MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

APRIL, 1975

WALTER J. CHARLTON
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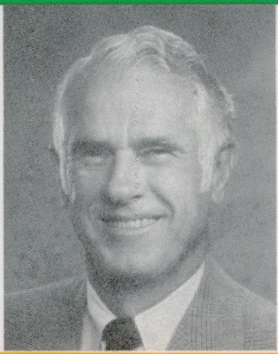

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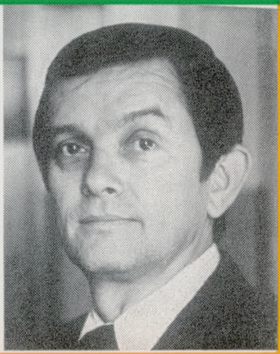

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Interdependence and Industrial Development

Liberty's Industrial Development Division is committed to helping Oklahoma and the Southwest maintain continuous growth in our economy. Our approach is to encourage business firms of all sizes to locate in Oklahoma.

Our files contain complete industrial and demographic information on every state community with industrial development potential. And, possibly we have already represented your community on a confidential basis because company criteria demanded it. As Oklahoma grows and prospers, we all grow and prosper.

We'd like to help you with any Industrial Development opportunities you might have. We maintain almost daily contact with State and Federal Agencies on the intricacies of financing new industry. And, by working with these agencies can save our Correspondent Banks time and effort in finding Industrial Development funds.

So, if you've got industrial development opportunities, call the Correspondent Department to get us started working for you . . . too.

at your
LIBERTY
THE BANK OF MID-AMERICA

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Convention Calendar

April

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 4-7: Bank Marketing Association Bank Advertising Workshop, New York City, Waldorf-Astoria 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.

July

July 13-25: ABA School of International Banking, Boulder, Colo., University of Colorado.

August

Aug. 3-8: ABA National Mortgage School, Columbus, O., Ohio State University.
Aug. 9-15: Bank Marketing Association Graduate Course in Bank Marketing, Madison, University of Wisconsin.

MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 71, No. 4 — *April, 1975*

FEATURES

CONVENTIONS

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STATE NEWS

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By Dr. Lewis E. Davids

Hill Professor of Bank Management, University of Missouri, Columbia

Finance Bank Capital Creatively With Income Bonds

WHEN I spoke to an investment conference for commercial banks last year, a section of my speech dealt with the need for commercial bankers to solve the growing problem of providing capital to match the rapid growth of their banks.

One of my statements was: "Perhaps we need some imaginative new type of financing. To be specific, there is not one bank in the United States that has used an income bond. Many bank regulators are not aware of the income bond, but, under certain circumstances, it could be an attractive instrument to use because of its tax deductibility."

Securities designated as income bonds, also called adjustment bonds, have payment of interest contingent on net profits of the issuing corporation. Occasionally, they are used to raise funds for new promotions or for established concerns, a point that now makes them potentially attractive to banks.

A caveat is noted in the Ronald Press *Financial Handbook:* "If an income bond issue bears too many of the characteristics of equity ownership, regardless of its label, the Internal Revenue Service will view the interest payments as essentially equivalent to a dividend, and taxable as such, and the tax benefits would then be lost."

In issuing income bonds, a bank would pay the interest only to the extent that net earnings are available. The principal of income bonds is payable like that of other bonds. Income bonds may be secured by a mortgage, also may be debentures and may provide both a low fixed rate of interest and additional interest contingent on earnings.

An important psychological factor is the stigma the income bond title has of not being fully accepted by the investment community.

This attitude may have had validity in the past. Under contemporary conditions, however, the question could be raised whether such securities, issued by well-established and steady-earning companies, deserve a bad public image when related to the benefits they provide in tax savings.

I received a letter from an executive with Gamble-Skogmo Inc., Minneapolis, a corporation that has been issuing income bonds extensively for the past several years, and which will have about $200 million of subordinated capital income bonds outstanding when a present offering is complete. The letter referred to a questionnaire sent by the corporation to many of the largest banks in the country, banks that provide the backup credit for the firm.

Following are two questions from the survey, with my comments about the responses:

Question: "The attached article describes the use of income bonds by both industrial companies and railroads to replace outstanding issues of preferred stock. If a customer of yours did this today, it presumably would reduce total and dividend expenses because of tax laws. Would you encourage a customer to use income bonds in this way?"

Response: The majority agreed that use of income bonds to retire preferred stock would be sound policy. One stated: "It is difficult to argue for keeping preferred stock when subordinated income bonds would lower the company's cost of funds and improve its cash flow."

Only two banks of those surveyed opposed the suggestion. One thought it best to retire the preferred stock by using common stock instead of income bonds. Since dividends on common stock are an after-tax item, as they are on preferred stock, the bank found it hard to understand the advantage of the strategy. The other dissenter thought the preferred stock represented more permanent capital than income bonds and thus favored retaining the stock in the capitalization.

I thought it interesting that more than one banker, in responding to the question, apparently mentally identified income bonds as being usable only by firms that had been in a deteriorating position, and not usable by strong, well-managed corporations with good, steady earnings.

Question: "Do you have customers other than Gamble-Skogmo who have used income bonds in the past? Did you encourage or discourage the decision that led to their use?"

Response: Few of the banks had customers that have used income bonds. A number of bankers felt that the benefits available to issuers of income bonds and their senior creditors were such that they would expect their greater use in the future.

Of the seven banks with income

Robert Morris Remembered

Frank R. Dyer Jr., e.v.p., Philadelphia National, places a wreath on the grave of Robert Morris, Revolutionary War financier, in commemoration of the 241st anniversary of his birth. Mr. Dyer also is president of the national bank trade association named for Morris. Dr. Ernest Harding, rector, Christ Church, Philadelphia, Morris' resting place, and Clarence R. Reed, e.v.p., Robert Morris Associates, look on.

bond customers other than Gamble-Skogmo, five had railroads as such customers. One other customer was a holding company for a financial and insurance operation, while the other was identified only as a privately held recreation business company, which had issued the bonds as an alternative to going public.

These responses, I feel, indicate that few bankers have had exposure to the successful contemporary utilization of income bonds by a financially strong company, although a few of the banks indicated that their trust departments had income bonds in their accounts.

I visited a number of bank regulators to see what their thoughts were on banks using income bonds. Most implied that it would be impossible for banks to issue the bonds successfully because of the bad public image they had. The implied posture of the surveyed bank regulators was not against use of income bonds in a bank capital structure. Though they were silent on the topic, it would appear that they favor the idea of a successful issue of income bonds by a bank to improve its capital position. This is because income bond claims are payable *only* to the extent that they are earned, and if they are not earned, they do not become a claim. That could precipitate the insolvency of a bank because of a violation of an indenture of the bond.

I don't believe income bonds are the sole or even major solution to the problem of raising bank capital, but strong financial institutions with good earnings power would find that the capital cost of these instruments would be lower than the capital cost of common or preferred stock. It might not be quite as low as the face cost of some subordinated debentures, but the nature of the interest claim, not precipitating possible insolvency in the event that the interest was not earned and paid, enhances the instrument in some respects.

Some of Gamble-Skogmo's surveyed banks indicated that they had income bonds in their trust accounts, so it appears that income bonds of banks under a prudent capital pro rata program also would be attractive for trust accounts.

In addition to conventional trust accounts, there is the growing area of pension trusts, which could invest in income bonds. The stability of bank earnings, especially where the income bonds were only a prudent proportion of the total capital structure, would appear to be a favorable influence on their sale and placement. If the Gamble-Skogmo capital structure can support $200 million of subordinated capital income bonds, some of our major banks with comparable or higher credit ratings also could incorporate them into their financial structure and realize a safe profit.

In discussing this thought with a number of bankers, I found it interesting that a surprising proportion of them had little or no idea of what income bonds were. Those who did had an impression that the bonds were utilized only in instances of default and reorganization.

Recent utilization of subordinated variable interest securities by several major banks is certainly one indication that commercial bankers, at least in the larger institutions, are more receptive to innovation in capital structure. I submit that now is the time for bankers to take another view of the role income bonds would have in providing their institutions with access to additional capital.

A new image of income or adjustment bonds is needed for bankers to accept them. A title besides "income" or "adjustment" would enhance their attractiveness. The bonds would help meet the needs of banks for additional capital, would not dilute shareholders' equity, would provide considerable after-tax savings and still not be a fixed charge against the bank. All this would be at a lower real cost of capital than some debentures now being used by banks. • •

Installment Lending

Delinquencies Up, Borrowing Down, According to ABA Loan Report

A RECENT ABA REPORT indicates that installment loan delinquencies were driven to a new high, thanks to recession, a sharp decline in consumer spending and traditional Christmas season past-due-account increases.

The delinquency ratio for eight installment loan categories rose 46 basis points to a record 3.13% during the two-month period ending December 31, *ABA Installment Loan Delinquency Bulletin* figures show. The ratio for the same period last year was 2.53%.

Robert L. Jaynes, director, ABA Installment Lending Division, said, "Thirty-one basis points of this rise can be attributed to normal Christmas season increases. From 1968 to 1973, the composite ratio rose an average of 25 basis points during November-December."

Following seasonal adjustment, the year-end delinquency ratio stood at 2.80%, which compares with a seasonally adjusted ratio of 2.27% on December 31, 1973, and 2.65% during the previous bimonthly period, which ended October 31, 1974.

Mr. Jaynes indicated that the delinquency problem is not as bad as it appears on paper, noting that most consumers have been coping with debt through strict control of the family budget, working out repayment problems with lenders or some combination of the two.

"Borrowing is down," Mr. Jaynes added, "and this drives the delinquency ratio up even if the number of people paying remains constant, simply because the number of loans outstanding—the base on which the ratio is computed—grows smaller."

Fed figures concurred with the ABA statement, when it was found that Americans reduced their outstanding borrowings a record $877 million in December.

That decline followed November's $402-million drop, the first time since May and June, 1968, that consumer credit dropped two consecutive months. The Fed reports that the greatest drop in borrowing—a negative $791 million in December—took place at commercial banks.

Automobile direct and indirect repossession lessened during November-December, despite a jump in delinquencies for both categories, the ABA reports.

In the direct category, there was a 4.6% repossession drop, while delinquencies rose 12.5%. Indirect repossessions were down .39%, with delinquencies growing by 24.9%.

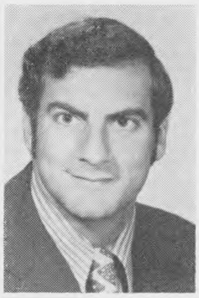
Mobile home loans followed the same pattern, with delinquencies increasing 26.7% and repossessions dropping 3.3%.

The ABA attributed the failure of repossessions to rise with delinquencies, as they did last year at this time, to improved handling of debt by consumers.

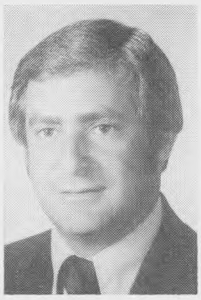
"However," Mr. Jaynes pointed out, "the most important factor keeping the cap on repossessions may be the willingness of bankers to carry their good customers through bad times." • •

Corporate News Roundup

STUBBS



YEGEN



KRAMER

MILLS

• **McCourtney-Breckenridge & Co.** Robert G. Mills has joined this St. Louis firm as vice president and head of the institutional department. He was formerly with R. G. Mills & Co., Inc., St. Louis, which he served for 25 years.

• **Tri-Continental Leasing Co.** This St. Louis-based equipment lessor has been acquired by Yegen Associates, Teaneck, N. J. Robert W. Stubbs continues as Tri-Continental president and CEO. He has been elected a vice president of Yegen and is in charge of the firm's national leasing division. A new service in the St. Louis area is being offered by Tri-Continental called Banclease, an equipment leasing plan instituted and serviced by Yegen to enable commercial banks without leasing programs of their own to enter the leasing market. President of Yegen is Christian C. Yegen.

• **James Talcott, Inc.** James L. Tonius has been elected vice president, Business Finance Division, James Talcott, Inc., New York. Mr. Tonius joined Talcott in 1965 and was operations manager, Business Finance Division, Los Angeles District Office.

• **Scarborough & Co.** Paul Clayton has joined Scarborough & Co., Chicago, as a claim representative. Before joining the firm, he was with CNA/Insurance 12 years. Previous to that, Mr. Clayton served for eight years as assistant superintendent of claims, U. S. Fidelity & Guaranty.

• **Bank Consultants of America.** Lawrence Kramer has joined Bank Consultants of America as manager, Southwest Division, Dallas. He was regional consultant services manager for Citicorp Realty Consultants, Inc., a subsidiary of First National City Corp., New York City, previous to joining the Denver-based Bank Consultants firm. Prior to the two years with Citicorp., Mr. Kramer served as a consultant with Bank Building Corp., St. Louis, from 1970-73. The Dallas Bank Consultants office has responsibility for Texas, New Mexico and Oklahoma.

• **Security Corp.** Walter M. Sands Jr. has been named southeastern regional manager for Security Corp., Irvine, Calif. He will be responsible for dealer sales and service throughout Tennessee, Alabama, Mississippi, Louisiana and Arkansas and will operate from the Atlanta offices. Mr. Sands began his career with the old Herring-Hall-Marvin Safe Co. and then worked for Diebold, Inc. Prior to joining Security, he served as director-national installation and service support for Mosler.

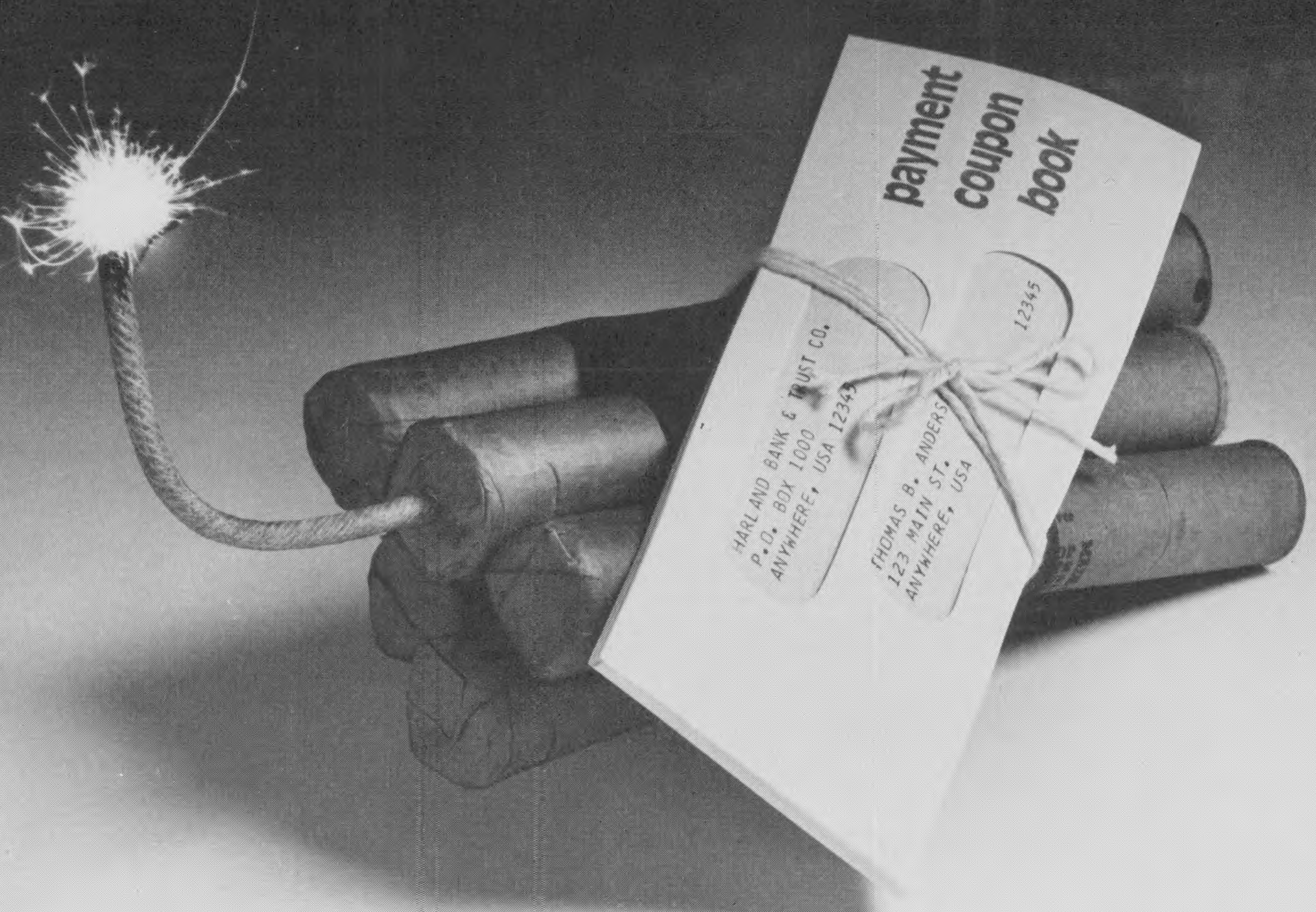
SANDS

WILLARD

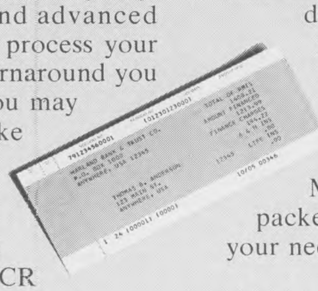
• **BA Cheque Corp.** Ernest Nolan Willard III has been named BankAmerica Travelers Cheques representative for Arkansas, Missouri, Kentucky and Tennessee. He joined the firm after 25 years with the U. S. Air Force.

• **Financial Insurance Service, Inc.** Ronald B. Karlic, CLU, has been appointed vice president and manager, Life and Tax Shelter Division, Financial Insurance Service, Inc., Des Plaines, Ill. He has 10 years' experience in the life insurance business.

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



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



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Loans, Operational Recommendations Help Firm and Community to Grow

ONE OF KANSAS' real agribusiness success stories is Donahue Manufacturing Co., Durham, which makes farm equipment carriers. The company's growth is due, to a great extent, to small-business loans provided by a local institution, Tampa State Bank.

Edward Costello, bank president, delineates the manufacturer's history this way: "We started financing the James C. Donahue operation as a welding shop consisting of Mr. Donahue and his brother-in-law, Richard Dirks. It has been one of the great satisfactions of my banking career to watch this firm grow from a two-man operation to one which employs over 70 persons and distributes products throughout the United States."

"As Donahue Manufacturing is located in a small community, it has a pretty big economic impact on the area," says James C. Donahue, president. "It provides many jobs for area residents. In turn, employees spend money here for housing and services from other businesses. Competition in the community's labor market provides a higher level of income for the people. Many people are moving to the community to take advantage of the plant's jobs; this helps the community grow, both economically and in size.

"From the beginning, we've been fortunate in getting excellent financial help and counsel," Mr. Donahue went on to say. His firm has had five loans from the Small Business Administration (SBA). The first was a $33,000 SBA disaster loan to recover from flooding in 1964. When the small company was having trouble making the $15-per-month payments, SBA loan servicing officials investigated the Donahue operations, recommending a diversified sales operation, improved cost accounting and paper flow.

The suggestions worked. With each subsequent SBA loan, Donahue Manufacturing had expanded profits and consistently returned profits to the business via equity capital.

Other SBA financial assistance included guaranteed loans of $50,000 in 1966; $73,000 in 1967; $150,000 in 1970; and $350,000 in 1972. The loans, used for expansion of plant facilities, inventory and working capital, were guaranteed, 90% by the SBA and 10% by Tampa State. The bank subsequently outgrew its ability to finance the firm and sold participation to a larger correspondent bank. • •

TOP: James C. Donahue (l.), pres., Donahue Manufacturing Co., Durham, Kan., discusses his company's financial matters with Edward J. Costello, pres., Tampa (Kan.) State. Bank and Small Business Administration were responsible, through advice and loans, for success of manufacturer of farm equipment carriers.
BOTTOM: (l. to r.) Richard Dirks, scheduling and production manager and Robert Klein, shop foreman, supervise grain carrier assembly line in Donahue factory.

In Chicago:

Nat'l Boulevard Bank Offers Downtown Guide

What's in Chicago's New Downtown? National Boulevard Bank will tell you in its "Guide for the New Downtown," available free to anyone who stops by the institution.

The guide lists restaurants, hotels, night spots, theaters, art galleries, places of interest, shops and churches, all located in an area encompassing Lake Shore Drive, Division Street, LaSalle Street and Madison Street. Special maps on how to get to the places also are included in the guide.

In the Customer Interest:

Payment Problems Eased For Some Borrowers

Many loan customers have been having trouble meeting payments recently, due to layoffs, inflation, etc., but some banks are taking steps to avoid repossessions, according to *The Wall Street Journal.*

Old Colony Cooperative Bank, Providence, R. I., places ads and sends letters encouraging its customers to drop by if they foresee loan-payment problems. It then puts them on interest-only or stretched-out payments. In the case of a mortgage, the bank temporarily suspends the tax portion of the payment.

First National, Boston, assigns a special collector to work with unemployed borrowers with good credit records.

National Bank of Detroit officials say it has granted three to four times the normal amount of extensions on loans since December, and Bowery Savings Bank, New York, helps out wherever possible with a mortgage loan customer. A Bowery Savings official says, "It's sometimes just a question of sitting down with someone and working out a budget."

A Community-Message Center

A modernistic sign over the entrance to First and Farmers National's Main Office in Somerset, Ky., is available for community messages (in the area where "1975" appears in this photo). According to President Jake F. Butcher, the message-center sign has received a lot of attention and use from the public. Topics accepted for display on the sign include civic events and both local and national happenings. The messages are flashed on the sign from a typewriter-like control panel. The sign—called Mark 120—is a product of American Sign & Indicator Corp., Spokane, Wash.

Selling/Marketing

Old Movies, Free Popcorn:

'World-Premiere' Theme And Helicopter Rides Highlight Bank Opening

A "world-premiere" theme and helicopter rides were used to open Mercantile National of Clay County, North Kansas City, a subsidiary of the St. Louis-based HC, Mercantile Bancorp.

Several hundred persons attended the gala two-day event, which featured a Hughes four-place jet helicopter, which customers depositing $250 or more could ride above the bank's area. Among the passengers was Kansas City Mayor Charles B. Wheeler Jr.

The "world-premiere" theme featured old movies, free popcorn and soft drinks, while door prizes included a home movie set and various types of cameras. The "premiere" also had continuous remote TV and radio broadcasts conducted from the bank lobby by local TV and radio personalities.

For two weeks prior to the opening, the bank held a series of receptions for nearby business and community leaders. The state of Missouri was represented by its governor, Christopher S. Bond.

General contractor for the bank's building was Bank Building Corp., St. Louis. The structure was designed by architect Andre Perrin of BBC and the color-coordinated interior by Jack Tocco of the same firm. Furnishings are of contemporary design. Walls are graced with paintings by local professional artists.

Kansas City Mayor Charles B. Wheeler Jr. (l.) is invited to take jet helicopter ride by Mercantile Nat'l of Clay County's pres., Edward S. Garber (2nd from l.), during bank's grand opening. Anyone who deposited at least $250 could take such a ride. Mr. Garber was formerly v.p., American Bank, Kansas City, before joining Mercantile Nat'l of Clay County.

Edward S. Garber (l.), pres., Mercantile Nat'l of Clay County, North Kansas City, welcomes Missouri Governor Christopher S. Bond to bank's grand-opening ceremonies.

As a convenience to commuters, Mercantile National of Clay County's drive-up windows are open 8 a.m.-6 p.m. Monday through Friday and 8 a.m.-noon Saturday. Lobby hours are: 9 a.m.-4 p.m. Monday through Thursday; 9 a.m.-6 p.m. Friday and 9 a.m.-noon Saturday.

A New Identity:

American Express Unveils Corporate-Wide Logo

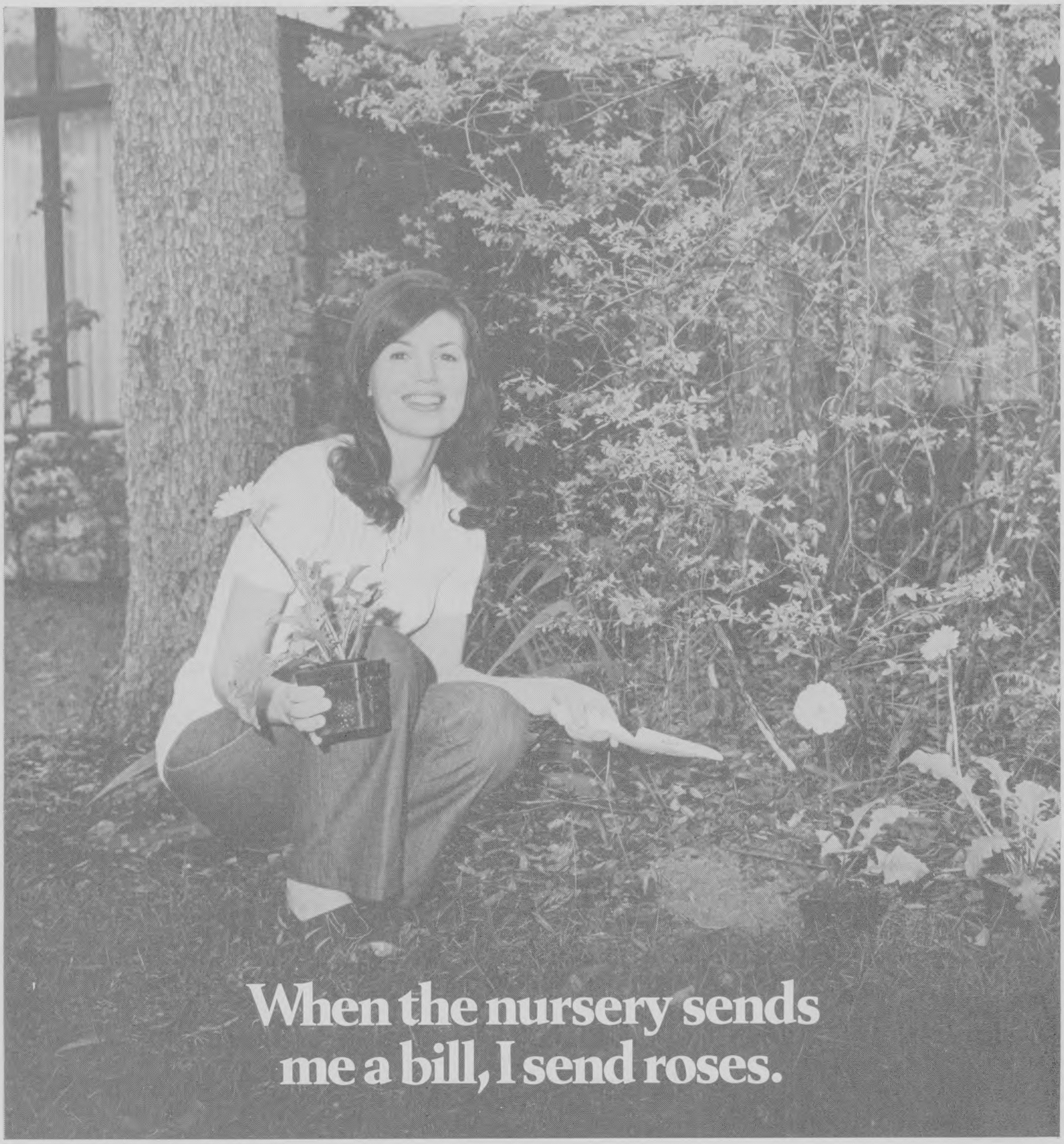
American Express has announced a new corporate-wide identity program, a communications system designed to bring the company and its services under one banner. The program's focal point is a logotype intended to create public awareness on an international basis.

In addition to the logo, a new system of advertising identification was developed, tying American Express and many of its divisions together.

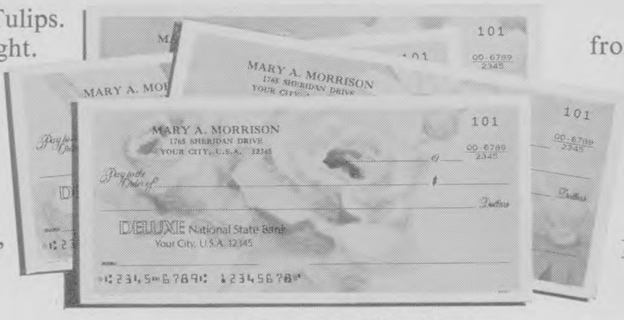
New American Express logo, designed to bring company's activities under one banner. Using blue, red, orange and magenta, Travel Division emblem addresses itself to variety of languages, cultures. Logo will be found on stationery, advertising, rolling stock, forms, etc.

Two Cardinals Hold Baseball Clinic at Bank

St. Louis baseball Cardinals Al Hrabosky (l.) and Ted Simmons talk to admirers during a baseball clinic at Bank of Ladue (Mo.). Mr. Hrabosky, a relief pitcher, and Mr. Simmons, a catcher, demonstrated signals, pitching and catching techniques and other baseball skills. They joined Jack Buck, voice of the Cardinals, in signing autographs and answering questions during the two-hour session.



"Sometimes I send Daisies, or Tulips. Then again, Violets seem just right. These are just a few of my favorite flowers depicted in DeLuxe Check Printers' Springtime Series. So, thanks to my banker, I can use more than money to pay my bills, I can use Dogwood in bloom."



Springtime is just one of a series of Distinctive Checks from DeLuxe. Checks that let your customers express their personality in flowers, Americana, wildlife and more. It's their choice. Ask your DeLuxe representative. He'll help you display and promote colorful Distinctive Checks from DeLuxe. "I'm glad my banker did."

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STRATEGICALLY LOCATED PLANTS FROM COAST TO COAST

Tiger in the Bank:

Bank's Pinata Opening Has Quarterly Interest

Kansas City's United Missouri Bank South, formerly Wornall Bank, wanted a novel opening for its new building, which follows a Latin architectural style. To go along with the tiger, United Missouri's mascot, a piñata in the form of that animal was used as the central point of a week-long fiesta.

Vicki DoLance, the bank's youngest charter depositor, was on hand to break the papier mache tiger filled with quarters. As the children scrambled for the coins, the adults were treated to margaritas, fiesta foods and the music of strolling mariachi bands. A drawing was held, with the winners receiving a weekend for two in Santa Fe/Taos, N.M. Other prizes included dinners at a local Mexican restaurant.

Miss DoLance was an infant when, in 1957, her parents opened a trust savings account for her. The account is still active. She has remained a special customer and was a central figure in the 15th-anniversary celebration of the bank 2½ years ago.

Bank officials termed the fiesta a success, hosting over 700 people each night of the week-long event.

(R. to l.) R. Crosby Kemper, ch., United Mo. Bancshares, Inc.; the United Mo. tiger; Vicki DoLance; Robert P. Corbett, pres., United Mo. South, Kansas City; and Mrs. Corbett check tiger pinata Miss DoLance, bank's youngest charter depositor, broke during opening celebration. Tiger pinata follows mascot theme as well as Latin idea of fiesta.

Miss DoLance breaks quarter-filled pinata as children scramble for coins spilling to floor. Opening of bank followed Latin architectural theme from which building was designed.

Bank's Valentines Day

As a "salute to the gals," and to wish them a happy Valentines Day, Heritage Bank, Country Club Hills, Ill., gave a box of Whitman's chocolates to all women who came in the bank. In addition to the candy, a large valentine, signed by all bank employees, was on display in the lobby. Here, Walter Johnson, bank president, gives a box of candy to Dawn Berger, while Kathy LaSusa (l.) and Dawn's mother, Barbara Berger, look on.

'Tell it Like it Is':

'Communicate With Public' ABA's Whyel Says

George L. Whyel, ABA president, called for better industry communication to improve the public's understanding of the banking system in a speech before members of the Ohio Bankers Association. Mr. Whyel, who also is vice chairman, Genesee Merchants Bank, Flint, Mich., emphasized the need for banker response to current industry criticism.

He added that due to crucial legislative issues and the serious strains on the economy, the industry must carry home the message that the banking system is responding to change and is capable of managing the current economic downturn.

Mr. Whyel outlined a three-point plan for bankers to help clarify essential facts about their industry:

First, bankers must answer criticism with facts. For example, he cited the need to explain the misunderstandings about liability management.

Second, bankers need to emphasize some of the positive actions being taken in the economic sphere. An instance of this was bankers' urgings that the public exercise caution and restraint in gold speculation.

Third, bankers should point out how the industry has cooperated with government and business to assist organizations on the brink of bankruptcy.

"Banking has been the subject of a best-selling book, several magazine articles and widespread radio and TV coverage," Mr. Whyel said, adding, "and though the glare of publicity may not always be flattering, it's better to respond than not be heard from at all."

Time, Effort, Money Needed:

Ethics Group Formed On Advertising by BMA; Mutuals' Help Sought

The Bank Marketing Association has formed a Bank Advertising Ethics Committee. Its purpose is to examine the possibilities of abuse in advertising practices within the bank industry and, if it finds any, to determine the best way to correct those abuses and practices. Committee chairman is Jack W. Whittle, vice president-marketing, Continental Illinois National, Chicago. Representing the ABA on the committee is Kenneth DeCesare, advertising director.

WHITTLE

The new committee not only is seeking cooperation from commercial banks, but also from S&Ls, mutual savings banks and credit unions. After submitting its code of ethics and guidelines to the BMA board and being assured of receiving funding for a year, the committee has begun meeting with representatives of the thrift groups.

Although the BMA is financing the committee, Mr. Whittle emphasized that the association "does not want to be the driver" and that no decisions have been made except that a serious problem does exist, and the industry should find solutions.

He cited as examples of abuses found in some recent advertising the misinterpretation of words such as "free" and ads he described as "intentionally unclear and deceptive" because they represented something to the public "as not what it actually was."

According to Mr. Whittle, his committee needs input from many sources, and finding solutions to problems will require expenditure of time, effort and money.

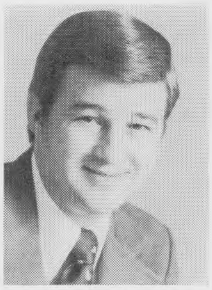
Other Mid-Continent-area bankers on the eight-person committee are Alan Eirinberg, first vice president, Exchange National, Chicago; and Mrs. Susan Horn, director of marketing, Citizens National, Macomb, Ill.

Art Krebs
Arkansas-Louisiana

Ben Adams
Missouri

Jack House
Iowa

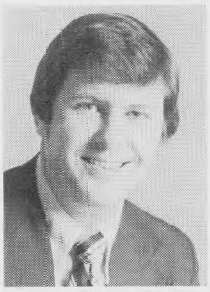
Duncan Kincheloe
Texas-Oklahoma



Paul Libbert
Missouri

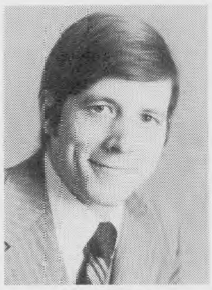
Verne Schweder
Kansas City Metropolitan

Jack Beets
Kansas



Phil Straight
Nebraska-Colorado

E. L. Burch
Vice President



Tom Wood
Kansas

Don Thomason
Senior Vice President

Bob Widlund
Oklahoma

We have a tiger in your territory.

Our symbol of strength and solidity is getting us everywhere.

People like a leader. And when that leader can also get behind a problem and give it a push toward a practical solution—well, that's United Missouri Bank for you.

And for you, all the way.

We are ready to come to you to help you with your credit overlines, to help you design your pension and profit sharing plans, to help you with your municipal and government bond portfolios, and to show you the many ways our expanded agri-business department can help you with your farm customers.

Call us at 816-221-6800.

Dave Van Aiken
Kansas

united missouri bank of kansas city, n. a.

None of the others come close.

NEWS ROUNDUP

News From Around the Nation

Ford Boosts Banking Changes

President Ford has asked Congress to permit banks to pay interest on checking accounts, to remove ceilings on interest paid depositors and make it easier for people to obtain loans. He wants Congress to pass the Financial Institution Act of 1975, which, he said, would "increase the level and quality of service for the consumer saver and would maintain or expand the flow of credit" to home buyers.

Specifically, the legislation would permit savings banks to offer regular checking and personal installment loans; permit credit unions to offer mortgages to members; permit all types of financial institutions to pay interest on demand deposits; eliminate interest rate ceilings; and make it simpler for home buyers using VA or FHA mortgages to secure new homes.

Similar legislation was asked by the Nixon Administration and was given little consideration by Congress. A similar fate is expected for the Ford bill.

S&Ls Can Provide Tax Services

Federally insured S&Ls have received authority from the Federal Home Loan Bank Board (FHLBB) to provide tax preparation and return services through their service corporations and multiple holding companies. The service is available to customers and their immediate families.

The FHLBB has proposed to authorize S&Ls to carry out three sections of the Consumer Home Mortgage Assistance Act of 1974 by permitting S&Ls to offer builders an unsecured line of credit for home construction financing, to operate under a new "prudent loan" provision for second liens and other non-conforming secured loans and to increase from 10% up to a 50% limit the amount that may be borrowed from state mortgage finance agencies.

Flood Loan Ban Clarified

The Comptroller of the Currency has issued an amendment to Part 22 of the Code of Federal Regulations covering loans in areas having special flood hazards.

The amendment makes clear that loans secured by properties located in an area which was not designated as flood prone by the Secretary of Housing and Urban Development before July 1, 1974, and has been so designated since, may be made without flood insurance for up to one year following the designation.

Banks Favor T-Bills Over Fed Funds

For the first time in more than two years, Treasury bill purchases have become more attractive to banks than selling Fed funds. The yields on T-bills has led some bankers to consider T-bill purchases as more profitable than the level at which they expect the declining prime rate to be shortly.

This is a marked change from the opinion held by the majority of market analysts that banks would resist using credit to participate in the heavy Treasury calendar due for the rest of 1975.

Monetary and fiscal officials had been advised by industry members to reduce money market rates much more than has taken place already and to create a steep yield curve in order to overcome banker emphasis on the instruments offering greatest liquidity.

Recent events show that central bank and Treasury objectives may be reachable with conditions now prevailing in market.

Fed Adopts Contingency Plans

The Fed has mapped out a set of contingency plans for use in rescuing financially shaky banks and other firms in order to prevent any possible economic shock.

Among the "handful" of shaky firms are between 50 and 60 commercial banks, each of which is said to be under watchful care on the part of the Fed. No names have been revealed.

The fact that contingency plans exist does not necessarily mean the Fed expects to have to put them into effect. The plans are said to have been the result of the troubles at Franklin National last year, when the Fed provided funds to keep the bank afloat until it could be sold.

Banks Support Housing Aid

The ABA has gone on record as supporting two emergency housing aid proposals and has asked Congress also to provide emergency support to stimulate the resale of presently owned homes.

Bills being supported include HR 34, which would provide emergency federal assistance to homeowners in danger of mortgage default because of unemployment or other economic setbacks, and HR 2640, which would extend the 1974 Emergency Home Purchase Assistance Act through October, 1976, and increase the authorization level from $7.75 billion to $10 billion. The latter measure is designed to free more private funds for mortgage lending by authorizing the Department of Housing and Urban Development to buy up conventional mortgages not insured by the government.

Open-End Auto Leasing Upheld

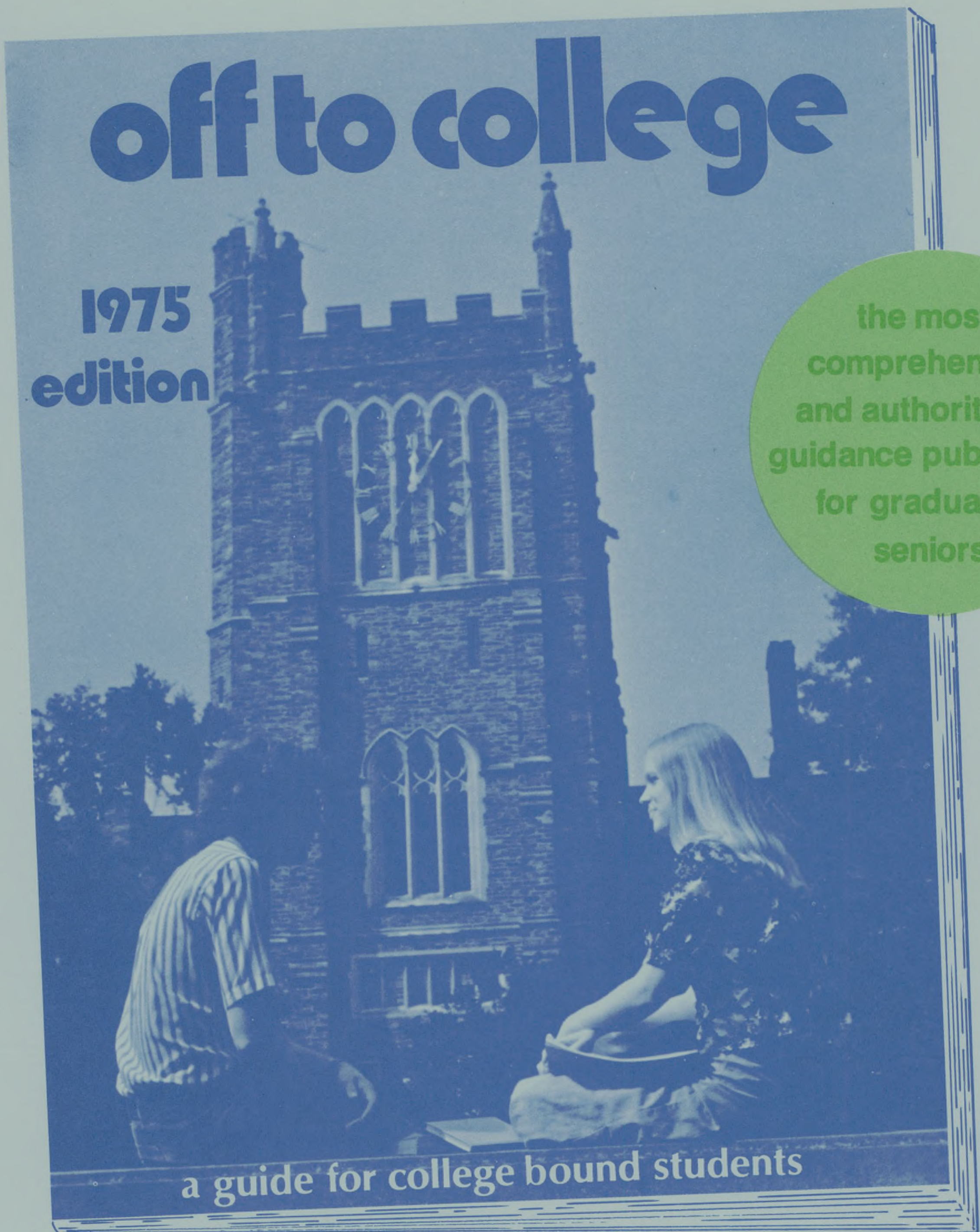
The right of national banks to lease autos if they restrict their activities to "open-ended" leases has been upheld by a federal judge in Seattle.

The judge called the open-ended lease "a variation in the traditional manner of extending credit and is the functional equivalent of a loan."

Available Now!

. . . the 1975 edition of

OFF TO COLLEGE



the most comprehensive and authoritative guidance publication for graduating seniors

Informative "How-To" Guidance Articles Help Your Students With Every Aspect of That Important First Year of College!

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- 29 informative guidance articles

On Campus Living

L. H. Foster, Ph.D.
Tuskegee Institute
Tuskegee, Alabama

with students of varying geographic, socio-economic, religious and ethnic backgrounds.

Increasingly, many educators and college housing specialists see residence halls as being centers for: (1) living and learning, with curriculum, organization and enrichment programs; (2) community development; and (3) student services. Let us further explore residence hall life from those perspectives.

Centers for Living and Learning

Colleges and universities understand that they have the responsibility for developing environmental conditions and programs which enhance the personal, social and academic potential of all students. Thus, consideration is increasingly being given to the residence hall as a positive influence in the student's total development, rather than being

31

What Is College?

World-wide, across town, I have come,
from Butte, from Biloxi, from Brandy's
Bend, New Delhi, New England, New York,
From all these places — from home —
To college.

I am a stander-in-line, signer of last name, first name, middle initial; wearer of dink; receiver of chair, desk, bed, and dream — A Freshman.
Being a freshman is a little frightening, being a freshman is a lot of fun . . . best of all, it's exciting, it's unique — it's beginning.

Editor's Note
Off To College is honored to feature for You the Class of '79 the following two guest articles from Senator Gaylord Nelson and Congresswoman Margaret Heckler.

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Congratulatory Messages . . . Dr. Matina S. Horner, *President, Radcliffe College* **Dr. Robert MacVicar,** *President, Oregon State University*

Preface — College — Here I Come . . . An introduction to the freshman year. **Stephen W. Brown, Ed.D.,** *Associate Professor of Education, University of Texas at San Antonio*

I Wish I'd Known . . . Student impressions of the freshman year. **The College of Idaho,** *Caldwell, Idaho*

Class Of '79: Consider The Changing Roles Of Both Sexes In Our Society . . . A provocative look into the year 2027. **Dr. Linda S. Hartsock,** *Program Director, American Association of University Women*

Changing Scenes — High School To College . . . How-to tips for adjusting to college life. **John P. McQuary,** *Assistant Director of Student Personnel and Guidance, East Texas State College*

Academic Life And The Destiny Of Man . . . A thought-provoking discussion of the purpose of the academic experience. **Dr. James R. Scales,** *President, Wake Forest University*

Curiosity — Asset Or Liability . . . Students are encouraged to explore academic queries and curiosities to the fullest. **Edmund S. Morgan,** *Professor of History, Yale University*

What Is College? . . . Glimpses of, and comments on, the collegiate environment.

Implications Of The New Majority — The Eighteen Year Old Vote . . . An objective discussion of the responsibilities accompanying the right of 18-year olds to vote. **The Honorable Gaylord Nelson,** *U.S. Senator from Wisconsin*

Education For Your Future: Equal Opportunities For Women Begin Now . . . Women are encouraged to evaluate their educational goals. **The Honorable Margaret Heckler,** *U.S. Congresswoman from Massachusetts*

Time For Study, Time For Fun . . . How to balance participation in extracurricular activities and successful study abilities during the critical freshman year. **Paula E. Gilbert,** *Past President, Student Government Assn., Huntingdon College*

A Dean Answers Your Questions On Studying . . . A candid discussion on the essential techniques of studying. **Dean D. W. Brinkerhoff,** *Assistant to the Dean, Purdue University*

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of Wisconsin

tudents need OFF TO COLLEGE

effective guidance material available to prepare the way for college-bound students

OFF TO COLLEGE Aids You in College Orientation

freshman year is the most formative in his entire e. It's a time for questioning . . . a time for devel- llectual and personal outlook . . . and a time for ifelong objectives. Are you doing all you possibly ur students for these important tasks? Are you ith needed guidance material?

0 years, educators throughout the country have nts OFF TO COLLEGE to help them face the ir freshman year. The leading guidance publica- ound students, OFF TO COLLEGE presents arti- ry phase of college life. From financial aid to n curriculum selection to career counseling, OFF lps make the college years more meaningful and

O COLLEGE Helps Today's Students

OLLEGE is tailored to the individual student's igned to make him aware of the responsibilities e faced in the all-important freshman year. Now FF TO COLLEGE helps the student find direction dbook and guidance manual in one comprehensive

OLLEGE provides sound advice on study habits, passing exams, library usage, college costs, choos- nitory living and opportunities for extracurricular ach of 29 well-written articles, your students will ferent aspect of college life. And by applying the found in OFF TO COLLEGE, they will better enefits of a college education.

Parents, too, will find a wealth of information in OFF TO COLLEGE to prepare them for sending their children to college. The many college services offered, and learning through cooperative education are features in the 1975 edition of real interest to both the prospective student and his parents.

How OFF TO COLLEGE Is Written for Students

OFF TO COLLEGE is written by and for Guidance Research Group, a non-profit organization of college educators and administrators, under the direction of Dean Charles Owens of Huntingdon College. Because these educators understand what being a freshman is all about, they have tried to anticipate students' questions with provocative and informative guidance material prepared exclusively for them. Drawing on years of counseling experience, over 60 of them have contributed their time and talents to make OFF TO COLLEGE the authoritative manual for incoming freshmen.

How OFF TO COLLEGE Is Distributed Nationally

Because OFF TO COLLEGE is essential reading for college-bound students, each student in your school should have his own personal copy to read and re-read at his own pace.

Many high schools provide a copy to each college-bound student during his senior year or purchase copies as graduation gifts. Colleges use OFF TO COLLEGE in their orientation programs and provide copies to their incoming freshmen prior to arrival on campus or during registration.

In addition, copies of OFF TO COLLEGE should be readily available in the areas where students gather most frequently . . . your Counseling Office, dorm lobbies, study halls and libraries as well as student unions.

rticles Introduce Students To Today's Collegiate Life

ing For Entering Freshmen Written By Noted Contributors

Foster, *Ph.D., Tuskegee*

A College Bud- IFUL offers timely rooms. **Molly Siple,** *HOUSE BEAUTIFUL*

Exams . . . Impor- etter test results and **Lynch,** *Department of*

Opportunities For nvolved . . . How swork and involve- t. **Ms. Teresa Brayson** *enate;* **Dr. Leonard S.** *all of the University of*

y Not Fraterni- s of campus fraterni- **D. Foxworthy,** *National*

Your Major . . . a primary field of **on,** *President, University*

Take Advantage Of Your College's Services . . . How to utilize the assistance and counseling provided at college.

Use The Library . . . How-to's on making the best possible use of college research facilities. **William H. Carlson,** *Library Planning and Research Associate, Oregon System of Higher Education*

A "Make It Easy On Yourself" Approach To Research And Writing . . . A recognized authority explains the how-to's of organization, research and writing of term papers. **Norman L. Trusty,** *Associate Professor of History, Purdue University*

Financial Aid: What, Where And How To Apply . . . Tips on types of financial aid available, and how to apply for it. **Elizabeth W. Suchar,** *Financial Aid Editor, College Scholarship Service of the College Entrance Examination Board*

A Part-Time Job Can Help . . . How to exercise initiative in obtaining summer employment. **U.S. Department of Employment Security, Office of Information**

Cooperative Education — Where Study And Practical Application Reinforce One Another . . . A comprehensive look at the best of both academic and business worlds within the student's primary field of study. **Alabama Consortium for Higher Education, Cooperative Education Committee**

Staying In College . . . Valuable tips on scheduling time and accepting responsibility. **A. W. Vandermeer,** *Dean, College of Education, Pennsylvania State University*

College, Perhaps Is Many Doors . . . A pictorial view of campus life.

Acquiring New Values — A Sign Of Growth . . . How college often changes students' interpersonal, social, political, educational and religious values. **Bruce C. Barton,** *Director of Counseling Center, Central Connecticut State College*

What College Is Depends On You . . . Ways to use classroom knowledge for personal growth. **J. Wesley Robb,** *Professor of Religion, University of Southern California*

Education Is Just The Beginning . . . What it means to be an "educated" person. **Dr. R. Orin Cornett,** *Assistant Commissioner of Higher Education, Department of Health, Education and Welfare.*

NEWS OF THE

BANKING WORLD

KUBIN

PERRY

SHEPLEY

• **George E. Kubin,** vice president, has been appointed vice president and manager, Bank of America International, Chicago. He joined the bank in 1957 and formerly served at the Los Angeles International Banking Office.

• **J. K. Perry** has been elected vice president and treasurer, Federal Land Bank, Wichita. He has served as treasurer of the institution for the past two years and will continue to head the fiscal division, where he has responsibility for the financial, purchasing, computer, accounting and mineral management functions.

• **Ethan A. H. Shepley Jr.,** executive vice president and director, Boatmen's National, St. Louis, has been elected chairman, Interbank Card Association, licensor of Master Charge card. Mr. Shepley is president of Boatmen's parent HC, Boatmen's Bancshares, Inc., headquartered in St. Louis. He also serves as chairman, Credit Systems Inc., Interbank member association, and as a director, Boatmen's of West County, Ballwin, Mo., and Boatmen's of O'Fallon, Mo. Mr. Shepley joined Boatmen's in 1953, after four years with a law firm.

Operations

ABA Operations Survey Probes Selected Banks On Future of Operations

WASHINGTON—The fifth National Operations and Automation Survey was mailed recently to all banks with deposits over $50 million and to a stratified random sampling of approximately 3,000 other banks.

The survey is conducted every three years by the ABA's Operations and Automation Division.

Purpose of the survey is to determine current operations and data processing status, plans, attitudes and trends in the banking industry. Individual bank replies are kept confidential.

This year's survey contains 15% more questions than the 1972 survey. Its results are expected to aid all banks in comparing internal operations with other banks of similar sizes.

"This year's survey promises to be the most comprehensive ever," said George P. DiNardo, chairman of the Operations and Automation Division's Communications/Research and Planning Committee.

Mr. DiNardo, who is also vice president of information processing at Mellon Bank, Pittsburgh, noted that while each year banks are listed in the order of total deposits, "in the data processing and operations environment, this number alone is no longer valid.

"Therefore," he added, "included this year will be questions regarding the total number of individual demand deposit accounts, partnership and corporate demand deposit accounts as well as the average number of daily transactions for these accounts."

Other data requested will include: types of equipment; amount spent on data processing as it regards people and products; on-line and off-line automated teller operations, including average monthly transactions; copying and printing costs; postage costs and usage; delivery methods; use of uninterruptable power systems; use of teleprocessing control monitors; wire transfer systems, and information to assist in the development of standards in the MICR/OCR industries, communications, bank card coding and the international scene.

Preliminary results of the survey will be announced at the National Operations and Automation Conference, which will be held this year at the Americana Hotel in Bal Harbour, Fla., on May 11-14.

Participating banks will receive a complimentary copy of the results of the survey when it's published in July.

BAI Southern Regional Set for San Antonio

San Antonio will host the 26th annual BAI Southern Regional Convention at the Convention Center April 20-22. Theme for the three-day meeting is "Banking Fiesta '75."

Data on complex banking problems and basic banking information will be featured on the program.

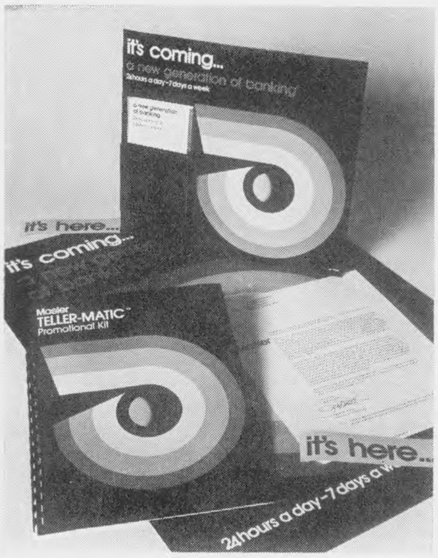
Philip Coldwell, member, Fed Board of Governors, will deliver the keynote address.

The convention will coincide with San Antonio's Fiesta activities and begins with an "early bird" reception Sunday evening.

Registration information is available from David Forbes, Union State Bank, P.O. Box 3459, San Antonio, TX 78285.

New Products and Services

• **Mosler Safe Co.** A promotional kit has been developed to assist banks in introducing and promoting the Mosler Teller-Matic automatic teller unit. The kit includes a manual of promotion strategy and ideas, a counter card, 1,000 personalized statement stuffers, a wall banner, decals, press release, newspaper slicks and radio and TV scripts.

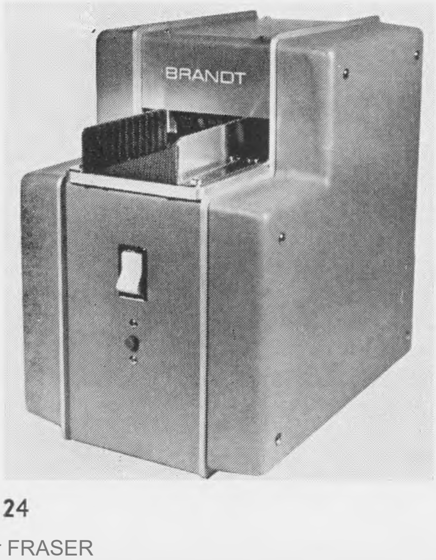


Also offered are customers' instructional and promotional films for both internal and external use.

Write: Mosler, 1561 Grand Boulevard, Hamilton, OH 45012.

• **Brandt, Inc.** A new currency conditioner is being offered that is said to transform brick-like new currency to "crinkled" and "fluffed" notes so that it becomes easy to handle, by machine or by hand. The unit, called the Model 808, does not destroy the new look and crispness of the currency.

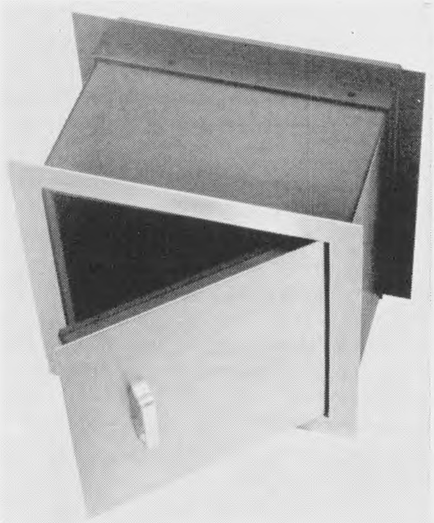
Write: Brandt, Inc., Watertown, WI 53094.



• **Check Caddy Service, Inc.** A home record system for bank customers called "Check Caddy" has been developed by Check Caddy Service, Inc. The system's manufacturer describes it as an attractive, bank-related premium that makes an excellent account opener, add-on incentive, etc.

"Check Caddy" opens to 35x14 inches and features the sponsoring bank's name on the front cover. In addition to being an incentive item, it may be sold to customers who want additional units.

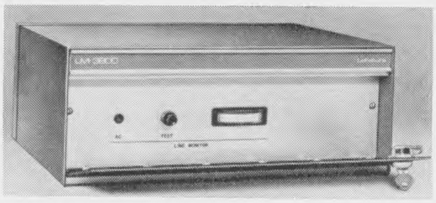
Write: Check Caddy Service, Inc., 10400 Higgins Rd., Rosemont, IL 60018.



• **Meilink Bank Equipment.** This firm has introduced a new pass through designed for security, convenience and appearance featuring a stainless steel front. It comes with double doors and both doors cannot be opened at the same time. Dimensions of the inner chamber are said to allow abundant room for money bags and other bulk transactions.

Write: Meilink Bank Equipment, 3100 Hill Avenue, Toledo, OH 43607.

• **LeFebure Corp.** A new telephone line monitoring system, called LM 3800, has been developed by this firm. The unit sends a succession of unrelated random audio frequency signals from a central station unit to a premise unit that are said to be impossible to duplicate. Signals are transmitted over phone lines. If the premise unit receives the signal in a pre-determined period of time, it returns an entirely different frequency signal to the central unit; thus, there's constant check and recheck between the two locations.



If a signal is not received in the time frame assigned, a signal lamp and audio alert are activated at the central unit. A true alarm at the premise activates a constant electric signal at the central station and energizes an alarm lamp and audio alert. The unit can be tested at any time and a meter reading verifies that the total system is operating properly.

Write: LeFebure Corp., Cedar Rapids, IA 52401.

Holding Companies

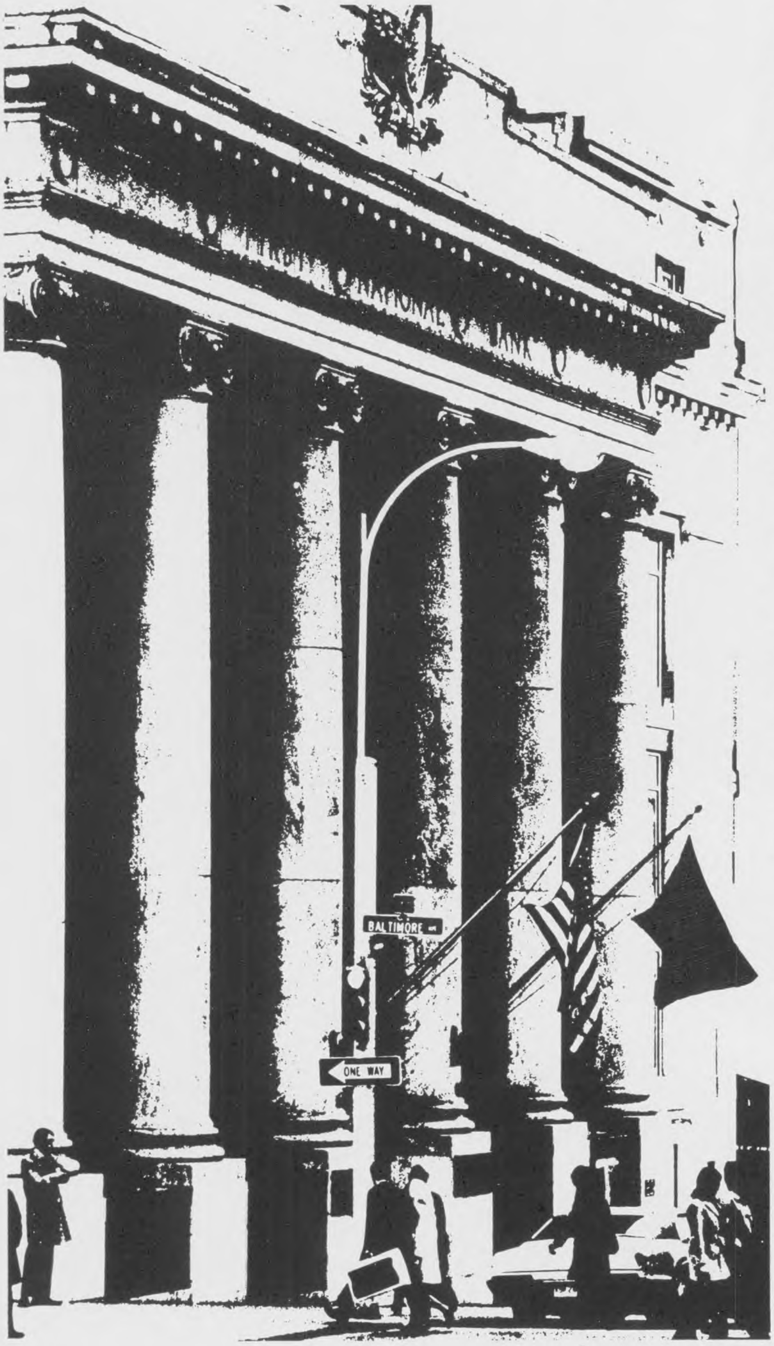
• **The Fed** has approved acquisition of Pioneer Bank and Valley Co., both of Chattanooga, and Crown Finance Co., St. Louis, by First Tennessee National Corp., Memphis. First National, Memphis, is First Tennessee National's lead bank.

• **First City Bancorp.** of Texas, Inc., Houston, has received Fed approval to acquire First City Life, Houston, enabling the HC to engage de novo in underwriting credit life and credit accident and health insurance.

• **First Texas Bancshares Corp.,** Longview, Tex., has agreed to merge with Texas Commerce Bancshares, Inc., Houston. First Texas owns all outstanding shares of Longview National. The merger is subject to regulatory approval.

• **First Ogden Corp.,** Naperville, Ill., has been denied permission by the Fed to become a bank HC through acquisition of Bank of Naperville.

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.

Razzle dazzle has never been a part of our approach. And there have been times when that has worked to our disadvantage. But in today's economy, our strength and conservatism are looked upon as something of a financial fortress.

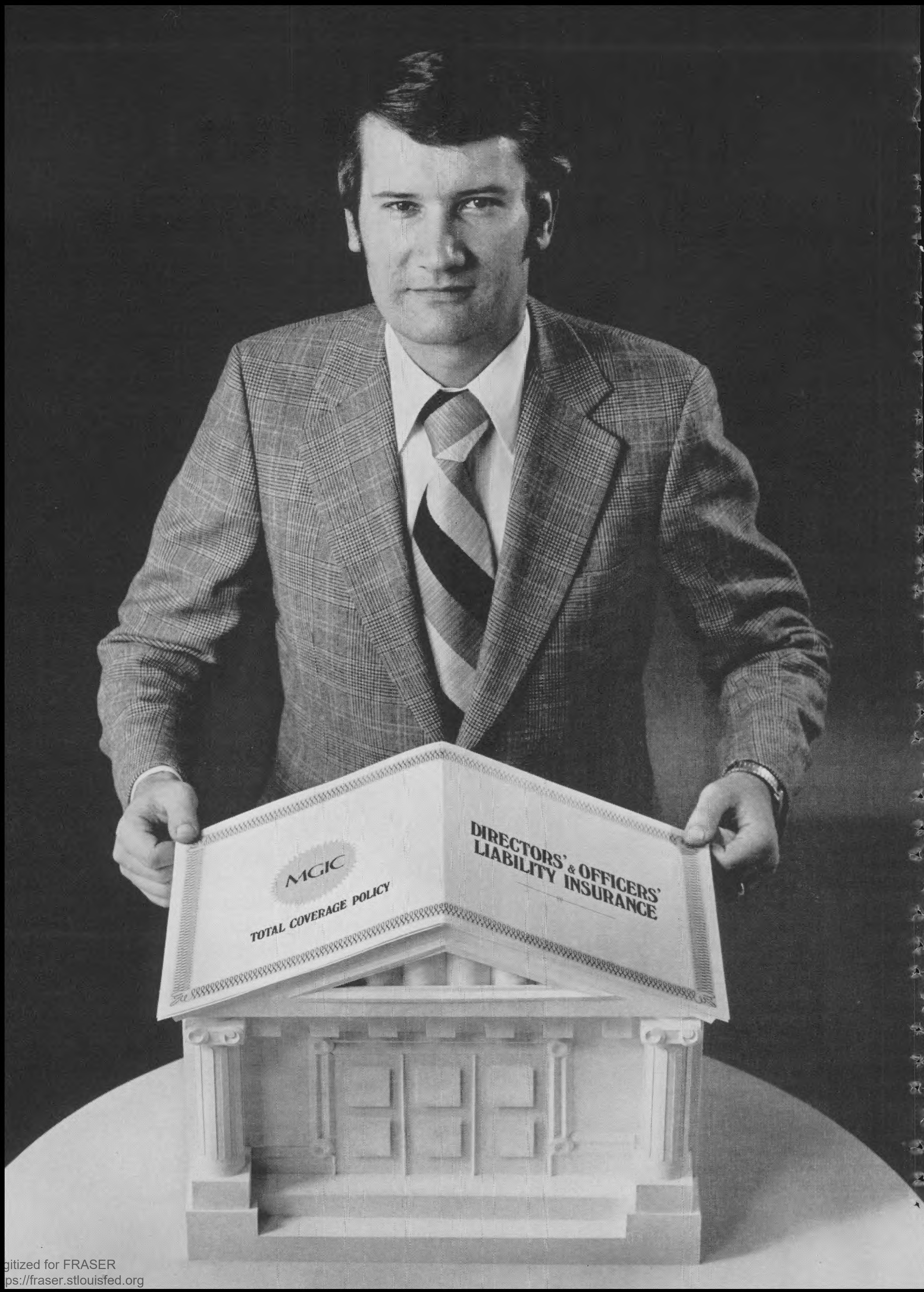
Our policies and people, of course, are what make the difference. We've always placed strong emphasis upon financial security and service for our correspondent banks.

That's one reason we call ourselves The First People. First of all, we're bankers. And we take money very seriously. Member FDIC. 816/221-2800

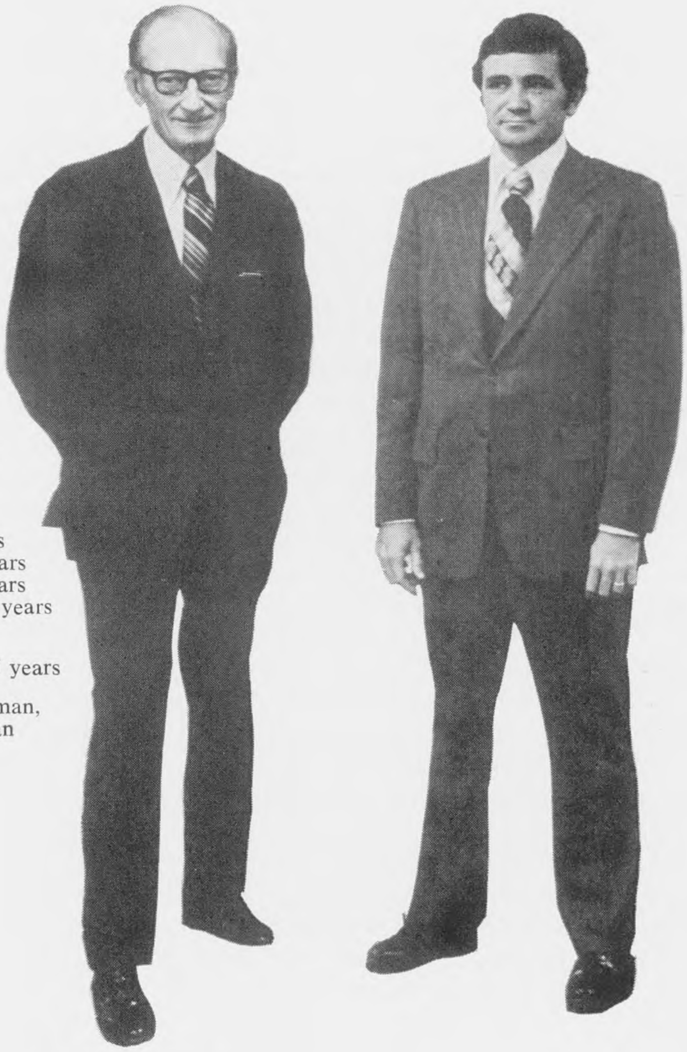
FIRST NATIONAL BANK

of Kansas City, Missouri

An affiliate of First National Charter Corporation


MGIC
TOTAL COVERAGE POLICY
DIRECTORS' & OFFICERS' LIABILITY INSURANCE

Which of these correspondent bankers would you choose?



Name: Harold Smith

Transit Operations. . . 2 years
Bookkeeping. . . 3 years
Tellers. . . 6 years
Army Service. . . 3 years
Bond Department. . . 6 months
Business Development. . . 2 years
Metropolitan Division. . . 2 years
Correspondent Division. . . 27 years

Total Banking Experience. . . 45 years

Hobbies. . . Hunter, Outdoorsman, Collector of Indian Artifacts

Name: Ted Smothers

Data Processing. . . 11 years
Banking Division. . . 1 year
Correspondent Division. . . 3 years

Total Banking Experience. . . 14 years

Hobbies. . . Fisherman, Khoury League Baseball and Soccer Coach

Some big differences, right?

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Wille Calls for Reg Q Phase Out At ABA Investments Conference

Q's 'havoc,' 'instability,' 'discrimination' cited

RECENT experiences with market interest rates substantially above Regulation Q ceiling rates and consequent disintermediation indicate that "the time has come to phase out Regulation Q in an orderly manner," FDIC Chairman Frank Wille told more than 850 bankers attending the ABA's 1975 Bank Investments Conference in San Francisco recently.

"The money market lends on a short-term basis only," Mr. Wille observed. "Thus, Regulation Q serves to draw away normally stable deposits which can fund long-term loans and to allocate them to other uses.

"The havoc Regulation Q wreaks on housing and the instability it perpetrates on banking activities, not to mention the discrimination it exercises against small savers, are now abundantly clear," he said.

Therefore, he continued, the Hunt Commission, the Administration and "many others, myself included, believe the time has come to phase out Regulation Q in an orderly manner."

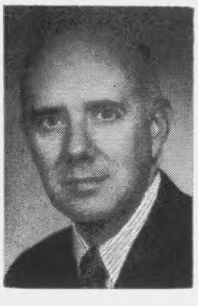
Housing goals and viable thrift institutions "can surely be achieved in better ways than Q, and the sooner we get on with that effort, the better," Mr. Wille said. He added that whether Reg Q remains in effect or not, the nation's banks "must seek to lengthen deposit maturities and to reduce their reliance on the volatile money that courses through our financial system."

The FDIC chairman also urged bankers to resist "overly conservative inclinations" and to move aggressively to "respond to the needs of creditworthy borrowers."

Pointing to last year's liquidity squeeze, Mr. Wille said that there is "evidence that bankers, smarting from the experiences of 1974, may have over-reacted in the other direction by stressing more retrenchment and greater liquidity than may actually be required to pursue prudent and sound bank management policies."

ABA President-Elect J. Rex Duwe, chairman and president, Farmers State, Lucas, Kan., reminded assembled bankers that banking has come under the public microscope in the past several months. "We are the subject of what might be called a media blitz," he said. "Every aspect of our operations, including bank investments, is being taken apart and held up to public scrutiny." He said that was not necessarily a bad thing.

In answer to the question of why this scrutiny is happening now, Mr. Duwe said it's because the nation's economic experience over the past 18 months has shaken the society—and banks perform at the heart of the economy.



D. Dean Kaylor, sr. v.p., Nat'l Bank of Detroit, was elected ch., ABA Investment Division, at 1975 meeting in San Francisco.

"The news media have done an excellent job of highlighting the relatively few defects in our performance," he said. "And the public—our individual customers—is telling us that they're worried. Worried about the economy. Worried about their own economic future. And some are even worried about the banks in which they put their money."

He said the ABA is doing everything within its power to counter these feelings of doubt about the nation's financial institutions. Yet, he said, all the work being done by the ABA doesn't mean a thing "unless they're backed by solid performance—performance that only bankers themselves can deliver.

"I can remember when investment activities were relegated to a comparatively unimportant slot in a good many banks," he said. "In today's economy, that's a serious mistake. Bank investment officers play a major role in contributing to the health of their banks' performance—and to the health of the nation's economy."

He stressed the importance of the fact that a bank's investment policy can help determine its liquidity. "We've all seen this during the past year," he said, "when many bankers faced the choice of liquidating investments at a loss to obtain funds or being unable to make loans. Small banks just didn't have the option of issuing large CDs or other liabilities to increase their liquidity."

Alfred G. Smith III, senior vice president, North Carolina National, Charlotte, in speaking about liability management in regional banks, presented some observations that might be drawn from the events of 1974 to indicate some of the future constraints that will be imposed on liability management. He addressed himself to five features of the conduct and background of liability management that will need to be taken into account by regional banks.

"First," he said, "liability management cannot be conducted out of context. Many people would define liability management as the practice of financing asset expansion by obtaining funds at the lowest possible cost. The function, however, is a broader one. Liability management has to be integrated with the overall management of the balance sheet.

"Second," he said, "the market for bank CDs is segmented or tiered. This segmentation might diminish as credit flows become more plentiful, but is likely to return in future periods of credit stringency.

"Third, regional banks have a natural market for their liabilities. This market is generally defined by trade area. Additionally, regional banks can reply on national market funds, but only if they take explicit account of the risks involved in acquiring these funds.

"Fourth, the background against which liability management is conducted is likely to be one of sharp swings in interest rates. This would assume that the Fed will continue to focus on controlling monetary aggregates and will be quite reluctant to reimpose Regulation Q ceilings on time deposits. In addition, interest rates may rise to relatively high levels for brief periods of time.

"Finally, while the use of Regulation Q as a restrictive device is unlikely, the possibility of alternative methods of slowing bank asset expansion should not be dismissed. Examples of such alternatives would include maintaining the prime rate below the marginal cost of bank funds, aggressive emphasis on capital adequacy ratios or the imposition of some absolute limits (or rate of growth constraint) on bank assets similar to that used in some European countries.

He said that the environment in which liability management is conducted at regional banks is likely to be more demanding as time goes on. Movements in the cost of funds will be pronounced, regional banks will have to pay a penalty to operate beyond their traditional trade areas, and there will be a premium placed on structured planning and management.

In addition, he continued, the nature of constraints that monetary authorities may use to restrict bank asset expansion in the future is not clear.

"It is unlikely that Regulation Q ceilings will again be used to restrict asset expansion," he said, "but it is not altogether out of the question. Other devices to limit expansion cannot be ruled out during future periods of monetary stringency."

D. Dean Kaylor, senior vice president, National Bank of Detroit, was elected chairman of the ABA Investments Division, and Samuel B. Stare, senior vice president, Union Bank, Los Angeles, was elected vice chairman. Mr. Kaylor served previously as vice chairman. Both men will assume their new offices in October, following the ABA Convention in New York City.

Next year's conference will be held February 11-13 at the Americana Hotel, New York City. • •

ABA Says Invoice Racket Increasing, Explains How to Spot, Foil Phonies

A WAVE of phony invoices for advertising, supposedly authorized by top management, has been hitting banks and other businesses nationwide, Hollis W. Bowers, director, ABA Insurance and Protection Division, reports.

Mr. Bowers describes the typical phony invoice racket this way: "A bank officer or business executive receives a call from a person who says he represents an organization with a high-sounding name, usually one which implies connections with minority organizations or publications. This person usually solicits advertising directly.

"Whether an agreement has been reached or not, the bank or business later receives an invoice for advertising with a notation requesting prompt payment, allegedly because a top bank officer or executive has authorized it. Too often, the payment is made."

Even when such advertising has been properly authorized, Mr. Bowers cautions, bankers and businessmen should be aware that they frequently are paying grossly inflated rates for "calling card" insertions and that a large portion of their payment usually goes as a fee to the sales organization, which may have no formal connection with the minority publication it purports to represent.

"One gimmick," Mr. Bowers explains, "is the presentation of a sales promotion document that resembles an invoice for advertising. It amounts to a one-shot solicitation and invoice, but postal regulations require that it be clearly identified as a sales tool, rather than a bill. Some accounts payable departments have mistaken these documents for actual invoices and made payments," he observes.

Unfortunately, phony invoice rackets and "boiler room" telephone solicitation can harm the image of legitimate minority organizations and publications.

A "boiler room" operation usually consists of several rows of telephones, with salespersons using industry or professional directories to make calls all over the country. Those most frequently reported by bankers are based in the Los Angeles area.

"There is nothing illegal or unethical about telephone solicitation as such," Mr. Bowers says. He warns that in some recent cases, boiler room salespersons claiming to represent well-known minority organizations have tried to reinforce their sales talks with expressed or implied threats regarding banks' equal employment practices and race relations.

Mr. Bowers urges bankers and businessmen to take the following steps to avoid being taken in by phony invoices and high-pressure telephone sales tactics:

• Explain to all such callers that it is the policy of your organization not to discuss or make purchase arrangements over the telephone with unfamiliar persons or organizations.

• Verify what organization the caller represents, if any. Require documentation.

• Alert your accounts payable departments to phony invoice rackets and instruct your staff to confirm all purchase authorizations prior to making payment.

• Report any threatening statements by callers directly to the group they claim to represent. Consult your attorney regarding further action.

• If you feel fraud has been attempted or has taken place, report it immediately to your local postal inspector. Your postmaster can refer you to him. • •

Bank Investments Conference

Integrated Asset Management in the '70s

By S. RUSSELL KINGMAN
Senior Vice President
Cape Cod Bank
& Trust Co.
Harwichport, Mass.

THE SMALL BANK has never faced more challenges than it does today.

On the one hand, large holding companies either are buying out small country banks, buying out competitive banks or simply moving into regions that heretofore were the exclusive domain of the small bank. Failures of large banks due to outright fraud or mismanagement have caused the public to question the stability of the small bank, many times unjustifiably so. Yet cost pressures, and particularly, cost-of-funds pressures, continue to increase and seem likely to do so in the foreseeable future. In addition, severe economic dislocations with lower lending rates and higher loan losses must be added into the equation. All these pressures, and others not mentioned, show up most dramatically in the earnings statements of the small bank.

What is not as visible is the pressure now being placed on investment managers to compensate for the profit-margin squeeze through more diligent and inventive management of the bank's portfolio. At times, it seems almost as if the investment portfolio becomes the only possible variable in a scenario that otherwise seems uncontrollable. Thus, more and more pressure is placed on the portfolio manager to perform. I think one piece of wisdom should always be kept uppermost in the portfolio manager's mind and should always be paramount in his discussions with directors, senior management, etc. That is, *the only way to increase yield is to increase risk.* If we start with that basic dictum, I believe we will have a clearer understanding of the portfolio manager's dilemma in 1975.

Given that basic dictum, it becomes imperative for all of us to delineate the parameters of the risks we're willing to accept to increase income. That risk manifests itself chiefly in three areas:

1. What level of quality does one impose on the portfolio?

2. What maturity ranges are desirable?

3. How far does the portfolio manager go in trading securities based on projections of interest-rate trends?

Delineation of risk at any time is unavoidably interwoven with the economic times we live in. Thus, as we discuss investment policy today, I believe it's important to understand my basic position. In its simplest form, we are in a financial crisis of a severity unknown in our professional lifetime. While a budget deficit in the area of $90 billion over the next 18 months may seem outrageous, I suggest that bankers read the comments of Congressman George H. Mahon, chairman, House Appropriations Committee. According to his calculations, the deficit in the next 18 months will not be $90 billion, but more likely will be between $150-$170 billion. If, from that, we draw a conclusion that we are witnessing a government out of control of its affairs, we will have some idea of what I think the times demand of us as portfolio managers.

I think that many times in the past, the portfolio manager's job has been isolated from an interrelationship with other asset management in the bank. In fact, in recent years, liability management has been so much in the forefront that asset management seems to have lagged badly. Typically, the portfolio manager, acting as an independent profit center, would make interest-rate forecasts and then proceed on an investment course that attempts to produce the maximum amount of income and/or capital gains in the bank portfolio. The portfolio's function as a liquidity reserve became quite secondary to its function as an earnings center, and the economic times in which we have come of age permitted this trend to feed on itself.

Given the economic scenario in which I believe we now operate, and the loan portfolio losses taken recently, I would suggest that the function of the investment portfolio in bank asset management has undergone or should undergo two major changes. The first is that the portfolio's need to provide emergency liquidity has taken on new meaning. Secondly, the portfolio must be operated more in concert with other assets of the bank. It no longer can stand as an independent profit center whose policies are self-serving to the investment department alone. Therefore, I would suggest *that the tendency to take on added risk to obtain added yield from the investment portfolio must be very carefully weighed in relation to other asset risks taken in the bank.*

Loan portfolios of most banks have taken on added risk and added loss during 1974 and are not likely to see that risk materially reduced in 1975. If anything, these risks will increase. Thus, any new added risk in the bank portfolio in terms of quality, maturity or outguessing the marketplace, super-

"... the portfolio manager in 1975 should view himself very much as the hedge factor in the overall asset management of the bank."

imposed on added loan risk, places the bank structure as a whole in a risk position that may be higher than directors, stockholders, depositors or management may wish it to be. In fact, if loan risk is increasing substantially, sound banking may call for proportionately less risk in portfolio management to maintain the overall asset risk of the bank within acceptable norms.

In its practical application, this philosophy has manifested itself in our bank investment policy's taking on the following characteristics: first, that maturities in the bank portfolio must be kept within a fairly tight range. To me that means five to eight years' maximum. Parenthetically, it might be of interest that a recent study showed that more losses were taken by banks on market risks than on credit defaults. Notwithstanding that last statement, I believe it becomes imperative for each bank to stress quality in its portfolio. Our bank recognizes the imperfection of the rating services. We require a minimum of an AA rating on any municipality with which we are not intimately familiar and will buy nothing less than A rated securities within our general market area, except for local nonrated water districts, which are general obligation issues. We also wish to reduce market risks as much as possible, and, therefore, have rejected the barbell portfolio in favor of periodic maturities that allow us continual flexibility in reinvestment. (With a barbell portfolio, a bank uses only very short-term and very long-term bonds and excludes intermediate issues entirely.)

There are those who would argue that these moves toward less risk and, therefore, lower yields, are detrimental to a bank's overall health. Yet if one accepts the integration thesis of portfolio management with other bank asset management, then I think the emphasis on more liquidity, higher quality and ultimately, less risk in the portfolio becomes appropriate when all our loan portfolios are tending to less liquidity, higher risks and increased default.

For those who were fortunate enough to buy securities in large amounts during 1974, the present environment offers an almost irresistible temptation to take profits, go into short maturities and wait for the next rise in interest rates in order to once again invest in high current-income issues. I would suggest that if one accepts the integrated asset management viewpoint, this course of action may not be wise for the investment portfolio manager. Let's examine the two scenarios that are possible, relative to interest rates. The first is that interest rates will move substantially higher in the next eight to 18 months. If that occurs, then trading out of high coupon issues today would prove a profitable experience for the portfolio manager. In addition to the portfolio assets, the commercial loan portfolio, short term by its very nature, also would have the opportunity to be redeployed at the higher rates, creating a very effective one-two punch in the form of increased earnings. However, if interest rates do not go back up, the best that could have been achieved is a one-shot below the line profit, which conceivably could be more than offset with several years of lower income due to lower interest rates. Since the loan portfolio also would be invested at these lower rates, its current earnings, too, would show a decline and would reinforce the decline in earnings in the investment portfolio. We then would arrive at a point eight to 18 months out, where an overwhelming majority of the bank's interest-sensitive assets would be invested at significantly lower rates at the very moment when every available earnings dollar would take on added significance.

Thus, I would suggest that the portfolio manager in 1975 should view himself very much as the hedge factor in the overall asset management of the bank. It's tempting to try to predict interest rates and capitalize on those movements. It's also possible to capitalize correctly on those movements through several interest-rate cycles. What has become apparent is that, given the large interest-rate swings and concurrent demands on liquidity, no one is capable of being right perhaps more than 75% of the time, and the 25% that one is wrong can materially, even totally, eradicate the benefits achieved by being right 75% of the time.

It's of great interest to me that corporations that depend heavily on commodity purchases, and many times deal in a smaller universe than we, have found to their dismay that, despite the killings that can be made on inventory profits when they correctly forecast price movements, the disastrous effect of being wrong and the implication to corporate viability that the error entails is not worth the risk of guessing the market. Therefore, they have taken it on themselves quite universally to hedge their positions in the marketplace by means of future contracts in order to eliminate market risk from their business decisions.

I suggest that the portfolio manager of 1975 is in a position to hedge the bank's interest-sensitive assets. Thus, if interest rates were to go back up and the portfolio manager had not done anything relative to trading out of high coupon issues, his investments, by and large, still would be relatively liquid, would show a paper-loss position to the bank, and the earnings of the portfolio would have been impacted to some degree. However, the other bank assets, usually greater in amount, would now be enjoying the higher earning power, thus contributing to the overall maintenance of bank earnings. But if rates do not rebound, earnings provided by high coupon issues in the bank portfolio would act as a hedge against the new low earnings available from other interest-sensitive assets.

If one truly wants to play the interest-rate game, there are a number of ways to play it when he thinks rates are about to rise:

1. Take on a large volume of long maturity CDs.
2. Issue long-term bank debt.
3. Suspend mortgage loans.
4. Suspend commercial term loans.
5. Sell all portfolio holdings over two years' maturity and reinvest under one year.

If the portfolio manager has correctly identified the next rise in interest rates, he, like the commodity speculator, will make a killing. It's obvious, however, that if he is wrong, he will have exposed so much of the interest-sensitive assets to low yields as to potentially jeopardize his bank's soundness.

In conclusion, the modern portfolio manager cannot act as a solitary profit center. His approach must be integrated with other aspects of interest-sensitive asset management. The economic times demand less risk and more liquidity. A strong input to the portfolio manager's policy decisions should be in terms of using the portfolio in a hedge position to other earnings assets so that the bank's total earnings avoid the sharp peaks and valleys—particularly the valleys that our current economic scenario would seem to indicate possible. • •

The Municipal Financing Outlook

Money market rate decline expected to level off in second quarter

By DAVID G. TAYLOR
Executive Vice President
Continental Illinois National Bank
Chicago

AS IN THE PAST, the outlook for the municipal bond market in 1975 will be largely determined by the interaction between financing needs of state and local governments and availability of investable funds at commercial banks.

On the demand side, we believe combined 1975 state and local net budget deficit will decline to about $17 billion from a record $18 billion level reached in 1974. Even though state and local expenditures will increase by over 10% and receipts will fall because of the economic slowdown, federal grants in aid should increase enough to produce a moderately better overall budgetary position at the state and local level.

The financing of this $17 billion deficit will be accomplished by a combination of open market financing or a reduction of cash or liquid assets. Assuming a reduction of liquid assets of $3 billion, which would be twice the 1974 reduction, the municipal market will still have a net new issues job to do of around $14 billion, a bit less than in 1974 but, nevertheless, a formidable accomplishment in markets where the U. S. government and private financing demands will unquestionably set dramatic new records.

Despite some expected reduction in net supply, the path which yields are likely to follow once again will be dominated by commercial banks' demand for tax-exempt bonds. Here, the outlook is perhaps somewhat improved. As in prior economic slowdowns, individuals are expected to continue to increase their holdings of liquid assets, including demand and time deposits at commercial banks. Loan demand is likely to grow at a much reduced rate from last year's torrid pace. Furthermore, monetary policy will be considerably easier in the year ahead, and a hoped-for growing money supply should accelerate the buildup of liquid assets which individuals desire.

Although commercial banks will almost certainly be in a position to give substantial support to the municipal market, whether or not they will provide it depends on their need for tax-sheltered income. Clearly, the diversification of many banks and bank holding companies into international banking and leasing has lessened their demand for municipals. Also, banks are likely to set aside substantial reserves to cover expected loan losses in the year ahead, as has already been evidenced. Finally, and perhaps most important, the size of the federal deficit and the need for banks to be major purchasers of federal securities may further limit their demand for municipals.

In this uncertain environment, any prediction of municipal bond interest rates is perilous; capital markets will generally be under great strain and rates are likely to be increasingly volatile. Nevertheless, some generalizations can be made. Money market rates should continue to work sharply lower in the first quarter of the year but will probably level off in the second quarter. By mid-year, the rate on three-month commercial paper, for example, should be between 5% and 6%.

Longer-term rates, including those for tax-exempts, should also decline gradually, although uncertainty as to the long-range outlook for inflation will limit their decline. By June, the "Bond Buyer's" 20 Bond Index could decline around 90 basis points from its January level to the 5.80% range. At that time, some improvement in the pace of real economic activity may begin, and monetary policy can afford to be a little less expansive. Yields can be expected to backup modestly in the second half of the year, with the "Bond Buyer" reaching perhaps the 6.25% level by December.

The outlook for the performance of municipals relative to other sectors of the bond market is improved this year, though, given last fall's dismal record, perhaps things could only get better. Part of the reason for the relatively improved outlook for municipals follows from this year's unusually heavy external financing needs, both for the federal government and for corporations.

The municipal market is one of the few debt markets which may see a reduction in total net borrowing. Thus, yields between both corporates and governments and municipal securities should widen substantially over the year, although it is doubtful that these spreads will reach the highs of 1973 and early 1974.

Within the municipal market itself, the trends so clearly etched during last year's crisis will probably persist. Quality and liquidity will continue to be stressed and the spreads between lower-grade and higher-grade issues and between longer and shorter maturities will again be substantial.

Thus, in 1975, we see a municipal market that will get the job done, but not as efficiently, nor at interest costs as low as might be expected, were rate patterns existing prior to last year to prevail.

This situation, to a practitioner in this market, is of great concern and, I believe, should be of concern to investors and taxpayers, to investment and commercial bankers and to members of state and local governments. There are many critics of the tax exemption of municipal bond interest. In the late 1960s, the whole principle of tax exemption was in grave jeopardy in Congress and was salvaged only by the concerted efforts of many of the country's local public officials. I believe that, unquestionably, tax exemption will again come under the scrutiny of the federal government as a part of its general move toward tax reform.

The arguments that will be used by the opponents of tax-free municipal bond interest will focus on the narrowing spread between tax-exempt and taxable yields. It will be said that greater efficiency and cost savings would lie in a system where state and local interest was taxable. The federal government would then derive revenue from this source and return it to states and municipalities for local use. Their argument's validity increases in such periods as late last year when the average relationship of municipal yields to similar-quality taxable yields rises substantially. Politically and socially, however, in my view, the inherent dangers in centralizing even more financial power in the federal government are every bit as onerous as they ever were.

Fortunately, there are alternatives to the erasure of the historic principle of tax exemption. Among the alternatives, I find one that is highly intriguing. It is a proposal offered a few years ago for a taxable bond *option* for state and local governments. Under this system, the borrower would have the option of issuing traditional tax-free bonds or a taxable bond under a federal subsidy. The taxable option, if used, would imply that the municipality would pay an interest cost determined in the broader market for taxable securities, and the federal government would subsidize a portion of the interest payments. The funds for the subsidy would be derived from taxes on the interest of the bonds. Studies have indicated that the subsidy would likely be written into law at 30% to 50% of the interest rate paid on the bonds.

If an alternative to the present system must be found, I find the taxable bond option the least onerous and wonder at times if perhaps we are at a stage where we need it. It has three great advantages. First, whether or not the option is used would depend on whether or not the total cost of borrowing in the taxable market is below the tax-free rate. The market would decide, and the issuer himself would reap any benefits which broader marketing options might provide. Secondly, under the system, I see a great deal less opportunity for federal intrusion into the affairs of state and local governments as against proposals for compulsory scrapping of tax exemption. Thirdly, I see an entirely new market for municipal securities opening up as some offerings are issued in taxable form. I believe it would even bring many banks back into the municipal market.

There are other changes coming in the municipal market in the months and years ahead, all designed to make it a better place for the individual and investor to put his money. There is a high probability that the market, which heretofore has been totally unregulated, will fall under a combined self- and governmental-regulatory system. This will bring a broader, better-functioning market to both borrower and lender. The industry is also beginning work on a system of removing definitive securities from the "street" with all of their inherent inconveniences and dangers.

Finally, at least those of us on the bank dealer side of this market are hopeful that Congress may soon amend the Glass-Steagall Act to allow our capital and expertise to enter the market for municipal revenue bonds. This, we believe, would substantially improve the municipal market as a provider of vital funds to states and municipalities.

If taxpayers are going to continue to benefit from lower tax-exempt borrowing costs as they affect the costs of municipal services, then we must not waste this resource. In the last few years, literally billions of dollars of tax-free industrial revenue bonds and further billions of dollars of pollution-control bonds have been issued. In these cases, and particularly in the former case, the benefits of lower borrowing costs have been passed through to private corporations and have not gone to building schools or roads, or providing other municipal services.

It can be argued that many communities have benefited from new plants and cleaner air and water because of the use of industrial revenue bonds. I am increasingly concerned, however, that our natural resource of tax exemption is being depleted to the point of posing a serious threat to its traditional use as a support to more basic and socially desirable municipal services. It is a matter of priorities, and my belief is that what I view as an abuse of tax exemption should be curtailed.

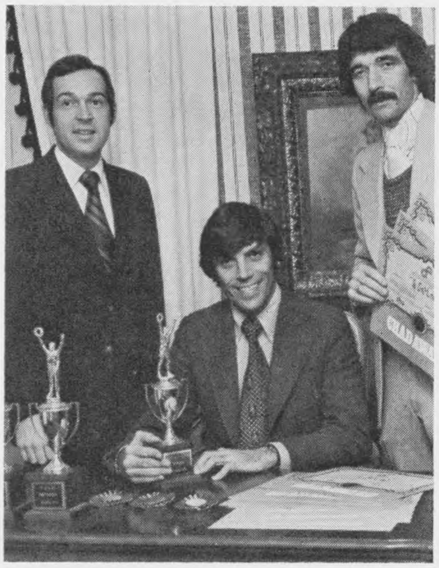
As I have said, the municipal market will furnish the needed funds in 1975, but probably at higher yield levels than we would hope for or expect, based upon historic rate relationships. I believe that we must work to improve the structure of the market. Innovations offer a strong possibility for improvement in the years ahead. • •

For 'Speed Banking':

Bank's Ad Campaign Cited; Sweeps Local Competition

American National, Chattanooga, received more awards than any local advertiser in the recent Chad Awards competition of the Chattanooga Advertising Federation, according to bank officials.

The "Speed Banking" campaign, created for the bank's automated total teller service, Teller-24, got the most recognition. In all, American National won 13 awards.



(From l.) DeArnold R. Barnette, sr. v.p. and dir. of marketing, American Nat'l, Chattanooga; Albert A. Siegel, bank advertising off.; and Scott Sullivan of Proud Crowd, Inc., ad agency, with some of 13 awards won by bank for its "Speed Banking" and other campaigns in competition of Chattanooga Advertising Federation. Ads, developed by Prowd Crowd, Inc., won more awards than any other contestant.

Repurchases to Maturity:

How the Technique Works

The article beginning on this page is the first installment of a two-part presentation concerning reverse repurchases to maturity.

Part I covers the most common situation, that of an issue having a remaining maturity of less than six months and therefore a single coupon due for collection during the period. It also presents an example of how an issue works under certain conditions, but is not an acceptable candidate under a different set of conditions.

Part II, which will appear in the May 1 issue, describes a case where two coupons are due for collection during the remaining time to maturity. Both front-end net-out and maturity settlement are reviewed.

By MICHAEL A. AURO
Executive Vice President
George Palumbo & Co., Inc.
New York

THE NEW "thing" in the money markets these days is called repurchases to maturity (RM). It's making the rounds with favorable reactions and results. If you haven't been involved or heard of this technique, this two-part article explains how it works.

Look at it as an extension of normal reverse repurchase agreements, except, with this technique, it may be possible to generate investable dollars at much lower costs than through a normal repo.

A decision must be made before getting involved, that the owner of the securities under consideration for repo does not want to show or is unwilling to take a loss on an issue by selling it himself, but is interested in improving yield through market arbitrage.

To put it another way, one wants to make the best of a situation that soured due to market conditions. The issue is "underwater": you want to increase your income, but don't want to show a loss on the sale.

In doing an RM, the owner of the security that qualifies is guaranteed par, plus all accrued interest, as if it were held by the owner to maturity. The owner has no substitution or recall rights, regardless of the circumstances.

On October 2, we were arranging "normal" repos out to December 31 on a regular delivery basis (October 3) at 9¼%. Yet, an owner of the 5⅞% U. S. Treasury notes due December 31 could have obtained money at a cost of about 8½%. It's difficult to believe, but not impossible.

The party with whom the repo is done generates funds to be loaned to the owner of the notes by selling the notes. On October 2, the approximate bid side for this particular Treasury issue was 99-14/32. Its sale into the market generated the following:

Principal	$ 994,375.00
Accrued Interest	15,166.44
Total	$1,009,541.44

While the full amount generated can be loaned, in this case it's rounded off, lending $1,009,500 to the original Treasury note owner.

We now set the interest rate for the borrowing. This is done, first by establishing a breakeven point, determined by the difference in the amount guaranteed the owner: par ($1 million), plus accrued interest ($29,750) and total generated from the sale of the issue: $1,009,541.44. But, par plus accrued interest due amounts to $1,029,375. The difference in these two amounts, $19,833.66, represents the minimum amount the lender must generate from the borrower on a loan of $1,009,500 over an 89-day period (October 3-December 31) to break even.

On a daily basis, this amounts to $222.85 per $1,009,500 loaned, or $220.75 per million. Multiplying this figure by 360 days and dividing by 10,000, one converts the interest to an annual breakeven rate. Expressed mathematically, the breakeven is determined by the following equation (A):

$$\%\ (BE) = \frac{(\$\text{makeup})\ (360)\ (100)}{(\text{days to maturity})\ (\$\text{loaned})}$$

$$= \frac{(\$19{,}833.66)\ \ (360)\ \ (100)}{(89)\ \ (\$1{,}009{,}500)}$$

$$\%\ BE = 7.95\%$$

By charging this rate of interest for the money loaned over the 89-day period, the lender should obtain close to the $19,833.66 needed to break even. In this case, $19,840.88 would be generated. No profit is included in this figure, so let's say the actual lending rate was 8¼%, which allows for a profit. At that rate, the lender would generate $20,589.59 on money loaned.

On December 31, borrower and lender settle accounts by means of a difference check of an amount derived as follows:

Borrower Owes Lender	
Full amount of money borrowed on October 3rd	$1,009,500.00
Interest on money borrowed for 89 days at 8¼%	20,589.59
Total (due lender)	$1,030,089.59
But	
Lender Owes Borrower	
Par	$1,000,000.00
Accrued interest	29,375.00
Total (due borrower)	$1,029,375.00
Net difference (due lender)	
Total due lender	$1,030,089.59
Less total due borrower	1,029,375.00
Net (due lender)	$ 714.59

The net due lender ($714.59), plus the amount generated from the sale of the securities, but not included in the amount loaned, in this case, $41.44, or a total of $756.03, represents lender profit.

As far as the borrower is concerned, the money he obtained against the repo on October 3 could have been reinvested for the full 89 days in instruments such as term federal funds, domestic or Eurodollar CDs, deposits in FDIC-insured offshore branches of certain U. S. banks, etc. Depending on the instrument, a spread of as much as 350 basis points (3.5%)* was possible, effectively increasing the yield of the 5⅞% Treasury notes for the remaining 89 days to 9⅜% without incurring a below-the-line loss.

He obtains an additional $8,734.98 return per million par value of securities, derived as follows:

Borrower's income from reinvestment at 11¾% for 89 days (of $1,009,500)	$29,324.57
Less cost of borrowing $1.009,500 for 89 days at 8¼%	20,589.59
Net reinvestment profit/$ million par	$ 8,734.98

In the beginning of this discussion, it was suggested that in applying the maturity technique, all issues don't necessarily generate funds at costs lower than applying normal fund sources for the period. Indicated breakeven points are sometimes greater than doing this repo the usual way. Each issue, therefore, must stand on its own.

What benefit can one derive by doing a reverse RM on an issue maturing in a month with a breakeven point at, say, 10%, when one-month regular reverses are being done freely at 9%?

Bond market conditions also exert an important influence when considered with some of the above factors. One can have a condition where a breakeven cost point on an issue, figured to maturity, is uneconomical in a depressed market. That same issue could be an acceptable candidate under different conditions.

Take a specific case: the 5.30% Export-Import Bank bonds due February 3, 1975. Considering October 9, 1974, as settlement date, and a sale into the market at a price of 98-20/32, we generate:

Principal	$986,250.00
Accrued interest	9,716.67
Total	$995,966.67

* Investment at 11¾% yield, less cost of funds borrowed (8¼%).

Assume the full amount generated is loaned. Therefore, on February 3, 117 days later (maturity date of issue):

Lender owes borrower, par	$1,000,000.00
Plus accrued interest	26,500.00
Total due borrower	$1,026,500.00
But on October 9 borrower received	995,966.67
Amount still due ($ makeup	$ 30,533.33

This amount, $30,533.33, must be generated on a loan of $995,966.67 over a 117-day period. Applying equation "A" to determine the breakeven point:

$$\%BE = \frac{(\$30{,}533.33)\ (360)\ (100)}{(117)\ (\$995{,}966.67)} = 9.43\%$$

On October 9, 120-day repo dollars were available against "collateral" at less than 9%. Therefore, based on present conditions, this issue's owner would be better off doing a "straight" repo with his "Ex-Ims" rather than doing an RM.

Now, focus on the same issue two months later and calculate the breakeven cost for a December 10, 1974, settlement date. Keep in mind that two-month regular repurchase agreements at that date were being put through at about 8¾%.

On December 9, these securities could have been sold into the market at 99-15/32. For a December 10 settlement, one could generate the following money for relending:

Principal	$ 994,687.50
Accrued interest	18,698.22
Total	$1,013,385.72 (a)

On February 3, 1975, the lender of funds owes the security owner par ($1 million), plus accrued coupon interest ($26,500), or a total of $1,026,500 (b).

If the amount generated by the December 9 sale were loaned, the "make up" would be (b) minus (a) or:

(b) $ due security owner February 3, 1974 (maturity date)	$1,026,500.00
(a) $ loaned December 10, 1974	1,013,384.72
Amount still due ($ makeup)	$ 13,115.28

The $13,115.28 must be generated by charging interest on a loan of $1,013,384.72 for 55 days (December 10, 1974, to February 3, 1975).

Again, applying equation "A" to determine the breakeven interest:

$$\%BE = \frac{(\$13{,}115.18)\ (360)\ (100)}{(55)\ (\$1{,}013{,}384.72)} = 8.471\%$$

As we can see, due to changing conditions, an issue that once did not qualify as a candidate for the RM technique now does.

(To be continued.) • •

'Challenge of Change' CSBS Convention Theme In Kansas City This Month

KANSAS CITY—Theme of the 74th annual convention of the Conference of State Bank Supervisors will be "The Challenge of Change." The meeting will be held April 27-30 at Crown Center Hotel here.

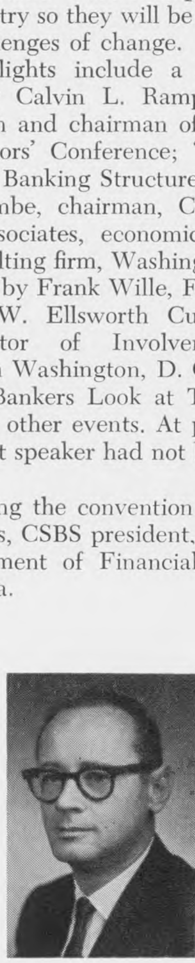
The theme was adopted because the business of banking is evolving more rapidly and in more ways than ever before, according to the convention program. The traditional attitudes and approaches of bankers and bank regulators are being questioned and modified as never before.

The CSBS convention program will be geared to help bankers and bank regulators understand what is happening to their industry so they will be able to meet the challenges of change.

Program highlights include a keynote address by Calvin L. Rampton, governor of Utah and chairman of the National Governors' Conference; "The Evolution of the Banking Structure" by Carter H. Golembe, chairman, Carter H. Golembe Associates, economic research and consulting firm, Washington, D. C.; addresses by Frank Wille, FDIC chairman, and W. Ellsworth Culver, executive director of Involvement Corps, both from Washington, D. C.; a panel entitled "Bankers Look at Their Regulators"; and other events. At press time, the banquet speaker had not been announced.

Presiding during the convention will be James E. Faris, CSBS president, and director, Department of Financial Institutions, Indiana.

GOLEMBE

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Asset and Liability Management From a Supervisor's Viewpoint

By L. G. GABLE
Vice President
Federal Reserve Bank
Minneapolis

TITLES attached to technical subjects frequently are misleading. Some clarification of what I'm going to discuss may be helpful. First, I'll talk about loan quality control. Next, I will attempt briefly to describe how bank examiners evaluate loans. Here I see many parallels in the objectives of bank examiners and bank loan administrators and directors. My last broad area will be bank capital, how capital should influence the degree of risk that can be taken in the loan operation and how liquidity relates to capital adequacy.

Loan Quality Control. This is a subject that has been getting increasing lip service and press coverage. I believe it will receive additional emphasis in the near future. In a way, this is self condemnation, because increasing emphasis suggests that loan quality control has not received adequate emphasis in the past. Lending is banking's most important business. Obviously, maintaining control over the quality of credit is of great importance. Deterioration that has taken place in the quality of credit in recent years and increasing emphasis on loan quality control suggest that bankers—and we in bank supervision—haven't done the job expected of us. Therefore, what I hope to do is provide some additional insights into establishing more effective loan quality control programs in banks.

By loan quality control, I mean banks' coordination of their credit extension, loan review and collection effort. Objectives of loan quality control are threefold: *First,* to provide assurance that the bank is serving its community's credit needs. *Second,* to provide assurance that credit risk is held to reasonable limits. *Third,* to minimize losses.

There are many reasons for emphasizing the need for loan quality control. One is that loans in commercial banks total more than $500 billion and represent about three-fourths of all bank deposits. Couple this with the fundamental objective of management in all profit-seeking enterprises of maximizing profits and perpetuating the organization, and it becomes clear that maintaining quality over that volume of credit is essential.

At this point, I want to comment on the essential parts of a loan quality control program, which, as I have mentioned, are extension, review and collection.

First, in credit extension, it's absolutely essential that every bank have a formal, written loan policy. Policies basically are a communication device used to coordinate and control efforts or behaviour of a group of individuals. They are tools used to direct the course of a business or operation and, hopefully, if well put together and adequately controlled, will maintain that business on a sound course despite changing individuals or circumstances. I emphasize that adherence to a formal, written loan policy is essential to provide continuity, coordination and control over behavior of a group of loan officers.

A loan policy should be structured to assure selection of loans that serve a community's needs while limiting risk to reasonable and established limits. It should provide guidelines and levels of authority within which lending personnel can exercise their best individual and collective judgment. Obviously, loan policies must vary from bank to bank because of differences in banks and communities served. I can't go into detail on all aspects that loan policies should cover. However, I will emphasize these points:

1. All loan policies should provide for avoidance of undue pressure from directors, stockholders and large depositors in influencing decisions of loan personnel. This must be in the policy and thoroughly understood before the problem comes up.
2. Loan policies should be definite in providing assurance that there be no relaxed standards applied to loans to officers, directors and stockholders and their interests.
3. Loan policies should provide a requirement that every loan have a definite and reasonable payment plan from a stated source of funds with a secondary source of funds if the primary source lacks reliability.
4. Loan policies should provide guidelines governing renewals and extensions of credit terms.
5. Loan policies should be structured to avoid extending credit for speculative purposes.
6. Loan policies should provide levels of authority for loan personnel based on the individual's experience and ability.

If at this point—that is, early in 1975—I were asked for an additional

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The possibility of taking heavy losses on loans looms like a specter before the nation's banks as the recession gets worse. As *The Wall Street Journal* has pointed out, by some estimates, banks' losses on bad loans rose to a record of almost $2 billion last year from just over $1 billion in 1973. Losses in 1975, continued the newspaper, probably will rise even higher as the deepening recession bites harder into the ability of borrowers to repay debts.

The Wall Street Journal also pointed out that—with the economy as bleak as it is—many specialists expect examiners to be grading bank loan portfolios harder than they would in good times.

Therefore, the editors of MID-CONTINENT BANKER believe the article by L. G. Gable on a supervisor's view of asset and liability management is especially pertinent. His article is divided into two parts. This month, Mr. Gable discusses loan quality control and how bank examiners evaluate loans. Next month, he will concentrate on bank capital.

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factor to be included in a bank's loan policy, it would be: *Avoid extending credit to individuals and businesses that are overextended.*

When overextended or illiquid, business entities and individuals lack flexibility, and fewer options are available to them to deal with unanticipated adversities. I believe the time is fast coming when the balance sheet again takes on greater significance. If you believe that the recent buildup of short-term bank credit can be taken out with security offerings, whether debt or equity, as our money markets loosen up again, then I ask you to look at the competition there is and will continue to be in those markets and to consider whether there even will be a place for the overextended borrower.

The next essential part of a loan quality control program is loan review. Simply put, loans cannot be put on the books and forgotten unless the bank is willing to take excessive losses. I know some loan people think that no loans are bad when put on the books. I believe loan losses result from inadequate attention after origination as much as or more than they do from inadequate analysis or poor judgment at the time of origination. Fortunes of business and people do change, especially those of borrowers. Internal and external factors are at work continuously on every business enterprise. Thus, it's essential that each bank have a system to provide for review of its outstanding loans to determine, first, those loans that shouldn't have been made in the first place. This helps evaluate and train lending personnel, provide assurance that loan policy is being followed and provide feedback for loan policy revision. Review also should determine those borrowers whose financial conditions and/or payment abilities are deteriorating to the point where collectibility of the loans may be impaired. In addition, review should determine that collateral, whether serving as a primary or secondary source of payment to the loans, is maintained in good condition and with the agreed-on margin of protection.

In summary, the loan review program should identify weaknesses in the loan portfolio so that timely and appropriate rehabilitation or liquidation programs can be implemented, with the principal objective being to keep good loans sound and to minimize losses on the others.

The last essential part of a loan quality control program is collection. This must be integrated and coordinated with the loan extension and review programs to provide the total package of loan quality control. When problems surface that impair the borrower's ability to service his debt, alternatives must be considered and timely decisions made to minimize losses.

"Many banks waste too much time and effort going along with ill-conceived rehabilitation or workout situations that are not going to work out."

Generally speaking, most borrowers with problems uncovered in the review process will react favorably to timely rehabilitation efforts. Further, rehabilitation is preferable to forced liquidation except in the case of borrower dishonesty. I think most bankers, in recent years, have bent over backward to avoid forced liquidation. However, not all borrowers will have the capacity to overcome their ill fortunes even with the bank's assistance and cooperation. The practice of exhausting every alternative before forcing liquidation frequently wastes time and valuable human resources and prevents concentration of rehabilitation efforts on other loans that have a better chance of being repaid. Such delays frequently work against the objective of minimizing loan losses.

I want to emphasize this point: Many banks waste too much time and effort going along with ill-conceived rehabilitation or workout situations that are just not going to work out. There's a point at which such efforts no longer contribute to good public and community relations, but rather work against the bank's efforts to create and maintain a good image. Those borrowers who have had reasonable time and opportunity to correct their deficiencies, but fail to get results, don't deserve a bank's credit. In such situations, insist that your bank collect what it can, take its loss and put the collected proceeds to work where they will do some good.

An additional point is that once the loan is charged off, it shouldn't be forgotten. A program for post-mortem examination can be helpful in training loan officers and in pointing out possible weaknesses in the bank's loan policy and review operation.

Evaluating Loan Classes. At this point, I'll shift to examiner methods of evaluating various classes of bank loans. As I said, I see many similarities in the objectives of bank officers, directors and bank examiners.

In most banks, loans can be subgrouped into four separate classes: consumer installment, real estate, collateral and commercial or all other. Different appraisal techniques apply, and different weaknesses are involved in each class.

Consumer installment lending is a specialized high-volume operation to which traditional credit-evaluation methods don't apply. Thus, examiners try to evaluate the operation, not individual credits. By consumer installment lending, I refer to typical consumer loans, secured and unsecured, for purchases of durable goods or for other household expenditures on which the bank relies on the borrower's salary or income for payment.

The direct part of the consumer loan operation, that is, those loans made directly by the bank and not purchased from others, can be evaluated by determining the reasonableness of loan to cost, or value ratios typically used, and reasonableness of payment terms. The extension-renewal policy is important and, if not controlled, can be used to hide mistakes or a high volume of delinquencies. Volume of delinquencies, repossessions and losses should be reviewed for trend comparisons, reasonableness and possible weaknesses in extension and collection functions of a consumer credit operation.

The indirect part of the consumer loan operation should receive the same kind of evaluation as direct, but separated by dealer to enable an evaluation of the quality of paper acquired from each dealer. Adequacy of dealer reserves, bank exposure resulting from concentration by classes of paper or customers served by the dealer and capability of the dealer to make good on his contractual agreements with the bank on recourse paper or repossessions also should be reviewed.

I think it's extremely important, especially in indirect installment lending, to have good audit control. Most major losses in this lending area have resulted from dealer fraud. Thus, you should be sure that your bank has a sound method of verifying the authenticity of purchased paper and an effective program to verify floor-planned collateral periodically.

Most banks offer credit life and health and accident insurance to their consumer loan customers. You should know *how* this is handled in your banks, not just management's stated policy. Occasionally, we find that 80% or more of direct consumer loans have credit life or health and accident insurance or both. In these cases, it ap-

". . . it's difficult to maintain an effective organization when that organization is growing very rapidly."

pears obvious that such insurance is being oversold and that many customers must believe it's a requirement for their receiving credit. I think this is a bad practice in banking and should be discouraged.

One more point on insurance: I believe that the sale of credit life and health and accident insurance by banks is an ancillary part of the lending function. Such insurance generally is sold by salaried bank personnel only to bank-borrowing customers. Therefore, income from such sales belongs to the bank and only to the bank. It definitely should not be used to pay bonuses to those who sell the insurance, and it should not be withdrawn from the bank by any group of officers, shareholders, their interests, corporate or otherwise, or by an affiliate.

Real estate loans are the second broad category of loans that examiners must evaluate. They must be subdivided further into two types. The first type is those loans based on one-to-four-family residential properties. The second is those based on all other or commercial, industrial, apartment buildings, farm land, etc.

One-to-four-family residential mortgage loan portfolios are similar to direct-consumer-installment loans in that they are a high-volume operation and, if properly handled, there is relatively little risk of loss. Thus, we try to evaluate the operation, not the individual loans. The operation can be evaluated by determining appraisal philosophy and methods, loan-to-value ratios commonly used, volume of delinquencies, method of escrowing and paying taxes, volume of tax delinquencies and experience of the bank in disposing of real estate acquired through foreclosure.

In my opinion, appraisal policy and procedures are the most important part of this type of lending, and without controls appraisal methods can become lax. Thus, you should be concerned that controls have been established to provide assurance that appraisal methods conform to a sound policy. While it may make it hard to be competitive, appraisals for lending purposes should be on the conservative side, especially where values have been inflating rapidly.

Where construction loans to builders on one-to-four-family dwellings are handled in the mortgage loan department, you should be sure that your bank has established procedures to advance funds only against completed work and on a predetermined basis. Obviously, inspections to make sure that the work has been done are essential, and you should determine that someone in your bank *does* make such inspections. If your interim construction loans are of such size that your bank doesn't intend to make the permanent mortgage, you should have firm take-out commitments on each construction project before construction funds are advanced. Additional evaluations of builders' lines are necessary and should be reviewed like those of any other commercial borrower.

Mortgage loans on commercial and industrial properties require analysis to determine payment capacity of the borrower because of the single-purpose nature of many of these properties. While these loans have real estate mortgages as collateral and may be in your mortgage loan departments, they should be evaluated like any other commercial loan.

The third broad category of loans is collateral loans, those based on assigned marketable collateral such as stocks, bonds and cash value of life insurance. Evaluation of these loans can be accomplished by reviewing banks' policies governing extension of this type of credit, determining how sound the policy is and then conducting test checks to make sure the policy is being adhered to. When conducting this type of lending operation, loan officers should make sure there are controls that provide assurance for proper maintenance of margins at all times.

I want to issue a warning on this type of lending: You should see red flags attached to loans on control stock. Whether registered or unregistered, such stock is difficult, if not impossible, to dispose of at anywhere near quoted market prices. There is too high a frequency of loans to executives or corporate principals based on control or large blocks of stock which end up as workout or loss propositions.

The last broad loan category, which I have described as commercial or "all other," includes secured and unsecured, single-payment, working capital and term loans to farmers and ranchers, retail and wholesale merchants and manufacturers and to the broad array of service industries, such as truckers, contractors and financial institutions, plus churches, lodges, municipal governments. Evaluation of such credits should be based on the interrelationship of the following major factors: 1. Character of borrower. 2. Past record of borrower in servicing debts. 3. Current financial condition of the borrower and trend of his financial condition. 4. Income-producing capacity and dependability of that income. 5. Primary and secondary source of loan payment and dependability of those sources. 6. Marketability and value of collateral.

After the examiner has obtained as much information as he can or needs from your operating records and credit files, he must set about evaluating all, or at least some, of these factors for each credit that he reviews. Some factors will be more important than others for some types of loans, and I suspect that some examiners may emphasize certain factors and de-emphasize others. My own thinking is that good character of the borrower always is essential. An improving trend in financial condition generally is more acceptable to me than a better financial condition that's deteriorating. A dependable primary source of payment with an undermargined collateral position is more acceptable than a weak primary source of payment with a high margin of collateral protection.

Most examiners usually establish a loan-amount cutoff and evaluate all loans above that cutoff amount, plus delinquent loans. The cutoff is determined by a number of factors, including capital of the bank, general loan quality, capacity of bank personnel and available examiner manpower. Loans found to contain more than normal credit risk, based on the interrelated factors I mentioned, are classified in the examination report. The *substandard* classification means that the loan contains more than normal credit risk, needs special attention, but doesn't appear to involve a loss situation at the time. A *loss* classification means just what it implies, while *doubtful* should mean that some loss is imminent, but an exact amount cannot be determined.

Generally speaking, the bank supervisor will not be alarmed if the criticized loans don't exceed 20% of the bank's capital accounts, and there's reasonable balance among substandard, doubtful and loss classifications. When classified loans exceed 40% of a bank's capital, you can expect the supervisor to show some anxiety, especially if the trend is upward. If classified paper exceeds 80% of capital accounts, the bank needs help and there are strong indications management is incompetent or is engaging in self-dealing or speculative practices.

Potential Problem Situations. In May, 1974, Franklin National of New York, through its parent bank HC, announced that it was having difficulty and would pass its dividend. The bank was declared insolvent early last October. A review of Franklin National shows that it grew in size from about a $3-billion bank in 1969 to a $5-billion bank in 1973. Its loans nearly doubled in this period, from $1.5 billion to about $2.8 billion, and its foreign activity doubled not just once, but about three times.

Early last September, the FDIC announced that it was providing direct financial aid to American Bank, Orangeburg, S. C., which was having some difficulty with some illiquid real estate loans. In early October, that bank was merged out of existence with about $40 million in FDIC financial assistance. At year-end 1973, that bank had reported deposits of about $130 million and resources of about $150 million. At year-end 1970, American Bank had about $45 million in deposits.

The financial problems of W. T. Grant Co. have received publicity recently. That old-line retailer had been profitable for more than 60 years. Then, sort of culminating an expansion program that began earlier, the firm opened 376 new stores between 1969 and 1973. At the same time, Grant tried to upgrade its image and merchandise—from the five-and-dime type to a department-store image—and also switched from cash and carry to a credit operation. Last year, the company lost $175 million and has failed several times to meet payments on its $600-million bank debt. While Grant hasn't been buried yet, it does have serious financial problems.

Rapid growth is the clue. Very rapid growth has been a common factor in many recently surfaced financial problems for banks and bank borrowers. Stated in simple terms, it's difficult to maintain an effective organization when that organization is growing very rapidly. Not all managements are capable of doing it. Too rapid an expansion in any economic endeavor should provide a warning signal to the alert bank director or officer. This is as true in your own banks as it is with your individual borrowing customers, all the way up to industries that borrow from banks.

In many banks, a not uncommon problem in the past decade has been the marketeer-type manager. Growth at any price seems to be the philosophy. These people are very convincing that their methods are sound; they develop many new customer relationships and look good in the income-producing department for the short run. Too frequently, however, in their haste for growth, they lose sight of some fundamentals. Accounts-receivable financing is undertaken at inadequate rates and with untrained or inadequate staff to service the loans properly. Floor plans go unchecked, and a little larceny by a high-volume dealer is overlooked. Construction loans are extended without a firm takeout commitment from a long-term lender. The bank attempts to be all things to everybody. Many problems come to light.

Growth is good. We all like to be associated with an aggressive organization, but, when growth is too rapid, bank directors and managers had better make sure that the credit-extension function is not outpacing the bank staff's capability to maintain control over the quality of the credit.

The same lesson is applicable to the individual borrower. Too rapid an expansion frequently spells trouble.

The commonness of financial difficulties resulting from too rapid expansion, I believe, holds true for entire industries. In retrospect, shouldn't one have been able to predict that a financial industry that was virtually unheard of 10 years ago and grew to a $20-billion industry in the interim would have problems? I'm referring to the real estate investment trust (REIT) business. There may be others. Bank directors and senior officers should be attempting to anticipate those industries that may be in for hard times and take steps to reduce their banks' exposure to potential problems. Rapid expansion appears to me to be a frequent sign of aproaching troubles.

At this point, if I were to ask how many of you would feel comfortable lending on an unsecured basis up to your bank's legal loan limit to a finance-company-type organization that had doubled in size in five years, my guess is that I wouldn't get many yes votes. I would lose some of those if I added that this type of company commonly has debts exceeding worth by 10 times or more. If I added another condition that this type of lending is commonly done without the benefit of a current audited statement of the borrower, I should think even the last holdout would drop out, and all of you would think I'm crazy for even suggesting that you might feel comfortable with such a loan on your books. However, many banks lend federal funds under the same or similar conditions and never seem much concerned as to the soundness of that credit. Now just think about that and, when appropriate, inquire into the practices your bank follows in lending federal funds and how you control the quality of that credit.

If my analysis holds water, that too-rapid an expansion—especially external expansion—is a frequent cause of corporate and industry problems, what does this say for the bank holding company segment of our industry? Growth through bank and nonbank acquisitions certainly has been rapid. Do managements of these companies have an uncanny capacity to integrate the banks and other financially related firms into a tight and efficient corporate family?

Sometimes such thoughts are generated by observed lending practices in bank HC groups that have the potential to weaken credit standards in controlled banks. Here I refer to relatively large credits originated by the lead bank or the management of the parent itself and prorated out to subsidiary banks based on their legal loan limits. Management of the parent can assign accountability for loan quality to subsidiary bank directors and loan officers, can preach a good line that each group bank is responsible for each loan it puts on the books and even can go so far as to tell group bank managers that if they don't approve of the quality of a credit originated by an affiliate, don't participate.

In spite of such exhortations, subsidiary bank managers invariably accede to the wishes of corporate management expressed in a memorandum to the subsidiary bank advising that a loan, which benefits the whole group, has been extended to ABA Corp.; your share is X dollars; a copy of the credit file will be forwarded when available, and if you wish to cooperate, please send by return mail your draft for your participation in this unquestionably sound credit. The alternative of being uncooperative with corporate headquarters just isn't acceptable. Also, the bank has an out-of-territory loan that may or may not be up to its credit standards. In addition, the bank HC group has diminished its strength of diversity. I believe many bank HCs are engaging in similar practices which I have observed to be a frequent cause of loan problems in group banks.

In summary, not all rapidly expanding organizations will have financial problems. Certainly many organizations that are not expanding rapidly will have problems, but where you observe exceptionally rapid growth, it can be rewarding to remember that not all managements are capable of coping with such expansion. • •

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In the second and final installment of Mr. Gable's article, he will deal with bank capital, how it should influence the lending operation and how liquidity relates to capital.

Bank Directors' Assembly To Be Held May 26-29; Ethics a Major Topic

HOT SPRINGS, VA.—The 22nd Assembly for Bank Directors—the first of three scheduled for the next year—will be at the Homestead here May 26-29. The 23rd assembly will be at the Arizona Biltmore, Phoenix, November 5-8, and the 24th is scheduled for February 1-6, 1976, at the Sheraton-Waikiki and Royal Hawaiian, Honolulu.

B. Finley Vinson, chairman of the assemblies' sponsoring group—Foundation of the Southwestern Graduate School of Banking at Southern Methodist University, Dallas—will lead the May assembly program with a discussion of "The Foundation and the Assembly." Mr. Vinson is chairman, First National, Little Rock.

Other program topics include: "Bank Ethics Need for a Code," "The Financial Outlook," "Legal Responsibilities," "Credit Administration," "What a Bank Supervisor Expects From Directors," "The Director as Protector of the Banking System," "Evaluating Management," "Capital Planning and the Market Value of Bank Stock," "Planning, Budgeting and Control," "The Practical Approach to Banking," "The Director and the Marketing Effort" and "The Economic Outlook."

A special spouses' program will offer a reception and banquet on May 26 and a champagne brunch the next day, which will be followed by discussions on "What Banking Is About" and "Trusts and You." "The Director as Protector of the Banking System" will be that evening's after-dinner speech. The May 28 luncheon will be highlighted by a talk on "The Practical Approach to Banking."

Myers Elected President Of ABA Trust Division

Ray F. Myers, executive vice president for trust and investment services at Continental Illinois National, Chicago, was elected president of the Trust Division of the American Bankers Association recently.

The Trust Division assists ABA member banks' trust departments in their endeavors to improve fiduciary products and services and to develop more complete public understanding of the trust business.

Mr. Myers' term as president of the Trust Division will run from October, 1975, to October, 1976. He is currently serving as vice president of the division and is a past chairman of the National Trust School's board of regents.

Elected to succeed Mr. Myers as vice president of the Trust Division was James W. North, executive vice president, Chase Manhattan Bank, New York City.

Bank Donates Property To Community Services

C&S National, Savannah, Ga., has donated Tattnall Square to the United Community Services of Savannah-Chatham County, Inc. The property represents a bank investment of about $200,000.

C&S originally purchased the property in 1968 as part of a plan to upgrade slum property, providing decent housing at reasonable costs. After renovation, three wood-frame buildings were subdivided into five apartments and a day care center.

How Banks Can Solve Problems At Their Drive-Up Facilities

By ROSEMARY McKELVEY
Managing Editor

DRIVE-UP FACILITIES have been a great boon to banking. They help reduce lobby traffic; they encourage people to "come as they are" in their cars because they don't have to go into the banks; they often can put more customers through than in bank lobbies because drive-up patrons sometimes require fewer services than walk-in customers.

However, the growing popularity of drive-up banking brings with it some problems. For instance, there may be traffic congestion, particularly on paydays. At some installations, cars waiting to get to banks' drive-up windows actually are lined up on well-traveled streets, halting movements of noncustomers' cars. Where there is more than one drive-up window, there may be a big line of cars waiting at one of the windows and hardly any at the others because the motorists can't tell until they pull into a given line whether it's moving slowly or fast. Such situations hardly build good will for the banks involved.

Where there are problems, though, solutions usually can be found—perhaps by redesigning a bank's drive-up layout or closing it up completely and building a new one in a different location or by adding a traffic-control system.

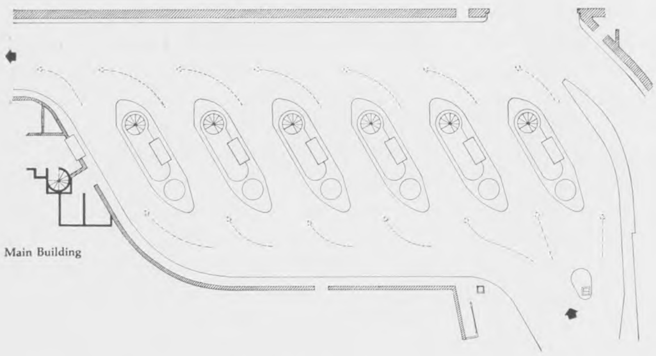
City National, Rockford, Ill., had a chronic traffic problem at its old drive-up installation, consisting of four regular drive-up banking windows. As the $72-million bank continued to grow, window traffic increasingly tended to back up into one of Rockford's busier streets. This caused concern to the bank and to the city's police officials.

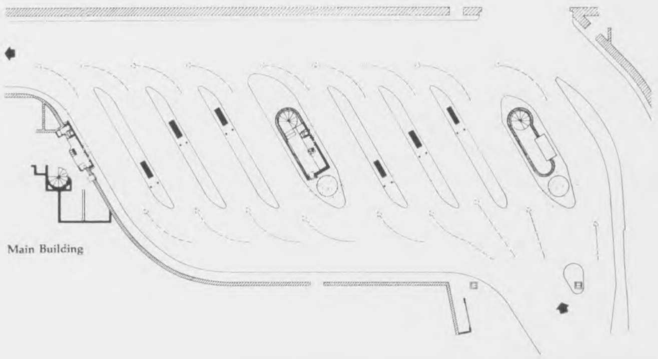
The solution to City National's problem came in the shape of what the bank calls its "City-Mini-Bank." This is a separate building located on land adjacent to the Main Office and connected to it by a tunnel. It offers a "flow-through" traffic plan for both commercial and regular drive-up customers. Commercial customers are served in the "Mini-Building" by two drive-up windows, one of which features a package receiver for bulk deposits. Available, too, is a Diebold After-Hour® Depository, which can be used from an automobile. The bank's regular drive-up customers are served by seven Diebold Visual Auto Teller I systems with the captive-carrier feature that eliminates the need for customers or tellers to handle a carrier during transactions.

An integral part of the new drive-up operation includes an electronic traffic control system—called BANKontrol—which distributes traffic to all stations, including both the manned drawer windows and the pneumatic-tube-serving units. The control system, manufactured by Elec-Tro-teC, Inc., Elk Grove Village, Ill., enhances the overall operation of the drive-up facility in a number of respects, to the advantage of both the bank and its customers, said Roland D. Miles, vice president and cashier.

Traffic entering the facility responds to instructions flashed on a traffic-dis-

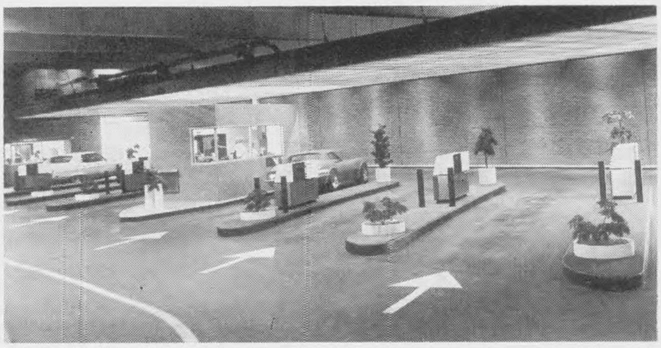
LEFT: This was Michigan Nat'l of Saginaw's original drive-up facility installed in 1949. Note that cars had to line up one behind another, sometimes making it hard for a car second or third in line to exit. RIGHT: New toll-booth-type of drive-up facility at Michigan Nat'l has speeded up service volume considerably, and cars can exit easily after transactions are completed. Bank is using 10 Pneu-Vista 800 remote units, manufactured by Mosler, Hamilton, O. This is said to be largest drive-up installation in Michigan.





TOP LEFT and TOP RIGHT are "before" and "after" drive-up layouts at Merchants Nat'l, Cedar Rapids, Ia. Two plans show how—with Tel-Air Five, product of LeFebure, also of Cedar Rapids—six traffic lanes were fitted into space that four drive-up buildings had required before. Remodeled control stations in main building and in third drive-up building now serve three additional lanes. Building at far right in right layout was retained as originally built to serve as ninth drive-up station if needed.

BOTTOM RIGHT: This is actual photo of improved drive-up system at Merchants Nat'l, Cedar Rapids. Eight-lane LeFebure Tel-Air System Five-equipped motor bank replaced six individual drive-up windows, which were installed in brick buildings similar to one in center of photo.



patching sign located at the head of each of the three approach lanes. Each customer receives a specific instruction as to which station he is to proceed for service. The system is teller operated and eliminates customers' frustration because of delays resulting from their picking a slow-moving line in back of a long transaction. Each customer receives equitable service by always being assured he will be directed to the first available station.

Mr. Miles said that one of his prime reasons for selecting the BANKontrol system is its capability to distribute traffic flow evenly to the serving units. He believes it provides him with total flexibility to adapt and reduce his staff to the optimum level necessary to best handle any type of situation because of the capability of having full and immediate control over which stations will be operational at any time. Mr. Miles added that he feels the traffic-control system enables him to get the best return on his investment in the drive-up equipment by way of maximum equipment utilization, increased operational efficiency, etc.

The new drive-up facility has generated a 20% increase in transaction volume, continued Mr. Miles. The bank currently is averaging about 28,000 drive-up transactions a month. Mr. Miles pointed out that City National's old drive-up facility included four individual teller stations and provided backup space for 22 cars. During peak periods, between 40 and 50 cars would be backed up on the bank's own property and on the streets providing access to the facility. The bank employed two off-duty policemen to direct this traffic. Cars on the streets blocked the exits from the drive-up facility and intersections surrounding the bank.

In contrast, said Mr. Miles, the new

TOP: Electronically controlled signs guide customers to available tellers windows at new drive-up installation at City Nat'l, Rockford, Ill. This traffic-control system, called BANKontrol, is manufactured by Elec-Tro-teC, Inc., Elk Grove Village, Ill. Facility, called "City-Mini-Bank," was designed and built by Chicago office of Bank Consultants, Inc., Denver.

BOTTOM RIGHT: "Flow-through" traffic plan at drive-up facility is shown here. Customers are served by seven Visual Auto Teller I systems with captive-carrier feature that eliminates need for customers or tellers to handle carrier during tansactions. Visual Auto Teller I is product of Diebold, Inc., Canton, O.

BELOW: This is overall view of City Nat'l of Rockford's drive-up installation, called "City-Mini-Bank."

facility provides maximum backup space for 18 cars, and this has proved to be more than adequate. The Elec-Tro-teC lane-control equipment, plus the captive-carrier system, has given the bank an organized, rapid flow of customers, he said. In addition, the average transaction time has been reduced from 1.3 minutes to .9 minutes; peak traffic periods can be handled with a minimum of delay and the addition of only one teller, and the off-duty policemen have been eliminated.

Mr. Miles referred to the facility's unusual design: The seven remote units are laid out on an angle that provides good visibility between the customer and teller, a distance of not more than 23 feet.

Bank Consultants of America (BCA) designed and constructed the "City Mini-Bank" for City National. The Denver-based firm has offices in Chicago, Dallas and Atlanta.

With limited land space available to work with, BCA's design team created an answer to City National's needs of operationally and economically serving an increasing number of customers. The result was a 2,800-square-foot structure, which quadrupled the bank's capability to serve customers.

Before City National actually decided to change its old drive-up installation, BCA made a survey for the bank on whether it would be better to put the new drive-up facility on separate property away from the main bank or on adjacent property it already owned. The survey showed that by using the latter site, the bank could save money by not having to buy additional property and by not having an installation and its staff located completely away from the Main Office.

Merchants National, Cedar Rapids, Ia., 10 years ago constructed a downtown motor bank across the street from its Main Office. Located on the ground floor of a six-story office building and parkade, the enclosed installation consisted of seven service islands, each with its own drive-up window and own teller. Traffic approached from a one-way street, turned left after passing the transaction area and exited onto a two-way street.

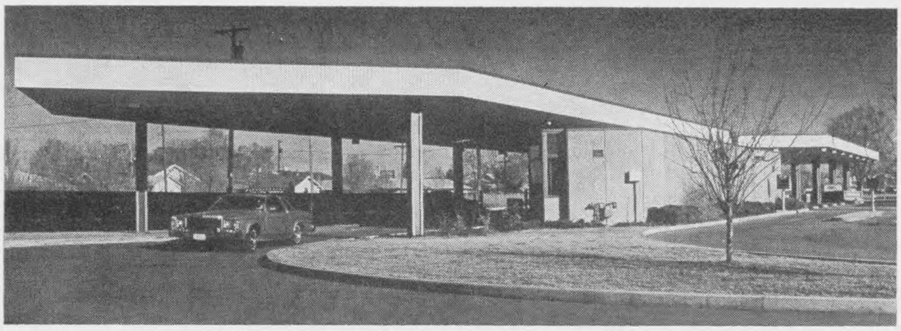
Public acceptance was so good that before long rush-hour traffic was backed up a block and a half awaiting entry. The solution lay in using the same space better, so that more traffic could be handled in less time. LeFebure Corp., Cedar Rapids, Ia., was contacted and replaced six of the seven original drive-up stations with an eight-lane LeFebure Tel-Air Five operation.

The bank's problems were surmounted with no loss of efficiency by staggering the kiosks to provide direct visual contact with the control booths.

The eight Tel-Air lanes have ended the long waits that once aggravated customers, and the customers have readily accepted Tel-Air System Five because of its operating simplicity. There are easy-to-understand operating instructions on each kiosk. In addition, Tel-Air Five is designed so that everything proceeds automatically once the customer releases the transaction carrier. As a result, the transaction time is shorter, according to LeFebure.

The firm said tellers are happier now than they were because two of them now operate each control station. Previously, each teller worked alone. Their new sit-down operation has reduced fatigue and, thereby, has increased efficiency, said LeFebure.

Bank officials are enthusiastic about the system because it provides better service with fewer tellers.



The design of this drive-up installation at Jefferson Bank, Lakewood, Colo., takes advantage of an unusual-type lot and provides for a potential of 18 remote facilities on a narrow span. Several thousand patrons have been served in one day. The structure was designed and built by Bank Consultants of America, headquartered in Denver. It has a traffic-control system produced by Elec-Tro-teC, Elk Grove Village, Ill. The drive-up units were made by Mosler, Hamilton, O. The building was designed so that two tellers can operate three units, although most of the time, just one person is stationed at each teller console, which operates three units. Thus, there's a substantial saving in personnel.

Michigan National, Saginaw, recently remodeled its drive-in facilities using 10 Mosler Pneu-Vista 800 remote units. This is the largest drive-in installation in Michigan, according to Mosler.

Donald Fortune, vice president of the bank, said, "Since we've remodeled and expanded our drive-in unit, the bank's customer service volume has been speeded up measurably. With 11 lanes, the drive-in banking capacity is now 250 customers per hour. In addition, an off-street holding area accommodates 82 cars.

Michigan National also built a two-story teller-control terminal. Tellers on the top floor have full view of the new PV 800 units. On the ground floor, two teller stations have been equipped with large capacity Mosler Safe Co. windows. According to Mr. Fortune, only business account customers are served from these two stations.

Michigan National is counted as one of Michigan's pioneers in offering new banking services to its customers. When the mobility of the American people became increasingly apparent in the '40s, many bankers were reluctant to experiment with the untried service of drive-in teller stations. But Michigan National, looking to the future, installed drive-ins in 1949. It is said to be the first bank in Michigan to offer this service to its customers.

Those original drive-in stations were replaced with the new Mosler PV 800 units. "The PV 800 was chosen," Mr. Fortune explained, "because customers can operate it easily. All they have to do is push a button. As a result, they complete their transactions faster with these units. The transaction carrier travels at 25 feet per second."

Another new service Michigan National offers its customers is an off-street, well-lighted night depository attached to the control terminal. The modern package receptacle accommodates extra-large merchant deposits.

First National, Maywood, Ill., had two drive-up windows on its building's rear wall, which was located on an alley. Two problems resulted from this arrangement: *First,* the two windows were too close together so that it was almost impossible to have both windows in use at the same time. *Second,* the entrance to the drive-up windows was through the bank's parking lot, which was directly behind the bank building and across the public alley. During peak periods, the parking lot entrance and exit were blocked with cars waiting to use the drive-up windows.

The Chicago bank designing firm of Walter E. Foss studied the situation

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Diebold Visual Auto Teller I — the system that saves money by saving time. (Ask for case history No. 978-24.)

THE PROBLEM:

The drive-in installation was planned for a market with a high proportion of older persons. The drive-in banking system, accordingly, was required to provide a convenient, uncomplicated operating format.

The answer was found in the Diebold Visual Auto Teller III system. Push-button easy to use, it presents the carrier in the position and at the angle for most effortless retrieval, as determined by Diebold human engineering studies. Moreover, it understands 'curb-shy' drivers . . . enables the teller to extend the carrier an additional four inches when necessary.

To see how such a system might solve **your** problem, ask for case history No. 978-14.

THE PROBLEM:

A possible drive-in banking site is available at an attractive price, but its size would provide space for no more than three customer service units and a station for two tellers.

The practical answer is to devote the entire area to customer service units and position tellers in a separate location — perhaps in the basement of the nearby bank building. Teller-customer communication is provided by high-fidelity audio and video circuits. Transaction materials speed back and forth in pneumatic tubes. The entire drive-in site can be used for customer service . . . making productive use of limited space.

It's been done by others. To see how, ask for case history No. 978-13.

Condensed here are only three examples of the ways the Diebold family of remote banking systems solve problems of drive-in time and space. We'll be glad to furnish many other examples.

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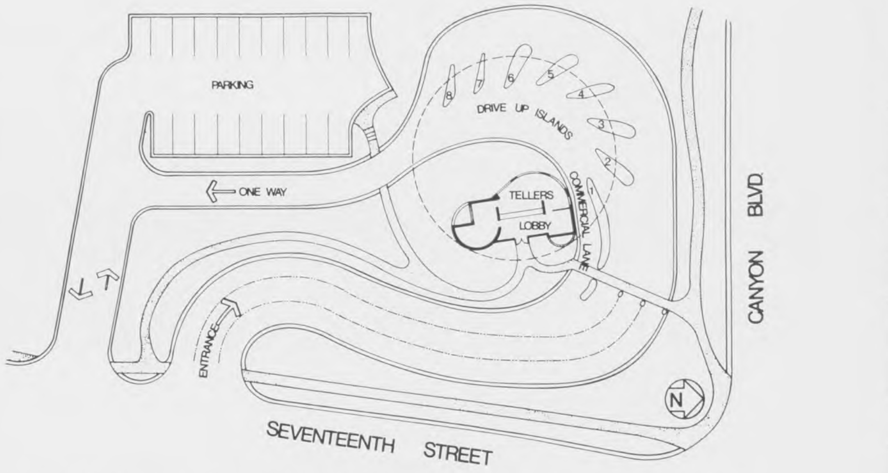

Nat'l State Bank, Boulder, Colo., solved problem of installing efficient drive-up facility on site that was limited in size and shape by using circular concept of one-way movement, as shown in this diagram. Entry and exit occur at same point on 17th Street. Waiting customers are directed to open-service islands by semi-automatic control system. Drive-up tellers are spaced around curved wall, making it possible for them to have direct visual contact with customers. Lobby tellers are located opposite drive-up tellers, with common equipment and work space between them.

and determined the only way to really solve the matter was to have the public alley vacated. In turn, the bank dedicated a portion of its parking lot to the village of Maywood to provide an exit from the alley. This dedicated portion also was used by the bank as the entrance to its drive-up teller windows, which included a standard drive-up window and three Mosler pneumatic-tube systems.

According to the Foss firm, the parking lot now has its own entrance and exit separate from the drive-up installation. The latter has room for about 20 cars to back up while they wait for services at the drive-up window or remote teller units.

The village was cooperative because the changes not only helped the bank, but eliminated the traffic problem on the street.

One way to solve a drive-up problem is to use a movable "Port-a-Teller," manufactured by Bank Consultants, Inc., Indianapolis. These units are designed for permanent, semi-permanent or temporary needs. They have been used where a bank has anticipated the change of one-way streets, causing their drive-in traffic pattern to be reversed. The Bank Consultants firm pointed out that by using "Port-a-Teller," a bank can merely turn the units around, thus protecting their capital building investment.

As an example of the use of a "Port-a-Teller," Bank Consultants cited a bank located in a downtown area that wanted a drive-up facility on its parking lot, and so it installed a "Port-a-Teller." After six months, the bank found the unit wasn't being used and moved it to one of its busy drive-up branches. It's now being used heavily, said Bank Consultants, and again the bank saved money by being able to move its unit from one location to another rather than having to tear it down or let it stand vacant on the site where it wasn't being used.

Bank Consultants said that many banks with branches in shopping centers and malls have been using "Port-a-Tellers" on the perimeters of their parking lots for drive-up facilities. Some of these banks also are incorporating the pneumatic line-of-sight drive-up system, which, in effect, makes the "Port-a-Teller" a drive-up control center, said its manufacturer.

Banks can lease "Port-a-Tellers" while they are remodeling their existing drive-up facilities, incorporating the pneumatic line-of-sight system. A "Port-a-Teller" can be installed temporarily on a bank's parking lot to handle drive-up business while the permanent building is being erected.

These units have bullet-resistant walls and glass, heavy steel framing and are insulated throughout. Interiors are complete with carpeting, draperies and furniture, as well as with the banking equipment, such as electric deal drawers, communications systems, cash drawers and trays. The buildings' exteriors can be designed to complement or match other buildings and surroundings.

National State Bank, Boulder, Colo., won a merit award from the American

This is "Port-a-Teller," manufactured by Bank Consultants, Inc., Indianapolis. They can be turned around on same site or moved from one place to another. Structures, which can be designed to complement or match other buildings and surroundings, have bullet-resistant walls and glass, heavy steel framing, are completely insulated and contain all needed banking equipment.

Institute of Architects (AIA) for "having solved the vehicular-movement problem on a restricted site" at its Canyon Park Facility. The bank belongs to First National Bancorp., Denver.

The limited size and shape of the 1,200-square-foot site, along with zoning restrictions of access onto the site, demanded something besides the traditional straight-line, drive-through approach, according to an official of the architectural firm that designed the award-winning facility. The key to efficient use of the site was a circular concept of one-way movement, where entry and exit occur at the same point. Such an approach maximizes stacking space for waiting customers, who are directed to open-service islands by a semiautomatic traffic-control system. Customers at the remote islands are served by pneumatic banking equipment.

The circular building forms respond to the movement of traffic around its perimeter. Drive-up tellers are spaced around a curved wall, making it possible for them to have direct visual contact with customers. Lobby tellers are located opposite the drive-up tellers, and common equipment and work space are between them. The strongest architectural element is the circular canopy, described as a simplified expression of the circular concept. • •

Bank Installs Rotary System Card File To Enable Multiple Use; Conserve Space

LINING UP for information is not the best way to gain efficiency in the bookkeeping areas of a busy bank. Yet it happens so often during the course of a day that it is practically taken for granted.

Mostly, it happens when more than one person needs access to the central file housing checking information. The need to update, verify, add new customers is continuous. One clerk gets the information—and then another.

It was no different at Bank of Atchison County, Rockport, Mo., except that officers at the 105-year-old bank decided to do something about it.

"When you think along conventional lines, the answer to the access problem always turns out to be some version of the standard file," commented Mrs. Donna Shineflew, vice president and cashier. "We decided to see if there was not a way of meeting the realities of the situation, which was several people reaching into the file at the same time. The answer was to install a rotary system that would be simultaneously accessible from one or from several positions."

The RotaScan Card File installed by the bank as a result of this decision houses all the 7½" x 3½" computer cards containing data on the bank's checking account customers.

Currently, it is a two-tier carousel, but additional tiers may be added as requirements increase. The system affords, at maximum capacity, access to 40,000 cards.

"The RotaScan is placed next to the desk of the proof and coder operation," Mrs. Shineflew reported. "She can rotate either one of the tiers to bring any card in each within finger-tip reach within seconds. One tier houses the cards alphabetically and the other numerically."

An important advantage of the system is that while the unit is set up for major access by the proof and coder operator, other personnel can access the file without disturbing her work arrangement—again, just by rotating the tiers.

"The bank is on-line to a local data center, which demands rapid access when we are verifying an account or entering a new one," Mrs. Shineflew continued. "Before, it would take time to search our file and retrieve the cards. Now they are available at a glance. This also reduces error."

The unit consists of two metal shelves rotating around a fixed spindle, the edge of the shelf being specially designed to house a wide variety of reference cards. Under normal conditions, at least three tiers can be clearly seen by a seated operator, and other personnel can have independent access to the cards without disturbing the flow of work.

The card file is one of several RotaScan circular filing systems distributed by Ordibel, Inc. • •

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President
Goodhue County National Bank
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How to Get the Greatest Benefit From Hiring a Bank Consultant

By CHARLES D. TRUCKENBRODT
Cresap, McCormick & Paget, Inc.
Chicago

HOW SHOULD a bank approach the use of outside management consultants when it feels their use would help achieve improved performance?

One concept difficult for businessmen to grasp is how a management consultant can be expected to help a bank that he knows little or nothing about before he is called in to discuss an engagement. It's reasonable to assume that management knows far more about its own business, especially its strengths and weaknesses, than a consultant could possibly know without spending considerable time and effort in the bank. Management, therefore, should be in a better position to solve its own problems.

Then why do banks use consultants?

From CMP's experience, there are four major reasons why banks go to consultants for counsel.

1. *Shortage of Qualified Staff.* Over the past two years, banks have been under extreme pressure to maintain profit levels and, as a result, many have reduced staff levels drastically to overcome rising costs. Such reductions and the attention given to improving staff utilization usually result in giving more responsibility to the most qualified officers. In turn, this reduces their availability to work on special projects or problems.

With the increased number of banking problems and the reduced availability of qualified staff comes the opportunity to make use of assistance from outside the bank.

2. *Insufficient Expertise.* Holding company legislation has created opportunities for banks in nonbanking activities. Often these opportunities require skills not available from the bank's staff, both in acquisition evaluation and later in operations.

Even traditional banking areas have changed greatly over the past few years, creating needs for staffs with different skills.

Accounting has gone beyond debits and credits into more sophisticated areas. Planning has changed from a process of intuitive speculation by the chief executive officer to one of highly complex and structured systems that require participation from all bank areas.

Acceptance of such improved management techniques by the banking industry has forced many banks to adopt them even though they have had neither staffs with appropriate experience nor the time to train them.

The advent of bank holding companies and the rapidly changing environment have caused many banks to seek management consultants with skills lacking on their own staffs. These consultants often are used to train bank personnel to bring them to the level of the art in their respective fields.

3. *Need for Objectivity.* A further reason for retaining a management consultant is to reach the level of objectivity that may never be achieved with internal efforts. Problem solutions developed by an internal staff may be biased toward certain individuals and organizations who stand to benefit if the recommendations are followed. Even when biases do not exist, the recommendations may be suspect and, frequently, are not implemented to avoid conflicts between individuals in top management.

A management consultant can bring a fresh viewpoint to a problem situation. Because he's not on a corporate payroll, he can withstand some of the pressures created by top executives who wish to influence a study's results.

4. *Time Constraints.* Problems do not appear in an orderly fashion. Many are caused by conditions beyond a bank's control. For example, competitive action may necessitate a quick reaction. If your chief competitor announces that money machines are being placed in several market-area shopping centers, it's imperative that your bank move swiftly to develop a counter strategy.

Systems projects frequently are under time pressures. Imagine how much more difficult it is to install a trust-accounting system in March than in January. Most accounting systems have critical time requirements for installation if the bank is to avoid considerable extra work in bringing records up to date or making midterm adjustments.

Defining the Objective. When you decide an issue would be approached best with the help of a management consultant, the first step is to define exactly what the consultant is to accomplish.

This step appears obvious. Nevertheless, it's probably the most frequent cause of conflict between a consultant and a client. Without a complete definition, the consultant's perception of what the client expects may be different from the client's actual expectation. A professional management consultant

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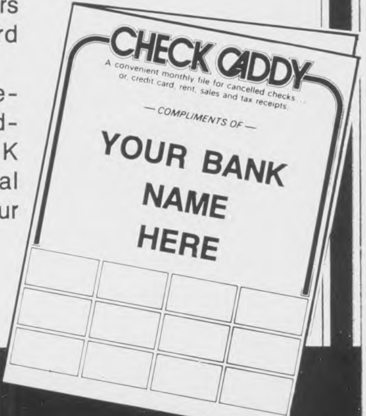

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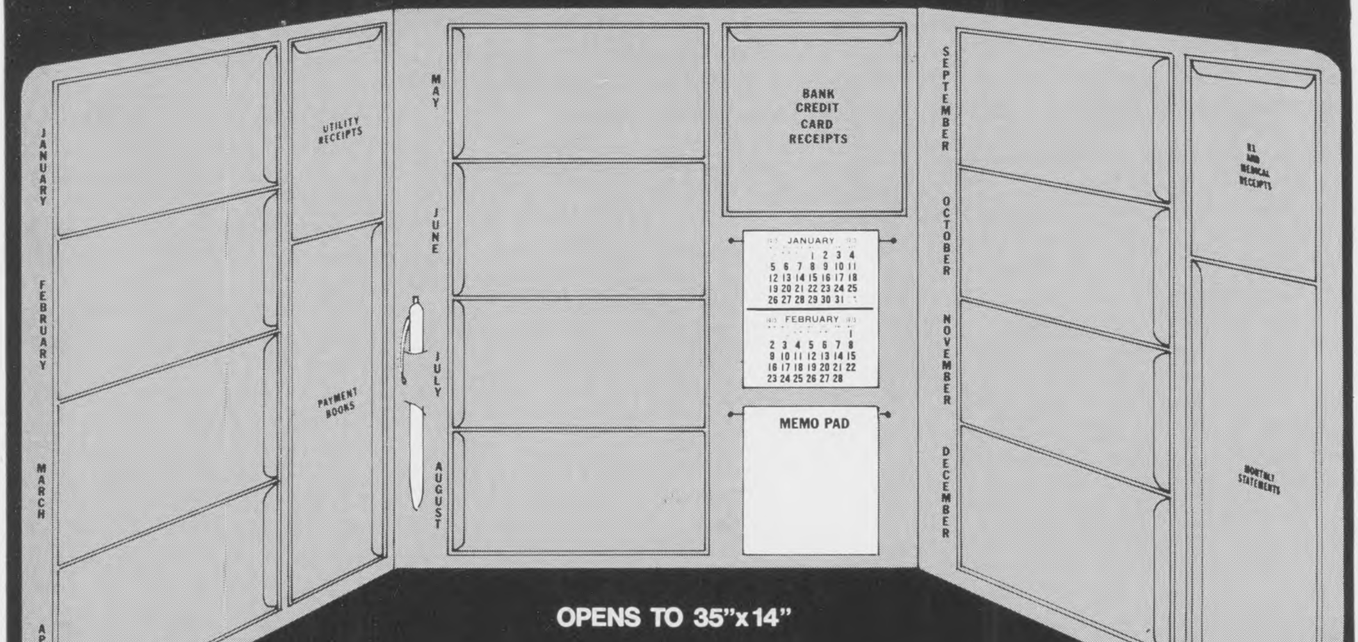

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will take great pains in the initial meetings with a client to ensure that he understands exactly what the end product is to be.

One approach to objective definition is to consider the end results expected when the consultant completes the work. This approach usually will determine the parameters for the scope and depth of the project.

For example, a bank can state that it wants an effective strategy for marketing its services. Stated like this, the objective is broad and the level of detail the new strategy should attain is unclear. This definition could be tightened by describing the issues that should be addressed by the new strategy in statements similar to these:

• Potential new services should be addressed as well as current services.

• Legislative changes should be anticipated that may expand geographic market areas.

• The strategy for development of the branch network should identify site areas.

• The strategy should describe a course of action for the next five years.

A good technique for avoiding misunderstanding is to write out the objective in detail. This exercise forces you to think through all alternatives and to put them in a logical pattern. It also establishes a standard frame of reference for everyone who will be associated with the project.

The Preliminary Investigation. When the opportunity to use a management consultant has been identified and the objective defined, the bank now is in a position to seek consultants to discuss the work and submit proposals. Unless your bank has used consultants extensively in the past, it's probable that some research will now be involved.

There are three recommended techniques for identifying and investigating management consulting organizations.

First, survey other banks, especially those with reputations for good performance and sound management. Often, they can lead you to competent firms or individuals who have worked for them (the banks) in the past. Most major consulting firms receive the largest number of their new clients from referral.

Another technique is to contact banking associations such as the ABA or the Bank Administration Institute. Although they probably will not make recommendations, they can identify firms active in the banking industry with established reputations.

A third source is trade associations for the management consulting profession. One of the oldest and largest is the Association of Consulting Management Engineers, Inc., New York City. These organizations will furnish a list of members active in banking, but they resist recommending one firm over another.

This step helps narrow the field. It is time consuming for the bank to interview and supply needed data to consultants called in for the screening process. It also is costly and time consuming for the management consulting firm to respond. Many firms will not respond if they feel their chances of getting the job are slim because of the number of firms being surveyed. If a thorough investigation is undertaken in this pre-screening process, it should be possible to limit to a manageable number firms that are invited to submit proposals.

Evaluation and Selection. Criteria used to measure consultants and their proposals should be made formal before the interview process begins. Then, the bank will be sure to have covered each criterion completely during the initial interview. Criteria that would apply to any type of project include:

• Approach outlined in the proposal.

• Qualifications of the firm in the specific problem area.

• Qualifications of the proposed staff.

• Proposed costs.

• Level of responsiveness and interest.

The proposal is one of the most important criteria for training a consultant. The approach outlined in the proposal gives an insight into the consultant's perception of the problem. If it's vague and too general, it may mean he hasn't been able to think through to its solution.

The objectives and scope described in the proposal also are important because they describe the parameters of the product you eventually will receive.

The accepted proposal often is the official contract for the services you are buying. Review it with the same care you would use for purchasing other goods and services.

Qualifications of Firm. Consider the experience each firm has in similar projects and within the banking industry. The level of importance given to qualifications of the consulting firm will depend greatly on the problem for which consulting assistance is sought. However, in a specialized area, such as data processing, it may not be important for the consultant to have extensive banking credentials, particularly if he is technically qualified. Some banks have taken this stance for other operations functions as well.

Whether the experience has been gained inside banking or otherwise, it is a good practice to contact at least one past client to get some input as to how other organizations rate the results of the consultant's work.

The Consultant's Staff. Staff qualifications are one of the most important considerations in the evaluation process. The success of the project depends heavily on the individuals who do the work, no matter how good the firm's reputation or how thorough the proposal may be.

"The success of the project depends heavily on the individuals who do the work, no matter how good the firm's reputation or how thorough the proposal may be."

Résumés or biographical sketches in the proposals provide a good overview of the staff qualifications, but you should insist on meeting personally all individuals responsible for managing the project, particularly the person who will supervise the daily staff activities.

It may not be practical to meet each consulting staff member personally, but the bank should be assured that the individuals who show up on the job meet its requirements.

Proposed Costs. Management consulting is a labor-intensive business. The highest-cost proposal generally means the consulting firm plans to put the greatest amount of work into the project. Conversely, the lower the cost, the lower the amount of work planned. Although there may be some cost variance from the billing rates for assigned staff, higher billing rates normally reflect a more experienced staff.

If the extra effort and greater experience are justified, a firm should not be rejected because its cost is highest. If cost appears to be high because the firm has not proposed the best approach to solving the problem, the evaluation should reflect this fact. The lowest-cost proposal often underestimates the magnitude of the job.

There are several ways a management consultant proposes costs.

If a job is large or complex, cost often is proposed with per diem rates for staff. An estimated cost may be shown,

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but the cost to a bank will depend on actual number of days worked. This technique eliminates the risk of an unprofitable job for the consultant, but the risk is transferred to the bank. If the bank has not worked with the firm before, it should avoid this arrangement.

Another technique is a fixed price. Generally, consulting firms resist this technique because it forces them to quote a higher price for protection against a cost overrun. The risk to the bank is minimized, however, because full cost of the project is known in advance.

CMP often uses a combination of these two techniques in proposals to new clients. We quote a price range for the work with a ceiling price. The client is billed only for the days our staff actually work on the project. We find that most clients prefer a price range over straight per diem rates because it helps them budget funds for the project.

Costs must be considered in the evaluation process, but they always must be tempered by manpower requirements of the project, both skills and numbers. The way in which costs are proposed also should be considered in the evaluation, particularly when proposals differ.

Level of Responsiveness. Firms that are contacted should be judged on their responsiveness to the bank's requests for both interviews and proposals. Postponed interview dates or a missed proposal deadline without adequate justification reflect on their interest in the project. Such behavior also may indicate the way the project may be conducted. The interview should help the bank evaluate interest levels.

Selection of a consulting firm for a project often is clear-cut after all proposals have been evaluated and other criteria considered. It may be necessary, however, to take an additional step when firms appear equally well qualified.

One method of breaking a tie is to call in each firm's representatives again for another round of interviews, the purpose of which would be to discuss the proposals in more detail, especially the approach the firm would take to the project. This also would be an opportunity to meet key staff who would be assigned to the project. After the interviews, it should be clear which firm is best qualified to do the work. The selection then can be made.

Working With the Consultant. The bank should assign one executive to be the key liaison with the consultants. This executive would manage the assignment as if it were being performed by bank personnel. He should require that a project plan be developed at the beginning of the project, identifying major steps and milestones, and that periodic progress reports be made to him. It's imperative that the bank executive know that the project is being conducted according to the proposal, and he must approve any variations. If others in the bank are depending on the results of the project, he must be able to keep them informed on its progress and assure them the results will be valid.

We at CMP often put bank personnel on the project team as full-time members. This way, the bank keeps informed about the project and bank personnel gain valuable experience in project work. It also puts the bank in a good position to implement our recommendations because they were developed with the help of bank employees.

The work of the consulting firm on the first assignmest for the bank should be evaluated with the possibility of establishing a sole source for consulting work. Knowledge about the bank's management policies and its operations gained in the first job usually will be applicable to other bank problems. As the consultant's credibility is established and the trust of bank management is earned, the consultant will become more effective as counsel to the bank. This increased effectiveness on future assignments also should be translated into lower costs for consulting services. • •

Audio Response Inquiry System Installed To Provide Spoken Account Information

FIRST BANK & Trust, South Bend, Ind., has put into operation an Audio Response Inquiry System (AUDRI) that incorporates a new concept of computer output—the ability to speak—with existing telephone circuits and First Bank's computer.

This system is expected to greatly expediate the teller-line process for First Bank customers when account information is needed.

A small touch-tone pad attached to the teller's phone is the device used to transmit information to the computer. A telephone data set receives this information from the telephone line and signals AUDRI to respond to the requirements of the call.

The computer has access to several of First Bank's master files. Drawing on these files, the computer searches for the requested account record, checks a number of facts and compiles the required answer in the form of electronic impulses which are transmitted into the audio response unit. This unit then interprets the impulses into spoken words and speaks the words to the caller. The entire process—from the time AUDRI is told to go to work until she begins talking—takes less than one second.

The Audio Response System has been designed to complete a message within 30 seconds. This is the time it takes the caller to listen to the message, not the computer time involved. By the time the caller hears the first syllable of the computer's response, the computer has already forgotten the question and has returned to other calls or to its momentarily interrupted work.

AUDRI has been installed with the future in mind. Other departments of First Bank can be added to the system; and in the near future, AUDRI will be available for use by all subsidiaries of FBT Bancorp, Inc., HC controlling First Bank. • •

Two-Millionth Customer Is a Nostalgic Event

Denver Mayor Bill McNichols and John Ralston, coach of the Denver Broncos football team, were passengers in the two-millionth car to be served by the drive-in facilities of Central Bank, Denver. The convertible auto, manufactured in the same year Central Bank opened its first car-banking service—1954—was driven by Max G. Brooks, bank chairman.

The event also dedicated Central's expanded 18-station drive-in banking area.

Officials indicated that a major improvement to the facility was the widening of one entrance to six lanes, alleviating traffic problems and providing space for as many as 60 cars in the teller area.

The bank and architects reportedly worked closely with the Denver Urban Renewal Authority to insure that the area would conform to the Authority's standards, while complementing existing and planned renewal construction in downtown Denver.

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

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

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

7 FEDERAL BILL STRAP
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8 COLORED BILL STRAP
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The Troubled State of the REIT Industry And the Outlook for Its Future

By G. N. BUFFINGTON

Executive Vice President
and General Counsel
National Association of Real Estate
Investment Trusts
Washington, D. C.

CONDITIONS in a large segment of the REIT industry are not good. There is no point in whitewashing the situation. But the problems are not peculiar to the REIT industry.

Some people say that the REITs' problem is the lack of permanent financing to carry new construction. Actual experience does not support this. In the condominium area, where permanent financing has become available, demand has simply not followed. There has been overbuilding in almost every region. Add to this the increasing reluctance of consumers to buy anything —automobiles, appliances, condominiums—and it is apparent that permanent money won't help until we get the demand. As a matter of fact, a loosening-up in available credit in the real estate sector might aggravate the situation to the extent that it encourages new construction.

How serious the situation becomes will depend somewhat upon government fiscal and monetary policy and how quickly and effectively it is exercised. Other areas such as energy policies will also be important.

A critical problem will be whether Fed Chairman Arthur Burns can maintain an orderly money market with a potentially disruptive budget deficit of $80 billion for the next two fiscal years. The forces of recession may be helpful here.

There has been talk of the Fed doing some arm twisting of banks to pressure them into continuing credit commitments to REITs. The Fed's role in this area has been greatly exaggerated. As contractual credit arrangements were put together during the last nine months, the Fed followed developments closely in the performance of its monetary and economic functions, but the suggestion that it played a more active role is simply a misunderstanding of its "watchdog" responsibility.

The blinding luster of the rapid growth of the REIT industry—particularly the mortgage sector—from 1969 has worn off so that we can better study the trail. At the beginning of 1969, industry assets stood at about $1 billion. They are almost $22 billion today, six years later.

There were four major sources of influence in this remarkable growth record: (1) Underwriters, (2) Banks, (3) REIT advisers and (4) Building boom.

Of course, the underlying condition of tight money during 1969 and 1970 provided the requisite launching platform.

Underwriters. The stock market was dull in 1969 and 1970 with few attractive issues. REITs provided the market with sex appeal during this relatively dry period. The selling pitch was earnings—leverage—greater earnings per share—higher stock values. Magically, an income security turned into a growth stock. Earnings-per-share increases—equivalent to dividends in our industry —on a quarterly and, in some cases, a monthly basis, were a mark of success. The way to increase per-share earnings was to borrow and increase investments. Wall Street pressure for this result was tremendous. Trusts were ranked according to their capacity to generate new loans.

This growth had to be financed. When the trusts found the market less receptive to new share issues, they compensated by further increasing their leverage. Commercial paper became a major source of this capital, reaching a maximum level of about $4 billion outstanding at the end of 1973. This accounted for 30% or more of the total debt of short-term mortgage trusts. On a dollar-for-dollar basis, commercial paper had to be backed up by bank lines of credit.

Banks. These lines required compensating balances of 10% to 15%. This was easy money for the banks, which were under some earning pressure themselves. In some cases, a few banks urged trusts to take on lines or increase lines to levels beyond immediate needs of the REIT. One of the difficulties in this developing credit picture was that many line banks were not expecting any funding of these lines and credit analysis was minimal.

It is noteworthy that during all this time only a few term loan agreements were made. Most of the credit was provided on a short-term basis by non-contractural, loosely knit consortiums of line banks with no group responsibility. In retrospect, this was a most vulnerable situation. The fact that these lines grew so rapidly and so loosely suggests that some responsibility for the ensuing problems lies with the banking industry.

REIT advisers. They played an important role in this growth. While they wished, along with REIT shareholders, for increases in per-share earnings as a mark of their success, the measure of monetary compensation for their efforts was not always consistent with shareholder interests. During this period of rapid growth, most trust advisers were compensated according to the asset size of their REIT. The greater the level of mortgage investments, the greater the fee. The industry fee structure was an important contributing influence to rapid growth.

Building boom. Obviously, none of this would have made much sense unless there had been a demand for construction capital. It was one of those classic boom periods for the construction industry where every project seemed to be a gem. On an overall basis, REITs probably were lending on projects of higher risk in an already risky business. And for the first time, publicly held companies were specializing in construction lending, providing a potential focus on all the peculiarities of this business. Much of this was ignored or too frustrating for outsiders to deal with while REITs were growing and successful. However, on the down side,

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With these pressures for growth, the average debt-equity ratios in the mortgage sector of the industry grew to levels in excess of three to one, with some REITs as high as five to one. Again, in retrospect, this was probably extravagant, considering the nature of the portfolio. Problems on the liability side of the balance sheet would not have become serious without the problems on the asset side.

To be sure, many of the current problem loans stem from adverse conditions in the construction industry rather than bad REIT underwriting.

But it is also evident that, in some areas, REITs reached too far from reality for construction projects. This is true particularly in areas of the most rapid growth, such as recreational projects and land development loans. Frequently, REITs with heavy investments in these areas are also highly leveraged on the liability side with short-term debt. This is a deadly combination. It illustrates one of the possible but correctable weaknesses in the industry—i.e., the absence of the right balance in management between the asset and liability disciplines.

So much for how we got where we are. Beginning early last year, REITs, along with utilities and finance companies, looked increasingly to the banking system for credit. Other sources of capital, particularly commercial paper, were drying up. Neither equities nor debt securities could be sold to the public and private placement money was thin. The pressure on the banking system increased to the point where the larger line banks on REIT credits quite properly sought to put together contract arrangements which bound together the line banks. In some cases, there were as many as 100 banks in one of these syndicates.

I suppose the purpose of these revolving credit agreements was primarily a means of binding the line banks together. These are high risk situations and the fairly standard interest rate of 130% of prime reflects this factor. But as economic conditions further deteriorate, it becomes evident that most trusts cannot live with these rates and alternatives must be found.

We are now in a second phase of development, involving what I would call credit accommodation. I must say that, during the first phase, the banks, particularly the lead banks, have acted responsibly and have stood behind our industry. I hope they can do the same now. They certainly have the requisite interest. Total bank credit to the REIT industry stands at almost $11 billion today. This is almost double the amount outstanding at year end 1973.

What is the position of the trusts as we approach this critical time? It is the trustees who must make the difficult credit policy decisions facing some trusts.

We have now had two Chapter 11 bankruptcy proceedings in the industry—Associated Mortgage Investors, and more recently, Fidelity Mortgage Investors. These will be studied carefully by REIT trustees. The danger is that with one or two more bankruptcy filings, the stigma of bankruptcy might be lessened, making this route more attractive than other choices. I say "danger" because I don't believe widespread bankruptcy is desirable or necessary in most cases.

First, it is unlikely that a trust with publicly held debt will be permitted by the Securities and Exchange Commission to remain in Chapter 11. Chapter 10, the alternative, is an expensive liquidity procedure under which no one benefits. If the REIT image is tarnished now, it would be permanently blemished by widespread Chapter 10 bankruptcies. Operating real estate and particularly uncompleted construction are investments best suited to informal workouts conducted by experienced management without the pressure of time or the inflexibility of court approval and administration.

The alternative course to bankruptcy is credit accommodation, a compromise of the interests of the banks and the REITs. Alternatives are being worked out now in this area.

There are two types of problems that might influence a trustee to choose the bankruptcy route.

First, the combination of nonaccrual of interest on problem loans and loan loss provisions have resulted in large losses which have begun to erode seriously the equity base of some trusts. This was certainly one of the pressures in the Fidelity Mortgage situation. For the REIT industry, which accounts for about 22% of all construction mortgage lending, problem loans on which interest is not being currently recognized amount to $4.2 billion, or about 31% of total REIT short-term lending. Equity erosion is a seriously deteriorating problem. As non-accruals increase, the rate of equity erosion accelerates. This can cause defaults in public debt and it is a matter of deep concern to the trustee in his responsibility and liability to shareholders.

Postponement of interest by senior creditor groups is not a solution to this problem. So long as the interest obligation is being accrued on the liability side, nonaccruals on the asset side chip away at the equity base.

The answer is interest rate reduction, at least temporarily. The banks should not be asked to give up interest permanently, but temporary relief must be provided if bankruptcy is to be avoided. If Associated Mortgage is a precedent, senior creditors can expect to receive no interest in bankruptcy. Rate reduction on some reasonable basis will usually be a substantial improvement over bankruptcy as far as the bank income statement is concerned.

A second problem for the trustees is bringing together and reconciling the diverse interests of creditors. Revolving credit groups with 70 or 80 banks are difficult to hold together during negotiations of credit accommodation. Some banks want to take their money and run. Interests of subordinated public debt holders are often in conflict. Institutions holding private placement debt positions constitute another layer of this problem.

Initially, it is important to hold together the group of senior bank creditors. This is primarily a matter of education, a responsibility of lead banks and REIT trustees. We have to get across the message that the alternative to agreement and accommodation very likely may be a Chapter 10 bankruptcy where no one benefits.

Obviously, there will be situations where some banks will not go along. This has occurred in a few instances where banks have brought suit on their notes. This is not the answer. Instead, ways must be found to offer banks the alternative of converting their interest as unsecured credit to that of a secured or ownership position by taking over REIT investments on some basis that is fair to the rest of the group.

The REIT and its adviser must also make some concessions. The advisory fee must be cut down to a bare bones level. In some cases, the trustees may want to explore the possibility of becoming self-administered.

Whether or not these efforts can be successful will depend in part on economic conditions reaching beyond our industry. Recovery from recession, containment of inflation and sensible energy policy will require time and adjustment. In the meantime, the housing and construction industry must be kept alive and its health improved. The REITs have become an important part of that industry. They have brought new sources of capital to housing and served as an important financial intermediary in construction lending.

However, for the future, financing of the REIT industry should be reappraised. When I expressed this concern

(Continued on page 72)

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Unification of Federal Bank Regulation Into One Agency Urged by Bucher

IDEAS on bank regulatory reform—including unification of federal regulation into one agency—were advanced by Jeffrey M. Bucher, a member of the Fed's Board of Governors, at the Western Independent Bankers Association's annual convention in San Francisco last month. At the beginning of his talk, Governor Bucher made it clear that he was speaking for himself and not for his colleagues on the board.

Governor Bucher also said that, in suggesting unified federal regulation, he was following an idea put forth in 1962 by J. L. Robertson, then vice chairman of the Board of Governors. Governor Robertson proposed that a "Federal Banking Commission" be set up to take over bank supervisory powers now exercised by the Comptroller of the Currency and the Fed and that all powers and functions vested in the FDIC be transferred to a new independent agency. According to Governor Robertson, the latter would consist of five members to be appointed by the President, with the advice and consent of the Senate, on a nonpartisan basis for staggered 10-year terms.

Governor Bucher said that serious thought should be given to the "Federal Banking Commission" concept in today's environment. In other words, he continued, he suggested that Governor Robertson's 13-year-old proposal be dusted off and given careful consideration, along with other proposed reform alternatives, in light of the environment in which banks and their regulators presently find themselves.

Governor Bucher then touched on the history of the banking system, beginning in the 1930s, bringing it through the '60s and up to the first half of the '70s. In these latter years, he said, many banks—by depending more and more for funds on increasingly volatile liabilities—were caught short when sources of funds, such as federal funds and CDs, were shut off almost overnight. The perils of what Governor Bucher termed "go-go" banking became even more apparent, he said, when confidence was shaken by foreign-exchange losses in a world of floating exchange rates and bank failures abroad, two-digit inflation and the associated enormous increases in demands for funds and interest rates.

"These events and a number of jarring domestic bank failures," continued Governor Bucher, "have resulted in the growth of skepticism about bank regulators who the public thought were busy keeping banks from doing imprudent things. *In other words, I think what needs restoration in the present environment even more than the confidence in bank management is confidence in the dependability and practicality of bank regulation and supervision.*

"Furthermore, Congress has clearly heard this message and probably will hold hearings this spring for the purpose of considering the need for legislation in the bank regulatory area."

Governor Bucher said he doubts that any Fed Board member—in facing up to his responsibilities as a bank regulator—has failed to feel a sense of dismay on looking at a field of endlessly intersecting lines of authority, not only hung with thick fogs of conflicting histories of congressional intent, but occupied by quicksands of public and private policy differences. These differences, looked at from the regulator's viewpoint as he tries to administer bank regulatory laws, appear as conflicting claims to justice among various groups in the economy, according to the Fed governor. A central banker who's also a regulator is faced with the need to preserve the integrity of the examination and supervisory process, said Governor Bucher, while, at the same time, pursuing monetary policies that affect all financial institutions in the economy.

A final example of the conflicting claims to fairness that the regulator must reconcile in his mind, continued Governor Bucher, is the collision of his wish for efficiency in our financial system with his desire to preserve in the structure and regulation of our financial system the state-federal pluralism that serves so well in many other ways.

As he sees the problem, Governor Bucher told the Western Independents, the problem arises partly from the very structure of bank regulation as it now stands. At a time like the present, he believes every effort should be made from both managerial and regulatory standpoints to reduce the risks caused by unsound banking practices such as the potential dangers of pushing liability management so far that banking finds itself cantilevered over a capital void.

He then listed certain inescapable facts now in existence: *First,* the present federal bank regulatory structure is far from perfect and, therefore, can stand a certain amount of improvement and possible restructuring. *Second,* there is—not only in Congress, but elsewhere—strong sentiment for a serious re-evaluation of the manner in which banks are presently regulated, particularly at the federal level.

This statement brought Governor Bucher to a discussion of the "Federal Banking Commission" concept, which, as he said earlier, should be one of the alternatives seriously considered if some kind of change is to be made.

As he perceives such a plan, it proposes: 1. To eliminate wasteful duplication and difficulties in coordinating actions among several federal supervisors. 2. To minimize such friction and conflict as may, from time to time, arise among banks and bank supervisors. 3. To enable the banking industry to operate under a simpler set of federal rules and in an environment of competitive equality as far as federal supervision is concerned. 4. To lessen the possible tendency toward laxity in bank supervision both at the federal and state level. He added that the commission would enable the Fed to devote its attention more exclusively to monetary policy, its primary concern.

As originally proposed by Vice Chairman Robertson, said Governor Bucher, the commission would be established as a new government agency. All supervisory and regulatory functions of the Comptroller of the Currency, the Fed and the entire FDIC would be absorbed completely in the new commission. As envisaged by Messrs. Robertson and Bucher, the commission would have all the jurisdiction now exercised by the existing agencies over charters, branches, mergers, HCs, fiduciary and foreign banking activities, as well as disciplinary actions such as termination of "insurance" or removal of officers or directors. It also would promulgate all regulations except those dealing with monetary pol-

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icy that are now required or authorized to be issued by any of the three supervisory agencies, and it would otherwise administer and interpret federal banking laws.

The proposed commission, as described by Governor Bucher, would be organized along functional lines, with each subdivision headed by a career person appointed by and accountable to the commission. One unit would handle deposit insurance and related functions now performed by the FDIC. Another subdivision would be charged with bank examination and assume those particular duties formerly undertaken by the Comptroller, the FDIC and the Fed. In addition to the existing examination function, the director of examinations would be authorized and required to scrutinize state-member and nonmember insured banks to the extent deemed necessary for any reason by the commission, the insurance director or the Federal Reserve Board. Of course, added Governor Bucher, all examination reports would be made freely available to all three.

Under a "Federal Banking Commission" concept, the examinations director would be required to submit to the commission reports and recommendations and to act as an advocate of the public interest in connection with quasi-judicial proceedings on charter, branch, merger and HC applications. Thus, said Governor Bucher, the commission would have before it not only the facts and arguments advanced by the applicant, but also the arguments of those representing only the public interest. The examinations director also would carry out other supervisory responsibilities like reporting unsound banking practices or questions involving legal interpretations to the commission.

Governor Bucher said a question came to his mind—the issue of centralization of the bank-regulation structure and its effect on the dual-banking system. He told his audience he believes the proposed commission plan is not inconsistent with dual banking because each insured state bank would remain subject to supervision by both a state and a federal agency. A national bank, which is principally under the supervision of one administrator today, would become subject to the supervision of a commission of five members. In concept, said Governor Bucher, the commission would tend to strengthen the states' positions, rather than jeopardize them, in the dual-banking system.

He believes unification of federal bank supervisory agencies would have no effect on state-chartered banks' powers other than those powers already preempted by federal law or limited through voluntary associations with federal agencies. In Governor Bucher's opinion, it's inconceivable that the commission, in interpreting a law that limits activities of both national and state banks, would apply one interpretation to one class and a different interpretation to the other, any more than either the FDIC or the Fed has discriminated between state and national banks in their regulatory determinations. As a matter of fact, said Governor Bucher, the state banking systems would arguably be in a better position in this respect than they are today because a federal agency that has responsibilities with regard to both systems of banks would be less likely to show favoritism than one that exercises supervisory functions over a single system and may seek to advance the interests of that system alone.

Under the plan as outlined by Governor Bucher, the commission would make its advice and financial assistance available to the states during an initial period of three years as they worked to perfect their own supervisory staffs and procedures. The program would anticipate that within this three-year period the states could develop staffs and establish supervision of their banks in a manner that would satisfy the commission.

Because the commission's supervisory program would be a federal program, Governor Bucher pointed out, federal financial assistance would be offered to the states, augmenting other funds available to the state bank supervisors, meeting the conditions necessary to become the sole examining authorities for state-chartered banks.

In addition to the question about centralization and dual banking, said Governor Bucher, the "Federal Banking Commission" proposal raises the issue of whether this type of regulatory activity could be performed best by one person or a board, as the proposal suggests. If a board-type of administration is preferable to a one-person administration, he asked, "Why not centralize authority in the Federal Reserve, which has had over 60 years of experience in bank supervision?" However, Governor Bucher said he believes it would be detrimental to give the FRB these additional responsibilities. His reasoning is that the FRB's present responsibilities are of such magnitude that it should not be additionally burdened with bank supervisory functions. As he pointed out, supervision is too important a function in itself to be the Fed's part-time job.

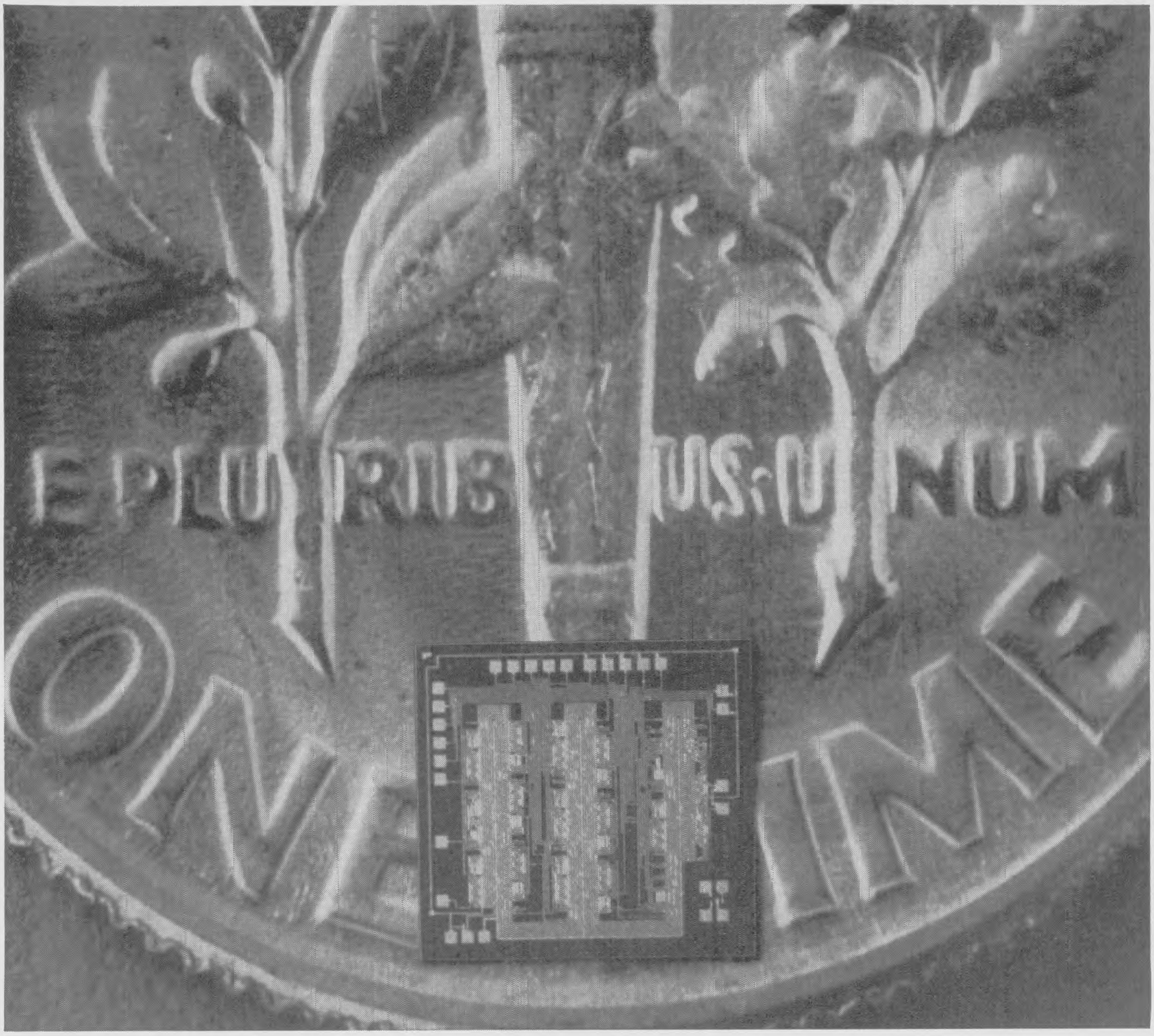
Another reason Governor Bucher gave for keeping bank regulation at arm's length from monetary policy making is that when the same agency has *both* the responsibility for monetary policy and a major role in bank regulation and supervision, conflicts of objectives may arise that result in contradictory claims on that agency.

Separating the Fed from bank supervision, in Governor Bucher's opinion, would not diminish its ability to keep abreast of banking developments. Information about banking practices would be just as available to the FRB if supervision were unified in the "Federal Banking Commission," he continued. To assure that the Fed would have access to all reports of examination and reports of condition accepted by the commission, said the Fed governor, it's been recommended that the law require the commission to furnish each report to the Fed. Another suggestion is that one FRB member be designated to be on the commission as a means of safeguarding information flows between the commission and the Fed.

Governor Bucher emphasized to his audience that he doesn't support any specific plan for reform of the bank regulatory structure, whether at the federal or state level. He said he's satisfied that the banking system is in a fundamentally sound condition at the moment, but elementary prudence dictates continuous vigilance and, to him, the experience of recent years strongly suggests a need for improved bank regulation. Thus, he believes the "Federal Banking Commission" plan—although it may not be the best means to achieve this common objective—should be included among the reform proposals being given careful study. • •

Citation Goes to Banker

Francis Polen, president, Peoples Bank, Indianapolis, holds the Distinguished Citizens Award citation he received from the American Legion, District 11, for outstanding service to the community. Looking on is Allen P. Stults, chairman, American National, Chicago, the featured speaker at the American Legion gathering.



Small part or big part?

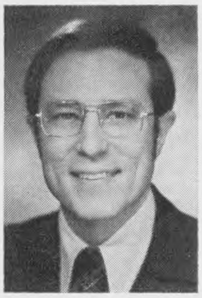
This small part plays a big part in correspondent banking today. Just as we've played a big part developing collection systems that reduce float and increase profits. For we know a bank's performance isn't just a matter of size. It's a matter of innovation. That's one thing we've learned these past one hundred years.

We're First National Bank in Dallas, with over $4 billion in assets. Through our experience and the correspondent services we offer, we can play a big part in the growth of your bank, too. For more information call our Correspondent Banking Division. **You learn a lot in 100 years.**

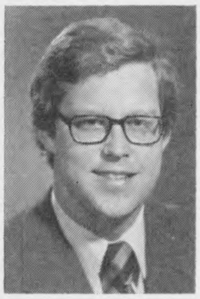
First National Bank in Dallas

Member F.D.I.C. A subsidiary of First International Bancshares, Inc.

Branch offices in London, Paris, Singapore and Cayman Islands. Representative offices in Tokyo, São Paulo and Beirut



RAU



WATSON

KREBS

McWILLIAMS

EDWARDS

Convention 'First-Timers'

These new faces will be representing city-correspondent banks at state conventions this year.

Louisiana Convention

• **James J. Rau** is an assistant vice president in the correspondent department at First National, St. Louis, which he joined in 1967. He travels in Texas, Oklahoma, Louisiana, Tennessee and Alabama.

• **Andrew O. Watson** is a member of the national banking division, Morgan Guaranty Trust, New York. He joined the bank in 1973 and has held his present post since 1974. He travels in the southern states.

• **O. Arthur Krebs** joined United Missouri Bank, Kansas City, in 1968 and has been calling on correspondents in the southeastern region since early last year.

• **H. Glenn McWilliams** is an assistant vice president in the correspondent banks department at Texas Bank, Dallas. He covers east Texas, eastern Oklahoma, Louisiana and Arkansas.

• **James A. Edwards** is an assistant vice president at First National, Chicago. He started in the Banks, Bank Holding Companies and Related Activities Division in 1969.

• **Howard M. Qualls** is a senior vice president, corporate division, Union National, Little Rock. He joined the bank in January following service with National Bank of Commerce, San Antonio.

Arkansas Convention

• **O. Arthur Krebs** has been on the business development staff at United Missouri Bank, Kansas City, since 1968 and is now attached to the southeastern region.

• **H. Glenn McWilliams** represents Texas Bank, Dallas, as assistant vice president in the correspondent banks department. He also will attend the Louisiana convention.

• **Howard M. Qualls** joined Union National, Little Rock, as a senior vice president early this year, coming from National Bank of Commerce, San Antonio. He is a native of Arkansas' Faulkner County.

• **Eugene B. Hale Jr.** is an assistant vice president in the correspondent division at Union National, Little Rock. He was formerly in commercial loans and is a native of Nevada County.

• **William E. Suddath** is an account representative at First National, Chicago. He has been with the Banks, Bank Holding Companies and Related Activities Division since March, 1974.

Illinois Convention

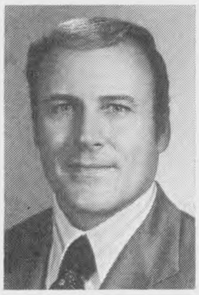
• **Charles L. Mountz** is a regional banking representative for First National, St. Louis, which he joined a year ago. He travels in Illinois, Indiana, Iowa and Kentucky.

• **Douglas E. Croft** is a correspondent banking representative at American National, Chicago, which he joined in 1972. He handles accounts in northern Illinois.

Texas Convention

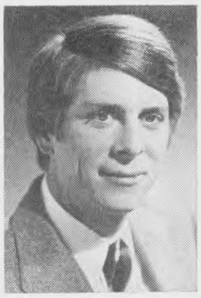
• **James J. Rau,** assistant vice president in the correspondent department at First National, St. Louis, joined the bank's EDP department in 1967. He became a correspondent man in 1972.

(Continued on next page)

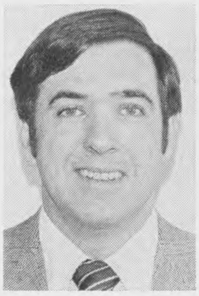


QUALLS

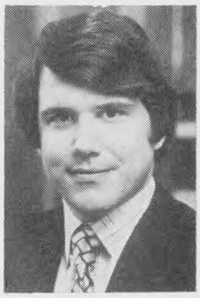
HALE



SUDDATH



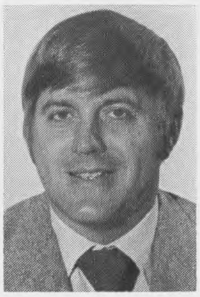
MOUNTZ



CROFT

• **Elaine Butler** is a correspondent bank representative for Capital National, Houston, which she joined in 1972. She joined the bank's correspondent department this past February.

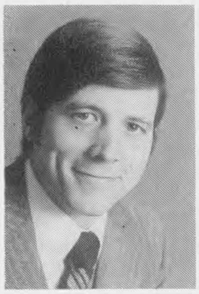
BUTLER



POE

• **Mike Poe,** assistant vice president, Capital National, Houston, joined the correspondent department in 1974. He was formerly an operations officer.

• **Tom Wood** joined United Missouri Bank, Kansas City, in 1973 and joined the business development department last year. He calls on banks in northern Kansas.



WOOD

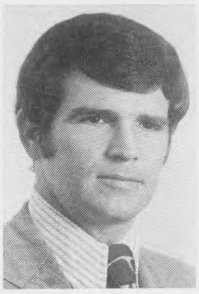
TAUBENHEIM

• **Robert E. Taubenheim** is a loan officer at First National, Chicago. He has been in the Banks, Bank Holding Companies and Related Activities Division since March, 1971.

• **Don W. Ayres** is an assistant vice president, Texas Commerce Bank, Houston. He joined the bank's officer development program in 1971 and was in two other divisions before joining the correspondent banking division as an officer last year.

• **Thomas G. Gingerich** was named a banking officer in the correspondent banking division, Texas Commerce Bank, Houston, this year. He joined the bank's administration department in 1972.

AYRES



GINGERICH

• **George Porter** is a correspondent banking representative for Commerce Bank, Kansas City, which he joined in 1973, following graduation from Drake University with an MBA degree.

PORTER

HOWARD

AMBI Convention

• **Charles L. Mountz** joined the correspondent department at First National, St. Louis, last October, following service as a credit analyst. He holds a masters degree in business administration.

• **Everett D. Howard** is an account representative at First National, Chicago, which he joined in 1973. He joined the Banks, Bank Holding Companies and Related Activities Division in August, 1973.

REIT Outlook

(Continued from page 63)

to a cynical friend the other day, he answered, "Don't worry, when money loosens up, the banks will push lines out, and REITs will sell commercial paper and debt equity ratios will rise again."

I don't believe this. Recent events have been a maturing experience with some important lessons. Both banks and REITs will be re-examining the credit structure of our industry over the next few years and we will come up with some better, more durable answers. There will be more credit analysis, there will be lower debt-equity ratios and credit will be provided on a case-by-case basis rather than on a broad industry approach.

I hope our industries can work together where appropriate and useful. This industry will be dependent upon the banking community for capital for some time to come. We should start now to shape the future to avoid the problems of today. • •

WAITE

MORTHLAND

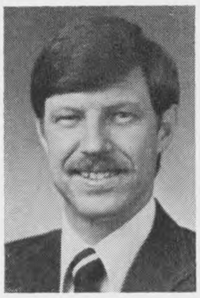
Ala.BA Young Bankers Name Morthland, Waite As Convention Speakers

GULF SHORES, ALA.—The Young Bankers Section of the Alabama Bankers Association will hold its convention here May 7-9. Mary George Jordan Waite, chairman and president, Farmers & Merchants, Centre, and Rex Morthland, immediate past American Bankers Association president and chairman, Peoples Bank, Selma, have been named as featured speakers.

On Friday, May 9, will be the regular business session, which will be followed by a motivational session with Dr. Robert Joselyn of University of Denver's marketing department. That night's final banquet will be highlighted by an address by radio commentator Paul Harvey.

Young Bankers' officers are: president, J. Steve Nelson, vice president, City National, Selma; vice president, William R. Haley Jr., vice president and cashier, Exchange National, Montgomery; treasurer, Kay Ivey, assistant cashier, Merchants National, Mobile; and secretary, Gene Boyd, executive vice president and cashier, Jacksonville State.

NELSON



HALEY

IVEY


SWING BY THE CNB SAFARI
Come by the Safari Party. Stalk the elusive pink elephant. And swing to the rhythms of the Art Porter Trio. Join us in the Jupiter Jungle Suite.
EMBARKATION DATES
Sunday, May 4 8-12 P.M.
Monday, May 5 5-12 P.M.
Tuesday, May 6 9-12 P.M.
CNB
Commercial National Bank
OF LITTLE ROCK

Arkansas Convention

President

HAYS

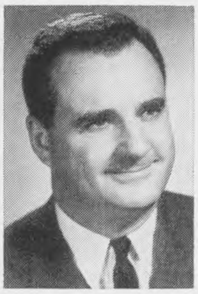
Thomas E. Hays Jr., pres., Ark.BA, joined First Nat'l, Hope, in 1962 and became pres. & CEO in 1965. Mr. Hays entered banking with First of Dallas in 1958.

President-Elect

BUSHONG

Dorman F. Bushong, Ark.BA pres.-elect, became a banker in 1946 at Bank of Gainesville, Mo. After service with other banks in California and Missouri, he joined the FDIC in 1952 and Farmers & Merchants, Rogers, in 1956. He became pres. & CEO there in 1964.

Vice President



KENNEDY

William H. Kennedy Jr., Ark.BA v.p., is a native of Pine Bluff, where he is pres., Nat'l Bank of Commerce. His many civic activities include having been an officer of Jefferson County Industrial Foundation, Arkansas Basin Association and Arkansas State Council on Economic Education.

Hot Springs, May 4-6

Headquarters—ARLINGTON HOTEL

TENTATIVE PROGRAM

FIRST SESSION, 9:30 a.m., May 5

Call to Order—THOMAS E. HAYS JR., president, Arkansas Bankers Association, and president, First National Bank, Hope.

Invocation.

President's Address—THOMAS E. HAYS JR.

Address—DAVID PRYOR, Arkansas governor.

Address—DALE BUMPERS, U. S. Senator from Arkansas.

Announcements and Awarding of Door Prize.

Adjournment.

SECOND SESSION, 9:30 a.m., May 6

Call to Order—THOMAS E. HAYS JR.

Report of the Treasurer—WAYNE HARTSFIELD, president and chief executive officer, First National Bank, Searcy.

Meeting of Arkansas Members of the American Bankers Association.

Address—REX DUWE, president-elect, American Bankers Association, and chairman and president, Farmers State Bank, Lucas, Kan.

Address—FRANK WHITE, Arkansas Industrial Development Commission, Little Rock.

Resolutions Committee Report—DIGBY WEST, chairman of committee, and president, First National Bank, Berryville.

Election of Officers.

Announcements and Awarding of Door Prize.

Meetings, Entertainment Planned for Convention

Among the highlights of the Arkansas Bankers Convention May 4-6 will be the annual dinner meeting of the Past President's Club Saturday evening, May 3, following a reception. Presiding will be Sam Bowman, president, McGehee Bank.

The resolutions committee is scheduled to meet Sunday, May 4. Presiding will be Digby West, president, First National, Berryville, who is committee chairman.

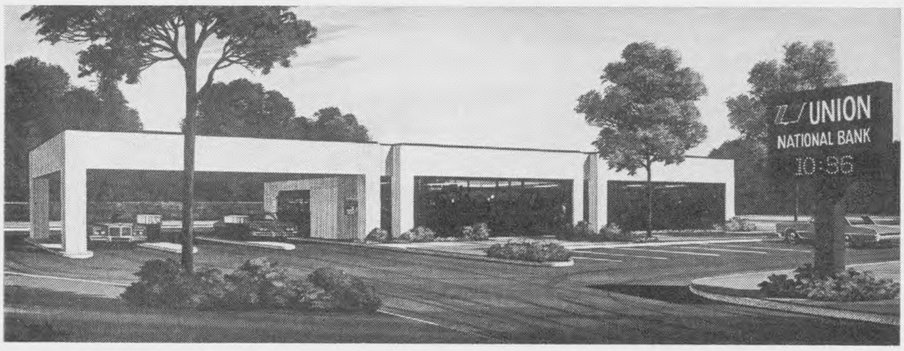
Resolutions committee members include W. M. Campbell, chairman, First National of Eastern Arkansas, Forrest City; Searcy Harrell, president, Calhoun County Bank, Hampton; Olen Hendrix, vice president, Bank of Delight; William H. Kennedy Jr., president, National Bank of Commerce, Pine Bluff; Norman Kirkwood, executive vice president, Bank of Wilmot; Joe Siebenmorgan, senior vice president & cashier, First National, Conway; James Sparks, vice president, First National, Fort Smith; Field Wasson, president, First National, Siloam Springs; J. J. White, president, Helena National; Cliff Wood, president, Union National, Little Rock; and M. S. Woodruff, president, Citizens Bank, Carlisle.

The annual golf tournament will take place Tuesday afternoon and the annual banquet Tuesday evening.

Ark.BA Treasurer

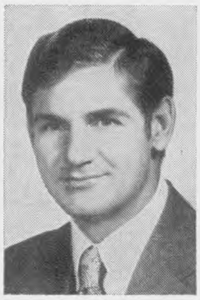
Wayne Hartsfield is treas., Ark.BA, and pres. & CEO, First Nat'l, Searcy. He is a former ch., Group II, Ark.BA, and a graduate, Stonier Graduate School of Banking at Rutgers University.

Union of LR's Branches to Have Same Design

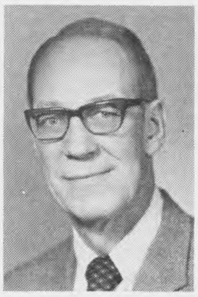


Illustrated here is a new design Union National, Little Rock, will use for all its future full-service branches. The unit was designed by the Jonesboro firm of Stuck, Frier, Lane, Scott, Beisner, Inc. During 1974, Union National completed four new full-service branches and relocated a fifth to more modern facilities. In addition, facilities at the downtown auto bank were improved. The bank now has 15 banking locations.

MITCHELL



CISSELL



HOWELL

■ MICHAEL E. (MICKEY) CISSELL has been elected vice president and manager, correspondent bank division, Worthen Bank, Little Rock. He previously had been vice president and regional calling officer for the correspondent division. Mr. Cissell, who joined Worthen Bank in 1972, formerly was with Union Planters National, Memphis. William F. Mitchell has been promoted to vice president and manager, personnel division. He had been an assistant vice president and acting division manager. Mr. Mitchell joined the bank in 1973. Gilbert Howell has been promoted to vice president, trust division. He joined Worthen Bank as a trust investment officer in 1966. E. Fletcher Lord Jr. has been named a director of the bank. Mr. Lord is first vice president, Crow-Burlingame Co.

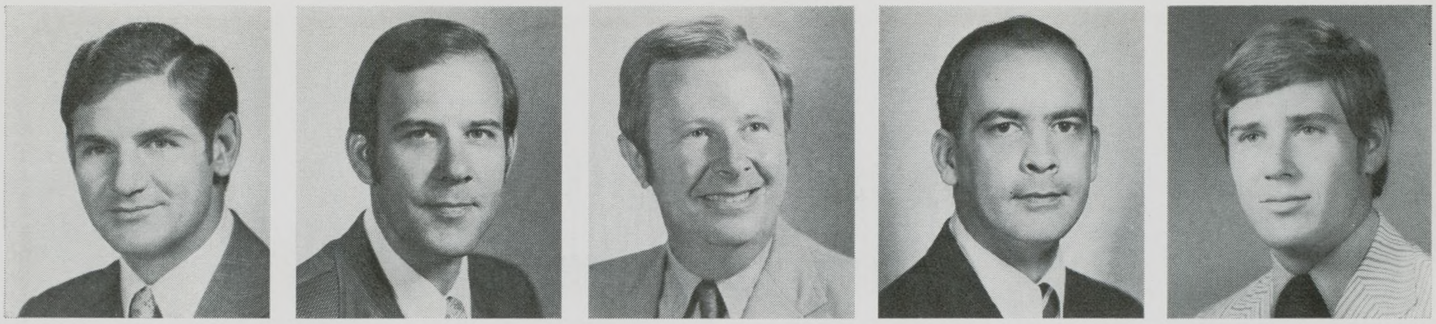
Four Bankers Set to Leave Arkansas Executive Council

BROWN

Four Arkansas bankers will be leaving the Ark.-BA's executive council this year. Two of them are association officers—William H. Kennedy Jr., who's vice president; and Wayne Hartsfield, treasurer. Both are pictured elsewhere in this section.

The other two retirees are Doyl E. Brown, president and trust officer, First National, Wynne; and Joe Siebenmorgan, senior vice president, First National, Conway.

Mr. Brown is a native of Wynne and joined First National in 1938.



Blue ribbon banking. It comes from a correspondent banking staff that combines a unique blend of youth and professionalism to serve your every need.
Our Blue Ribbon Room will be open in the Juno Tower Suite at the Hotel Arlington in Hot Springs during the Arkansas Bankers Convention. Come visit us. Special attraction: Sheryl Lynn returns with her own blue ribbon style of entertainment.

Left to right in photo: Mickey Cissell, vice president and division manager; Larry Breashears, Bob Perry, A. J. Gornatti and Richard Smith.

WORTHEN
Bank & Trust Company, N. A.

LITTLE ROCK, ARKANSAS

lember FDIC
Affiliate of First Arkansas Bankstock Corporation Fabco

New Group Officers Appointed By Arkansas Bankers Assn.

New group officers have been named by the Arkansas Bankers Association. They are:

Group One: chairman, William J. Tomlinson, executive vice president, First National, Blytheville; vice chairman, Jack C. Owen, president, First National, Newport; secretary-treasurer, Dean O'Farrell, president, First National of Eastern Arkansas, Forrest City.

Group Two: chairman, Floyd Parker, executive vice president, Malvern National; vice chairman, G. Harold Neal, president, First National, Russellville; secretary-treasurer, Elmer Dale Yancy, executive vice president, First Security, Searcy.

Group Three: chairman, J. C. Miller, executive vice president, First National, Paris; vice chairman, John Fryer, executive vice president, Bank of Bentonville; secretary-treasurer, Don Swaim, vice president, First National, Fort Smith.

Group Four: chairman, Max O. Taylor, president, Smackover State; vice chairman, Clayton Franklin, president, First National, Nashville; secretary-treasurer, W. E. Butler Jr., vice president, Citizens National, Hope.

Group Five: chairman, Louis L. Ramsay Jr., president, Simmons First National, Pine Bluff; vice chairman, Artie Seidenschwarz, president, Farmers & Merchants, Stuttgart; secretary-treasurer, R. C. Casey, vice president, National Bank of Commerce, Pine Bluff.

■ JOE E. ANDERSON and Hayden M. Coe have been elected assistant vice presidents, State First National, Texarkana, and Edna Lucille Hawkins and Mary Jo Herring have been named assistant cashiers. Mr. Anderson is manager, Main Office customer services department; Mr. Coe is manager, College Hill Office; Mrs. Hawkins manages the Fourth Street Drive-in Facility; and Miss Herring is assistant personnel director.

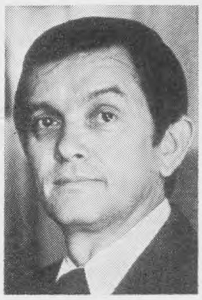
■ S. M. DIXON has been elected vice chairman, First National, Little Rock. He assumed full-time bank responsibilities April 1, and will serve a two-year term. Mr. Dixon has been a director of the bank since 1956 and an executive committee member since 1964. His new duties will be centered in the nonoperational areas of First National, including board functions, and he will serve as chairman of the trust committee. Mr. Dixon is president and director of two local business corporations.

First State's Building Addition Completed

First State, Conway, has occupied the new 4,600-sq.-ft. addition, which is said to double the bank's effective work space. The second floor of the two-story addition houses the operations division and the "Toad Suck Ferry" room, a lounge area. The safety deposit area was doubled on the first floor.

Louisiana Convention

President



JOHNSON

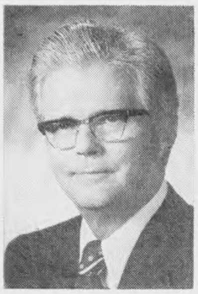
A. R. Johnson III, LBA pres., is exec. v.p., Delta Bank, Port Sulphur. He was formerly pres., Guaranty Bank, Alexandria, and has been with American Bank and Louisiana Nat'l, Baton Rouge, and Gulf Nat'l, St. Charles.

President-Elect

ACKLIN

J. D. Acklin Jr., LBA pres.-elect, is ch. & pres., Planters Bank, Haynesville. He is a graduate of the School of Banking of the South at LSU and is a former treas. of the LBA and its Junior Bankers Section.

Treasurer



MILLER

LBA Treas. Nolen C. Miller is pres. & CEO, Guaranty Bank, New Roads, which he joined in 1957 following service with Bank of Commerce, Iota. He is a past ch. of the Southwest Louisiana and Southeastern Louisiana CHAs.

New Orleans, May 3-5

Headquarters—FAIRMONT HOTEL

TENTATIVE PROGRAM

ONE SESSION ONLY, 9:30 a.m., May 5

Call to Order—A. R. JOHNSON III, president, Louisiana Bankers Association, and executive vice president, Delta Bank, Port Sulphur.

Invocation.

President's Address—A. R. JOHNSON III.

Treasurer's Report— NOLEN C. MILLER, treasurer, Louisiana Bankers Association, and president, Guaranty Bank, New Roads.

Report on AIB's 75th Year—CHARLES LUCIEN, vice president, Hibernia National Bank, New Orleans.

Meeting of Louisiana Members of the American Bankers Association—PAT WILLIS, American Bankers Association vice president for Louisiana, and vice president, Fidelity National Bank, Baton Rouge.

Address—REX DUWE, president-elect, American Bankers Association, and chairman and president, Farmers State Bank, Lucas, Kan.

Report of Board and Executive Vice President—ROBERT I. DIDIER JR., executive vice president, Louisiana Bankers Association, Baton Rouge.

Committee Reports.

Reports From Groups.

Resolutions—R. LEE VANDERPOOL JR., chairman, Rules and Calendar Committee, Louisiana Bankers Association, and president, Ouachita National Bank, Monroe.

Convention Speakers

WILLIS

DUWE

VANDERPOOL

DIDIER

Less Business, More Fun Planned for LBA Meeting

NEW ORLEANS—In a departure from past conventions, the Louisiana Bankers Association is scheduling just one business session during its upcoming 1975 meeting here May 3-5. In past years, a second business session has been held.

Added to the convention program will be educational displays by firms dealing with banks. The displays will open Saturday morning, May 3, at 9 and will be open through Monday afternoon at 3 in the Grand Ballroom of the Fairmont Hotel, convention headquarters.

The annual LBA golf tournament will not be held this year.

First social event on the convention agenda will be a river cruise and dance aboard the steamer Admiral, billed as the world's largest river liner. Boarding will be at 5:30 p.m., with departure at 6. Although the liner will return to the dock at 7:30 p.m., the LBA party will continue until 8:30.

Sunday's events will include the past presidents' luncheon for all LBA officers, members of the board and past presidents; a luncheon for LBA first ladies; and the annual cocktail party and dance, which will be held from 5:30 to 7:30 p.m. in the hotel's International Ballroom. The party is hosted by New Orleans Clearing House banks.

First event on Monday, May 5, will be the School of Banking breakfast in the University Room, open to graduates and current students of the School of Banking of the South.

The first and only business session will begin at 9:30 a.m. and will be followed by the traditional men's social and luncheon. Evening events will include a cocktail party at 6:15 p.m., followed by the annual banquet, which will feature dance music by Rene Louapre and his Orchestra.

Women's Program Scheduled For Louisiana Convention

NEW ORLEANS—The LBA has announced a special program for women to be held Monday morning, May 5, during the convention's general business session.

The first event will be women's bingo in the International Room, beginning at 9 a.m. Bingo prizes will be donated through the courtesy of LBA member banks and they will be on display in the Grand Ballroom prior to the event.

A women's social will begin at noon in the International Room and will be followed by a women's luncheon in the same room at 12:30 p.m.

This is artist's conception of new Central Bank of Monroe's Central Center, to be located in West Monroe. New branch office will cover area of 36,700 square feet, occupy 3½-acre lot, cost over $1 million.

Central Bank, Monroe, To Erect Banking Complex At $1-Million Cost

WEST MONROE—Central Bank, Monroe, has announced plans for a new banking complex here, to be called Central Center. It will house a branch office offering commercial and installment loans, savings and checking accounts, safe deposit boxes and four drive-in teller lanes.

Central Center will cover 36,700 square feet of space on a 3½-acre lot and will be a steel-framed structure with masonry walls. The contemporary exterior will have an exposed aggregate plaster finish.

Central Bank's present operations center and banking facility in Monroe will be absorbed and expanded by the new center, which is expected to be completed by late October.

Craig Is General Chairman Of 75th LBA Convention

NEW ORLEANS—Frank S. Craig Jr., president, Fidelity National, Baton Rouge, is general chairman of the 1975 Louisiana Bankers Association convention, which will be held May 3-5 at the Fairmont Hotel.

CRAIG

Convention committee chairmen, serving under Mr. Craig, include: *program* — George Vath, senior executive vice president, National American, New Orleans; *entertainment*—Paul F. Steen, vice president, Bank of New Orleans; *registration*—Harry Schmidt, vice president, Whitney National, New Orleans; *women's*—Mrs. A. R. Johnson III, wife of the LBA president, who is executive vice president, Delta Bank, Port Sulphur; *rules and calendar*—Lee Vanderpool, president, Ouchita National, New Orleans.

■ H. J. BONNETTE JR. and Willis B. Ryland II have been named assistant vice presidents, Guaranty Bank, Alexandria. Both joined the bank in 1970.

Convention Registration

Registration for the LBA convention will take place on the mezzanine level of the Fairmont Hotel during the following hours:

Saturday, May 3—9 a.m.-5 p.m.
Sunday, May 4—9 a.m.-5 p.m.
Monday, May 5—8:30 a.m.-noon

Convention badges will take the place of ticket books for admittance to all official functions.

Two to Retire From LBA Board

J. B. Falgoust, executive vice president, Bank of Vacherie; Ralph France, executive vice president, Bank of New Orleans; and George Ruhlman Jr., executive vice president and cashier, Metairie Bank, will be retiring from the LBA board at this year's convention following three-year terms of office.

■ PAUL J. SPARACELLO, assistant vice president and petroleum engineer, Hibernia National, New Orleans, has been named manager, oil and gas department. Mr. Sparacello joined the bank in 1972.

■ CURTIS T. LEE, manager, Whitney National of New Orleans' Third District Branch, has been promoted to assistant vice president. John E. Alexander Jr. has been elevated to assistant trust officer. Mr. Lee has been with the bank since 1957 and Mr. Alexander, since 1969.

LBA Supervisory School Now Open to Outsiders

The LBA recently voted to open its Louisiana Banking School for Supervisory Training (LBSST) to representatives of banks outside Louisiana. The reason for the decision was the reported success of the school during its first two sessions.

Enrollment at the school increased last year by 25% and, according to officials, indications are that the number attending again will grow during the school's third session, May 11-16.

"We know of no school offering similar training in supervisory skills tailored specifically for bankers," said Dr. William F. Staats, LBA professor of banking and school director. "While current enrollment capacity will enable us to take only a few out-of-state registrants this year, there is a possibility we could conduct two separate sessions and maintain optimum class size if this is warranted by registration growth."

Bankers who have attended the school report markedly improved managerial performance, according to Dr. Staats. "Also, reports we have received indicate that the improved performance has continued long after the LBSST session was completed," he said.

The LBSST faculty includes experienced bankers and educators. Dr. Michael Mescon, Regents' Professor of Human Relations and chairman, management department, Georgia State University, conducts a special session on motivation.

On the faculty from Ohio State University is Dr. Orlando Behling. He lectures on job satisfaction and performance appraisal. Dr. Behling has wide-ranging consulting experience and, in addition, serves as associate editor of *Personnel Administration.*

Bankers attending the supervisory school live at the College Inn, a privately owned dormitory adjacent to the campus of University of Southwestern Louisiana, Lafayette. Classes are held in U.S.L.'s Harry L. Griffin Hall across the street from the dorm.

The May 11-16, 1975, LBSST session has a registration fee of $185. The fee includes room, meals, tuition and materials. Registration information can be obtained by writing to LBSST, P.O. Box 17390, Baton Rouge, LA 70803.

■ MAX PACE has been named president, American Bank, Baton Rouge, succeeding J. Clifford Ourso, who remains as chairman and CEO. Mr. Pace, executive vice president since 1970, joined the bank in 1947 and was elected to its board in 1966. When the parent HC, Great American, was formed in 1970, he was named executive vice president, a position he retains.

PACE

LEVERT

■ JOHN B. LEVERT JR. has been appointed executive vice president-administration, Howard, Weil, Labouisse, Friedrichs Inc., New Orleans. Named as new vice presidents were: W. David de Laureal, Maxie L. Castilow, New Orleans; Charles C. Carter Jr., Hammond; W. Harry Frazer III, Clarksdale, Miss.; and Ernest G. Thomas, Vicksburg, Miss. Mr. Levert has been with the firm since 1970 and was named a director last October.

Louisiana Oil Industry Gears To Provide for Nation's Future Refining Requirements

DESPITE a hesitant economy in some segments of U. S. industry, Louisiana's petroleum refining and petrochemical interests are expanding their capacity.

An estimated 10% of the nation's petroleum refining and petrochemical capacity is located in Louisiana—the bulk of it lining the Mississippi River between New Orleans and Baton Rouge. Another large refinery and petrochemical complex is located at Lake Charles in southwest Louisiana.

Presently, there are some $3 billion of industrial projects in Louisiana that either have been started or are scheduled to be started soon.

This indicates that Louisiana industrialists feel there are no fears of crude shortages, either domestic or foreign, which might face the state in the future.

Since the turn of the century, crude oil and natural gas have been important to Louisiana's economy. The first oil well was discovered in 1902 at Evangeline, in the southwestern part of the state.

The state's 17 refineries are capable of producing more than 1.5 million barrels of refined petroleum products daily.

Domestic crude is the prime source for the state's industries. At the end of 1974, less than one-fourth of a million barrels of crude was being imported into the state each day.

However, two factors are expected to speed up crude importations. The first is the current construction of a 200,000-barrel-a-day refinery by Energy Co. of Louisiana (ECOL) on the Mississippi River at Garyville. Imported crude will be processed at this facility.

The other is the proposed construction of an offshore deepwater port to accommodate supertankers. This facility is expected to boost the state's refining capacity to 2.1 million barrels daily.

Just as important to Louisiana are the jobs that are generated by the state's refineries and petrochemical industries. More than 125,000 Louisiana workers hold jobs in the oil or oil-related industries in the state.

After the offshore deepwater port has been completed, this figure is expected to increase by about 30,000, with some 10,000 of those jobs in the manufacturing category alone.

Currently, Louisiana ranks as the third largest refining state in the nation.

Although ECOL is the largest single new plant to come to Louisiana this year—with an estimated cost of $241 million—it is not the largest project.

Union Carbide's petrochemical complex at Taft, on the Mississippi River, has a $425-million expansion project

Union Carbide Corp., Taft, La., will expand its ethelene oxide capacity in a $425 million capital expenditure program. The new unit will be constructed adjacent to the one shown here.

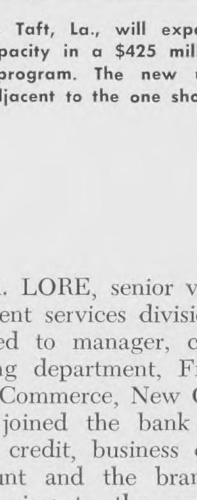
on the boards.

There also is another energy source, besides crude oil, that is increasing capacity in Louisiana. Louisiana Power & Light Co. has started construction of a nuclear-power generator station in St. Charles Parish and is planning another south of New Orleans.

Gulf States Utilities Co. is awaiting final approval for a massive turn nuclear-power generating facility north of Baton Rouge. Preliminary approval has been granted, and feasibility and environmental studies are continuing.

In summary, Louisiana industry is preparing to meet the state's and nation's future refining and petrochemical requirements. The investments being made today will provide a broad base for tomorrow's success and prosperity. • •

■ DOUGLASS R. LORE, senior vice president, investment services division, has been promoted to manager, correspondent banking department, First National Bank of Commerce, New Orleans. Mr. Lore joined the bank in 1959, working in credit, business development, discount and the branch system before moving to the correspondent department in 1965. He moved to the bond and investment department in 1972 and was promoted to senior vice president in 1974.



LORE

It's 50 miles long, 40 feet deep, and runs around the world.

A closer look at Houston's longest inland waterway from Houston's largest bank.

Linking the Gulf of Mexico with the nation's sixth largest city is the Houston Ship Channel. This 50 mile canal connects Houston with over 250 ports of the world.

Since its completion in 1915 the channel has contributed greatly to the economic growth of Houston—the largest city in the Southwest.

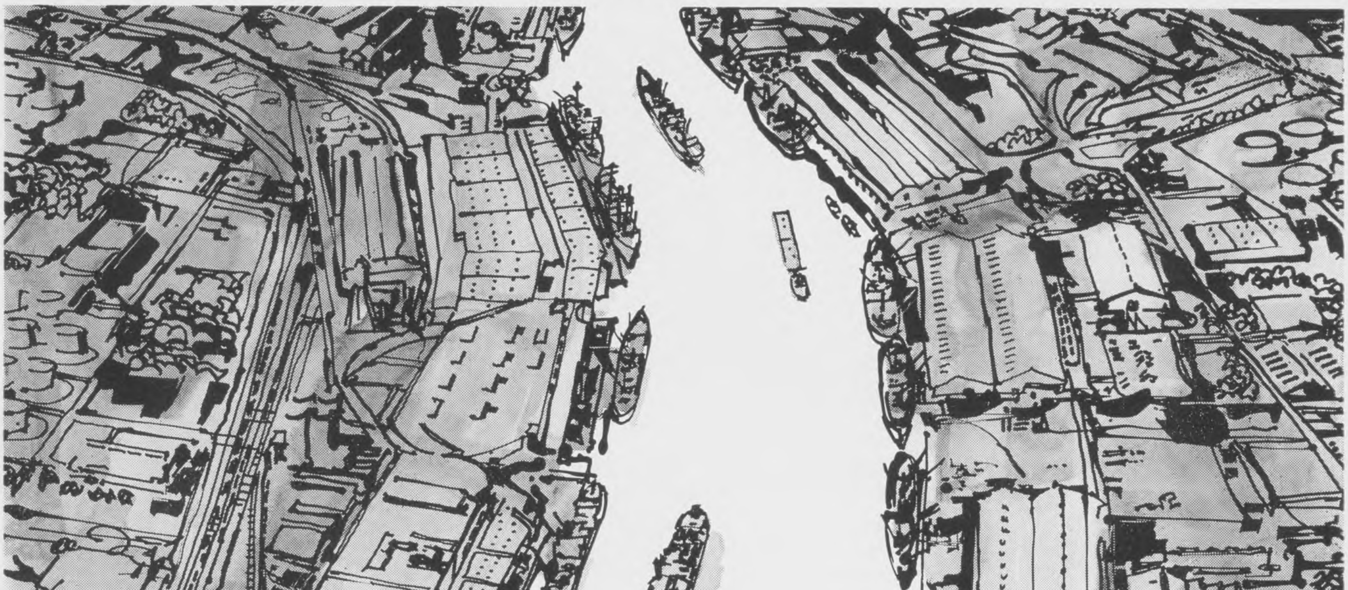
The Port of Houston is an exciting hub of world trade and the third largest seaport in the U.S. Each year the port handles over 70 million tons of cargo, with imports and exports totaling well over $3 billion.

This kind of smooth sailing has had the financial support of First City National Bank for over 100 years. Much credit goes to our International Department with the expertise, resources and connections to make businesses feel at home wherever they do business.

Import/export financing. What we've learned worldwide is yours. First City National proves to Correspondents that more service is the result of more experience.

Understanding business as well as banking has put us in a very unique position.

The largest bank in the Southwest's single largest market.



FIRST CITY NATIONAL Bank of Houston

A First City Bancorporation Member

Albuquerque's First Plaza Complex Lets in Sun, Excludes Autos

A 55-STORE fashion shopping area with restaurants and theaters is being created as part of the new downtown headquarters office of First National, Albuquerque. Business openings will begin sometime in January, with completion projected for mid-summer.

The seven-level main building structure includes 230,000-square-feet of rentable office space and is said to be designed in keeping with the Southwest lifestyle. Comparatively low and massive, this structure covers three blocks in a "U" shape, with a plaza sheltered within the "U." It's comprised of huge, precast concrete elements 25 feet long, six feet high and eight inches thick, colored in earth tones indigenous to that part of the country.

Covered arcades afford pleasant surroundings for a stroll or rest and relaxation. People entering the plaza find themselves out of the city in its usual form and in an ambience of thoughtfulness and prestige. Drive-up teller facilities for the bank have been omitted to maintain the pedestrian orientation.

An area called the Galería is a 100,000-square-foot, air-conditioned, enclosed mall below the plaza. The combination of the two includes seven blocks without cross streets or auto traffic, because the plaza's main parking facility is the city's new Civic Center parking structure with a direct pedestrian passageway to the Galeria.

Restaurateurs from San Francisco and New York will locate there. Indoor and outdoor dining, with breakfast, lunch, dinner, late supper and cafe service are to be offered at many of the plaza's eateries.

Expansive skylights provide natural light in the enclosed mall.

The bank utilizes about one-third of First Plaza's main building, taking space in all seven levels.

In the Galería level are the safe deposit and escrow areas, while the plaza, or street, level contains the main banking lobby for paying and receiving, savings, commercial and personal loans, collections, etc.

The third level appears as a balcony to the viewer and is reached by a winding staircase or elevator. In it are corporate loan officers, loan administration and real estate functions.

The trust division is on the next floor. Government and national departments also are located there.

On the fifth level, such activities as word processing, proof, bookkeeping, return items and computer operations take place. The employee lounge is located on that floor as well.

Administrative services, personnel, investments, programming and auditing utilize the sixth level.

The seventh level contains the board room, executive dining room, personal banking administration, president, chairmen of the board and executive committee, as well as the marketing department. An art gallery, containing 40 photographs from the works of Ansel Adams, Edward Curtis, Paul Weston and Paul Strand, also is to be found on that floor. • •

Above, First Plaza in Albuquerque is U-shaped, pedestrian-only complex that is new home of First National, many stores, theaters and restaurants. Below, Galeria is the main entranceway to new plaza. Skylights allow extensive use of natural light.

What S&H knows about premiums, promotions and merchandise could probably fill a bank.

So Sperry & Hutchinson has created Financial Promotion Services—to fill your bank with new deposits and loan applications.

FPS has been developed to provide the expertise and experience necessary to successfully generate increased deposits and loans through the use of premium promotions. As a division of S&H, one of America's oldest and largest promotional organizations, FPS benefits from an already established network of trained premium specialists, sophisticated computer systems and coast-to-coast warehouse facilities which enable us to implement premium offers immediately.

In addition, we guarantee full return privileges of all merchandise to participating financial institutions.

Programs for financial institutions include:

Direct Premiums
Continuity Programs
Internal Staff Incentive Programs
Travel Incentive Programs
Credit Card Programs

FPS offers a wide range of quality merchandise for your customers. Among the nationally known and advertised brands available:

General Electric
Waltham Watches
Corning Ware
Debonaire Cookware
Rockwell Calculators
Hamilton Beach
Ports of England Dinnerware
Spalding Sporting Goods
La-Z-Boy Chairs
GAF Cameras

For complete information on Financial Promotion Services contact **Jack Kreuzburg** General Manager, FPS at **(513) 771-5590** or by returning the coupon below.

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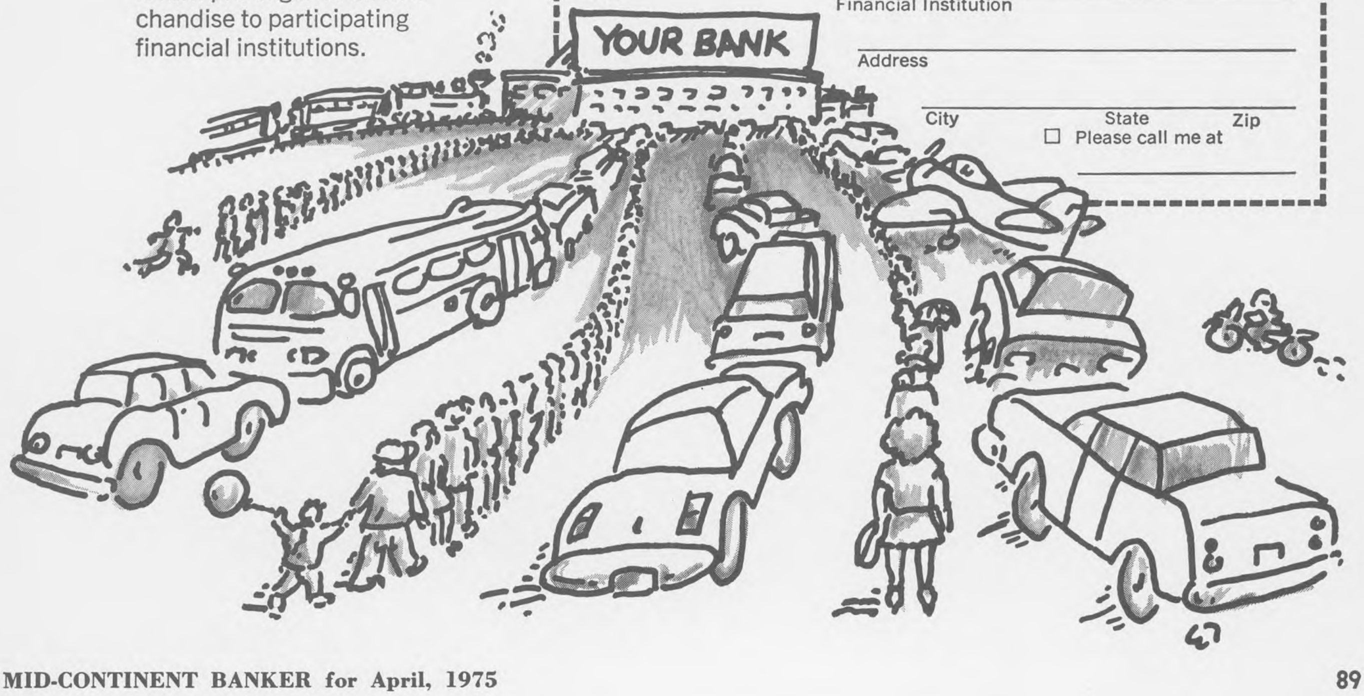


All-Alabaman Speaker Lineup Scheduled For 82nd Annual Ala.BA Convention

AN ALL-ALABAMA convention is on tap for members of the Alabama Bankers Association this year. The 82nd annual meeting will take place April 23-25 in Birmingham.

In a departure from usual policy, all major speakers on the two-day program will be Alabamans and all will be nonbankers.

Headquarters hotel will be the Kahler Plaza, but conventioneers also will be housed in two other nearby hotels—Parliament House and Guest House. Convention events will take place at the Kahler Plaza, Parliament House and Engineering School Auditorium.

Convention speakers will include Joseph M. Farley, president, Alabama Power Co.; Dr. David Mathews, president, University of Alabama; Jack Edwards, U. S. representative for Alabama; and John W. Bloomer, managing editor, Birmingham *News*.

General convention chairman is John Alexander, president, City National, Birmingham. Vice chairman is Johnny Wallis, senior executive vice president, same bank.

Committee chairmen include Roy W. Gilbert Jr., executive vice president, Southern Bancorp.—arrangements and entertainment; Charles Martin, president, National Bank of Commerce—housing; Mrs. Sue Caffey, wife of Guy Caffey Jr., president, Birmingham Trust National—ladies; George Smith, senior vice president, Bank of the Southeast—publicity; James Vance, senior vice president, First National—registration; Charles G. Allen, assistant vice president, Exchange Security—sports; and Lloyd G. Rains, president, Central Bank—transportation.

On the entertainment scene will be the Tommy Dorsey Band, which will play after dinner on April 24, and the Auburn Knights and the Samford University Choral Group, which will entertain after dinner on April 23.

The official registration will begin at 3 p.m., Wednesday, April 23 at the Kahler Plaza. Cocktails will be served in the convention exhibit area starting at 6:30, followed by dinner and entertainment in the hotel's Heritage Room at 7:30.

Thursday's events will begin with the first business session at 9:30 in the Engineering School Auditorium. A ladies luncheon will begin at the Parliament House Hotel at noon and the Independent Bankers Division will meet at 3 p.m. Cocktails will begin at 6 in the exhibit area and dinner will begin at 7 in the Heritage Room.

Friday's schedule will include a business session at 9:30, cocktails at 12:30 in the exhibit area and, at 1 p.m., the final luncheon and election of officers in the Heritage Room.

Presiding during convention business sessions will be Ernest F. Ladd Jr., chairman and CEO, Merchants National, Mobile. Mr. Ladd joined Merchants National as a runner in 1935. He was elected assistant cashier in 1941, assistant vice president in 1945, vice president in 1948, director in 1954, senior vice president in 1958, executive vice president in 1967, president in 1969 and chairman and CEO in 1972. He was elected chairman and CEO, Southland Bancorp., last year.

He serves as a member of the Comptroller of the Currency's national advisory committee on banking policies and practices and as a director of the Atlanta Fed's New Orleans Branch.

Expected to succeed Mr. Ladd during the convention is Horace W. Broom, currently Ala.BA first vice president. Mr. Broom is president, Citizens Bank, Hartselle, which he joined in 1950.

Mr. Broom was elected cashier of his bank in 1952, director in 1958, vice president and cashier in 1963, executive vice president in 1967 and president in 1969. He is a past chairman of Ala.BA's groups one and two and received the Outstanding Group Chairman Award for 1963-64.

Current second vice president of the association is Robert H. Woodrow Jr., chairman and CEO, First National, Birmingham. He joined his bank in 1947 and was named assistant trust officer in 1950, trust officer in 1953, vice president and trust officer in 1956, senior vice president and trust officer in 1961, executive vice president and trust officer in 1967, executive vice president in 1971, chairman in 1972 and chairman and CEO in 1973. He is a graduate of the Stonier Graduate School of Banking. • •

Tennis, Anyone?

For the first time at any Ala.BA convention, conventioneers will be able to enjoy a tennis tournament this year. It will be a doubles round robin and will be held at Racquet Place in downtown Birmingham beginning at 9 a.m., Wednesday, April 23. According to tradition, a golf tournament will also be held during the convention at the Oak Mountain State Park, beginning at 8 a.m., Wednesday, April 23. Entry fee for each tournament is $15.


LADD


BROOM

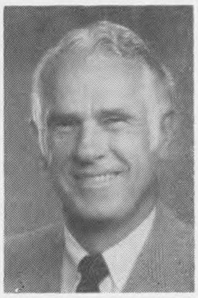

WOODROW


ALEXANDER


WALLIS

Texas Convention

President



EDWARDS

TBA Pres. Gene Edwards is pres., First Nat'l, Amarillo, which he joined in 1949. He has served TBA as a member of the legislative committee and is a member of the ABA's Task Force on Reg. Y.

Vice President

WHEELER

J. W. Wheeler, TBA v.p., joined Hale County State, Plainview, in 1946 and was elected pres. in 1966. He is a former pres., South Plains Bankers Assn. and was ch. in 1968 of TBA's state bank division.

Treasurer

LUCKEY

TBA Treas. Harold M. Luckey is pres., Rockdale State, which he joined in 1932 as a bookkeeper. He has been pres. since 1962. He has served TBA on its legislative com. and as a member of its administrative com.

Houston, May 4-6

Headquarters—HYATT REGENCY HOTEL

PROGRAM

SUNDAY, MAY 4

9-11 a.m.—Committee Meetings.
10 a.m.-6 p.m.—Registration and Exhibits.
6-8:30 p.m.—Opening Night Reception.

MONDAY, MAY 5

9:30 a.m.—Opening Business Session presided over by GENE EDWARDS, president, Texas Bankers Association, and president, First National Bank, Amarillo.
11 a.m.—National Bank Division Meeting, with legislative report by LEONARD PASSMORE, TBA Counsel.
11 a.m.—State Bank Division Meeting with legislative report by SAM KIMBERLIN JR., TBA executive vice president.
11:45 a.m.-12:30 p.m.—Reception.
12:30 p.m.—Luncheon.
5-8:30 p.m.—Reception and Banquet.
8:30 p.m.—Entertainment.

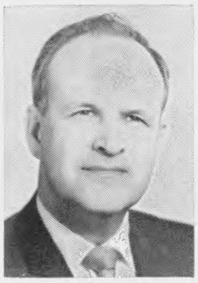
TUESDAY, MAY 6

9 a.m.—Business Session.
11:30 a.m.—Reception and Luncheon.

GUEST SPEAKERS

FRANK WILLE, chairman, Federal Deposit Insurance Corp., Washington, D. C.
JENKIN LLOYD JONES SR., publisher, Tulsa (Okla.) *Tribune*.
DAVID BONNER, president, Gulf Oil Co., Houston.
PHILIP E. COLDWELL, member, Board of Governors, Federal Reserve System, Washington, D. C.

WILLE



COLDWELL

Special Women's Program Set for TBA Convention

HOUSTON—A special women's program will be held from 11 a.m. to 4:30 p.m. on Monday, May 5, during the Texas Bankers Association convention.

The program includes a special concert at Jones Hall by the Houston Symphony Orchestra, an international luncheon and a bus tour through the River Oaks residential area to the Galleria Shopping Center with time to visit Houston's leading department and specialty stores.

Special buses will be used and refreshments will be served en route.

Babin Is Program Chairman Of Texas BA Convention

HOUSTON—General chairman of the TBA convention this year is Don Babin, senior vice president, Bank of the Southwest.

Serving with Mr. Babin are the following committee chairmen, all from Houston banks:

Housing—Earl Lassere, vice president, Bank of the Southwest; *entertainment*—Ken Steffy, vice president, Houston National; *ladies*—Kenneth Williams, vice president, Texas Commerce Bank; *publicity*—John W. Worsham, senior vice president, Capital National; *space allocation*—Ford Hubbard, senior vice president, Southern National; *security*—Bill Patterson, vice president, Houston Citizens Bank; and *registration*—Grant Hollingsworth, vice president, First City National.

FLYNN

WILSON

■ C. IVAN WILSON has been elected chairman and CEO, Corpus Christi Bank, succeeding James T. Denton Jr., who recently moved to Dallas as chairman and CEO, Texas Bank. Mr. Denton will continue as a director at Corpus Christi Bank. In other news at the Corpus Christi Bank, Patrick A. Flynn has been named president and a director, while John O. Chapman Jr. and Earl Sams Lightner have been elected directors. Mr. Wilson has served as president since 1970 and became CEO in December. Mr. Flynn joined Corpus Christi Bank in 1971 as senior vice president and was elected executive vice president in early 1973. Prior to joining the bank, he spent 10 years with First National, Midland.

Dallas, Houston HCs Merge

DALLAS—Republic of Texas Corp. has received Fed approval to acquire Houston National Co., HC controlling Houston National Bank. Republic of Texas Corp. controls Republic National, Dallas.

The merger agreement was approved by Houston National stockholders last June and is expected to be completed by April 15. Merger plans call for the issuance of 1.7 million shares of Republic's $5 par value common stock in exchange for 1.6 million shares of Houston National stock, an exchange rate of 1.0738.

Following the merger, Republic of Texas Corp. is expected to seek representation in major markets throughout Texas.

TBA District Eight Convention To Examine Capital Adequacy

AMARILLO—District Eight of the TBA will hold its convention April 13-14, at the Amarillo Convention Center. Justin T. Watson, first deputy comptroller of the currency, will speak on "Bank Capital Adequacy and Liquidity."

Activities of the first day, Sunday, April 13, will include registration from 2 until 5:30 p.m., followed by a social hour, which will continue until 7 p.m. Dinner is scheduled for the next hour, and the after-dinner entertainment will be provided by comedienne Phyllis Diller. A dance is planned from 10 p.m. until midnight.

Monday, April 14, will begin with a men's breakfast, 8-9:30 a.m. James Blakely, PhD from Wharton, Tex., will be the featured speaker.

A women's brunch begins at 9:30 and runs until 11 a.m. The program and business meeting, featuring Mr. Watson, takes place from 9:45-11:15 a.m., followed by a social hour, which ends at noon. Lunch is scheduled for the following 60 minutes and the "Ladies Las Tiendas Tour" will occur from 1-4 p.m. Golf and tennis for all will begin at 1:45 p.m.

Group Groundbreaking

Employees of First National, Amarillo, wield shovels for the groundbreaking at the construction site of the new bank building. Each participant in the turning of the earth represented one of the bank's departments. The $13-million building, to be completed in 1976, will be dedicated to the nation's founders and to those who established commerce in the Texas Panhandle in 1876.

■ W. B. CALLAN has retired as president, First Victoria National, remaining as chairman. He has served the bank 38 years, 24 of which he was president.

■ FORT WORTH NATIONAL'S facility at Carswell Air Force Base was opened recently. The bank has maintained a facility at the air base since 1944, when it was known as Fort Worth Army Air Field. The new Carswell facility, which occupies 6,326 square feet of space, will provide additional and expanded services, including added teller windows, safe deposit boxes, an additional drive-through teller station and a larger parking area. Its exterior is buff colored, complementing the earth tone interior. The exterior also has been fully landscaped with grass, trees and shrubbery. Potted plants carry the motif of greenery inside.

At the District Meetings—

Texans Asked Not to Split Over Bank Structure Issue

By LAWRENCE W. COLBERT, Assistant to the Publisher

THE SERIES of eight district meetings of the Texas Bankers Association got underway February 16-17 with the traditional big crowd in Fort Worth for the District Seven meeting. At the time this issue went to press, six of the eight meetings had been held.

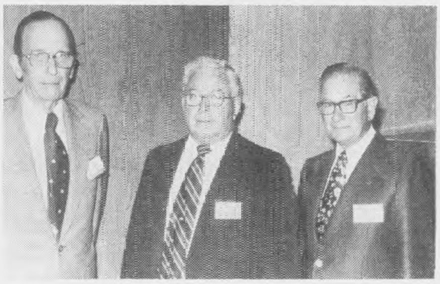
Gene Edwards, TBA president and president, First National, Amarillo, spoke at each of the six meetings reporting on TBA activities: "Following a year's planning, the new facilities committee recommended and the administrative council approved construction of a new headquarters building in Austin. Title was acquired to some choice land immediately across the street from the governor's mansion; an architect has been retained; funding has been worked out from a special one-time assessment of our member banks and construction should begin this summer. During a series of eight special meetings—one held in each of the eight TBA districts—to explain the project, our member banks overwhelmingly approved the concept, following which the administrative council gave its final approval. We are convinced that this new facility will not be an extravagant or ostentatious project, but one carefully planned to blend in with the historical heritage of Austin architecture. We feel that this will be of great benefit to our association in its work at the state capitol. Also, and possibly even more important, we feel that our TBA-member banks will feel a closer identification to their own association because of this readily identifiable and accessible headquarters building. It is hoped that many of our bankers will use this headquarters building as their office out of town while they are in Austin.

"Next, some possible changes in Texas banking structure. Our association is made up of approximately 1,300 member banks. Of these, approximately 1,120 are independent banks and 180 are holding company banks. Legislation has been introduced that seeks to restrain future growth of the larger holding companies when they reach a certain size—either from number of member banks or percentage of state deposits. The Association of Independent Banks in Texas, consisting of about 400 banks, is supporting this legislation, and the holding company banks are, of course, opposing it. The TBA, as a trade association of all Texas banks, large and small, country and city, holding company and independent, is making every effort to find a middle ground between these two groups. It is hoped that legislation pertaining to this matter can be drafted that will be acceptable to both groups, and, therefore, be recommended by the Texas Bankers Association representing all Texas bankers. Our legislators want the bankers to do this and, frankly, resent the possibility of being torn between influential bankers of both groups. Negotiations in this area are currently proceeding, and you will be advised as to results attained.

"In closing, I would stress most strongly that for this matter to divide the Texas Bankers Association and destroy the unity of Texas banking at this critical time would be a tragedy indeed. There is no reason why a state with the diversity of ours cannot easily and readily accommodate both independent and holding company banks. This is a 'live-and-let-live' matter, and I urge all of you to support this effort of the TBA in every way possible. Texas banking, even when completely unified, has plenty of problems and it would be almost suicidal to split our ranks."

A highlight of the district meetings was an address by Dr. Philip E. Coldwell, member, Board of Governors, Federal Reserve System, and former president, Federal Reserve, Dallas. In a two-part address, the second half of which will be delivered at the annual state convention in Houston in May, Dr. Coldwell analyzed four areas he called the four "Cs"—conceptualization, control, constraint and caution. All four should have been exercised to a high degree by banking in 1974, Dr. Coldwell stated. Emphasized in his speech were lessons of 1974 and banking excesses and responses to the problems viewed from a regulator's standpoint. The full text of Dr. Coldwell's speech will appear in a subsequent issue of MID-CONTINENT BANKER. • •

TBA Pres. Gene Edwards (l.) visits with Dr. Philip Coldwell, guest speaker at Seventh District meeting in Ft. Worth. Dr. Coldwell is a member of the board of governors of the Federal Reserve System, and former pres., Federal Reserve Bank of Dallas.



Two Texans flank guest speaker at district meeting in Houston.—Harold M. Luckey (l.), TBA treas. and pres., Rockdale State, and Al Perrine, Small Business Administration. At center is Eugene Swearingen, ch., National Bank of Tulsa, who spoke on "Future Without Shock."

Attending the annual breakfast sponsored by City National, Wichita Falls, at the District Seven meeting were (l. to r.) H. A. (Gene) Pullam, v.p. of host bank; W. R. Whitley Jr., pres., Farmers Nat'l, Seymour; Harold Jones, pres. of host bank; Cliff Davis, v.p. of host bank; L. C. Young, dir., First Nat'l, Graham; and George E. Payne, sr. v.p., host bank. At center are photographs of progress on a new building for the bank.

Serving Correspondent Bankers in the Great Southwest

From bonds to transit to trust. From Arkansas to the Texas Valley. These are the men you need to know. If you have a question, they'll have the answer. Texas Bank Correspondent men. Professionals.

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One Main Place, Dallas, Texas 75250.
Member FDIC.

THE TEXAS BANK *A First City Bancorporation Member*

AMBI Convention

(Association for Modern Banking in Illinois)

Chicago, Ill., May 11-13, HYATT REGENCY

FIRST SESSION, 9:15 a.m., May 12

Welcome—WALTER J. CHARLTON, president, AMBI, and president, First Trust, Kankakee.

Panel—"After Passage—Then What?" Panelists: EDWARD L. EVANS, president, Valley National, Salinas, Calif., and JAMES E. BROWN, president, Mercantile Bancorporation Inc., St. Louis.

Address—"Regulatory Agencies—What Are They Thinking?"—CARTER H. GOLEMBE, senior associate, Carter H. Golembe Associates, Inc., Washington, D. C.

SECOND SESSION, 1:15 p.m., May 12

Address—"Competitive Developments in the Savings and Loan Business and Their Effect on Bank Structure"—H. ROBERT BARTELL JR., president, Federal Home Loan Bank of Chicago.

Address—"The Feds Look at Capital Adequacy"—BRUCE MacLAURY, president, Federal Reserve Bank of Minneapolis.

Panel—"Capital—How Do You Get It?" Panelists: WILLIAM WEIANT, first vice president, Blyth, Eastman, Dillon & Company, New York; DON S. BROWNING, vice president. Illinois National, Springfield; and WALTER R. LOHMAN, president, First National, Springfield.

Address—"Marriage Proposals and Dowries"—JEROME C. DARNELL, associate professor of finance, University of Colorado.

THIRD SESSION, 9 a.m., May 13

Panel—"The Challenge of Managing a Multi-Office Environment." Panelists: JOHN F. FISHER, vice president, City National, Columbus, O.; ROBERT O. WALKER, first vice president, First Wisconsin National, Milwaukee; and JAMES H. DUNCAN, president, First National Financial Corp., and First National of Michigan, Kalamazoo. Moderator: DONALD P. JACOBS, Graduate School of Management, Northwestern University.

Business Meeting—HENRY E. SEYFARTH, chairman, AMBI, and chairman, First National, Blue Island.

Report—"Legislative Update." ROBERT H. BUKOWSKI, chairman, legislative committee, and senior vice president, Continental Illinois National, Chicago.

Adjournment.

AN AMBITIOUS program is planned for the second annual convention of the Association for Modern Banking in Illinois (AMBI), which, as the numeral designation of its convention indicates, is perhaps the nation's youngest state bankers association.

The meeting will be held May 11-13 at Chicago's new Hyatt Regency Hotel, overlooking Lake Michigan.

Theme of the convention will be "Everything You Always Wanted to Know About Multi-Office Banking—But Didn't Know Whom to Ask." Presiding will be AMBI President Walter J. Charlton, president, First Trust, Kankakee.

According to Mr. Charlton, the convention program has been designed specifically to assist senior management of unit banks to better understand a multi-office banking environment, to become familiar with the challenges and opportunities associated with expansion and to stimulate their thinking toward the development of realistic marketing and operational plans.

First event of the convention will be at 6:30 p.m., Sunday, May 11, when a cocktail-buffet-welcome-reception will be held in the International Suite of the hotel. The event will be hosted by Chicago's Loop banks that are AMBI members.

CHARLTON

SEYFARTH

Convention business sessions will be held at 9:15 a.m. and 1:15 p.m., Monday, May 12, and at 9 a.m., Tuesday, May 13 (see program details on opposing page). Luncheons for delegates will be held on Monday and Tuesday.

Social events scheduled include a presidential levee cocktail reception Monday evening, followed by an evening with Abraham Lincoln, an 1860 dinner with authentic foods favored by the 16th president, all grown near his home in Springfield. Mr. Lincoln is said to have introduced the presidential levee to Washington society when he occupied the White House. At last year's convention, the focus was on an evening with Thomas Jefferson, featuring foods served by the third president at Monticello.

A women's program will include a choice of an art safari tour or a Frank Lloyd Wright architectural tour on Monday, May 12, and an antique and decorating program on Tuesday, May 13. Wives are included in all convention social functions.

AMBI officers, in addition to Mr. Charlton, include Henry E. Seyfarth, chairman, First National, Blue Island—chairman; A. Andrew Boemi, president, Madison Bank, Chicago, and Alvin J. Boutte, president, Independence Bank, Chicago—both vice presidents; and Harvey B. Stephens, director, First National, Litchfield—secretary.

Mr. Charlton entered banking with First Bank Stock Corp., Minneapolis, and joined First Trust, Kankakee, in 1950. He was elected a director in 1953, executive vice president in 1962 and president in 1965. He also is chairman, First Bank, Meadowview, and is one of the organizers of AMBI.

Mr. Seyfarth is a member of the law firm of Seyfarth, Shaw, Fairweather & Geraldson, which he joined in 1945, following seven years with another Chicago law firm. He is a member of the Chicago, Illinois and Federal bar associations and is chairman of Union National, Chicago, and First National, Blue Island. He, too, is an organizer of AMBI.

The affairs of AMBI are controlled by a board of 30 persons representing each of AMBI's five regions. In addition, there is an executive committee of nine persons.

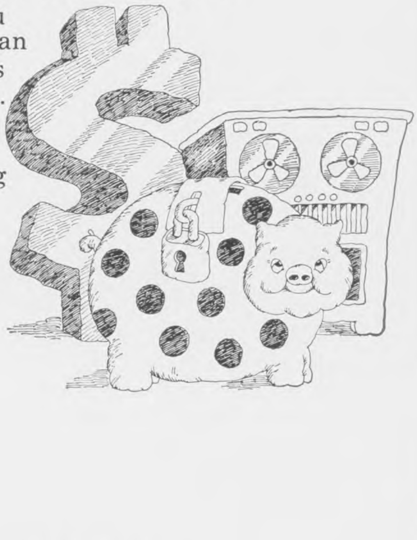
AMBI's purpose is "to continuously promote improvement in the principles and practices of banking so that multi-unit and unit banking can be accommodated in Illinois; to develop a better understanding of banking throughout the state; to raise the standards of performance in meeting the obligations of Illinois banking to consumers, business and industry; to provide a means of communication and exchange of ideas between banks and, thereby, to foster the future economic growth of the state and to exert continuous efforts to make the banking laws responsive to the needs of the people and the banking industry." • •

AMBI Bills Lose

SPRINGFIELD—Two bills that would have provided limited branching and a limited number of multi-bank HCs in the state were defeated last month by the Senate Committee on Finance and Credit Regulation.

The vote on SB 25—limited branching—was 7-6 against. The vote on SB 26—limited multi-bank HCs—was 8-5 against. According to an AMBI spokesman, part of the defeat of SB 25 is attributable to the fact that one of its co-sponsors changed his mind and voted against it.


HI TOM!



Illinois Convention

Chicago, May 4-6
Headquarters—PALMER HOUSE

TENTATIVE PROGRAM

FIRST SESSION, 9:30 a.m., May 5

Presiding—WILLIAM O. KURTZ JR., president, Illinois Bankers Association, and president, Metropolitan Bank, Chicago.

Presentation of Colors.

Welcome.

Address—JAMES E. SMITH, Comptroller of the Currency, Washington, D. C.

Address—L. R. CHAPMAN, vice president, First Union, Inc., St. Louis.

Address—GEORGE AUBLE, director of payments system, Mid-America Clearing House Association, Kansas City.

American Bankers Association Annual Meeting and Elections.

SECOND SESSION, 9:30 a.m., May 6

Presiding—WILLIAM O. KURTZ JR.

Address—HENRY C. WALLICH, member, Board of Governors, Federal Reserve System, Washington, D.C.

Address—MICHAEL J. HOWLETT, secretary of state, Springfield, Illinois.

Address—R. WM. McNEALY, group vice president, American Motors Corporation, Detroit.

THIRD SESSION, 2 p.m., May 6

IBA Annual Meeting and Business Session.

Annual Reports—WILLIAM O. KURTZ JR. and ROBERT C. SCHRIMPLE, executive vice president, Illinois Bankers Association, Chicago.

Introduction of New Officers.

Adjournment.

President

KURTZ

William O. Kurtz, IBA pres., is pres., Metropolitan Bank, Chicago, which he joined in 1971. For 37 years before that, Mr. Kurtz was with Chicago's American Nat'l, where he was head of the correspondent banking department. He also is on the board of First Nat'l, LaGrange.

1st Vice President

BUSBOOM

Arthur F. Busboom, 1st v.p., IBA, is pres., Bank of Rantoul, and ch., Gifford State. He is past pres., Champaign County Bankers Federation, IBA's Group Seven and East Central Illinois Chapter, Bank Administration Institute.

2nd Vice President

LIVASY

Ray G. Livasy, IBA 2nd v.p., is pres., Millikin Nat'l, Decatur, which he joined in 1965 as exec. v.p. Previously, he had been with Bank of Illinois, Champaign, from 1958 (pres. since 1965) and with Illinois Bell Telephone Co., Peoria.

Proposed Change in Branching Laws Voted Down by IBA Membership

A PROPOSED CHANGE in Illinois' unit-banking structure was vetoed by the membership of the Illinois Bankers Association in a ballot vote last month. The ballot, which was forwarded to the association's entire membership, was based on the report of a special IBA structure study committee and called for limited branching and contiguous county multi-bank holding companies.

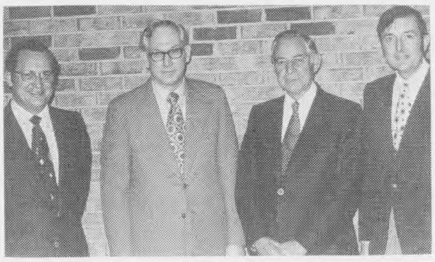
The branching proposition, which would have allowed banks to branch in their home office cities or within five miles of those cities' limits, received 727 replies, with 444—or 61.1% —no votes and 283—or 38.9%—yes votes being cast. The multi-bank HC proposition received 726 votes—520 banks, or 71.6%, voting against it and 205, or 28.2%, voting in its favor.

According to IBA's Executive Vice President Robert C. Schrimple, the IBA's position will continue to be in opposition to any change in state laws that now prohibit branching and multi-bank HCs, but allow for one detached drive-up facility within 1,500 feet of the main bank.

"The members again have made their decision," said Mr. Schrimple. "Our posture in Springfield (the state capital) will be to uphold the state's unit-banking system, which we feel has effectively and efficiently served the people of Illinois."

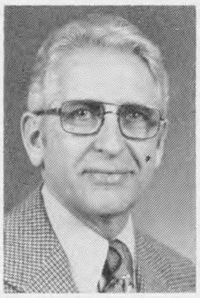
Results of this ballot probably will delay any reconciliation of the IBA with its former members who broke away from the association last year over the branching and multi-bank HC issue and formed the Association for Modern Banking in Illinois (AMBI). The latter group, which includes most of the large Chicago banks, has its own headquarters in Springfield. AMBI members are actively lobbying for Senate Bill 25, which would permit opening a limited number of bank branches on a limited geographical basis, and Senate Bill 26, which would permit Illinois bank HCs to acquire a limited number of banks within their regions of the state. • •

New IBA Group 9 Officers



Pictured at the 1975 spring meeting after their election are the new IBA Group Nine officers (l. to r.): council of administration, Dean Kamper, e.v.p., dir., First Nat'l, Belleville; pres. and IBA nominating committee member, Norman Stein, e.v.p., CEO, First Nat'l, Carlyle; v.p., John A. Hunter, pres., dir., Bank of Edwardsville; sec.-treas., M. J. Boyer, a.v.p., Farmers & Merchants, Vandalia.

Official IBA Nominees



RICH

MONTGOMERY

The Illinois Bankers Association's official nominees for second vice president and treasurer, respectively, for 1975-76 are John R. Montgomery III and G. Wallace Rich. Mr. Montgomery entered banking in 1952 at Chicago's Northern Trust and left there in 1965. He had risen to 2nd v.p. In 1966, he went to Lakeside Bank, Chicago, as pres., a post he still holds. Mr. Rich has been pres. since 1959 of First Nat'l, Cobden, which he joined in 1950 as a teller. He became cash. and a director in 1953 and CEO in 1956.

■ DAVID L. BREWER has been named president and a director, First Security Bank, Glendale Heights. Formerly executive vice president, Mr. Brewer has been CEO since the bank's 1972 inception. Prior to that, he served as assistant vice president, Bank of Naperville. Also elected were: Vernon S. Hoesch, chairman; and Donald H. Fischer, vice chairman.

■ TONY EBERLIN has been appointed cashier, Bank of Alton. He will be in charge of bank operations. Mr. Eberlin previously was assistant vice president, Alton Banking & Trust, where he served for 12 years.

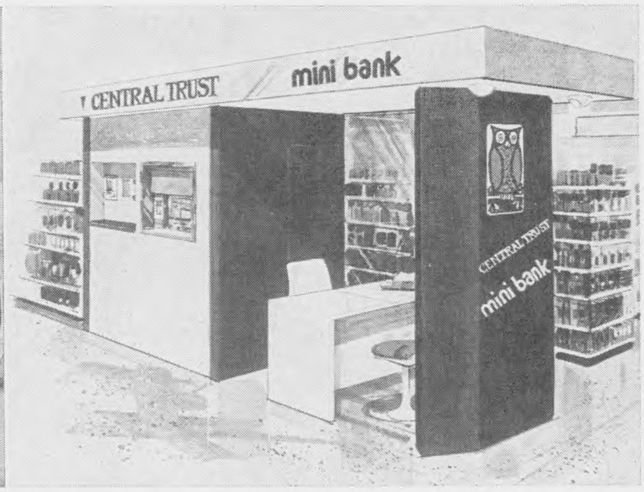
■ JIM MAY has been named to head public relations, Rochelle State, while Linda Reynolds was elevated to cashier and Norma Cole, to assistant cashier. Dr. Lamar Fly and Larry Purkis were elected directors, and Stanley Elson has been named farm representative.

Gibson Completes His Year As Treasurer of IBA

H. Hurst Gibson is completing his year as IBA treasurer.

GIBSON

Mr. Gibson entered banking in Wisconsin with his father, Henry J. Gibson. The younger Mr. Gibson joined City National, Rockford, after World War II Army service. He became an officer in 1947 and rose through various posts to executive vice president in 1967 and to president in 1972. He has been a City National director since 1959.



LEFT: Joint participants in Central Trust's mini bank concept are (from l.) James P. Herring, pres., Kroger Co.; Oliver W. Birckhead, pres. & CEO, Central Trust; and R. William Ayres Jr., pres., Mosler Safe Co. RIGHT: Central Trust plans to open first mini bank in supermarket April 15. Unit will be located at end of grocery aisle at front of store. Sketch shows Mosler Tellermatic automated teller machine at left and customer convenience area at right, with table, chairs and adding machine.

Central Trust to Locate Mini Banks Inside Supermarkets in Cincinnati

By JIM FABIAN
Associate Editor

INSTALLATION of two "mini banks" inside supermarkets has been announced by Central Trust, Cincinnati. The modular units, each measuring about five by 15 feet, will be installed at the ends of aisles in Kroger markets in the Cincinnati area. Each unit will be equipped with a Mosler Tellermatic automated teller machine.

The facilities are not considered as branches, but as customer-bank communication terminals (CBCT) and will be operated off-line. Central Trust now has 11 branches in operation, many located near supermarkets and all featuring the Mosler equipment. The mini banks, however, will be the first Central Trust installations inside grocery stores. At the end of a trial period, a decision will be made by the bank whether or not to expand the concept.

Each of the markets is open from 8 a.m. to midnight and the mini banks will be operating the same hours. During the trial period, Central Trust plans to have customer relations personnel on hand to instruct customers on use of the machines. The units will be serviced daily.

The mini banks can be utilized by any customer of Central Trust maintaining a checking account and having a Central Card or a Master Charge card issued by Central Trust. Approximately 170,000 people in the greater Cincinnati area have these cards.

The installations are a joint venture on the part of the bank, Mosler and Kroger. The mini bank idea brings the bank's services to the customer rather than making the customer come to the bank. It has been cited for its energy-conserving aspect, since customers can save fuel by doing their shopping and banking at one location.

Oliver W. Birckhead, president and CEO, Central Trust, said the mini bank is a prototype of the automatic customer services that will become more prevalent in the future.

He stated that mini banks are a supplement to Central Trust's present full-service banking centers and are not to be regarded as replacements of branches. The bank anticipates popular acceptance of the mini bank concept and is therefore evaluating potential sites for additional installations.

Mr. Birckhead said the bank's confidence in the mini bank concept is predicated on the success of Central Trust's Day and Night banks, introduced two years ago.

As at the Day and Night banks, customers of the mini banks are entitled to withdraw up to $40, $100 or $200 from their accounts within any three-day period. To encourage shoppers to open accounts, the mini bank locations will be equipped with applications for accounts, charge cards and loans. An area will be provided where customers can be seated to fill out applications and a receptacle for the applications will be part of each unit.

The mini banks are being located in Hamilton County and in areas where Central Trust is not the predominant bank. The first installation is expected to be open by April 15; the second will be ready 45 days later, and the third should be in operation within 60 days after the second.

The mini bank concept is expected to be marketed by Central Trust to its correspondents and to affiliates of Central Bancorp, HC controlling Central Trust. It is anticipated that a card interchange will be developed among participating banks that will enable customers of all such institutions to use the machines of each participant. Thus, customers of the HC's affiliate in Canton, O. (First National, Canton), could use Central Trust's mini banks in Cincinnati when they are in the area.

Bob Klinger, Central Trust vice president in charge of the mini banks, said that all but one of Central Trust's Mosler units has recorded a 10% monthly increase in use, with deposits always outnumbering withdrawals. • •

MAPEX: New St. Louis-Based ACH To Provide Service in Mo.-Ill. Area

MID-AMERICA Payment Exchange (MAPEX), a nonprofit corporation, has been established to provide automated clearing house (ACH) services to banks throughout Missouri and Illinois.

Officers of the corporation include: president, Lawrence R. Chapman, vice president, First Union, Inc., St. Louis; vice president, William S. Badgley, chairman, First National, Belleville, Ill.; treasurer, Richard J. Gudinas, senior vice president, Boatmen's National, St. Louis; secretary, Harry J. Krieg, president, Cass Bank, St. Louis; executive director, James E. True, lieutenant colonel USAF (ret.), formerly chief, Regional Operations Division, Scott Air Force Base, Ill.; chairman, education/marketing committee, Leigh A. Doxsee, vice president, Mercantile Bank, St. Louis; chairman, rules/operations committee, George M. Ryrie, president, First National, Alton, Ill.; and chairman, legal/legislative committee, Patrick Lea, president, First National, Sikeston, Mo.

MAPEX, based in downtown St. Louis, follows the lead of ACHs previously established in California, Georgia, Massachusetts and Minnesota. MAPEX officials indicate that about 15 additional groups like MAPEX are committed to establishing ACH systems throughout the country.

TRUE

CHAPMAN

The U.S. Air Force is putting its payrolls on an EFTS basis and the Social Security Administration has a pilot plan underway, making payments to its recipients electronically, thus cutting down or eliminating the problem in large cities of stolen Social Security checks.

In addition, several state governments are said to be studying EFTS for payrolls, welfare payments, education aid payments and other disbursements.

MAPEX officials estimate that by 1977 it will be possible to make funds transfers across the country without the use of checks.

To help MAPEX get off the ground, the St. Louis Fed has offered the use of its computer and four St. Louis banks—First National, Mercantile Trust, Boatmen's and Manufacturers—have committed up to $200,000 in loans over a three-year period. • •

'The Future in Your Hand' Reviews, Forecasts Topic Of Electronic Transfers

An educational film on the electronic funds transfer systems (EFTS), "The Future in Your Hand," is to be released and distributed by the Graduate School of Banking at the University of Wisconsin.

The film, according to Trustee Board Chairman Carl A. Bowman, who also is executive vice president of the Kansas Bankers Association, is intended primarily for banker audiences. It is a review of what EFTS is and a projection of what it can be, to banks of all sizes, everywhere.

The 27-minute color film, accompanied by a brochure, discusses the historical evolution of EFTS; illustrates systems now in existence; describes competitive and legislative environments in which EFTS systems are being developed; identifies their advantages to the banker, retailer and consumer; and provides a glimpse into the future as seen by noted bankers, regulatory officials and financial scholars.

Further information on the film and brochure's availability can be obtained from the Graduate School of Banking, 122 West Washington Ave., Madison, WI 53703.

Payments System Policy Conf.: Proceedings Ready From ABA

A collection of presentations and comments on electronic funds transfer systems (EFTS), *The Proceedings of the 1974 Payments System Policy Conference*, is available from the ABA.

The package contains views of key regulators, bankers, potential users and competitors. Question-and-answer sessions and each moderator's summary are included.

The December conference was attended by more than 400 bankers, the majority representing senior management levels.

Electronic Bill Debiting To Be Tried in California By American Express

American Express Co., New York, has mailed invitations to approximately 68,000 of its travel and entertainment card holders in California, offering them the option of having their American Express card bills automatically debited from their bank checking accounts.

The California Automated Clearing House Association (CACHA) would make accomplishment of the transfer possible.

Crocker National, San Francisco, is the originating bank for CACHA. American Express will send a magnetic tape record of accounts to be debited to that bank in this, the first major use of the operation by a corporation for bills of variable amounts.

Crocker National will debit the accounts of its own customers and send a magnetic tape through the ACH facility, for automatic recording of debts throughout the state.

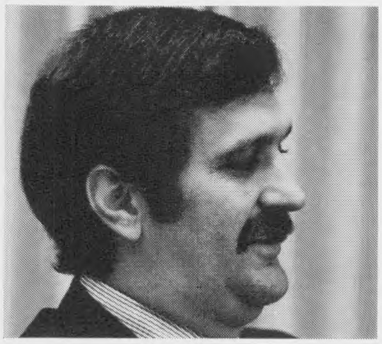
According to Jean-Paul LeCraver, American Express' new products and services manager, the test will be run for at least a year in California. Initial evaluations will be made four to five months after the April start-up date.

Mr. LeCraver indicates that an acceptance rate of 1% to 2% is expected initially, explaining that American Express wants to study customer complaint flow as well as procedures for stopping payments and for refunds. It is expected that a 5% to 10% acceptance would be needed to continue the program.

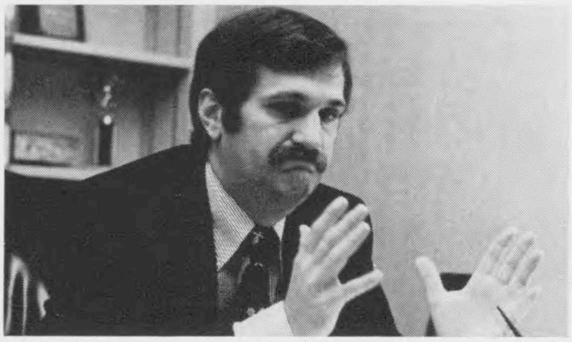
Potential customers of the plan receive literature emphasing the fact that the customer-service aspects will be handled by the company through a toll-free phone number. Special importance is placed on the convenience to cardholders who may be out of town when a bill is due, or the ease with which one might misplace and forget to pay a bill, problems eliminated by the new system.

American Express has been operating such plans successfully in France and Germany for several years.

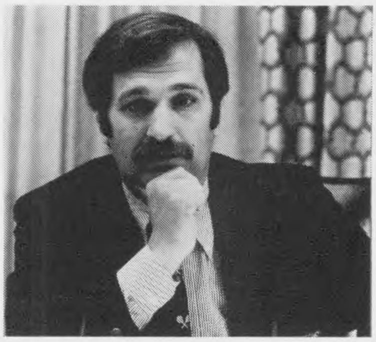
Mr. LeCraver felt that there were some weaknesses in the procedures of CACHA for the participating banks: description on the bank statement where some banks would not list the name "American Express" when debiting the customer's account; problems with capturing the customer's account number; and the complicated customer authorization form.



"Right now, most of our branches are in shopping center facilities where there is a major supermarket. Teller-Matic enables us to go straight to the customer."



"You can no longer say that Central Trust is like any other bank. Today, our Central Card program using the Teller-Matic is good enough, strong enough and marketable enough to motivate people to actually change banks!"



"Teller-Matic is more than just an exotic banking machine. With us, it's the foundation of our broad retail marketing package."

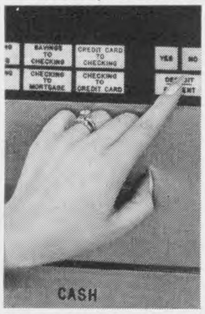
"We're doing some innovative things with Teller-Matic... like putting them inside Kroger supermarkets."

Robert Klingler, Vice President, Retail Banking, at Central Trust Company, Cincinnati, Ohio, discusses his choice of the Mosler Teller-Matic® automatic teller.

Central Trust Company, with 32 branch offices located throughout Hamilton County, ranks as one of Cincinnati's largest and most progressive banking operations.

Central Trust was the first Cincinnati bank to offer customers around-the-clock automatic teller services through Mosler Teller-Matic, and more recently, launched its Central Card—a retail card program that is unique in the industry.

The Kroger installations—and why. "Currently, we have 12 Teller-Matic installations, all of these through-the-wall, walk-up installations at branch sites. But I would anticipate that all future installations will be in locations that are hardly traditional in banking. By that I mean we have plans for and commitments to numerous Teller-Matic installations in new kinds of high-traffic areas, such as Kroger supermarkets.



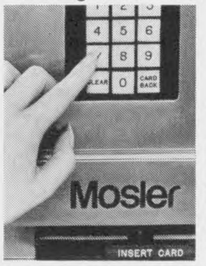
"The Kroger installations will have a special appeal to us. The banks and supermarkets are both once-a-week markets, and we feel the tie-in is a natural one. The supermarket attraction is enormous. Most of our branches are in shopping centers near major supermarkets. Now we're taking the next logical step and establishing installations *inside* the supermarkets. It's all based on our philosophy of making the bank available to the customer when and where the customer chooses to take advantage of *his* money.

"We can do this with Teller-Matic. And that's the future of retail banking, not the $300,000 full-service branches.

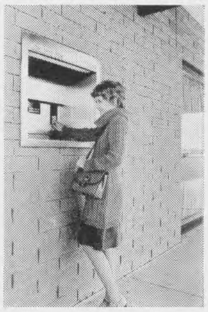
Labor costs and the Teller-Matic. "One of our recurring problems is that we have a tremendous amount of expense tied up in salaries, and we simply felt that we had to try to reduce the labor content of our services. Does this mean going to a less personal type of banking? Not really. The Teller-Matic is ideal for routine transactions where there is a premium on speed, convenience and efficiency. But in situations where personal involvement is important, we fully believe in using people. Our automatic tellers handle a large portion of the routine transactions, making it possible for our people to devote more time to customers requiring personal banking. It allows us to provide convenient, efficient banking services with a smaller labor content.

How the Teller-Matic choice was made. "At the point when we were investigating automatic tellers . . . another manufacturer actually had the lion's share of the market. But we decided to go with Mosler Teller-Matic. We did so with the belief that Mosler could not afford to enter this market without being successful right from the outset. They have a commitment to the banking industry, and they had to have made a financial and personnel commitment to keep their product competitive. They delivered everything they promised.

Day-to-day operations and reliability experience. "The big difference, we feel, is inside. Without any question, the Mosler equipment is the best we have seen from an internal operation standpoint: balancing, handling the total internal operation, and interfacing with our computer operations system.



"The other big factor is the amount of downtime. The importance of keeping an automatic teller operating can't be over-emphasized. You don't have to turn a customer off more than once with this type of equipment to lose him forever as a potential user. We keep track of each installation on a monthly basis, and I can tell you that we've had far fewer problems in keeping our equipment operating than users of competitive equipment. I can say that because Central Trust does a great deal of processing for other credit card operations, so we are well aware of the problems with competing equipment—and downtime is high on the list.



Marketing advantages and cost justification. "We didn't try to approach automatic teller systems on a cost justification basis. Our usage on the equipment is very satisfactory to us, and has grown steadily from the beginning.

"The interesting aspect of the usage we've measured is that the Teller-Matic has consistently generated more dollars in deposits than in withdrawals. This is evidence that customers are using it for many types of transactions, not just as a source for emergency cash. To a large portion of our customers, the Teller-Matic is 'the bank.'

Report on Mosler Teller-Matic service. "The most positive thing I can say about Mosler is that they've delivered a system that works and they've backed it up. This goes back to the downtime factor. If the equipment had bugs in it . . . if Mosler didn't back it up with real service, the program would have been a disaster.

"But it wasn't. We consider it an enormous success. We have the Teller-Matic and we are definitely pleased. What more can I say?"

For more information on the extraordinary Mosler Teller-Matic, write Mosler, 1561 Grand Boulevard, Hamilton, Ohio 45012.

Mosler

An **American-Standard** Company

'ABA Wants Public's EFTS Decision,' Duwe Tells Senate Subcommittee

ABA PRESIDENT-ELECT J. Rex Duwe, president and chairman, Farmers State, Lucas, Kan., recently called on Congress to allow the public to determine the future of electronic banking services.

In his testimony before the Senate Subcommittee on Financial Institutions at hearings on the Electronic Funds Transfer Moratorium Act (S. 425), Mr. Duwe said, "Enactment would not be in the public interest, so the ABA opposes it."

He stated that there is nothing new about banking services being accessed outside the bank itself, indicating that, "The key point to be made is that electronic banking is new only in method of delivering services, not in the service itself."

Mr. Duwe noted that the moratorium would require suspension of electronic transfer facilities designed to affect certain routine financial transactions at places of business other than those of the financial institutions themselves. He stressed that the bill would limit only depository institutions from offering competitive electronic services.

"As a small town banker," the ABA official said, "I have been interested personally in some of the comments being made to the effect that small banks are terrified of electronic banking, and will be destroyed by the large money-center institutions, but the local market can and will continue to be served best by the local bank."

He clarified the statement, adding, "If some electronic box from a New York institution were placed across the street from my own bank, I believe it would be the purest loss-leader ever invented. I feel no need for protection against competition from other financial institutions as long as we operate under equal rules."

Existing bank services already initiated away from bank premises include checking accounts, direct payroll deposits, pre-authorized payments, banking by mail and direct deposits of government payments.

Citing the attributes of EFTS, Mr. Duwe said, "Check cashing can be difficult and sometimes embarrassing for the customer. Electronic banking can provide quick assurance that funds are available to cover the check.

"Bad-check losses are now passed on by merchants to all customers in the form of higher prices. Electronic banking can virtually eliminate insufficient-fund checks and bad-check losses to merchants."

Indicating that it costs Americans about 1% of the GNP, or $10 billion annually, to process the paper we now rely on to make our payments system work, Mr. Duwe told the committee that EFTS can reduce, or at least stabilize, the tremendous and accelerating costs.

The ABA spokesman urged Congress to allow the National Commission on Electronic Fund Transfers to benefit from controlled and closely monitored banking experiments, stating that the commission can better serve the public and the industry "based on tangible experience, rather than academic conjecture."

Mr. Duwe concluded by saying, "Let the public pass judgment." • •

Free Blood Pressure Test

February is Heart Month, so customers of American Nat'l of Chattanooga's Red Bank Branch are shown having their blood pressure checked by the Chattanooga Area Heart Association. The service was provided at several selected bank offices.

Minority Applicant Referral Service Provides College-Level Job Candidates

BANKS under social as well as legal pressures to increase the percentage of minorities hired for managerial-level positions have an important ally in the Minority Applicant Referral Service (MARS).

MARS is a recruiting program designed to supplement a bank's efforts to find qualified college-level minority employees for professional staff positions. The nationwide referral service provides the nearly 200 participating banks with résumés of qualified minority-group members interested in banking careers.

Created in the fall of 1972 through efforts of an ABA-sponsored Manpower Task Force, MARS operates through the association's Urban and Community Affairs Committee. It is available to any member bank for an annual subscription fee of $100, plus a one-time placement fee equal to 5% of the annual salary for each person hired through the program.

Approximately 100 new MARS applicants per month are recruited through advertising in minority publications such as *Ebony, Jet, Wassaja* and *Temas,* as well as through personal contact. This contact is made on campus career days by ABA-selected bank recruiters who annually visit about 85 traditionally black colleges and 10 major universities with large minority populations.

How does MARS work? Every two to three weeks, résumés of minority applicants go out to subscribers in geographical areas chosen by each applicant. Once a résumé comes into a subscribing bank, the rest is up to the bank and the applicant. MARS takes no part in determining the bank's hiring procedures, or in influencing an applicant to take a job.

In the three years of its existence, the MARS program has attracted a wide variety of qualified men and women interested in banking careers. Applicants have come from all over the U. S. and brought with them varied qualifications and achievements.

A look at the 189 résumés received during October, November and December reveals that applicants represent 36 states, the District of Columbia and the Virgin Islands, with most coming from east of the Mississippi.

Their educational statistics indicate that 93.6% received college degrees and that 36.5% had advanced degrees as well. Thirty of the applicants reported academic awards ranging from ranking in *Who's Who in American Colleges* to dean's list standing, and 33.8% of the applicants reported earning degrees directly related to business, finance or economics, with 12% having banking experience as well.

A geographical breakdown of the applicants shows 33% of the candidates come from the South, 36% from the Northeast, 22% from the Midwest and 9% from the West. In short, the statistics indicate that there are qualified minority-group members seeking banking jobs in every section of the country. The MARS program can bring any bank closer to them.

This is good news for many of the nation's banks, since the effort to hire qualified managers—especially among minority-group members—is often fruitless. Yet competent management personnel is essential to profitable bank operation. Banks looking for good management personnel, and seeking to hire more minority-group members, can get additional information about MARS by writing the ABA's Minority Applicant Referral Service, 1120 Connecticut Ave., N.W., Washington, DC 20036. • •

In Houston:

Cliff Tuttle Honored: Park Named for Him

Cliff Tuttle, vice president, First City National, Houston, was honored at the dedication and naming of Cliff Tuttle Park in northeast Houston.

Mr. Tuttle, whose efforts on behalf of the Denver Harbor area span a half-century, was a resident of that community more than 33 years. He was instrumental in introducing Little League baseball to the area in 1945 and founding the Denver Harbor Athletic Club, a private organization dedicated to promotion and sponsorship of athletic activities for youngsters. Mr. Tuttle believes athletics in the area has helped develop character and curtail juvenile delinquency.

Cliff Tuttle (l.), v.p., First City National, Houston, admires Cliff Tuttle T-shirt presented to city Mayor Fred Hofeinz at dedication ceremonies at Cliff Tuttle Park.

In North Little Rock:

Bank Involves Itself, Offers Tornado Loans

Twin City Bank, North Little Rock, Ark., in a 30-minute, statewide documentary, announced immediate availability of loans to victims of the tornado that struck the area recently.

Terence E. Renaud, bank president and chairman, said, "We at Twin City Bank are concerned not only with extensive property damage, but the personal suffering and losses that many families are experiencing. In recognition of the current situation, Twin City Bank has established special loan funds for rebuilding homes, businesses and other property damaged or destroyed by the storm."

Although Little Rock officials had not estimated damage costs at press time, North Little Rock Mayor Eddie Powell placed that city's tentative damage estimate at about $750,000.

Foreign Bank Act in Congress Again; Would Equalize Foreign, Domestic Regs

THE FOREIGN Bank Act of 1975 has been introduced in Congress. The measure has been changed somewhat from similar legislation submitted to Congress late last year, but not enacted.

Purpose of the legislation is to establish a national policy on foreign banks entering and operated in the U. S. and a system of federal regulation and supervision of those operations, according to the Fed, which is sponsoring the bill. The legislation, if enacted, would standardize the status of foreign banks in the U. S. by placing them under the same basic rules and procedures covering domestic banks.

The Fed wants to remove foreign banks operating in the U. S. from state control because of the great variation in state regulations. Foreign banks in some states have a competitive edge over domestic banks due to these regulations and the increasing number of foreign banks establishing themselves in the U. S. warrants a national regulation policy, according to the Fed.

The Fed says that the proposed legislation seeks to regularize the status of foreign banks in the U. S. on the basis of the principle of national treatment, or nondiscrimination. Its provisions are aimed at providing foreign banks with the same opportunities to conduct activities in this country as are available to domestic banks and subjecting them to the same rules and regulations. The legislation also provides for a federal government role in licensing and supervising foreign banks because of the national policy considerations involved and would bring most of those operations directly within the purview of the Fed.

The bill seeks to amend the Bank Holding Company Act to redefine "bank" to include branches and agencies of foreign banks in the U. S. at which deposits are received, credit balances are maintained incident to or arising out of the exercise of commercial banking powers, checks are paid, money is lent, or other commercial banking activities are performed. This would make the Bank Holding Company Act applicable to virtually all foreign banks, whereas in its present form, the act does not cover foreign banks operating in the U. S. exclusively through agencies and branches.

The bill would encourage equality of treatment for foreign and domestic banks by permitting foreign banks and subsidiaries in the U. S. to own Edge Act corporations, by requiring Fed membership in most instances and providing for FDIC insurance on deposits in foreign bank branches and agencies.

The act would amend the National Bank Act by permitting up to one third of the directors of national banks to be non-citizens of the U. S. At present, the National Bank Act requires all national bank directors to be citizens of the U. S.

The legislation would also authorize the Comptroller of the Currency to license branches of a foreign bank in any state to conduct a banking business on the same basis as a national bank—thereby circumventing state anti-branching regulations. Such branches would be subject to the Bank Holding Company Act with respect to multistate branching.

Another provision of the Act would authorize federal supervisory agencies to exchange information on banks with foreign bank supervisory agencies, a practice that is prohibited under present regulations.

A grandfather clause would permit foreign bank operations that do not conform to the provisions of the Foreign Bank Act to continue as long as they had been established prior to December 3, 1974. Banking operations not in conformance after that date would have to be spun off within two years, unless an extension was granted for up to three more years by the Fed. Nonbanking operations acquired by foreign banks after the December 3, 1974, cutoff would have to be divested within 10 years.

The grandfather provision for foreign banks operating in more than one state would, in essence, permit those banks to retain their operations in the various states and would permit expansion of facilities in those states according to state law. • •

Liberty Nat'l's New Look Includes Helvetic Symbol

Liberty National, Louisville, has introduced a new symbol as part of a total identification program designed to increase the effectiveness of the bank's visual communications.

The symbol, designed by Malcolm Grear Designers, Inc., Providence, R. I., is an interpretation of an ancient Helvetic lettering style, using the letterform "L."

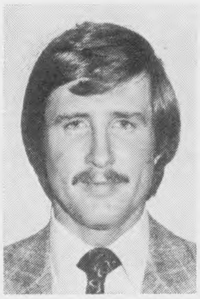
Liberty National Bank
and Trust Company
of Louisville, Ky.

In Chicago:

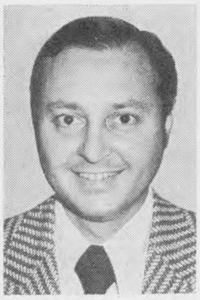
Gift to Art Institute Results in Acquisition

A gift from Exchange National, Chicago, to the Photography Department of the Art Institute of Chicago has made the institute's acquisition of 21 important photographs possible: 12 by Mexico's Manuel Alvarez Bravo; eight by Brassa of France; and one by William Henry Fox Talbot, an English photographic pioneer.

David Travis, curator of photography at the institute, acknowledging the gift, commented, "Exchange National has been an important source for the support of the art of photography, not only with its own exhibitions and collection, but also with the financial and inspirational encouragement that it provides to the photography department at the institute. The bank has made important acquisitions possible to our collection and has supported our exhibition schedule as well."



WITTE



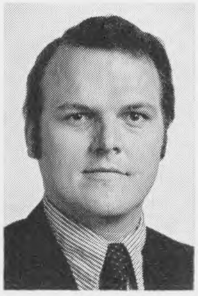
SCHLAPPI

• **Letterhead & Check Corp.** Larry W. Schlappi and Thomas C. Witte have been appointed sales representatives, Letterhead & Check Corp. of America, St. Louis. Mr. Schlappi formerly was sales manager, Prudential Insurance, and will have responsibility for Kansas, Nebraska and western Missouri. Mr. Witte went to the firm from St. Johns (Mo.) Bank and will be responsible for the St. Louis metro area.

NEWS
From the Mid-Continent Area

Alabama


NOLAND


SHI

■ J. TERRY NOLAND, executive vice president in charge of operations, has been named executive vice president and trust officer in charge of the trust division, First National, Birmingham, succeeding Jack G. Paden, executive vice president and trust officer, who has resigned. Mr. Paden will return to private law practice. Mr. Noland has been succeeded by James D. Shi III, who has been serving as senior vice president in charge of the operations division. Timothy A. R. Callahan has been named assistant vice president, marketing department, and Clarence L. Bagwell, assistant vice president, has been transferred from the comptroller's office to the accounting department as its head. J. Maurice Yarbrough, assistant vice president, has been transferred from manager, accounting department, to the consumer loan department, John A. Hand Office.

■ I. C. CRAIG JR. has joined First National Bank of Decatur as vice president of marketing. He will supervise the bank's business development, advertising, public relations, sales training programs and market research activities. James E. Crow, vice president, has been promoted to senior loan officer, and George L. McCrary, assistant vice president, has been named a vice president. Mr. Craig began his financial career in 1970, at State National of Alabama, Decatur. He most recently served as director of sales training, Central Bancshares of the South, Birmingham. Mr. Crow joined First National in 1967 and Mr. McCrary, in 1965.

■ STEPHEN D. BENSON has been elected assistant cashier, First National, Auburn. He was with a Georgia bank.

■ JAMES B. FLEMMING has been named president and director, Bank of Florence, a new financial institution. Edward F. Mauldin serves as chairman and J. Robert Murray III is vice president and cashier. Mr. Flemming began his banking career in 1966 with Birmingham Trust National and has served as vice president, Hamilton Bank of Dalton, Ga., since 1970. Bank of Florence expects to replace the temporary quarters it's now using with a new building on the same site.

■ CENTRAL BANCSHARES OF THE SOUTH, Inc., Birmingham, has announced the following promotions in the HC and in affiliate banks: Jack James has been named vice president-senior lending officer, Central Bank of Montgomery. He most recently was vice president-credit manager, Central Bank of Birmingham. Linda R. Wallace has been promoted to assistant trust officer, Central Bank of Alabama, Florence, and Carolyn F. Robertson, CPS (certified professional secretary), has been named executive assistant to the president at the HC.

■ SHOALS NATIONAL of Florence, has announced affiliation with Alabama Bancorp., Birmingham. Also announcing affiliation with the HC was Gadsden Mall Bank, which opened July 4 with J. F. Glossen as president and director. In other news at the HC, the Fed has approved affiliation of Bank of Arab with Alabama Bancorp., and Dorothy E. Thomas has been named assistant treasurer at the HC.

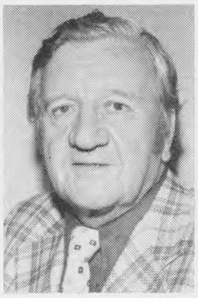
Indiana

■ GRADY WALKER JR. and Ronald B. Lankford have been promoted to vice presidents at Old National, Evansville. Mr. Walker joined the bank in 1947 and was promoted to assistant vice president in 1972. Mr. Lankford joined Old National in 1956. He was promoted to assistant vice president in 1972.

■ RONALD D. HEINY has been named assistant vice president, Calumet National, Hammond. He has been manager in charge of the bank's Hessville banking center for the past two years and will continue there. Mr. Heiny joined the bank in 1971, after several years with personal loan companies.

W. H. Cottrell Dies

W. Herbert Cottrell, 63, former sr.v.p., National City Bank of Evansville, died Feb. 20 at his home. Mr. Cottrell joined the bank in 1955 as asst. mgr., installment loan dept., advancing to sr.v.p. in 1965. He served as retail banking head until ill health forced his 1974 retirement. Mr. Cottrell remained as a bank consultant.


COTTRELL

■ LAWRENCE R. FON has been promoted to profit planning officer, American Fletcher National, Indianapolis. He joined the bank as a methods analyst in 1973 and became a profit planning technician the following year.


WORTHINGTON


MURPHY

■ C. WAYNE WORTHINGTON has been elected chairman and CEO, National City Bank of Evansville, succeeding William R. Needler, who becomes executive committee chairman. Succeeding Mr. Worthington as president and chief administrative officer is Paul R. Murphy, formerly executive vice president. Edgar P. Hughes, formerly vice president and cashier, has been promoted to senior vice president and named a director. Mr. Worthington joined the bank in 1941 as a messenger. He was named president and chief administrative officer in 1972. Mr. Murphy joined National City Bank in 1971 as a vice president, commercial loan department. He formerly had been president and trust officer, Harvard (Ill.) State. Mr. Hughes joined the bank in 1941.

Kansas

Died: *Orville Earl Miller*, 56, vice chairman, Farmers & Merchants, Colby, in a local hospital of cancer. Mr. Miller's banking career began 29 years

ago when he joined Farmers & Merchants. He was vice president before being named vice chairman at year-end 1974.

■ NORMAN FREDERICK has been named vice president in charge of the commercial loan division, Union National, Wichita. He had 11 years' commercial loan experience prior to joining the bank in 1970. Union National-East, Wichita, recently opened its permanent building. The new structure has five drive-up windows and features a facade of glass, steel and brick.

■ LANNY KIMBROUGH has been elected vice president and trust officer, Highland Park State, Topeka. He formerly was vice president and correspondent banking manager, First National, Topeka. In other action at Highland Park State, Richard B. Hanger has been named business development officer, and Rose Laue has been advanced from assistant cashier to assistant vice president.

■ C. EDWARD WRAY has been promoted to assistant cashier, Farmers State, Norwich. Also, an addition and remodeling program at the bank building is past the halfway mark. When finished, the bank will have about 4,500 square feet of floor space available for use.


NEWSOM


JOHNSON

■ DEAN JOHNSON, agricultural loan and correspondent bank officer, will take charge of the correspondent banking and farm loan departments at Hutchinson National, following the resignation of Joe Newsom, vice president. Mr. Newsom has accepted a position as president, First State, Dodge City.

Died: *Grover C. Cobb,* March 7, of an apparent heart attack in Washington, D. C. He was a founder, former director and secretary, Security State, Great Bend. Mr. Cobb also was a former director and secretary, Timken State. At the time of his death, Mr. Cobb was senior executive vice president, National Association of Broadcasters, Washington, D. C., and continued as an advisory director at Security State.

Kentucky

■ CHARLES J. THAYER, assistant vice president, financial services group, Citizens Fidelity, Louisville, has been promoted to vice president. He joined the bank in 1969 and was elected assistant vice president in 1973. In other news at the bank and HC, Citizens Fidelity Corp., Lewis A. Hirsch, president and CEO, Paramount Foods, Inc., has been elected a director.

■ ADRON DORAN, president, Morehead State University, has been elected vice president, Citizens Bank, Morehead. Dr. Doran has served as a bank director for the past three years.

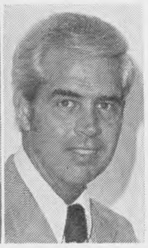
S. Albert Phillips Dies

S. Albert Phillips died at a Louisville hospital recently, following a short illness. He was a former senior vice president, Bank of Louisville, and had been state banking commissioner under Governor A. B. Chandler, 1955-1958. In 1924, Mr. Phillips was appointed deputy state banking and securities commissioner. He was a former KBA president and twice was elected ABA treasurer.

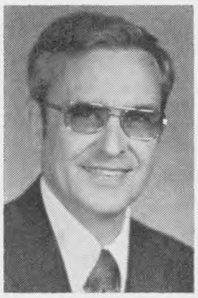
Mississippi

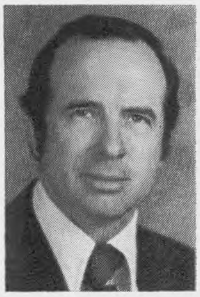

SYKES


WEBB


ALEXANDER

■ CONWELL SYKES has been named advisory board chairman, Commercial National, Greenville, a branch of First National, Jackson. James L. Webb has been elevated to president and Robert H. Alexander, to executive vice president and member of the Greenville advisory board. Mr. Sykes joined the bank in 1947, after serving at Bank of Clarksdale. He succeeded Commercial National's founder, Wilson P. Kretschmar, as president. Mr. Webb has been with the bank nearly 22 years. He began his banking career with Bank of Leland. Mr. Alexander, also immediate past president, Mississippi Young Bankers, has been employed by the bank since 1962.


DENDY


EVERITT

■ W. T. BROWN JR., senior vice president and senior trust officer, Deposit Guaranty National, Jackson, has been promoted to head of the trust division. Other promotions at the bank include: Douglas G. Dendy and Charles P. Everitt, to senior vice presidents; Roy K. Moore, to vice president and director of security; and James D. Hawkins, J. Kendall Hawkins and Montie L. Ramsey, to assistant vice presidents. Mr. Brown joined the bank in 1937 and was promoted to senior vice president and senior trust officer in 1972. Mr. Dendy has been with the bank since 1963 and Mr. Everitt, since 1959.

BROWN

■ FIRST NATIONAL, Meridian, stockholders have approved a conversion plan, changing the bank to a state-chartered bank and the name to First United Bank of Mississippi. Management indicated that the conversion should be completed in the spring.

Missouri

■ FIRST TRUST BANK, St. Joseph, has elected John Thompson, corporate treasurer, to its board.

New Missouri Income Tax Law Is Subject of CPA Book

A new Missouri income tax law became effective in 1973, and the Missouri Society of Certified Public Accountants (MSCPA) has put together a book that should prove helpful to the state's residents this year or anytime in the future, as long as the law stays on the books.

The book contains completed 1973 Missouri and federal tax forms with required supporting schedules, along with explanatory footnotes cross-referenced to the Missouri returns. Comments and explanations represent the thinking and informed opinions of those who worked on the book. Certain factual complexities were built into the situations illustrated to demonstrate various points and principles. Users of the book are assumed to have a basic knowledge of federal and Missouri income tax laws, said the MSCPA, which cautions users to consult the Missouri Department of Revenue when they believe the law may have varying interpretations.

The filled-in Missouri income tax returns for 1973 appear in six categories in the book: resident individual, nonresident individual, partnership, fiduciary, Subchapter S corporation and corporation.

For information, write: Missouri Society of Certified Public Accountants, 1925 Railway Exchange Building, St. Louis, MO 63101 (telephone: 314-241-3571).

■ THE NEW MERAMEC STATE opened in Sullivan late in February with capital of $400,000, surplus of $160,000 and undivided profits of $115,000. Officers are: president, Paul G. Fisher, farmer and real estate developer; executive vice president, Verle R. Hugenot, formerly vice president, First National, Centralia; and assistant cashier, Edward T. Smith, formerly assistant manager, communications, First National, St. Louis. The bank's opening-week deposits totaled $200,000. Meramec State is located in a temporary trailer-type facility until its permanent building in Meramec Plaza Shopping Center is ready for occupancy in midsummer. The latter structure will contain 4,600 square feet of space.

■ LEE HUNTER has been elected a director, St. Louis County National, and the HC, County National Bancorp., both of Clayton. He is founder, chairman and CEO, Hunter Engineering Co.

William S. Morris Dies

William S. Morris, 55, former state lieutenant governor and vice president, Union National, Kansas City, died January 27, following open-heart surgery, at a Kansas City hospital. He had suffered a heart attack November 9.

Mr. Morris joined Union National (now known as Columbia Union National) in 1946. He was vice president in charge of the trust department when he left the bank 11 years later.

■ JAMES E. DENNY and J. Robert Fitzsimmons have been named assistant vice presidents, Mercantile Trust, St. Louis. Mr. Denny and Mr. Fitzsimmons have been with the bank since 1968.

■ ROBERT J. McCOY has been named senior vice president, First National, Joplin. He joined the bank in 1966 and serves as a commercial loan officer.

■ BILLY D. COLE has been elected senior vice president, Ameribanc, Inc., St. Joseph. He formerly was president, Belt National, St. Joseph. Mr. Cole's duties with Ameribanc will be management coordination of the subsidiary banks. He also is president, First American Bancshares, Inc., an HC consisting of five northwest Missouri banks, and a director, Seneca Bancshares, a Kansas HC. Mr. Cole remains as Belt National chairman. In other news at Ameribanc, Urban G. Wise has been elected vice president and treasurer. He also is vice president and comptroller, American National, St. Joseph, HC anchor bank. He became associated with American National in early 1974.

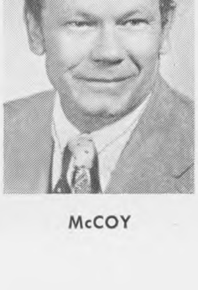
■ ALICE M. BURNS, assistant vice president, Gravois Bank, St. Louis, has retired after 32 years. Mrs. Burns joined the bank in 1943. In recent years, her principal duties have been as advertising officer and with customer services. She was named assistant vice president in 1966.

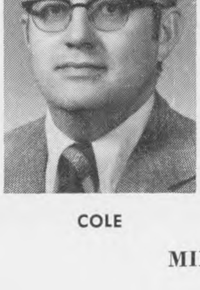
■ FRED H. RIDER, vice chairman, and William R. Niedringhaus, senior vice president and cashier, First National, Wellston, recently celebrated their 50th anniversaries with the bank. Both joined First National during the same week in 1925. In other news at the bank, William A. Donze Jr. has been promoted to assistant vice president and controller. He joined the bank in 1974, after serving Commerce Bank, Kirkwood, since 1965. Dan Friedman has joined First National as vice president-installment loan manager. He formerly was vice president, Commerce Bank of University City, a position he held since 1969.

■ COMMERCE BANK of St. Louis has announced election of the following as directors: Andrew N. Baur, bank president; James M. Kemper Jr., president and chairman, Commerce Bancshares, Inc., Kansas City; and Robert E. Frane, James W. Gessner, G. Watts Humphrey, Jerome M. Rubenstein, F. Carl Schumacher and Robert M. White II, all business or professional men.

■ DAN S. SPENCER JR., head, operations department, United Missouri Bank of Kansas City, has been promoted to executive vice president. He joined the bank in 1969 after 15 years with branches of the Kansas City Fed. In other news at the bank, the following were promoted to vice presidents from assistant vice presidents: Lyman C. Bacon and Robert F. Henricksen, commercial loan department; Thaine T. Anderson and Michael T. Fleming, new business department; and Janet Sue Epperson, trust investment department.

■ LAWRENCE COLLETT has been promoted to executive vice president, Cass Bank, St. Louis. Mr. Collett joined the bank in 1963 and was elected vice president in 1973.


McCOY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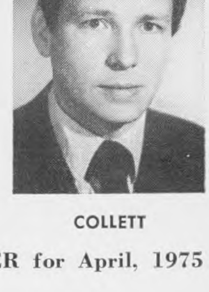
SPENCER


COLLETT

SMITH

WUEST

■ JAMES A. SMITH has been elected senior vice president, Mercantile Trust, St. Louis. He will continue to head the bank's central group, which is responsible for bank and corporate business in 10 midwestern and southern states. John J. Wuest has been promoted to vice president. Mr. Smith joined the bank in 1954 and in 1955 became a correspondent bank representative in Missouri. He was elected vice president and named assistant head of the correspondent department in 1966. Three years later, he was promoted to head of the department. Mr. Wuest, who has been with the bank since 1966, is in the commercial loan department.

■ FIRST NATIONAL, Arnold, a newly chartered bank, opened February 5, with capital of $500,000, surplus of $300,000 and undivided profits of $200,000. Kenneth Nunn serves as president, chairman and CEO; Roy J. Panchot is vice president and cashier; and Bill Carroll, correspondent officer, St. Louis County National, Clayton, affiliate bank, serves as temporary correspondent officer. Mr. Nunn began his banking career in 1969 as vice president, commercial loans, Manchester Bank, St. Louis. He was named vice president, County National Bancorp., Clayton, in 1973, and later became director of acquisitions, a position he still holds. Mr. Panchot served Commercial Credit Corp. nine years before joining the installment loan department, St. Louis County National, in 1967. He was named assistant vice president there in 1969, and department head in 1973.

■ JUNE PORTER and Thomas N. Quinn have been promoted to assistant vice presidents, Mercantile Bank, Kansas City. Mrs. Porter will manage the bank's new 63rd and Troost facility. Mr. Quinn, who joined the bank in 1963, will be in charge of teller operations and bank security.

■ NEW OFFICERS of the Associate Bankers of St. Louis and St. Louis County are: president, Norman J. Tice, president, City Bank; first vice president, Wilson T. Bell, president, Big Bend Bank, Webster Groves; second vice president, J. Richard Furrer, executive vice president, South Side National; treasurer, Paul M. Ross, senior vice president, First National; secretary, Harley E. Schwering, president, Manufacturers Bank; directors, Dale Boughton, president, First National, Wellston, Quentin Keller, president, Lemay Bank, and Mary M. McCown, vice president, Clayton Bank.

Died: *Daniel B. Phelan,* 52, former senior vice president, Mercantile Trust, St. Louis, on February 28, at a St. Louis health center. Mr. Phelan joined the bank as vice president in charge of international banking in 1972. He formerly was in charge of Far- and Middle-Eastern and African operations for Allied Bank International, New York. He left his post at Mercantile several months ago to serve as an independent consultant for W.S.C. Corp., a Florida-based international banking firm. *William A. Dickison,* 81, retired president, Federal Land Bank, St. Louis, on February 21, after a heart attack. Mr. Dickison helped organize the Missouri State Bank, St. Louis, which opened in 1966. He remained as executive vice president and secretary until 1968.

New Mexico

■ ROBERTA COOPER RAMO, an attorney, has been named a director, First National, Albuquerque. She is the first woman to serve on that bank's board.

■ GILBERT VALLEJOS has been named manager, Los Lunas Branch, Ranchers State, Belen. Mr. Vallejos, assistant cashier at the bank's main office for the past two years, assumed his new duties when the Las Lunas facility opened in mid-March.

■ FRED WOODBURY has been named manager of Bank of Socorro's recently opened branch in Magdalena Village. During the opening, visitors inspected the quarters while sampling French cuisine prepared by Mr. Woodbury's daughter, Kim Campbell.

■ BEN CHAVEZ has resigned as president, El Pueblo State, Espanola. C. M. Trujillo, chairman, has been named acting president. Mr. Chavez has left to enter private business, but will remain in an advisory capacity.

■ LALO GARCIA, loan officer, has been promoted to assistant vice president, Deming National, while Carolyn Seybert and Judy Clayton have been elected assistant cashiers. Mr. Garcia has been with the bank three years.

Oklahoma

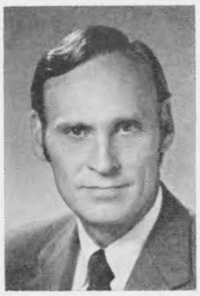
■ ERNEST D. MILBY has been named senior vice president and chief financial officer, Fidelity Bank, Oklahoma City. He will be responsible for all areas of financial control and planning for the bank and its HC, Fidelity Corp. of Oklahoma, and Fidelity Building Corp., a subsidiary. Mr. Milby was associated with Peat Marwick Mitchell & Co., Richmond, 1961-1968, where he was engaged in supervisory work with commercial banks in the Virginia area. In 1968, he joined First & Merchants National, Richmond, where he served as auditor. Mr. Milby joined Fidelity Bank in 1971.

Alexander Gets Museum Post

Lindsay L. Alexander (r.), vice president of marketing, First National, Tulsa, receives the gavel, representing the presidency of the Thomas Gilcrease Museum Association, from Tulsa Mayor Robert LaFortune. The Gilcrease Institute of American History and Art, property of the city of Tulsa, is supported by the association, which is comprised of volunteers interested in continuing improvements in educational and art exhibits.

Tennessee

■ WILLIAM A. DICK has been named senior vice president and senior loan officer, Union Planters National, Memphis. He joined the bank in October, following service as president, First Bank, Savannah, Ga.



DICK

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WHICH DOESN'T HAVE *ANYTHING* TO DO WITH WHY THEY STILL ARE."

Mose E. Dorton, Chairman & President
First National Bank
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"What more could you ask from a correspondent bank?"

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WHITAKER

HOLLIDAY

■ J. E. WHITAKER has been named chairman and CEO, Hamilton Bancshares, Inc., and chairman, Hamilton National, both of Chattanooga. Mr. Whitaker also is executive committee chairman at the HC. In addition, T. Wendell Holliday, HC first executive vice president, has been promoted to HC president, while John Vorder Bruegge, bank president, has become president and CEO at Hamilton National. Mr. Vorder Bruegge also is HC vice chairman. These changes were due to the recent departure of N. Rountree Youmans, former chairman and CEO at the bank and HC. Mr. Youmans also was president at Hamilton Bancshares.

VORDER BRUEGGE

Bank-Sponsored Program Gives Investment Help

Heritage/County Bank, Blue Island, Ill., is sponsoring a series of free monthly seminars highlighting special problems women face in economic and monetary situations.

The first, entitled "Today's Woman in the Money World," was held in the bank's lobby, where Dee Dee Ahern, national financial consultant, addressed an audience of 100 women.

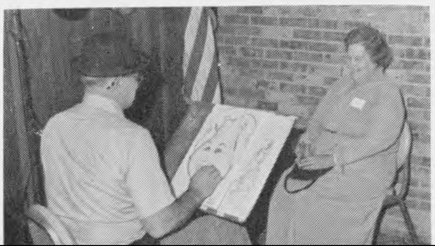
Discussing Women's Workshop program at Heritage/County Bank, Blue Island, Ill. (from l.), are: Phyllis Burke, a.c.; Marianne McGreal, PR coordinator and sec. to the pres.; Richard T. Wojcik, pres.; Dee Dee Ahern, financial consultant; and Garmell I. Carson, a.v.p., personal loan division. Free, three-part program is designed to instruct women in financial matters.

Ms. Ahern pointed out that women have attained a prominent role in money control, discussing the many ways women can achieve success in handling their financial affairs. Discussion titles included: "Understanding the Psychology of Money," "Setting Priorities and Financial Goals" and "The Tools and Techniques to Achieve These Goals."

A second workshop features the topics of investments and credit. Lorraine Hoffman, account executive, Merrill Lynch, Inc., and Carmella I. Carlson, bank assistant vice president, personal loan division, were the speakers.

Opening Features Caricaturist

A visitor at the grand opening of the new Meramec State, Sullivan, Mo., has her "portrait" drawn by caricaturist Arnold "Big Arnie" Vail of Dallas. Mr. Vail has been staff editorial caricaturist for the Chicago *Sun-Times* and official caricaturist for Six Flags Over Texas in Arlington. He can draw a caricature in five minutes or less. All who went to the opening were invited to have their caricatures made by Mr. Vail. During the two-day grand opening, from 300 to 400 drawings were made by Mr. Vail. The bank also sent him into local retail stores, schools, hospital, etc., to draw caricatures. In addition, Meremac State held a reception for 100 special guests one evening at the local Holiday Inn, and Mr. Vail was present to draw caricatures.



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