affairs Committee. The investigative unit also will probe federal regulatory agencies, the central bank and the many housing, small business and other subsidy programs that fall under the committee's jurisdiction.

It was the first time senators were willing to set up such a committee. It is chaired by William Proxmire (D.,Wis.), banking committee chairman.

Critics of the action said they fear the subcommittee will be used for headline-grabbing examinations of financial agencies and departments that should be protected from criticism while the economy remains in bad shape.

Proponents said the panel would be an important adjunct to the committee and the Congress is reasserting control over the federal bureaucracy and balancing congressional power against the White House through the committee.

Possible studies by the unit include a review of Fed HC regulation, of bank failures, of Truth-in-Lending law and of the Export-Import Bank.

Rural Home Loan Pledge Proposed

The Farmers Home Administration has proposed regulations for a new program that would guarantee rural housing loans made by commercial banks and other private lenders.

The agency said it would provide guarantees against 90% of any loss on loans to build, buy and repair rural single-family houses and rental housing. The guarantees would be similar to those provided for private lenders' rural business and industry and farm loans under the Rural Development Act of 1972.

Initially, the guarantees would apply to loans made to low or moderate income families. The program could be put into effect before mid-year.

S&Ls Rap Reform Bill Changes

An attempt by the Treasury to promote a compromise financial reform bill that would placate the thrift industry has backfired. The National Savings & Loan League has rejected the compromise bill, charging that it would make it harder for S&Ls to make housing loans.

The reform bill will include a provision to extend Reg. Q controls for 5½ years, with the possibility of their being dropped after that time. This was a switch from previous plans to phase out rate controls during a four-year period.

Primary purpose of the reform bill is to give financial institutions more flexibility by erasing differences between commercial banks and thrift institutions. But a spokesman for the S&L organization charged that dropping rate controls would force home buyers to compete with corporate giants for funds.

He said the thrift industry favors a plan under which S&Ls would be required to invest a minimum 70% in residential home and related loans, with the remaining 30% to go to areas considered appropriate by the Federal Home Loan Bank Board. Thrifts also favor a ¼% increase in the savings rate differential thrifts have over commercial banks.

S&L Service Expansion Sought

The Federal Home Loan Bank Board wants Congress to allow S&Ls to offer many of the same services commercial banks do, including checking accounts, consumer loans, tax and trust services, investment programs and financial counseling and planning.

The FHLBB has sent its proposals to members of the House and Senate banking committees. Net result of the proposals, if adopted, would transform S&Ls into "family financial centers."

The study predicts that 10% of commercial bank checking accounts would be transferred to S&Ls if thrifts were permitted to handle such accounts.

FDIC to Continue Exam Experiment

The FDIC plans to continue its experimental program covering the examination of about 525 insured state-charted nonmember banks in Iowa, Georgia and Washington.

In making examinations in these states, FDIC examiners rely heavily on the reports of state banking departments. Not all banks in any state are included in the experiment.

Credit Allocation Debate Cools

The question of whether the Fed should be required to allocate credit was decided last month with rejection of a mandatory credit allocation bill and issuance of a "sense of Congress" resolution expressing the desire of Congress that the Fed do what it can to allocate credit.

The Administration vigorously opposed the mandatory measure, as did the Fed, although a former Fed board member said the Fed has been promoting credit allocation on an informal basis for the past year, despite its stated opposition to a formal credit rationing program.

Proponents of the plan say the current housing slump could have been averted by credit allocation. The Administration says banks on their own can be more effective in allocating credit than the Fed could and the former Fed member says the Fed's informal allocation plan has not been effective.

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Disposition of Lease Residuals: Problems and Opportunities

By PETER K. NEVITT
President
First Chicago Leasing Corp.

BANKS engaged in leasing that have written "true leases" are entitled to possession of leased equipment from the lessee as such leases terminate. Many banks facing this problem for the first time are understandably apprehensive about taking possession and selling equipment coming off lease. The purpose of this article is to address some of these concerns and to identify opportunities which arise in connection with disposition of residuals.

In a properly negotiated lease, the return of the equipment at the conclusion of a lease should only create opportunities. Although most banks book anticipated residual income, the rental income from a properly drawn lease should have made good economic sense on the basis of a zero residual.

The bank leasing company which has speculated on residual income to justify its pricing is justifiedly apprehensive.

As in most business activities, planning is necessary in order to achieve results which will maximize profits.

The first step a lessor should take when faced with the prospect of return and disposition of equipment under lease is to examine the lease documentation to determine the rights and obligations of the parties. The following checklist may be helpful in this regard:

1. Does the lease contain a "put" for the lessor? Does the lessor have the right to require the lessee to purchase the equipment at some price?

2. Does the lessee have an option to purchase the equipment at the conclusion of the lease for a set price? For a "fair market value" price?

3. Does the lessee have an option to renew the lease at the conclusion of the initial term? For a set rent for a set term? For a "fair rent"? (The purpose of a fair rent renewal option or a fair market value purchase option is to protect the lessee by keeping the equipment from being sold out from under him.)

4. Under 1, 2 and 3 above, what steps must be taken by the lessor or the lessee to protect their respective rights? What notices must be given? What are the consequences for failure to give notice? If options are given both the lessee and lessor, which option overrides the other?

5. Does all equipment under a lease terminate simultaneously? Do lease schedules vary the lease terms?

6. What is the lessee's obligation to return the equipment? Must it be returned to one location by the lessee? Must the lessor pick up the equipment?

7. What is the lessee's obligation to have maintained the equipment in good working order?

8. Does the lessor have all the lease documentation regarding the leased asset? Are there any side letter agreements or understandings?

9. Does anyone other than the lessee or lessor have a right to the residual? Did the lessor ever transfer the residual? If a broker or packager put the deal together, did the lessor assign to him a part of the residual as a portion of his fee? If so, does he have any obligation to take charge of the equipment and dispose of it at the end of the lease term?

10. Does the lease renew automatically if neither party terminates, either under the lease terms or by law? If so, at what rent?

After a lessor has determined the rights and obligations of the parties under the lease, he should take whatever steps, such as notification, as are necessary to protect his rights and be aware of changes in his rights which may result from actions or inactions of the lessee. The lessor may wish to remind the lessee of lessee's rights as a matter of courtesy and good business relations.

In order to sell the equipment to a third party or in order to obtain an appraisal of the value of the property, it is necessary to have a complete and exact description of the leased equipment. In the case of equipment such as trucks, construction equipment, machine tools, material handling equipment, aircraft and computers, for example, the description should include the name of the manufacturer, serial number, model number, model name, year of manufacture, a list of all special features and accessories, and location. In the case of leases of furniture and fixtures, or numerous small items of equipment, a complete inventory should be prepared of each and every item of equipment with name of manufacturer, year of manufacture, serial number (if any) and location.

Such detailed information can usually be determined from the invoices. Additional information can be obtained from manufacturers' brochures and catalogues.

This information also can be used as a checklist to make sure the correct equipment and all of the leased equipment will be returned at the conclusion of the lease.

Photographs of the equipment are also helpful for purposes of identification.

After determining exactly the equipment to be returned, the lessor should determine the current fair market value of such equipment.

The return of equipment at the end of a lease should create opportunities for the bank.

Knowledge of how the equipment has been used is important in appraising its value. Has it been used 24 hours a day or sparingly? Has it been used in a manner to quickly exhaust its useful life? In the case of a truck, what is the mileage? In the case of a machine or an airplane, what are the hours of use? Has the equipment been well maintained? Is the lessee currently using the equipment and how essential is the equipment to the lessee?

Many kinds of equipment typically leased are valued in published reference works. Examples of such publications for cars, trucks, construction equipment, material handling equipment and aircraft include the following:

• Cars ("Red Book"), trucks ("Blue Book"), and farm tractors and equipment: National Market Reports, Inc., 900 South Wabash Avenue, Chicago, IL 60605.

• Aircraft: "Aircraft Price Digest," Aircraft Appraisal Association of America, Inc., Box 59985, Oklahoma City, OK 73159.

• Construction equipment, material handling equipment, trucks and trailers: "Green Guide," Equipment Guide Book Co., 3980 Fabian Way, Palo Alto, CA 94303.

The reliability of these publications is attested to by their widespread use. The valuations are based upon an assumed state of repair that is usually stated.

Franchised dealers and manufacturers of the equipment to be valued are often a good source of information. Used equipment dealers are another source of information.

Where other reliable sources are not available, the counsel of a reputable independent appraiser should be sought. Such consultation will cost money. On the other hand, you may be pleasantly surprised at the value of the equipment, or you may save yourself time and effort by determining that the value of the equipment is much less than you imagined.

The current fair market value of the equipment must be adjusted to arrive at a target sale price that is realistic in view of expenses and inconveniences the lessor or the lessee will incur.

Plus factors from the lessor's point of view are as follows:

1. Lessee's need for the equipment and replacement cost.

2. Lessee's obligation (if required by the lease) to return the equipment to the lessor at a designated location at his expense.

3. Lessee's ability (or inability) to return equipment (as in the case of furniture and fixtures or small items).

4. Dismantling expense which lessee is obligated to pay.

5. Lessee's obligation to have properly maintained the equipment. Expense of bringing equipment to the state of working order and maintenance required by the lease.

Negative factors from the lessor's point of view are listed below.

1. Expense in selling equipment, such as advertising expense and broker's fees.

2. Expense or cost of storage, transportation to storage and transportation to purchaser.

3. Reconditioning expense.

4. Executive time in handling the sale of equipment.

5. Customer's ill will incurred by insisting on strict adherence to lease terms.

6. Tax consequences of a sale or lease to a third party.

7. Negative residual, where equipment has no value and lessor must dispose of it. (Most leases give lessor right to abandon.)

With these factors in mind, the lessor should determine an acceptable buyout price.

If the lessor is willing to renew the lease or obligated to renew the lease at fair rental value, he should determine the term and rent he will find acceptable. He should also decide whether he wishes to grant a fixed purchase option at the end of the renewal term or whether he is willing to finance the purchase of the asset by the lessee.

After the lessor has prepared himself by researching the lease documentation, reviewing the value of the equipment and determining his negotiating objectives, the lessor is ready to negotiate with his best prospect, the lessee.

If the lessee has any need for the equipment, continued use of the leased equipment at a reduced rent may be much more desirable than immediate replacement.

Comprehensive planning is necessary to achieve results that will maximize profits.

If the lessee does not need the equipment, his obligation under most lease agreements to return equipment to the lessor at some designated location in like-new condition, normal wear and tear expected, can place a considerable and in some cases an impossible burden on the lessee.

The lessor should give the lessee a timely written notice required by the lease documentation, and begin a dialogue with the lessee on the subject of renewal or return of the equipment.

If the lessee desires to renew the lease or purchase the equipment, negotiations on terms for such purchase or such renewal can commence. So long as the lessor is armed with facts and knowledge of his legal rights, the outcome of such negotiations is a measure of his negotiating skill.

If the parties agree that their mutual negotiating objective is a purchase at fair market value or a renewal at fair rental value, or if such purchase or renewal is called for by the original lease, each party may call in an independent outside appraiser to buttress their respective positions.

The lessor, being in many cases less familiar than the lessee as to the value of the equipment, may seek the help of an appraiser fairly early in such negotiations. This has the added advantage of setting a good tone for the negotiations. It indicates to the lessee that the lessor is serious, knowledgable, and not willing to settle for a nominal purchase price. The lessee is put somewhat on the defensive. Even if the lessee is a good bank customer, it is difficult for him to argue for special

(Continued on page 86)

Banks Rely on Leasing Firm's Capital To Finance Their Fixed Assets

By EDWARD G. HARSHFIELD
Senior Vice President
Citicorp Leasing International, Inc.
New York City

A GROWING number of banks—whose principal business is lending money—have found logical and sound advantages to using a leasing company's capital instead of their own to finance fixed assets.

Leasing can be a form of borrowing capital because it permits a bank to decrease non-earning assets and increase earning assets, providing significant improvements in key operating ratios.

There has been a growing trend on the part of banks and bank holding companies to lease as a means of conserving capital, which is particularly evident in branch expansion and the EDP area.

In fact, estimates are that from 13% to 18% of all data processing and technical equipment acquired by banks within the last three years is on lease.

Another advantage to leasing for banks is that it is truly "pay-as-you-go" financing; the bank has the use of the equipment while it is generating profits and can match lease payments with productivity. There are, of course, the benefits of simplified bookkeeping and flexible terms and options. Leasing terms are usually longer than more conventional forms of financing, and, depending on how the lease is written, the bank may be able to renew the lease after expiration, return or purchase the equipment.

One particular bank in the Mid-Continent area had undertaken a vast branch-expansion program to serve its customers' needs. Equipment requirements were extensive. The bank needed coin and currency handling machines, security systems, data processing and drive-in teller equipment.

"Our building program was a large one," said the bank's president, "but we didn't want to tie up our capital in fixed assets; that's not how we make money. We figured that it was less expensive to lease," he said, "and we didn't have to float stock or add capital notes to raise funds. We simply leased what we wanted when we needed it."

Technical equipment is really only a means to an end for banks; that is, the equipment doesn't generate profits in itself, but only serves as a way to maintain services.

Computers are virtually a necessity in today's banking world—and they are costly. One senior officer of a $200-million-deposit bank in the Midwest said, "We found it was less expensive to lease—that is, from a third-party lessor—than it was from one or more vendors. We wanted their computer systems, so we went to a third party and saved money over the captive leasing companies' rate."

Leasing was better for him, he said, because the rate of interest is less than the return on equity, and with a lease, there is no debt obligation or risk to the depositor.

Basically, there are three types of leasing companies: general equipment lessors, those who are captives of manufacturers and specialists in specific industrial fields.

A general-equipment lessor usually can provide for all financing needs.

For this particular bank, a master lease was drawn up, so that not only its computers, but also security equipment, furniture and fixtures were included in the package.

Leasing can also permit a bank to control its cash flow to most effectively reflect the useful and economic life of the equipment and maximize opportunities for effective tax planning.

Another bank president said, "We lease everything here except the bricks and mortar. That, for the moment, is the only way we're able to keep pace with our expansion demands. Let me be quite candid," he continued, "We were number three in our market and eager to move up. We decided that our best bet was a branch-building program that would give us good public exposure and increase our business," he said. "Unfortunately, we didn't have the means to invest in the sophisticated technical equipment needed to make a branch operation work effectively and smoothly. We know our business—the banking business—so we found someone else to handle the amenities," said the president. That someone else was a bank-related leasing company with a formidable knowledge of banking growth needs.

Leaders in the banking industry have been saying that the way to increase profitability, especially in these times of tight money, is to streamline their operations. To do this they need automation, because the paper flow generated today, in even the smallest operation, is overwhelming. People just can't keep up with it, so machines are employed to do the job. But one problem with machines is obsolescence. Technology is changing rapidly, especially in the EDP area. Many banks have turned to leasing, rather than buying, for this reason.

Equipment depreciation is another consideration. A $35-million-deposit bank in the Midwest leases its fixed assets because it realizes that the expense that can be written off is more than the depreciation of the equipment. Another thing management kept in mind during a large building program was capital versus fixed assets.

"When it came to vault equipment, such as the vault door, and cameras and other security equipment, it was simple," said the bank officer. "There was no way we could continue to expand and still purchase everything we needed. Leasing provided the best solution to our problem."

From an equipment lessor standpoint, banks make excellent leasing customers for a number of reasons. First, they take the advice they give their own customers, which is to tell them how to better manage their money. Second, they usually have sophisticated managers who can readily see the advantages of leasing. And third, they are good credit risks.

Citicorp Leasing, for instance, is aggressively marketing to those banks that judiciously use leasing as part of the mix in their overall financial structure. And, as an affiliate of First National City Bank, one of the world's largest, Citicorp is well atuned to bank equipment needs.

There are other advantages to leasing for a bank, such as fixed rate financing and as a hedge against inflation.

There are also some interesting pieces of equipment banks can lease as an adjunct to their operation. One of these is helicopters. Helicopters are being used today by banks with main offices in metropolitan downtown areas and scattered suburban branches to reduce float time.

Because the rotorcraft can make fast pickups and fly quickly between remote bank branches to a centralized heliport, checks reach the operations departments faster than by conventional means. Work flow is improved and cycle times on computers can be smoothed out by going to a steadily-paced operation. One major Eastern bank saved 36% in check processing costs through use of helicopter collections, and reduced float time considerably. National banks, which must keep a percentage of deposits with the Federal Reserve Bank, find their faster collections enable them to obtain credit earlier.

In short, banks are aware that their capital has value only if it is kept in the marketplace. The greater the amount of funds kept in the marketplace, the more income that bank capital earns.

Leasing today is a $120-billion industry growing at the rate of 15% to 20% a year. Part of the reason for this growth is that more and more banks are turning to this viable financing method. • •

National Bank Leasing Shows Gain

Direct lease financing operations of national banks increased 73% during the 12-month period ending in mid-October, 1974, according to Comptroller of the Currency James E. Smith.

"The totals reflect a continuation of the trend toward both increased volume of direct lease financing and the growing number of banks providing the service," Mr. Smith's office said.

Direct lease operations of national banks for the period totaled $2.37 billion, an increase of $1 billion over year-earlier figures. During the period covered by the report, the number of national banks engaged in direct lease financing rose from 579 to 655.

The report disclosed that only four of the 50 states did not have national banks involved in leasing operations, none being in the Mid-Continent area.

First Ogden Corporation Observes 5th Anniversary Of Service to Banks

NAPERVILLE, ILL.—First Ogden Corp., a bank service firm, has celebrated its fifth anniversary.

During its five years of operation, First Ogden has grown to include seven financially-related subsidiaries and seen its personnel roll swell from three to more than 100. The firm services 20 small- and medium-size banks in five adjoining counties in the Chicago area.

The firm was formed as a framework of mutual cooperation for six suburban Chicago banks desiring to provide more and better services to their customers.

First Ogden functions primarily to form new banks and assist other banks in competing with larger banks. The company presently offers nearly 30 services to clients, including advertising, auditing, long-range planning, market research, central purchasing and special services for directors.

Assets of the 20 client banks are more than $422 million. Two additional banks are expected to become clients shortly and some 20 more banks have applications pending.

Shown preparing to cut fifth anniversary cake are (from l.) First Ogden Pres. Vernon S. "Tex" Hoesch; David S. Sutton, v.p.-marketing; and Edwin K. Siebert, v.p.-purchasing. Mr. Hoesch is founder of firm and is former pres., Bank of Naperville, Ill.

Passive Position of Bond Holder Protected by Lease Transaction

IN THE RUSH to finance industrial expansion, there has been a tendency to view insured revenue bonds as a panacea for certain fundamental risks inherent in any real estate transaction.

The industrial development revenue (IDR) bond, which was popularized in the South in the early '50s, is a financial instrument backed solely by the lessee's credit. Therefore, natural calamities and economic stresses can alter the risk for all parties concerned.

It is incumbent upon the investment banker and lease insurer to conduct a sound analysis of a proposed bond offering because it usually involves financing at 100% of costs. IDR financing is attractive to the corporate treasurer because little or no equity is required. With that kind of risk, however, underwriters for the bond dealer and lease insurer want to make sure that the borrower can add the proposed debt burden to his other fixed obligations.

Insisting on tightly written leases and adhering to sound underwriting guidelines, consistent with current economic stresses, have paid off for the investor. No losses have been experienced to date on industrial revenue bond issues backed by Commercial Loan Insurance Corporation (CLIC) lease insurance.

George K. Baum & Co. has successfully marketed $7.25 million in insured IDRs since 1972. The sale of the bonds was enhanced by the insured lease, structured to protect the passive positions of the trustee, bond holder and municipal landlord.

By ROBERT P. THOMPSON
Vice President
George K. Baum & Co., Inc.
Kansas City

In the lease itself, for example, subleasing can be permitted only with the approval of the insurer. A change in tenant obviously can alter the risk for all parties concerned and possibly result in a default.

The obligations of all parties to the lease transaction must be spelled out clearly in the bond circular to satisfy securities laws. The lease insurer must approve the circular to be sure that such matters as deductibles, casualty and condemnation exclusions and the requirements of eviction, refurbishing and re-renting are clearly spelled out.

In all probability, the borrower still can realize the benefits of revenue bond financing after he pays for extra insurance measures.

Let's look at an example of a 1974 bond offering sold by George K. Baum.

Mid-West Chandelier Co., a privately-held manufacturer of lighting fixtures, purchased an 84,000 square foot plant in the Fairfax industrial district of Kansas City, Kan., with the proceeds of a $650,000 insured bond issue. The trustee and paying agent was Commercial National, Kansas City, Kan. The trustee purchased a portion of the bonds and George K. Baum sold the remainder of the offering through retail distribution to other investors.

The borrowing cost was 7%. Lease insurance premiums, which included costs for extended coverage in the event of a default, totaled $33,332. The effective interest rate on the insured bonds increased approximately 4/10ths of 1% with lease insurance expenses.

The cost of insurance was offset by a reduction in the interest rate of approximately 1%. George K. Baum felt that it could have marketed the bonds on a best-efforts basis without insurance for about 8¼%. With the insurance, a firm commitment to finance the project was obtained at the lower interest cost.

The saving in this instance amounted to approximately $51,000.

Based on an interest rate of 7%, the cost of borrowing, combined with the lease insurance premiums, came to $455,350. Interest costs for an uninsured bond issue at 8¼% would have been $506,350.

The lease between Mid-West and its municipal landlord was insured by

CLIC. The total amount of guaranteed rent is $1,075,250 for 15 years, the term of the lease. The amount of the guaranteed rental income is equal to the principal and interest on the bond issue, excluding the insurance premium, which was a pre-paid expense.

Through an assignee clause in the policy, the insurance proceeds in the event of a default will go to the trustee. The procedures for claim settlement, however, should be spelled out clearly in the lease agreement between the municipal landlord and lessee. The insurer has the option of purchasing the premises subsequent to the trustee foreclosing upon the mortgage. CLIC then would pay the trustee the unpaid principal balance of the outstanding bonds, plus accrued interest to maturity.

Lease insurance for revenue bonds in 1974 exceeded the volume of the previous four years. As a wider range of properties become eligible for revenue bond financing, investors can be expected to look for the most security possible in this investment instrument.

And contrary to what may be implied by the introduction of lease insurance, the investor should not consider a guaranteed bond a poorer risk. Rather, the insured bond should be viewed as coming to market with the triple endorsement of the trustee, underwriter and insurer. • •

Legislation, Gold, EFTS Discussed At First American's Seminar

ABOUT 190 bank executives from Tennessee, Kentucky, Mississippi and Alabama attended a correspondent bank seminar at which Nashville's First American National was host. The day-long meeting was held at the Sheraton-Nashville.

T. Scott Fillebrown Jr., the host bank's president, started off the discussions by speaking on pending legislation on national and regional levels and its impact on banking in the Southeast. Trust Officer Dick Berquist explained the Employee Retirement Income Security Act of 1974. He emphasized the legal aspects and implementation of the individual retirement programs and pension plans for corporations and all employees. According to Mr. Berquist, the act is the most important piece of legislation in this area since the Social Security law was passed in 1933.

Doug Campbell, gold bullion department head, talked about the gold-sale program in the U. S., its effect on the international market and how to establish such a program.

The increasing use of electronic funds transfer and the proposed automated clearinghouse in Nashville and its impact on point-of-sale terminals were the topics of Group Vice President Jim Smith. Gary Sharp of the bank's international division discussed methods by which correspondent banks can find buyers in the international market for products produced locally by their customers.

The seminar was closed with an economic forecast for 1975 by Vice Chairman William F. Greenwood. He predicted that the economy was entering a stabilization period and should begin to improve during the latter part of the year. • •

Andrew Benedict (2nd from r.), ch., First American Nat'l, Nashville, visits with four Kentucky bankers during his bank's day-long correspondent bank seminar. With Mr. Benedict are: George Warren (l.), exec. v.p., Sebree Deposit Bank; Charles Moore (2nd from l.), v.p., Paducah Bank; Roland Fitch (c.), ch., Bowling Green Bank; and Robert L. Kirkpatrick Jr. (r.), pres., Southern Deposit Bank, Russellville.

Business Boost for Ireland

ST. LOUIS—The weather outside was dreary, but at a January 22nd luncheon, at which First National was host, the theme was "green." The luncheon was given for a group of businessmen here so that they could hear about the advantages of locating one of their branches in the Republic of Ireland.

Sean Ward, Midwest manager, Industrial Development Authority of Ireland, and J. P. Whitty, Bank of Ireland, discussed incentives for doing so, including, no capital gains tax, 15 years of relief from taxes on export profits, ready-to-occupy factories, and an expanding educated work force, which would be trained at no cost to American businesses locating in Ireland.

A question-and-answer session followed the presentations.

Top Management Seminar Planned by BMA-Golembe At Northwestern University

CHICAGO—In cooperation with Northwestern University and Carter H. Golembe Associates, Inc., Bank Marketing Association will co-sponsor a two-day seminar, "Banking—An Era of Instability." The seminar will air a wide range of management opinions about traditional economic decision patterns and examine new strategies for handling economic instability in financial institutions.

Senior marketing individuals and policy makers from commercial banks, S&Ls and mutual savings banks of all asset categories are invited to attend the two-day seminar, April 1-2, on the campus of Northwestern University, Evanston, Ill.

Conference overview will be given by Daniel P. Jacobs, Ph.D., Morrison professor of finance, Graduate School of Management, Northwestern University. Dr. Jacobs has been a member of the research staff of the National Bureau of Economic Research and was co-director of the staff of the Hunt Commission.

For more information, contact: Conference registrar, Education Department, Association Services Division, Bank Marketing Association, 309 West Washington Street, Chicago, IL 60606.

Case Studies Reveal How Leasing Departments Help Correspondent, Corporate Clients

BANK leasing departments and HC leasing subsidiaries are being called upon more and more to assist correspondents and commercial customers with leases. This assistance can be in tangible form, involving participations, or it can be in an advisory capacity.

Birmingham Trust National recently announced that it had become the first bank in Alabama to negotiate a leveraged lease with a major utility. The lease covers equipment cost of almost $12 million for Middle South Utilities, New Orleans. Equipment covered includes four towboats and 16 barges for transporting fuel oil.

Guy H. Caffey Jr., president and CEO, Birmingham Trust, in commenting on the lease, said, "There are a number of factors which make this particular lease unique. Not only are we the first bank in Alabama to consummate a lease of this type, we are among the first in the nation to successfully conclude a leveraged lease for a major utility. The problem in the past has been due, in part, to various regulatory agencies."

Although the lease originated at Birmingham Trust, a portion of it was sold to U. S. Trust Co., New York, a reversal of the usual participation situation. The bank bidded against major money-center banks and succeeded in retaining the business locally.

A hospital in the community of one of the correspondent customers of United Missouri Bank, Kansas City, wanted to lease equipment to be used in a new wing. The hospital asked the correspondent to make a proposal based on a list of the equipment. Since the correspondent had no prior experience in equipment leasing, it went to United Missouri for assistance.

United Missouri's lease department determined that some of the equipment was not suitable for lease financing. The bank came up with a specific proposal that was given to the correspondent to relay to the hospital and the hospital accepted the proposal. United Missouri's lease department helped assemble the necessary documentation, including purchase orders, basic lease, supporting schedules, insurance requests, UCC filings, etc., that were needed by the correspondent to establish the lease. Equipment covered by the lease included an electrocardiograph, a bookkeeping machine, beds, chairs and tables.

United Missouri's correspondent was able to satisfy its customer's leasing needs while earning a good rate of return for its effort.

The president of a correspondent bank recently contacted First Arkansas Leasing Corp. (FALCO), an affiliate of First Arkansas Bankstock Corp., Little Rock, with a leasing request from a local lumberman who wanted to make a major equipment purchase. The lumberman happened to be a director of the correspondent bank and, thus, was aware of current economic conditions and saw the wisdom of not exhausting his line of credit with the bank.

Local bankers are often stymied when approached with a leasing opportunity from a customer.

He saw that a lease would enable him to utilize his credit line for operating capital and use the tax advantages inherent to a true lease.

A FALCO representative visited with the lumberman, reviewed his financial statements and took a look at his operation. The terms of a lease were agreed upon, the equipment was delivered and installed and the lease was finalized.

Most of the recent growth of Liberty National Leasing, a subsidiary of Liberty National Bank, Louisville, has come from arranging leases for customers of correspondent banks. Numerous advantages can be realized by the bank that does not have a leasing department, but that can arrange lease financing through a second bank, a Liberty spokesman says.

The advantages are as follows:

- The banker solidifies the customer relationship by arranging for financing which is more suitable to his customer's needs than conventional debt financing.
- Should the banker decide to participate in the lease agreement, he benefits from a better rate of return than with conventional debt financing.
- When a customer has utilized his full line of credit with the bank, lease financing can, in effect, provide an overline.

Liberty National Leasing recently provided lease financing for a general contracting firm that is a customer of a correspondent. Although the company had utilized its full line of credit at the correspondent bank, it remained in an expansion posture and was interested in acquiring an asphalt plant. The correspondent contacted Liberty's leasing company about the possibility of a lease arrangement and the arrangement was made. Despite the fact that the correspondent declined participation, it benefited from being able to act as the customer's agent in securing the lease.

Local bankers often are stymied when approached with a leasing opportunity or request from one of their customers. This is not surprising, according to Donald L. Deters, head of the leasing department at First National, St. Louis, who fields lease-related inquiries from perplexed bankers.

According to Mr. Deters, most inquiries involved the standard full payout lease, which quite often is priced and accounted for in the same manner as an installment loan. It is not uncommon, after a brief explanation of the leasing concept and the supplying of a few basic documents, that the local banker is well equipped to follow through and handle his leasing opportunities.

The story is quite different, Mr. Deters says, when an officer in a small or rural bank is presented with an opportunity to participate in a leveraged lease. Lured by the promise of extremely high yields (even higher than 1974 federal funds yields) from various lease brokers, these bankers are eager to make equity investments. However, without extensive analysis of each transaction, it is impossible for even the most knowledgable leveraged lease investor to advise whether the transaction is suitable, Mr. Deters says.

He finds it useful to ask questions, such as, "How much taxable income is available for the shelter that this lease will provide?" "Is the participation being considered so large that some of the shelter benefits will be lost (due to a low taxable income)?" "How does the bank's control department look at this transaction (the stated yield on the analysis may be 20% pretax, but does this yield contain sinking funds earnings)?"

Other questions include, "Is the residual realistic?" "Will the bank's auditors allow you to accrue residual?" Mr. Deters has seen many 20% yields on leveraged leases converted to 5% when accounted for under generally accepted accounting principles.

Another important consideration, Mr. Deters says, is this: "Is your bank allowed to participate in such a lease (since state banks have a maximum maturity limitation of five years)?" Of course, he adds, it always is necessary for a bank to have its attorney thoroughly review the documentation for a lease.

Mr. Deters says that, if suitable answers can be made to these questions, banks most probably can enter into transactions that will be beneficial. But, if unsatisfactory answers are given, the transaction should be avoided. • •

Changing Service Station Into Branch Proves Practical Project for Bank

WHEN A service station in Chattanooga, Tenn., closed because of the 1973 energy shortage, the building was boarded up and could have remained there empty and an eyesore. However, American National took over the former station and—with only minor changes in the building's structure—turned it into an attractive, serviceable branch.

The changes included transforming what was the automobile bay service area into a lobby with an open-beam, cathedral ceiling, constructing an addition to house teller operations and drive-up units and adding a safe-deposit and vault area.

American of Chattanooga had three objectives in planning this unusual branch, said Bill King, executive vice president, retail division. They were:

1. The bank wanted to open the new branch as soon as possible so that the bank could service the area—around Highway 58—quickly. By choosing to renovate the vacant service station, rather than build an entirely new structure, said Mr. King, the bank opened a completely finished and fully operational branch within three months. He added that construction time to build a branch of comparable size normally would take six to 12 months.

TOP: This former service station looked like this last October 1 before American Nat'l, Chattanooga, Tenn., converted it into full-service branch.

SECOND FROM TOP: As of Nov. 1, structure was in midst of being remodeled. Building was lengthened at right and addition put on in rear.

SECOND FROM BOTTOM: By Dec. 27, less than three months after remodeling project began, new branch was open for business.

BOTTOM: This photo, also taken Dec. 27, shows interior of converted service station. Note cathedral-type, open-beam ceiling. Tellers area in background is in area that was added to original building.

2. The bank wanted to capitalize on the reduction in total cost in building a full-service branch. While construction-cost total on the building has not been figured out yet, said Mr. King, estimated projections are calculated at a 10% to 20% savings.

3. The bank wants to take advantage of unused buildings within its general trade area. Also, American National thought it could be of assistance to other area merchants in modernizing the looks of the central trade area by redesigning the vacant store and thereby changing its detrimental appearance into a modern and attractive building.

"The results of this first attempt in establishing a full-service-branch operation through the renovation of an available vacant structure have been most gratifying," said Mr. King. "We are very pleased with the results and will strongly consider similar construction plans in the future development of our branching facilities." • •

In Chicago:

Continental's Renovation Honored by Commission

Continental Bank, Chicago, has been cited by the Commission on Chicago Historical and Architectural Landmarks for its renovation on the first floor of the building called the Rookery.

The building, located in downtown Chicago's Loop area, is one of the earliest forebears of the modern skyscraper, incorporating skeleton-frame and wall-bearing construction. Designed in 1886 by Burnham and Root, it's one of the firm's two commercial buildings in the Loop that are still standing. In 1905, Frank Lloyd Wright remodeled its central court.

Continental expanded its personal banking and international services facilities into leased space in the Rookery in 1974, facing Wright's lobby, and bank officials sought to protect the heritage of the design.

Detailed measurements and a series of photographs were taken of the original Frank Lloyd Wright frieze work, from which a mold was constructed. The design was reproduced throughout the first floor.

Continental also reinstated the original floor-to-ceiling windows on the perimeter of the first floor. Previously, some windows had been raised above street level.

"What we hope we have done," said John H. Perkins, bank president, "is to help preserve a historic piece of Chicago, yet provide a setting for a modern and convenient banking facility."

Our new programs may not be of direct help to you, but they show these innovative marketing and leadership techniques that have become bywords...for the Fourth.

When you only use your checking account a few times each year...

You need The Backwoods

I sure hated to pay all those service charges when I only came out of the woods once a year to buy oats for my mule, Jenny.

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So that is why I changed to Fourth National Bank and got one of their new Backwoods Accounts. It's designed for people like me that write just a few checks a year, and there is no minimum opening balance to get your account started.

With The Backwoods Checking Account, all you do is pay by the check — just a little each time you write one.

They say those big banks just watch out for themselves, but not the Fourth, with the Backwoods Account — they are a bank helping those that don't need to do much banking. Or don't need to come back to the bank.

Ima Loner

The Background,

FOURTH NATIONAL BANK
TULSA, OKLAHOMA
You'll never come back.
Member F D I C

what the Fourth is doing back in Tulsa.

New Financial Center Formally Opened By Arkansas Bank in Hot Springs

ARKANSAS BANK, Hot Springs, last month formally opened its new financial center, consisting of a new five-story tower and a completely renovated three-story building. The complex—comprising 100,000 square feet of space—is called ABT Plaza. The older building now is referred to as the East Wing; the new structure is the ABT Tower. The two are joined by a street-spanning Skyway Banking Lobby.

During the weekend public open house, adults were invited to tour the bank's facilities, while children were entertained by stars of Animal Wonderland, which trains animals and birds to perform unusual feats, many of them appearing on TV and in movies. Animal Wonderland is located just outside Hot Springs. In addition, all visitors could register for three "adventure family vacations." First-prize winner received four days and three nights at Walt Disney World, Orlando, Fla., plus $250 in travel and expense money or $1,000 in cash. Second prize was three days and two nights in Silver Dollar City, Mo., plus $150 in travel and expense money or $600 in cash. Third prize consisted of two days and one night at Dogpatch, USA, an Arkansas Ozarks attraction featuring the cartoon characters from "L'il Abner," plus $100 for travel and expenses or $400 in cash.

Dignitaries present at ribbon-cutting ceremonies February 1 included Arkansas Bank Commissioner Harvel Adams and Hot Springs Mayor Tom Ellsworth. The national anthem was sung by Marjorie Lawrence of Hot Springs, concert and opera star.

The ribbon was cut by five-year-old Wendy Blenden, assisted by her grandfather, Cecil W. Cupp Jr., president and CEO of the bank, and her great-grandfather, Cecil W. Cupp, bank chairman. The elder Mr. Cupp is former president of the Arkansas Bankers Association.

During construction, ABT's slogan was, "Building Dreams" because, according to Mr. Cupp Jr., ABT Plaza really was a dream then. However, from now on, he told those at the opening, ABT Plaza will be referred to as "Your Building for a Better Tomorrow" because the bank's staff believes the expanded capabilities the new structure provides truly will enable the employees to work in helping provide a better tomorrow for all the bank's customers.

The ABT Tower is an all-electric building with rental space, plazas, fountains and walkways on its first level, plus a security entrance for money transport and other areas for bank use. Elevator service is available to all floors, and there's an escalator to the second floor, which extends across Broadway via the Skyway Lobby some 15 feet above street level. The Skyway Lobby goes to the third floor of the East Wing. ABT Travel Service, insurance department, customer services, new accounts, loan officers, bookkeeping areas and the main tellers area are located on the tower's second floor and in the Skyway Lobby. A mezzanine with a view of the entire lobby area is on the ABT Tower's third level, which also includes executive offices, board room, executive dining room and kitchen and a meeting room, called the Hot Springs Room.

The fourth and fifth floors are available for lease to professional firms and are designed in the service-core concept.

The East Wing was Arkansas Bank's main office and was completed in 1961. The former lobby on the second floor now houses the trust, correspondent banking and economic development departments and the Arkansas Abstract Co. The installment loan department remains on the ground level, but has been doubled in size.

ABT Plaza has a two-story parking facility for 200 cars and direct entry to the new ABT Tower from both levels. • •

This is ABT Plaza, new financial center of Arkansas Bank, Hot Springs. Five-level ABT Tower at right is new and is connected to bank's quarters at left that had been completed in 1961. Latter, now called East Wing, was completely renovated. At center is glass-enclosed Skyway Lobby, which joins new structure to remodeled building.

This is street-spanning Skyway Lobby, which connects new ABT Tower of Arkansas Bank, Hot Springs, to original building, now called East Wing. Several departments and main tellers area are located here.

Lawrence Gallo Dies

Lawrence F. Gallo, assistant vice president, banks and bankers department, Mercantile Trust, St. Louis, died February 16 of a heart attack. He joined the bank in 1970 and traveled in southern Illinois and in Kentucky. Prior to joining the bank, he was in the insurance field.

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Jamboree, Santana

North Central Life Regional Manager Bob Torcivia is shown discussing insurance programs with Joseph Lauber, president, Brownsville State Bank, Brownsville, Wisconsin.

THINK OF BOB AS YOUR MAN ON OUR PAYROLL!

Bob Torcivia 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*.

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"We've only used our Golnick campaign a short time, but the public's initial response has been excellent. The comments from customers, non-customers, and competitors have been nothing but complimentary."

A S.DAKOTA BANK Says:
*"Last year we had a **22.9%** increase in deposits! Our competition's increase was only **12%**. We attribute this to advertising. After many years with our Golnick Campaigns we're still receiving comments on our advertising."*

A NEW MEXICO BANK States:
"When somebody does an outstanding job for us, we appreciate it and continue to use their products and service. We feel just that way about our Golnick campaign. We've renewed for the fifth year."

A TEXAS BANK Says:
*"Our optimism this past year helped us launch a great new image—awareness Golnick Campaign, symbolized by their theme, 'We are THE BANK WITH THE HEART OF GOLD.' Result: We showed a record growth of **69.5%**!"*

A NEW JERSEY BANK Says:
"We have just renewed our Golnick campaign for the second time. We feel we are moving forward consistently while all the others are standing still."

A GEORGIA BANK Reports:
"Business is great. We're very pleased with our campaign. We feel that ours is a full service bank, and our Golnick campaign advertises our services fully."

AN ALABAMA BANK States:
*"We've got strong competition from a bank more than twice our size and a very aggressive Savings and Loan. Yet, we have an excellent **7.6%** growth in deposits, and anticipate the greatest growth in our history this year! I was skeptical at first, but it was a great day when Golnick decided to call upon this bank."*

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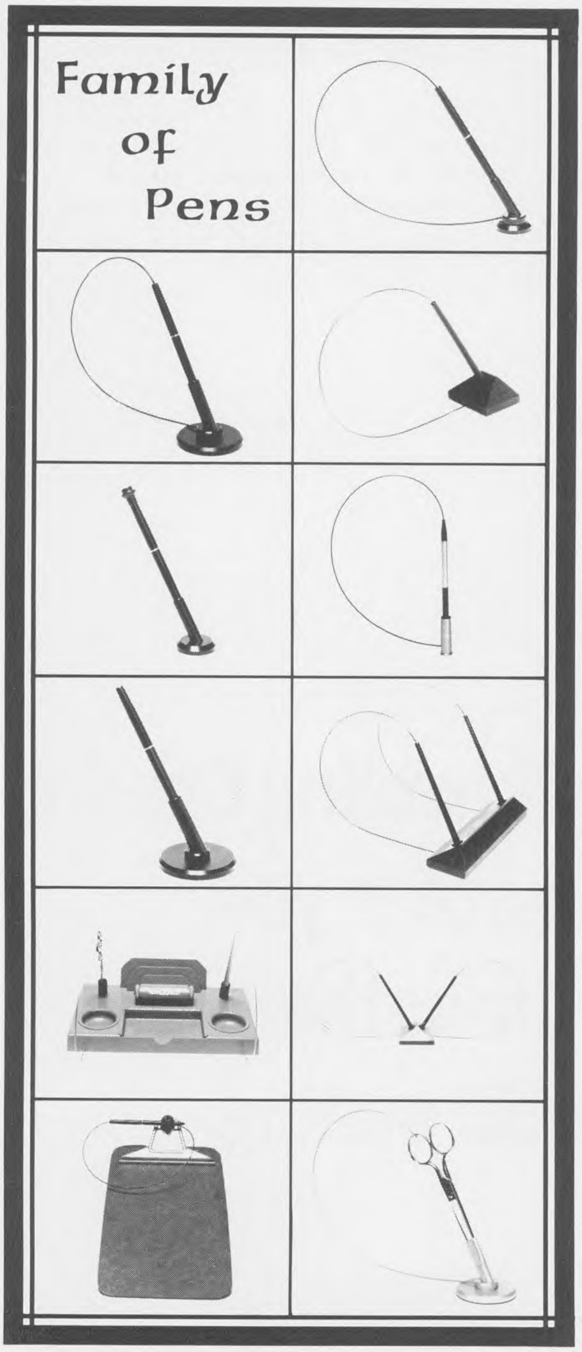

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Better Coverage, Reduced Premiums Possible for Attentive Bankers

By NORMAN CLARK
President
Scarborough & Co.
Chicago

MANY bankers are asking themselves why they are paying more total premium dollars today than formerly.

There are a few reasons. Some, or all, of them may apply to your bank situation.

Expanded operations. Banking functions have grown into new areas of operations over the past several years so that you have increased your exposure to loss with new risks. For example:

- More foreign exchange trading and more domestic money management transactions.
- The advent of leasing autos and equipment on a large scale.
- Mobile home financing on a large scale.
- Bank charge card programs.
- Automated teller machines.
- Other operations in which you may have been involved in only a small way, if at all, in prior years.

Larger staffs and larger or more quarters. To handle new operations or the growth of existing operations, you have hired additional people and enlarged work areas with larger, new or additional buildings. People and buildings are two of the most important premium rating factors in much of the insurance you buy.

Increased loan value. Your banker's blanket bond premium for securities forgery or all-risk forgery is dramatically affected by loan volume.

Higher insurance limits. Insurable values have grown over the years, calling for higher insurance limits. The insurable and replacement value of every building in your system is greater today than it was last year.

Greater frequency and severity of loss. Ten years ago most banks had few losses to be considered at renewal of their banker's blanket bond, and then it was unusual to have a deductible of even $100.

Today, if the bank does not have a sizable deductible on its bond, there very likely are forgery, holdup and even embezzlement losses to take into account in arriving at the premium. The average loss also is bigger than it used to be.

Changing times and more awareness of risk. The general public and certain lawyers have become legal-suit conscious in the last 10 years. They have made bankers aware of the need for insurance to cover their potential liability, should someone use hindsight to successfully allege prior negligent action by bank directors and officers. Therefore, you must consider director's and officer's liability insurance.

The same legal-suit consciousness has made bankers aware of liability for alleged negligence or even imprudent actions in trust department operations. More insurance is needed. This time, it's trust department surcharge liability insurance.

Not only are holdups more common today than during the infamous '30s, but an old type of crime has gained criminal popularity—extortion through kidnap or bomb threat. This risk must be insured. Kidnap extortion can be covered by the standard Form 24 banker's blanket bond. Kidnap and bomb threat extortion can be covered by broader forms of banker's blanket bond.

It is no wonder that your total insurance bill has risen. But if you don't feel any of these reasons account for your increased bill, I'll tell you one that does. The insurance company's expense of procuring and servicing your bank as a customer has gone up. Just as your loan borrower must help pay your increased costs, so must you help pay for the insurance company's increased costs.

What measures do you have to counter rising insurance costs?

You can get more value for your premium. Make sure you are getting the most or best coverage you can for your premium. The best is not always the most expensive. For almost all classes of insurance, there are especially designed or non-standard forms that generally are broader than the standard forms.

Take a look at higher limits and higher deductibles. After all, insurance is supposed to cover the loss that would be too painful to absorb without insurance. By increasing your deductible by $1,000 or $10,000, you might be able to increase your total limit of coverage by $100,000 or even $1 million, to give you greater protection for the catastrophic loss. And you may pay no higher premium.

Along the same lines, consider the possibility of eliminating certain insurance altogether. The risk of loss might be covered by more than one policy you carry. The loss that could be sustained might be one that you could easily absorb. Caution: sometimes poor publicity resulting from announcement of an uninsured loss is enough to cause you to wish you had paid the insurance premium.

At least once a year, make a complete review of all your bank's operations from the standpoint of the creation of risk. Then, review your insurance program to determine its adequacy.

Take corrective action, if necessary, to eliminate or minimize loss potential, and take whatever action is necessary to improve your insurance protection. That may mean increased limits, increased deductibles, acquiring new coverage, replacing coverage with new forms. It might even mean reducing limits or eliminating certain policies.

Finally, do everything you can to make sure the bank's management policy is one that emphasizes tight operational controls, whether or not there is insurance to cover potential loss.

In your consideration of insurance and risk management, you must answer many questions, such as these:

• Where are the risks? Identify every risk. Keep the information used in this process as current as possible at all times.

• Are all risks insurable? This is part of the evaluation of risk. All policies have exclusions for some risks, but the exclusions of one policy may be the very nature of coverage in another policy. On the other hand, the risk may simply be one that is so grave or so infinitesimal that no insurance company wants to handle it.

• Can certain risks be self-insured or non-insured? Some areas of loss potential may have small limits of possibility in dollar amount and in frequency, so just assume those losses with a large deductible or set up a reserve fund or just absorb the loss when it occurs.

• Can the risk be reduced or eliminated? If the exposure to loss is great, then, by all means, look for ways of reducing the exposure. This might be done by tighter audit control, greater physical security, better local police surveillance, better building maintenance, better location of the activity-creating risk, fewer or more employees, etc.

• Is the risk greater than the value of the operation creating the risk? Is your bank in the business of floor planning automobile or mobile home dealers? With some dealers the risk of out-of-trust sales is relatively great. Is the value of that dealer's account worth the time you must spend with it and the money you must spend on it? Dealer fraud insurance is available to cover the out-of-trust situation, but the premium might be too expensive as compared to your profit. It might be better to quit the operation.

• What is the effect on the risk of changing conditions? Does a branch located in a changing community require greater protection than previously? Does a worsening economy require that you tighten up your procedures to make sure consumer and commercial loan borrowers have adequate insurance protecting your interests?

• What is the degree of risk? This requires that you determine your largest possible single loss, maximum probable loss, average probable loss and frequency of loss. This information will help you to determine the adequacy of your present insurance limits.

• What would be the impact of an uninsured loss on the bank's profits, public relations, employee morale and management opinion of the person responsible for insurance placement?

I don't know of any industry that has gone through more changes in the last 10 years than has your industry. The insurance industry has not always reacted as swiftly to these changes as you would like, but sometimes that's because you, too, have been taken up by changes before you are really ready for them. • •

Single-Interest Insurance Plan Designed With Aid of Bankers

Among the insurors offering single interest coverage to banks is Matterhorn Bank Programs, Timonium, MD. The firm's non-filing single interest policy was designed with the assistance of consumer lending officers, according to Leo G. Rudolph Jr.

The Matterhorn program picks up all outstanding consumer loans of a bank upon initiation of the program, although the premium is based only on new loans made from the effective date of the policy.

The premium is based on the number of new loans each month, which is said to not only make it easier to compute the premium, but also to permit easier allocation of the premium cost to customers.

The program carries no limitation on the value of autos insured and there is no deductible. The company covers skip and confiscation losses and all coverage is in one policy.

According to Mr. Rudolph, a member of the Matterhorn staff visits with each bank prior to entertaining coverage. All direct interviews and all contacts with a bank are made with a local insurance agent, often named by the bank. Claims are normally settled by local adjusters working in conjunction with the bank.

Insuring Commercial Loans

In today's economic climate, commercial loans should be secured with life insurance, according to Wayne Williard, manager, credit insurance department, Integon Corp.

In a large number of cases, Mr. Williard says, one or two people make a business go, see that it is managed properly and make certain that loans are repaid. If one of these key people dies, the business has less than a 50% chance of surviving —posing a potential collection problem for lenders.

Most commercial loans are larger than the loans insured under regular credit life, he says. And because of the large amounts associated with commercial loans, few commercial borrowers are insured. However, several available plans insure the lives of these borrowers and many lenders use them, but not nearly the percentage that use normal credit life.

Mr. Williard feels the lender is doing the commercial borrower an injustice if he does not make credit life available. "The life insurance will protect the borrower's estate to free his regular life insurance plan for family needs," he says, "and the business, in all probability, will be debt-free in the event of the borrower's death. As a debt-free business, it may continue to operate. If it is sold, the business will be an asset rather than a liability to the borrower's estate."

According to Mr. Williard, if commercial bankers are not offering life insurance on their individual commercial loans, they are not providing all the services a borrower should expect.

Banks Can Identify Areas of Highest Risk By Use of Risk Management Techniques

By CARL W. DESCH
Senior Vice President
and Cashier
First National City Bank
New York

RISK MANAGEMENT is simply the determination of what to insure after careful scrutiny to identify and separate the known risks from the unknown risks. When viewing a corporate risk program with this risk management philosophy, purchasing insurance should be the last consideration. Risk management does not seek to eliminate insurance, it seeks simply to eliminate needless insurance.

When you know there is a great risk, it isn't a risk at all because it is known. You take steps to mitigate its potential impact. It is only where there is uncertainty that you have a real area of concern. The highest area of risk is at 50%; up to that point we know there is risk, beyond that there is real uncertainty. It is at the latter point one must be watchful. How one reacts to these views will determine how to treat the risk.

About the most basic and commonly used starting point in risk management philosophy is to analyze the treatment of any given risk. First one must identify the risk.

Certainly the most important link in the chain is that the exposures to which the bank is—or may be—subjected must be identified. This can be done by the careful study of past losses and an alertness to the continually expanding number of exposure points. There are really three basic phases of getting information about risks, and the distinction between each should be clearly understood:

- Getting knowledge about objective things, such as new contracts, new operations, new services, buildings, and so on.
- Perceiving the risks in such things as the perils of fire, falling objects, burglary, third party risks, and so on.
- Appreciating the risk, i.e.: its possible frequency, severity, and possible consequential effects.

None of the three phases can really be an isolated consideration, but they are there for the purpose of not forgetting any one of the points.

For the risk manager, the frustration revolves mainly around getting the information in sufficient time to permit appropriate analysis of what to do with a possible risk, if, indeed, there is one.

The next link in risk management is the evaluation process.

Having identified the risks, one must then evaluate and determine what treatment is to be accorded them.

The easiest way out is to eliminate or avoid the risk; one can stop a construction or stop a process. On the other hand, to do that means stagnation. We need to move forward, and growth and innovation bring with it the risk factor.

If we don't eliminate the process and are constantly alert and exposed to possible liabilities—and in the banking business they are many—then it is essential that high standards of loss prevention be instituted. Some of the more important factors to look for in maintaining these standards involve:

- Being informed about the bank's operations.
- Constant inspection of premises.
- Developing and applying measures—both physical and contractual—for loss prevention.
- Implementing and conducting training programs with continuous follow-up sessions.
- Keeping informed about applicable laws, regulations and practices.

If you have followed these and many other preventive measures, then nothing more is needed. As a result, much of the insurance industry folds up; there is no business for it. But it isn't that easy. After taking all the preventive measures possible, there is still the stark uncertainty of what could happen and often does. Having perceived and appreciated the risks involved and the loss possibilities in such risks, we must now balance the risk/cost factors to the bank's best advantage. Do you take the risk by self-insuring or do you transfer the risk by insuring?

One of the main factors in determining the amount of risk retention is the bank's financial position and what effect a sizable loss would have on that position, or how seriously a loss might

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(Any LARGE Loan With More Than Normal Risk)

Wherever and whenever REPAYMENT of a loan depends on the life of one individual, bankers should analyze the borrower's insurance program. When necessary, the banker should strongly recommend MORE *permanent* life insurance and/or the use of our SINGLE-PREMIUM TERM policy, which has been used by hundreds of banks to protect against BIG losses in those BIG loans!

All too often bankers (and other lenders, too) will place credit life on a $2,000 auto loan, but fail to recognize the importance of insuring the life of a young farmer or businessman who has just borrowed $50,000 for equipment, expansion, etc.

Our INSURANCE SPECIALISTS are trained to help you recognize the various insurance needs of your bank. Won't you let us show you how we can help your bank? *Phone or write today.*

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(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.

impact earnings at any given time. Public relations may also play a part: for what it is worth, there is always some comfort in saying that a loss is insured. The final important ingredient is the *availability* of insurance for any given risk.

A consideration in the self-insuring aspects of risk management is appropriate coordination with the insurance buyer. The insurance buyer in this instance is any one of a large number of forces within your own shop—the premises man who concerns himself with fire and liability problems, the chairman who worries about directors and officers liability, the operating chief who has to worry about the growing matters covered in blanket bonds.

When considering a deliberate risk retention, a coordinated total loss prevention program is essential, since self-insurance and loss prevention go hand in hand. Too frequently, however, the right hand has not been coordinated with the left.

A total loss prevention program depends upon the right person being in the right place at the right time and perceiving and performing in the right way. Frequently, programs are adopted which seem costly, but such costs can often be offset by an increased reliance on self-insurance and premium savings.

We now come to the next step in our program of risk management, and that is the decision to insure the risk.

Having made the determination not to self-insure, we proceed to transfer the risk to an underwriter. Now, for the first time, insurance enters the risk management picture. Risk management begins with the determination of what is and what is not a risk, using a list of insurances. Insurance management is only a part of it.

I don't need to touch much on what the rules are once you have decided to insure. Quite obviously, one of the more important ones is that cover be provided on as extensive a basis as one can afford.

On the other hand, there is no sense in swapping unnecessary dollars. Our own philosophy is that you insure really against catastrophe and that, of course, can start at any level, depending upon the size of the organization, its capital base and its general run of earnings.

In certain circumstances, the bank is under an obligation to carry insurance, but, apart from those circumstances, the coverage in point of perils should be as broad as needed. Thus, for example, the ultimate objective in covering real property is by means of all-risk insurance, but attempting to minimize the premium expense by utilization of as high a deductible as can be afforded. Never should the risk insured be less than adequate in amount, and never should it reach an amount that would seriously affect the bank's economic position.

What happens when a loss has been sustained and what efforts at reclamation or salvage should be made? The third leg of the stool functions simultaneously as a claims department, legal section, salvage bureau, investigation area and a general advisory department.

An important task of this unit is quick knowledge of whatever loss or damage or injury has been sustained. In any specific case, prompt investigation is required to protect the bank's interest, insured or not. Only with prompt action can a proper loss analysis be made which, in turn, may suggest improvements in loss prevention measures, determine the advisability of placing insurance where none exists and, importantly, provide for possible recoveries.

Where insurance applies, appropriate cooperation with the underwriters in investigating the loss, obtaining statements and, if required, the giving of evidence and legal proceedings is an absolute necessity.

Another ingredient in this whole area, but centered more specifically on liability, is brought about by the Federal Occupation Health and Safety Act. To assure appropriate implementation of the requirements under that act, it is essential that a safety man be in place. In a large organization, he may be a specific individual charged with analyzing accident claims, to look for appropriate measures to forestall similar accidents in the future and, finally, to look around the shop for possible unforeseen exposure points. Someone should be charged with these responsibilities.

In summation then, the risk management function is, in principle, an integral one and it should be organized to the degree possible within the bank's organization. An integrated risk management program calls for defining the area of risk, minimizing that area through loss prevention, determining what portion of the risk the finances of the bank can withstand, the transfer of the risk which cannot be assumed to avoid catastrophic impairment of the bank's capital and assets and, finally, where losses or potential losses are incurred, working toward their reclamation or minimization. • •

Citizens Fidelity Provides Garden Plots For 5,000 Familes in Louisville Area

UP TO 5,000 families in the Louisville area will be tilling home garden patches this summer, courtesy Citizens Fidelity Bank.

The bank has arranged for the creation of that many 20′ x 40′ plots from April 15 through October 15 at four locations. Any family, whether or not it is a bank customer, can contract for a plot for a one-time fee of $20, which is charged to cover the bank's expenses in preparing the ground, fencing the areas and providing security and expert advice.

It is estimated that each plot can yield several hundred dollars worth of vegetables.

Purpose of the project is to ease the pressures of inflation for participating families, according to Maurice D. S. Johnson, bank chairman. The bank does not intend to make a profit on the operation. Should income exceed expenses, any profit will be contributed to a local charity, Mr. Johnson said.

Plots will be leased on a first-come, first-served basis, will be easily accessible and have ample parking facilities. The ground will be completely prepared in advance, including plowing, disking, soil testing and fertilizing, if necessary.

Each of the units, called Family Farms, will be fenced to protect the plots against possible damage from animals or vandalism, and security people will be on duty around the clock. During daylight hours, an experienced gardener will be available at each of the four farms to assist families with crop planning and to deal with problems.

Each applicant will receive an ID card permitting entry to his plot, along with a copy of 10 suggestions on how to be a good gardening neighbor. Each applicant will be asked to attend an area meeting on the project.

Classes for those wishing them will be held prior to the planting season under the direction of several local gardening experts.

Each gardener must supply seed and utensils. It is estimated that the seed bill for a typical plot will not exceed $15. • •

Protect Bank Employees

Although all banks like to get good publicity about themselves or their employees, it would be wise—in these hazardous times—to omit certain personal information about their staff members when preparing news releases.

For instance, any release about an employee being promoted or honored in some way should not contain that employee's home address. The reason: There's always danger that an employee or a member of his or her family may become the victim of a kidnap/extortion plot, or threatening calls may be made to an employee's home.

Another suggestion: If a bank is robbed during business hours, it would be wise not to release the name and address of the teller/victim to the press or to allow that teller to be interviewed by newspapers and/or TV, or to be photographed by either media. If the robber got away, it's possible that, if he learns who the principal witness against him is and where he or she lives, he might try to harm, perhaps even kill, that witness. Even if the robber is caught, he may have friends or relatives who would try to intimidate the witness.

Insuring Fiduciaries' Potential Liability Under New Pension Plan Legislation

By WARREN T. GEARY
Vice President
Scarborough & Co.
Chicago

ERISA—the Employee Retirement Income Security Act of 1974—will reshape America's private pension and retirement plans and imposes new standards, limitations and risks for fiduciaries. Anyone who helps control, manage or administer a pension plan must do so with prudence as required by the law. And he can be liable for a loss.

Bankers seeking adequate protection in this area will probably find that the fidelity bond requirement under ERISA will be of little concern. ERISA calls for fidelity insurance on fiduciaries, but it is thought that there is a strong possibility of exemption of most banks to this requirement, similar to the exemption under the earlier Welfare and Pension Plans Disclosure Act.

If a bank is subject to the bonding requirement, there is little doubt that its banker's blanket bond will cover the amount of required protection, but it is important to examine the definition of "employees" in the blanket bond. Bonds issued through Scarborough & Co., for instance, extend coverage under definitions of "employee" to include "any natural persons who are trustees, administrators, managers or employees of any pension, retirement, profit-sharing or welfare plan or fund established by the insured for the benefit of its employees. . . ." It should be noted that this does not necessarily extend to every person or entity who may be considered a fiduciary within the act.

Most bonding firms are expected to endorse banker's blanket bond forms to name any ERISA plans in effect for the bank's employees.

The subject of insuring individual fiduciaries' potential liability is an extremely complex one. The first place one might look for coverage would be under the bank's comprehensive general liability insurance or a package policy which provides premises and operations liability coverage. Most companies make available an endorsement to give certain coverage in this area, but they fall far short of the extent of protection made available through other forms.

Many in the insurance industry are inclined to the view that the proper place for insuring trustees' liability is under the directors and officers liability policy. Before ERISA, trustees of bank pension plans had frequently been included within the definition of D&O on such policies. The pension trust had also occasionally been included within the definition of "company."

Directors and officers liability insurance was first marketed by Scarborough in 1963 by virtue of an exclusive contract arranged with certain underwriters at Lloyd's, London. Many changes have taken place over the years, but underwriters still play an important role in the coverage through reinsurance of many U. S. companies that now offer the coverage.

Underwriters have taken a conservative approach to the subject of extending their policies (and their reinsured policies) to provide ERISA liability protection. On new and renewal policies since January 1, a complete exclusion of ERISA liability is required, but a buy-back provision in two stages is made available.

Option A is made available to provide ERISA liability protection to directors and officers insured under the policy. An additional premium is charged for the extension. It frequently ranges from 5% to 7½% of the D&O policy premium.

Option B offers an amendment of the definition of "directors and officers" to include directors, officers or regular salaried employees of the bank while acting in a fiduciary capacity for the bank's own pension plans, which must be scheduled in that same endorsement.

An exclusion is also added to the policy for liability of others assumed by directors and officers under any contract or agreement relating to ERISA, but this does not apply to the agreement and declaration of trust of the bank's own plans.

Underwriters make a further requirement that they be furnished copies of any changes in the declaration of trust

EDITOR'S NOTE: Due to the importance of the topic of potential fiduciary liability under the new pension legislation, two articles appear in this issue. While the articles are similar in general scope, each presents valuable information not found in the other article. Both authors are well qualified to comment on this topic. The first article appears on this page, the second on page 64.

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

Everything you need.

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

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

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

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

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

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

Durham Life

Durham Life Insurance Company
Home Office: Raleigh, North Carolina

Insuring Fiduciaries' Liability *(Con't.)*

within 30 days after the effective date of such change.

The additional premium for Option B can range as high as 17½% of the base policy premium.

A concise rating scale for these extensions had not been fully agreed upon by all underwriters at Lloyd's at the time of this writing.

It must be noted that there may be some disadvantages for the bank that chooses to obtain its ERISA coverage by endorsement to its D&O policy. Unless otherwise specified, the extension is subject to the policy deductible, which may be $5,000 or more. Also, the cost of defense will most likely be a part of, rather than in addition to, the limit of liability specified in the policy.

Some D&O insurers have notified their customers that they are providing a short extension of coverage to include ERISA liabilities, subject to the furnishing of full data on the bank's pension plans, a subsequent quotation and acceptance by the bank of the offered extension endorsement.

A number of insurance companies, including some that have not previously been involved in D&O, have developed separate pension trustees' liability policies. These might be of particular interest to banks that do not currently have D&O coverage in force. Some of the plans offer low deductibles (such as $1,000 for each loss) and some offer defense costs in addition to the limit of liability. D&O underwriters initially offered their policies this way, but after a few years of loss experience, they determined that the defense costs had to be made part of the limit of liability.

The rating plans of these separate policies make possible premiums as low as a few hundred dollars annually, but range into the several thousands of dollars for plans with sizable assets and numerous trustees. Plans that are managed by the bank or company itself, rather than insured outside, are particularly liable for high premiums.

If consideration is to be given to obtaining insurance under each of these possible sources, then particular attention needs to be directed to the exclusions of each policy.

The exclusions under the usual separate trustees' liability policy are rather complete. For instance, if there were an allegation of any libel or slander action in connection with any wrongdoing of a trustee, then the separate policy would not even provide defense of the action. Similarly, if there were a charge that the trustees failed to effect and maintain proper insurance (such as fidelity), the separate policy would not defend that action or pay for the cost of the defense.

Other separate policies go further and exclude personal profiting of trustees, excess salary or bonus, intentional breach of fiduciary duty, dishonesty, etc.

Not even a brief discussion of the potential liabilities and ways to insure them would be complete without mentioning the exposure to bank trust department officers and employees under ERISA. Trust operations covered by either a D&O policy or a trust operations surcharge liability policy may have a fair amount of protection for liabilities created under the new act.

It would appear that most D&O policies would respond to an action against a trust officer or a director of the bank arising out of administration of a customer's pension plan. Non-officer employees would probably not be covered. A trust operations surcharge liability policy (trust department errors and omissions insurance) would protect the bank against alleged mishandling of a customer's pension plan, but there is serious question about how far it would go to pick up individual fiduciary liability.

New and renewal D&O policies will most likely stipulate a complete exclusion of any ERISA loss for other than the bank's own pension plans.

It is expected that underwriters of surcharge liability policies will either exclude liability or make a sizable additional premium charge for the inclusion of it. Some may do this at the next expiration, while others may require action sooner.

Many bankers may choose to avoid any special insurance for their pension plan trustees unless or until they have more overwhelming indication that it is needed.

The proper place for the insurance, if selected, is with the D&O policy. Banks without this coverage should give serious consideration to D&O for the very reason of the added ERISA liabilities.

For banks with trust operations, it is suggested that close touch be kept with D&O and surcharge liability insurers. • •

BMA Develops Pension Plan Training Program

PLANS are underway by the Bank Marketing Association (BMA) for development of a new training program entitled "Qualified Benefit Plans." The program will be directed toward persons working in trust areas.

BMA's new training package will assist trust department personnel in obtaining a better understanding of the marketing and servicing of qualified benefit plans. The new program will upgrade, broaden or requalify the knowledge of the employee, answering essential questions about pension plans, deferred profit sharing and thrift plans.

In developing the content of the training package, geographic sampling was taken of small- to large-sized BMA member banks in the midwestern, southern, and eastern regions of the U. S. Members were asked for suggestions to help guide and direct course content. As a result of this survey, the following 12 major areas will be covered in the training package: Social security, history of qualified plans, tax advantages of qualified plans, plan design, actuarial practices, installation and administration of plans, opinion number eight of the American Institute of CPAs, investment performance measurement, trustees' responsibilities, serving the corporate customer, sources of new business and obtaining new customers.

The training package will capsulize the technical aspects of benefit plans, utilizing workbook and audio-visual techniques adaptable to a bank's in-house audio-visual facilities.

The program will include a brief history and familiarization of early pension/benefit plans and will move into an overview of current activities. Of special interest are the timely implications of the complex Pension Reform Act of 1974.

BMA's new training package, "Qualified Benefit Plans," is scheduled to be released to the banking industry this spring.

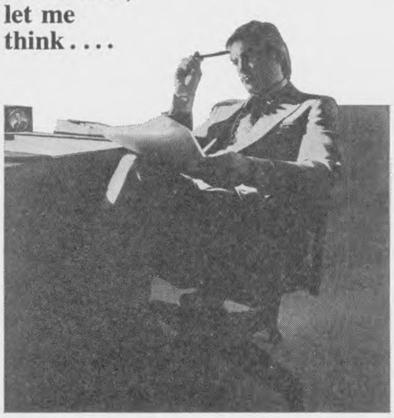
For further information, contact Don W. Oker, director, In-Bank Training Service Department, Association Services Division, Bank Marketing Association, 309 West Washington Street, Chicago, IL 60606. • •

Quick, name the 5th-most-wanted customer service in your bank.

(And tell us how much it costs you to provide this valuable service.)

- ☐ **Check Cashing**
- ☐ **Savings**
- ☐ **Checking**
- ☐ **Money Orders**
- ☐ **Drive-Up Banking**

Uh . . . now, let me think . . . .



Sorry. If you didn't answer "money orders" in two seconds flat, you'll have to go to the foot of the banking class.

Money orders rank just a hair behind checking accounts, savings accounts, check cashing and drive-up banking on the list of services most wanted by bank customers.

Which means that by paying more attention to your money order sales, you can increase your share of a $22 billion market and take advantage of great opportunities for cross-selling more bank services.

Cost per item? . . . Well, I . . . .

But if you can't tell us how much it costs to operate your current money order program, that's par for the course. Most banks can't.

We can tell you, however, on the basis of our experience with many banks, that money orders may presently be your least profitable service. Because bookkeeping overhead, the cost of forms and storage space, and losses in stolen and raised money orders can gnaw your profits down to losses.

But we've got that all figured out for you. And we're here to tell you that your 5th-most-important service *can also be* one of your most profitable services.

How?

F.I.M.O. was made for banks.

The answer is the American Express Company Financial Institution Money Order Program (F.I.M.O.), created to make life easier—and more profitable—for banks.

We designed it to relieve you of costly bookkeeping overhead in the backrooms and expensive exposure to stolen or raised documents. We designed it to relieve you of handling troublesome customer problems.

Best of all, it's set up to provide you with immediate profits and immediate cost controls.

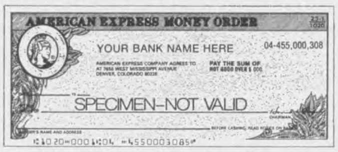
We do all the work.

American Express Company has been processing financial documents, like our new FIMO document, since 1882. Our know-how and our facilities are probably unmatched anywhere in the world.

So when your bank signs up for our FIMO Program, we process the money orders for you. We furnish the forms; we do the reconciling, proofing, filing, storage, researching and adjusting.

You're free to do the selling (you set your own fee, of course) without the burdens of costly chores or expensive exposure.

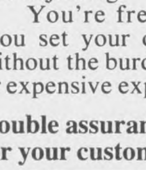
Double assurance for your customers.



Your bank's good name goes on the money order along with the name of the world's best-known financial-service institution—American Express Company. Your customers have *double* assurance that their money orders will be accepted anywhere—at home or abroad.

We provide attractive point-of-purchase and advertising materials to help you tell your customers that this convenient joint service is available to them.

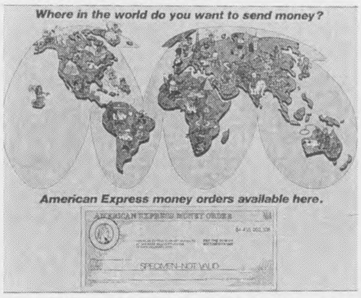
A double-duty document for you.



There's still another cost-saver tucked away in the FIMO Program that appeals to bankers who like to think creatively about services—and costs.

With face values of up to $1,000, American Express Money Orders can also be used in place of ordinary cashier's checks. With the same benefits of reduced exposures, savings of teller time and overhead, and immediate profits that you get when you use them as money orders. Two money-making documents for the price of one.

Call it value added.



The American Express Company Financial Institution Money Order Program doesn't take your own personalized money orders or cashier's checks away from you. It just makes them stronger, with world-wide acceptance for your customers, and tight cost controls and immediate profits for you.

Our 92 years' experience in creating financial services has enabled us to put the FIMO Program together in such a way that it adds value to your product and to ours.

All that FIMO takes away from you are the chores.

We must be doing it right.

The proof of our program is in the rapidly growing number of banks who use it. Already, hundreds of banks across the country count on FIMO. For very good reasons. We've told you some of them. And we'd like to tell you the rest.

After all, if there's a more profitable way to handle your 5th-most-important service, you owe it to your bank to know the whole story.

AMERICAN EXPRESS

American Express Company—Money Order Division

Write or call:
William H. Box
Vice President—Sales
American Express Company
Money Order Division
7655 West Mississippi Avenue
Denver, Colorado 80226
Phone: (303) 986-2211

Liabilities Loom for Trust Officers Under ERISA

By DENNIS J. LAYNE, Vice President, MGIC Indemnity Corporation, Milwaukee

THE FINANCIAL impact of the Employe Retirement Income Security Act of 1974 (ERISA) on trust officers is largely an unknown specter for now. Until the first case reaches court—the issue may very well be a test of the prudent man rule as defined in the act—trust managers are likely to be groping in the dark.

It will be difficult to measure their exposure to loss in the exercise of their fiduciary responsibilities. The imposition of reporting requirements, the elimination of exculpatory clauses in pension plans, and, indeed, the broad definition of "fiduciary" make it obvious that a trust officer will have to be insured.

Various approaches have been tried by insurance companies in efforts to help fiduciaries solve the liability dilemma. Some have introduced programs designed to cover the worst possible losses resulting from court-awarded damages. Other policies offering minimum protection at low costs have been structured primarily to protect against nuisance suits. Costs naturally vary a great degree since there is no actuarial experience upon which to base premium schedules.

A different approach is offered by some directors' and officers' (D&O) liability insurance carriers like MGIC Indemnity Corp. MGIC's response has been to offer additional coverage through the basic D&O policy.

Here is how a trust officer would be protected:

The D&O policy offered by MGIC provides coverage for the bank's trust officers in the event the institution has trust powers. Trust officers who may be sued in their capacity as an officer of the bank are insured by the D&O policy, even though the suit is based upon the bank's fiduciary role with an outside pension fund. At this point, MGIC normally considers this type of exposure to be a part of the trust officer's responsibilities.

Directors and officers of the bank also may be covered in their fiduciary roles with the bank's own employee benefit plans. This extension of coverage is provided by some D&O carriers as an endorsement of the bank's D&O policy.

The limits of liability under the program remain the same, which in most D&O policies range from $1 million to $10 million. In the event of a suit against a trust officer, the insurer would indemnify the individual for legal costs and damages eligible for reimbursement under the standard D&O policy.

Directors and officers who serve as trustees of an outside pension plan cannot be covered by the MGIC policy. They are likely to obtain fiduciary liability coverage from the sponsoring employer of the outside plan.

The merits of ERISA will be debated until the legislation's most controversial issues are settled in court or regulations are issued to reconcile opposing points of view. But the time needed for the courts to interpret such sections as the prudent man rule in no way constitutes a reprieve for fiduciaries. They assumed a broadened range of responsibilities and liabilities when the law became effective last January 1.

Those responsibilities are awesome. There are 1,300 bank trusts that manage assets of at least $15 million each. Total assets managed by this group total $412 billion. It is estimated that there are another 2,300 bank trusts, each managing assets of under $15 million.

The reform measures incorporated into the new law invite, and indeed, encourage, close scrutiny of a trust officer's performance. In the past, a capricious lawsuit might have been discouraged by legal costs. That barrier has been somewhat neutralized.

A pensioner can hire an attorney and sue in any U. S. district court if he feels the law has been violated. He may file a complaint with the U. S. Labor Department if he decides that he can't afford the expense of an attorney. If the department thinks there is merit to the charges, the litigation will be handled at government expense.

All contingencies should be covered through the expanded coverage of the basic D&O policy. Limits of liability will have to be expanded, however, if future interpretations of the law present a greater degree of liability than is now anticipated. • •

Keogh Liberalization Policy Prevents Savings Outflow Despite Economic Turmoil

Liberalized tax deferments on pension funds for self-employed persons have been cited as one of the principal reasons a savings drain failed to appear at year-end 1974, despite the rocky economic picture.

Savings as part of a personal pension plan suddenly gained new popularity after President Ford signed the Pension Reform Act into law on Labor Day, 1974. Under the new legislation, self-employed persons can contribute a maximum of 15% of their annual income, up to $7,500, to a Keogh account. Previously, the maximum was 10%, up to $2,500. The money is not taxable until withdrawn.

Banks have been reporting considerable new business in Keogh savings instruments.

Continental Illinois National, Chicago, established 350 new Keogh plans for customers last December, compared with about 80 the previous December.

Bank of America, San Francisco, has seen a 40% increase in its Keogh accounts. Normal increase is 10%.

Wells Fargo Bank, San Francisco, said that its Keogh accounts, which had totaled 1,500 over the past 10 years, have increased to nearly 2,000 because of the increased tax deferment.

Chase Manhattan, New York, recorded three times the normal year-end volume of Keogh activity and Republic National, Dallas, more than doubled its normal Keogh activity.

Other types of financial institutions are benefitting from the new regulations, as are insurance firms, whose agents are encouraging individuals to place their Keogh funds in life insurance policies.

Clever Advertisements Draw Readers' Attention To Long-Term Retirement Savings Plans

ONE OF the best ways to attract long-term funds to a bank is to advertise the "All-American Tax Loophole," according to D. H. Guyton Jr., vice president, First Citizens National, Tupelo, Miss.

The bank's advertising agency coined the unique title to the new service that enables individuals not covered by an existing company pension plan to salt away up to 15% of their yearly earnings in a tax-free savings plan.

The ads, run in the bank's trade area during January, carried two eye-catching headlines. One began with "Psst. Want to beat the government out of taxes on $1,500 of your salary, and end up a rich old so and so?" The other (illustrated on this page), said, "Now there's a tax loophole for the working man and woman. Salt away up to $1,500 a year tax free."

Copy for both ads described how individuals could set up their own tax-free retirement plans under the Employee Retirement Income Security Act of 1974.

Following is a partial text of the ads:

"So you're a working man or woman and you're not covered by a retirement plan. Not by your employer. Not by anybody.

"Well, Uncle Sam has built in a new income tax 'loophole' to let you start your own tax-free retirement plan. Starting now you can salt away up to 15% of your earned income, not to exceed $1,500 a year. And you don't have to pay federal taxes on it until you retire. And you don't have to pay taxes on the interest your retirement money earns either. Until you retire.

"Finally, the working man and woman have gotten a tax break, too. We call it the All-American Tax Loophole.

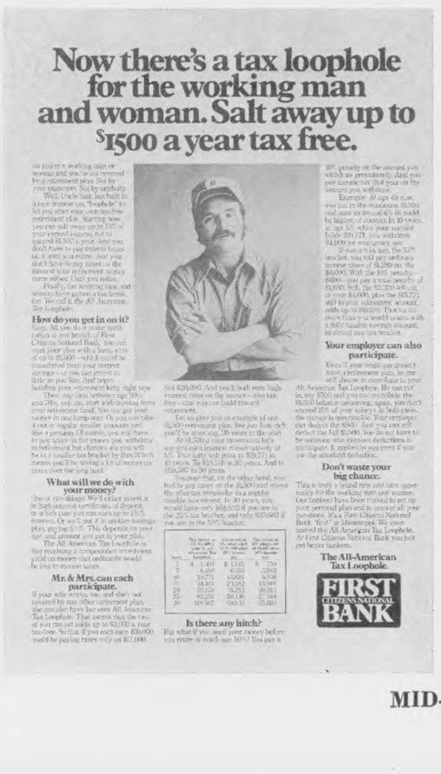
"How do you get in on it? Easy. All you do is make application at any branch of First Citizens National Bank. You can start your plan with a lump sum of up to $1,500—which could be transferred from your savings—or you can invest as little as you like. And begin building your retirement kitty right now.

"Then, any time between age 59½ and 70½, you can start withdrawing from your retirement fund. You can get your money in one lump sum. Or you can take it out in regular smaller amounts, just like a pension. Of course, you will have to pay taxes on the money you withdraw at retirement, but chances are you will be in a smaller tax bracket by then. Which means you'll be saving a lot of money on taxes over the long haul.

"What will we do with your money? One of two things. We'll either invest it in high-interest certificates of deposit, in which case you can earn up to 7½% interest. Or we'll put it in another savings plan, paying 5½%. This depends on your age, and the amount you put in your plan.

"The All-American Tax Loophole is like receiving a compounded investment yield on money that ordinarily would be lost to income taxes.

"Mr. and Mrs. can each participate. If your wife works, too, and she's not covered by any other retirement plan, she can also have her own All-American Tax Loophole. That means that the two of you can set aside up to $3,000 a year tax-free. So that if you each earn $10,000, you'd be paying taxes only on $17,000. Not $20,000. And you'll both earn high interest rates on the money —also tax-free—that you can build toward retirement.



"Let us give you an example of one $1,500 retirement plan. See just how rich you'll be after, say, 30 years in the plan.

"At $1,500 a year investment, let's say, you earn interest conservatively at 6%. Your kitty will grow to $19,771 in 10 years. To $55,178 in 20 years. And to $118,587 in 30 years.

"Suppose that, on the other hand, you had to pay taxes on the $1,500 and invest the after-tax remainder in a regular taxable investment. In 30 years, you would have only $68,633 if you are in the 25% tax bracket, and only $35,682 if you are in the 50% bracket.

"Is there any hitch? But what if you need your money before you retire or reach age 59½? You pay a 10% penalty on the amount you withdraw prematurely. And you pay income tax that year on the amount you withdraw.

"Your employer can also participate. Even if your employer doesn't have a retirement plan, he can still choose to contribute to your All-American Tax Loophole. He can put in, say, $500, and you can contribute the $1,000 balance (assuming, again, you don't exceed 15% of your salary). In both cases, the money is non-taxable. Your employer can deduct the $500. And you can still deduct the full $1,500. You do not have to be someone who itemizes deductions to participate. It applies to you even if you use the standard deduction.

"Don't waste your big chance. This is truly a brand new and rare opportunity for the working man and woman. Our banks have been trained to set up your personal plan and to answer all your questions. It's a First Citizens National Bank 'first' in Mississippi."

The ads were prepared by John Malmo Advertising, Inc., Memphis. • •

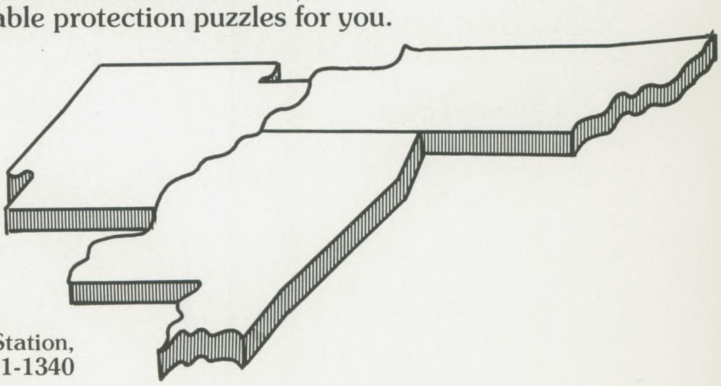
RE-INTRODUCING THE AMERICAN WAY OF CREDIT INSURANCE FOR 1975

Solving unusual problems as usual

American Bankers can solve the protection puzzle once and for all. With our unique credit life approach. With our distinctive accident and health programs. And with our exclusive Safegard plan. As the 5th largest writer of credit insurance, we know how to take the guess work out of profitable protection puzzles for you.

You'll be learning more from us. Piece by piece. Package by package. And that's a fact of life.

For more information about American Bankers call Sonny Thomas at, (901) 761-1340.



AMERICAN BANKERS

Regional Office: P. O. Box 4855, Crosstown Station, Memphis, Tennessee 38104 Phone (901) 761-1340

National Bank of Commerce, Dallas

Plaza Commerce Bank, Houston

Bank of the Southwest, Houston

In the Southwest, there's a special name for television banking. Mosler.

When you see a TV banking system in the Southwest, check the name. Odds are, it's a Mosler.

We introduced TV banking in the Southwest. And today you'll see more Mosler installations there than any other manufacturer.

When it comes right down to it, there's only one thing you need to know about TV banking. Our name.

Mosler

Security/Customer Transaction Systems
An American-Standard Company
Dept. MC-375
Hamilton, Ohio 45012

What is the Assembly?

The purpose of the Assembly for Bank Directors is: to increase the director's understanding of how he can serve his bank; to indicate the ways in which the director can best serve as a representative of his bank in the community; to provide better understanding of, and respect for bank management's functions; and to acquaint the director fully with issues of critical interest to his bank and banking.

Between 1968 and the spring of 1975, twenty-one Assemblies have taken place. While the program listed here is specifically for the Homestead Assembly, other Assemblies follow a similar format. Subjects for discussion are determined by trends and issues in banking at the time of each Assembly.

Any inside or outside bank director, advisory director, prospective director or senior bank officer is invited to attend the Assemblies, and past registrants are invited to attend again occasionally. Bank directors, senior officers, senior level bank supervisors and bank educators throughout the United States have acclaimed the Assemblies program. The Assemblies are endorsed by the American Bankers Association, the Independent Bankers Association, and by various state associations.

Three Assemblies will be conducted between May, 1975 and February, 1976.

22nd at The Homestead, Hot Springs, Virginia, May 26–29, 1975
23rd at The Arizona Biltmore, Phoenix, Arizona, November 5–8, 1975
24th at The Sheraton–Waikiki and Royal Hawaiian, Honolulu, Hawaii, February 1–6, 1976

SCHEDULE & EVENTS

TWENTY–SECOND ASSEMBLY FOR BANK DIRECTORS

The Homestead
Hot Springs, Virginia
May 26–29, 1975

Director–Kenneth A. Randall

DIRECTORS' PROGRAM

TIME	*TOPIC OR ACTIVITY*	*SPEAKER*
Monday, May 26		
3:30– 5:00 p.m.	Registration	
5:00– 5:15 p.m.	THE FOUNDATION AND THE ASSEMBLY	B. Finley Vinson
5:15– 5:45 p.m.	THE FINANCIAL OUTLOOK	Chauncey E. Schmidt
5:45– 6:15 p.m.	BANK ETHICS NEED FOR A CODE	Charles W. McCoy
6:30– 9:00 p.m.	Reception and Banquet	
Tuesday, May 27		
8:30– 9:00 a.m.	LEGAL RESPONSIBILITIES	Jack H. Chambers
9:00– 9:30 a.m.	CREDIT ADMINISTRATION	Frank A. Plummer
9:30–10:00 a.m.	WHAT A BANK SUPERVISOR EXPECTS FROM DIRECTORS	John G. Hensel
10:00–10:15 a.m.	Coffee	
10:15–12:00 p.m.	Discussion Groups	
12:00– 6:30 p.m.	Open	
6:30– 7:30 p.m.	Reception	
7:30– 9:00 p.m.	Dinner and Talk THE DIRECTOR AS PROTECTOR OF THE BANKING SYSTEM	Frank Wille
Wednesday, May 28		
8:30– 9:00 a.m.	EVALUATING MANAGEMENT	Eugene L. Swearingen
9:00– 9:30 a.m.	CAPITAL PLANNING AND THE MARKET VALUE OF BANK STOCK	William H. Dougherty, Jr.
9:30–10:00 a.m.	PLANNING, BUDGETING AND CONTROL	Philip F. Searle
10:00–10:15 a.m.	Coffee	
10:15–12:00 p.m.	Discussion Groups	
12:15– 2:00 p.m.	Luncheon and Talk THE PRACTICAL APPROACH TO BANKING	Charles A. Agemian
6:30– 9:00 p.m.	Reception and Dinner	
Thursday, May 29		
8:30– 9:00 a.m.	THE DIRECTOR AND THE MARKETING EFFORT	Warner N. Dalhouse
9:00– 9:30 a.m.	THE ECONOMIC OUTLOOK	Herbert Stein
9:30– 9:45 a.m.	Coffee	
9:45–11:30 a.m.	Discussion Groups	
11:30 a.m.	Assembly Concludes	

Counselors

M. V. Burling	C. C. Hope, Jr.	George A. LeMaistre	Fred L. Patty
Owen Daly, II	Paul M. Horvitz	Charles Emmet Lucey	Fred M. Pickens, Jr.
James A. Davis	Leonard W. Huck	W. Gibbs McKenney	Van Smith
James H. Denman	Oran Kite	William E. Midkiff, III	Norman A. Wiggins

SPOUSES' PROGRAM

TIME	*TOPIC OR ACTIVITY*	*SPEAKER*
Monday, May 26		
6:30– 9:00 p.m.	Reception and Banquet	
Tuesday, May 27		
9:00–10:30 a.m.	Champagne Brunch	
10:30–11:00 a.m.	WHAT BANKING IS ABOUT	Leonard W. Huck
11:00–12:00 p.m.	TRUSTS AND YOU	Norman A. Wiggins
6:30– 7:30 p.m.	Reception	
7:30– 9:00 p.m.	Dinner and Talk–THE DIRECTOR AS PROTECTOR OF THE BANKING SYSTEM	Frank Wille
Wednesday, May 28		
12:15– 2:00 p.m.	Luncheon and Talk–THE PRACTICAL APPROACH TO BANKING	Charles A. Agemian
6:30– 9:00 p.m.	Reception and Dinner	

The Board of The Foundation of The Southwestern Graduate School of Banking

James H. Denman, President, Citizens State Bank, Nevada, Missouri
Leonard W. Huck, Executive Vice President, Valley National Bank, Phoenix, Arizona
Richard B. Johnson, President, The Foundation of The Southwestern Graduate School of Banking, Southern Methodist University, Dallas, Texas
Robert W. Kneebone, Consulting Vice President, Texas Commerce Bank, Houston, Texas
Murray Kyger, Chairman of the Executive Committee, First National Bank, Fort Worth, Texas
Kenneth A. Randall, President and Chief Executive Officer, United Virginia Bankshares, Inc., Richmond, Virginia
DeWitt T. Ray, Sr., Investments, Dallas, Texas
Will Mann Richardson, Senior Vice President and Trust Officer, Citizens First National Bank, Tyler, Texas
Robert Stewart, Jr., President, Bank of the Southwest, Houston, Texas
Eugene L. Swearingen, Chairman of the Board and Chief Executive Officer, National Bank of Tulsa, Tulsa, Oklahoma
Ronald A. Terry, Chairman and Chief Executive Officer, First Tennessee National Corporation, Memphis, Tennessee
B. Finley Vinson, Chairman of the Board, First National Bank, Little Rock, Arkansas

Faculty of the Twenty-Second Assembly

DIRECTOR

Kenneth A. Randall, President and Chief Executive Officer, United Virginia Bankshares, Inc., Richmond, Virginia

FACULTY

Charles A. Agemian, Chairman of the Board, Garden State National Bank, Hackensack, New Jersey
M. V. Burling, President, Herget National Bank, Pekin, Illinois
Jack H. Chambers, Partner, Mahoney, Hadlow, Chambers & Adams, Jacksonville, Florida
Warner N. Dalhouse, Executive Vice President, First National Exchange Bank, Roanoke, Virginia
Owen Daly, II, Chairman of the Board, Equitable Trust Company, Baltimore, Maryland
James A. Davis, Chairman of the Board and President, Central Bank & Trust Company, Owensboro, Kentucky
James H. Denman, President, Citizens State Bank, Nevada Missouri
William H. Dougherty, Jr., President, NCNB Corporation, Charlotte, North Carolina
John G. Hensel, Regional Administrator of National Banks, Fifth National Bank Region, Comptroller of the Currency, Richmond, Virginia
C. C. Hope, Jr., Executive Vice President, First Union National Bank of North Carolina, Charlotte, North Carolina
Paul M. Horvitz, Director of Research, Federal Deposit Insurance Corporation, Washington, D. C.
Leonard W. Huck, Executive Vice President, Valley National Bank, Phoenix, Arizona
Richard B. Johnson, President, The Foundation of The Southwestern Graduate School of Banking, Southern Methodist University, Dallas, Texas
Oran H. Kite, Chairman of Loan Policy Committee, Retired, Republic National Bank, Dallas, Texas; and Chairman, Commercial Banking Major, Southwestern Graduate School of Banking
George A. LeMaistre, Director, Federal Deposit Insurance Corporation, Washington, D. C.
Charles Emmet Lucey, Chairman of the Board, Century National Bank, in organization, Bethesda, Maryland
Charles W. McCoy, Chairman of the Board and President, Louisiana National Bank, Baton Rouge, Louisiana
W. Gibbs McKenney, Attorney at Law, Taxes and Estates, Baltimore, Maryland
William E. Midkiff, III, President, First National Bank & Trust Company, Steubenville, Ohio
Fred L. Patty, Chairman of the Board and President, American Bank, New Albany, Indiana
Fred M. Pickens, Jr., Partner, Pickens, Boyce & McLarty, Attorneys at Law, Newport, Arkansas
Frank A. Plummer, Chairman of the Board, First National Bank, Montgomery, Alabama
Chauncey E. Schmidt, President, First National Bank, Chicago, Illinois
Philip F. Searle, President, BancOhio Corporation, Columbus, Ohio
Van Smith, President, Bank of Tuckerman, Tuckerman, Arkansas
Herbert Stein, Professor, Department of Economics, University of Virginia, Charlottesville, Virginia
Eugene L. Swearingen, Chairman of the Board, and Chief Executive Officer, National Bank of Tulsa, Tulsa, Oklahoma
B. Finley Vinson, Chairman of the Board, First National Bank, Little Rock, Arkansas
Norman A. Wiggins, President, Campbell College, Buies Creek, North Carolina
Frank Wille, Chairman, Federal Deposit Insurance Corporation, Washington, D. C.
Billy C. Wood, Regional Administrator of National Banks, Sixth National Bank Region, Comptroller of the Currency, Atlanta, Georgia

THE HOMESTEAD—HOT SPRINGS, VIRGINIA

Registration

The Homestead is on the modified American plan, and the quoted daily rates include a standard breakfast and dinner. The Foundation will pay the hotel an additional amount to provide breakfast buffets, seated breakfasts, receptions with hors d'oeuvres, and banquet meals, as well as the scheduled luncheons.

Registrants and faculty may choose to benefit from the flights available through Convention Destinations Unlimited, and to make their hotel reservations through CDU, 605 East Algonquin Road, Arlington Heights, Illinois 60005. Those availing themselves of the Convention Destinations Unlimited services should accomplish some savings in travel cost and will assure personal attention to their arrival and departure needs in Hot Springs.

REGISTRATION FORM
TWENTY—SECOND ASSEMBLY FOR BANK DIRECTORS

The Homestead
Hot Springs, Virginia
May 26—29, 1975

NAME:______________________ Name called by:______________________

Business Address:______________________ Phone______________
Company P.O. Box City, State, Zip

Profession or Principle Business Interest______________________ Title______________

Home Address:______________________ Phone______________
Zip

Wife Will Attend?______________ If yes, wife's name:______________________

Bank Directorship held in:______________________

President:______________________ Size of Bank?______________________

Number of Directors on Board:______________ Number of years on Board:______________

Bank Address:______________________
P.O. Box City State Zip

Directors Committees on which I have served:______________________

____

____

Main Interest: Credit Area______________ Trust Area______________ Other______________

Deposit ($25.00) Attached:______ Total registration fee ($300) enclosed:______ Wife's registration fee ($100) enclosed:______

The registration fee covers all materials, receptions, and scheduled banquets, luncheons; and all lectures, discussion sessions and other scheduled activities.

(Please make checks payable to: The Foundation of the Southwestern Graduate school of Banking. Mail to: The Assemblies for Bank Directors, P.O. Box 1319 at S.M.U., Dallas, Texas 75275.)

THE ASSEMBLIES FOR BANK DIRECTORS
Southern Methodist University
P.O. Box 1319
Dallas, Texas 75275

ADDRESS CORRECTION REQUESTED

THE FOUNDATION OF THE SOUTHWESTERN GRADUATE SCHOOL OF BANKING ANNOUNCES

Assembly for Bank Directors

The Homestead, Hot Springs, Virginia
May 26-29, 1975

1968
THE ASSEMBLIES FOR BANK DIRECTORS

Tell him to call Talcott.

He's laying it on thick.

His business has a great new product, and he's spreading his sales message in every corner of his market.

But, it'll cost him plenty of green.

And his receivables tend to be sticky, his bank balance is thin, and he could end up with an empty bucket. So he's come to the bank for more cash than you can supply.

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

We hate to give the brush to customers whose financing needs are stiff. Our Business Finance Division might custom blend a loan for him.

We're experts at stirring up collateral he didn't think he had.

Oops! His orders are pouring in but it will take a smooth cash flow to cover his new customers.

He'll need to dip-in to more warehouse space so he can mix in some more inventory.

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

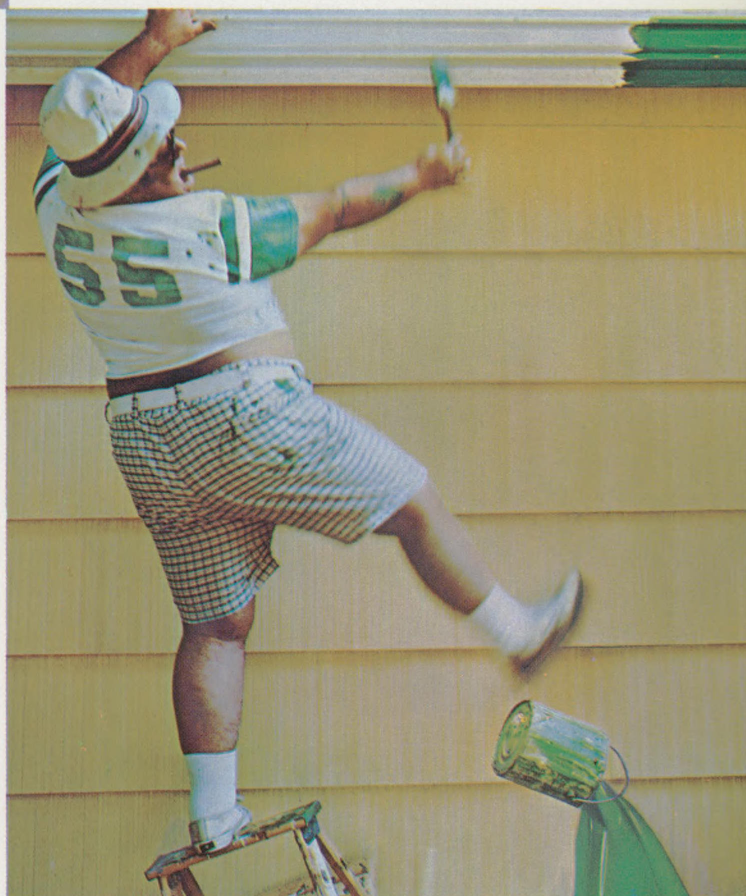
Our Business Finance Division is primed to give him full flexibility in cash support.

We can be his helper and get him cash to pay his bills and restock.

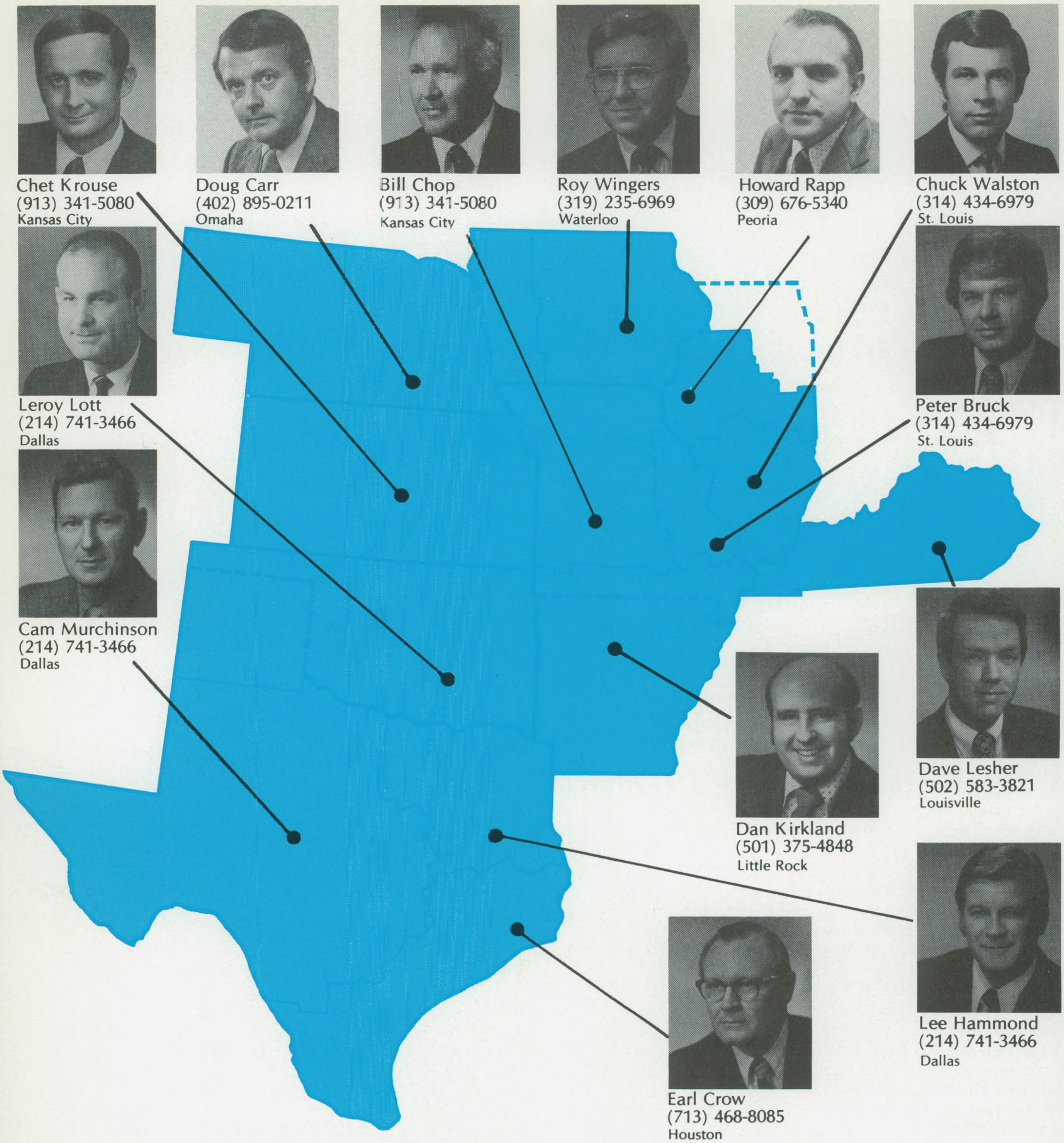
As a banker you know Talcott's Chicago or Dallas experts can come to his aid with financing.

So remember, before he takes the next step, tell him it's time to call Talcott.

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



Still tell him to call Talcott.



Wherever you are . . . whatever your special opportunities . . . our man is nearby to help analyze and project your growth.

We have a man who knows your local situation, because he lives nearby and understands conditions in your part of the country. Representing the recognized leader in improving bank profitability through improved physical facilities, he is eager to show you how to plan for future growth and achieve it.

Call today and leave word; our man will call you back. You just might be surprised how much he knows about your community and your business.

We're the people who organize growth.

Bank Building Corporation®

100 Progress Parkway • Maryland Heights, Missouri 63043 • (314) 434-6979

Directors & Officers Liability Insurors Explain Details of D&O Coverage

DIRECTORS and officers liability insurance is considered to be a relatively new type of coverage. In a few years, it has become well known among bankers, but has not been purchased by more than one third of the nation's financial institutions.

There is a vast difference between being aware of D&O and of knowing much about its benefits, according to insurors. There are many bankers who would like to know more about D&O, but don't normally have the opportunity to ask questions of knowledgable people.

The following questions are said to be those most often asked of D&O insurors.

• **Just what is D&O?** D&O is a policy that protects a bank's directors and officers against suits brought by interested parties involving alleged acts or omissions while managing the bank's affairs. The insuring clause generally states that wrongful acts are insured and such acts as actual or alleged error or misstatement or misleading statement or act or omission or neglect or breach of duty.

• **Does D&O insure the bank?** D&O provides coverage for the bank for the amounts spent to indemnify its directors and officers for defense, judgment or settlement of suits. The policy does not provide insurance for suits brought against the bank.

• **Are directors and officers of a bank personally liable?** Yes.

• **What is the extent of this personal liability?** Individual directors and officers of a bank are jointly and severally liable for their entire personal assets. There is no limitation by common law or statute on this liability.

• **How can a director and officer protect himself from a personal liability suit?** Safeguards can be taken to limit the liability of directors and officers, but no absolute protection is provided against a possible suit for alleged wrongful acts. The individual can seek to perform his duties with the utmost care, require indemnification by the bank and have insurance in force and he will still be subject to suit based upon his own actions or those of other board members or officers.

• **How complete is the protection provided by an indemnification agreement?** If a bank has an indemnification agreement in its bylaws, it may not be drawn to include certain actions or wrongful acts. It may cover only legal fees if the director or officer is proved innocent. The bank may not be solvent, in which case the indemnification agreement would be meaningless. A stockholder may block payment on the grounds that the bank is using the stockholder's money. The courts may make a determination that would prohibit the bank from indemnifying.

• **Do the directors and officers of a bank have coverage under any other insurance policies that would duplicate D&O coverage?** Many bankers think they have duplicate coverage, but they do not have the coverage under the normal personal umbrella policy, corporate umbrella policy, comprehensive general liability policy or bankers blanket bond. The particular coverage required must be provided under D&O.

• **Why is the cost of D&O so high?** Because of numerous payments, most made as out-of-court settlements and, thus, not reported in the press. A number of claims have not been settled, although they may be reserved for the policy limit. Attorney's fees, court costs and other expenses must be paid even if the allegations of the suit are false.

• **Are D&O premiums tax deductible?** Yes.

• **Do most other professional businessmen carry liability coverage for alleged wrongful acts?** Most professional men buy a form of errors and omissions insurance to protect them against suits for alleged wrongful acts.

• **What is the recommended D&O limit for a bank?** There is none. If a bank's directors feel they are judgment-proof, a limited amount of coverage to take care of possible legal fees is sufficient. However, the total personal assets of a bank's directors and officers could be the maximum loss. Coverage to protect against a loss of this magnitude would probably be prohibitive. Most banks purchase $1 million of coverage.

• **Are all D&O policies the same?** There is a wide misconception that all policies are the same no matter which contract is purchased. Many policy conditions tend to limit coverage and, in some instances, eliminate most of the coverage. Sound advice should be sought before any policy is purchased.

• **How is a claim handled under D&O?** As soon as the bank or any individuals are aware of a possible claim,


MGIC
TOTAL COVERAGE POLICY
DIRECTORS' & OFFICERS' LIABILITY INSURANCE

Majority of Banks Don't Carry D&O

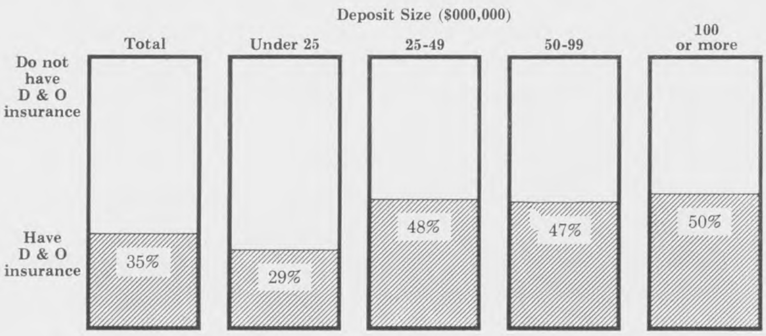
According to a recent survey, about 65% of the nation's banks do not carry directors and officers liability insurance. Of the banks that carried D&O in 1974, 4% had plans to increase their coverage.

The survey, conducted by MGIC Indemnity Corp., Milwaukee, indicated that D&O is most common among the largest banks (deposits of $100 million or more) and least common among smaller banks (deposits under $25 million).

The survey also revealed that, among banks currently carrying D&O, 81% purchased the coverage since 1970.

The primary reason banks do not carry D&O is the cost. Some 34% of respondents to the MGIC survey put this reason foremost. Other reasons given for not carrying D&O were: not necessary, 14%; insufficient risk exposure, 7%; and board felt no need for it, 6%.

The chart shows a breakdown of banks carrying D&O by deposit size.



the insurance company should be notified. The insurance company, through its counsel, works with the attorneys employed by the individuals being sued to provide a defense or to settle the claim. Through this system, counsel is employed that has had experience in handling D&O coverage.

• **Who are the plaintiffs in a D&O suit?** They could be stockholders, customers, employees or regulatory authorities.

• **Why is the deductible so high and how does it apply to a loss?** The deductible is normally $5,000 for each loss because the insuring company feels that individuals should share to some extent in the loss. The deductible also makes sure that the insuring company has the cooperation of the individuals being sued. It also is split among those being sued so that, in many cases, an individual's deductible is small.

• **Are dishonest acts covered under D&O?** Suits for alleged dishonest acts or intent to defraud are insured for costs and legal fees where final adjudication holds that there was no such dishonesty or attempt to defraud.

• **Why do so few insurance firms offer D&O?** Because D&O is a special form of coverage and most companies do not have underwriting experience in regard to D&O. Also, many insurance carriers have great fear of the potential liability.

• **How do the exclusions in the policy apply to innocent directors?** An exclusion may apply to an individual insured under the policy because a wrongful act was deliberate, such as a conflict-of-interest situation, but the innocent directors and officers who also may be sued would have coverage.

• **Does D&O coverage apply to an officer or director serving on another board at the bank's request?** Coverage can be provided under endorsement.

• **Is D&O coverage available to protect a fiduciary against pension fund suits?** Partial coverage is available, by endorsement, in respect to a bank's own pension plans (see article beginning on page 60).

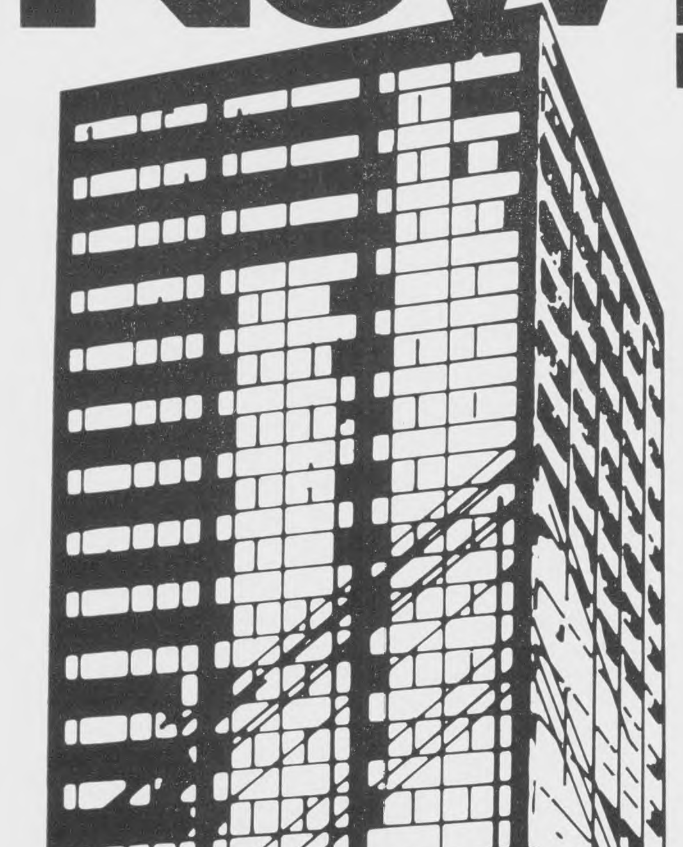
• **Has the risk for directors and officers of banks multiplied in the last 10 years?** Yes, the increasing amount of litigation in this area indicates that the risk has increased substantially. The awareness by the public that a director or officer can be sued is one of the reasons litigation has increased. • •

Electronic Value

(Continued from page 13)

banking industry to eliminate the inefficiencies and high costs of handling paper transactions," Mr. Borman commented.

Information received through the BASE II System can be entered directly onto descriptive billing statements, which First of Chicago cardholders have been receiving since May, 1974. The descriptive billing statement is a single document listing all transactions for the billing period, each specifically described by a date, merchant identity and dollar amount. The statement also shows the total amount of the bill, the minimum payment due, finance charges and other account information. • •



At Chicago's Harris Trust:

Optional Investment Funds Offered Bank Employees

By JOHN W. COOPER
Vice President
Harris Trust & Savings Bank
Chicago

IT'S HARDLY NECESSARY to remind anyone that the last few years have been tough ones for investors. The stock market has been on a real merry-go-round. From the 1966 lows, common stock prices rose in 1967-68, only to collapse in the 1970 recession. By the end of 1972, stocks had climbed to new highs, but reversed direction in 1973. The downward trend accelerated in 1974, and year-end found stocks at their lowest price levels since 1962. Bond prices have not been immune to the ups and downs as interest rate changes caused significant erosion in fixed-income values during several of the past few years and particularly in 1970.

Historically, assets of a typical deferred profit-sharing plan have been invested in some types of balanced bases. The trustee has been forced to decide on the proportions of the trust assets which should be invested in equities and in fixed-income investments. With just one investment portfolio, each participant in the plan gets the same mix.

Problems for Older Participants. Of great concern the last few years has been the erosion of profit-sharing balances for those participants facing imminent retirement. Younger employees, with many years of participation in the profit-sharing plan ahead, at least have an opportunity to recoup paper losses through longer-range upward secular market trends (even though interim investment results are not pleasant when the market has collapsed). On the other hand, retirees generally are forced to accept whatever balances are in their accounts on retirement with minimum opportunities to recover from bad investment experiences. (It is strongly recommended that retirees be allowed to select, as an option, the installment method of payment and that their remaining balances participate in the longer-range investment experience of the trust.)

The Employee Retirement Income Security Act of 1974 magnifies the problems of those responsible for the investment of profit-sharing assets. The fiduciary responsibility section of the act establishes a federal prudent-man rule, which includes the duty to diversify assets. The diversification requirement is waived for plans that specifically call for investment in employer securities or real estate (although the investment still must be "prudent"). The liability for bad investment judgment could be severe.

Optional Investment Funds. What is the answer? One approach is to establish separate investment funds with differing types of objectives and, accordingly, different types of investments. Then let each participant select the fund which seems to best meet his personal requirements. While this is not an all-encompassing solution to the trustee's investment dilemma, it does go a long way toward overcoming problems encountered when all participants, regardless of personal circumstances, are forced to accept the same investment approach. I suggest, also, that, under the new federal legislation, allowing individuals to select their own investment mix will minimize the possible liability incumbent on the trustees.

John W. Cooper joined Harris Bank's trust department in 1952 and has been a vice president since 1969. He attended the ABA's National Trust School in 1960 and is a 1966 graduate of the Stonier Graduate School of Banking at Rutgers University. Mr. Cooper holds a B.S. degree from Indiana University and a master's degree from Northwestern University. He has written several articles on profit sharing, is a lecturer at the National Trust School and has given many talks on pension legislation.

The Harris' Approach. Harris Trust adopted the multiple-investment-fund approach for its "Employees Savings and Profit-Sharing Trust," effective as of January 1, 1969. Separate investment funds were only one of many changes we made in our plan to make it more meaningful to participants. However, this has been one of the most significant changes in our profit-sharing philosophy over the years.

Harris Bank started its profit-sharing plan in 1916 and is proud of its pioneering role. As one of the very first deferred-profit-sharing plans in the country, it has served as a model for many other plans adopted since that time. Our profit-sharing fund was invested on a balanced basis for many years. At the time separate investment funds were offered to participants, our balanced fund was approximately 60% equities—40% fixed income. We established two new optional funds: 1. 100% Common stock fund. 2. Fixed-income fund—short term.

We do not have the space here to describe all the considerations relative to the decision to establish optional investment funds. Basically, we felt that younger participants, facing many years of employment and participation in profit sharing, might well desire the opportunity for long-range capital appreciation possible in an all-equity fund. At the other extreme, those participants nearing retirement, or who do not care to assume the greater risk inherent in an all-equity approach, place safety of principal before all other considerations. For this group, a fixed-income fund invested primarily in obligations of 18 months or less minimizes the possibility of principal deterioration. A balanced fund completes the package. It is available for those persons who desire this type of mix or do not want to make an independent decision on how their profit-sharing money should be invested.

Other optional investment funds were considered, but eventually were ruled out. However, some organizations that have adopted the idea of separate investment funds have established long-term bond funds, employer stock funds, speculative common stock funds and other specialized funds. Harris Bank felt that offering more than the three funds mentioned above would have been unduly complicated and that other funds would be utilized by only a small percentage of participants. There are certain tax advantages in using a bank stock fund and then distributing in stock rather than in cash. However, using employer stock creates some special problems of its own, and we decided to avoid the complexities of this type of operation.

How Does It Work? New participants in the bank's profit-sharing program have the option of selecting either the balanced fund, common stock fund or the fixed-income fund—short term as the investment vehicle for their mandatory 2% of salary contributions and the bank contribution. They can direct their contributions, in even percentages, into any one or any combination of the three available funds. The bank contribution then is allocated to the funds in the same percentage as the participant's contribution. Optional additional employee contributions of up to 10% of salary are permitted, and the same investment-fund alternatives apply.

It is important to emphasize that the new participant is given the *option* of selecting these funds. Every effort is made to explain adequately how the funds are invested, investment objectives of each and risk inherent in each fund. However, we are careful to avoid suggestions or personal opinions as to the fund that should be used. Fund selection has to be the participant's decision. If the participant does not want to make this decision, his contributions are automatically put into the balanced fund.

Individualized Statements

Harris Bank of Chicago's profit-sharing program is described in the accompanying article. In connection with this program, the bank each year sends a beautifully illustrated booklet to each participant giving him or her not only a general account of the year's benefits, but also individual figures for each participant.

For instance, each booklet contains the person's name, age, number of years' service to the bank, annual salary, which benefit plans cover the employee, his or her annual statement of account (which includes the balance in his or her account as of the first of the year), net primary and supplementary savings for all years after withdrawals, total withdrawals in all years, his or her disability income and survivor benefits, a list of designated beneficiaries for life insurance, voluntary accident, bank travel accident and profit-sharing plans and his or her retirement income at age 65.

In addition to this personalized information, the booklet contains several pages devoted to general information about the bank's employee benefits.

Changes and Transfers. Each year, participants can change the investment fund for their new contributions. Thirty days' prior notice is required for any change, which is effective each January 1.

Further, it was decided that it would not be fair to "lock" participants into a fund forever. Accordingly, participants may transfer all or a part of a balance in an investment fund to one or more of the other investment funds on December 31 of any year that's a second anniversary of employment up to age 55. Age 55 is the early retirement date for bank employees. Therefore, investment-fund transfers also may be made at age 55, every two years thereafter and also on December 31 in the year of retirement. Thirty days' prior written notice is required for any of these transfers.

When we started the investment-fund option, the initial rule was that transfers could be made every fourth year until age 55 and then every two years. We were concerned that allowing investment transfers too frequently would encourage market speculation on the part of participants and, conceivably, might disrupt investment policy if large dollar balances were continually being transferred. Our experience has been that few transfers are made. Accordingly, the four-year waiting period was reduced to two years. We do not feel this added element of flexibility will have a disruptive effect on the investment policy of the funds, and it certainly does allow participants to "call their own shots" to a much greater extent.

A Word of Warning. Establishing optional investment funds doesn't automatically guarantee a "happy life ever after" for a profit-sharing plan. Obviously, the alternatives and options require much more complex accounting. Further, the communications job is made much more difficult. Banks should have these problems worked out in advance before introducing the optional investment fund concept to their employees.

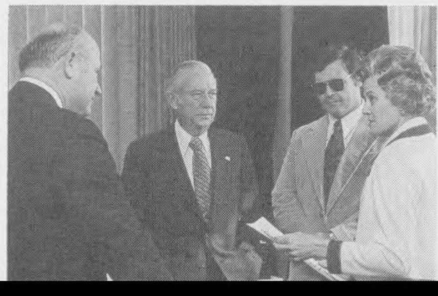
Summary. The best argument for adoption of separate investment funds to invest profit-sharing dollars is that it is an ideal way to personalize a profit-sharing plan. Allowing each participant to select his own mix of investments simply has to make the profit sharing more meaningful and of more long-range benefit.

However, don't forget the problems of communications. The need for complete dissemination of information is increased 100-fold by the introduction of the more complicated plans involving investment options. The accounting problems can, and probably will, be difficult, and this drawback should be carefully considered before embarking on this program.

In the final analysis, each organization must consider its overall employee-benefit program and the makeup of its work force. Every plan should be individualized to take into account other benefits available and then be designed so the profit-sharing plan characteristics and objectives fit together to provide the most complete and flexible employee-benefit package. • •

Bank Honored for Lipchitz Show

Mrs. Richard D. Austin, ch., Tennessee Arts Commission, aided by William Huettel (2nd from r.), trustee, Brooks Memorial Art Gallery, Memphis, presents a certificate of appreciation to William W. Mitchell (2nd from l.), ch., and Cullen Kehoe, pres., First National, Memphis. The bank was awarded the certificate for its sponsorship of the Jacques Lipchitz sculpture exhibition at the gallery. The certificate noted First National's "outstanding contribution to the cultural climate of Memphis" by making the 1974 exhibition possible. The show opened October 11 and remained at Brooks through December, drawing more than 32,000.



Bank's Consumer Loans Are Monitored by Computer Service Firm

A SOPHISTICATED computer service now handles the monitoring chores of a bank's consumer loan portfolio insurance program. The machines have revolutionized the process once done by large clerical staffs. The result is better service to borrowers and less work for bank staffs.

Insureco, Inc., Burbank, Calif., is said to have been the first firm in the nation to develop an automated insurance management concept and United California Bank (UCB), Los Angeles, is said to have been the first bank to adopt the system. Each of the bank's 42 dealer-finance centers was converted to the computer program within a recent six-month period.

Much of the insurance previously written was vendor single interest, which meant that only the bank could collect—the borrower had no participation in the coverage. Along with the automated insurance management, the insurance coverage was modified so that the owner now participates in the coverage.

The cost of the policy (written for the term of the loan) is handled by the bank as a side loan at a flat handling cost, regardless of the policy amount. The borrower now pays $100 deductible, and 20% of the additional loss up to $100. No claim is paid for more than the unpaid balance of the loan.

The program is geared to the consumer—the way the customer is handled and the way the claims are settled, a spokesman said. "We have become part of the bank and yet we remain at arm's length."

All customer contact regarding insurance matters is referred to the Insureco office, where personnel function —as far as the caller knows—as bank employees.

A customer only need give fragmentary information about his coverage and the representative, seated at a video display terminal, can institute a computer search and come up with the customer's loan history in seconds.

All such loans are monitored constantly and compared regularly with new input from the bank's branches. Thirty days before a customer's insurance is to expire, the customer receives a notice from Insureco. Another notice follows 15 days after expiration, and, after five days, if there is no action, Insureco writes the policy and bills the bank.

Aside from a monthly per-item service charge, Insureco's main source of revenue is the insurance. However, the firm advises the borrower several times during the process to get in touch with his own insurance agent.

About 7% of the UCB loans require constant insurance followup, and, ultimately, policies have to be provided by the bank for 3%.

Insureco expects to expand its system nationwide by mid-year. • •

In Allentown, Pa.:

The Flim-flam Man Left Penniless Because Bank Exposes His Cards

THE ALLENTOWN, Pa., police bunco squad, the department that investigates the swindling of the local citizenry by confidence men, probably has less work, thanks to a program sponsored by Merchants Bank. The bank is educating people, especially senior citizens, on the tactics used in the "pigeon drop," "bank examiner" and other ploys.

Either of these "cons" involves the victim's withdrawal of money from his bank account and giving it to the confidence man (or woman), who disappears with it. The "pigeon" is usually putting up earnest money for a share of some fantastic amount of money supposedly found in a lost wallet, or he is proving to a foreigner that American banks are trustworthy and will let their depositors withdraw money.

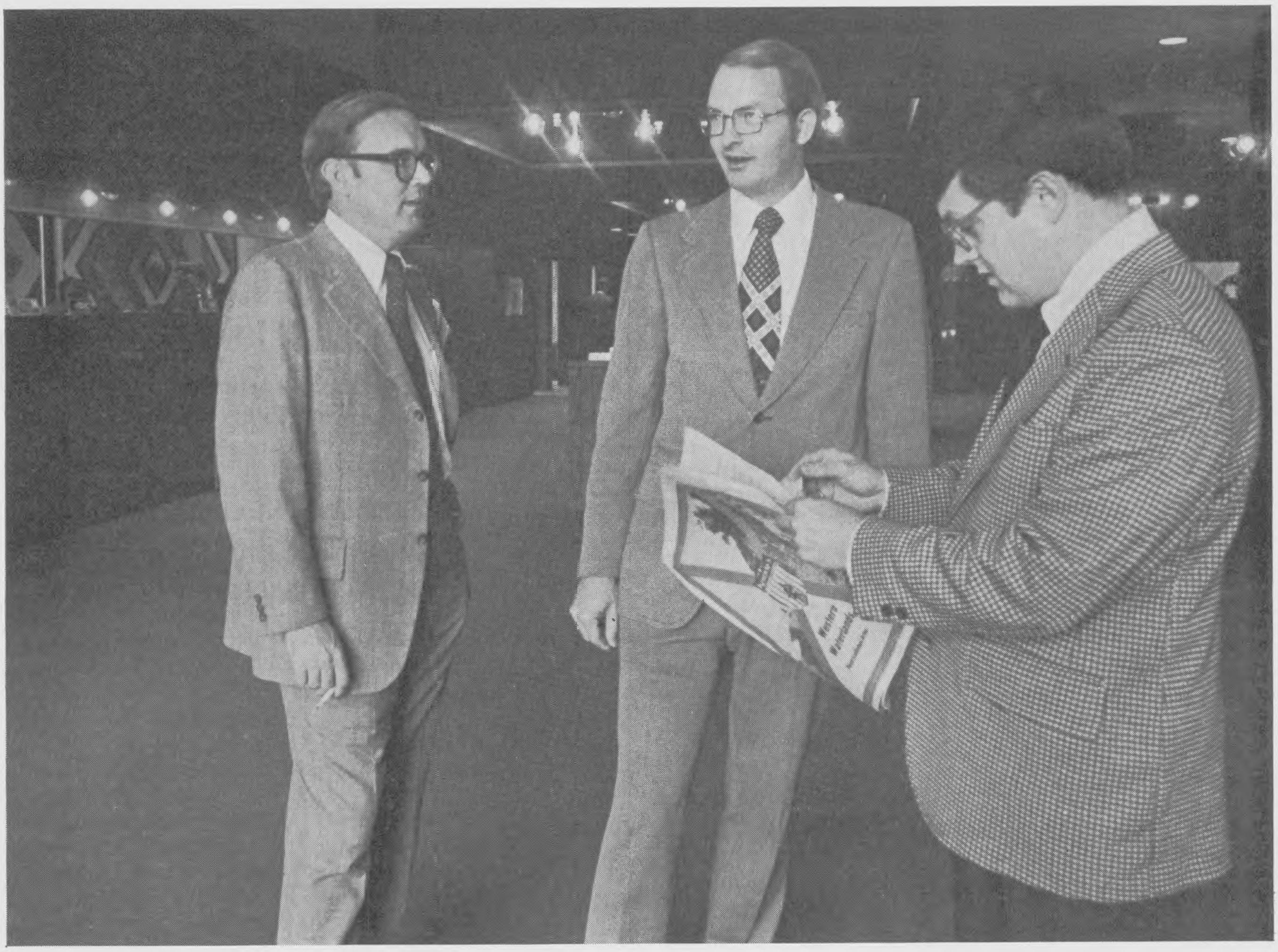
The "bank examiner" assumes that character in order to catch a nonexistent dishonest teller, enlisting the help of a depositor to withdraw money from that teller, catching him in the act. In either case, the con artist will switch the real money for a roll of newspaper cut to size, or simply disappear.

It sounds simple, but many fall for variations of these schemes every year. Merchants Bank, through flyers, newspaper ads and mailers, invited people to attend one of the four free presentations of the anti-fraud program which included a film, "On Guard—Bunco," presented by the Pennsylvania State Police.

Those in attendance became acquainted with various schemes and were given an opportunity to learn how banks can help them protect their money from being stolen or mishandled.

Free refreshments were served, and several bank services geared to the elderly were discussed briefly. • •

"We do our corresponding in person."



Visiting the exciting new offices of the Farmers Bank and Trust Company in Princeton, Ky., are (left to right) Murphy Brock, Vice President, Liberty; John H. Carner, President, Farmers Bank & Trust Company; and Sam Adams, Vice President, Liberty.

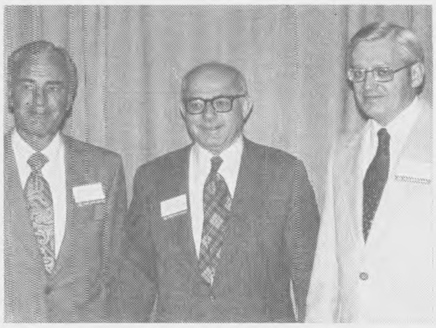
Our TOLL FREE number 1-800-292-5577

Liberty National Bank
and Trust Company of Louisville

At Missouri Bank Management Conference:

Menninger Foundation Seminar Well Received by Mo. Bankers; Economic Outlook 'Cloudy'

By LAWRENCE W. COLBERT
Assistant to the Publisher



C. W. Risley Sr. (l.), MBA pres. & pres., Excelsior Trust, Excelsior Springs, and Richard M. Reilly (r.), ch., bank management com. & pres,, Nat'l Bank of Affton, flank Darryl R. Francis, keynote speaker and pres., Federal Reserve Bank of St. Louis.

LAKE OF THE OZARKS, MO.—A record crowd of almost 700 bankers and their wives gathered at Tan-Tar-A Resort February 11-13 for the 35th annual bank management conference sponsored by the Missouri Bankers Association.

"Banks/Bankers—A Look at Problem Areas" was the theme of the two-and-a-half-day conference.

Darryl R. Francis, president, Federal Reserve Bank of St. Louis, speaking the first day, said that the outlook for the economy is "cloudier this time than I have ever seen it." Speaking of the developments in 1974, he said this is the first time we have moved from a high level of activity to a recession without economic policy to bring it on.

Mr. Francis conceded that the economy has problems, but found it difficult to share the gloom and doom that some have expounded. He remains a "bit of an optimist."

A bond panel consisting of Frank K. Spinner, senior vice president, First National, St. Louis; William F. Enright, executive vice president, American National, St. Joseph; Thomas L. Ray, executive vice president, Mercantile Trust, St. Louis; and Harold R. Hollister, senior vice president, United Missouri Bank, Kansas City, made their annual "fearless forecasts" for various rates.

The panel, which has become a tradition at the conferences, made the following forecasts as "low rates during 1975." Fed funds drew a 5% figure (average of four separate forecasts). The prime rate low was predicted to be 7%. One-year Treasury bills drew a 4¾% figure. Seven-year governments were forecast to fall to the 6½% level. Ten-year municipals drew a 4½% response, and 20-year municipals drew a 5¾% response. The Fed's discount rate was predicted to fall to the 5½% level.

In an unusual departure from traditional bank management fare, the MBA brought the famed Menninger Foundation executive seminar series "Toward Understanding Human Behavior and Motivation" to Missouri bankers and their wives. Drs. Herbert L. Klemme and David E. Morrison conducted the sessions. The doctors traced psychological problems likely to be encountered from birth to death.

Ch. Reilly visits with Drs. Herbert L. Klemme (l.) and David E. Morrison (r.) during a break in the Menninger Foundation seminar.

Wives were encouraged to attend the conference this year, specifically to share the experience of the seminars with their husbands. The sessions were designed to convey a sound understanding of what really makes people do what they do and thus enable them to lead happier, healthier and more productive lives.

As the doctors stated at the beginning of the sessions, "You don't have to be sick to get better." • •

The perennial investment panel makes its forecasts. William F. Enright (l.), exec. v.p., American Nat'l, St. Joseph, makes a point as Messrs. Hollister, Ray and Spinner listen.


If you have a banking problem here are nine great solutions.
Larry Hunter
Joe Blank
Ross McClain
Jim Walker
Joyce Brewington
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(BORDERING STATES)
1-800-342-8240
(TENNESSEE)
Bob Smartt
Robert Dillon
Mike Miller
Sharon Swindell
First American National Bank
Nashville, Tennessee 37237
First American
First Amtenn Bankgroup

Lease Residuals

(Continued from page 34)

price consideration in the face of an outside appraisal.

The fee for a written appraisal of the value of used equipment may range from $50 to $500 or more, depending on the time the appraiser must spend on the assignment and whether an inspection is necessary. In most cases the appraisal is based upon an assumed state of repair and an inspection is not necessary. The appraisal fee should be settled with the appraiser prior to performance of the appraisal and after a brief discussion as to the probable result.

The lessee may seek a month-to-month renewal. This should be resisted by the lessor unless the minimum renewal term is sufficient to cover the expected residual. Otherwise, the lessor may compromise his advantageous bargaining position while the lessee satisfies an immediate need or shops for new equipment.

"The most usual way of disposing of used equipment is through an honest used equipment dealer."

Many lessees who need and want to retain leased equipment initially contend, as a negotiating stance, that they do not need or want the equipment with a view to driving a good bargain on a purchase or re-lease. As in any negotiation, the lessor must determine whether the lessee is "negotiating" or is serious when he declines interest in the equipment. If the lessor is properly prepared going into the negotiations, knows his rights, knows the approximate value of the equipment, and knows his alternatives, the lessor is in a good position to stand pat and smoke out the real intention of the lessee. Arrangements for a prospective buyer or two to inspect the equipment while still in the lessee's hands prior to the end of the lease may hasten a decision by the lessee as to his interest in renewing the lease or purchasing the equipment.

If the lessee does not want the equipment, arrangements should be made for an orderly delivery from the lessee in accordance with the lease provisions.

The equipment should be in working order. If the lessee has added accessories or units to the leased equipment, the lessor may be entitled to such units.

If the lessee cannot return the equipment or if the equipment returned has not been kept in good working order, the lessor may be able to declare a breach of the lease agreement whereby the lessee is liable for the fair market value of similar used equipment in good working order. (A casualty loss might also be declared under such circumstances if—and only if—the casualty loss schedule of the lease supports a reasonable recovery.)

The most difficult negotiations involve equipment with little resale value. Furniture and fixture leases are examples. The equipment has low resale value and must be stored and insured pending a sale. The leased equipment may include signs, carpeting, light fixtures, shelving and custom furniture with practically a negative residual. Typically, the lessee is a retailer who is a fairly skilled negotiator.

The negotiation strength of the lessor centers around the value of the equipment to the lessee, the ability of the lessee to identify and return the equipment, the cost to the lessee of assembling and returning the equipment if required by the lease and the ability of the lessor to convince the lessee he can resell the equipment if it is returned.

Negotiations over store fixtures can sometimes become quite spirited and may not be settled until the eleventh hour and the lessor's truck is parked at the loading dock. The ability of the lessor to offer a short-term renewal lease with a purchase option usually provides an equitable and face-saving solution to both parties. It is reasonable to expect some residual on store fixtures.

The lessor can undertake the sale or disposition of returned equipment in a number of ways.

The most usual way of disposing of used equipment is through an honest used equipment dealer specializing in sales of the particular equipment involved. Generally, such dealers work on commission plus out-of-pocket expenses. Commissions are on a sliding scale based on the size of the deal. Such dealers are often equipped to arrange for the pick-up and storage of equipment pending a resale. They also can arrange for rehabilitation of such equipment if that will enhance its value.

With the growth of leasing, the number of honest reputable used equipment dealers will grow. Quite likely in a few years there will be a number of used equipment dealers specializing in performing resale service for leasing companies.

If the leased units are large, a franchised "new equipment" dealer for that brand of equipment probably also sells used equipment taken as trade-ins and may be a good prospect for a purchase or a good agent for resale. Such a dealer can sometimes substantially increase the value of used equipment by rehabilitating the equipment in his own shop as fill-in work. The best arrangement with a franchised dealer is a percentage arrangement. If the dealer is willing to purchase the equipment for cash, he probably expects a quick turnover at a much higher mark-up than the commission. On the other hand, a cash offer anywhere in the lessor's target price range should be accepted.

Some kinds of equipment, such as cars, trucks, construction equipment and even private aircraft, are sold at regularly scheduled and well-attended auctions.

"The most difficult negotiations involve equipment with little resale value."

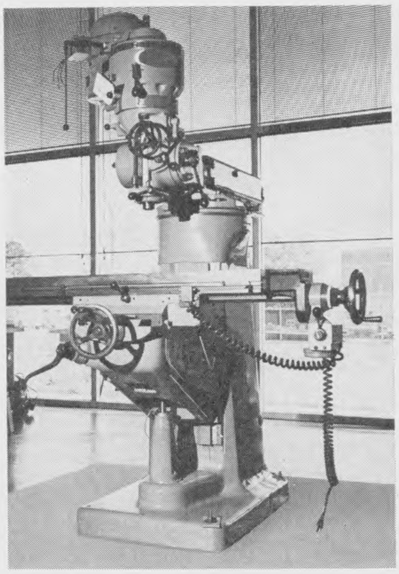
The lessor can undertake the sale of the returned equipment himself by advertising the equipment and contacting prospective buyers. There are publications which specialize in advertisements for used machinery and equipment. "Surplus Record" (20 North Wacker Drive, Chicago, IL 60606) consists of a carefully indexed, exhaustive list of used machinery and construction equipment available for sale throughout the United States and is widely consulted by users and dealers seeking second-hand equipment. In addition, various trade publications, magazines and newspapers are good advertising media for used equipment. Large established leasing companies have found it economical to have a person engaged full time in disposition of used equipment. Some leasing companies undertake rehabilitation of equipment on their own as an aid to resale.

An article in a national financial magazine which appeared several months ago expressed concern over the ability of bank leasing companies to dispose of used equipment as it came off lease. Such concern is groundless.

In many cases, lessees will continue to use the equipment for its economic life. When equipment is returned, leasing companies will dispose of it in the same manner as users of such equipment would have sold the equipment had they bought it. More leased equipment will now be available than in the past. Used equipment will merely be owned and resold by different owners.

(Continued on page 88)

You may never have to buy another piece of equipment.



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Lessors have the added advantage of being able to offer financing to prospective buyers, thereby broadening their market.

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• **The Board** of First National, Belleville, Ill., has authorized an agreement with Illinois State Trust Co., East St. Louis, setting out a plan of reorganization, forming an HC which will acquire capital stock of the two institutions. Sanction by shareholders and regulatory agencies is needed to complete the merger.

End of Usury?

(Continued from page 6)

variable interest rates and indexing of loan principal.

Furthermore, the nature of indexing becomes an interesting variation on the concept of usury. Should "usury" be interpreted in terms of indexed numbers, we may find ourselves in a state of uncertainty regarding such things as truth in lending and usury laws.

If our economy continues to inflate at the double-digit rate, it is hypothesized that many of the techniques of indexing, of variable interest rates and of common dollar accounting will be adopted by business firms and financial institutions to the extent that they are legally permitted. However, should our government resolve the rate of inflation, bringing it down to 1% or 2% per year, much of the rationalization for indexing is removed.

History shows that when such ideas are found necessary to preserve purchasing power relationships between borrowers and lenders, a corruption of the integrity of the indices develops, a result of subsequent political pressure. • •

Three Trainers' Workshops Scheduled by ABA Division

The ABA has announced three bank trainers' workshops, to be given by the Training and Management Development Committee of the ABA's Bank Personnel Division.

Two separate bank trainers' workshops are set for April 6-9 in Denver and October 19-22 in Atlanta. The workshops are designed to maximize individual participation and will focus on how to choose from a variety of teaching techniques, how to use such techniques for improved training results and how to assist others in conducting training programs. Techniques presented will include lecturing, conference leadership, case studies, role playing, programed instruction and simulation games.

A supervisory training workshop will be held September 21-24 in Chicago to round out the series. It will assist participants in learning the most appropriate subject matter for a supervisory training program, how to get management support, how to organize and administer a program and how to use appropriate instructional techniques.

Enrollment information is available from Thomas J. Calo, assistant director, Bank Personnel Division, ABA, 1120 Connecticut Ave., N.W., Washington, DC 20036.

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From a Memphis Banker:

An Economic Policy Package For Improving the Economy

POLICY RECOMMENDATIONS on how to improve the country's economy were outlined to the Memphis Kiwanis Club in January by Ronald Terry, chairman, First Tennessee National Corp., Memphis-based bank holding company, whose lead bank is First of Memphis.

In his talk, Mr. Terry also made a plea to raise Tennessee's 10% interest-rate ceiling on business loans, recapped 1974 economic developments, gave his forecast for this year and described a change in emphasis at his bank HC.

Mr. Terry made four policy recommendations:

"*First,* despite heavy pressure from both Congress and the public, wage and price controls absolutely should be avoided. Prices operate in a market economy as the adjustment mechanism which causes needed resources to be shifted from one area to another. . . . In the end, the controls are bound to break down as they have always done in the past.

"Instead of imposing *additional* constraints on the markets, I believe the government should adopt the recommendation submitted by the Economic Summit Conference to *remove* current restrictions on prices *and* productivity, initiate an active antitrust policy against monopoly price-fixing and control and introduce legislation that would limit the monopoly powers of major unions.

"*Second,* I must recommend that the Federal Reserve not abandon its present policy of moderate monetary expansion. I know this policy will be unpopular and that a very large federal deficit will make it even more difficult for the Fed to refrain from becoming excessively expansionary. However, if the Fed can stick to its present policy, then inflation can be brought under control, and a return to stable economic growth is possible.

"*Third,* a comprehensive program aimed at reducing our dependence on foreign oil must be undertaken immediately. We cannot afford to have our

Ronald Terry joined First Nat'l of Memphis in 1957 as a management trainee and became e.v.p. in 1970. In 1971, he was named a director and pres. of the bank's parent HC, First Tennessee Nat'l Corp., and ch. & CEO in 1973. He also is v. ch. and a director of the bank.

wealth slowly eroded, nor can we live under the constant pressure of another embargo. The voluntary program has not been effective, and sterner measures are now required. Consumption of foreign oil must be reduced now and a program designed to develop alternative sources as soon as possible. Such a program will surely result in higher gasoline and utility prices, but these are prices of independence.

"*Fourth,* and finally, the federal government must take an active role: first, in minimizing the impact of the recession on people and business; and second, in providing an environment in which real economic growth can be resumed as soon as possible . . . there are

> When Ronald Terry, ch., First Tennessee Nat'l Corp., Memphis, gave the talk described in the accompanying article before the Memphis Kiwanis Club, he received "equal billing" with the President of the U. S. in the Memphis *Commercial Appeal.*
>
> Across the top of the first page of the paper's January 16th edition appeared pictures of Mr. Terry and President Gerald Ford. Mr. Terry's photo was accompanied by an excerpt from his Kiwanis talk. Parts of the President's State of the Union address appeared next to the picture of President Ford.
>
> A considerable portion of a page in the newspaper's financial section was devoted to a résumé of Mr. Terry's speech.

many small-business men who are threatened by the losses of their businesses and their whole life savings as a direct result of this recession. To help them, I recommend the Small Business Administration be authorized to make low-interest, disaster-type loans to businessmen unable to liquidate excess inventories because of large cutbacks in sales."

Mr. Terry said he supports the President's program to reduce taxes on both individuals and firms because the net effect will be to shift $16 billion of purchasing power into the hands of the low-income customer and to stimulate business investment. Such a program, in Mr. Terry's opinion, should serve to stimulate consumption and help restore consumer confidence and, at the same time, begin to create new jobs. If it's tied in with a moderate monetary policy, said Mr. Terry, it doesn't have to be inflationary.

Mr. Terry coupled his discussion of his bank HC with an explanation of why a higher interest rate for business loans is needed in Tennessee. He said that during the late 1960s and early 1970s, the emphasis at First Tennessee —like that of the entire banking industry—was on growth and expansion. The HC had developed confidence in the '50s and early '60s, continued Mr. Terry, in the strength of the nation's economy and had observed that aggressive, growth-oriented firms—not only in banking, but in most industries—were the ones favored by both customers and investors.

With passage of the Bank Holding Company Act of 1956 and widespread acceptance of liability management involving purchased funds as the major source of bank liquidity, said Mr. Terry, his industry was transformed in a few short years from a non-innovative, status quo business to one of the nation's most progressive and dynamic industries. He pointed out that banks, like his own, organized holding companies and moved into many new fields

(Continued on page 99)

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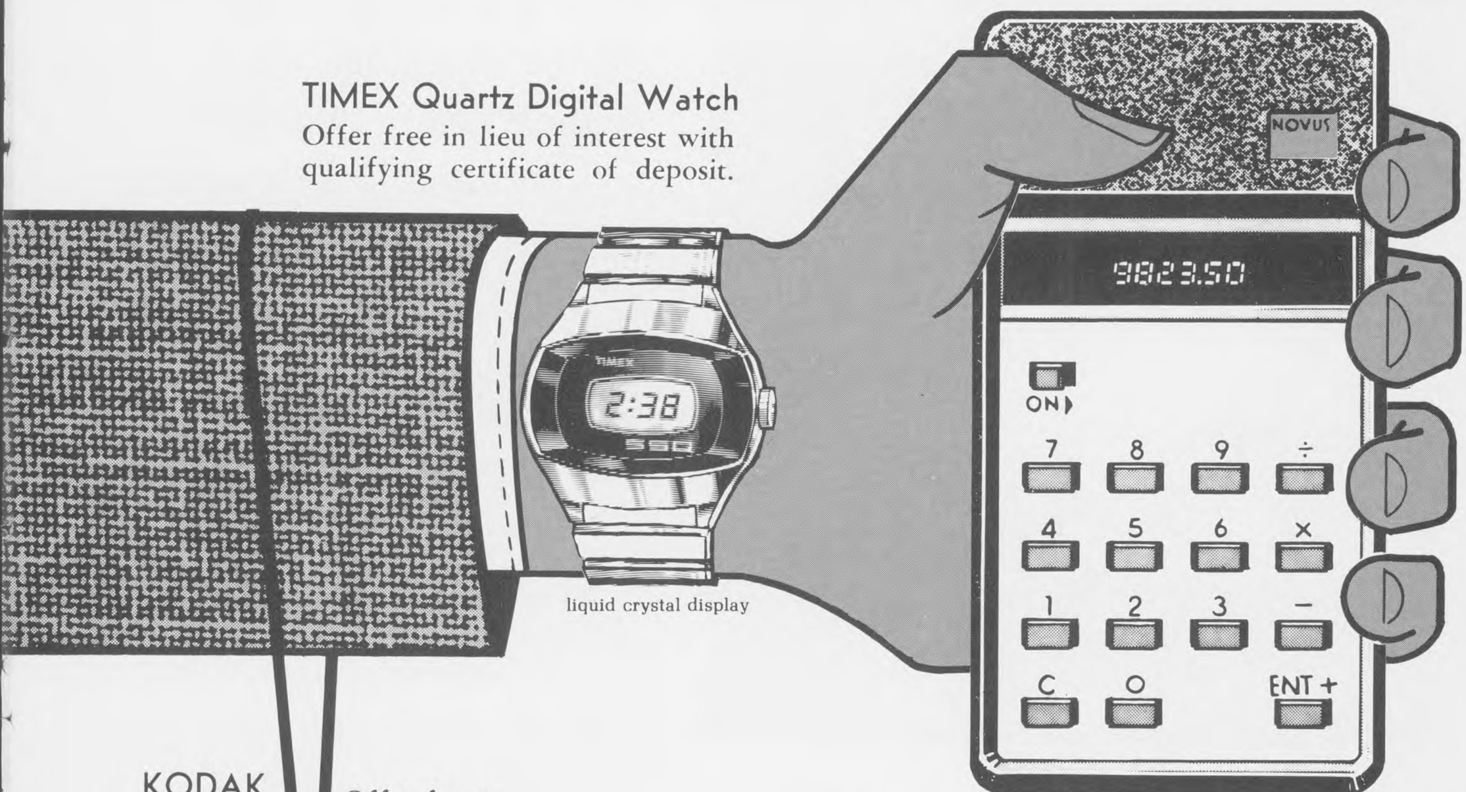

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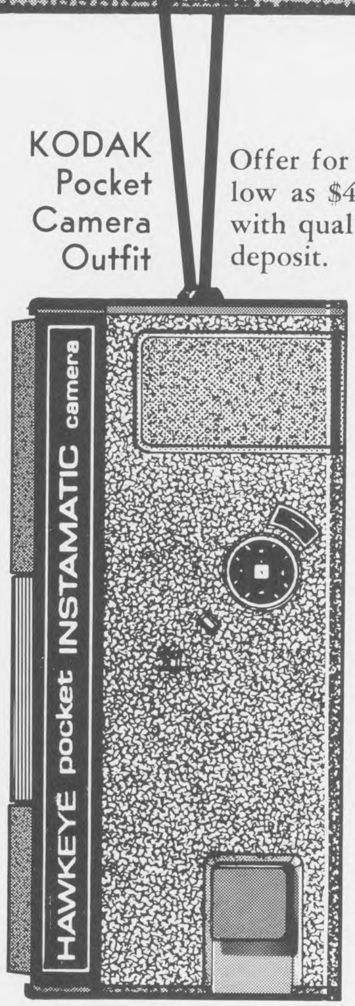

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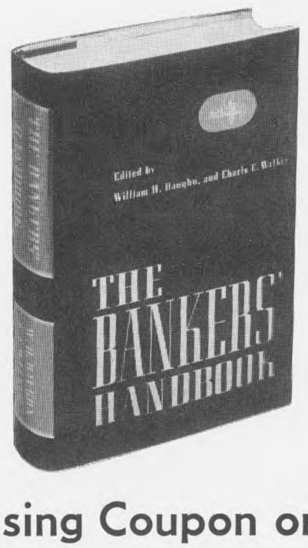

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Economic Policy Package

(Continued from page 90)

such as mortgage banking, leasing, consumer finance, insurance, investment management and data processing. In banking, as in many other fields, according to Mr. Terry, much of this expansion was financed through an additional dependence on debt as opposed to equity capital under the assumption that income always would continue to grow, and debt markets always would be accessible. For many, said the Memphis banker, that assumption was fallacious because income didn't grow in 1974; in fact, for many individuals and firms, it decreased. Companies and people who traditionally had easy access to debt markets were either completely excluded or were able to get funds only at extremely high rates, said Mr. Terry.

In such a high-interest-rate environment, he continued, borrowers everywhere suffered, but in Tennessee, money became practically unavailable to many small-business men. Banks, traditionally importers of the capital required for the state's economy to grow, were forced by what Mr. Terry called Tennessee's "antiquated and unworkable usury law" to cease the flow of badly needed money into the state for most of the year. At the same time, according to the Memphis banker, major public bodies, such as the state government, began to export dollars in search of higher returns available elsewhere. He said business then slowed dramatically; capital stopped flowing into the state; Tennessee, for much of 1974, was an island of economic desperation because of the absence of just one law —the one that would give business borrowers in the state the right to pay interest rates, at their option, high enough to attract needed funds.

Mr. Terry told the Kiwanians that the state legislature, which had just convened in Nashville, must enact legislation that will give the state's small-business men permanent relief from the threat of having their sources of funds diminished by high interest rates again. Business borrowers, he emphasized, must have their liquidity protected by a good law that will give them the *right* to pay a going rate for their money.

Here's how he described the problem: Banks can, under the Tennessee Constitution, charge only 10% interest on loans. The increase in bank deposits in Tennessee falls far short of providing funds for the loans needed to sustain the state's economic growth. The shortfall must be provided by banks, primarily by issuing CDs to out-of-state depositors and also by being able to pay rates high enough to keep idle dollars within the state. Twice in the past 18 months, interest rates nationally have exceeded 10%. The first time, banks continued to import the money and lend it at a rate lower than their cost, sustaining sizable losses. The second time, they stopped importing the money. Big business was able to get its money elsewhere and was not affected. Because of more modern laws related to consumers, the latter didn't feel the impact. Small-business men and builders were "clobbered."

Mr. Terry warned his listeners that this will happen again the next time rates go up unless the state legislature acts because Tennesseans live in a world economy and cannot be as oblivious to that world around them as were their forefathers who wrote the usury statute into their Constitution more than 100 years ago.

Turning to a discussion of his bank HC, Mr. Terry pointed out that First Tennessee's size had been reduced during 1974 by about 10%, almost $200 million. Almost every large bank did the same, he added. With a much stronger capital base relative to First Tennessee's size, said Mr. Terry, and substantially less reliance on short-term CDs and borrowings, the HC is looking to the future with optimism and is planning to continue to aggressively serve the needs of its community. However, he continued, the HC's emphasis has been shifted from *growth* to *quality growth,* with more weight given to capital adequacy, liquidity and sound credit analysis.

"This process of changing emphasis will not be an easy one for banking or for other industries," Mr. Terry told the Kiwanians, "nor will the changing emphasis immediately transform the economy from an inflationary economy to a more stable one. Therefore, we must be patient and accept 1975 as a period of transition.

"On the other hand, we cannot be indifferent to the social and economic costs to all of us of changing the economic character of our country. Thus, every effort must be made to minimize those costs and spread them throughout our society. In other words, we *all* must shoulder the burden of this responsibility and not leave it to just an unlucky few."

The Memphis banker warned that the people who should be careful now are the consumer groups who are screaming about the inflationary impact of higher oil prices while saying nothing about the fact that the very consumers these groups say they represent are the ones who need their jobs back, who need their real income increased and who must exercise their individual options as to where to use their purchasing power.

In summarizing his talk, Mr. Terry said 1975 offers us the opportunity to remove the excessive inflationary bias from our economy and return the latter to a stable growth path. • •

Real Growth Prospects:

Bank Donates Pine Trees To Community Schools

Of more than 3,000 pine tree seedlings given away during its grand opening, First National, Plymouth, Mich., had about 300 left. The bank has donated these Colorado Spruce seedlings to the Plymouth Community Schools, to be cared for and cultivated for future distribution around the community.

The baby trees were used as live symbols of First National's emblem, three stylized triangles configurated to represent a pine tree.

Kept moist in the greenhouse located at Plymouth Salem High School, the seedlings were transferred to seeding beds on the school farm. Planted by two juniors at the school as a project for their Community Services course, the young plants will remain on the farm for two years.

Not a Goodbye:

Endangered Species Exhibit Features Live Animals

Endangered species was the subject of a special month-long exhibit at Republic National, Houston. The display, set up by the Houston Zoological Gardens, is part of the bank's year of special free exhibits and shows.

The exhibit featured information and photographs of endangered Texas wildlife, species that will soon disappear from the earth unless protective measures are taken to insure survival.

A live American alligator and live Berlander's tortoise were included in the exhibition.

"Endangered Species" was the fourth display to be presented by Republic National. Plans call for exhibits, including art, fashions and health, to continue through September.

In Jackson, Miss.:

Deposit Guaranty Observes 50th Year With Dedication of Plaza Complex

COVER PHOTO: Recently opened Deposit Guaranty Plaza includes 22-story tower and four-story wing. Latter houses banking floor and executive offices. Tower is said to be tallest building in Mississippi.

TOP: Deposit Guaranty's management team is headed by (from l.) J. H. Hines, ch. & CEO, HC and bank; Julian L. Clark, bank pres.; and Ray R. McCullen, bank v.-ch., administration. BOTTOM: Also high on management team are (from l.) John P. Maloney, HC pres.; Charles R. Arrington, bank exec. com. ch.; and Robert C. Garraway, bank v.-ch., financial.

DEPOSIT GUARANTY PLAZA will have its formal opening this month, culminating more than two years of construction in downtown Jackson, Miss. The 22-story building, home of 50-year-old Deposit Guaranty National Bank and its parent HC, Deposit Guaranty Corp., is said to be the state's tallest building at 310 feet. Deposit Guaranty National personnel moved into the 400,000 square foot complex in mid-February.

The building is of white concrete and features gray solar glass curtain walls and Italian marble accessories. It is adjacent to the new Holiday Inn Convention Center, which is set for a fall opening.

Dedication ceremonies will be held this month to correspond with the bank's 50th-anniversary annual meeting. A highlight of the ceremony will be the snipping of a gold ribbon that is nine feet in width and that will extend from ground level to the top of the plaza building. An 18-foot pair of scissors will be used.

Following the dedication ceremony, three weeks of formal opening activities will begin, including special showings for correspondent bankers, national account customers, government officials and the general public.

In conjunction with the opening, Deposit Guaranty has adopted a new visual identification symbol that is expected to set the bank apart visually and make its communication efforts more effective. Also, an official 50th anniversary symbol has been designed to incorporate the events taking place in 1975—the bank's golden anniversary, opening of the plaza and the incorporation of the identification symbol. An antique bronze medallion has been struck commemorating the opening.

Deposit Guaranty National occupies the second through eighth floors of the new tower. The main banking floor encompasses 38,000 square feet of space on the second floor and features massive walls of blue suede vinyl and a 90-by-25 foot wall behind the tellers area that is surfaced with split-face marble from Italy and highlighted by strips of bronze and oak. Work stations on the banking floor for commercial

LEFT: Multi-level board room features built-in audiovisual equipment controlled from any of three areas in room. RIGHT: Deposit Guaranty's "golden girls" are specially trained tour guide/hostesses during bank's golden anniversary.

loan officers feature the same materials.

Bank executive offices are on the fourth floor and open onto a landscaped terrace that forms the roof of the main banking area. The reception area features white marble floors and black cherry suede vinyl wall covering and offices are panelled in pecan and are furnished with 18th century American antiques and Chinese objects as well as traditional furnishings.

The ground level of the plaza is a retail mall housing stores, shops and other businesses on both sides of a wide pedestrian corridor. A feature of the mall is an abstract bronze sculpture commissioned by the bank.

The ninth through 21st floors are for tenants and a private club tops the building.

A security system monitors each floor and the building's mechanical system is geared to reuse heat generated by interior lighting in addition to exterior solar heat.

Two courtyards adjoin the building and are equipped with fountains. The Capitol Street entrance includes a rectangular pool with a 20-foot geyser and large native trees. A planting area fronts on Lamar Street and features a square courtyard with a large pool, a "dandelion" fountain and exotic plantings.

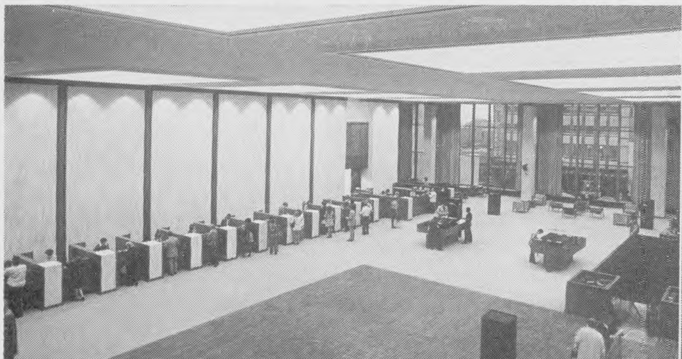
Plans for Deposit Guaranty Plaza were announced in September, 1972, and construction began two months later. The tower was topped out in April, 1974, with a native magnolia tree hoisted to the top instead of the traditional evergreen. To commemorate the event, the bank distributed more than 5,000 magnolia tree seedlings as mementos.

J. H. Hines, chairman and CEO of the bank, says that the plaza "expresses our complete confidence in the economic future of Jackson and the state of Mississippi. Jackson is the business and financial center of the state and must preserve a viable and aggressive identity. We believe that the plaza tower and the adjoining Holiday Inn Convention Center and municipal parking facility will serve to stimulate additional commitment to central city improvement by our fellow corporate citizens. Without doubt, the opening of the plaza is the single most momentous event in the 50-year history of Deposit Guaranty."

The bank first opened its doors in 1925 in the Pythian Castle Building, which was located on the plaza site. In 1937, the 18-story Merchants Bank Building was purchased at Lamar and Capitol. An extensive remodeling program in 1958 resulted in an 18-story addition being built. The bank's staff now exceeds 1,000, assigned to 36 offices throughout Mississippi.

Opening the new plaza is a fitting culmination of 50 years of banking service on the part of Deposit Guaranty National! • •

LEFT: Main banking floor of Deposit Guaranty Nat'l contains approximately 38,000 square feet of space. Decor features white Italian split-faced marble walls with blue suede vinyl accents. RIGHT: Spacious metropolitan banking area is on main banking floor on second level of Deposit Guaranty Plaza.



Illinois Bankers Hear Structure Plan, Will Vote on Branching, HCs This Month

A SERIES of group meetings was held throughout Illinois in January by the Illinois Bankers Association to present the IBA structure committee's proposals for branching and multi-bank HCs in the state. The committee was formed by a resolution passed at the IBA's 1974 convention.

Briefly, the recommendations propose to permit banks in Illinois one new branch per year in the same city as the head office or within five miles of the city limits; home office protection based on population; and a provision to permit banks in distressed areas to relocate, retaining the former head office as a branch. Facility regulations would not be changed, but any facility being converted to a full branch would count in a bank's quota for new branches.

The HC proposal would permit one acquisition per year to each multi-bank HC, limited to home and contiguous counties, with mandatory divestment of any acquisitions located in other areas. HCs would be permitted to control up to 25% of the assets in their trade areas.

A more detailed description of the proposals appeared in the February issue of Mid-Continent Banker.

As the series of meetings drew to a close, general consensus was that the branching proposals had a better chance of membership approval than the HC proposals.

Input from the group meetings was considered by the structure committee early last month and revised proposals were sent to member banks February 15, along with ballots. Each member bank has two votes—one for the branching proposals and one for the HC proposals. Voting will be completed by March 15. Should one or both of the proposals be adopted, legislation incorporating the provisions will be prepared for submission to the Illinois legislature next month.

Opposition to the HC proposal was made at each group meeting by Kenneth H. Fox, director, First National, West Chicago, who called for home office protection in the HC proposals similar to those in the branching proposals.

A statement was read at each meeting giving the viewpoint of the Independent Community Bankers of Illinois (ICBI), a splinter group of 265 members of IBA that has gone on record as rejecting the IBA proposals.

Participants at Group Nine IBA meeting in Belleville last month were (from l.) Arthur F. Busboom, IBA 1st v.p.; William O. Kurtz, IBA pres.; and Dean E. Kamper, ch., Group Nine. Mr. Busboom is ch., IBA structure com. Mr. Kamper is exec. v.p., First Nat'l, Belleville.

The rejection came as a surprise to IBA leadership, according to Arthur F. Busboom, chairman of the IBA structure committee and first vice president of IBA. He is also president, Bank of Rantoul.

Mr. Busboom explained that representatives of ICBI had taken part in the work of the structure committee and had predicted a degree of cooperation from ICBI. However, when ICBI held a meeting of its own in Springfield last month, a two-to-one majority of its members voted to reject the IBA proposals and take a stand for unit banking.

The ICBI rebuttal stated that no action should be taken on branching until the EFTS situation becomes clearer because the adoption of EFTS is expected to eliminate the need for branches. The statement also accused the IBA of presenting a structure plan that would serve banks rather than the public.

At its meeting in Springfield, the ICBI voted to hire lobbyists and open an office near the state capitol to further its unit banking stance. According to Arthur F. Murray, ICBI chairman (and chairman of IBA's Group 2), each ICBI-member bank has been asked to contribute $500 toward the expenses of furthering the unit banking cause in Illinois. Mr. Murray is president, Citizens State, Milford.

ICBI's break with the IBA—at least as far as structure issues go—has caused a three-way split in banker unity in Illinois. The Association for Modern Banking in Illinois (AMBI), representing 80% of the state's banking assets, broke with the IBA in 1973 and is supporting two bills in the current legislature proposing branching and the creation of multi-bank HCs.

According to IBA President William O. Kurtz, hope of a reconciliation between AMBI and IBA has been abandoned for the time being. However, if the IBA membership approves the revised structure proposals, observers state, the stage will be set for cooperation between the two groups, if not reconciliation, since both organizations would be proposing relatively similar legislation.

Mr. Kurtz warned against the fragmentation of banking's viewpoint. He said three voices for banking in Illinois could lead to confusion in the legislature that would defeat the ambitions of all three groups. Mr. Kurtz is president, Metropolitan Bank, Chicago. • •

Alabama Legislature Passes State Deposits Bill; Effort to Raise Usury Ceiling Thwarted by Governor

ACCORDING to Alabama bankers, the primary economic issue in the state is the need to raise the usury ceiling from 8% to 10% so the housing and consumer finance industries can be revitalized.

However, Governor George Wallace didn't agree, and the legislature ended up passing a bill concerned with interest on state deposits and nothing about raising the usury ceiling.

The Alabama Bankers Association actively supported both measures, considering that the issues of state deposits and usury relief should be enacted simultaneously during the special legislative session called by Governor Wallace. However, the governor would not consider a usury rate hike at that time, so Ala.BA concentrated its efforts on the state deposits legislation, coming up with an acceptable law.

Through the efforts of Alabama bankers, the determination of the interest banks pay on state deposits was not given to the Economic Stability Commission, and an effort to amend the legislation to include the requirement that banks bid on state deposits was squashed. The legislation prohibits S&Ls from being designated state fund depositories.

The legislature's Interim Economic Stability Study Committee is expected to take up the usury question and hearings are expected to be conducted throughout the state on the question of Alabama maintaining a usury ceiling that is below national money market rates. • •

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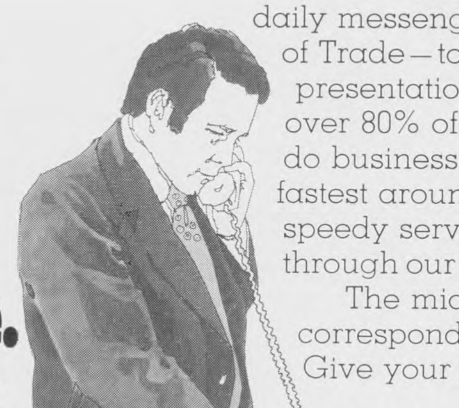

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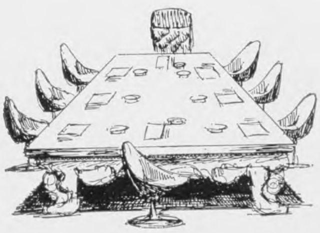


BOARD ROOM NEWS

Promotions • Staff Changes

Rice Succeeds Lindow As Charter NY Pres.

NEW YORK—Joseph A. Rice has been elected president, Charter New York Corp., succeeding Wesley Lindow, who will retire in June. Mr. Lindow has been named vice chairman.

Mr. Rice, also president and a director, Irving Trust, the principal bank, joined the HC through the bank as vice president in 1967.

Mr. Lindow joined Irving Trust in 1947, after serving as head economic analyst, U.S. Treasury Department. He was instrumental in establishment and growth of the HC, serving as senior vice president during its founding in 1966. Mr. Lindow became its president in 1972.

RICE

SHACKELFORD

Mayer, Shackelford Promoted in K.C.

KANSAS CITY—Michael F. Mayer and William H. Shackelford III, senior vice presidents, First National, have been promoted to executive vice presidents. Paul E. Gregory has been promoted from vice president to senior vice president, while James E. Stewart, assistant vice president, was named vice president. Emmett W. Buettner and Neil T. Douthat were elevated from assistant cashiers to assistant vice presidents.

MAYER

GREGORY

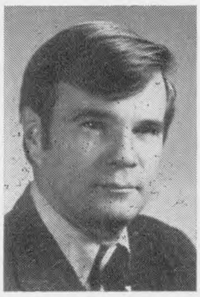
Mr. Mayer joined the bank in 1963 and is in charge of the national division, working with corporate customers, while Mr. Gregory, who joined in 1943, heads the check handling group, operations division.

Mr. Stewart, a member of the commercial banking division, joined the bank staff in 1973.

Day Promoted to EVP

JACKSON, MISS.—Frank R. Day has been elected executive vice president, First National. Associated with the bank since 1958, Mr. Day also is chairman, Smith County Bank, Taylorsville, Miss.

Named to the First National board were: W. R. Clinton, president, Jackson Coca-Cola Bottling Co.; Leon S. Thomas, treasurer, S. N. Thomas' Sons; and J. B. Thompson, president, Jackson Paper Co.



DAY

WOOD

Wood Named Correspondent Head

DALLAS—Clyde H. Wood has been named head, correspondent division, Mercantile National, succeeding David M. Bernardin, senior vice president, who has assumed increased responsibilities in the commercial loan department.

Associated with the bank since 1958, Mr. Wood was elected vice president in 1969. He has been with the correspondent division seven years, and has been responsible for coordinating its operations.

Three Corr. Officers In Bank Promotions

HOUSTON—John E. Davis, Thomas Harper III and Robert C. Baldwin have been promoted to vice presidents, regional and correspondent banking department, First City National. All were assistant vice presidents.

Other First City National promotions were: Robert Edward Lain, loan review manager; Bert E. Linda Jr., retail services departments manager; Al J. Newman, credit department manager; Yale Smith Jr., metropolitan department manager; and Thomas G. Stevens, assistant manager, petroleum and minerals department, to senior vice presidents. Timothy J. Blair, Bill L. Thomas, Robert C. Fisher, Edward H. Austin, Ronald T. Ingebritson and G. Benjamin Beauchamp were elected vice presidents and trust officers.

Anthony C. Bicocchi and Frederick L. Bollerer, international department; Gerald M. Hurley, Rose Ann Lauer and Charles S. Rawls, retail banking; Margie I. Tucker, teller and vault services; Robert W. Sullivan, real estate; Edward B. Perkins, corporate services; and Michael F. McBride, planning and operational analysis, were named vice presidents.

Promoted to assistant vice presidents were: Carlos T. Baez, Ted Bland, Hubert S. Fonville, Lillian E. Glancy, Jack R. Hamilton, Thomas A. Hillin, Jim K. Jones, John M. King, John H. Kuykendall, William K. Lovett Jr., Maurice J. Potts, Guy Bryan Thompson, Louis Vetrano and Frederick G. Wedell.

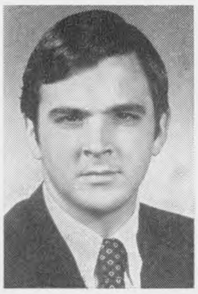
Mr. Davis joined the bank in 1969, Mr. Harper in 1973 and Mr. Baldwin in 1971.

Named vice presidents, regional and correspondent banking department, First City National, Houston, were (l. to r.): Thomas Harper III, Robert C. Baldwin, John E. Davis.

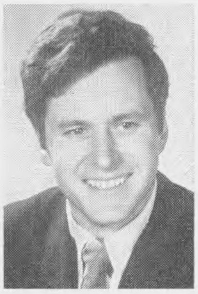
Mackay Named Vice President, Merchants National Bank

INDIANAPOLIS—James I. Mackay, assistant vice president, Merchants National, has been promoted to vice president. He is responsible for the Indiana division, commercial department, including corporate and correspondent bank relationships throughout the state.

Jan P. Adams and Randall D. Rogers were promoted from assistant cashiers to assistant vice presidents, both in the commercial department, while Gary Woodrum and Phillip D. Bostock were named managers, County Line South and 30th and Post Road offices, respectively. Mr. Woodrum replaces Richard A. Nagel and Mr. Bostock succeeds Glen R. Jacobs, who both went to the commercial department.



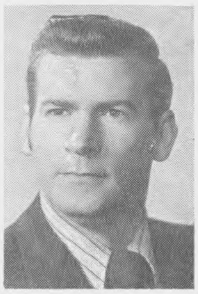
MACKAY



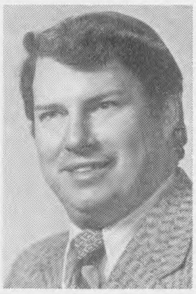
ROGERS

HUEBEN

ADAMS



SPARKS



MORRISON

Hueben, Sparks and Morrison New Second Vice Presidents

KANSAS CITY, KAN.—Alfred J. Hueben, Donald G. Morrison and C. E. Sparks have been promoted to second vice presidents, Commercial National.

Mr. Hueben is manager, Parkway Drive-In Bank, Mr. Morrison is in the operations-marketing division and Mr. Sparks is in the commercial banking division.

J. Stephen Marrs has joined the accounting and auditing division as assistant auditor, while Allen Cinnamon is a new trust officer at the bank.

JENKS

BARNES

Jenks Named Chairman, CEO At Albuquerque National

ALBUQUERQUE—George S. Jenks has been named chairman and CEO, Albuquerque National, replacing Robert L. Tripp, who died December 11. Paul H. Barnes was elected a director of the bank, filling the board vacancy created by Mr. Tripp's death.

Mr. Jenks, who has been with the bank since 1950, was elected director and vice chairman in 1973. He also is a director, Grants State. Mr. Barnes is president, First New Mexico Bankshare Corp.

Owen New Exec. Vice President

KANSAS CITY—John R. Owen has been elected executive vice president, Commerce Bank. He is in charge of the bank's trust division.

Mr. Owen most recently served as senior vice president in charge of the trust department, Baltimore Bank, which he joined in 1966.

Officer, Board Changes Revealed At National Bank of Commerce

DALLAS—National Bank of Commerce has named P. W. Callaway, Henry S. Goldsmith Jr. and Tom Hudgins as vice presidents and William R. Mathis Jr. and David Bishop as assistant vice presidents. John T. Sharpe was elected a director.

Mr. Callaway, who joined the bank last year, is responsible for marketing, advertising and public relations, while Mr. Goldsmith, with NBC since 1973, is responsible for business development. Mr. Hudgins joined the bank last year, and was president and CEO, Tecor, Inc., a photographics company.

Mr. Sharpe has been chairman and president, Transport Life, Fort Worth, since its formation in 1969.

Charles Chandler Is Chairman, First National, Wichita

WICHITA—First National has elected Charles Q. Chandler president and chairman. He formerly was president and succeeds his late father, Charles J. Chandler, as chairman.

Robert L. Darmon, senior vice president, has been named executive vice president and George T. Chandler, president, First National, Pratt, Kan., has been elected a director of First of Wichita.

Charles Chandler has served First of Wichita as a director since 1960 and Mr. Darmon joined the bank in 1970, coming from Parsons (Kan.) Commercial Bank.

CHANDLER

DARMON

Mulkern, Bolin Named EVPs At Bank of America

SAN FRANCISCO—Louis J. Mulkern and William H. Bolin have been promoted to executive vice presidents, Bank of America. Mr. Mulkern is in charge of the Asia division, headquartered in Tokyo, and Mr. Bolin heads the Latin America division.

Named senior vice presidents, Asia division, were Chalmers A. (Chad) MacIlvaine, who becomes deputy chief for Asia, and Roy D. Taylor, who will have charge of credit administration.

Mr. Mulkern, who has been with the bank 26 years, formerly was senior vice president and head of Asian international banking operations. Mr. Bolin moves up from senior vice president in charge of Latin America operations, the post he held in San Francisco six years. He joined that department in 1947.

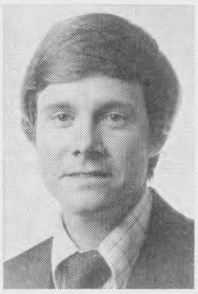
Hibernia Promotes McConnell

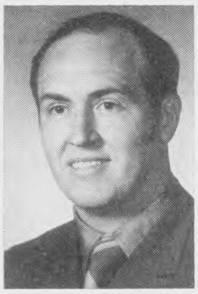
NEW ORLEANS—Edward B. McConnell, vice president at Hibernia National, has been promoted to manager of the corporate division. He continues to be responsible for the national department and the EDP marketing division. The oil and gas department has been added to the division.

Mr. McConnell joined the bank in 1973.

Klipsch Joins Louisville Trust

LOUISVILLE—M. David Klipsch has joined Louisville Trust as senior vice president in charge of the commercial banking division. Prior to that, he was vice president in charge of the loan administration division, Winters National, Dayton, O., and previously, assistant vice president, metropolitan banking department, American Fletcher National, Indianapolis.


CRELL


KLIPSCH

Gets Correspondent Post

JACKSON, MISS.—James M. Crell has been promoted to correspondent bank officer, Mississippi Bank. Mr. Crell joined the bank staff in 1972 and was assigned to the correspondent department in January, 1974.

Rodes HC, Bank Director At Citizens Fidelity

LOUISVILLE—Joe M. Rodes has assumed the position of director, Citizens Fidelity and Citizens Fidelity Corp. He is executive vice president and manager of the bank's financial group and joined the bank in 1973. Mr. Rodes previously was associated with an investment consulting firm.

Due to extended illness, the status of Frederick J. Johnson, a director for 12 years, has been changed from active to advisory.

Reynolds Retires in Mobile, Cowart Named to Directorship

MOBILE—Albert E. Reynolds, senior vice president, First National, has retired after more than 50 years' service. He joined the bank in 1923, going up through the ranks and attaining his last position in 1968. Mr. Reynolds' retirement date was in 1971, but he continued his duties by special arrangement with the board. In 1973 he was elected to the branch advisory board.

David R. Cowart, CEO, Morrison, Inc., has been named a director at the bank. He also is a director, Marine Bank, Tampa, Fla., and the HC, Flagship Banks, Inc., Tampa.

Maloney HC Pres., Succeeds McMullen

JACKSON, MISS.—John P. Maloney has been elected president and chief operating officer, Deposit Guaranty Corp., succeeding W. P. McMullen, who continues as a director and executive committee member there and at the bank, Deposit Guaranty National.

Mr. Maloney joined the bank in 1969 as senior vice president, and later was named secretary to the bank board and general counsel for the bank. He was elected HC vice president in 1972, became the corporation's executive committee chairman, 1973, and became an HC director in 1974.

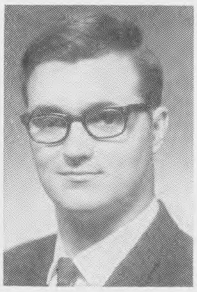
Officer Promotions, New Director Announced by 1st American

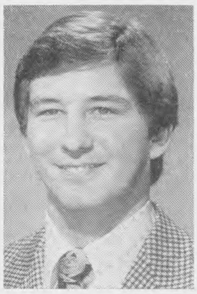
NASHVILLE—C. Richard Bobo has been elevated to vice president and controller; Henry T. Berglund III and Charles J. Waterston, to vice presidents; Ronald B. Deal and Bob O. Graham, to assistant vice presidents; and Norman A. Carl and Emmett Russell III, to trust officers at First American National. Charles M. (Mike) Miller, correspondent banking division, was named assistant cashier.


MALONEY


BOBO


BERGLUND


WATERSTON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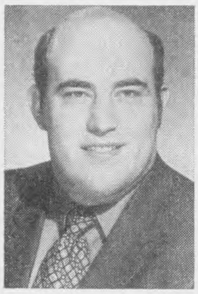
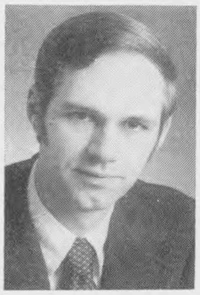

DEAL

Bernard Werthan Jr., senior vice president, Werthan Industries, Inc., has been elected a director of the bank.

Langewisch Is Promoted To Correspondent Post

KANSAS CITY—Paul F. Langewisch has been elected a correspondent banking officer, Commerce Bank. He travels in northern Missouri and has been with the bank since 1973.

John R. Landefeld, metropolitan division, commercial department, and Roger Van Pelt, commercial credit department, have been named vice presidents. Named assistant vice presidents were: Jerry L. Botts, trust division; Ralph Little, head, 12th and Charlotte Facility; Lee W. Peakes, commercial banking division; and William C. Tempel, trust investment.


LANGEWISCH


RAY

Mercantile Names Ray Exec. VP

ST. LOUIS—Thomas L. Ray, senior vice president and chairman, investment portfolio committee, Mercantile Trust, has been elected executive vice president. He serves with the asset and liability committee, heads the bond and investment department and is an executive committee member.

Mr. Ray joined the bank in 1945 as a bond salesman and was named senior vice president in 1969. He also is a director, Mercantile Mortgage Co., a subsidiary of Mercantile Trust.

Yount Named First National VP

TULSA—John G. Yount, national accounts officer, First National, has been promoted to assistant vice president. Prior to joining the bank in early 1974, Mr. Yount was an account officer with First National City Bank of New York.

Townsend Joins Commercial Nat'l

LITTLE ROCK—A. E. (Jack) Townsend has been named trust officer, Commercial National. Prior to joining the bank, he was a director, secretary and legal counsel for Mountaire Corp.

Beachly and Domer Promoted At Security National

KANSAS CITY, KAN.—Ramey E. Beachly, vice president, has been named senior vice president and Kenneth A. Domer, assistant cashier, agri-business-correspondent department, has been elevated to assistant vice president, Security National.

Mr. Beachly joined the bank in 1973 as vice president and Mr. Domer, in 1972 as assistant cashier.


BEACHLY


DOMER

Hogue Leads Promotion List At Liberty National

OKLAHOMA CITY—Robert E. Hogue has been elevated to senior vice president, Liberty National. With the bank since 1973, he is in charge of operations and had 22 years' previous experience in operations, cost controls computer processing and corporate systems and procedures on the management level.

Doug Belshe, Alvene Bonner, B. J. Chilless, Kenneth F. McKinzey, Jim R. Sales, Neal Stephens and Jim Sullivan were promoted to vice presidents. Joe H. Blair, Gaylon Brown, Ben Hall and J. D. Jensen were named assistant vice presidents.


HOGUE


BARNES

Hartig AVP, Barnes Director At First National, HC

ST. LOUIS—Donald C. Hartig, bond investment officer, First National, has been appointed an assistant vice president. Since joining the bank in 1968, he has served as credit approver, sales representative, U. S. government bond trader and money desk assistant manager, bond department.

Zane E. Barnes, president and CEO, Southwestern Bell, has been elected a director, First National, and its HC, First Union, Inc. He has served as a member of the bank's advisory board.

Staff Changes, Additions Made At First National, Birmingham

BIRMINGHAM—Elgin O. Thomas, vice president and manager, Ensley Branch, First National, has been transferred to the branch administration department as vice president and regional branch manager. With the bank since 1934, he has served in bookkeeping, auditing and as credit department manager.

George G. Ruff, vice president and manager, North Birmingham Branch, has transferred to the Bessemer Branch as vice president and assistant manager. Mr. Ruff, who has served as teller and in the auditing and loan departments, was manager, Pinson Branch, before his North Birmingham position. He has been with the bank since 1947.

M. L. Kendrick, vice president, branch administration department, has been named EFTS coordinator, operations division. He has been with First National since 1946.

A new addition has been made to the bank's international department. Nicholas H. Scielzo was named vice president in charge of foreign business development. He formerly served National Bank of Atlanta and First National City Bank of New York.

Richard L. Jackson, previously of First National, Lima, O., and Huntington National, Columbus, O., has joined the bank as vice president and trust officer.

Williamson New HC Director

BIRMINGHAM—William A. Williamson, board and executive committee chairman, Durr-Fillauer Medical, Inc., has been elected a director, Alabama Bancorp. He also serves as director, Alabama National, Montgomery, HC affiliate.

Willis Promoted at Hamilton Nat'l

CHATTANOOGA—C. Woods Willis has been promoted from assistant vice president-operations to vice president at Hamilton National.

Since joining the bank last year, Mr. Willis has served with the BankAmericard department and general operations supervision. Formerly with Citizens & Southern National, Atlanta, he has spent his banking career working in the areas of data processing and credit card functions.

Montgomery Tops Promotions At First of Okla. City

OKLAHOMA CITY—David J. Montgomery, head, international division, First National, has been promoted to vice president. He joined the bank in 1971.

Named assistant vice presidents at the bank were: Hal Clifford, correspondent bank department; Lynn Edwards, international division; and Mary Morris, investment securities department.

Vassar E. Lewis, Thomas W. Norwood, J. Douglas Sauls and Carl L. Shortt Jr. were elevated to assistant vice presidents and trust officers.


BAYLISS


CLIFFORD

Boatmen's Promotes Bayliss

ST. LOUIS—Larry D. Bayliss, assistant vice president, Boatmen's National, has been promoted to vice president. He joined the bank in 1968 in the advertising and public relations department, which he now heads.

Four Officers Win Promotions At 1st NBC, New Orleans

NEW ORLEANS—First National Bank of Commerce has made four promotions. George R. Pabst Jr. was named vice president and manager, data services division. He was formerly vice president and manager, correspondent banking department.

Lansdale J. Madere Jr. was named vice president in the loan review department; Michael Jesse Shannon was promoted to vice president in the marine financing division; and James T. May was named assistant vice president in the national accounts department.

Mr. Pabst joined the bank in 1960, Mr. Madere in 1951, Mr. Shannon in 1971 and Mr. May in 1972.

Kelly Named HC, Bank Director

CHICAGO—Donald P. Kelly, president and chief operating officer, Esmark, Inc., has been elected a director, Harris Bankcorp, Inc., and Harris Trust & Savings.

Duncan Elected Vice President

HOUSTON—Bruce A. Duncan, contact representative, national department, Bank of the Southwest, has been elected vice president. Mr. Duncan rejoined the bank in December, after a year's absence managing business interests in Canada.

DUNCAN

American Fletcher Names Two In Recent Promotions

INDIANAPOLIS—Paul J. Cortellini was elected assistant vice president, to be in charge of the Luxembourg Branch, and Eric A. Manterfield was named trust officer, American Fletcher National.

Mr. Cortellini, a CPA, has been in the financial field the past five years. He joined American Fletcher National in December.

Mr. Manterfield joined the bank's trust department recently, following two years with a law firm.

Fuller Elected President At Bank in Shreveport

SHREVEPORT, LA.—W. Warren Fuller, senior vice president, Commercial National, has been elected president, succeeding Emmett R. Hook, who continues as chairman and CEO. Oliver O. Moore was promoted from senior vice president and cashier to executive vice president and cashier.

Mr. Fuller, who was a member of the commercial loan division as senior loan officer, is secretary to the board and serves as a member of the loan and discount committee and the investment committee. He joined the bank in 1946.

Mr. Moore joined the bank in 1970 and is executive in charge of administration of the bank's operations.

Pearsall Elected Vice President, Central Bancshares of the South

BIRMINGHAM—Gil Pearsall has been named vice president, Central Bancshares of the South, Inc. He will manage the general systems division, which will be responsible for developing long-range operational plans and systems to support strategic objectives of the HC.

Prior to joining Central Bancshares in January, Mr. Pearsall was employed by Chase Manhattan, New York, as a systems analyst.

1st of St. Louis Names A.V.P.

ST. LOUIS—Kenneth S. Franklin Jr. has been named an assistant vice president in the commercial banking division at First National. He joined the bank in 1971 as a trainee.

Schmid Elected Director

FORT WORTH—Walter A. Schmid Jr., executive committee chairman, American Quasar Petroleum Co., has been named a director, Fort Worth National.

Two AVPs, New Director Named

NASHVILLE—Robert M. Ligon and Sam D. Hodges were promoted from loan review officers to assistant vice presidents, Third National, while Robert P. Beasley, executive vice president, finance, Firestone Tire & Rubber Co. of Akron, was elected a director.

First of Okla. City Names A.C.s

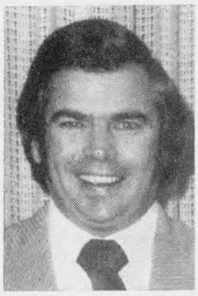
OKLAHOMA CITY—First National has elected Mrs. Vi Boston, Jody Lippmann, Mrs. Mary Marsh and Mrs. Irene Rider assistant cashiers. Mrs. Boston and Mr. Lippmann joined the bank in 1973, Mrs. Marsh in 1956 and Mrs. Rider in 1957.

Problems of Coming Year Main Convention Topic Of LBA Jr. Bankers

BATON ROUGE—The Louisiana Bankers Association Junior Bankers convention will be held April 3-5 at the Belmont Motor Hotel. Asset and liability management, future interest rates, bank marketing, the legislature and bank service pricing will be examined.

Convention registration will take place from 4 to 6 p.m., April 4, and will resume at 8:30 a.m. the next day.

Topics covered by speakers on Friday, April 4, will be: "Asset and Liability Management," by Richard McNeece, senior vice president and administrative group executive, Hibernia National, New Orleans; "Inflation-Recession: Interest Rates 1975," by Eugene A. Leonard, first vice president, Federal Reserve Bank, St. Louis; "Bank Marketing 1975—An Adman's Perspective," by Paul F. Steen, vice president, Bank of New Orleans; and "Pricing Bank Services," by Donald A. Babin, senior vice president, cashier and manager, operations division, Bank of the Southwest, Houston. A panel discussion of consumer lending will round out Friday's business activities. The panel will be moderated by William Benard, president and CEO, American Bank, Shreveport.



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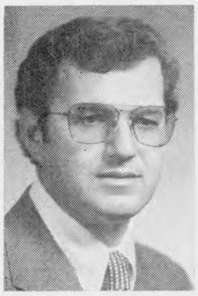

ACOSTA

FIELDER

After dinner on April 4, a "Riverboat Gambling Party" will be held, beginning at 7:30.

The Saturday morning business session will include Hermann Moyse Jr., president, City National, Baton Rouge, who will speak about "The LBA and the Louisiana Legislature." Allen R. Houk, executive vice president, Southern National, Houston, will conclude with "Lending: An Era of Uncertainty." The Junior Bankers will then hold a business meeting, to end at noon.

A cocktail party will begin at 6:30 p.m., followed by the president's banquet one hour later.

An 11:30 Friday luncheon for women is planned at the Baton Rouge Country Club and a women's bingo party is planned from 9:30 to 11 Saturday morning, April 5.

Officers of the LBA Junior Bankers are: president, Henry Toups Jr., vice president, Terrebonne Bank, Houma; vice president, Ray McElveen Jr., vice president, First Guaranty, Amite; secretary, Jerry Fielder, vice president, Louisiana Bank, Shreveport; and treasurer, Larry J. Acosta, assistant vice president, Hibernia National, New Orleans.

Hattiesburg, Biloxi Host Miss. Young Bankers Conference, Convention

ALEXANDER

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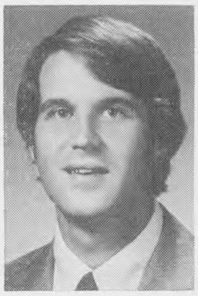

ALFORD

Mississippi Young Bankers will hold their annual conference March 13-14, at the University of Southern Mississippi, Hattiesburg. Three hundred are expected to attend. Their convention, March 14-15, at Pete Fountain's Buena Vista, Biloxi, will have 900 delegates on hand.

Young Bankers officers are: president, Robert H. Alexander, executive vice president, Commercial National, Greenville; vice president, Bobby L. Harper, vice president, National Bank of Commerce, Columbus; treasurer, Cecil R. Burnham, executive vice president, Truckers Exchange, Crystal Springs; and, secretary, James L. Alford Jr., assistant vice president, First National, Jackson.

After a keynote address by Joe H. Davis, executive vice president, government affairs, First National, Memphis, Ronald W. Tew, assistant vice president and director of manpower planning and development, Deposit Guaranty National, Jackson, will speak about "Motivation and Staff Management."

Other key speech topics will be "Basic Principles of Real Estate Evaluation and Financing," by Jack K. Mann, president, Wortman & Mann, Inc., Jackson; "Commercial Lending—Documentation and Follow-Up," by Jack R. Crigger, executive vice president, American National, Chattanooga; "New Challenges for Bank Management," by Robert E. Kennington II, president, Grenada Bank Systems, Inc.; "Employment of Funds-Asset Management," by James J. Conway Jr., assistant vice president and investment officer, First Security National, Beaumont, Tex.; "EEOC and the Banking Industry," by Louis Fuselier, Fuselier, Ott, McKee & Flowers law firm, Jackson; and "The Economic Outlook," by Robert W. Elsasser, New Orleans management, economic and statistical analyst.

After registering for the Young Bankers convention during the afternoon of the 14th, a "Get Acquainted Hour" is planned, to be followed by a "Western Theme" costume party and seafood jamboree, with dancing to the music of the Krazy Kats.

Saturday morning will consist of breakfasts and business meetings, but a brunch and fashion show, presented by the Riverside Cotton Wives of the Mississippi Delta, will be given for the women in attendance.

After lunch, guests will be able to participate in bridge, tennis, golf, a tour of the Jefferson Davis Shrine, a harbor cruise, or a "Shrimp Train" sightseeing tour.

The evening will be completed by a social hour, a banquet with entertainment by the Royal American Showmen and then dancing to the Krazy Kats' music.

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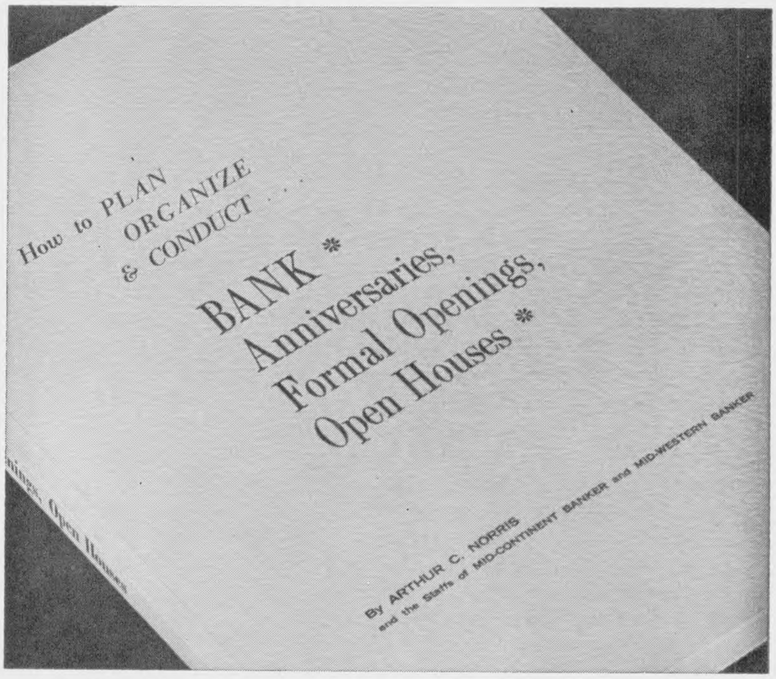

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Implications of EFTS To Be Convention Topic Of Tenn. Young Bankers

KNOXVILLE, TENN.—The Hyatt Regency will be the scene of the 1975 Tennessee Young Bankers Convention April 8-9. EFTS, communication and motivation and current controversies will be the major topics examined.

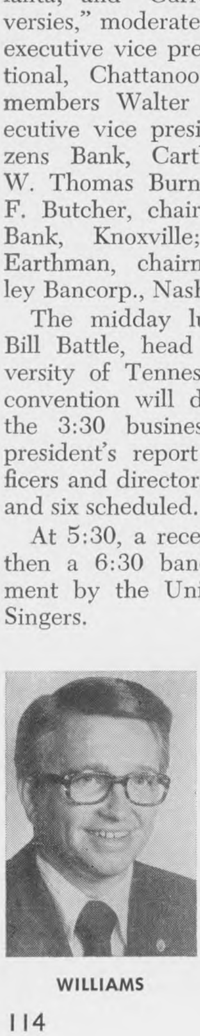
After first-day registration, which begins at 3 p.m., a 5:30 reception will be held, followed by a banquet and dance, with entertainment by the 19th Amendment.

Young Bankers President-Elect Robert J. Williams will call the second day, April 9, to order at 9 a.m., followed by opening remarks by W. W. Mitchell, president, Tennessee Bankers Association, and chairman, First National, Memphis.

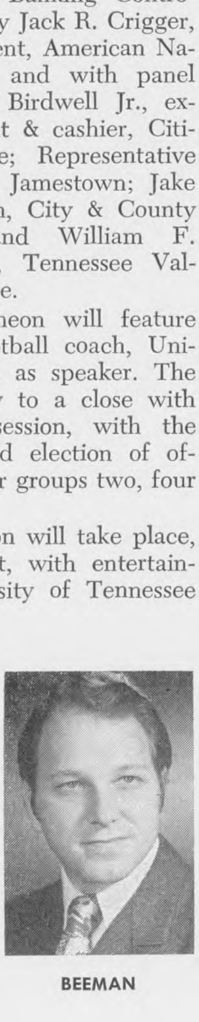
The day's program will include: "An Introduction to EFTS," by Charles Chappas, executive vice president, Hamilton Bancshares, Chattanooga; "The Implications of EFTS," by Allen Lipus of Payment Systems, Inc., Atlanta; "Communication and Motivation—the Critical Skills," by Dr. Michael H. Mescon, chairman, department of management, Georgia State University, Atlanta; and "Current Banking Controversies," moderated by Jack R. Crigger, executive vice president, American National, Chattanooga, and with panel members Walter G. Birdwell Jr., executive vice president & cashier, Citizens Bank, Carthage; Representative W. Thomas Burnett, Jamestown; Jake F. Butcher, chairman, City & County Bank, Knoxville; and William F. Earthman, chairman, Tennessee Valley Bancorp., Nashville.

The midday luncheon will feature Bill Battle, head football coach, University of Tennessee, as speaker. The convention will draw to a close with the 3:30 business session, with the president's report and election of officers and directors for groups two, four and six scheduled.

At 5:30, a reception will take place, then a 6:30 banquet, with entertainment by the University of Tennessee Singers.



WILLIAMS



BEEMAN

R. Murry Hawkins Jr., president, National Bank, Murfreesboro, who was the organization's president this year, joined the Tennessee Bankers Association as associate manager and director of economic affairs. Therefore, Robert J. Williams, cashier and director, First National, Savannah, the Young Bankers' president-elect, has been serving as acting president in Mr. Hawkins' stead. Mr. Williams will become president and serve a full term in 1975.

Vice president of the organization is Lee Beeman, executive vice president and director, Dayton Bank. He will become president-elect at the April convention.

Small Computer Pares Electric Bills, Saves Energy for Major Atlanta Bank

A MAJOR Atlanta bank is learning there's more to energy than Einstein would have us believe.

The management of Trust Co. Bank knows energy is more than mass times the speed of light squared. It's inflation, patriotism, ecology, diplomacy and a host of other things that have little to do with the speed of light.

But most of all it's money, lots of money, particularly if the energy is bought each month at ever-increasing rates.

For example, in September, 1972, the bank's electric bill was about $25,000. In September, 1973, the bill was almost $35,000. The cost of energy, like the cost of gold or groceries, is heading out of sight.

Then, last spring, Trust Co. installed an IBM System/7 computer in its 26-story headquarters and instructed it to do something about those electric bills. And it did. It came up with a way to save $127,000 in 1975 with no loss of comfort or safety to customers or employees.

Harold L. Myron, vice-president and general manager of the bank's real property management office, calls the concept "power management." It's a technique the ultimate goal of which is strict control of power, and it goes light years beyond the last-one-out-shut-off-the-lights notion of energy management.

"Power management," said Mr. Myron, "is based on the monthly power bill, which in our case is in three parts: power demand, power consumption and fuel adjustment.

"The portions of the bill dealing with consumption and fuel adjustment, which reflect the growing cost of fuel to run the power company's generators, are pretty simple," said Mr. Myron. "But the power demand section of the bill is more complex.

"The power company measures our demand for power every 30 minutes. It then takes our peak demand during the summer and uses that as a basis for billing for the rest of the year. Needless to say, if we can hold that demand down, we can affect the total bill dramatically. That's where the computer comes in."

The machine, about the size of a small refrigerator, costs the bank approximately $12,000 a year to lease.

"The unit is instructed to limit our power demand to a given level, in our case about 4,000 kilowatts. In the past our demand has gone as high as 5,700 kilowatts. But now, as demand approaches 4,000 kilowatts, the computer begins to shut down electrical devices in a programmed sequence for specific periods of time. This has resulted in a 24% reduction in billing demand," Mr. Myron said.

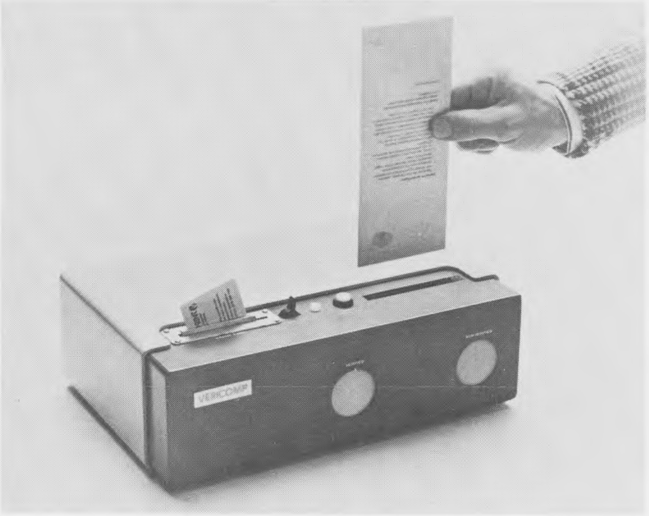
"It also gives me a daily report on what my peak was the day before, so I know what my demand is every day. With that information, I can project my costs for billing demand.

"We installed the computer in May—in time for the summer cycle. When I did that, I took advantage of saving kilowatt hours by cutting consumption. When we compared our June, July, August and September '73 billings with our '74 billings for the same months, we averaged savings in consumption alone of $4,000 monthly. This is the result of a 26% reduction in kilowatt hours.

Computer-assisted power management not only saves money, but energy," said Mr. Myron. "I was using more energy in kilowatt hours in 1973 than in 1974, and I have more things on the line now—electrical equipment and so forth. It's ironic, but by adding the computer, which draws electricity, I'm saving electricity."

But the dramatic saving is measured in dollars. When he budgeted the computer system, Mr. Myron estimated the equipment would pay for itself in three years. It will actually pay for itself in less than one year of operation.

Asked how a utility rate increase will affect the system, Mr. Myron said, "We'll save even more money." • •



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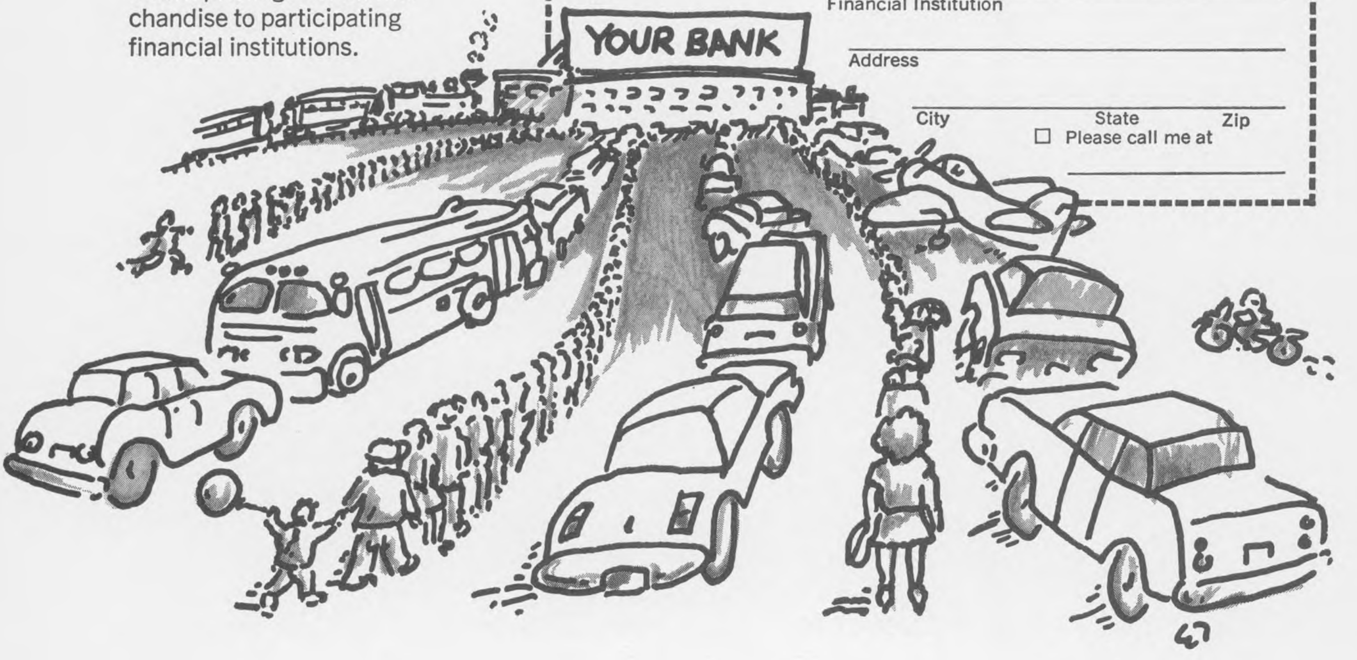

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Comptroller's Aid Terms CBCT Applications Just a Trickle, Not a Flood

DESPITE PREDICTIONS that Comptroller of the Currency James E. Smith's December interpretive ruling on customer-bank communications terminals would lead to a flood of applications for permission to have these CBCTs, actually little has happened since the ruling was announced, said David H. Jones, special assistant to the Comptroller.

In a speech given last month before the Bank Marketing Association's EFTS Conference in Atlanta, Mr. Jones said that from December 12—when Mr. Smith announced his ruling—through February 7, the Comptroller's Office had received notifications from only two national banks in two states. Of the 10 CBCTs these two banks will put into place, continued Mr. Jones, nine are to be located in supermarkets and other retail business establishments, while only one will be located in a place of employment. In one instance, he said, his office received branch applications for two CBCTs, but they were returned promptly to the initiating bank. CBCTs are not branches, Mr. Jones emphasized, and, therefore, no branch application should be filed.

"We will not accept branch applications for CBCTs, only notifications providing the information we have requested in the announcement of December 12," he advised.

The Comptroller's reasoning that CBCTs are not branches, said Mr. Jones, is that a branch generally is considered as a building containing teller windows, desks and chairs, customer counters and bank personnel with whom the banking public may transact a full range of banking services. A CBCT, said Mr. Jones, is not an office, and only a few of the kinds of transactions normally associated with a banking office can be initiated at a CBCT. Rather, he continued, a CBCT is closer to a mail box or a telephone through which a bank customer may communicate with his bank to accomplish certain routine transactions.

In further explaining Mr. Smith's rationalization that CBCTs are not branches, Mr. Jones said that all the things that can be done on a CBCT—cash withdrawals from checking and savings accounts, crediting funds to checking and savings accounts, transferring funds between accounts or transfers of payments from one person's account to another person's account—may be accomplished by mail.

Mr. Jones also quoted Donald Baker, deputy assistant attorney general, antitrust division, Justice Department, as urging that these new types of facilities not be treated as branches and subjected to restrictive state banking laws, but, instead, that they be allowed liberal entry.

When Comptroller Smith announced his interpretive ruling, said Mr. Jones, he didn't say that additional regulations will not be needed or will not be forthcoming. The Smith ruling, continued Mr. Jones, simply is a recognition that a test of this technological development is needed to see where it's going.

According to Mr. Jones, there are a number of safeguards connected with CBCTs now. For one thing, costs of installing such devices will prevent banks from spreading CBCTs indiscriminately. Also, he said, automated teller machines (ATMs) are the only operational electronic devices available at this time.

Mr. Jones said he believes that, as a result of the Smith ruling, over the next few months, many state statutes will be drafted dealing with CBCTs.

Mr. Jones pointed out that there are some in banking who contend that the interpretation infringes on the rights of the states and, therefore, they are asking the states not to act on this matter, but await recommendations of the National EFTS Commission. This, said Mr. Jones, clearly is a clash of philosophies, because the EFTS Commission is a *national* commission, created by and reporting to Congress, not to the states.

Mr. Jones then reminded his audience of the public hearings Comptroller Smith will hold on CBCTs April 2, and anyone wishing to present his or her views should notify the Comptroller before March 26.

Mr. Jones turned to the smaller banks in connection with CBCTs and the question of their capacity to remain or become competitive. Too often, he said, small banks believe they cannot compete in EFTS and, therefore, because they perceive they cannot, they would prohibit any institution from offering such services to consumers.

This new EFT technology must and will be developed, said Mr. Jones, and there's plenty of room in this new environment for the small bank that's willing to compete. In fact, CBCTs and subsequent electronic financial developments, he continued, can be a real opportunity for the smaller bank.

He listed some options for smaller banks: One is to emphasize better human services for customers who distrust or dislike computerization. Another might be to create joint ventures to offer point-of-sale and CBCT services.

More importantly, according to Mr. Jones, smaller banks still have an opportunity to gain access to EFT services through their correspondents. In fact, he said, the correspondent-respondent relationship likely will assume new importance as the correspondent provides access for the smaller bank to a regional or national electronic data communications network. Such relationships should bring more sophisticated services to a bank's customers, he stated, regardless of the bank's location. • •

Magnetic-Stripe Standard For ATM Use Scheduled For Completion in 1975

WASHINGTON, D. C.—The ABA has announced that it is approaching completion of a magnetic-stripe standard for use on debit cards in unmanned or automated teller machines (ATMs). The association is negotiating with committees of the American National Standards Institute and International Standards Organization. The ABA hopes to publish the new specifications by the end of this year, following approval by the ABA Bank Card Division.

Development is being handled by the Debit Card Subcommittee of the ABA Bank Card Standards Committee. Subcommittee chairman is Bert Tobin, vice president, Chase Manhattan, New York City.

The new specifications will be compatible with existing ABA specifications for cards used in point-of-sale (POS) terminals and will provide for usage in on-line automated tellers in a multi-vendor, interchange environment, as well as for off-line, local use.

Mr. Tobin said that under the enhanced magnetic-stripe specifications, banks, for the first time, will have the opportunity to encode information relating to debit cards such as the routing/transit number and checking and savings account numbers.

Fortunate timing is allowing incorporation in the new specifications of recommendations by MITRE Corp. for improvement of magnetic-stripe security. Within a few months, an executive summary of the Mitre security study should be available to ABA members from the Bank Cards Standards Committee.

Because of these developments, the ABA has deferred issuance of its Bank Card Standards manual containing the present mag-stripe standard. When the new specifications for tracks two and three are ready, a revised manual will be issued containing such specifications in a more convenient format.

Mr. Tobin suggested that, in the meantime, bankers contemplating magnetic-stripe-card issuance and automated-terminal installation should request the latest working paper on magnetic-stripe encoding dealing with the dual reading of tracks two and three.

Inquiries on ABA standards should be sent to James T. Booth, assistant director, Standards, American Bankers Association, 1120 Connecticut Ave., N.W., Washington, DC 20036. • •

Boesche Named President Of Mid-America ACHA

Frank E. Boesche, senior vice president, Commerce Bank, Kansas City, has been elected president of the newly incorporated Mid-America Automated Clearing House Association (MACHA), which is scheduled to become operational this month. MACHA represents Kansas, Oklahoma, Nebraska and western Missouri and has been organized after several years of study and research to prepare area banks for automated-payments exchange.

Vice president of MACHA is Gerald C. Schmid Jr., vice president, First National, Lincoln, Neb.; treasurer is Tracy Kelly, president, American National, Bristow, Okla.; and executive director and secretary is John P. Borden, who has been holding the same posts with the Greater Kansas City Clearing House Association.

Mid-Continent-area directors of MACHA are: *from Kansas*—John Cooley, senior vice president, Fourth National, Wichita; John J. Sullivan Jr., president, Roeland Park State; and Robert H. Jennison, president, Kansas Bankers Association, and president, First State, Healy; *from Missouri*—Charles K. Richmond, treasurer, Missouri Bankers Association, and executive vice president, American National, St. Joseph; and Henry R. Czerwinski, senior vice president, Federal Reserve, Kansas City; and *from Oklahoma*—Kenneth Olinger, executive vice president, First National, Tulsa; and Robert Hogue, senior vice president, Liberty National, Oklahoma City.

State Bank Supervisors Oppose CBCT Moratorium

PROPOSED FEDERAL LEGISLATION to halt operation of customer-bank communications terminals (CBCTs) has drawn objections from the Conference of State Bank Supervisors. Identical bills have been introduced by Senator William Proxmire (D.,Wis.) and Representative Fernand St. Germain (D.,R.I.) that would prohibit any federally insured financial institution from operating a CBCT until December 1, 1976.

The bills were introduced January 17 because of Comptroller of the Currency James E. Smith's interpretative ruling—issued last December—that CBCTs are electronic terminals that may be established off premises by national banks without regard to geographic limitations. According to Comptroller Smith, these CBCTs are not branches, but he asked that national banks wait until July 1 of this year before beginning to operate them to give legislatures in nonbranching states time to enact laws that would allow their state-chartered banks to have such CBCTs, too.

First National, St. Louis, already has two such CBCTs in operation—one at Emerson Electric Co. and another at a food store, both in north St. Louis County. They were installed in December, but don't accept deposits. However, First National and Missouri Finance Commissioner William Kostman are in litigation over the bank's CBCTs because Mr. Kostman says the bank's CBCTs are branches, and Missouri is a nonbranching state.

The Proxmire-St. Germain bills would prohibit CBCTs being operated from December 19, 1974, until December 1, 1976, or at such other time as Congress would determine while it considers the report of the National Commission on Electronic Funds Transfers.

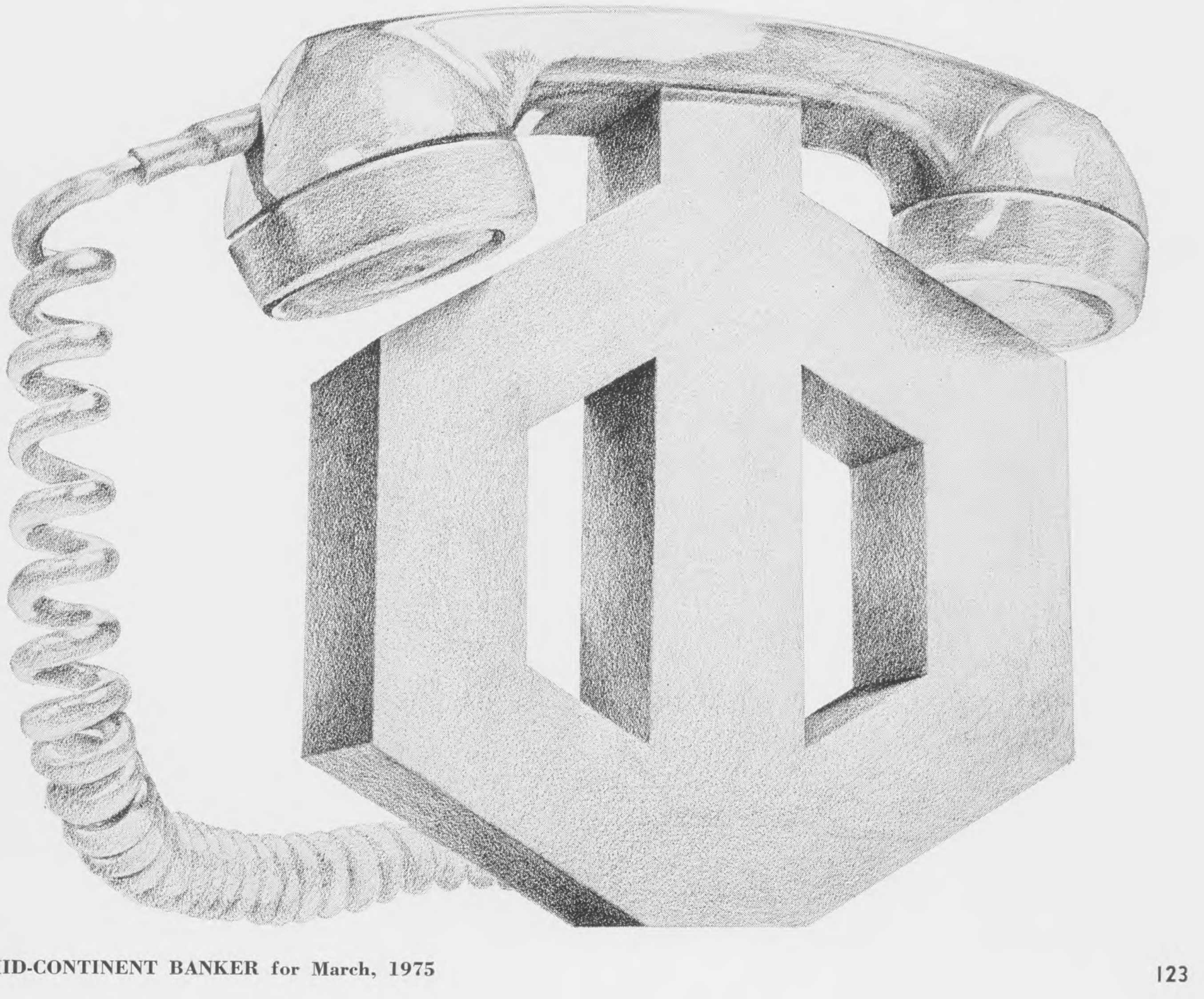
The Conference of State Bank Supervisors (CSBS) pointed out that Senator Proxmire said he would be amenable to some reasonable modification of the moratorium to accommodate any CBCT experimentation that can be demonstrated to be necessary. The CSBS said that this remark of the Wisconsin senator was most welcome because the moratorium, as presently drafted, would be disruptive of the dual-banking system in that it apparently is designed to preempt related legislative action that already is under consideration in several states and to override existing state statutes in others.

States now actively considering whether to permit or prohibit these off-premises EFT facilities, said the CSBS, should not be preempted by Congress from exercising their responsibilities to shape the financial services within their borders to meet the financial needs of their residents.

The CSBS said its position is that if, in the exercise of these responsibilities, a state decides to prohibit CBCTs for its state-chartered financial institutions, it would be illegal for any bank, state or nationally chartered, to establish such facilities in contravention of state statute or regulation. The Conference said it had outlined this position carefully to the Comptroller during continuing conferences with him before he issued his final comments on his interpretive ruling on CBCTs.

The Conference pointed out that it sees the proposed moratorium as deficient because it would override existing statutes where state legislatures already have taken action to permit off-premises electronic transfer facilities under specified conditions. As examples, the CSBS cited the state of Washington, which adopted legislation last year authorizing commercial banks and thrift institutions to have unmanned facilities, subject to approval of the appropriate state supervisory authorities; and Massachusetts, which, during 1973, enacted legislation permitting three wholly owned and 10 automated teller facilities owned with others to be established in the same county, subject to prior approval of the bank commissioner.

Where states such as Washington and Massachusetts have chosen to authorize orderly experimentation in this area as a means of responding to legitimate consumer demands, continued the CSBS, it is the view of many that such innovation should be permitted to continue under state supervision, in the absence of some compelling national interest to the contrary. The ability to innovate at the state level is one of the strengths of this country's decentralized banking system, said the Conference, and the experience gained as a result of



state experimentation will prove of considerable interest and value to the National Commission on Electronic Funds Transfer in connection with its deliberations. • •

CBCT Moratorium Support Urged in 'Action Letter' Sent to Independents

WHAT WAS TERMED an "action letter" was sent to members of the Independent Bankers Association last month by the IBAA's president, Embree K. Easterly, president, Capital Bank, Baton Rouge. The letter urged IBAA members to write members of the Senate Committee on Banking, Housing and Urban Affairs and the House Committee on Banking and Currency, telling them of their support of the proposed moratorium on customer-bank communications terminals (CBCTs).

The letter included names of the chairmen and members of each committee, as well as the two committees' addresses and phone numbers. The moratorium—to December 1, 1976—is contained in bills introduced January 17 by Senator William Proxmire (D.,Wis.), chairman of the Senate Banking Committee, and Representative Fernand St. Germain (D.,R.I.), a member of the House Banking Committee.

In January, the IBAA had filed a suit in the Washington, D. C., district court asking for a declaratory judgment that would nullify or stay Comptroller of the Currency James E. Smith's interpretive ruling on CBCTs or result in an injunction against its implementation. Mr. Smith last December ruled that off-premises automated teller machines—or CBCTS—could be installed by national banks without regard to geographic limitations.

Mr. Easterly's letter asked IBAA members to call, send a mailgram or write members of the two congressional committees requesting immediate action on the moratorium bills. He also asked them to contact their own senators and representatives, requesting that they support the moratorium proposals. Mr. Easterly urged such actions before last February 10.

The Easterly letter listed the following points to raise in the congressional contacts:

1. The Comptroller's action patently disregards the congressional mandate for a National EFTS Commission, Public Law 93-495.

2. The Comptroller's proposed ruling would permit interstate banking to the competitive disadvantage of state-chartered lending institutions.

3. Consumer interests are disregarded summarily. Federal consumer credit laws apply only to "credit" transactions, which do not include many non-credit transactions under an EFT.

4. State branching laws would be overrun by a federal mandate clearly in violation of federal banking law (National Bank Act, Sections 36, 81, etc.).

5. Long-established banking concepts such as "stop orders," holder-in-due-course doctrine, Uniform Commercial Code, acceptable court evidence and a host of other established principles are in jeopardy.

6. State legislatures are being stampeded into quick legislative action in response to federal regulatory activities. Much bad legislation is likely.

7. The moratorium simply says halt and take a look at what we are doing to banks, the fiduciary relationship, account privacy, the people who don't have a lending-institution relationship, individual rights and the money system.

8. Finally, unless a moratorium is enacted, the country technologically could be forced into a national banking system controlled by a few major banks . . . the people did not have a hearing either in the regulatory agencies or the legislature. They should be heard!

Mr. Easterly then listed actions already taken by the IBAA:

1. Suit was brought by the association, 10 state banks and one individual against the Comptroller, seeking to enjoin him from implementing the ruling and, hopefully, having his proposal declared illegal.

2. Letters and opinion memoranda have been sent to each governor, attorney general, bank supervisory official and the respective committee chairmen on banking matters in every state.

3. Over 200 press packets have been directed to business editors for major newspapers in every state.

4. Senators and congressmen have been advised.

5. President Gerald Ford has been addressed on the Comptroller's action, the delay in implementing the National Commission on EFTS and the need for moratorium legislation.

6. There have been discussions and correspondence with bank supervisors, consumer groups and others who should have an interest in the problem.

Pilot Strategy Study On EFTS Begun by ABA; States Are Cooperating

THE ABA plans to begin its multi-state pilot EFTS strategy study early this month in cooperation with participating state bankers associations. The study is scheduled to begin following selection of state participants and a final review by the ABA's Payments System Policy Committee Support Group. The latter will advise the association on the study's objectives and approach as well as the mix of participants, said Frank Curran, director, ABA Payments System Planning Division.

The decision to continue developing the study followed a meeting January 31 between the ABA and representatives of 30 state associations. The concept of the EFTS strategy study was endorsed at the meeting, which was attended by representatives of eight Mid-Continent-area states: Alabama, Indiana, Kansas, Louisiana, Missouri, Oklahoma, Tennessee and Texas.

There are three goals of the study, said Mr. Curran:

1. A national assessment of current and future state of developments in EFTS will be prepared. From this, an EFTS handbook will be written for senior bank executives and other interested groups.

2. Individual state analyses of the EFTS environment will be prepared for participating state bankers associations.

3. This pilot EFTS strategy study will aim to develop a proved methodology for future EFTS studies.

Mr. Curran pointed out that the study's overall results will be shared with the soon-to-be-formed National Commission on Electronic Funds Transfer.

Each state association taking part in the study will play an active role. The associations' responsibilities will include:

- Providing legal counsel to respond to consultant's need.
- Acting as liaison for identification of key contracts within the state.
- Coordinating logistics for in-state work.
- Providing basic data.
- Establishing a monitoring group within each state to provide a mechanism for testing conclusions and recommendations, as well as identifying key individuals for interviews and issues to be examined within the state.

The ABA Payments System Policy

Committee Support Group will conduct a final advisory review of the study approach and objectives, as well as the mix of participating states.

Progress and quality control reviews of the study will be made by the support group every 45-60 days and by state monitoring groups.

The ABA Payments System Planning Division and Arthur D. Little Co., Boston—which has been selected to conduct the pilot multi-state EFTS strategy study—will develop jointly the national assessment and the EFTS handbook.

According to Mr. Curran, the findings of this multi-state EFTS strategy study will provide bankers with a continuing means of educating themselves on the need to act or react on EFTS matters. He added that "the study findings should raise the level of awareness within the state on the potential and threats of EFTS activity, plus provide a basis for further analysis of market situation and development of implementation plans, if necessary." • •

Banks Petition for Corporate Savings As S&Ls Utilize Telephone Transfers

MANY BANKERS think 1975 is the time to lift the prohibition against banks accepting passbook savings deposits from business customers.

In part, this is because S&Ls like Roosevelt Federal Savings in St. Louis are making the most of the fact that S&Ls can accept corporate savings accounts and they can arrange for telephone transfers of funds to and from corporate accounts in commercial banks.

Roosevelt Federal calls its corporate savings service "MPS," which stands for MoneyPhone Service. MPS is described as a unique service for business and professional people that pays interest on funds normally held in checking accounts. Yet MPS savings accounts provide the liquidity and flexibility needed by corporate customers.

MPS funds earn interest no matter how long or short a period the money is on deposit, and interest at present stands at 5¼%, compounded daily from date of deposit and paid monthly.

The S&L states in its advertising that MPS funds can be withdrawn instantly as needed by telephone. The S&L makes the transfer in a matter of hours.

Roosevelt Federal began its MPS service last September and initial response to the service was 200 new corporate savings accounts. Word of the new service was circulated throughout the St. Louis area by a team of 12 full-time salesmen who made follow-up telephone calls to some 20,000 corporations that had previously been solicited by direct mail.

S&Ls always have had the authority to offer corporate savings accounts, but it wasn't until the Federal Home Loan Bank Board authorized telephone transfers that S&Ls began marketing accounts like MPS aggressively, said Earl St. Amand, marketing director at Roosevelt Federal.

Most of the transfers at Roosevelt Federal are one-way—from the S&L to any commercial bank in the St. Louis area, Mr. St. Amand said. This is because corporate customers are encouraged to make deposits directly to their MPS accounts, rather than depositing incoming funds to commercial bank checking accounts and then transferring any excess funds to the MPS accounts.

The majority of firms with MPS accounts build up the funds in their accounts until certain periods in the month when funds are transferred to commercial bank checking accounts to cover payment of bills.

A sure sign that commercial banks are chafing at the advantage S&Ls have in this area is evidenced by the fact that the ABA recently petitioned the Fed and the FDIC to take regulatory action allowing businesses to establish savings accounts at commercial banks. The petitions were filed at the urging of small- and medium-sized banks.

S&Ls are "openly and aggressively soliciting and accepting such accounts from existing corporate customers of banks," the ABA petition stated. "While we realize that, at the present time, corporate savings represent only a small portion of the total deposits at S&Ls, nevertheless it is easily recognized that the growth potential is enormous, particularly as S&Ls develop new devices for accomplishing transfers of funds from corporate demand deposits in banks to savings deposits in S&Ls, and vice versa."

Roosevelt Federal in St. Louis declined to state the amount of funds involved in its initial 200 MPS accounts, but "Savings & Loan News" has stated that six S&Ls in as many states had gained 2,508 telephone transfer accounts with total combined balances of $293 million.

The ban against corporate savings accounts in banks has been in effect since 1935 and is based on the rationale that passbook accounts should be limited to the purpose of "thrift" and thus are only for individuals, not corporations.

The ABA's petition contends that defining passbook accounts exclusively in terms of thrift is outmoded. "We are convinced that a reexamination of the prohibitions on corporate savings accounts in light of modern banking operations and practices will clearly demonstrate that such a prohibition is an anachronistic restraint on banking."

The petition also stated that S&Ls have a distinct and inequitable competitive advantage over banks in soliciting what otherwise would be corporate time money.

Both the Fed and the FDIC could authorize corporate savings accounts at banks by regulatory action without the need for legislation by Congress, but the agencies prefer that Congress act on the matter in terms of overall financial reform. • •

Bank Card Workshops To Be Held in Area

In an effort to address more directly the management of bank card operations, the ABA's Bank Card Division will hold regional workshops in the Mid-Continent area.

The midwestern regional workshop will take place at the Crown Center Hotel, Kansas City, April 16-18, and the southern regional workshop will be at the Birmingham Hyatt House, May 7-10.

Topics covered during the workshops will be the bank card's role in today's economic environment, such as credit and collections; POS systems; cost reduction; asset management; and automated tellers. Recently enacted federal legislation and its impact on plant operations will be another subject of the workshops.

For further information, contact Robert L. Jaynes, division director, ABA, 1120 Connecticut Ave. N.W., Washington, DC 20036.

The Bank Card Division's annual convention will be September 21-24 at the Americana Hotel, Bal Harbour, Fla.

NEWS
From the Mid-Continent Area

Alabama

■ LUCKETT COLLINS SR. has been named president, Bank of Pine Hill, having served as executive vice president and director since 1972. Prior to joining the bank, Mr. Collins was with Earle (Ark.) State.

■ CHARLES CALDWELL has been elected assistant cashier at First National, Auburn. He joined the bank in 1973.

■ FIRST ALABAMA BANK, Dothan, has promoted David Bryant and Rex Kirkland to assistant cashiers.

11 Banks Change Names

Eleven affiliate banks of First Alabama Bancshares have changed their names to First Alabama Bank, including First National, Montgomery, lead bank of the HC, which is now known as First Alabama Bank of Montgomery. Photo shows new signs being positioned by workmen. More than 80 new signs were required to convert the bank names.

■ FIRST NATIONAL, Russellville, recently announced the following promotions: Joel Carter and Charles Cashion Jr., to executive vice presidents; Bill Pugh and Tommy Epperson, to senior vice presidents; and Evelyn Martin, to vice president and cashier.

Arkansas

■ UNION BANK, Monticello, held an open house at its new quarters in civic center square last month. The new bank, costing $730,000, has 16,000 square feet of floor space, is two-and-one-half stories and covers half a block. The renovation project resulted in nine walk-up windows, three drive-in windows and three note teller windows.

■ MILLARD E. AUD has been elected president, Merchants & Planters, Arkadelphia, succeeding Jett Black, who becomes vice chairman. L. L. (Larry) Lineback was promoted to vice president and loan officer and Nina Dickson was named assistant vice president. Mr. Aud joined the bank in 1956, becoming a director, 1966, and executive vice president, 1971. Mr. Black began his banking career with First National, Hope, and later worked for banks in Vivian and Shreveport, La., before his employment with M&P in 1943. He has served as president since 1971. Mr. Lineback went to the bank in 1960, after 15 years with National Bank of Tulsa. Mrs. Dickson joined M&P in 1965, after 18 years at First National, Honey Grove, Tex. She is manager, West Branch.

10th Branch Opened

Commercial National, Little Rock, opened its 10th branch recently. It's called the Cantrell West Facility and features a 24-hour postal service center and a branch travel service. Shown at ribbon-cutting are (from l.) William H. Bowen, pres.; Richard Butler, ch.; Roy Sharpe, Little Rock postmaster; and Clyde Courtney, br. mgr.

Illinois

■ MILLIKIN NATIONAL, Decatur, has promoted Eugene G. Pride to assistant vice president, Mrs. Carol F. Oldinski to assistant cashier and Michael J. McClure to assistant trust officer.

■ ROBERT N. AUBRY has been named vice president at First Trust Bank, Kankakee. He was formerly an assistant cashier and joined the bank in 1969, following service with American National, Chicago.

■ SHERIDAN BANK, Peoria, has promoted Mrs. Mary F. Ringel, Glen L. Burbrink and George T. Abbott to vice presidents.

■ WARREN P. CHAPPEE has been elected president and Ruby M. Fritz, vice president and assistant secretary, Alton Banking & Trust. Mr. Chappee joined the bank in 1951 and was promoted to executive vice president in 1972. Mrs. Fritz joined the bank in 1946 and became assistant vice president and assistant secretary in 1972.

■ RICHARD K. LIGNOUL was appointed Commissioner of Banks and Trust Companies for Illinois recently, succeeding H. Robert Bartell Jr., who resigned the post last year. Mr. Lignoul was formerly first deputy commissioner, then acting commissioner. He joined the department in 1973. He is a former bank officer from Belleville.

■ FIRST NATIONAL, Belleville, has appointed Virgil L. Kirchoff a director. He is president and director, Service Oil Co., Moto, Inc., and Williamson Coal Co., Belleville, and also is director, Forsyth Carterville Coal Co. and Missouri Real Estate and Insurance Agency, both in Clayton, Mo.

■ RONALD A. RAUCCI has been promoted from assistant vice president to vice president, Northwest Trust, Arlington Heights.

■ CONTROLLING INTEREST in Heritage Bank, Addison, has been purchased by a group of investors headed by Martin L. Gecht, Eugene P. Heytow, Marcel Lutwak and Richard M. Rieser Jr. Mr. Gecht, chairman, Amalgamated Trust and Metropolitan Bank, both of Chicago, was named chairman, Heritage Bank. Mr. Heytow, president and CEO, Amalgamated, and vice chairman, Metropolitan, and Mr. Lutwak, director at those banks, were named vice chairmen at Heritage and Mr. Rieser, senior vice president, Amalgamated, was named Heritage president. Others named officers were: Robert C. Buenger, vice president, formerly assistant vice president, Metropolitan; Kathleen Orzada, cashier; and Lola Donofrio, comptroller. Sam V. Mozzotti was promoted to assistant vice president.

■ E. L. JURGENS, president, State Bank, Arthur, recently completed 50 years in banking. He started his banking career at First National, Arthur, as a janitor and, in 1940, went to State Bank, where he became president in 1947.

LIGNOUL

Indiana

■ CALUMET NATIONAL, Hammond, has promoted Thomas S. Gozdecki to senior vice president and trust officer and Thomas J. Dwan to assistant vice president.

■ AMERICAN NATIONAL, South Bend, has appointed Winifred Jaqua Wulf vice president and promoted Philip A. Rau manager, BankAmericard division and Kenneth A. McCormack assistant cashier and branch manager.

Kansas

■ NEDELE DUTT and Kathy Martin have been promoted to assistant cashiers, Topeka State. Mrs. Dutt has been with the bank since 1963 and Mrs. Martin, with the bank since 1973, is manager, Brookwood Facility.

■ BRUCE ROBERTS has been elected a director, Planters State, Salina, succeeding Howard Eagle, a director and honorary chairman, who died January 1. Mr. Eagle had been associated with the bank 41 years. Gary Cassel was promoted from controller to vice president and controller, while Kermit L. Dorf became loan operations officer. Mr. Cassell joined the bank in 1957 and Mr. Dorf, in 1972.

■ GARRY W. PRESTON and John A. Kreissler were advanced from assistant cashiers to assistant vice presidents, National Bank of Pittsburg, while Norma M. Massa, Barbara A. Bollwinkel and Terry L. Callow became assistant cashiers. Barry L. Anderson was elected assistant trust officer.

■ GEORGE HOLTHAUS, farmer, has been elected to the board of Citizens State, Seneca.

■ FIRST NATIONAL, Derby, has promoted James A. Meredith from cashier to vice president and R. J. Mosier from assistant cashier to cashier.

■ MIDLAND NATIONAL, Newton, has elected Mrs. Katherine Hanna, retailer; Richard F. Hrdlicka, attorney, and Jim R. Dicken, veterinarian, to its board.

Kentucky

■ FRANKLIN A. McCRACKEN has retired as chairman and trust officer, Newport National, remaining as a director. He began his career with Fifth Third Bank, Cincinnati, 1920, and joined Newport National in 1929. Mr. McCracken was elected chairman in 1973. Cecil W. Stookey, vice president and manager, Ft. Thomas Office, also has retired. Patrick J. Klocke was elevated from vice president and controller to executive vice president; Donald R. Bauer, from assistant vice president to vice president; and Michael W. Kehoe, from assistant trust officer to trust officer. R. L. Bichlmeir, president, has assumed additional duties as assistant trust officer.

Louisiana

Whitney Branch Enlarged

The Holiday Drive Branch of Whitney National, New Orleans, has been more than doubled in size and now encompasses more than 2,700 square feet of space. The unit features additional teller spaces, enlarged lobby, a new safe deposit department, an increased number of drive-in lanes and a larger parking lot.

BNO Opens Branch

Ralph M. France (l.), exec. v.p., and Michael R. McGrail Jr., a.v.p., Bank of New Orleans, watch Mrs. McGrail cut ribbon marking official opening of bank's newest branch in Aurora section of Algiers in New Orleans. Branch features four drive-in tellers and a 24-hour automatic teller unit.

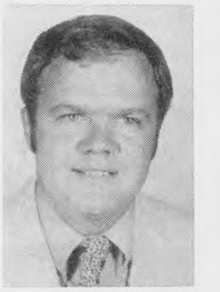
■ GILBERT H. VORHOFF, senior vice president, Hibernia National, New Orleans, has been named president, New Orleans Board of Trade. The Board of Trade, a nonprofit organization established in 1880, is responsible for weighing, sampling, and classifying grain moving through the Port of New Orleans.

■ ROBERT S. TOMLINSON JR., assistant vice president, St. Landry Bank, Opelousas, has been named a director.

Bank Collects for Honduras

John Hernandes, University Branch manager, City National, Baton Rouge, presents a $4,500 fund check to Margie Welch of the American Red Cross, while Maria Tavara, fund originator, looks on. City National was named collecting agency for aid to victims of Hurricane FiFi in Honduras.

■ DON PATTERSON has been appointed a sales engineer in the New Orleans branch of LeFebure Corp.



PATTERSON

WORLEY

■ GUARANTY BANK, Alexandria, has elected Harold W. Turner to assistant auditor; Mike D. Jones to accounting officer; Arthur T. Potter Jr. to vice president-the Marketing Concern, Inc.; Diane A. Miller to credit card officer; Roger Q. Allison to assistant purchasing and supply officer, and Shirley J. Lewis to administrative assistant.

Mississippi

■ VALLEY BANK, Rosedale, has promoted Lyndle R. Bullard to senior vice president, Mrs. Bernice Ferguson to assistant vice president and cashier and Mrs. Doris Garner to assistant vice president.

Banking Scholarships Awarded

Three University of Mississippi students were awarded banking scholarships recently through the Mississippi Bankers Association chair of banking. Participants are (from l.) Garner Hickman, pres., First Nat'l, Oxford; Donald C. Horton, recipient; Jim Collins, exec. v.p., Bank of Mississippi, Tupelo; Dr. Harvey S. Lewis, head of MBA chair of banking; Ole Miss Chancellor Porter L. Fortune Jr.; and recipients Robert H. Millis and James W. Bounds.

■ FIRST NATIONAL, Meridian, has promoted Mrs. Tena Brown and Mrs. Carolyn Smith to assistant vice presidents, Mrs. Mable B. Davis to assistant trust officer and Miss Bonnie Drinkard to assistant cashier.

■ GEORGE E. WORLEY JR. has joined Bank Building Corp. in the Southern Financial Facilities Division as a consultant services manager. He represents the company in Mississippi.

Missouri

■ GARY L. PETERS has been elected president, Commerce Bank, St. Joseph, and Elton Klamm was named chairman, replacing Joseph R. Bushman, who retired. Mr. Peters, who served as executive vice president since 1970, joined Commerce Bank, Kansas City, an affiliate bank, in 1964, working in various HC and correspondent bank capacities. Mr. Klamm, with Commerce-St. Joseph since 1950, has been president since 1965.

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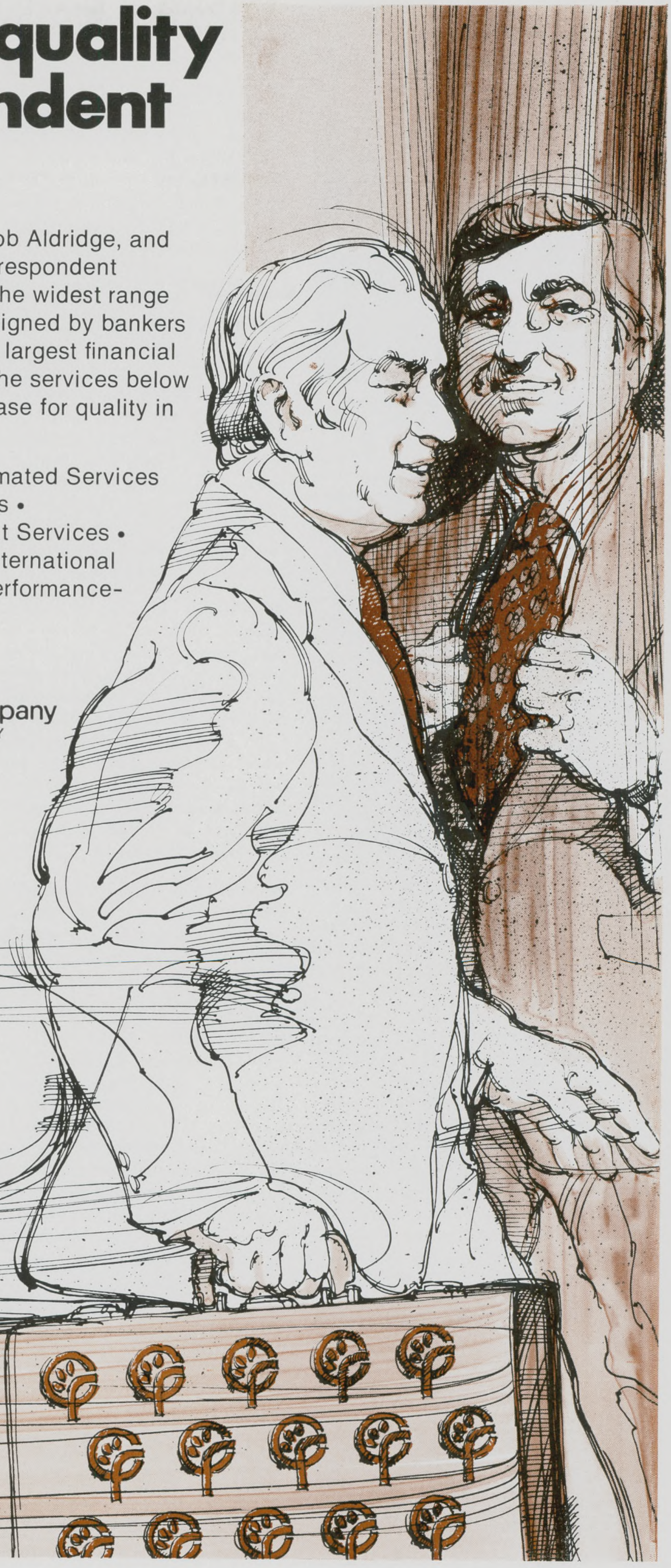

Joe Hamilton and Bob Aldridge

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Mayor Opens Facility

St. Louis Mayor John H. Poelker wields scissors to open Chippewa Trust's new facility in Bevo shopping district. Looking on are (from l.) Alderman Albert Holst; Robert L. Toburen, facility mgr. and asst. treas., Chippewa Trust; Clifford A. Schmid, bank pres.; Mayor Poelker; William E. Peterson Jr., ch. & CEO, Chippewa Trust; and Norman B. Leppo, pres., Planned Projects, Inc.

■ PETER C. BAERVELDT JR. has been named president, Brentwood Bank. He succeeds Gayle W. Lichtenstein, who was president and chairman. Mr. Lichtenstein will continue as Brentwood chairman; he also is chairman, American National and City banks, St. Louis. Mr. Baerveldt has been executive vice president, Brentwood Bank, since 1968 and a director since 1970. He joined the bank in 1957. Also promoted were: George J. Hawthorne, vice president and cashier, to vice president; Robert D. Stewart, assistant vice president, to vice president and cashier; Pat Dayton, assistant vice president, to vice president; and Gregory J. Downey, director of internal audit, to vice president.

■ MERLE M. SANGUINET has been elected chairman, president and CEO, St. Louis County National, Clayton. Edward H. Schmidt, who was chairman and CEO, was elected executive committee chairman and Martha R. Sheerin was promoted to assistant vice president, commercial loan department, and secretary of the board. Mr. Sanguinet joined the bank in 1952, was elected a director in 1965 and president in 1973. Mrs. Sheerin joined the bank in 1956.

■ CHARLES E. SILVA has been elected executive vice president and treasurer, First Northwest, St. Ann. Mr. Silva began his banking career at First North County, Jennings, an affiliate bank, which he left in 1974 to join First National, St. Louis. There he established and developed its investment advisory services for correspondent banks.

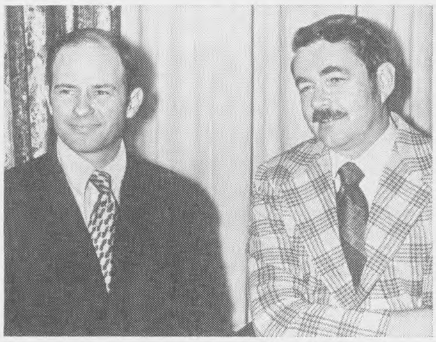
■ HENRY P. RAUCH, president, Rauch Lumber & Grocer Co., St. Charles, has been elected chairman, Commerce Bank, St. Charles, succeeding Henry C. Vogt, who is retiring. Mr. Rauch has been a director since 1966. Mr. Vogt has been chairman since 1967 and a director since 1949. Also retiring from the board is Henry C. Fuerhoff, who has been a director since 1954. Mr. Fuerhoff is a retired machine firm president.

■ JIM SMITH has succeeded Rowland L. West as executive vice president, Union State, Clinton. Mr. West, who served at Union State since 1969, has accepted the presidency of United Missouri, Warrensburg. Mr. Smith has been a vice president with Union State since October, 1974, and previously served 6½ years with Union National, Springfield, where he was assistant vice president in charge of the correspondent bank department.

■ MERCANTILE NATIONAL of Clay County, Kansas City, observed its opening last month. The new bank, an affiliate of Mercantile Bancorp., St. Louis, is headed by Edward S. Garber, president.

■ TRADERS NATIONAL, Kansas City, has elected Charles C. Oliver Jr. president and CEO, succeeding Ray Evans, who resigned February 1 due to illness. G. Lynn Mitchelson has been elected first executive vice president, chief administrative officer. He was formerly a senior vice president at First National, Kansas City. Mr. Oliver was executive vice president and continues as executive trust officer.

Bank Names Two Directors



H. Preston Pate (l.) and Duane D. Lawellin, executive vice presidents, First Nat'l, Joplin, were recently named directors of that bank. Mr. Pate has been with the bank since 1958 and Mr. Lawellin since 1960.

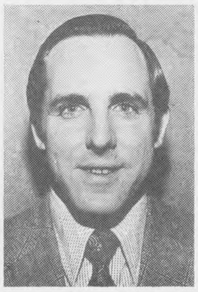
■ DENTON MATTESON, president, American Electric Co., has been elected to the board of First National, St. Joseph.

■ WADE L. NASH has been appointed to the Missouri Bankers Association staff in Jefferson City. Mr. Nash, an attorney, formerly was employed by the commercial department, General Mortgage Co., St. Louis. At the MBA, he will be concerned with federal legislation and regulations.

■ UNITED MISSOURI, Warrensburg, has elected Rowland L. West president, CEO and director, after Edwin C. Houx, chairman, and James H. Houx, president and director, announced their resignations. Edwin Houx will continue as a director, United Missouri Bancshares, Inc., Kansas City, bank HC. Mr. West began his banking career in 1945 as cashier, Bank of Holden, until 1954, when he went to Citizens Bank, Warrensburg. He then served Union State, Clinton, from 1969 to the present. Edwin Houx began his banking career in 1933 and James Houx, in 1963. In other news at United Missouri, Warrensburg, Wilmer R. Preston, senior vice president, was elected executive vice president. He began his banking career there in 1939.

■ WESLEY C. HOUSER has been elected president, Commerce Bank, Joplin, and John S. Leffen has been

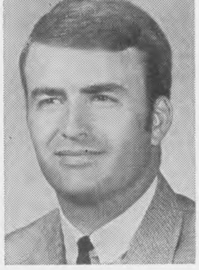
SANGUINET



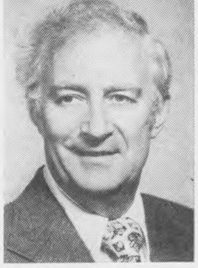
SILVA

BAERVELDT

NASH



SMITH



OLIVER

LET'S TALK ABOUT OUR STRENGTH AND YOUR SECURITY.

First National Bank of Kansas City has a reputation for being a strong, conservative bank. Strong because we have one of the largest capital structures of any bank in the region, and some of the longest standing correspondent relationships. Conservative because we obtain and invest funds cautiously.

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Our policies and people, of course, are what make the difference. We've always placed strong emphasis upon financial security and service for our correspondent banks.

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FIRST NATIONAL BANK

of Kansas City, Missouri

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MEMBER
F.D.I.C.

A Charter Bank

named chairman, succeeding Bill Leffen, who remains a board member. Mr. Houser has been executive vice president and secretary since 1973. He joined Commerce Bank, Kansas City, an affiliate bank, in 1963, working in various positions in the HC, Commerce Bancshares, Inc., Kansas City, and affiliate banks. John Leffen joined the bank in 1962 and has been president since 1968.

■ JAMES E. McCLURE, president, Commerce Bank, Springfield, has been named chairman, H. P. (Jude) Montgomery, a local businessman, and Omer W. North, executive vice president and senior credit officer, were elected directors, succeeding James A. Jeffries, former chairman, who retired, and William V. Turner, who resigned to pursue his S&L interests. Mr. Jeffries joined Citizens, the present bank's predecessor, in 1938. Mr. McClure has been president since May, 1974. Prior to that, he was president of the affiliate, Commerce Bank, Lebanon. Mr. North joined the bank in 1938 and was named executive vice president in May, 1974. In other promotions, Robert L. Wantuck was elevated to vice president and William T. White to assistant vice president. Mr. Wantuck joined the bank in 1960, as did Mr. White.

■ COMMERCE BANK, University City, recently held a grand-opening celebration for its Inner-Belt Branch. After officials cut the ribbon—made up of customer signatures gathered for two months—free refreshments were given and a contest was held, with the winner receiving $500 for free groceries. The new facility, colonial in style, features four inside teller windows, a vault with over 300 safe deposit boxes and three drive-in units.

■ PRELIMINARY APPROVAL has been granted to Commerce Bancshares, Inc., Kansas City, to organize a national bank under the name Commerce Bank of Grandview. Fed approval is needed before proceeding with plans for the new bank.

■ DOUGLAS J. McDOWELL has been elected executive vice president, Missouri State, St. Louis. He will function as head, operations and administration. Mr. McDowell most recently was vice president and cashier, Mark Twain Parkway Bank, Chesterfield, which he joined in 1972.

■ DEAN DERKS was named executive vice president and Lynn Harmon, vice president, Farmers Bank, Stover. They also serve as directors, Central Mortgage Bancshares, Inc., a bank affiliate. Bank capital has been increased from $50,000 to $150,000 and surplus from $50,000 to $100,000.

■ DON SCHOOLER JR. has been elected president, CEO and a director, United Missouri, Springfield. Joe F. Rayl, former president and chairman, will remain as chairman. Mr. Schooler, formerly president, United Missouri, Brookfield, has been in banking since 1962. Mr. Rayl assumed the management of United Missouri, Springfield, in 1971, when it was known as First City Bank.

Died: *Virgil W. Wilhite,* 92, chairman, Commerce Bank, Moberly, following a brief illness. His banking career began in 1902 with National Bank of Commerce, Kansas City. He joined Mechanics Bank, Moberly, in 1905. Mechanics Bank is the predecessor of Commerce Bank. *LeRoy J. Meyer,* 40, vice president and manager, Halls Ferry Road Facility, Florissant Bank, suddenly on February 11 while attending the MBA Bank Management Conference at Tan-Tar-A in Osage Beach. Mr. Meyer had been with the bank 22 years.

New Mexico

■ CHARLES F. DICKERSON was promoted to vice president-agricultural loans, and Mrs. Dell Avant to vice president, installment loan department, First National of Dona Ana County, Las Cruces. Previous to joining the bank in 1971, Mr. Dickerson spent five years as an agricultural management specialist with the U.S.D.A., Farmers Home Administration. Mrs. Avant joined the bank in 1960.

■ THE FED approved application by Southwest National Corp., Albuquerque, to become an HC through acquisition of Carlsbad National, Bank of Las Vegas and a proposed new bank, Southwest National, Albuquerque.

■ RICHARD TOTARO has been elected senior vice president of the western zone of Sebrite Corp., Grand Rapids, Mich. He will manage all Sebrite western zone activities in 12 states, including New Mexico.

Oklahoma

■ FIRST NATIONAL, Tulsa, is launching a complete remodeling project at its First Person Banking Center to increase customer convenience and provide better working conditions. Construction is to begin immediately on the east end of the First National Building's second-floor banking area, with a second-phase project to begin later this spring on the adjoining second floor of the First National Tower. The project includes relocation of the check service center and collection service and installment loan operations departments. Original designs will be featured on two large area rugs, which were handmade in Hong Kong. The rugs' color scheme will complement the Fred Conway mural, "Birth of Oklahoma," which will remain on the west wall of the banking floor. The demolition work involved in removing existing marble counters along the south and north walls will be performed in the evenings, allowing for as little disruption of normal banking as possible, according to officials.

■ RAYMOND L. BACON has been promoted to assistant cashier, Citizens National, Oklahoma City. Mr. Bacon joined the bank in 1970.

■ V. M. THOMPSON JR., has been appointed a director, Oklahoma City Branch, Kansas City Fed. Mr. Thompson is president and CEO, Utica National, Tulsa, and serves as vice chairman, First National, Stillwater.

■ H. O. McINTOSH, senior vice president, and Edith B. Rockecharlie, assistant vice president, Utica National, Tulsa, have retired. Mr. McIntosh served a national finance company after graduating from college, then went to First National Bank of Ada in 1950. He joined Utica National's staff in 1959 as vice president and director. Mrs. Rockecharlie was one of the first employees when Utica National opened its doors in 1953 as Utica Square National. She has headed the new account department and was director of advertising until 1971. Utica National officials also have announced the following promotions: David D. Nunneley, to senior vice president; Thomas J. Maloney, to vice president and controller; Luis B. Diaz and Edward M. Harper, to vice presidents; Mary Bradley and Virginia Miller, to assistant vice presidents.

■ HOWARD N. SMITH has been named president and CEO, Sand Springs State, succeeding William R. Shaw, who is now president, Boulderbank, Tulsa. Formerly senior vice president with Sand Springs State, Mr. Smith began his banking career there in 1969, after holding positions in the retail, manufacturing and oil industries.

■ WILLIAM R. SHAW has been named president and CEO, Boulderbank, Tulsa, succeeding Mahlon S. Neal, who resigned. Mr. Shaw, former-

ly president and managing officer, Sand Springs State, began his banking career at Fourth National, Wichita, and—in 1957—joined National Bank of Tulsa, where he remains a director.

■ FRED A. SETSER, senior vice president, Fourth National, Tulsa, has been reelected chairman, Economic Development Commission of Tulsa. He has served as chairman of the commission since it was formed in 1969. Other Tulsa bankers serving as members are: Houston Adams, president, F&M Bank; William E. Bender, senior vice president, First National; Jerry S. Frank, senior vice president, National Bank of Tulsa; and Leroy Thomas, chairman, American State. The commission is responsible for promotion of industrial and office locations, convention and tourism development and general economic support and national advertising for Tulsa.

■ RALPH CASHON JR., municipal bond representative, First National, Tulsa, has been elected president, Association of Municipal Bond Dealers of Oklahoma, Inc. Tom Thompson of First National, Oklahoma City, was named treasurer.

■ EXCHANGE NATIONAL, Ardmore, has announced the following promotions: Roy C. Tompkins, agribusiness department head, to senior vice president; C. D. Ashcraft and Clay Greenwood, to vice presidents; and Jim Bartel and David Hunt, to assistant cashiers.

■ BILL BUSH, executive vice president and CEO, First National, Britton, has been elected president. He has 14 years' experience in finance and banking, most recently with Plaza National, Bartlesville.

■ ROBERT H. CROAK was elected vice president and cashier; Henry E. Laakman, assistant cashier; and Laura B. Robinson, Don R. Allison, Gerald Scott and Noal T. Shuffield, assistant cashiers, First National of Midwest City. Virgil E. Smith has resigned from the bank, having acquired control of Farmers State, Allen. He will take over active management there.

■ C. HAYDEN HYDE has been elected president and Robert J. Sawyer was promoted to vice president, Bank of Commerce, Jenks. Mr. Hyde previously was a national bank examiner, headquartered in Dallas, and Mr. Sawyer joined the bank in 1972, after 18 years with National Bank of Tulsa.

Tennessee

■ C. S. CARNEY JR., president, Bank of Ripley, has been elected chairman, while James R. Fitzhugh, executive vice president, was elevated to president. Jerry Coleman, cashier, was named vice president; Lila Wilson, assistant vice president, became cashier; and Jim Seeley, assistant cashier, was promoted to assistant vice president.

■ LOUIS LEROY RAMSEY has been promoted from operations assistant to operations officer and manager of credits and collections, City Bank, McMinnville. Also promoted were Berry George, Betty Parker and Betty Phillips to assistant cashiers.

■ KENNETH A. GROSS has been named president and CEO, Hamilton Bank of Jefferson County, White Pine, succeeding John R. Allen, who remains as chairman, the post he has held since 1973. Robert A. Glenn has been named assistant cashier. Mr. Gross joined the bank as assistant vice president in 1973, following seven years with Hamilton National, Chattanooga. He has been executive vice president and a director since October 1. Mr. Glenn joined the bank in October.

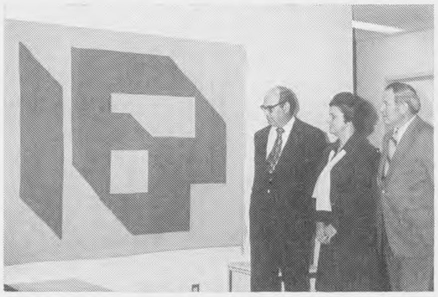
■ WALKER L. WELLFORD III has been promoted to senior vice president, Memphis Bank, in charge of business development. Lynn Hobson has been named to direct correspondent banking and public affairs at the bank, while Ronald L. Ireland was named vice president. Promoted to assistant vice presidents were Luther Wayne Peyton, Terry W. Grant, Terry M. Frasier, Ray E. Maddox and Louis R. Hodnett Sr. In news at Memphis Trust Co., Dr. T. Kyle Creson Jr. was elected a director.

Texas

■ ELBERT R. SELLERS has joined Bank Building Corp., St. Louis, in the Central Financial Facilities Division as consultant services manager. He will represent the company in northeast Texas. Prior to joining Bank Building, Mr. Sellers was a sales representative for Petersen Publishing Co., Dallas.

SELLERS

Bank Gets Indian Tapestry



Jack I. Lindsay, op. off. (l.); Sue Merritt, safe deposit supervisor; and Edward H. Moffatt, v.p. and building mgr., admire a tapestry recently woven for First Nat'l, Fort Worth, by the Zapatec Indians of Oaxaca, Mex. The tapestry, containing First Nat'l's logo, was one of several commissioned by a Fort Worth businessman and hangs in the bank's safe deposit area.

■ JOHN L. "JACK" PLACKE has been elected a director at Citizens State, Giddings. Mr. Placke is district attorney in Giddings.

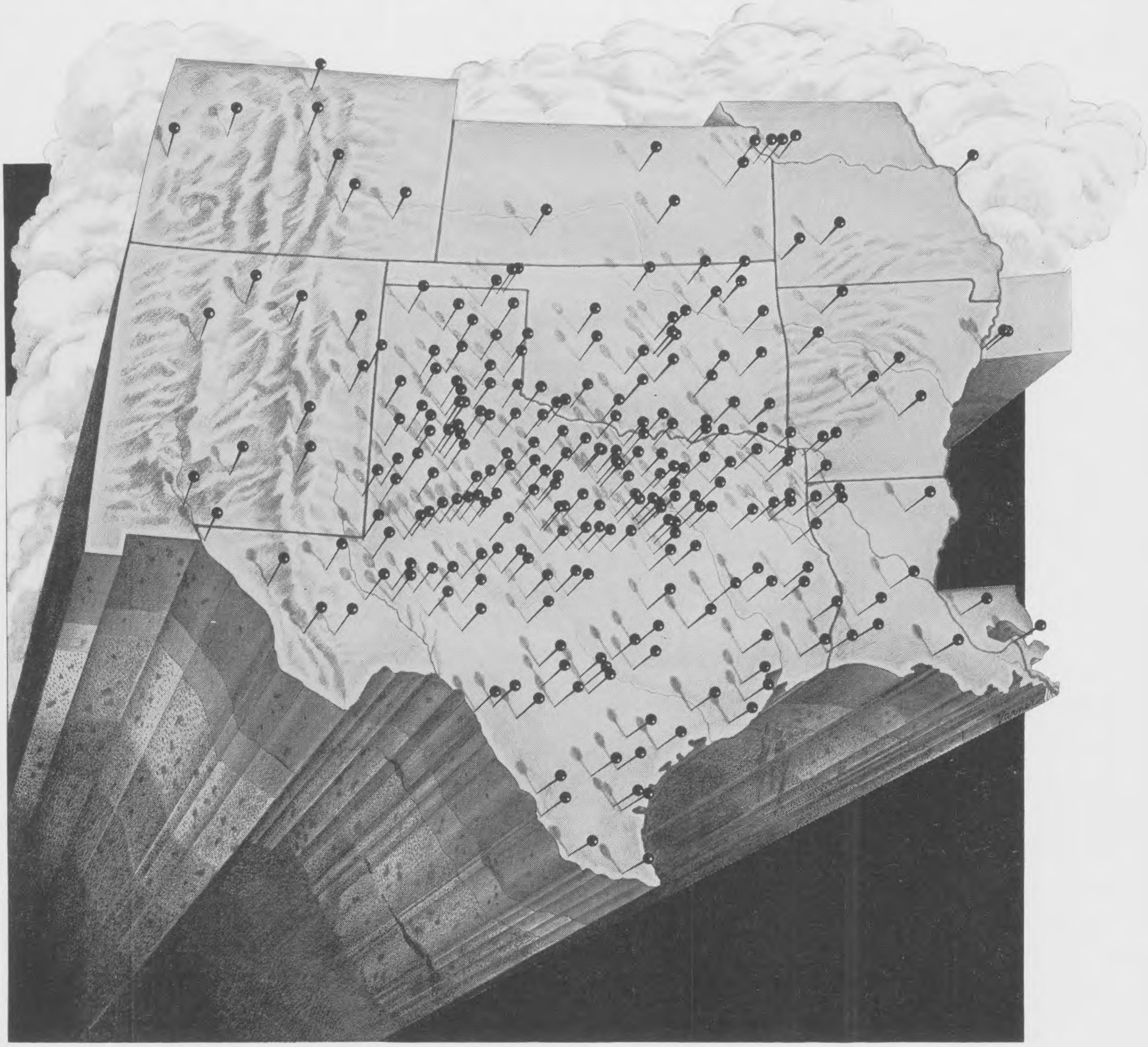
■ TOM R. SNODGRASS, president, First National, Port Arthur, has been named CEO. He succeeds W. G. Thornell, who retired December 31. Mr. Snodgrass previously was executive vice president, Continental National, Fort Worth. Both are affiliated with Southwest Bancshares, Houston. His banking career began in 1953. Mr. Thornell had been associated with First National since 1959.

Independents Appoint Two

Don Cavness, former state representative (D.,Austin), and Tom Prentice, formerly special assistant to Senator Oscar H. Mauzy (D.,Dallas), have been appointed to positions with the Independent Bankers Association of Texas.

Mr. Cavness was appointed legislative adviser, to be assisted by Mr. Prentice. They will present the association's program, concerning preservation of the local, community bank, to the Texas legislature.

Make the most of *where we* operate.



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Leaves of Absence Given to Lasater By St. Louis HC and Its Lead Bank

ST. LOUIS—Donald E. Lasater requested and received leaves of absence March 3 from his posts of chairman and CEO of Mercantile Bancorp. and its lead bank, Mercantile Trust. Harrison F. Coerver, vice chairman of the holding company and president of the bank, now is CEO of both corporations.

According to boards of the HC and bank, Mr. Lasater—while on his leaves—will take no part in management or operations of either firm or any of the HC's affiliated companies.

Mr. Lasater was indicted for perjury the week of February 24 on the basis of testimony he gave before a federal grand jury in Kansas City on certain loan transactions between Mercantile Trust and the late J. V. Conran in 1968 and 1969. Mercantile Trust's board announced it is having an independent review made of the transactions involved.

An official announcement from Mercantile Bancorp. said Mr. Lasater is seeking the earliest possible trial and will not return to his banking and HC duties until he has been acquitted or otherwise cleared of the charges made against him.

Boards of the HC and bank, the announcement continued, have expressed their confidence in the strong, capable and experienced management team that will continue to expand the "Mercantile tradition of sound and progressive banking." In addition to Mr. Coerver, this management team includes James E. Brown, president of the HC; W. Boardman Jones Jr., vice chairman of the bank, and Lynn H. Miller and Thomas L. Ray, executive vice presidents of the bank.

In addition, the boards expressed their confidence in Mr. Lasater's integrity and their sincere belief that the charges made against him would quickly be determined to be unfounded. • •

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