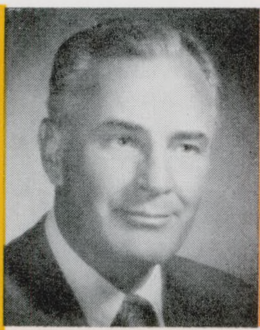
MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

MAY 1, 1975

CONVENTION ISSUE



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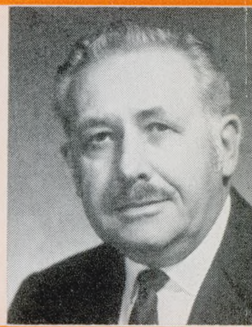

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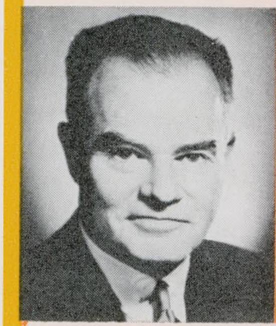

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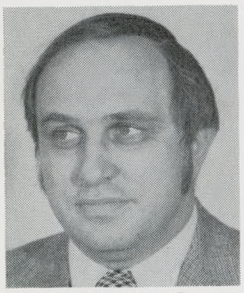
FOR THE BANK MARKETER:

Interdependence...
and the Correspondent Banker

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

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

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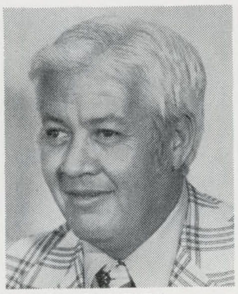
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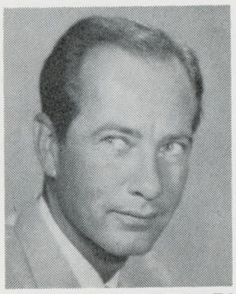
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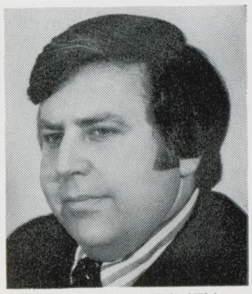
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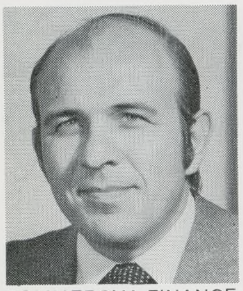
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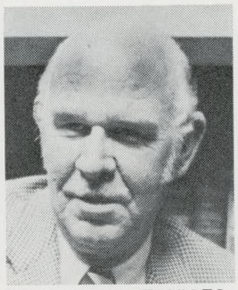
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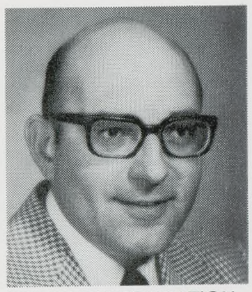
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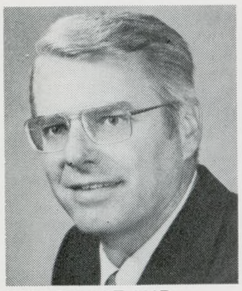
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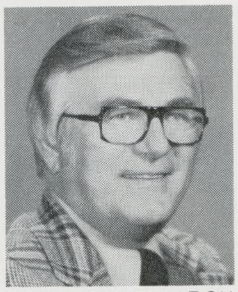
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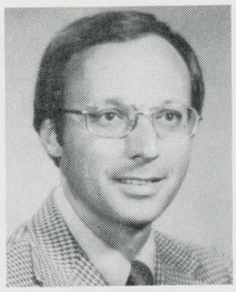
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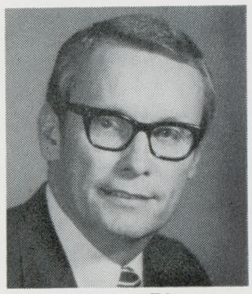
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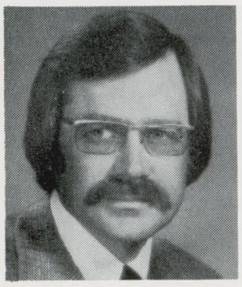
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Convention Calendar

May

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 12-13: Robert Morris Associates Regional Workshop on "Credit Administration—The Credit Department Function," Pittsburgh.

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: Bank Marketing Association Teller/Customer Relations Program, Chicago, Continental Plaza Hotel.

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 18-20: Bank Administration Institute Northern Regional Convention, Louisville, Galt House.

May 18-22: Independent Bankers Association of America First Seminar South, Fayetteville, University of Arkansas.

May 18-23: ABA National Personnel School, Atlanta, Atlanta Townehouse.

May 18-23: New Mexico Bankers Association New Mexico School of Banking, Albuquerque, University of New Mexico.

May 18-31: School of Banking of the South, Baton Rouge, Louisiana State University.

May 19-24: Illinois Bankers Association Agricultural Lending School, Normal, Illinois State University.

May 25-29: Assembly for Bank Directors, Hot Springs, Va., The Homestead.

May 25-30: Bank Marketing Association Essentials Course of Bank Marketing, Boulder, University of Colorado.

May 25-June 6: Bank Marketing Association School of Bank Marketing, Boulder, University of Colorado.

May 26-28: AIB Convention, Minneapolis, Leamington Hotel.

June

June 1-6: ABA CEO Program, Hot Springs, W. Va., The Homestead.

June 1-6: Kansas Bankers Association Kansas School of Agricultural Banking, Manhattan, Kansas State University.

June 1-6: Kentucky Bankers Association Kentucky School of Banking, Lexington, University of Kentucky.

June 1-13: Illinois Bankers Association Illinois Bankers School, Carbondale, Southern Illinois University.

June 2-3: Robert Morris Associates Regional Workshop on "Problem Loan Reclamation/Workout," Kansas City.

June 8-20: ABA National Installment Credit School (Second Session), Boulder, University of Colorado.

June 10-12: Oklahoma Bankers Association Secured Lending School, Norman, University of Oklahoma.

June 10-12: Kansas Bankers Association Bank Management Clinic, Lawrence, University of Kansas.

June 10-13: International Monetary Conference, Amsterdam.

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.

June 15-20: ABA Bank Card School, Evanston, Ill., Northwestern University.

June 17-19: Oklahoma Bankers Association Secured Lending School, Norman, University of Oklahoma.

September

Sept. 7-9: Kentucky Bankers Association Annual Convention, Louisville, Galt House.

MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 71, No. 5 *May 1, 1975*

FEATURES

CONVENTIONS

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Advertising Offices

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

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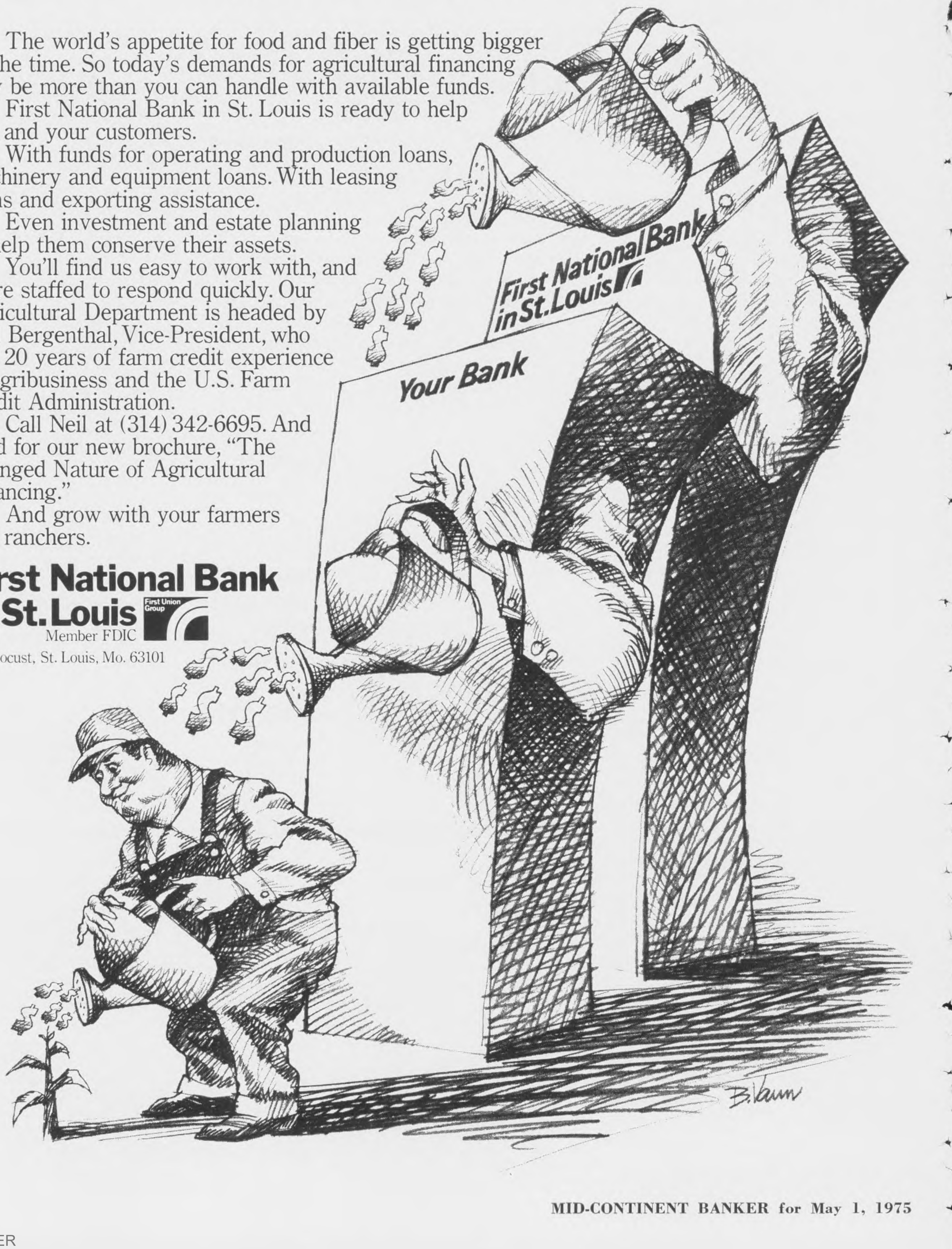

By Dr. Lewis E. Davids

**Hill Professor of Bank Management,
University of Missouri, Columbia**

Indians Help Selves by Founding Bank

A NEW and different bank was formed in late spring, 1974, called AINB—American Indian National Bank.

American Indian National reportedly is the first means by which American Indians have put their money to work for themselves. Black-owned banks have been in existence for about 70 years, and Pan-American banks, serving the predominantly Spanish-speaking public, have been around since 1965.

Although AINB is one of the more recently formed minority institutions, its executive staff has thoroughly investigated its economic feasibility. At press time, the bank had raised over $1 million of its authorized $5.5-million capital. The process has been much smoother and more successful than in many of the other minority banks, due in great part to the high caliber of American Indian National's executive staff, which has only one non-Indian in its ranks.

This new bank has some unique features. Located in Washington, D. C., it is designed to help Indians and banks explore the prospects of helping Indians and their tribes gain access to a full range of financial services, as well as provide non-minority banks and other financial institutions with an understanding of the financial problems of American Indians.

AINB's capital-raising process has been smoother than most, thanks to the high caliber of its executive staff.

Although it's too early to ascertain AINB's plan of operations, there will be a strong orientation to Washington. It's likely that a representative or agency of the bank would be designated on all federal Indian reservations and in localities where Indians are concentrated.

It is most likely that it will be in the latter area that most non-minority commercial bankers will find American Indian National a valuable contact. There are about 800,000 American Indians across the nation, and a significant portion of them do not live on reservations. Many of them do their banking with the non-minority banks throughout the country, and, for the most part, have acted individually in transacting business with these banks.

American Indian National should prove a valuable source for loan participation or referral.

For cultural and economic reasons, many have not been considered prime borrowers. At times, there are language barriers between Indian and bank, and many are less secure, not being employed in jobs leading to easier credit accommodation by banks for personal loans, financing autos, trucks, agricultural implements, home mortgages and business loans.

Bank regulatory authorities have been pushing for surveys by banks on their progress in reducing employment and loan discrimination, and many non-minority bankers would like to increase their accommodation of these groups.

This new bank is designed to help Indians and banks gain access to a full range of financial services.

But, because of unemployment and language barriers, they have found it difficult to act in this area. AINB specifically notes in its literature that it will deal primarily with Indian tribes, organizations and groups and that it welcomes applications for loans with supporting data.

Therefore, it would be in the best interest of non-minority banks, when confronted with loan applications from Indian organizations with which they have had little experience, to contact American Indian National, which should prove to be a valuable source for loan participation or referral.

Conclusion. Establishment of American Indian National is encouraging because it will try to fit a need that has existed for too long a time. Many American non-minority commercial bankers should recognize that this institution can be of help to them in meeting the needs of American Indians who, for one reason or another, have not been able to be accommodated by the majority banks. The bank's board and its officers have committed themselves to be responsible immediately to requests for information about their bank and its services. As one who has contacted them, I can assure you that they honor their commitments. Are there correspondent relations that would be mutually beneficial for your bank to establish with AINB? If so, contact them at 170 Pennsylvania Ave., N.W., Washington, DC 20006. • •


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Webster's Definition
mag·i·cus (maj'i-kus), adj. [L. magicus; Gr. magikos], producing extraordinary results, as if by magic or supernatural means.
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The "word" is out. Our System for FNMA and government programs is in with thousands of lenders.

Rod Reppe,
MGIC Sales Director, explains how MAGICUS is helping lenders simplify procedures and achieve greater profits using FNMA and government programs.

The "word," MAGICUS, how do you say it and what does it mean?

"According to Webster, it's pronounced "maj'-i-kus" and means the ability to produce extraordinary results. But no matter how you say it, it's the meaning that counts. The System is already helping thousands of FNMA, FHLMC, and GNMA program users, and it can produce extraordinary results for you, too."

What do you mean by "extraordinary results"?

"Simply more profit, less fuss for your company. To begin with, our Loan Processors' Kit is recognized by experienced and new FNMA and government users as a valuable educational tool to help shorten personnel learning time. It also reduces paperwork and substantially cuts costs by reducing loan rejection rates.

"In fact, our underwriting department tells me that the double check service performed for our customers has revealed that 60 to 70% of the loans reviewed have failed to meet FHLMC matrix requirements. The most common failings are incomplete information, and the inability of the borrower to meet 25% payment and 33% total obligation ratios."

What about the new plans and conversion privileges?

"*All* of the elements in the MAGICUS System are proving to be very helpful. Our special FNMA and government program plans make coverage selection simple. Yet the conversion privilege on standard plans lets every lender keep his options open. He can enjoy higher and more prudent standard coverage on any loan today, yet convert to lower-cost FNMA and government minimums later if he decides to include that loan in any government package. And with the higher standard coverage, he will enjoy greater acceptance of the loan should he decide to sell in the conventional secondary market."

Can you report any additional hard facts on lender response?

"Since our announcement, over 3,000 institutions have requested the use of one or more elements in the MAGICUS System. Nearly 10,000 guide kits have been made available to loan processors. In Florida several institutions asked us to conduct a special FHLMC, FNMA, GNMA seminar for their loan people—and even paid a nominal fee to attend. Every day we are receiving phone calls and letters requesting additional advice and counsel on FNMA, FHLMC, or GNMA deals."

What can an institution do to obtain help in its own shop?

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Community Involvement

'Horn Blowing' Is Unheard of Here; Bank's Friends Help It Grow

WHAT HAPPENS when a bank spares no expense in serving its local community? One would answer immediately that the bank's business would increase and that the publicity arising from the good works would be worth their cost.

(From r.) The Rev. Walter A. Miller, pastor, Allen Metropolitan CME Church, Chicago, and Bishop B. J. Smith present community service award to Stanley S. Nicholson, pres., Drexel Nat'l, Chicago, and George Worling, bank v.p. Award was for bank's past and continuing service to church.

Drexel National in Chicago is one such bank, with an exception. It has followed a policy of conducting all public and private banking operations by merit only. Hiring or promotion of an employee, since institution of the policy 12 years ago, never has been influenced by the employee's color or gender and an ongoing public service program—sans horn blowing—has helped change a $22-million bank into a $60-million one in that time.

To repeat, no publicity was issued extolling the deeds of the bank. Drexel National does conduct aggressive newspaper, radio and direct-mail advertising campaigns to sell its services, but publicity releases usually are confined to announcing personnel changes.

Seven years ago, Drexel National developed a program of basic economic education to warn of illegitimate business practices that are used to bilk many unsophisticated families in its area. Bank officers, using a flip-chart presentation, covered subjects such as interest charges, auto purchases, installment buying, work-sell merchandise rackets, etc. Called "Operation Wise Up," it was taken into the community and is still being used and updated. The Cook County Legal Aid Society uses the program outside the bank area, and a Spanish translation is utilized in Latin communities.

The bank also has developed a program with two sound slide films covering the use and handling of money, wherein Drexel officers meet with senior citizens, giving additional advice and materials to help with money problems encountered by the elderly.

A "Go Back Scholarship" was established in conjunction with the Illinois College of Optometry several years ago. Under this tuition-support program, the recipient agrees to practice in a minority area after graduation, bringing a health service to areas in need of it.

Through churches and community organizations, the bank has broadcast the message that its services are available to noncustomers and customers alike, which results in a great number of welfare recipients being referred to Drexel National.

One noncustomer was caught in a "fast" auto deal. Drexel National went to the State's Attorney's office to help him.

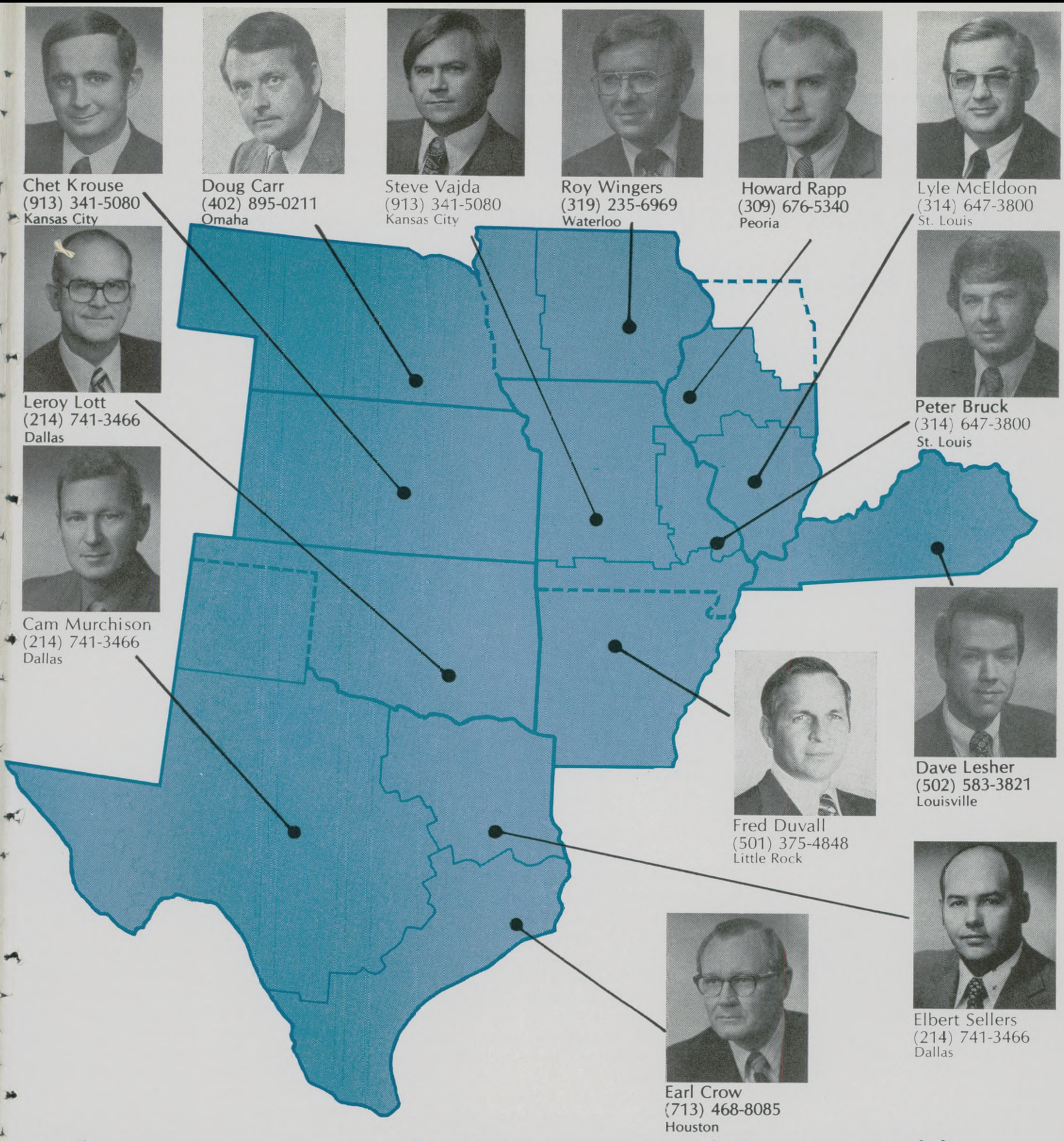
Another of the bank's instances of "good Samaritanism" finally brought about the publicity it had seemingly shunned for many years. The Allen Metropolitan CME Church needed a new home, and through the financial assistance of Drexel National, which included free legal and negotiating help, the church group saved over $40,000.

In thanking the bank, Metropolitan CME Church gave a dinner, during which a plaque for community service was awarded Drexel National.

The ensuing publicity release was muted and was given out only because of the urgings of church members. • •

Bank Sponsors Bicentennial Concert

Chattanooga's first bicentennial event was a concert by the Chattanooga Symphony that saluted the works of American composers. The concert, entitled "An American Salute," played before a standing-room-only crowd of some 2,000 at a shopping mall. The concert was sponsored by American National, which has been proclaimed Tennessee's first official state bicentennial bank by former Governor Winfield Dunn and the Tennessee State Bicentennial Commission.



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Financing Asset Leasing in Farming: A Major Role-Playing Area for Banks

By EDWARD J. WONG JR.
Sachnoff, Schrager,
Jones & Weaver, Ltd.,
Chicago

ALMOST every business is continually faced with the problem of financing its acquisition of capital equipment and facilities. This is no less true in the agricultural industry. Agricultural lending has come a long way. Farm production and marketing practices have been changing from the time this country was settled, and the changes have been coming at a faster and more complex rate with each passing year.

The present level of agricultural debt in the United States exceeds $60 billion. This is almost equally divided between non-real estate or short- and intermediate-term debt and longer-term farm mortgage debt. In the short-term area, commercial banks provide about 40% of the total debt, with ever-increasing demands being placed upon them by their customers.

One means of meeting the ever-increasing demand for financing is in the area of leasing the desired equipment or facilities. Banks and other institutional investors may play major roles in this area.

The basic problem facing the draftsman of a lease where a bank is a direct lessor is the potential conflict between the interest of a bank, which usually requires a true lease with revision of the residuals to the lessor, and the interests of the customer-lessee, which may call for a type of conditional sales agreement under which the lessee will, for all practical purposes, be the owner of the equipment.

If the bank is to claim an investment credit on its purchase of the equipment and depreciate that purchase price over the term of the lease, the agreement should be carefully drafted as a true lease to preserve tax benefits for the bank.

The following are some of the general matters that must be considered in the basic lease document.

- The rent should be a specified dollar amount per time period and should not ordinarily be tied directly to the cost of the equipment by the bank-lessor. If there is to be a right of renewal upon expiration of the basic lease term, care should be taken to have the renewal rental represent fair market value rental and not to have the term of renewal completely exceed the estimated useful life of the equipment so as to result in the lessor not retaining a real ownership interest in the equipment.
- In order to affirm the existence of a true lease, it is helpful if the lessee has a specific obligation to return the equipment to the lessor at a reasonable location chosen by the lessor at the conclusion of the lease.
- Any purchase option at the termination of the lease that might be provided for should be for an amount reasonably representative of fair market value at that time, perhaps as determined by independent appraisers.
- During the lease term, the lessor should have the right to inspect the equipment and records pertaining thereto and to have noted thereon indication of its ownership.
- The lessee also should agree that it will not mortgage or pledge the equipment or generally permit any liens to exist during the term of the lease, nor sublease or assign any of its rights under the lease without the lessor's consent.
- Because the bank is not prepared to service and repair leased equipment, the bank agreement should provide for the lessee to assume full responsibilities for maintenance, replacement or addition of parts, either directly or through a maintenance contract.
- The lessee also should agree to pay all federal, state and local taxes imposed against the lessor, the lessee or the equipment.
- Lessee is generally to be required to carry insurance at its own cost against all risk of physical loss or of damage to the equipment, with proceeds of the insurance payable to the lessor or the lessee as their respective interests shall appear.
- In addition to insurance coverage, the lease form may require the lessee to assume liability for and indemnify the lessor against all liabilities imposed upon the lessor by virtue of its ownership and lease of the equipment. Because retention of the investment credit is often essential for a bank-lessor to realize an acceptable rate of return, the indemnification section also may include an agreement by the lessee to pay to the lessor, as supplemental rent, a sum which, after deduction of all taxes, will be equal to the amount of the investment credit, should it be lost. An indemnity for loss of depreciation deductions also may be included.
- The concept of casualty loss value has been introduced to cover cases of loss or destruction of equipment. A scale of casualty loss values appended to the lease indicates the percent of the original cost of the equipment which is to be paid to the lessor as supplemental rent on the next regular payment date should the equipment be lost or destroyed or become obsolete or economically unserviceable for use. After payment by the lessee of this casualty loss, the obligation to pay further rent terminates.
- Provisions covering events of default and remedies also must be carefully dealt with.
- The bank lease also should contain a provision against set-offs and counterclaims by the lessee in order to preserve for the lessor an absolute and unconditional obligation to pay rent in all circumstances. This protects the bank-lessor against claims of manufacturers' warranties, design defects, evidence of use, damage or loss of equipment, and similar issues.

Whenever a bank-lessor is presented with a proposal to purchase equipment and lease it in a state other than the one in which its banking services are located, it is confronted with a problem of whether it is necessary to qualify under the state "doing business" statutes. Such statutes generally require that a foreign corporation which transacts local business first must obtain a license from the state in order to conduct such business.

Unfortunately, there are no easy answers to the question of when such qualification to do business may be required. Much depends on the type of activity in the particular state involved. For this reason, a number of banks have adopted the general policy of not leasing personal property outside their home states.

However, a corporation which owns personal property and leases it to others in a foreign state ordinarily is not required to qualify because of the

Agricultural leasing "affords a bank an additional opportunity to provide needed services to customers that are considered important to the nation. . . ."

leasing alone; particularly if the lease is executed in another state. Since bank leases do not involve service contracts and repairs, there is, typically, very little lessor contact with a foreign state.

If the bank-lessor were to enter into a number of leasing arrangements in a particular state, the qualification problem could become considerably greater.

In addition, there are statutes in some states—such as Wisconsin, Florida and West Virginia—which explicitly provide that an unlicensed foreign corporation may not hold or dispose of property in the state. There are a number of cases which hold that qualification statutes do not apply to national banks, either on the grounds that they do not come within the definition of "foreign corporation" or that, as federal instrumentalities, they cannot be regulated by the state. However, there is still a question as to whether these decisions would be equally applicable to direct leasing by national banks.

Another means of financing asset leasing in which banks often become involved, and which certainly can have application in the agricultural industry, is in providing the debt money in so-called "leverage lease" transactions. In a typical leverage lease transaction, a third-party lessor generally puts up a certain amount of equity money, e.g., 20% of the purchase price, for the machinery or equipment, and borrows the remainder, e.g., 80% of the cost of such machinery or equipment, from a financial institution such as a bank or a group of financial investors in the form of a non-recourse loan (typically secured by the equipment, lease and rentals due thereunder), thereby "leveraging" its capital investment. In such transactions, the bank is basically making a commercial loan and looks to the collateral which is the subject matter of the lease and the credit of the ultimate lessee for repayment of the loan.

This type of transaction may involve the expenditure of several thousands or even millions of dollars, thereby requiring the participation of several lenders, and, as a result, requiring rather extended documentation. Suffice it to say, however, that at the bare minimum in some manner, way, shape or form, the following documents are usually involved:

- An agreement between the owner-lessor and lessee regarding the purchase of the equipment and the ultimate obligation to lease the same to lessee.
- An order placed by the lessee for the purchase of the equipment which is assigned to the owner-lessor and assumed by it.
- A loan agreement or the equivalent with the lender that provides the borrowed funds, together with the required secured non-recourse note evidencing the borrowing.
- Security agreement between the lender and owner-lessor whereby the lender gives a security interest in the equipment covered by the lease, the lease itself, and rental and other payments due the lessor thereunder. A UCC financing statement should be filed as required to perfect such security interest.

Depending on the size and character of the transaction, trustees quite often get involved on behalf of the owner-lessor as well as the group of lenders.

All of my comments to this point have either expressly dealt with or implied that I was dealing with transactions involving the lease of tangible personal property in the nature of equipment and machinery such as tractors, combines, irrigation equipment and the like, generally used in agriculture. However, I am aware of the involvement by at least one Chicago bank in a leverage lease-type transaction where the subject matter of the lease consists of dairy cows. The bank in question makes a line of credit available to a professional lessor on a revolving credit basis, which is reviewed yearly. The professional lessor gets together a group of dairy farmers whose businesses might otherwise be considered marginal and arranges to lease dairy cows to them. The lessor utilizes the borrowed funds, and presumably some of its own equity funds, to purchase the cows and lease the same to the dairy farmer.

Generally, the lease runs for a three-year period, the cows being deemed to have a useful life of between seven and 10 years.

The dairy farmer signs an agreement with a milk processor whereby he agrees to sell his production of milk and cream to such company and simultaneously signs a document assigning to the bank a portion of the check he would receive.

The bank, upon receipt of the funds, typically takes therefrom a percentage of the amount necessary to pay out the principal of the loan to its customer and maintains a reserve in the account for the payment of interest on the loan at regular intervals. As indicated earlier, livestock under proper circumstances may qualify for investment credit and other attendant tax benefits.

Although there are many intricacies involved in bank leasing activities relating to such items as properly documenting the transaction, complex federal income tax questions and the whole question of whether leasing may involve the bank in "doing business" in other states, all of which tend to make a direct lease by banks somewhat more complicated than a term loan of the same maturity, there is no question but that a bank also has a significant opportunity for additional profit, both through tax benefits and the eventual realization on the residual value of the equipment. Further, it affords a bank an additional opportunity to provide needed services to customers that are considered important to the nation, the farmers and other persons involved in the agriculture industry. • •

Operations

BAI Holds Grad Program At U. of Wisconsin

The Bank Administration Institute (BAI) School for Bank Administration Board of Trustees has announced the inclusion of a new graduate program for alumni. It will run the first week of the 1975 session at BAI's school at the University of Wisconsin, Madison, July 27-August 8.

Consisting of seminars in the areas of bank auditing, controllership, operations and administration, the program is open to alumni on a first-come basis, with each seminar limited to 15 participants.

Seminar chairman will be: operations, Robert B. Schaedle, vice president and cashier, First National, Memphis; audit, Ellwood F. Hudson, senior vice president and auditor, United Virginia Bankshares, Inc., Richmond; controllership, George W. Benedict III, vice president and controller, Baystate Corp., Boston; administration, E. H. Morgan, senior vice president, Wachovia Bank, Winston-Salem, N. C.

Insurance

Every Bank Should Have a Disaster Plan And All-Risk Insurance to Back It Up

By JOHN J. MUSATTO
Account Executive
Scarborough & Co.
Chicago

WHAT would happen to your bank's ability to serve its customers if it was damaged or destroyed by fire, explosion, earthquake or other disaster? Obviously, the bank carries insurance on the building and its contents, but does management have emergency plans that can be implemented to enable operations to resume in the shortest period of time?

Planning is perhaps the most important element in handling an emergency. Any disaster or emergency plan must be thorough and its details must be adequately communicated to bank personnel.

Some general questions may be used as a guideline to aid management in determining the adequacy of an existing plan or in drawing up a plan for the first time.

- Who would make major structural repairs if the bank building was damaged?
- Do alternate ways to serve customers exist in the event the bank building is destroyed?
- Have the availability, cost and usability of alternate facilities been checked in the event the bank building is made unusable?
- Has a checklist been drafted outlining the things to be done as the threat of disaster grows in cases of flooding, a wave of violence, a fire spreading?
- Have key employees been briefed on steps to take in an emergency?
- Has it been made clear to all directors, officers and employees who would take charge if the CEO is not available?
- Are copies of key bank records stored someplace other than in the bank building?
- Have arrangements been made with suppliers or correspondent banks for equipment and personnel in the event of a disaster?
- Has a list been made of the supplies currently used and where these supplies can be purchased?
- Has an off-site back-up of critical supplies, particularly printed forms, been provided?
- Who has the back-up samples of each supply item and where are they located?
- Has a back-up copy of the bank's disaster plan been stored in an off-site location?
- Is insurance protection in force covering the additional cost of doing business at the original or a substitute location after the premises and/or its contents have been damaged or destroyed?

An important element in a bank's contingency planning is adequate insurance protection. Obviously, no disaster plan, no matter how comprehensive or elaborate, should be relied on exclusively. Insurance is needed to back up and supplement a disaster plan to cover the additional cost of doing business after the premises—either the building or its contents, or both—have been damaged or destroyed.

This particular form of insurance protection is called "extra expense" insurance. Extra expense coverage is needed as part of a bank's emergency planning for the following reasons:

- To enable the bank to continue operating as normally as possible.
- To enable the bank to retain customer goodwill by continuing to offer banking services.
- To sustain the pressure of competition during business suspension.
- To conform with various state banking regulations that make it mandatory for banks to remain open for business, except on holidays.

Scarborough is one of the bank insurance counselors offering extra expense insurance on an "all-risk" form. While other policies may cover only losses by fire, lightning, extended coverage and vandalism and malicious mischief, the all-risk form covers loss from any cause, including perils not covered by other policies. These might include flood, earthquake, explosion, sprinkler leakage or other water damage, atomic fission or nuclear radiation, collapse of building, etc.

It behooves any bank's management to formulate a disaster plan and to carry insurance adequate to back the plan up. • •

NEWS OF THE BANKING WORLD

• **Paul M. Ross,** senior vice president at First National, St. Louis, has been elected senior vice president of First Union, Inc., HC controlling the bank. At First National, Mr. Ross was head of the regional banking division. He joined the bank in 1959 as a trainee, was assigned to the commercial banking division in 1960 and became a vice president in 1968. He was made senior vice president and head of the regional banking division in 1973. Succeeding Mr. Ross at First National as head of the regional banking division is David M. Culver, vice president. Mr. Culver joined the bank in 1967 as a special trainee, was elected a commercial banking officer in 1968, assistant vice president in 1971 and vice president early last year. He was formerly in the metropolitan division.


ROSS


CULVER


ENTER TOTAL AMOUNT AND PRESS "YES" OR "NO"
DOLLARS | CENTS
125.00
ENVELOPE NUMBER
INSERT CARD
CASH WITHDRAWAL
WITHDRAWAL AMOUNT
$20
$40
$60
DEPOSIT
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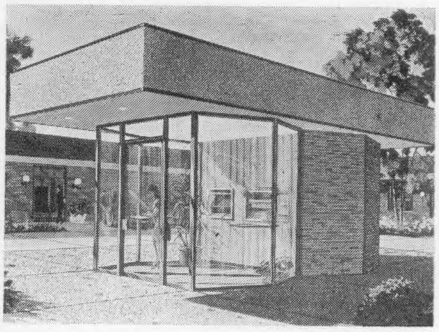
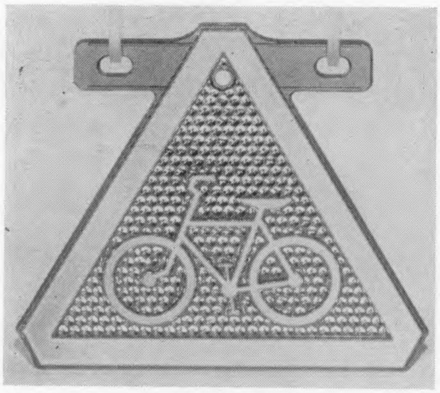
New Products and Services



• **Diebold, Inc.** An automatic remote banking facility, including a Diebold TABS total automatic banking system, has been introduced by Diebold Contract Services, Inc., a subsidiary of Diebold, Inc., Canton, O. The unit also includes a Diebold after-hour depository, alarm protection and a double-hexagonal shaped building. The facility requires a foundation slab and electrical connection and is said to be operational in approximately 90 days after ordering.

The facility provides two interior areas, one for customer service with two forms desks and customer access to the TABS system and after-hour depository; the other for service access to the equipment. The customer area is enclosed by floor-to-ceiling tempered glass panels, the ceiling is fully luminous and a heating and air conditioning system are pre-installed. Flooring is ceramic tile and standard exterior panels are sand finish with brick or stone aggregate panels optional.

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



• **International Premium Products.** This firm has introduced a bicycle safety triangle combining two well-known symbols—a triangle that is an international danger warning symbol in use at airports and on waterways, and a bike symbol that warns motorists that a bicycle is ahead of them. The triangle is reflective for use after dark. The units are available to banks for 75¢ each as an incentive item or self-liquidator (retail price: $1.89).

Write: International Premium Products, 9441 Bay Colony Drive, Des Plaines, IL 60016.

• **Mosler.** A new surveillance system called Photoguard TV Surveillance System is offered primarily to banks seeking a means for detection and identification of fraudulent check passers. The system is also said to be a valuable tool in operational analysis and employee observation. Major features include live-action viewing, instant replay, hard-copy prints, time and date display and low-cost operation. Each camera provides coverage for two teller stations and is mounted above and behind the teller line for continuous recording of check cashing and other operations taking place at the teller counter.

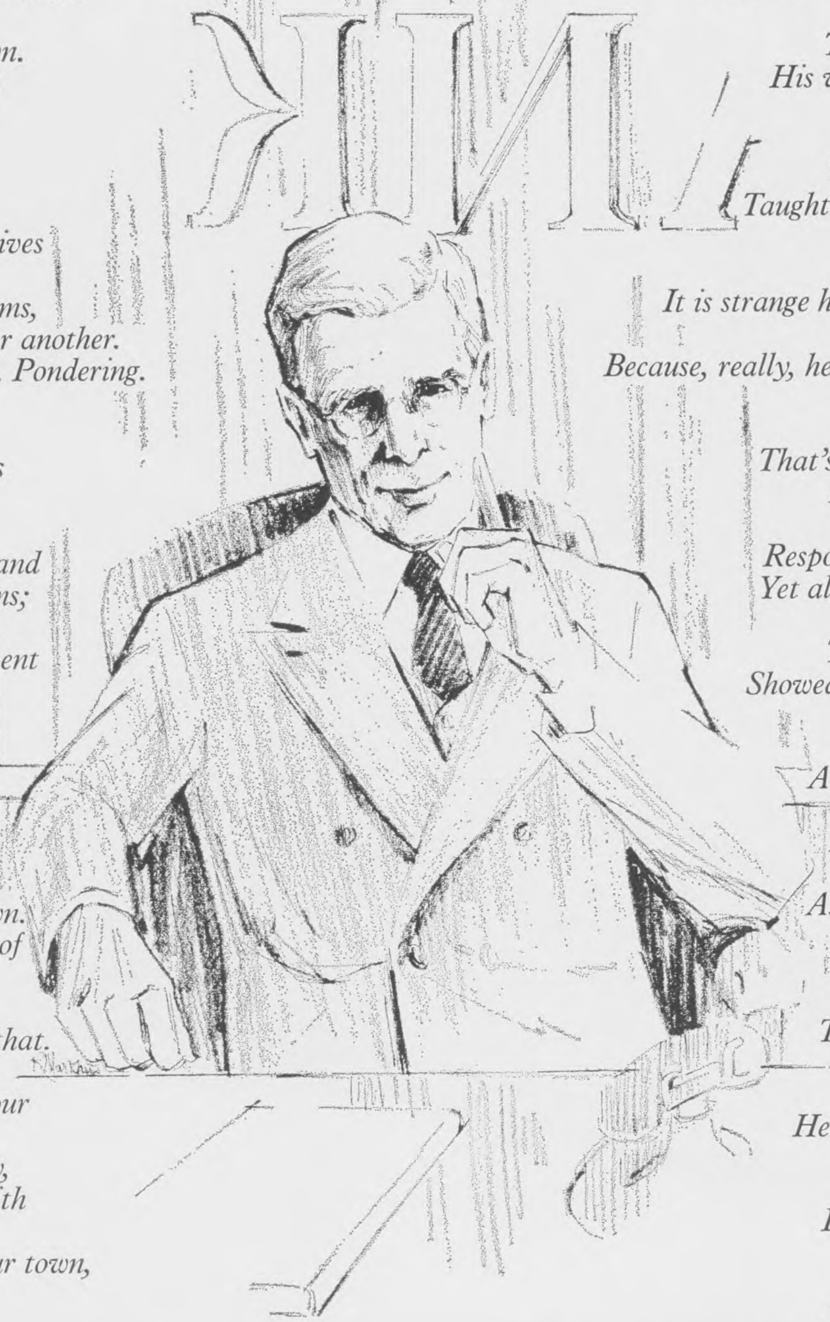
Write: Mosler Safe Co., 1561 Grand Boulevard, Hamilton, OH 45012.

• **LeFebure Corp.** This firm has introduced two new Wheeldex mechanized check files. Each of the two standard models has 12 cradles. The files are available with a combination of trays for 4″ × 6½″ and 4″ × 8¾″ checks. The files require 72¾″ floor space from front to back when file is open and operator is seated. Push buttons are used to order selected trays to the operator. The units can be operated manually in cases of power failure.

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

"The Banker in Our Town"

It's been many years since we moved away
And though time tends to dim
I still remember
The banker in our town.
He was a decent man:
Proud of his work
And his bank
And the town.
A modest man:
Touching each of the lives
Of that town.
We took him our dreams,
All of us at one time or another.
He sat back, listening. Pondering.
Interested.
Concerned.
He asked his questions
Of us
And himself;
Helping us to understand
And realize our dreams;
Relying more on faith
Than financial statement
Alone.
He was a good judge
of ideas
And of people,
Usually sensing what
was best—
What was right.
The banker in our town.
He was a good friend of
most folks
In our town
And he was proud of that.
He took special pride
In what we did with our
lives.
Since, in no small way,
He had much to do with
realizing it.
He understood that our town,
Its work,
Its well-being,
Was in the hands of the few
Who could take the responsibility;
People like himself—
The banker in our town.
His was a family of bankers
In our town,
Passing their heritage
To the next generation;
Taught in the ways of business
And banking
And people.
It is strange how each of us calls him
"My banker."
Because, really, he is not any one of ours,
But ours together:
"The town's."
That's the nature of his work.
Dedicated to each of us
individually,
Responsible to us collectively.
Yet all the while independent,
Self-determining.
The banker in our town
Showed us how to compromise
our reach
Within our grasp
And we are all the better
for it.
For the help he gave us,
In those times
As we took our first steps
in life,
To help us financially
Which was his business,
To encourage us warmly
Which was his way;
By showing his faith
He helped us to have faith
in ourselves.
And I know,
If ever I need him again,
He will be there,
As always,
The banker in our town.



Correspondent Department
Mercantile Bank and Trust

1101 Walnut, Kansas City, Missouri
Member FDIC

MERCANTILE BANK

Will your customers love you in September as they did in May?

American Express® Travelers Cheques could make the difference.

American Express® Travelers Cheques could be the difference in your customers' summer vacation.

May is the start of the travel season. And as people start planning their summer vacations, your best customers start coming to the bank asking for travelers cheques.

And they trust you to recommend the right kind. That's the American Express Travelers Cheque.

Because only American Express Travelers Cheques protect your customers' vacation every single minute they're traveling.

All across America, your customers can get an "Emergency Refund"℠ 24 hours a day, 365 days a year. Weekends and holidays included.*

No other travelers cheque can offer that kind of protection. In fact, your customers could lose travelers cheques on Friday night and be stranded without funds until Monday morning.

But you can take steps to protect your customers' vacation with the right Travelers Cheque.

Sell them American Express Travelers Cheques in May. And look forward to a loving September.

AMERICAN EXPRESS®

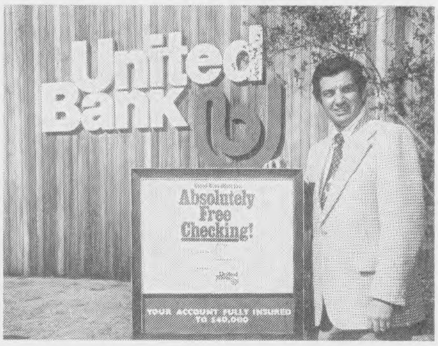
*Only American Express Company can arrange this service for your customers. Emergency refunds of up to $100 at participating Holiday Inn locations across America.

'Phenomenal' Response:

Bank Sets New State Growth Record With Aid of Free Checking Program

ALTHOUGH free checking has been around for quite a while, it took the newest bank in town to bring the customer service to Tulsa.

Officials at United Bank, opened in the fall of 1973, offered free checking services to bank customers for two primary reasons: it was expected to cause a dramatic increase in the new bank's demand deposit accounts and the new money brought into the bank would offer greater profitability than service charge income would.



United Bank Pres. William R. Nash poses with lobby display sign offering free checking program.

According to United Bank President William R. Nash, the response by Tulsans has been "absolutely phenomenal." Prior to the bank's opening, projections for growth indicated about $3½ million in deposits in its first year of operation. After only 10 months of operation, the bank registered assets of $9.4 million. It finished out 1974 with more than $11 million on the books, thanks in good measure to free checking. According to Mr. Nash, these figures set a state record for growth.

After only four months of the free checking offer, the bank's checking accounts had jumped from 1,500 to 3,000. Other local banks began making similar offers.

The only conditions tied to United's free checking is that the account holder be 18 years or older and be able to make an initial deposit of at least $250. No minimum balance or average balance is required. Customers who write insufficient fund checks are put back on the regular service charge system, a point that was made explicit in bank advertising.

Mr. Nash says that the number of insufficient funds checks has diminished considerably since free checking was offered.

The bank spent $25,000 to get the word about free checking out to Tulsans. The advertising messages during the two-week campaign told customers, in essence, that since it was their money that United Bank, as well as other banks, used to invest and make a profit, the bank felt it owed the consumer a share of that profit through free checking. There were no gimmicks or fancy talk in the approach, Mr. Nash said.

The message was so clear and logical that many Tulsans apparently couldn't believe it, Mr. Nash said. "We received a number of phone calls asking us what the catch was in our offer and once we told them that what they heard or read in the ads was absolutely true, they promptly came in and opened accounts." They came in such numbers that the staff was expanded from 10 to 25 persons.

The bank explored the idea of free checking for some time before offering the service. Mr. Nash said that because the bank employs a computerized system for maintaining and servicing accounts, management felt it could handle more personal checking accounts with maximum efficiency. • •

BMA Convention Dates

The Bank Marketing Association will hold its 60th annual convention September 28-October 1 in Las Vegas. Theme will be "Bonanza '75—A Gold Mine of Information."

More than 2,500 bank marketing people are expected to take part in the four-day meeting that is designed to cover the basic functional responsibilities of bank marketers.

In Elkhart, Ind.:

February 2 Bank Opening Officiated by Groundhog

Officials at the Concord Mall Branch of St. Joseph Valley Bank, Elkhart, Ind., wanted a "different" sort of celebrity to help with opening ceremonies. Since February 2, Groundhog Day, was the date of the event, a groundhog was enlisted for the job.

As seen in the accompanying photos, Mr. Groundhog (top)—as played by John B. Wiswell, bank data processing center sales consultant—peeks out of his "hole," the new branch vault, and finds many visitors to welcome. In the

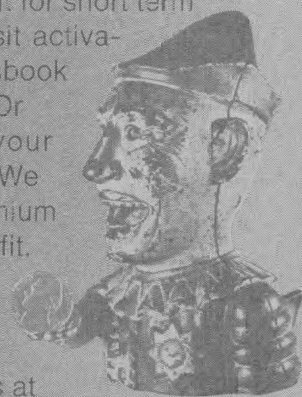
center picture, students from nearby Concord High School join the crowd of official "Groundhog watchers" in helping the celebrity find his shadow. After fully awakening from his winter slumber (bottom), Mr. Groundhog helps bank officials with the ribbon cutting. They are (from left): Jon S. Armstrong, chairman; Mr. Groundhog; Lynn D. Swinehart, senior vice president; and Larry L. Andrews, branch manager and assistant vice president.

Sleeping in the vault, not to mention the work involved in hosting a bank opening, must have made Mr. Groundhog hungry, for after the ribbon cutting, he invited all visitors to come inside for a continental buffet breakfast.

Try these premiums for openers.

Here are a lot of premiums with a lot of promise to increase your savings levels. And because they come from International Silver, you know they already have built-in consumer acceptance.

But there's more to our premiums, than premiums. There's our premium experts. They'll work with you elbow to elbow to design a customized program that will work well. And work well within your budget. Be it for short term large deposit activators or Passbook continuity. Or whatever your objectives. We have a premium program to fit.



For openers call Cliff Cowles at (203) 265-2391. Or send for our free premium catalog. Either way, you'll be ahead.

INTERNATIONAL SILVER COMPANY

M-CB 575

International Incentives
A Division of
International Silver Company
Meriden, Connecticut 06450

Attn: Cliff Cowles

Please send your free premium catalog.

Name ______

Title ______

Firm ______

Telephone ______

Address ______

City ______

State ______ Zip ______

In St. Louis:

A Map and 10 Promises Bring New Customers

Mark Twain Bancshares, Inc., St. Louis, recently expanded its facilities from five to nine locations and officials felt that most St. Louisans were unaware of these locations.

Another problem confronting Mark Twain was convincing potential customers of the quick, efficient service offered by the banks.

A successful campaign was begun, using newspaper advertising, which mapped out the locations of Mark Twain facilities. This was coupled with the "Banker Penalty Gifts Program."

As seen in the accompanying reproduction, 10 concrete standards of service have been set up, and when one of those standards is not met, the complaining customer receives a gift of some sort. One month, a choice of one of three books—*Better Homes and Gardens' Handyman's Book, Guinness Book of World Records* or Bantam's two-in-one cookbook, *The Art of Saladmaking* and *The Soup and Sandwich Cookbook,* written by Carol Truex—was offered.

According to officials, few penalty prizes have been given away because employees usually fulfilled the following 10 promises: 1. There will be no waiting to open a new account. 2. There will be no open windows without a teller. 3. Any questions will receive the correct answer. 4. If a customer needs to discuss a matter with different personnel, the latter will come to the customer. 5. There will be no interruptions while the customer is in conference with someone. 6. Someone will be on hand to direct a customer to the right department. 7. Express lines will expedite simple transactions during busy times. 8. A phone call to the bank will be answered by the third ring. 9. Personnel always will give a pleasant greeting. 10. Customers always will receive a "thank you."

Come in for an Egg:

Easter Bunny Egg Display Brings People Into Bank

What would a bank do with 50 dozen dyed Easter eggs? Ask the people at First National, Camden, Ark., and they'll tell you they gave them away to people coming into the bank just prior to the spring holiday.

Table at First Nat'l, Camden, Ark., features huge decorated Easter egg, along with dozens of regular-sized dyed eggs, all supposedly left by the Easter bunny.

Bank employees were kept busy dying the eggs, which were supplied by a director who runs an egg farm. A display was set up featuring a huge decorated egg (see photo) along with trays and baskets of colorful eggs that customers could eat on the spot or slip into their pockets or pocketbooks for later munching.

Radio spots were featured inviting people to come to First National and see the deposit the Easter Bunny had made. Although the bunny's deposit consisted of colored eggs, it was hoped the customers would get the hint and make deposits of money!

Judging from the pleasing results of the bank's Easter egg promotion, nobody at the bank laid an agg when they thought up this novel attention-getting device!

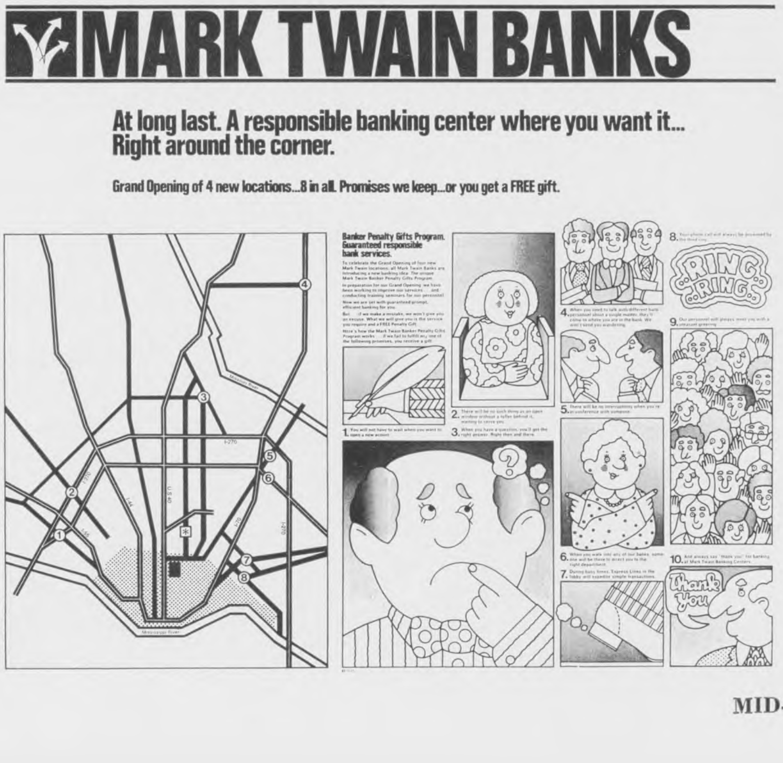
In Atlanta:

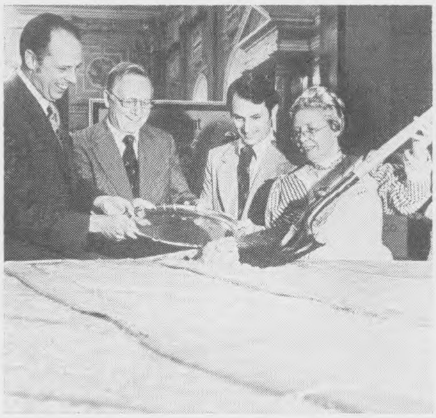
'Bank Week' Is Observed With Mom's Apple Pie

As banks throughout Georgia began their observance of the Georgia Bankers Association-sponsored "Bank Week," Citizens & Southern National, Atlanta, served its customers slices of what was reported to be the "World's Largest Apple Pie." The pie was in keeping with this year's state-wide theme: One great tradition, banking, salutes another, Mom's apple pie.

"Mom," portrayed by staff member Ellen Waddy, treated customers to servings of apple pie and hot coffee at the Main Office. Entertainment was provided by the Sounds Accord barbershop quartet.

Baked by a local pie company, the apple pie measured nine feet in diameter and 10 inches in depth. The 1,000 pounds of filling contained 744 pounds, or 1,674 apples, mixed in a 1,200-quart kettle. The 12 lattice strips of crust measured nine feet by six inches and the pan was constructed of 14-gauge black steel, weighing 360 pounds.





"Mom" (Ellen Waddy of Citizens & Southern Nat'l, Atlanta) dishes up first serving of nine-foot apple pie with assistance of (from l.) Henry T. Collinsworth, gen'l v.p.; Frank P. Lindsey Jr., GBA e.v.p.; and Phil Fannin, v.p. and mgr., C&S Main Office. Bank was setting for apple pie festivities, part of state-wide GBA-sponsored "Bank Week" celebration. Over 2,000 servings of pie and coffee went to customers and guests during the day.

Bank Sponsors Egg Decorating Contest

Dan G. Kaplan, president, First Bank of Park Forest South, Ill., stands beside Easter Bunny in bank lobby as winners in bank's Easter egg decorating contest display their creations. Prizes were presented in each of three age categories, with the first-place winners receiving $20 savings accounts, second-place winners $10 accounts and third-place winners $5 accounts. All other contestants received shiny half dollars.

'It's Happening!'

Employees Bring in Deposits During Incentive Promotion

Anyone desiring to know how to conduct an employee incentive program that can give a bank's deposits a real boost should contact Ed Keller, president, Rogers County Bank, Claremore, Okla.

Mr. Keller engineered a recent promotion that saw his bank's personnel go out into the community and bring in $246,000 in new money in six weeks. But that's not all! They also were responsible for attracting credit card sales, $26,000 in installment loans and $11,000 in travelers check sales.

Title of the program was "It's Happening!" And it was an apt moniker.

For three months before launching the program, the bank held sales orientation courses and motivation sessions for all employees to enable everyone to become familiar with the products to be sold during the promotion.

Employees were also told about the prizes they would earn through a point system—a given number of points for each new account. They received colorful gift catalogs from E. F. MacDonald Incentive Co. and were told how they could "cash" in their points for premiums.

Mr. Keller's philosophy for the program was, "If it can't be fun—it won't make. We're having fun with this program!"

Mr. Keller's kind of fun is the kind that is reflected in a dramatic jump in bottom line figures for his bank!

'Golden Days' Festival

Being greeted by an "old" prospector was one of the highlights of the recent celebration at National Bank of Commerce, Dallas, when the bank opened its personal/professional banking center. Prospector greeted some 4,100 people who came in to sign up for free prizes and learn about the new center. Among prizes were a year's free parking in downtown Dallas, a week's vacation for two in California, a gold plated dinnerware set and a goldfish aquarium. Theme of the promotion was "The Golden Days of Banking" and the pitch was that bank customers could return to the good old days of personal service at the new personal/professional banking center.

From BMA:

Planned Bicentennial Book To Delineate Celebrations

The BMA's Information Services Department is in the process of writing a Bicentennial Celebration Booklet, scheduled for distribution this spring. It will contain bicentennial programs and promotions being used by banks, lists of companies and suppliers of bicentennial items, national organizations offering information about the event, and additional sources and references for further bicentennial assistance.

The BMA reports that hundreds of ideas have been received. Members of BMA and nonmembers from banks and companies are invited to send programs, pamphlets, brochures, ads—anything that explains their bicentennial ideas—to the BMA. It is hoped the booklet will give banks across the U. S. an opportunity to share ideas on ways to celebrate America's 200th anniversary.

All banks responding will be mentioned in the publication.

Address bicentennial promotions to: Nancy Klaprat, Director, Information Services Department, Association Services Division, 309 West Washington Street, Chicago IL 60606.

Weighing In at Opening

First National, Memphis, attracted attention to the opening of its new Kirby Woods Branch in Germantown, Tenn., by holding a drawing, the winner of which received his weight in pennies. A mailing piece featured a striking photo of a man clad in a suit of pennies to dramatize the event. Shown above is the winner, whose weight equalled a full bucket of coppers, although the bank took heart and gave her a check for $208—penny shortage, you know!

Trust Advertising Can Be More Effective By Providing Better Response Incentives

By JOHN A. ADAMS
Senior Vice President
McCann-Erickson, Inc.
Chicago

TRUST ADVERTISING as a category generally is regarded as needing a lot of help. But just let an outsider say so at a meeting, and he risks getting pelted with luncheon rolls.

Many trust advertising problems are related to bigger profit problems in the trust business, over which advertising has no control. So while I can recognize the problems, I can't help much in solving them.

Major improvements in trust ads really must come in the area of new marketing concepts rather than in advertising execution. By and large, the execution of trust advertising is fine. It's what the ads are talking about that is at the root of the difficulty. Strictly speaking, that's not what an ad agency representative should deal with. He should deal with communication, not product design or marketing programs.

Undaunted by all this, let me try to build a bank of good will at the outset by confessing that I have immense respect for the great strides bank marketing managers have made in the last 15 years in professionalizing their industry from a marketing and communications point of view. I honestly believe the banking industry ranks right up there with general merchandise retailers and fast food outlets in terms of fresh new marketing and communications programs, and I think it's going to go even further in the years ahead.

As is always the case, progress is uneven. The real focal point of all the recent excitement in bank marketing is in the retail and, to some degree, commercial areas. Trust has lagged far behind. Trust marketing programs and communications, when they occur, usually are afterthoughts, done because other banks are doing something, or because every division in the bank should get some "support."

I maintain that any advertising created in this fashion—be it for a packaged goods product, an airline, a retailer or a bank—is going to benefit only the medium that carries it, and the money spent could better be used to enhance bank profits. If you view trust advertising as a permanent afterthought, there's really no way I can be of much help.

However, if you're serious about your trust department and want to make it profitable if it isn't; if you want to go after business aggressively, take it away from your competitors if you have to, create new markets; if you're willing to create new marketing programs for your trust division and spend the money you need to promote them, let's roll up our sleeves and get to work.

At the outset, let me espouse three points of view on trust marketing and communications that involve paid media:

First, there simply is no question that you have one of the most complicated services to promote anyone ever had to deal with. Services that comprise trust divisions are many and diverse, loaded with legal and financial implications, frequently concerned with dire consequences like death, and usually are of interest or use to certain people for only a relatively short period of their lives.

Yet, as I reviewed the hundreds of paid media trust ads, I found that the advertising fell into the trap of trying to *explain* trusts; of talking about services most people neither understand nor want; of lapsing into technical jargon that sent even an intensely interested reader like me reeling for the dictionary.

Actually, much of the advertising was quite well done on a purely executional level. Its problem lay in what I believe is an incorrect assumption: that the spinal trust services can be sold in paid media advertising. I just don't believe they can be. In the excellent syndicated brochures we all buy, perhaps, but not in newspapers, magazines, radio and TV.

I believe there really is only one person who can sell trust services properly to the right people at the right moment in their lives, and that's the trust officer. My experience with client banks has been that if a prospect comes into contact with a trust officer, chances are 60% to 80% that he will be sold some trust service. That's a pretty high conversion ratio. Even a third of that would be high.

Very much like a doctor, the trust officer can quickly diagnose the situation, when he's presented the facts, and prescribe the proper solution. He also can follow up on a regular basis once he knows the customer and can sell services when they become appropriate as the customer's life situation changes.

I think all this has powerful implications for trust marketing and advertising programs. It seems to me that the role of trust marketing and advertising should be to bring qualified customers into first-hand contact with the bank's trust officers. Keep in mind that I am not saying that the advertising should be designed to *familiarize* the public with trust officers, rather it should actually *deliver qualified prospects* to the door of the trust division. You also should not infer that I believe the only way to do this is by running somebody's name and phone number in an ad, as is so frequently done now. The method of delivering the prospects could (and probably should) be quite indirect.

The second point of view I would like to expouse is that if trust advertising is going to be effective in delivering the prospects to your door, it must provide a substantial incentive for the qualified prospect to respond, one heavily laced with consumer self-interest.

As I look at trust advertising, I see a great deal of *bank* self-interest. I see friendly Sam Smedlap, trust officer, looking out at me from the page. Sam looks friendly, looks competent and tells me a lot about trust services and how well the bank performs in managing investments of the bank's customers. I always am asked to call Sam at the trust division's number. The theme line of the ad is: Trust Our Trust Division.

Now while I may need some of the services Sam is telling me about, I surely am not moved to call him up today. There's no reason whatever why I can't deal with the trust problem day after tomorrow or day after that. Besides, I've got my checking and savings account somewhere else, plus my mortgage.

It seems to me that the Sam-type ads are predicated on a blithe assumption of avid interest on the part of the public, which is only being held in check by a feeling of awe or dread at talking to a trust officer. Now that they see him, the awe and dread are dissipated and they'll call for an appointment.

Of course that's not so. Prospects don't flock to the bank as a result of this kind of ad, and I doubt that peo-

You'll find every bank form we print in our new catalog, except the ones you design.

(We'll print those, too.)

When you page through our new Internal Forms catalog, you'll probably find the form you need to do a better, more efficient job.

On the other hand, if you have special requirements for forms not contained in our catalog, you'll find a whole section devoted to custom forms. (You design it—we'll print it.)

We're proud of our new internal forms catalog. It displays everything we have in actual size. So what you see is exactly what you get. No guesswork. It tells you exactly how to go about designing any forms you may need. We think you'll find it's a most practical book that will answer any questions you may have about our internal bank forms.

If you didn't receive your copy of our new Internal Forms catalog, just ask your DeLuxe representative.

DELUXE
CHECK PRINTERS, INC.
SALES HDQTRS. • 3440 N. KEDZIE, CHICAGO, ILL. 60618
STRATEGICALLY LOCATED PLANTS FROM COAST TO COAST

". . . the most effective incentives are those that provide major assistance in a key area of current interest to the target market, whichever market you are pursuing at the time."

ple hark back to them when they need trust services five and 10 years hence. The ad really hasn't done its job. It hasn't provided enough of an incentive to respond, not someday, but now.

Fine, you say, what kind of incentive *would* be sufficient? I believe that the most effective incentives are those that provide major assistance in a key area of *current* interest to the target market, whichever target market you are pursuing at the time. For example:

• How about a trust division offering a financial management course for consumers that they can take right in their homes, sold for a nominal self-liquidating fee?

• How about the trust division offering a free subscription to a regular stock analysis report on 150 of the most highly traded stocks on the New York Stock Exchange?

• How about a free and impartial analysis of a consumer's stock portfolio twice a year as a backup to what a broker might say?

• How about a three-hour symposium on tax shelters in the grand ballroom of a hotel for people earning $25,000 and up, given by top tax attorneys?

• What about a home financial management newsletter to come out six times a year?

• What about offering to prepare tax returns for people with incomes exceeding $30,000 for a fee that would begin at $150?

Some of these ideas may be completely unworkable. But that's not the point. *Conceptually,* they're right. Notice that all of them are organically connected to the work of the trust division. And notice, too, what programs of this sort say by *indirection* about the friendliness, helpfulness, competence, etc., of the bank and its people. I believe that *showing* these values is at least 10 times better than *asserting* them.

With one or more programs of this sort in hand, the advertising can begin to have real bite. What you would do, of course, is advertise this new and much needed service as much as possible, get names and turn them over to your trust officers for follow-up. It is *they* who then sell the bank's trust services.

Aren't these incentives expensive and difficult to administer? Yes, by comparison with what most banks do now. But if the programs are made self-liquidating, the cost impact should be minimal. The key point, however, is that no program is expensive or time-consuming if it pays off, and I've got to believe this kind of effort would pay off handsomely. But you've got to want the new business.

The last of the three points of view I want to advance has to do with an impact orientation in trust advertising. By this I mean that when you advertise, advertise so people can hear you, can become interested, can respond. Trust advertising schedules I have seen usually subscribe to the slow-drip theory of advertising in that they have advertising running at minimal levels all year long. One thing I have to tell you: In this day and age, schedules like this are *buried* by the competition for the consumer's time and attention.

My suggestion is that you *cluster* your trust advertising into meaningful impact programs. Run *five* newspaper ads and *two* magazine ads in one week and then forget trust advertising for three or four months if you have to. Maybe one cluster a year is all you can afford. Run that one and hope for results that can earn a bigger budget next year. It's far better in my book to have some results at one point in the year than no results all year long.

There is a point, of course, when the budget is just too minimal for even one cluster. At that point, I would suggest you devote the money to a bigger pamphlet program.

These are the three ingredients I believe are necessary to a successful trust advertising program:

1. Deliver prospects to the trust officer and let *him* sell the services of the division.

2. Provide a strong incentive for the consumer to respond.

3. Adopt an impact orientation in the advertising program.

As you undoubtedly have already surmised, the bulk of what I have been talking about applies to the consumer market. But I believe the fundamental principles also apply to the two other groups of people trust divisions must appeal to: businesses and institutions and third parties, such as lawyers and accountants. Most of the programs we have mentioned as possibilities for consumers, could, with different execution, serve as programs for businessmen, institutional managers, lawyers and accountants.

By way of illustrating this, Bank of the Commonwealth in Detroit has inaugurated a series of seminars for the lawyers of the city. Each seminar deals with a specific and highly technical estate problem and leading experts on the question are brought to Detroit to participate in the panel discussion. A recent seminar dealt with the massive changes in Canadian property laws which could adversely affect many wealthy Detroiters who own summer homes in Canada. The turnout was exceptional and Commonwealth trust officers had a chance to cultivate some relationships they never had before.

Why couldn't similar programs be developed for businessmen and institutional managers? And why couldn't ads tout these programs and some of their results, rather than wax eloquent in the platitudes of the trust business? No reason why not in my book.

I would like to quote a portion of a letter Richard J. Lyster, marketing officer at Continental Bank, Chicago, wrote to me outlining the Continental Financial Management Course and Continental's reason for running it. It summarizes my point better than I could.

"Basically, our new approach is to communicate to the public an image of our trust department as a source of personal financial planning and management services. Advertising specific trust services is secondary to advertising this personal financial planning theme for several reasons.

"First, I have become convinced that people are not interested in reading ads which identify themselves as being from trust institutions. The public not only doesn't know what trust institutions do, but it also doesn't care.

"Second, the differences in our trust services are more apparent to us than to our prospects. From an operational and organizational point of view, it is convenient for us to have each of our services administered by a separate group of people. However, from the prospect's point of view, all of our services relate to financial management, and the differences between services are more a matter of the degree of management than type of service.

"Finally, we have gone to the personal financial planning theme for advertising cost efficiency. Our limited advertising budget is not capable of overcoming the vast lack of understanding that exists over trust services. If we are successful in convincing affluent prospects to come to us for personal financial planning help, we can always 'sell' them a will or living trust or custody account or whatever else is appropriate." • •

NATIONAL DETROIT CORPORATION

Parent Company of
NATIONAL BANK OF DETROIT

CONSOLIDATED BALANCE SHEET—March 31, 1975

ASSETS

Cash and Due from Banks (including Foreign Office Time Deposits of $1,049,204,825)		$2,000,032,188
Money Market Investments:		
Federal Funds Sold		152,850,000
Other Investments		76,183,933
		229,033,933
Trading Account Securities—At Lower of Cost or Market		45,860,502
Investment Securities—At Amortized Cost:		
U.S. Treasury		434,964,228
States and Political Subdivisions		645,345,704
Federal Agencies and Other		53,246,330
		1,133,556,262
Loans:		
Commercial		2,115,635,204
Real Estate Mortgage		871,711,331
Consumer		264,076,670
Foreign Office		475,410,351
		3,726,833,556
Bank Premises and Equipment (at cost less accumulated depreciation of $32,931,366)		56,110,637
Other Assets		169,021,774
Total Assets		$7,360,448,852

LIABILITIES, RESERVE AND SHAREHOLDERS' EQUITY

Deposits:		
Demand		$1,794,384,451
Certified and Other Official Checks		86,583,807
Individual Savings		1,081,361,999
Individual Time		682,339,271
Certificates of Deposits		890,653,498
Other Savings and Time		33,316,744
Foreign Office		1,441,433,960
		6,010,073,730
Other Liabilities:		
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	$606,627,000	
Capital Notes	100,000,000	
Unearned Income and Sundry Liabilities	175,342,807	881,969,807
Total Liabilities		6,892,043,537
Reserve for Possible Loan Losses		71,032,501
Shareholders' Equity:		
Preferred Stock—No Par Value	—	
No. of Shares: Authorized 1,000,000; Issued —		
Common Stock—Par Value $12.50	75,000,000	
No. of Shares: Authorized 10,000,000; Issued 6,000,000		
Capital Surplus	175,000,000	
Retained Earnings	149,690,157	
Less: Treasury Stock—51,404 Common Shares, at cost	(2,317,343)	397,372,814
Total Liabilities, Reserve and Shareholders' Equity		$7,360,448,852

Assets carried at approximately $482,000,000 (including U.S. Treasury Securities carried at $11,000,000) were pledged at March 31, 1975, to secure public deposits (including deposits of $111,786,640 of the Treasurer, State of Michigan) and for other purposes required by law.

Outstanding standby letters of credit at March 31, 1975, totaled approximately $13,500,000.

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Former Chairman—National Bank of Detroit

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Corporate News Roundup

RUCKER

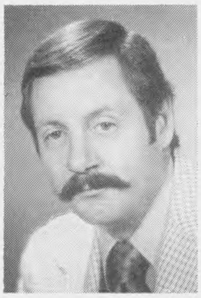
LOVETT

• **Bank Building Corp.** Ambrose S. Rucker Jr. has joined Bank Building Corp., St. Louis, as a banker associate. He will provide professional assistance to the firm and its clients. Mr. Rucker is a retired vice president of Commerce Bank, Kansas City, which he served as a correspondent officer, travelling primarily in the mid-South. He also served Mechanics Bank, Moberly, Mo., for 20 years.

• **LeFebure Corp.** James F. Lovett has been promoted to marketing manager at LeFebure Corp., Cedar Rapids, Ia. He will direct marketing functions as well as advertising and sales promotions. He was formerly manager, product planning, banking equipment and security systems and manager, advertising and sales promotion.

• **Mosler.** Loren R. Watts has been appointed vice president, field operations, Mosler, Hamilton, O. He previously was vice president, corporate sales and marketing, Vendo Co., Kansas City. Mr. Watts' duties at Mosler will be direction of domestic field sales, installation and service operations.

WATTS

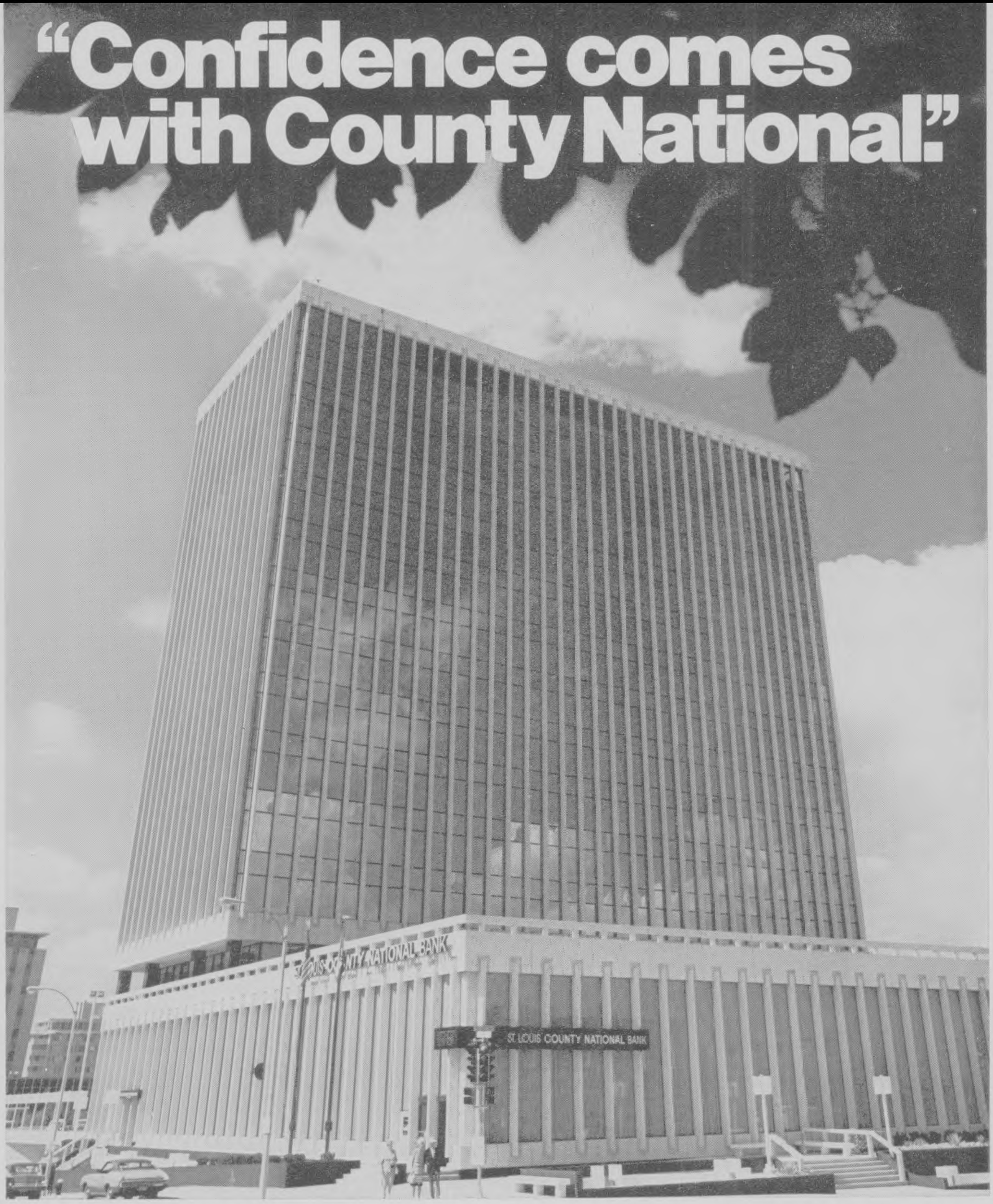


LEVERT

• **Howard, Weil, Labouisse, Friedrichs, Inc.** John B. Levert Jr. has been named president of Howard, Weil, Labouisse, Friedrichs, Inc., New Orleans. Mr. Levert has been with the firm since 1970 and most recently had been executive vice president, a post he attained earlier this year.

• **Continental Mortgage Insurance, Inc.** Richard Milner has been elected an assistant vice president of Continental Mortgage Insurance, Inc., a subsidiary of CMI Investment Corp., Madison, Wis. He has been named to the new position of director of research and planning for the firm. He had been a district sales director for CMI in the San Francisco area.

• **Scarborough & Co.** Jay Mosberg has joined Scarborough & Co., Chicago-based insurance counselors to banks, as an account executive. He was formerly with Kemper Insurance as a personal lines and commercial casualty underwriter. He was personal lines manager at Reserve Insurance Co. immediately prior to joining Scarborough. Another newcomer to the staff is Tom Ritter Jr., account executive in the special risks department. His former employment includes Fireman's Fund Insurance Co. and Zurich American Insurance Co. He has served on the executive board of the Surety Underwriters Association of Chicago.



St. Louis County National Bank in Clayton is the largest bank in the County . . . 4th largest in all of St. Louis.

This is the lead bank in County National Bancorporation . . . a group of four banks now looking to the future with an eye on further expansion.

Today, many banks place their emphasis on promotional type services. But County National believes that thoughtful professional services come first with people who are really concerned about financial matters. Security, reliability, integrity. Those three words guide our people and our policies.

That's the kind of a bank we've always been. The kind of a bank we'll always be.

The Thoughtful Banking Bank —in Clayton.

ST. LOUIS
COUNTY NATIONAL
BANK

Main Bank: 8000 Forsyth
Mini-Bank: 7520 Forsyth
Clayton, Missouri

Member F.D.I.C.

Letters To the Editor

Ad Agency Executive Disagrees With Louis Fink's Advice

Mr. Fink's advice on advertising ("How Long Should the Same Ad Run?," published in the February issue of Mid-Continent Banker) does a disservice to your readers, because in at least two important areas, he is wrong.

Neither textbooks nor popular opinion ever produced great advertising, and those formulas for developing budgets and scheduling usually are meaningless.

Advertising budgets are most effectively developed according to a) what does it take to get the job done—or meet the objectives; and b) what the dollar return will be as a result of the expenditure.

Without analyzing these two elements in the advertising program, arbitrary dollar allocations are meaningless and probably wasteful.

As for his advice on media that ". . . your best bet is to run your ad in every media you can afford," this makes no sense at all.

Media selection is a process of reaching primary (and secondary) prospects both as effectively and efficiently as possible. Again, goals must be established against the audience(s) you are attempting to reach (i.e.: 65% of the men 25-45, five times over seven weeks, at x dollars per prospect). This process also must be coordinated with the creative message and medium best suited to convey the selling proposition. Media selection does not operate in a vacuum.

If there are any "rules" in the use of media, it is to *do* an effective job in one before you attempt to add another.

Your readers in the banking profession spend hundreds of millions of dollars each year on advertising. It would serve them well to provide advertising information from the professionals in the advertising agencies who are responsible for the majority of these dollars.

Mel Warren
Executive Vice President
Mefford Wolf Weir
Denver

Stop Fighting S&L Branches; Cooperate in EFTS Area

What happens when the largest federal savings and loan association in central Illinois opens its first branch office in Illinois in your town of 2,500 in which yours is the only bank? We approached the problem, if you want to call it that, with the typical small-town philosophy of competitive business—"Live and let live." Already paying the highest legal rates on time deposits, we knew emphasizing them wasn't going to interest prospective investors at our desks. To keep the money from going to our new competitor, we pushed the purchase of U. S. Government and agency securities through our bank. The short-term rates were better than the permissive rates of the S&L, and we charged a comfortable fee in completing the purchase. We didn't get a deposit; our competitor didn't get a deposit, but we got a fee.

Loanwise, our new competitor presented no problem. Since opening its office on October 29, 1973, it has made two real estate loans in our community. During that same time, we have made 60 residential real estate loans and helped eight farmers purchase 528 acres of land with farm real estate loans.

Armed with these loan facts, we were able to convince our local school board to give our bank its time deposits even though the federal savings and loan was making a concerted effort to get this time money by offering higher rates and bringing in its home office expert to talk to the board.

Statistically, at the end of January, 1975, since October 29, 1973, the opening date of the federal savings and loan office in our town, our demand deposits have increased 3.47%; our savings accounts have increased 1.56%; our certificates of deposit have increased 14.02%; our loans have increased 27.4%, and our loan-to-deposit ratio has increased from 45.67% to 54.07%.

In summary, when people, mostly bankers, ask us how the branch office of the S&L has affected us, our stock answer is, "Let's say it hasn't helped us, but, at the same time, it hasn't hurt us." The deposits it's getting are those we wouldn't get anyway. A large amount of them are brought in from out of town.

In conclusion, maybe we independent bankers should stop fighting S&L branching and concentrate on *EFTS*, where we must get in on the ground floor if we are to compete and survive.

Lewis H. Gregg
Executive Vice President
Minonk State Bank

Farm Credit System Description As Gov't Agency Termed Invalid

Your February article by Derl Derr ("Professionalism Is Current Ag Challenge as Needs of Farm Borrowers Intensify," by Derl I. Derr, director, ABA Agricultural Bankers Division) makes some valid comments about agricultural lending, but I would like to clarify his description of the Farm Credit System as "a government agency." The major Farm Credit units are the Federal Intermediate Credit banks, Federal Land banks, Banks for Cooperatives, Production Credit Associations and Federal Land Bank associations. The associations and banks are not government agencies. They are cooperatives owned by the farmers and ranchers and organizations that use them.

The only government unit in the Farm Credit System is the Farm Credit Administration in Washington, which is an independent agency charged with supervising the system, just as other federal agencies supervise commercial banks. The FCA operating costs, including salaries, are financed entirely by the 37 farmer-owned Farm Credit banks, not by the government.

F. Vern Wright
President
Federal Intermediate
Credit Bank
New Orleans

The three-way automatic teller.

Mosler Teller-Matic®

Most of today's automatic tellers were designed for only one type of installation. Through a wall. For walk-up customers only.

Teller-Matic, on the other hand, recognizes the changing nature of banking. Instead of just one conventional application, Teller-Matic allows you to forget installation problems and put 24-hour teller service anywhere it's needed. Anywhere!

First way: drive-in applications.
Teller-Matic is the only automatic teller now in wide use that really performs in drive-in applications. From the comfort, ease and security of the front seat, the customer effortlessly reaches all functions of the Teller-Matic without having to risk a sideswipe with the wall, or leaning awkwardly out of the window. And all transactions can be completed with one hand—even deposits.

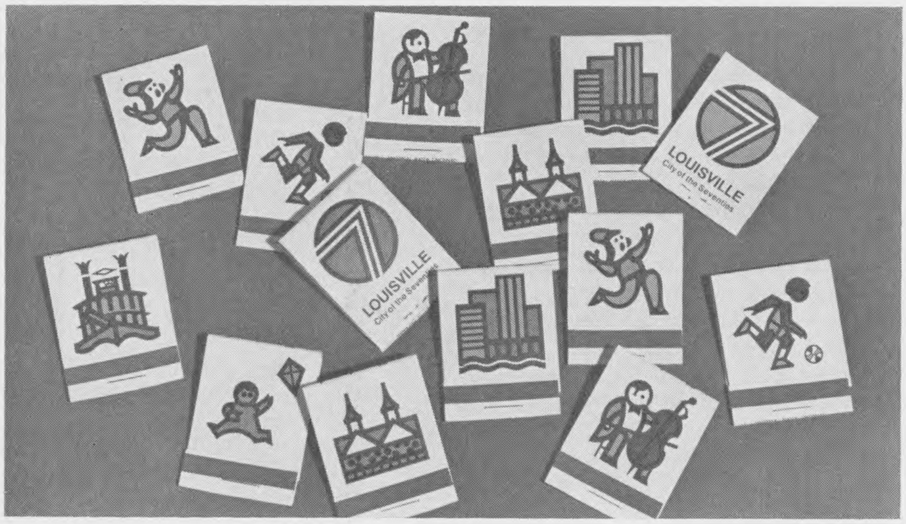
Second way: free-standing applications.
Here, no other system even approaches Teller-Matic. Because no other system offers the four-sided good looks and complete self-securing features of Teller-Matic. It is ingeniously self-contained. And because it needs no walls or special structural accommodations for installation, it can go anywhere. A free-standing Teller-Matic means that you can bring bank services anywhere they're needed.

Third way: walk-up applications.
The walk-up configuration incorporates all of the features that make Teller-Matic the world's most advanced automatic teller system. Advanced—with step-by-step lighted transaction instructions that make it almost impossible for a customer to mishandle a transaction. With one-at-a-time bill dispensing that precludes pre-packaging and gives customers greater options. With a proven record of 98%+ uptime. And with operational features that, quite simply, are years ahead of any other system available today.

Teller-Matic. Banking's only three-way automatic teller system.

Mosler

An **American-Standard** Company
HAMILTON, OHIO 45012



As part of its "Love Louisville" campaign, First Nat'l offered free mugs to savers opening new accounts with $25 or more or beginning automatic savings accounts for $10 a month. Additional mugs were available at $1.25 for additional $25 deposits. Mugs came in eight "Love Louisville" designs, as seen on match books at left.

The Case for Premiums In Generating New Deposits

I PRAISE premiums as a means of generating deposits because I believe in them. They work. They stimulate account openings, and accounts generate dollars. As a side benefit, proper premiums properly promoted can enhance a bank's image, giving it the appearance of being aggressive and a good place to do business.

On the other hand, premiums are not an end in themselves but a means to an end. This is where bank management seems to be hung up. Premiums are a marketing tool, just like all the others. The use of premiums must be a planned consideration and the program properly and thoroughly executed—like any other program.

To get everything in perspective, let me give a little background on our bank. First National Bank of Louisville operates 42 branches in one county with a market of 900,000 people. We go back over 100 years.

Our present operation is the outgrowth of a merger in 1962 between First National and Lincoln Bank. This merger gave us the largest retail base in Louisville, but we were still a pretty conservative bunch. As a matter of fact, as late as 1965 we opened a new branch with no direct mail, no open house, no premiums—and no customers. We just built it, ran one newspaper ad and put our feet up on the desk, and waited, and waited, and waited.

So, you can see we had a little conservative management problem to overcome before we got into our first premium program. Our main competitor had been in stainless dinnerware and ironstone china, and he was doing a great job, but we knew we had to have something different to sell the idea to top management.

We wanted something easy to handle in our branches. We felt the item should have prestige and would enhance the bank's image. There were several limitations to overcome, but in mid-1969 we introduced the Charms of Kentucky.

This continuity program—and I might add we lean strongly to continuity programs rather than one-shot promotions—was based on a sterling silver bracelet with one charm which could be purchased for $1.50 with a $25 deposit to a new or existing savings account. The bracelet with the first charm cost the bank $2.35. Each additional charm—and there were 12 in all—could be purchased for $1.50 with the same deposit of $25 or more.

Fortunately, we planned and executed the promotion properly, with a fashion approach to the advertising. And we put enough promotional dollars behind it to give the program impact and continuity. After our initial success, we supplied the program to some 25 correspondent banks in Kentucky, most of them even more conservative than we, and they had equally good results.

This particular program gave us op-

By BARKSDALE F. ROBERTS
Vice President
First National Bank
Louisville

Case for Premiums (Continued)

portunities for specialized advertising, so we developed ads around Valentine's Day, Mother's Day and Christmas. The results, in our opinion, were great. In the first six months of the promotion, new savings account openings were up 21% and dollars were up 24.9%, and 1969 was a year of tight money. With the national bicentennial coming up shortly, this might be a good program to consider again.

In any long-range marketing program, you're going to have occasional losers, and we've had ours. One of the more classic bombs was our "Going Places Cases" program. We thought we had it all going for us. The ads had a mod young style with strong people orientation. We were even smart enough to tie in related services like our travel department and Master Charge, but after an initial opening spurt the program died. With typical American hindsight, it was easy for us to see what we did wrong. And there were several things.

From the time we started investigating the program to the time we implemented it, we moved from a fairly tight-money period into a freer money situation. We relaxed and did not give the program the firm commitment all premium programs must have.

Because of the lack of commitment and looser money, we raised the prices on the two lead items, a tote bag for women and a flight bag for men. Our cost was $7 each and we had originally planned to "loss leader" them at $5. So we got greedy and pegged the retail price at $9, still a good price but nowhere near the $5 tag.

Then, too, the program did not have true continuity. A customer might want the tote bag or flight bag, but this didn't mean that he wanted extra pieces of luggage. This was especially true when you consider that all luggage had to be ordered—only tote bags and flight bags were immediately available at our branches.

Finally, to put the last nail in the coffin, we broke the promotion just after we started into a recessionary period. Nobody wanted to do anything, much less open a new savings account or make additional deposits.

We have staged what I call "limited" premium promotions wherein a premium offer augments another type of program. The premium will open new accounts, but that is not the primary purpose for it. We had such a program in 1972 when Louisville was in the process of rebuilding its center core and riverfront. We wanted to convey a leadership position in this project, so we developed a "Louisville—City of the Seventies" promotion. We had graphics prepared on eight significant features of the city and then plastered them on everything we could think of.

We offered stamp sets for putting on envelopes of mail going out of town. We had sets of full-size posters, matches—the whole bit. Then, as a premium for the usual $25 or more deposit, we offered coffee mugs at $1.25 with the eight graphic designs. This offer gave additional impact to the program and helped us obtain a moderate gain in business. Most of all, it helped establish us as the leading bank in the redevelopment of Louisville.

We like to use unusual premiums on occasion, especially if there is a local tie-in. You've got to be especially careful when purchasing these premiums because you don't have the guaranteed sale benefit of most premium programs, and if the promotion bombs you've got an awful lot of non-returnable premiums on your hands. One of the most successful we've done was our 100th anniversary Kentucky Derby julep glass promotion in the spring of 1974.

We offered a set of six glasses at $3.50 with a $50 deposit to a new or existing savings account or for opening a new checking account. They stormed the doors. The promotion ran for six weeks, and we gained new accounts and deposits dramatically during the period. Over 16,000 sets were sold and we even made a tidy profit on the venture.

I guess the meat-and-potatoes or bread-and-butter of the premium business is fine china. You've probably heard many wild reports from banks that have had fine china programs. All I can say is that they're probably true. The results we had were by far the best of any premium program ever, with new account openings up an average of 50% in the first six months.

We offered two patterns, one traditional and one contemporary, and the program ran for about 15 months. Once again we made sure that there were enough promotional dollars behind the program to make it succeed, and it did.

Fortunately, we got into the program before prices started shooting sky-high, so the consumer was able to relate to a good value. I might add that a competitor broke with fine china the same week we did with a place setting selling for $3.95 against our $4.50. We felt no effect.

Let me touch briefly on branch openings, because if there is ever a time to let it fly, that's it! As the old head of our branch system once told me, "You spend $150,000 to $300,000 to put up a branch and you open it only once, so let's get the people in here."

We let our image down a little in our direct mail. We wanted to create excitement and we wanted a lot of bodies in the branch in a short period of time so we gave a free radio every hour. We have found this more effective than registering for one grand prize. We vary the premiums, depending on the neighborhood, but blankets and flashing lanterns always seem to pull well, regardless of the neighborhood or time of year.

You're probably asking what all this has done for the bank. And here's where we stand. We have an extremely large share of the passbook market of the four Federal Reserve-member banks in Louisville. Savings balances are up 62% in five years, with total net accounts up 66%. After a recent check, we found that our savings account balances were up 6% over the same time the previous year. I might add that we pay 4½ on savings, compound and pay interest quarterly and treat withdrawals on a first-in, first-out basis.

So what's wrong with premiums? Nothing. What's wrong are the banks. Not enough banks look at premiums as a planned marketing tool. They look at premiums as a quick-cure panacea for money problems, and they can't work effectively that way.

I call it "premium panic." We get calls from all over the country about our successes *and* failures with premiums, and I am amazed at how panicky some of the callers are. "Money's so tight we can't breathe!" "We're losing passbook dollars. We need to get them up. What would you do?" The problem is that premium programs need to work ahead of the dollar need.

There's one basic tenet to remember: Premiums, especially continuity premiums, must build accounts before they build dollars. You get opening deposit dollars, and our research shows they are not much less than the usual account openings without premiums. But basically you are dealing in volume where dollars follow numbers.

What's in the future for premiums? In my opinion, expanded usage. All customers are savings prospects. Everyone should have a basic savings account, and by varying your premium approach you can target in on the whole market. • •

How to Research a Premium Campaign

And Have More Successful Promotions

The following article was written by a marketing officer in a Mid-Continent area bank.

OF ALL AREAS of bank marketing activities, the premium campaign is one that permits the bank marketer to apply tested concepts and theories from a conventional sales organization. Such organizations have greatly advanced the state of the art of research for merchandising activities. The research that has been developed for merchandising activities can be applied to many areas of the premium decision-making function.

Quite often, the degree of success of a banker's premium campaign is in direct relationship to the amount of research done for that campaign. An analysis of three phrases of premium campaign research may provide the bank marketer with some food for thought for researching the premium campaign. The three phases of premium campaign research are identified as: advance research, those activities executed prior to introduction of the campaign; campaign research, those activities done in the area of data collection during the premium campaign; and post-campaign research, those activities and analyses performed after termination of the campaign.

Advance Research. The cautious, but competent, bank marketer may find that advance research will provide empirical data on which to build his premium campaign. Advance research also may quiet his ulcers, at least temporarily.

Comprehensive advance research can provide the bank marketer with indications of consumer attitudes toward use of premiums by financial institutions as well as provide him with consumer preferences on types of merchandise and some indication of workable pricing strategies. This type of advance research can be supplemented by an analysis of market conditions; bank and S&L competition in the premium area and the pricing of comparable merchandise in retail and discount outlets.

When sampling consumer attitudes on the subject of financial institutions using premiums, attention should be paid to differences in responses from different socio-economic groups. It is safe to assume that the older, social-security-dependent individual will not respond favorably to a financial institution using premiums. However, strong favorable response from younger age groups with higher income levels could be a positive argument for use of a premium campaign. The bank marketing researcher also may want to construct his questionnaire in such a way as to develop data on geographic areas most receptive to premium concepts. This may be valuable information if direct mail is being considered as a communication device.

Advance research offers an opportunity to determine merchandise preferences, especially of those market segments favorably disposed to the premium concept. Realistically, preferences can be drawn only for generic types of merchandise as opposed to specific items.

An attempt to capture opinions on specific items of merchandise may result in data in which you have little confidence. Use of a sample questionnaire demonstrates how product preferences can be determined using a pair of "most attractive-least attractive" questions. When tabulated, a preference ranking can be compiled on the basis of a "score," which is computed by subtracting the number of negative responses for each item from the number of positive responses. The item with the highest positive score (or smallest negative score if all scores are negative) is the most attractive among respondents.

Before the terms of the premium offer are specified, it may be desirable to collect information on pricing. The concern here should be whether or not a depositor is willing to deposit larger sums in order to avail himself of a lower price on the merchandise—or possibly free merchandise. This can be accomplished by asking for preferences among various deposit level-percentage discount relationships. If a significant number of respondents indicates a preference for depositing larger sums to buy merchandise at greater discounts, thought should be given to adding an incentive in the offer for those preferring to make larger deposits.

One final point on a direct mail survey: Print the questionnaire on two different colors of paper. Mail one color to the bank's present customers and the other color to non-customers. Knowledge of differing attitudes between customers and non-customers may be helpful in setting the tone of the advertising theme. In addition to this, the bank marketer should concern himself with competition in the premium area among competitive banks and S&Ls. It's safe to assume that someone interested in opening a new account may "shop" your competitors who are conducting premium campaigns. Your premium offer should be at least as attractive as any ongoing premium program in the marketplace. Primary consideration should be given to the relationship between cost and retail value as well as deposit levels required to qualify for the purchase.

An important part of advance research of the marketplace is a canvass of retail outlets and discount houses offering the same or comparable merchandise. Retailers perform an impor-

". . . the degree of success of a banker's premium campaign is in direct relationship to the amount of research done for that campaign."

tant function for the bank premium program: They establish true retail value. The bank's offer becomes far less attractive if the discount house establishes "true retail value" at a price near the price of the bank's merchandise. Depending on the pricing relationships, the retailers could be a strong positive or negative force in your campaign. A day spent visiting major department stores and discount houses will be well worth the effort expended.

Campaign Research. Research activities should not terminate when the premium campaign begins. During this time, valuable information is available for collection within the bank.

A basic item of data collection during the campaign should be demographic information on premium buyers. If the bank has an ongoing system of collecting demographic data on new accounts, a portion of the job is already done. If this is not the case, monitoring program results with a special tracking document will be necessary. In terms of demographic information, capturing customer/non-customer data, age, sex, location of residence and income data would be desirable. While income is a sensitive area from the customer's point of view, it is a valuable area from the bank's viewpoint.

The sample tracking document (see illustration), used in a Weber barbecue grill program provides information-collecting capabilities on the specific merchandise purchased. From this document the premium campaign manager can determine preferences for specific types of merchandise within the premium offer. He will find this information useful as an inventory control device. He also will benefit from this information in his attempts to determine reorder points for fast-moving items. For items in the merchandise line that are moving slowly, the premium campaign manager also can make decisions regarding the promotion of those specific items.

An important data-collection activity deals with deposit results. The sample tracking document indicates the initial deposit. From this information, average deposits can be calculated. Average deposit figures can be broken down by type of merchandise, type of discount, segment of the offer selected, etc. This is the type of information bank marketing people should present to senior management to inform them of campaign results.

Another important point of information is the source of funds for deposit dollars. This information is captured on the tracking form and analyzed by number of accounts and dollars of deposits. This information also tells us those competitors we should avoid at the next cocktail party.

Also in the area of deposit activity, the document records the type of transaction. It tells whether the account was a new checking or a new savings, or whether there was an addition made to savings. This information will vary depending on the specific terms of the offer. But attention should be paid to including all possibilities within the parameters of your offer.

Post-Campaign Research. At the conclusion of the campaign, a final analysis of the results should be made. This analysis is based primarily on information generated by the tracking document.

As a minimum, the campaign evaluation should include number of new accounts (by type of account), volume of new deposit dollars (by type of account), dollar volume of deposits made to existing accounts ("add-on" deposits), total funds coming from each of the sources of funds identified on the tracking document and merchandise sold (by type of merchandise).

These points of information should be compared to objectives of the campaign developed prior to the campaign kickoff. The analysis of merchandise sold should be retained as an item of market research to be used in formulation of subsequent premium campaigns. Special attention should be directed toward items that were most successful within the line as well as those items that resulted in mediocre to below-average sales.

Comprehensive research of the premium campaign also should include an account-retention study. This study can be made at intervals of six months to one year after the campaign's conclusion. For a new account, to determine whether or not it was retained, a comparison should be made of the opening balance and the current balance in the account at the time of the study. Obviously, if the account is closed, the customer has not been retained. However, one should also consider an account "lost" if the current balance has dropped below the opening balance of the account. This analysis requires the joint consideration of the tracking document and current central information file data.

An analysis of existing accounts responding to the premium program becomes much more difficult. It may be valuable to compare the new balance created as a result of the add-on deposit with the current balance at the analysis time. However, making this study is time consuming and requires comparison of historical central information files, the tracking document and current central information files. The cost of doing this analysis may be larger than its value.

In analyzing account retention, some consideration should be given to other reasons an account may be closed. For example, marriages, deaths and transfers out of town may be the primary reasons for account closures. Conclusions regarding account retention should be tempered by attention to these considerations. Results of the retention study should be compared with a more general closed-account survey, if one has been conducted.

Conclusions. The discussion above was intended to provide a framework for collecting a reasonably complete data base for formulating and executing a premium campaign. A basic assumption made was that no information existed on the premium concept and that no previous campaigns had been conducted. Clearly, this may be an erroneous assumption. To the extent that data have been compiled, the research requirements should be decreased. Results of past premium campaigns can constitute useful information. In fact, past premium campaign results may provide all the information necessary to make logical premium campaign decisions. One also should consider the records and results of banks in similar markets using the same

(Continued on page 52)

Weber Certificate

Account No. ____________ ☐ New Checking ☐ New Savings ☐ Savings Add-on

Amount Deposited $ ____________ at ☐ Main Office ☐ Plaza Two

Source of Funds:
☐ JB Checking ☐ Downtown Bank ☐ Savings and Loan
☐ JB Savings ☐ Suburban Bank ☐ Misc. and Cash

Units Sold
________ Weber Grills ________ Utensils Total Price $ ________

Bank Representative ____________ Date ________

Dollars From Gingham!

—Or How One Premium Promotion Paid Off for St. Louis S&L

By ARTHUR C. NORRIS
Contributing Editor

TAKE one item of whose popularity you are convinced and build an entire complementary program around it.

Such was the approach used by Prudential Savings & Loan Association in planning its "gingham" premium promotion, which boosted deposits substantially at the S&L's seven St. Louis and suburban offices and six outstate locations.

Working with William Olohan, Anchor Hocking Corp. representative, Mrs. Pamala Farmer, executive assistant in charge of promotion, selected the glass manufacturer's gingham-decorated mugs and other glassware as the basis for an imaginative campaign.

"Once we had the gingham mugs," Mrs. Farmer explained, "we started searching for other items in a gingham design so that our entire promotion would be tied together."

To obtain other "gingham" items, Mrs. Farmer was assisted by James Bowers of Bowers & Associates, manufacturer's representatives, who turned up 11 different items decorated in "gingham," ranging from coasters to a dinnerware set and even a cookbook.

In planning her promotion, Mrs. Farmer arranged her premiums into four groups, each of which had three premiums of similar value. The group from which the depositor selected his premium was determined by the size of his deposit, $50, $200, $1,000 or $5,000.

Featured at the top of the list in each group was a set of eight Anchor mugs. For a $50 deposit, the customer obtained the mugs plus a box of recipe cards. Other items in the $50 group were a utility stool and four carving knives. The Anchor mugs proved most popular in this group, with close to 1,200 customers selecting this item.

Selection from the second group required a $200 deposit. Here the customer had his choice of eight Anchor mugs plus eight 13-ounce glasses and a 60-ounce pitcher, a Thermo-Serve picnic set including vinyl tote bag and Thermos bottle or a Better Homes & Gardens cookbook. Approximately 1,700 customers selected the picnic set with almost as many taking the mugs, glasses and pitcher. The ever-popular Better Homes & Gardens cookbook attracted close to 1,200 customers.

Topping the third group, which required a $1,000 deposit to obtain a premium, were the eight Anchor mugs, eight 13-ounce glasses and eight red and white coasters. The latter was the most popular premium in this group —approximately 250 customers took it home. Other premiums in the group were an electric gingham bun warmer and a 16-piece Melamine dinnerware set. The dinnerware was the second most popular.

Building up to the $5,000 deposit group, the top premium included the eight Anchor mugs, eight 13-ounce glasses, the 60-ounce pitcher, eight seven-ounce glasses, eight red and white coasters and a set of gingham salt and pepper shakers. Other premiums were a wooden picnic basket with a gingham tablecloth and six napkins (gingham, of course) and four gingham TV trays complete with stand. The TV trays were the most popular item in this group, with the picnic basket running second.

Prudential's "gingham" promotion was so successful that the S&L's management is continuing to use premiums as a means of obtaining increased deposits and new customers. • •

This display at St. Louis' Prudential S&L contains samples of its "gingham" premium promotion—including mugs, glassware, coasters, dinnerware set. The young woman is Kathy Smith, administrative asst., marketing group, at Prudential.

Power Tool Incentives Draw Male Customers To Suburban Bank

By ARTHUR C. NORRIS, Contributing Editor

Special power tool teller window was maintained by First Nat'l, Des Plaines, Ill., during promotion. Window served as distribution point for premiums.

MALE-oriented premiums—specifically power tools—will draw new accounts and new deposits from men—even in the case of a suburban bank.

This was proved by First National, Des Plaines, Ill., a Chicago suburb, which offered a selection of McGraw-Edison Shopmate power tools on a self-liquidating basis and obtained more than $1 million in new money.

"The selection of power tools as an incentive was the result of two factors," explained William R. Kinnaird, vice president. "First, we wanted a premium that was fresh, new and exciting. Second, we wanted one that would have maximum appeal to the man of the house. We chose the Shopmate line because it was a well-known nationally-advertised brand with which we felt our men prospects would be familiar.

"Research had indicated that men have little or no interest in the usual blanket or toaster offering that is more closely oriented toward the woman of the house, whereas they did express great interest in items that appeal naturally to men.

"In our opinion the results of the promotion fulfilled expectations. Men did outnumber women as qualified purchasers of tools. Approximately three times as many men as women bought a tool or tools. New money deposited as a direct result of the campaign mounted to well over $1 million. In addition, many responses came from areas substantially beyond our normal trading zone."

Arthur R. Weiss, pres., First Nat'l, Des Plaines, Ill., explains power tool offer to bank employee Jean Hermanson adjacent to lobby display. Easy-to-read chart explains deposit/cost requirements.

The significance of this report lies in the fact that bankers are agreed that at least 75% of the deposits made in metropolitan banks located in the outlying neighborhoods and suburban areas of large cities are made by women. The reason, bankers believe, is obvious enough. The man of the house is employed downtown or some distance from the neighborhood of his dwelling place so that he has little time or opportunity to transact his banking business.

The answer might be an account at a bank near the man's place of business or employment, but the woman of the house wants the family account to be conveniently located near the dwelling. As a result she does the banking.

Nonetheless, as First National, Des Plaines, and banks in Virginia and New Jersey have demonstrated, the man of the house can be pulled into the local bank's orbit if the gravitational pull, as it were, is powerful enough. In at least three different cases that necessary gravitational pull proved powerful enough to produce a successful incentive program.

In the case of First National, Des Plaines, the offer was presented in what was essentially a self-liquidating form. A ⅜ inch variable speed drill, for instance, could be bought for $16.50 and a $200 deposit, $14.50 and a $1,000 deposit, $11.50 and a $2,500 deposit or $6.50 and a $5,000 deposit. On the basis of a $200 deposit, a sabre saw was priced at $10.50, an orbital sander at $14.50 and a 7¼ inch circular saw at $23.50.

Deposits made averaged significantly

higher than the $200 minimum. This is indicated by the fact that the most popular item in the offer was the sabre saw, which, Mr. Kinnaird points out, "was the only tool the customer could obtain absolutely free." To do that the deposit had to be a minimum of $5,000.

The promotion started on May 30 and ran through the close of business on July 19, 1974. As a result, the campaign period included both Father's Day and the end of a quarterly period (when interest payments are made on accounts and customers tend to move their money around).

Full page ads in standard size format were inserted weekly in all local and neighboring area publications. Window displays, lobby posters and a lobby display which permitted customers to examine the tools supported the advertising effort.

To provide inventory control and to avoid confusion at regular teller windows, a special "Power Tool Teller" was selected and his window was prominently labeled. A customer making the necessary deposit who wished to purchase a power tool received an authorization slip from the teller and took it to the power tool teller to make his purchase.

Much of the success of this campaign can be attributed to the quality and force of the advertising campaign. The bank's full-page ads were essentially posters the impact of which was augmented by the heavy use of color.

In heavy one-inch-high type the ads proclaimed: "First offers big savings on 4 useful power tools!" The method of obtaining the tools and the advantages to be obtained from their use were described in 18-point type. In the same easily-read body type the story of First National's 5% interest on savings accounts was told.

Each of the tools was pictured and described in detail and the circular saw was shown almost full-size. All this against a large color block which immediately drew the eye of the reader.

Prices for the tools and the amount of the deposits required were shown in easy-to-understand detail in a table at the bottom of the ad.

First National, Des Plaines, has a history of successful incentive marketing.

"Approximately every quarter," explained Mr. Kinnaird, "we make an offer of some kind. Our purpose is to increase deposits, of course, and to obtain new customers and maintain old customers at interest-paying time when depositors have a tendency to draw down or shift savings deposits.

"We try to tie in our promotions with the season of the year or with items of public interest. Some of our recent successful promotions offered Eastman Kodak's Instamatic cameras, American flags and a selection of live hanging plants."

Officers of First National, Des Plaines, expect to continue their policy of quarterly incentive offerings. • •

Calculators Go Over Big as Incentives, Banks Report Unprecedented Demand

IT APPEARS that wigs are about to be booted out as the number one incentive item in the history of banking. Bank marketing people have been searching high and low for five years for an item that would go over with the public as well or better than wigs did back in 1970.

The new whizbang incentive is electronic calculators, and, if figures are any gauge of the popularity of a premium, try these on for size: 11,700 calculators were handed out by Continental Illinois National, Chicago, in less than a month; 53,167 calculators were taken home by customers of Security Pacific National, Los Angeles, during a three-month promotion.

The Continental Bank offer featured Hanimex 305 calculators, available for $8.95 and a savings deposit of $300 or more. Security Pacific handled Rockwell Model 10R calculators, available at $19.95 with a savings deposit of $250 or more.

Continental Bank's William D. Plechaty, senior vice president, has termed the calculator promotion the most successful retail promotion the bank has ever conducted. Net gain in new accounts during the first two weeks of the promotion was 3,655, more than in any four-week period during the last three years.

Albert Clemens, vice president in the marketing department at Security Pacific National, said "the $66.3 million increase in savings deposits generated by the bank-wide calculator promotion far exceeded our projected gain of $25 to $30 million." About half the new money was generated from outside the bank, he added.

According to Mr. Plechaty, the success of Continental's promotion is attributable to three reasons: A calculator is a glamorous and popular item; people apparently are approaching personal money management more seriously and think a calculator will help them; and the offer was made during income tax preparation time.

Continental dropped its advertising for the promotion after the first week because the calculators were moving

Electronic calculators offered by Continental Bank, Chicago, were touted as being handy for calculating income tax. Item broke all previous incentive records at the bank.

so fast it was obvious the initial supply would be exhausted earlier than anticipated. Response was two to three times above the bank's original estimates, which were based on comparable previous promotions by Continental and other local banks.

Sample calculators were installed throughout the bank's customer convenience areas and were used by customers as they filled out deposit slips, etc. The bank has decided to leave the calculators in place indefinitely.

Prior to launching the promotion in its 485 branches, Security Pacific National test marketed it in 20 branches. Results were extremely favorable, according to Mr. Clemens. In addition to the tests, he said, market research was conducted to discover what kinds of items people would most like to purchase through a bank liquidator.

The calculators were selected because they were bank-related, were popular and were priced attractively, Mr. Clemens said.

Move over wigs! • •

Who Says Incentives Don't Attract Depositors?

Watches Attract Savings

More than 800 Timex watches were distributed during a three-month promotion at Heritage/County Bank, Blue Island, Ill., recently. The promotion brought in $2.3 million in new deposits, most of which was new money. Watches were given free to customers depositing from $1,000 to $4,999 to new or existing savings accounts. Those adding $5,000 or more could select from a more expensive group of watches. Photo shows bank personnel displaying watches.

Cameras Generate Deposits

About 250 Kodak Hawkeye pocket-instamatic cameras were snapped up by customers of Heritage First National, Lockport, Ill., during the bank's recent premium promotion that offered the cameras at $12.95 each to customers depositing $100 or more in a new or existing savings account or a new checking account. Total deposit increase was $219,000. Bank personnel in photo are (from l.) Patrick Richter, commercial-industrial division; Robert D. Meyrick, vice president, personal banking division; and Karyn McCarthy, new accounts clerk.

Near Kansas City:

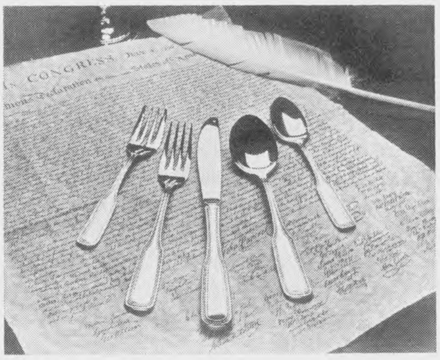
Bank Utilizes Two Premiums To Celebrate Grand Opening

Premiums were responsible for bringing in some "good" accounts at United Missouri Bank, Blue Springs, Mo., when the bank held its grand opening last fall. Offered were sets of 24-piece glassware with deposits of $300 or more to new or existing accounts and an outdoor thermometer for a $50 deposit. Opening prices of three savings accounts were also used to attract people to the event.

As might have been expected, the thermometers went better than the glassware, due primarily to the smaller deposit involved. However, both premiums did a job for the bank, drawing in new accounts on their own merits, according to I. Wesley Condron, bank president.

After being in its new building for less than four months, and in business for just over 10 months, the new bank has posted an impressive growth record for its area—from $1 million to $3 million.

Bicentennial Promotion Clicks



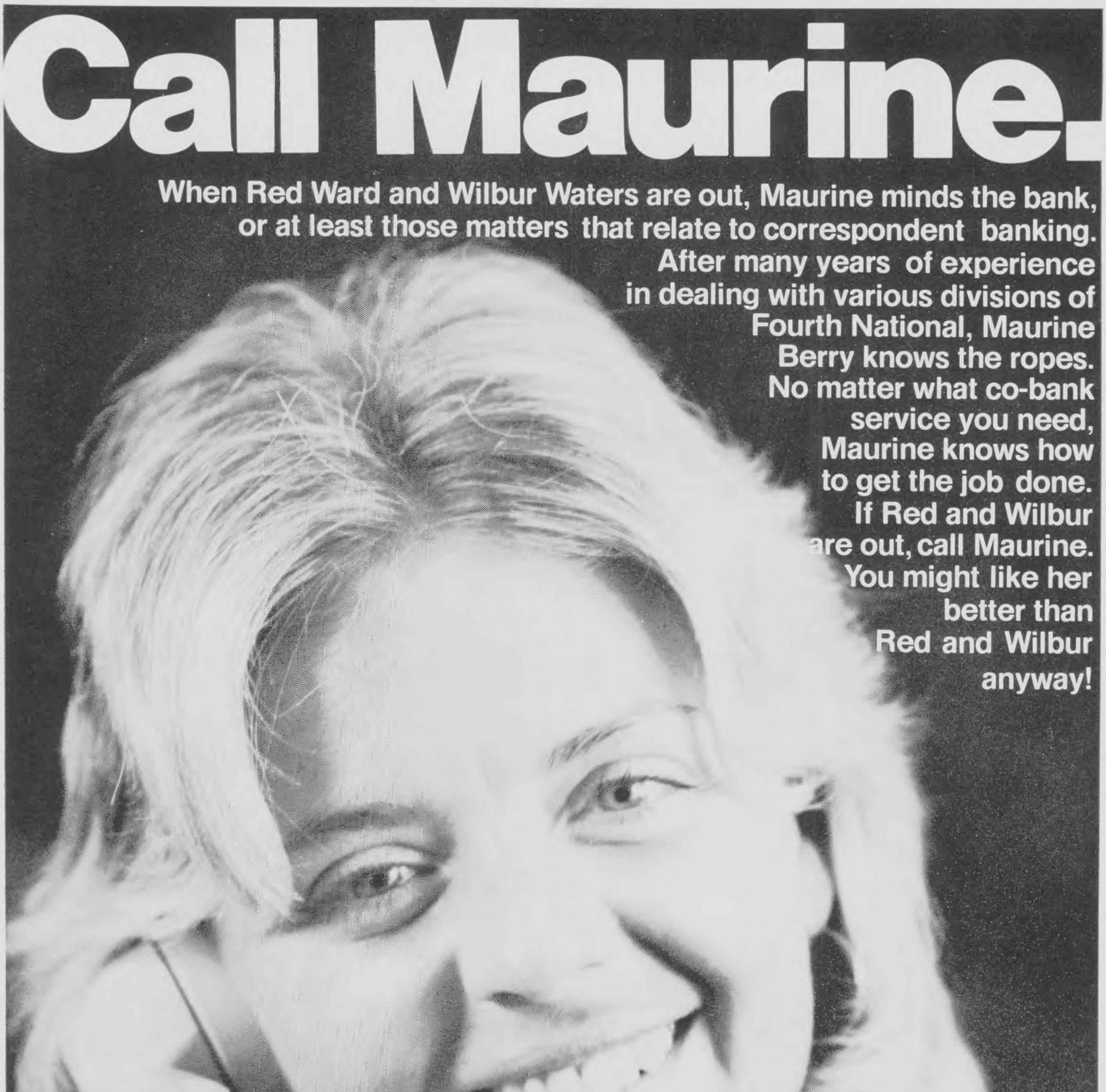
More than $600,000 in new savings deposits was received during the first three months of a six-month bicentennial premium promotion at First National, Camden, Ark. The bank is offering stainless in a 1776 pattern by Salem China Co. The new deposits represent 250 new accounts. One free place setting is offered with an initial $25 deposit and additional settings are available for $3.50 each with additional $25 deposits. A bank spokesman said the promotion is one of the best the bank has ever conducted.

'Kitchen Helpers' Boost Deposits

West Bend kitchen products performed well for Heritage/Standard Bank, Evergreen Park, Ill., recently. During a three-month period almost 1,300 items were distributed, bringing in $650,000 in new deposits. A $500 deposit into either a savings or checking account earned customers a free eight-cup coffee maker or self buttering corn popper. Those depositing $300 could receive a free teakettle, omelet pan or a bake and broil pan. In photo, bank employee Laura Shallow shows "kitchen helpers" to customers.

Gold Coins Bring Savings $

A rare and gold coin promotion at O'Hare International Bank, Chicago, netted more than $4 million in savings, $3.4 million of which was new money for the bank. The bank offered gold or rare coins as incentives for new savings. Photo shows Personal Banking Counselor Marian Johnson holding a U. S. Liberty $20 gold piece in her hand while Security Chief Charles Christensen Sr. helps her hold stack of silver dollars representing value of gold piece at time photo was taken last fall. Object: to point out soaring value of gold coins. More than 2,000 rare or gold coins were moved during promotion. That means the bank has a lot of customers whose savings are earning interest at the bank while their gold or rare coins appreciate in storage.



TULSA, OKLAHOMA

(From l.) A. Robert Abboud, deputy ch., First Nat'l, Chicago, and ch., ABA Commercial Lending Division, discusses last minute details before opening of ABA Marketing Conf. with George B. Rockwell, pres. & CEO, State Street Bank, Boston, and Clarence C. Barksdale, pres., First Nat'l, St. Louis. Mr. Rockwell was named ABA Marketing v.ch. during event, Mr. Barksdale is 1974-75 division ch.

Communication to Meet Today's Challenge Is ABA Marketing Conference Theme

By DANIEL H. CLARK
Editorial Assistant

"MEETING Tomorrow's Challenges Today" was the title of the ABA's 1975 National Marketing Conference, held March 23-25 at Chicago's Hyatt Regency. But, in the words of ABA Marketing Division Chairman Clarence C. Barksdale, the theme should have been "Meeting *Today's* Challenges Today." Mr. Barksdale is president and CEO, First National, St. Louis.

In the closing speech of the conference, Mr. Barksdale urged that his colleagues shed the old fashioned mannerisms of the quiet banker and begin speaking out intelligently and effectively in defense of the industry.

"We are members of a great industry and we do have a story to tell," he said, adding, "but none of our strengths will do us a bit of good unless we're willing to stand up and talk about them.

"Our audience, needless to say, has to be the whole nation," he said.

The 500 bank executives and marketers in attendance applauded Mr. Barksdale as he continued, saying, "I believe, and it seems clear that several of the earlier speakers at this convention believe also, that too many bankers and too many businessmen are resting today on the laurels of past success. That won't work in today's business climate—not for banking or any kind of business. The good old days of the 1960s and early 1970s, when everything seemed to come up roses and everyone seemed to be able to reap the benefits of tremendous nationwide growth, are over. They may be over forever—many things have changed in fundamental ways. It is high time for all of us to prepare ourselves to cope with difficult times. This is true in marketing, and it's true in every aspect of banking."

Mr. Barksdale, citing the image problem confronting bankers today, explained that the only "weak" banks in the country today are those that fail to represent the industry in public forums and fail to serve their home communities as well.

He expressed the need to know the competition better, urging competition with S&Ls, citing the area of EFTS—electronic funds transfer systems—as one example of this need to compete. "While only two banks in this country now have off-premises automated teller machines (ATMs)," Mr. Barksdale said, "43 applications for ATMs have been filed by S&Ls. If this pattern persists and most bankers wait for a few leaders to get all the possible problems fully settled before entering important new areas, our market share is sure to be lost eventually."

The need for more aggressive loan policies was stressed. The days of government castigation of the banking industry for over-expansion are over, according to Mr. Barksdale, and many regulators, including Comptroller of the Currency James E. Smith, feel that loans will finance a turnaround in the recession.

The message of many of the conference speakers was summed up by Mr. Barksdale, when he said, "It is important that we bankers begin exercising firmer control over our future loan commitments, that we not peddle them as indiscriminately and cheaply in the future as we too often did in the past. In future years, in demand increases, we'll have to become better pricers, using better margins. To do this, we'll have to know our products and the profitability of each of our products.

"This subject of profitability plan-


NEVER WALK THREATENING STREETS ALONE.....
Take SLT along for added protection.
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LEFT: (from l.), James R. Austin, pres., Peoples Nat'l, Shelbyville, Tenn., also ch., ABA Community Bankers Division, along with Barbara Pendleton, v.p. & sec., Grand Avenue Bank, Kansas City, spoke on "Management/Marketing How to Cope" during workshop at recent ABA Marketing Conference in Chicago. Emery Fager, pres., Commerce State, Topeka, served as workshop moderator. RIGHT: Pictured prior to speaking during workshop on "Marketing and EFTS" at 1975 ABA Marketing Conference are (l. to r.) Allan D. Nichols, sr.v.p., First Nat'l, Atlanta; Robert J. Person, 1st v.p., Central Nat'l, Chicago; and Robert A. Huss, sr.v.p., Security Pacific Nat'l, Los Angeles. Mr. Huss is ABA Marketing Div. exec. committee member, Mr. Nichols is on planning and research committee, which is chaired by Mr. Person.

ning is an important one today, and as far as the need for us to correct our weaknesses is concerned, it may presently be our Achilles' heel," he said. "It's an area where CEOs will be looking to their marketing specialists for good advice on product development, product extension, market extension, product mix and pricing strategies."

Another major topic at the conference discussed by Mr. Barksdale was the need for CEOs and marketing officers to understand and develop the potential of bank employees. This couples with the importance of recognizing changes in populations served by banks and how consumers of the future will relate to the products of tomorrow.

A. Robert Abboud, deputy chairman, First National, Chicago, and ABA Commercial Lending Division chairman, delivered the keynote speech, discussing marketing's input and how it can influence the balance sheet and earnings statement. He stressed the importance of marketing assisting the CEO in explaining the financial markets and banking industry in a credible light, noting four elements involved in senior management's development of an overall corporate strategy: developing a common consensus on the outlook for the environment; developing objectives for the organization; deciding on a strategy to achieve those objectives; and communicating the strategy throughout the organization and translating the strategy into a series of tactics that the entire marketing force can employ.

He urged implementation of these through meetings between management, marketers and staff. Mr. Abboud stressed that such meetings in his own bank necessitated inclusion of the marketer, who would "protect" the organization from "taking the easy road" or succumbing to "pack psychology."

A synopsis of his bank's outlook on important issues followed: interstate banking is possible on a limited basis; there is growing anti-business sentiment in Congress; some type of credit allocation and interest rate controls are likely over the next five years; power and authority of banking regulators will increase; strength of the economy will be erratic and uncertain; inflation will be erratic; long-term interest rates will be high; short-term interest rates will be variable and unpredictable; capital markets may experience some recovery; demands on banking will be heavy and erratic; credit quality and corporate liquidity will be fair; and household savings will be the key to a turnaround in the economy.

Mr. Abboud named four objectives for successful banking in the future: reliability; credibility; capacity to serve and quality.

In closing, Mr. Abboud said, "The marketing professional and the organization must be sufficiently broad and knowledgeable to understand the environment and the forces at work in the industry. If our assessment of the future is correct, bank credit will become less of a commodity and more of a product uniquely tailored to the needs of the individual customer."

Lobby of Chicago's Hyatt Regency, site of ABA 1975 National Marketing Conference, March 23-25. Hotel hosted over 500 bankers from across nation.

Equating the present age of consumerism with Alvin Toffler's definition of "future shock," the disorientation induced when people are subjected to too much change in too short a time, was Dr. Leonard L. Berry, marketing department chairman at the Virginia Commonwealth University's School of Business, Richmond.

Dr. Berry, in one of the many group workshop sessions held during the conference, said, "The future must be respected but cannot be feared. Fear breeds imitation rather than innovation, defensiveness rather than offensiveness. And fear breeds myth making."

He cited four myths that currently obstruct the innovation and offensiveness needed in community banks: (1) The bank is too small to practice marketing; (2) a small bank cannot compete with the larger bank; (3) the small bank will be saved by protectionist regulation; (4) the small bank will be saved via its acquisition by a holding company.

To survive, small-bank management must throw off these myths, Dr. Berry said, and implement some simple marketing tactics: personalize the bank; emphasize the basics, such as interest paid, charges for services and customer convenience; segment the market; minimize the disadvantages of smallness through diversification and cooperation —such as utilization of EFTS; and establish the bank as the premier corporate citizen in the community.

Dr. Morris Massey, associate dean of undergraduate students, College of Business, University of Colorado, Boulder, offered reasoning behind the cur-


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rent wave of consumerism in his speech, "Management/Marketing Future Shock." He broke the U. S. population into age groups, presenting an argument that each is "programed" during its formative years and that "programing" never leaves us.

While the segment of the population that is now in its 50s and 60s was programed to believe in the ethic of hard work and wealth accumulated over a long period of time, those in their 20s and 30s were reared under the influence of times of plenty. The latter group was, according to Dr. Massey, the most overindulged group of youngsters ever. This group's members received anything they wanted, so they grew to expect money and possessions as a right. With the gradual disintegration of the family unit after World War II, caused by the increasing mobility of the individual, television took over from Mom and Dad as the main "programer" of youth.

TV caused widespread acceptance of change. Dr. Massey described, as an example of this, the many people in their 50s and 60s who refuse to use an airplane or computer, while the eight-year-olds on the playground rattle off specifications of the latest General Electric engine that powers the B-52 flying overhead. Recess over, the children return to a classroom with a computer as the instructor.

Dr. Massey cited his own youth, when his heroes were Hopalong Cassidy and Lou Gehrig. The young executive of today has no such clear-cut hero-figure after witnessing television broadcasts of assassinations of leaders like the Kennedys or Martin Luther King, events possibly brought about by parties unknown who went unpunished.

By understanding that different groups are motivated by different values, bank officers can plan motivational campaigns within the bank staff, as well as sell to a group more effectively.

EFTS was another major conference topic, and it was felt by those using the transfer system that the big obstruction to its acceptance was the lack of education about EFTS on the part of the public. Panel members in the workshop entitled "Marketing and EFTS," were Robert J. Person (moderator), first vice president, Central National, Chicago; Allan D. Nichols, senior vice president, First National, Atlanta; and Robert A. Huss, senior vice president, Security Pacific National, Los Angeles.

(Mr. Person has since become head of the new West Coast office of Lester B. Knight & Associates, Chicago-based management consulting firm.)

First Ogden Expansion Announced

David S. Sutton (l.), v.p. marketing, and Vernon S. Hoesch, pres., both of First Ogden Corp., Naperville, Ill., discuss the firm's expansion plans during a recent press conference in Chicago. First Ogden is located near Chicago and provides about 30 different services to small- and medium-sized banks in surrounding counties, banks that are unable to afford "extras" like marketing personnel or entry into EFTS. First Ogden's expansion into other states will occur through new, separate corporations.

Walter J. Connolly, president, Connecticut Bank, Hartford, and 1974-75 vice chairman, ABA Marketing Division, has been named as the division's chairman for the coming year.

George B. Rockwell, president and CEO, State Street Bank, Boston, has been elected 1975-76 division vice chairman. He now serves on the Marketing Division's executive committee.

Elected to the division's executive committee during the marketing conference were the following Mid-Continent area bankers: Marcella D. Perry, chairman, First Pasadena (Tex.) State; and Terence E. Renaud, chairman and president, Twin City Bank, North Little Rock, Ark. • •

Research

(Continued from page 42)

or similar premium items.

Determining how much research is enough research is a difficult question. It can be answered in part by determining the aversion to risk displayed by yourself, by your chief executive officer and by your directors. The cost of research must be balanced against the benefits of better decision making. To be sure, there is a point at which the cost of research outweighs the improved decision-making ability of the researcher.

However, without a doubt, decisions based on some market research are wiser than decisions based on luck, superstition and intuition characteristic of the pre-market-research days of banking. • •

What Is the Future for Community Banks In This Era of Unprecedented Change?

By DR. LEONARD L. BERRY

IN HIS BOOK "Future Shock," Alvin Toffler writes of the shattering stress and disorientation that a rapidly changing culture induces in individuals when they are subjected to too much change in too short a time.

I don't believe it overly dramatic to suggest that at this moment in history more than a few community bank executives are beginning to experience the very real discomfort that results when the future happens too quickly, when seemingly awesome and overwhelming challenges and questions, once comfortably positioned into the future, press relentlessly into the present. Unquestionably, "future shock" is invading the world of community banking.

In this era of unprecedented change, so confusing and uncertain and unsettling, what is to become of the community bank? My answer is that there are many community banks that will be left behind in the onrush toward tomorrow. These banks will exist, but little more than that; some will be acquired by holding companies, others absorbed into branching systems, and still others will go it alone, without any real vitality and without any sense of participation in the new emerging world of banking.

Conversely, many other community banks will rise to the occasion, turn problems to opportunities and flourish in the same future environment that some spokesmen now claim to be so inhospitable for small banks.

In short, the future of the community bank is not to be decided by the onrush of a new kind of banking environment but, rather, by the responses of individual community banks to this new kind of banking environment. For those community banks truly possessing in Frank Wille's words "the will to compete," the future, in my view, is promising. On the other hand, for those small banks engulfed by the "fear of tomorrow" the future is bleak.

Never before have the prospects of the small bank so depended on the marketing resourcefulness, courage and aggressiveness of those executives who lead it. And it is this factor—the existence or absence of inspired leadership—that will, in my view, be the crucial difference between those small banks that cope with the future and those that are bypassed by it.

The future must be respected, but cannot be feared. Fear breeds imitation rather than innovation, defensiveness rather than offensiveness. Fear breeds myth making. Four myths currently obstructing the innovation and offensiveness so desperately needed in more community banks are:

• *Myth No. 1—The bank is too small to practice marketing.* Any thought that a bank can be too small to practice marketing is nonsense. In truth, the small bank doesn't have a choice as to whether it shall practice marketing; the only choice is whether it shall practice marketing well or poorly. All organizations, including those in banking, offer some kind of product to some kind of consumer and more or less use marketing (such as distribution, promotion and pricing strategies) to persuade the consumer to transact for the product to the extent desired by the organization. In other words, marketing is inherent to the organization. What is not inherent, however, is good marketing. Good marketing takes special efforts, and small banks no longer can afford the luxury of be-

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Dr. Leonard L. Berry is associate professor and chairman, Department of Marketing, School of Business, Virginia Commonwealth University, Richmond. He gave the talk on which the accompanying article is based at the ABA's 1975 National Marketing Conference in Chicago.

Dr. Berry has contributed many articles to business and marketing journals and his book, "Marketing for the Bank Executive" (with L. A. Capaldini) was published recently by Petrocelli Books, Division of Mason and Lipscomb, New York City. Another of his books, "Marketing and the Social Environment: A Readings Text," also was recently published. He has been commissioned by the ABA to co-author with Dr. James Donnelly a textbook on bank marketing to be used in AIB classes throughout the United States. The manuscript has been completed, and the book will be published this year.

Dr. Berry is a member of the faculty, Stonier Graduate School of Banking, Rutgers University, Graduate School of Banking, University of Wisconsin, and School of Banking of the South, Louisiana State University. He is a frequent speaker before ABA and Bank Marketing Association audiences.

Before assuming his present position in July, 1971, Dr. Berry served on the marketing faculty at the University of Denver. He also taught at Arizona State University while completing doctoral studies at that institution.

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IV

ing without good marketing.

• *Myth No. 2—The small bank cannot compete with the larger bank.* Not only is it possible for small banks to compete effectively with larger ones, but, in fact, they have been doing so. Speaking to the 1973 convention of the Independent Bankers Association of America, FDIC Chairman Wille stated: "It should also interest those bankers with large branch systems that the greatest percentage growth in deposits over the last 12 years occurred not in their banks, but in those with only one facility, while the next largest rate of growth occurred in those small branch banks with from two to five offices or facilities. I see no evidence from those figures that the smaller, independent community bank is losing its vigor or its viability."

The truth is that not all marketing advantages are on the side of larger banks. As Robert K. Miller has pointed out in recent literature, it's easier for small banks, among other things, to establish personal rapport with customers, make and implement speedy decisions, achieve good internal communications, effect an overall marketing orientation throughout the bank and weave the component parts of the marketing plan together.

The critical opportunity for the future is for the small bank to capitalize fully on the marketing advantages of being small while, at the same time, to aggressively pursue minimizing the disadvantages of not being large.

• *Myth No. 3—The small bank will be saved by protectionist regulation.* Community bankers counting on keeping liberalized branching from reaching their states or point-of-sale (POS) terminals from arriving in their stores had better take the blinders off in a hurry. There are circumstances leading to new arrangements in financial-institution structure and regulation. These new arrangements allow certain activities that are now restricted because doing so appears to be in the public interest and will restrict certain activities now allowed because they will appear contrary to the public interest.

The tenor of the times was exemplified by Comptroller James Smith when, on the subject of Regulation Q, he told a recent ABA audience: "Regulated ceilings for deposit rates (Regulation Q) have proved to be both inadequate in their protection of deposit institutions and unfair in their effect on deposit customers. We must move with all deliberate speed to eliminate this price-fixing mode of regulation."

• *Myth No. 4—The small bank will be saved via its acquisition by a holding company.* Any community bank CEO waiting for his bank to be absorbed by a holding company when the economy recovers may be in for a rude awakening. Although some small banks will continue to be acquired by holding companies, it seems reasonable to also expect a good deal of competition for HC resources. First of all, it's not unlikely that bank HCs will be into the business of acquiring S&Ls before long. Secondly, we can expect increasing resistance on the part of HCs against spending heavily for the acquisition of additional bank "offices" at a time when resources will, in part, be required for establishing strong participation in EFTS programs, e.g., investing in a POS program with a regional supermarket chain. Moreover, the very nature of EFTS development renders a serious blow to the need for having a great many full-service, traditionally designed branch offices.

"Although it's imperative that a community bank's CEO is marketing minded . . . this . . . is not going to be enough in the 'Future Shock' world of tomorrow."

The essence of the marketing management task is to initiate change within the control of the organization to adapt to market change beyond its control. *Controllable* change to respond to *uncontrollable* change is necessary since, in the final analysis, organizations exist to serve markets and markets are constantly changing. If the market changes in some material way and competitor A adapts to that change and competitor B does not, then competitor B should expect to lose some previously held influence in terms of persuading members of the market to patronize it.

These realities apply no less to community banks than to other kinds of enterprises. If a sizable segment of a local market desires maximum convenience when it comes to routine banking functions, if competitor A, say an S&L, markets a system whereby its customers can conveniently make deposits and withdrawals from interest-bearing accounts in a local supermarket chain, and if competitor B, say a community bank, does not provide competitive amounts of convenience to its customers, then competitor B should expect to lose some, and perhaps more than some, previously held business to competitor A.

In short, community banks face a crucial choice in preparing today for a fast-approaching tomorrow. Either they will make the commitment to aggressive and gutsy marketing, maximizing the attributes of smallness while minimizing the disadvantages, or they will forfeit either previously held influence in the market or previously held freedom before they were acquired.

Psychological commitment to the "will to compete," however, is not enough. There also must be investment. The first place to invest is in putting somebody, a talented and experienced somebody, in charge of marketing. No matter how small the bank, if the kind of aggressive marketing required is going to happen, somebody qualified needs to be put in charge.

Although it's imperative that a community bank's CEO is marketing minded and establishes a marketing atmosphere in the bank, this, in and of itself, is not going to be enough in the "future shock" world of tomorrow. Somebody in the bank has to be responsible for the overall planning, coordinating, implementing and evaluating of newly diversified and ambitious marketing programs, and the small bank CEO typically has neither the time nor the background for this responsibility. In smaller community banks, this director of marketing (or whatever this person is to be called) may have other responsibilities in addition to marketing, but he or she must clearly be given the authority, responsibility, budget, time and general mandate to do the marketing job. And he or she must have the appropriate credentials for the job, which means a regional or nationwide search for the right person and a salary not of $8,000, but of double that or even more. It's not a question of whether the community bank can afford to do this. The reality is that most community banks can no longer afford *not* to do this.

The community bank having the will to compete must engage in annual marketing planning on a formal basis, in marketing research to guide the planning, in new product development and in the attending of conferences and culling of literature for new product ideas, in EFTS, in persuasive promotional campaigns, etc. None of this is likely to happen in the manner that it should, however, unless a capable individual is given the responsibility to make it happen.

Now I should like to turn to some specific opportunities for the marketing-aggressive community bank:

• *Personalize the bank.* Although convenience undoubtedly is extremely important to many bank customers, research study after research study shows that personalized service also is extremely important. In a recent article, I wrote:

"While the bank marketer searches for the 'magic' headlines that will make his bank's new advertising campaign turn heads, many customers continue to long for a convenient bank where personnel are genuinely helpful and nice, where one's name is known, indeed, where one is treated as though his or her patronage were valued."

That community banks are in the best position to provide truly personalized service is indisputable. Whether in fact many community banks will maximize this opportunity in the years ahead remains to be seen.

The key opportunity is to help people feel comfortable psychologically and otherwise satisfied when interacting with the bank, to help them ". . . feel good rather than not good, adequate rather than inadequate, confident rather than dumb."

In an article of mine in the April, 1975, issue of *Bank Marketing* magazine, I define a number of things a bank should consider doing if it genuinely aspires to offer truly personalized service. Suffice it to say for now that there is much that small banks can and should consider doing in the interests of providing customers such a satisfying personal relationship with their bank that they will think twice before giving it up for the new branch bank in town. These possibilities range from serving free coffee, tea or soft drinks in the lobby on a daily basis to designing the new bank building to "facilitate" psychological comfort, from hiring the best telephone voice in town to answer incoming calls to paying premium wages for the sharpest, most competent, most customer-oriented, contact personnel to be found anywhere.

To be sure, unless the CEO is committed to having a truly personalized bank and works hard and creatively toward this goal every day, then personalized banking will not materialize at the level it can and should materialize.

• *Emphasize the basics.* Effectiveness in bank marketing is far more reliant on good execution of the basics than many in banking realize. The opportunity for the community bank is to concentrate resources toward being second to no important competitor when it comes to interest paid and prices charged on widely used bank services, customer convenience and, as already mentioned, personalization of service. Community banks ought to be strongly considering such moves as totally free checking and/or lobby hours on Saturday, assuming market conditions that would warrant such acts. For one thing, it's going to be costlier, all things equal, for a big bank competitor to provide free checking or Saturday banking hours than for a small bank to do so, meaning that the big bank competitor may very well not retaliate in kind for some time or at all. Also, such small bank aggressiveness may well serve as a "stay-out" signal to larger competitors considering moving into the market.

• *Segment the market.* In addition to emphasizing the basics for the market as a whole, the community bank also will want to strongly consider going well beyond the basics for certain carefully selected and researched, high-priority segments of the market. For instance, a rural bank might capitalize on its expertise in agricultural banking by designing and marketing a "package" of services for farming customers. Or the community bank might create an innovative, need-filling package of services for small businesses. Building on expertise, while filling unmet customer needs, the community bank should pursue certain market segments with such specialized commitment that it becomes difficult for competitors, no matter what they do, to persuade members of these segments to switch financial institutions.

• *Minimize the disadvantages of smallness through diversification and cooperation.* Included among the disadvantages of smallness in banking are limitations on the range of services that can be provided and capital/knowledge deficiencies when it comes to responding to fundamental changes in the fabric of the banking business, such as is the case with EFTS.

Although such disadvantages cannot be fully overcome, there are opportunities to minimize their impact. For instance, community banks should become more inclined to view such competitors as small and local finance companies, mortgage firms and S&Ls as possible subsidiaries of their own.

Also, there is much potential for the community bank to cooperate with banks and thrifts in noncompeting markets on joint sponsorship of such activities as marketing research and staff training and such ventures as buying a mortgage company or a group of finance companies. Moreover, cooperative possibilities exist with direct competitors when it comes to financing CBCT placements in nonbank locations.

• *Establish the bank as the premier corporate citizen in the community.* By providing inspired leadership to a given community and selected problems that it has, a community bank can make it difficult for competitors to make inroads on the market. This assumes, of course, that the community bank is not just a good corporate citizen, but also is otherwise competitive. People can be expected to reward a bank for community leadership with their patronage if to do so isn't otherwise disadvantageous.

The central thesis of this presentation has been that in this time of "future shock" in banking, it is incorrect to assume either that the community banks of America will be crushed or that they will remain largely unscathed. The more realistic assessment is that many community banks will be bypassed by the world of tomorrow while others will thrive. In other words, the future of any community bank is not to be decided by the newly emerging banking environment but, rather, by the response of the bank to this environment. What is needed is carefully planned, imaginative, resourceful, aggressive marketing. What is needed is the commitment to take the battle to the changing competitor; what is needed is the will to compete.

IRA Account Guide Published

A banker's Guide to Individual Retirement Accounts (IRAs) has been prepared by the ABA deposits division. A copy of the 60-page booklet will be mailed to each ABA member bank in May.

According to Bernard J. Ruysser, division chairman, the booklet's purpose is to "transmit all concrete information available as of April 1, 1975, on the mechanics involved in setting up an IRA program, so that bankers thinking of offering IRAs to their customers can begin to make intelligent decisions on the matter."

Mr. Ruysser is president and CEO, Commercial National, Kansas City, Kan.

Repurchases to Maturity:

How the Technique Works

This is the second and final installment of Mr. Auro's presentation of reverse repurchases to maturity. The first installment appeared in the April issue.

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

IN THE examples cited in the April issue, the particular issues involved had one coupon interest due at maturity.

Let's look at a situation where, in addition to the end date coupon, the time remaining to maturity is less than one year, but more than six months, therefore requiring consideration of two coupon collections.

On October 11, 1974, the 5⅞% U. S. Treasury notes due May 15, 1975, represented such an issue. Coupon interest would be due for collection on November 15 as well as on the maturity date, May 15, 1975.

In considering this issue as a candidate for a reverse to maturity (RM), two approaches are available to arrive at the repo cost. One allows for payment of coupon interest due on November 15; the other operates as did the previous illustration (see April issue), with a "net out" only on maturity date, and no coupon remission on November 15. Both are alternate ways for presenting the same situation, the latter being the more economical approach in terms of favorably affecting the repo cost, since it permits more money to be loaned out initially, lowering the cost.

Here's what happens in both instances:

Both have two things in common. The time to maturity, 212 days (based on an October 15 settlement date), and dollars generated from the sale of the issue into the market on October 11. Settlement date in the example used is October 15 because of a legal Monday holiday.

Consider a sale into the market at 98-28/32 as a fair market price on October 11. Therefore, each $1 million par value would generate the following dollars for October 15 settlement:

Principal	**$ 988,750.00**
Accrued Interest	**24,425.95**
Total	**$1,013,175.95**

Actually, if we didn't have to pay coupon interest on November 15 and just netted-out on May 15 (maturity date), we could lend the full amount. In our netting-out procedure, and with RM guarantees, one would owe the security owner par ($1 million) plus interest due for two coupon periods ($58,750), or $1,058,750 per million dollars par on maturity date. The amount of makeup, assuming the full amount of dollars generated from the sale were loaned, would be the difference of the two amounts.

$ Due Security Owner (May 15, 1975)	**$1,058,750.00**
Less $ Loaned Security Owner (October 15, 1974)	**1,013,175.95**
Total Makeup	**$ 45,574.05**

Again, substituting the appropriate quantities into "A"* we have:

$$\% \text{ BE} = \frac{(\$45{,}574.05)\ (360)\ (100)}{(212)\ (\$1{,}013{,}175.95)} = 7.638\%$$

If coupon interest of $29,375 is remitted on November 15 (our second approach), allowance must be made to have this amount available for payment on that date. Part can come from repo income due lender between October 15 and November 15 on money loaned to borrower. The remainder comes from lending the borrower less than received on October 11 market sale. This would increase the overall breakeven, reducing the amount of dollars loaned out.

Total makeup in this case is comprised of three parts: (1) Coupon due on the first coupon date, November 15, less accrued interest received from the sale; (2) the final coupon due; (3) the adjustment to par factor. Actual amounts involved are:

Coupon Interest due November 15	**$29,375.00**
Less Accrued Interest Received on Sale	**24,425.95**
October 15-November 15 "Makeup"	**$ 4,949.05 (1)**
Coupon due May 15	**29,375.00 (2)**
Adjustment to Par	**11,250.00 (3)**
Total Makeup for Full Period	**$45,574.05**

The required makeup (1+2+3) is the same, but, because coupon interest must be remitted on November 15, less can be loaned initially, and this increases the breakeven.

Suppose dollars were loaned for the period involved at an interest cost of 8%, and that the end-date net-out procedure was applied because it gave the lowest cost factor.

The difference check for May 15 settlement again is computed on the basis of netting-out individual obligations on May 15. This amounts to the following, assuming that the full amount of the original sale was loaned.

Borrower Owes Lender	
$ Received on October 15	**$1,013,175.95**
$ Interest due on $ Borrowed for 212 Days at 8%	**47,731.84**
Total (due Lender)	**$1,060,907.79**
Lender Owes Borrower	
Par	**$1,000,000.00**
Accrued Interest (2 periods)	**58,750.00**
Total (due Borrower)	**$1,058,750.00**
Net Difference (due Lender)	
Total due Lender	**$1,060,907.79**
Total due Borrower	**1,058,750.00**
Net (due Lender)	**$ 2,157.79**

A difference check in this amount can be sent by the borrower to the lender on May 15, or the difference can be settled by a "front-end" discount, eliminating payment of any money at maturity. While this increases the repo cost, because less is initially being loaned, the amounts involved are slight and the effect is minimal. It pre-

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

Figure 1

RP to Maturity Cash Flow Schedule
3¼% US Tsy Bonds due May 15, 1985

Coupon Dates	Interest* Due Lender	Coupon Interest Due Owner	Net Due Lender
6 December-15 May 75	$ 26,146.67	$ 16,250	$ 9,896.67
15 Nov 75	29,415.00	16,250	13,165.00
15 May 76	29,415.00	16,250	13,165.00
15 Nov 76	29,415.00	16,250	13,165.00
15 May 77	29,415.00	16,250	13,165.00
15 Nov 77	29,415.00	16,250	13,165.00
15 May 78	29,415.00	16,250	13,165.00
15 Nov 78	29,415.00	16,250	13,165.00
15 May 79	29,415.00	16,250	13,165.00
15 Nov 79	29,415.00	16,250	13,165.00
15 May 80	29,415.00	16,250	13,165.00
15 Nov 80	29,415.00	16,250	13,165.00
15 May 81	29,415.00	16,250	13,165.00
15 Nov 81	29,415.00	16,250	13,165.00
15 May 82	29,415.00	16,250	13,165.00
15 Nov 82	29,415.00	16,250	13,165.00
15 May 83	29,415.00	16,250	13,165.00
15 Nov 83	29,415.00	16,250	13,165.00
15 May 84	29,415.00	16,250	13,165.00
15 Nov 84	29,415.00	16,250	13,165.00
Maturity-15 May 85	29,415.00	16,250	13,165.00
Total	$614,446.67	$341,250	$273,196.67

* Annual lending rate of 7.95% on loan of $740,000.00.

sents the advantage of limiting money transfers occurring in the transaction to one time (at the beginning).

This is what it amounts to: Instead of lending $1,013,175.95, we are lending $2,157.79 less, or $1,011,018.16. Our breakeven equation (A) can be applied to determine actual cost.

$$\% \text{ Actual Cost} = \frac{(\$47{,}731.84)(360)(100)}{(212)(\$1{,}011{,}018.16)} = 8.017\%$$

Remember, $47,731.84 represents interest payment on the full amount of the loan before the front-end discount. The example used a front-end discount instead of an end-date settlement check, which increased the actual cost of the repo .017%, or from 8% to 8.017%! In actual dollars, this amounts to slightly more than $100, a token price to limit money transfer to a one-time-only basis.

Finally, we have a reverse RM, involving an issue that has a number of years to go before maturity date is reached—such as the 3¼% U. S. Treasury bonds due May 15, 1985.

Cash flow can be minimized and procedure simplified by coordinating coupon due-dates with interest due on money borrowed. A schedule reflecting this can be set up easily. Again, one keeps in mind that there are the usual two guarantees important to this exercise: The securities owner is given all accrued interest due and receives par for his security by maturity.

Operating on a settlement date of December 6, 1975, and a market sale of 74, we come up with the following:

Principal (Per $ million par)	$740,000.00
Accrued Interest	1,885.36
Total	$741,885.36
(1) Total coupon interest due to maturity (10½ years—21 periods at $32,500 per year	$341,250.00
(2) Par, less $ loaned on December 6, 1975	258,114.64
Total make up required (1 + 2)	$599,364.64

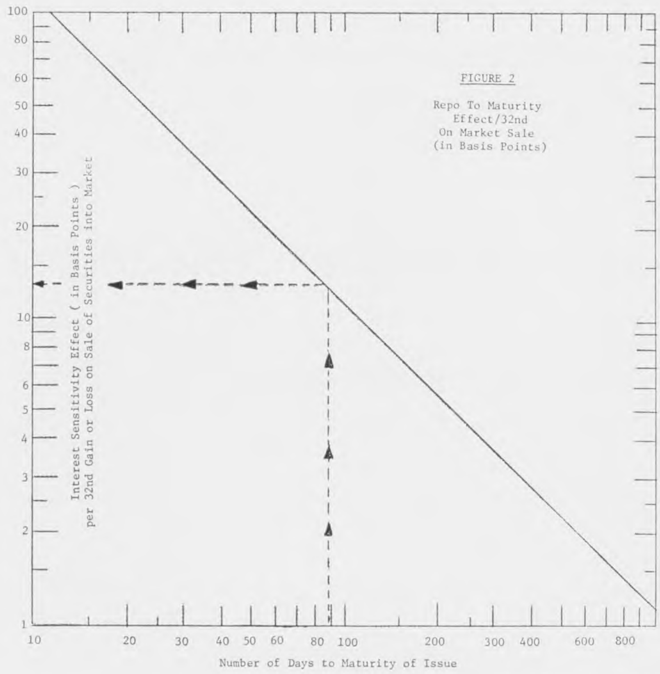
We have from December 6, 1975, to May 15, 1985 (10 years and 160 days) to make up this amount from interest due on a loan of $741,885.36 for the period, or $214.87 per million dollars daily, a breakeven of 7.735%.

A cash flow schedule at a lending rate of 7.95% would look like this: For simplification, assume a loan of $740,000.

First, coordinate everything on coupon dates. Considering only the coupon interest due and interest due on money borrowed, such a schedule, as presented in Figure 1, notes net due lender over the full period—$273,196.67 (A).

On May 15, 1985, the party with which the repo was done owes the security owner the difference between what was loaned on December 6, 1974 ($740,000) and par ($1 million), or $260,000 (B).

For the final net-out, one additional factor is included to reflect a condition on the initial settlement date (December 6, 1974): $741,885.36 was generated from the sale, but only $740,000



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was loaned, leaving the difference, \$1,885.36 (C), as a credit in favor of the securities owner.

The net cash flow over the full time span involved is A-B-C, or:

A	\$273,196.67	
Less B ...	260,000.00	
	\$ 13,196.67	
Less C ..	1,885.36	
Final Net .	\$ 11,311.31	(due Lender)

The \$11,311.31 due lender is due over the 10 years, 160 days (21 coupon periods). Therefore, coordinating all payments on coupon dates, all that would be required is that the borrower remit a check for \$538.63 to the lender each coupon period (final net number of coupon periods). Again, a "front-end" discount can be applied so all cash flows occur on December 6, 1975, and all subsequent coupon date net-outs are simply book entries. Instead of lending \$740,000 on December 6, one can lend \$11,311.31 less than received on the sale (\$741,885.36), or \$730,574.05.

Figure 2 translates the effect of a gain (or loss) of 1/32 on the market sale into basis points, as a function of the remaining time to maturity of the issue. As we have seen in the previous examples, calculations for RMs are based on total dollars one derives from a sale. Since markets are dynamic, this price can change, requiring a revised offering cost to maturity. Use of Figure 2 permits estimation without repeating all calculations. (See page 62.)

In the example, a variation of only 1/32 is considered, but, in practice, the overall effect is obtained by multiplying the basis point effect of 1/32 by the actual number of 32nds involved and increasing or decreasing the offering cost accordingly. In this exercise, we won't vary the dollars loaned, but keep them equal to original calculations.

The sale on October 2 of 5-7/8 U. S. Treasury notes due December 31, 1974, instead of a sale at 99-14/32, was accomplished at 99-15/32, generating an additional \$312.50. Figure 2 translates this improved sale to a 12½ basis point effect (proceed vertically at 89-day point until it intersects the solid line, then proceed left to vertical axis).

We can improve our offering by as much as 12½ basis points and still maintain the same profit. Our breakeven should be about 12½ basis points less, our "make up" \$312.50 less.

$$\%BE = \frac{(\$19{,}521.16)(360)(100)}{(89)(\$1{,}009{,}500)}$$
$$= 7.82\% \text{ or } 13 \text{ basis points less}$$

The overall RM technique also has been applied to Treasury bills and has been useful where an owner must reflect Treasury bills as a required investment, but can reverse them out in order to generate cash for reinvestment at improved yields. • •

Multi-State EFT Network Is Planned By Group of Midwestern Banks

A GROUP of midwestern banks has agreed to form a corporation that will begin immediate development of a unique multi-state electronic funds transfer network. The agreement was announced last month following an extensive development study conducted by Credit Systems, Inc. (CSI), St. Louis, operating center for Master Charge in Missouri, Kansas, Iowa, Illinois and western Kentucky.

The new system's sponsoring banks are: *from St. Louis*—Boatmen's National, City Bank, First National and Mercantile National; *from Kansas City*—Traders National and United Missouri; *from Kansas City, Kan.*—Commercial National; *from Belleville, Ill.*—First National; from *Jefferson City, Mo.*—Central Trust; and from *Davenport, Ia.*—Davenport Bank.

In addition to these originating banks, the service will be offered to all banks, state and national, in the five-state area. It will consist of an electronic communications network that will enable participating bank members to provide remote access to a wide range of consumer banking services to their customers.

Through the new communications network, consumers will be able to transact most of their normal banking business from thousands of convenient locations throughout the area, according to a CSI spokesman. There will be two kinds of bank-service locations: Compact equipment will be placed at point-of-sale (POS) locations of participating merchants, and free-standing "Financial Convenience" centers will be installed in busy areas such as shopping and industrial centers, airports, etc. These centers will contain automated banking equipment and will be open 24 hours a day, seven days a week.

The facilities will be shared by all banks taking part in the system.

The new service will provide customers of participating banks with direct access to their various bank accounts. They may withdraw funds—or make deposits to—checking and savings accounts, transfer money from one account to another, make payments on various types of bank loans, obtain a credit card cash advance or cash a check at any of the participating merchant locations.

The system's sponsors believe merchants will find the service desirable because it will reduce the number of bad checks, speed transactions, reduce the necessary amount of cash on hand and increase customer traffic. The system also will permit rapid authorization of bank credit card transactions.

Initially, the system will provide about 6,000 merchant installations and more than 130 "Financial Convenience centers." The system will have the potential ultimately to interface with a national or international network, providing account access for customers from anywhere in the world.

The study leading to formation of this system was made by Booz-Allen & Hamilton, Inc., a management firm specializing in the EFT field. The company surveyed area consumers, merchants and banks and found study results to be decidedly positive, and they were an instrumental factor in the decision to introduce the program.

Participating banks' investment in the network will be in the area of millions of dollars, but they believe the result will be a unique and convenient consumer service that has never been tried on this scale anywhere else in the world. • •

• **Ronald A. Loose** has been named senior vice president in the correspondent bank department at First National, Denver. He joined the bank in 1966 and was named vice president in charge of correspondent banks in 1970. He was formerly with Bank of America, which he joined in 1962.

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Bank Capital:

How Does It Influence Lending Operation? How Does It Relate to Bank Liquidity?

EDITOR'S NOTE: This is the second of a two-part article by Mr. Gable. The first installment, which appeared in the April issue of MID-CONTINENT BANKER, *was focused on loan quality control and how bank examiners evaluate loans. In this article, Mr. Gable concentrates on bank capital.*

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

HOW DOES bank capital influence the lending operation, and how does liquidity relate to capital? These are questions I will discuss in this article. One subject I will not talk about, at least for the time being, is capital ratios and formulas used to evaluate a bank's capital. All these ratios and devices, simple or sophisticated, are no more than tools to help evaluate capital adequacy, whether they are used or misused by banker or examiner.

To make more sense of any specific comments on how capital influences a bank's lending function, I will review first the more general role of capital in a bank. To bank depositors, capital has something to do with an intangible called confidence. I agree that not all depositors all the time will be much concerned about it, but some depositors will some of the time, and it's those depositors about whom we must be concerned.

To a bank's borrowers, capital relates to the bank's ability to meet their future borrowing needs and, at times, some borrowers may make comparisons of the capital-debt ratios banks insist they maintain with them.

To bank directors and senior management, capital—besides being a factor to which earnings sometimes are compared—should relate to the bank's continued ability to serve present and future needs of the community and provide assurance that the bank can retain public confidence.

To many bank employees, including those more astute and valuable than others, capital may relate to the individual's ability to serve his customers in the future and may have some relationship to job security.

To everyone, the bank's capital is a measure of the adversities the bank can withstand and continue to serve its community's needs as an ongoing institution.

There are five major types of risk that capital protects against or, in other words, five types of potential losses that may have to be charged against the capital cushion. These types of risk are:

1. *Loan losses.* Under normal circumstances, bank loan portfolios are commonly thought to contain the most risk or provide the greatest potential drain on capital funds. It's important to note that I conditioned this statement with "under normal circumstances" because under *abnormal* circumstances, credit loss in the loan account may be secondary to market losses if a bank is forced to dispose of assets to meet depositors' and creditors' claims during periods of economic adversity.

2. *Investment losses.* The risk here is in two parts. The market part results from the possibility that a bank may be forced to sell its investment securities under adverse market conditions to meet creditors' and depositors' claims. Obviously, market risk is greatest in long-term securities and in periods of rising and high interest rates. There's also the risk of credit loss in a bank's investment account. There haven't been widespread credit losses in bank investment accounts in recent years. However, times change, and you should be giving thought to such things as a long-term reduction in auto travel and what effect this development might have on revenue bonds issued by road and bridge authorities and held in bank investment accounts. In addition, the financial condition of some of our major cities should be giving investment analysts the jitters.

3. *Operating losses.* The third major type of loss that may have to be charged to a bank's capital cushion is operating losses or the risk that expenses will exceed income for short or intermediate periods of economic adversity. Some of you—on looking at operating results of most banks in recent years—may think there's not much risk of loss here. However, I think there may be some laxity on the part of bankers and supervisors in really appraising the quality of bank income. Here I ask you to look closely at trend of earnings relative to total assets and to give consideration to the effects on earnings if the bank has to stop accruing interest on some relatively large credits. Or have expenses been permitted to escalate rapidly in line with unusually high rates of return on assets? I suggest that continuation of such highly inflated gross income in banks is uncertain at best.

One last point under this category

"The capital cushion doesn't amount to much for most banks relative to their liabilities and contingent liabilities and risk in assets."

relates to floating-rate notes that many banks have been using recently to extend credit to commercial customers. Introduction of such loans, which have the interest rate floating with or pegged to the bank's prime rate or some other market-sensitive rate, was taken as a defensive measure to reduce the risk potential that expenses would exceed income as the cost of rate-sensitive liabilities fluctuates. Bear in mind that a risk rarely is eliminated in banking; most often, one risk is substituted for another. With floating-rate notes, I suggest that while the risk of operating loss has been reduced temporarily, this has been accomplished at the expense of increased risk of credit loss in the loan portfolio.

4. *Losses on bank-owned real estate.* As an ongoing institution, the potential for loss on bank premises in normal economic conditions may not be great. As in any business, however, that is forced to curtail activities or close up, brick and mortar loses value quickly.

5. *Catastrophic losses.* Such losses result from defalcation, burglary, robbery, lawsuits and local or regional disasters. Most such losses should be insured against, but deductibles in banks' insurance policies have been increasing.

The capital cushion doesn't amount to much for most banks relative to their liabilities and contingent liabilities and risk in assets. Generally speaking, only a small part of total capital is available to absorb losses. A bank can't dip into its capital stock and surplus. Therefore, its capital at best provides only a cushion to absorb losses for a relatively short time, and if capital is used to absorb losses, it soon must be replaced if public confidence is to be retained or possibly restored.

If capital, at best, provides only a temporary cushion against adversities, what then does provide the strength in banks? The answer is earnings, which provide funds to absorb expenses and losses. Earnings come primarily from loans, and loans involve risk—which brings us back to loan quality control. The latter is essential to contain risk in the loan portfolio within reasonable limits and to minimize losses.

In summary, the total risk that a bank can take in its asset composition is, first, dependent on and determined by its earnings, both quantity and dependability and, second, by the capital cushion available to absorb losses and its ability to replace that capital cushion should it need to be used to absorb losses.

Before leaving the subject of bank capital, I'll comment on some related aspects.

First, I want to clarify and, hopefully, eliminate what has become a wide misconception about bank capital and capital ratios. Some banking industry leaders, apparently to convince other bankers and bank supervisors that capital levels are relatively unimportant in today's banking environment, have been quoted as saying that banks that failed in the '20s and '30s had capital ratios superior to those banks that did not fail. This and similar statements that have been tossed about for the past few years bother me. Such statements are diametrically opposed to what I had learned about banking and corporate finance, and what I know to be wrong bothers me more than what I don't know at all. Thus, I have tried to find out the basis for such statemests that suggest that low capital ratios are a sign of strength, while better capital ratios are a sign of weakness.

What I then learned was that deposit starvation, that is, banks' inability to attract and retain deposits, was the primary cause of bank failures in the '20s and '30s. Banks faced with deposit starvation have only two options: to liquidate assets to bring the asset side of the balance sheet down by an amount of the deposit shrinkage or to borrow money to replace the lost deposits. Obviously, when assets are liquidated, the good or most marketable assets go first. In either case, whether the bank borrows funds or liquidates assets to pay its depositors, capital remains relatively constant. For the bank facing deposit starvation, its ratio of capital to deposits improves or its ratio of capital to total assets improves or both ratios improve. This statistical phenomenon has been used by some industry leaders to convince bankers and bank supervisors that capital ratios and, in turn, capital adequacy are unimportant. I don't accept such logic, and neither should bankers.

Adequate capital is as important in today's banking environment, or perhaps more important, than ever before in recent history. Similarly, capital ratios also are important because when the concerned depositor or borrower tries to determine which bank is sound or which bank is the soundest of several, what other tools are available to him other than ratio analysis of a bank's balance sheet and street talk?

To make my next point about bank capital, I must summarize the functions of capital in banks that I have been talking about. I said that to a bank's customers and employees, capital was a measure of the adversities the bank could withstand and continue as an on going institution. I mentioned that while earnings are the first line of defense in absorbing various types of potential losses, capital provides the secondary cushion for absorbing losses, including the potential risk that expenses will exceed earnings for short or intermediate periods of economic adversity. With this description of bank capital functions, it clearly follows that subordinated debt in banks, by whatever name it may be called, is not a substitute for equity capital. No losses can be charged to subordinated debt until the bank is closed, and a primary objective of bankers and bank supervisors is to perpetuate the banking organization. Subordinated debt adds to the fixed operating expense of the bank, and this, in turn, increases the risk of operating losses. Therefore, instead of subordinated debt substituting for equity, it increases the potential demand on equity capital and increases the need for additional equity. There's much confusion among bankers and, I'm sorry to say, bank supervisors, over the role of subordinated debt in banks. In my opinion, subordinated debt is not a substitute for equity capital in banks. This doesn't mean that there isn't a proper place for some subordinated debt in some banks; there is. But it should be viewed in proper perspective as another long-term liability that bears a fixed rate of interest and must be paid at some future date.

Another aspect of bank capital that doesn't get enough consideration relates to dependability of income for absorbing losses in banks controlled by bank holding companies. Income of such banks considered independently may be good and suggests a strong first line of defense for absorbing losses. But what are the income needs of that financial superstructure that hangs over the bank? If the parent has a huge debt that requires servicing, and its principal or only source of funds to service the debt is dividends from the subsidiary bank or banks, we (bank officers, directors and supervisors) realistically should be looking

at available bank earnings for absorbing losses after the parent's needs for earnings from the bank have been met. The parent's needs for income from subsidiary banks to pay dividends also should be considered. While it might be argued that the parent can pass its dividend as easily as a bank can, in today's environment I suspect the management of many bank HCs would go to extremes to avoid passing a dividend and taking the unknown consequences of what such action might have on the group's standing in the financial community.

Closely related to a holding company's needs for funds from its operating subsidiaries to service its debt and pay dividends is the parent's needs for funds from its subsidiaries to meet its overhead or operating costs. Historically, a major weakness of HCs has been a tendency to become fat at the parent level. Operations at the HC level are, by nature, mostly staff-type operations. The phenomenon of staff operations to expand beyond the needs of the bread-and-butter or line operations or to continue to exist after their original purpose has been fulfilled is well documented. HCs are especially susceptible to this elephantiasis phenomenon in that costs are assessed against operating subsidiaries, the management of which is economically encouraged to cooperate with corporate headquarters by paying assessed fees without question as to value of services received for such fees. It takes relentless efforts continuously applied to make sure HCs don't get top-heavy with overhead and, in turn, become a burden to their operating subsidiaries.

Some of my colleagues and many bankers argue that a bank's fortunes can be insulated from its parent's fortunes. I believe such thinking is naive. Therefore, when determining how much risk a holding company-controlled bank can take in its assets and, more specifically, in its loan portfolio, I believe consideration must be given to earnings availability to absorb losses net of the parent's need for bank earnings.

The last matter relating to bank capital that I don't think is getting enough consideration in today's banking environment relates to liquidity. Early in my bank examination career, I picked up what was described as a basic fundamental of banking and which said something to the effect that liquidity is an effective substitute for capital, but no amount of capital can substitute for liquidity. To me, this means that if a bank has adequate liquidity, that is, short-term, marketable securities that can be sold with relatively little loss to meet its creditors' claims, there shouldn't be much in the way of market losses to be charged against its capital. But if the bank doesn't have liquidity and has to dispose of assets under adverse conditions to pay its creditors, the charges against capital are going to be disastrous. When I see banks with loans in an amount almost equalling their deposits, of which I suspect a large share are short-term, negotiated CDs, and, at the same time, relying on other short-term, negotiated funds to carry other assets, then I really wonder whatever happened to that basic fundamental of banking? Is it gone for good or just temporarily dormant and coming bank some time in the future to haunt us as it did last summer? How reliable is the philosophy that a bank's first line of liquidity lies in its capacity to obtain additional short-term funds tomorrow to pay off today's creditors? Is the fallacy that what may be a sound practice for a small segment of the population—unsound when practiced by too large a segment—going to have an effect?

Let me elaborate more on liquidity and liability management. Consider a bank's liquidity as a pool of funds or as a swimming pool in the yard of a rural dwelling used for fire protection. There's only so much protection in the pool. When some is used or drained out, it must be replaced to get back to the desired level of protection. Many banks have been draining their pools of liquidity for years, and even when conditions permit, they haven't been bringing the level of protection back up to its former level. For many banks today, there's precious little liquidity left in the pool to provide any degree of protection.

Some banks—primarily larger banks at first—thought it was too expensive to maintain a pool of liquidity. Instead, they told us that their liquidity was not like a pool at all, that it was more like a stream flowing through a yard. This stream was to have a never-ending flow and the more it was used, the more it would flow. This philosophy is liability management or the theory that a bank can always borrow more tomorrow to meet the demands of today's depositors and creditors. It's a dangerous, unproved theory. There just can't always be more for all banks to borrow tomorrow. This is the fallacy I mentioned. When too large a segment of the population does the same thing at the same time, what once may have been a sound practice for a small segment of the population becomes unsound. The liquidity stream counted on by liability-management-practicing banks just cannot flow forever to meet the insatiable demands of all practitioners; and bank depositors, other creditors and borrowers are going to be figuring this out in increasing numbers.

The most immediate danger of liability management for the small bank is that the practice of borrowing short-term funds from whatever source for intermediate periods enables the bank to avoid or delay correction of basic mistakes in managing its assets. To the extent the delay gives the bank some time to select options and alternatives to correct the mistake at minimum cost, so much the better. However, too often, such delays in correcting the basic mistake are permitted to go on indefinitely, and, all the while, the problems associated with the mistake become more severe and the costs of correction, which, in effect, are charges against capital, become greater. • •

Fire 'No Big Deal'

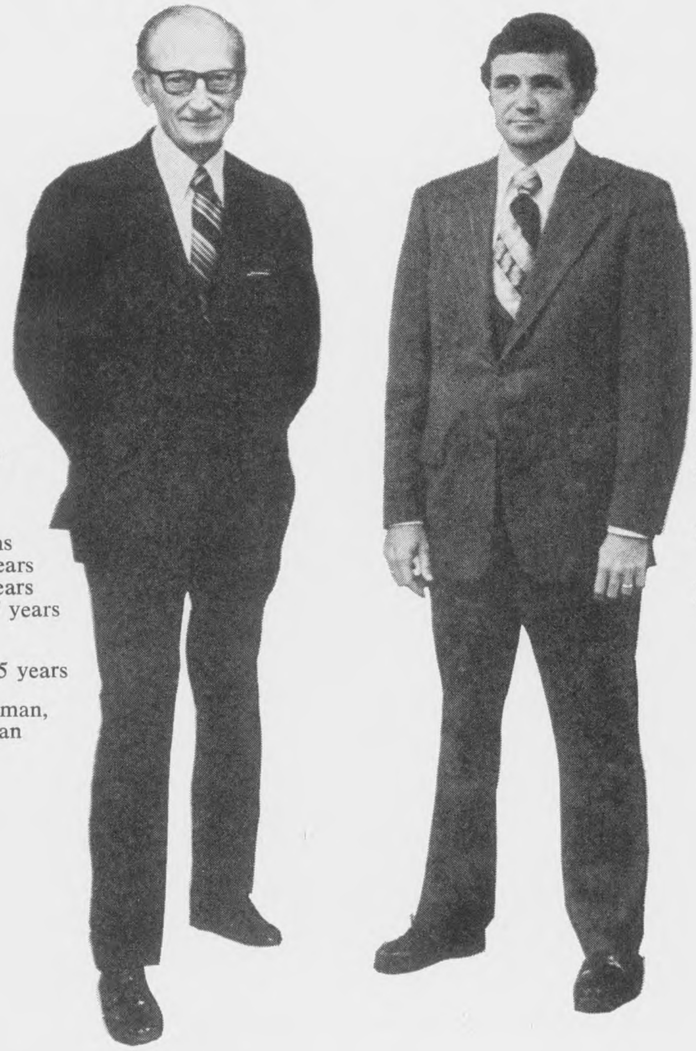
MICHIGAN CITY, IND.—Citizens Bank suffered a major fire one recent Wednesday afternoon. However, it was back in business the following Friday, even though the fire reached the equipment housing its computer and the magnetic tapes that controlled demand and account deposit and other transaction records. Why the fast recovery? The bank gave two reasons:

• By drawing on equipment from various parts of the country, IBM, manufacturers of Citizens Bank's computer equipment, was able to replace the 360 Model 20, which had been destroyed, in record time. IBM installed and tested the system at a temporary location near the bank.

• The tapes emerged from the fire because they had been housed in a Wright Line Data-Bank safe, which was designed and constructed specifically for the protection of magnetic media. The safe is a product of Wright Line, Worcester, Mass.

The bank's senior vice president, Robert Cleveland, pointed out that recovery of the records in immediately usable form was important not only to the regular day-to-day deposit accounting, but also to the bank's standing as a reliable source of processing for many firms and organizations in the community. He cited, among the latter, United Fund records, inventory and payrolls of local firms and label printing.

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?

Not really. Both have a common denominator called "back-up by Boatmen's." That's right. They can draw on the knowledge of data processing technicians, marketing strategists, bond experts or whatever specialist it takes to assure correct and valid answers and programs to any unique situation you may encounter.

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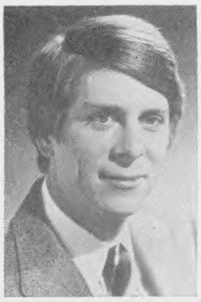
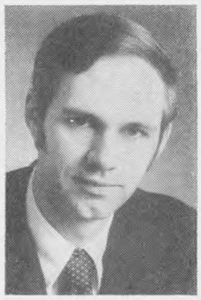
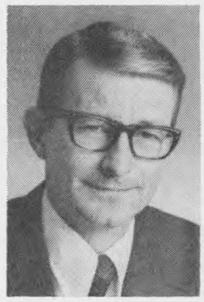


SUDDATH



LANGEWISCH

ACKERMANN



WIDLUND

Convention 'First-Timers'

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

Missouri Convention

• **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.

• **David M. Culver** is vice president and new head of the regional banking department at First National, St. Louis. He joined the bank in 1967 as a special trainee. (See photo on page 18.)

• **Paul F. Langewisch** is a representative in the correspondent department at Commerce Bank, Kansas City. He joined the bank in 1973 and holds degrees in agricultural economics from the University of Missouri at Columbia.

• **Al Ackermann** will represent Boatmen's National, St. Louis, which he joined in 1973. He is a 1972 graduate of Harvard University.

Oklahoma Convention

• **Robert L. Widlund,** assistant vice president at United Missouri Bank, Kansas City, joined the bank about a year ago and recently began handling correspondent customers in Oklahoma.

• **Ted H. Smith,** assistant vice president, joined First National, Oklahoma City, in May, 1974. He was a national bank examiner for four years, working in western Oklahoma.

• **Lonnie Hammonds** is an assistant vice president at First National, Fort Worth, and is assigned to the correspondent banking department.

• **Michael E. (Mickey) Cissell** is vice president and manager, correspondent bank division, Worthen Bank, Little Rock. He joined the bank in 1972 and was formerly a regional calling officer.

• **James J. Rau** is an assistant vice president in the regional banking department at First National, St. Louis, which he joined in 1967. He was formerly an EDP sales rep for the bank.

• **Kenneth S. Franklin Jr.** is an assistant vice president in the regional banking department at First National, St. Louis. He joined the bank as a trainee in 1971 and is a former commercial banking officer.

• **Fred C. Danforth,** account officer, First National City Bank, New York, travels in Oklahoma, New Mexico and Texas. He joined the bank in 1973.

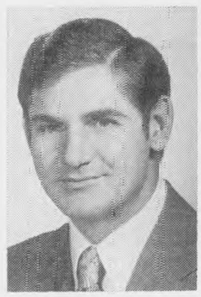
• **Bradford M. Johnson** is an account officer at First National City Bank, New York. He joined the bank in 1972 and travels in Oklahoma, New Mexico and Texas.

Kansas Convention

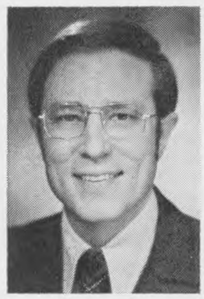
• **Ben F. Caldwell** is a vice president at Commerce Bank, Kansas City. He is coordinator for Kansas in the

SMITH

HAMMONDS

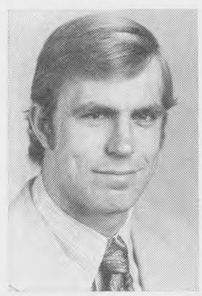


CISSELL

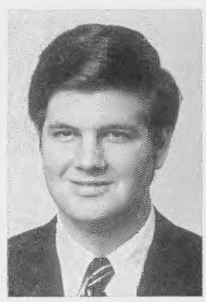


RAU

FRANKLIN



DANFORTH



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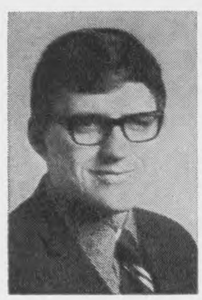

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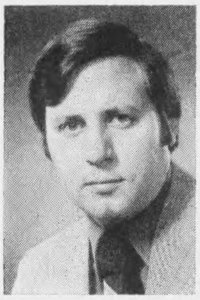

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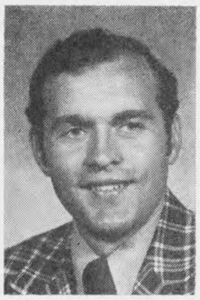

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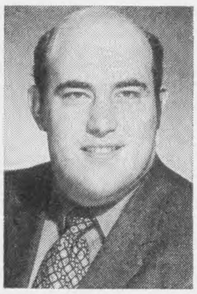


DEAL

correspondent division. He joined the bank in 1970.

• **W. Thomas Falls Jr.,** assistant vice president, Commerce Bank, Kansas City, serves the southern area of Kansas for the correspondent division, which he joined last November.

• **Frampton T. Rowland Jr.** is a vice president at Commerce Bank, Kansas City, and serves the correspondent division in northern Kansas. He joined the bank in 1963.

• **William E. Suddath** is an account rep at First National, Chicago. He joined the Banks, Bank Holding Companies and Related Activities Division in 1974 and calls on customers in several southwest and Mississippi valley states.

• **Don LacKamp** joined First National, Kansas City, last June and contacts Kansas bankers for the correspondent department. He is a graduate of Kansas State University.

• **Larry A. Morrow,** assistant cashier, American National, St. Joseph, Mo., has been with the bank four years and joined the correspondent department a year ago.

Tennessee Convention

• **Ronald B. Deal,** assistant vice president, First American National, Nashville, joined the bank in 1966, following graduation from Peabody College. He calls on correspondent banks in the western portion of Tennessee.

Pan Am BA Is Organized To Serve Hispanic Banks

The Pan American Bankers Association has been formally organized. Composed of the Hispanic-owned commercial banks in the United States, the association, whose organizational meeting was held in El Paso recently, shares common interests, identities and concerns for the Hispanic community.

Pan Am BA intends to provide the impetus for the growing Hispanic financial community in the banking industry, train and employ Spanish-speaking bank employees and develop information on government and business assistance available to Hispanic banks and communities served by them.

Initial directors of the association elected at the meeting include: Mario Quinones, president, Pan American National, Houston; W. R. Squires Jr., president, Continental National, El Paso; Paul Hernandez, president, Plaza del Sol National, Albuquerque; Eliu Romero, chairman, Centinel Bank, Taos, N. M.; Morris Herring, president, Banco International de Arizona, Tucson; Hector Godinez, chairman, Banco de Pueblo National, Santa Ana, Calif.; and Leveo Sanchez, chairman, Hemisphere National, Washington, D. C.

Mr. Romero was named association president, Mr. Sanchez, vice president, and Mr. Squires, secretary treasurer.

Banking's 'Escapades' Bared In New Arthur Hailey Novel

Is Arthur Hailey, author of the recently published novel "The Money-Changers," in the employ of the Comptroller of the Currency and the FDIC?

Those reading this yarn about the dark side of banking might think so. According to Mr. Hailey, all is not up-and-up in the high-rise banking towers of the nation and something should be done to clean out the greedy money-changers who control the economic well being of the United States.

Mr. Hailey goes to great pains to expose the dishonorable practices indulged in by his banker-characters who run the mythical First Mercantile American Bank, located somewhere in the Midwest. Practically every vice peculiar to banking is explored in this book, from bribery to conflict of interest to unrelenting greed to a cold-as-stone outlook to minorities. The perils of a rubber-stamp board are revealed first hand by the author of "Hotel," "Airport" and "Wheels."

The story concerns the rivalry between two executive vice presidents for the job of president of First Mercantile American, each of whom is eager to fill the shoes of the bank's long-time and beloved former president who succumbs to disease in the novel's first pages. One candidate is ambitious and heartless, the other is ambitious and a little less heartless. There's little doubt from the outset which man will get the job, but the journey to the top involves some intriguing story telling laced with the "must" topics that sell books today —promiscuity, homosexuality, protests by the poor and a vicious criminal conspiracy.

Nonbankers will glean considerable inside information about bank operations from Mr. Hailey, including the intricate workings of a charge card system, bank security procedures, auditing practices, how to reverse a run on a branch and what he says "really" goes on in bank ivory tower boardrooms.

The question of whether or not the banking industry has anything to fear from Mr. Hailey's revelations gives food for thought. The author's previous novels dwelt on the airline and auto industries—and look what's happened to them!—J.F.

"The Money-Changers," by Arthur Hailey, New York, Doubleday, $10.

ABA, U. S. 'Happy Birthday' Party To Highlight Tennessee Convention

IN RECOGNITION of the 100th anniversary of the American Bankers Association and the approaching bicentennial of our nation, the Tennessee Bankers Association will feature a "Happy Birthday" party on Monday, May 12, the second day of its three-day convention.

The convention's location has been switched to the Holiday Inn-Rivermont in Memphis because the hotel originally scheduled in Nashville would not have been ready in time.

Registration on Sunday, May 11, will begin in the lobby at 3 p.m. and continue until 6, when the hour-long grand-opening reception will begin in the Holiday Hall.

Monday registration will be held from 9 a.m. until 5 p.m. in the lobby. The men's golf tournament will take place at the Farmington Country Club during those same hours, while a women's tournament is planned for the morning of the next day. Appalachian National Life of Knoxville will sponsor the contests.

Tennis will be available at the University Club from 1 p.m. to 4 p.m. Monday and Tuesday.

The State Bank Division will meet concurrently with the National Division Monday at 9:30 a.m. Robert L. Lawrence of IBM will be the featured speaker. At 10:15, the State Division will convene its business session, featuring an address by Joe Hemphill, state commissioner of banking. Charles Arendale, chairman, First Tennessee Bank, Jackson, and president of the State Bank Division, will preside. Those attending the National Bank Division meeting will hear an address by Terry Buitt and Paul Black of the Memphis Branch of the St. Louis Fed. Robert E. Curry, division chairman, and president, First National, Pulaski, will preside at that meeting.

On Monday, busses will leave the Rivermont at 10:45 a.m. for the women's luncheon, to be held at the Memphis Hunt and Polo Club. During the luncheon, a fashion show will be presented by Woolf Brothers and a collection of jewelry will be modeled from Lowell G. Hays and Sons. Howard Vance, classical guitarist, will entertain during the meal.

Following the luncheon, a shopping trip is planned for the women at Kirby Woods Shopping Mall in Germantown.

For the men, a stag luncheon is planned at the Schlitz Belle. Busses will begin leaving for that event at 11.

The Board of Directors will meet at 2:30 p.m. Monday in the Gloucester Room. Final event of the day will be the 6:30 "Happy Birthday" party in Holiday Hall.

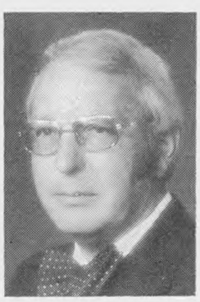
Tuesday's schedule of events will begin with the Independent Bankers Division breakfast in Ascot Hall from 7:30-9. Walter G. Birdwell Jr., division chairman, and executive vice president, Citizens Bank, Carthage, will preside.

Registration will begin at 9 a.m., while busses will begin departing for a tour of LaGrange, a town known in the past a "La Belle Village." Women attending will visit Immanuel Church, a country store and three antebellum homes—Revirie, Twin Gables and Woodlawn. For those not wishing to take such an extended tour, a trip to Goldsmith Botanical Garden in Audubon Park is planned, beginning at 9:30 a.m. and returning at 12:30 that afternoon.

MITCHELL

WEATHERFORD

BULLINER



WILLSON

TBA Chairman

John P. Wright, TBA ch., and past TBA pres., is pres., American Nat'l, Chattanooga, which he joined in 1947. He is a past pres., Robert Morris Associates, and 1955 graduate, Stonier Graduate School of Banking at Rutgers U.

Tuesday's general business session will start at 9:30 a.m. in Dunster Hall. W. W. Mitchell, TBA president, and chairman, First National, Memphis, will issue the call to order. Carl Panter, ABA state vice president, and president, Ducktown Bank, will oversee the ABA report and election.

Mr. Mitchell will then give the presidential address, followed by a speech on the economy by Dr. Paul Nadler, professor, Business Administration, Rutgers University, then an address by Governor Ray Blanton of Tennessee. Committee reports and election of officers will round out the general business session.

A luncheon Board of Directors meeting is scheduled to begin at 12:15 in the Gloucester Room. The Grand Reception is slated for 6 p.m. in the Foyer, with the Grand Banquet beginning one hour later in the Holiday Hall.

Following the formal ceremonies, a floor show will be presented. The evening will conclude with a dance, with the Memphis Brass providing the music.

TBA Officers. In addition to Mr. Mitchell, other officers of the TBA the past year have been: president-elect, Jack Weatherford, chairman and CEO, Murfreesboro Bank; first vice president, Hugh Willson, president, Citizens National, Athens; and second vice president, Jack Bulliner, president, First State, Henderson.

Mr. Mitchell joined First National, Memphis, in 1935 and rose to senior vice president in 1956 and executive vice president in 1960. He was elected a director in 1961, became president in 1969, chairman in 1971 and CEO in 1973. Mr. Mitchell had charge of the loan department from 1957-1960

(Continued on page 108)

Tennessee Bankers Association Convention
May 11-13th · Hotel Rivermont · Memphis

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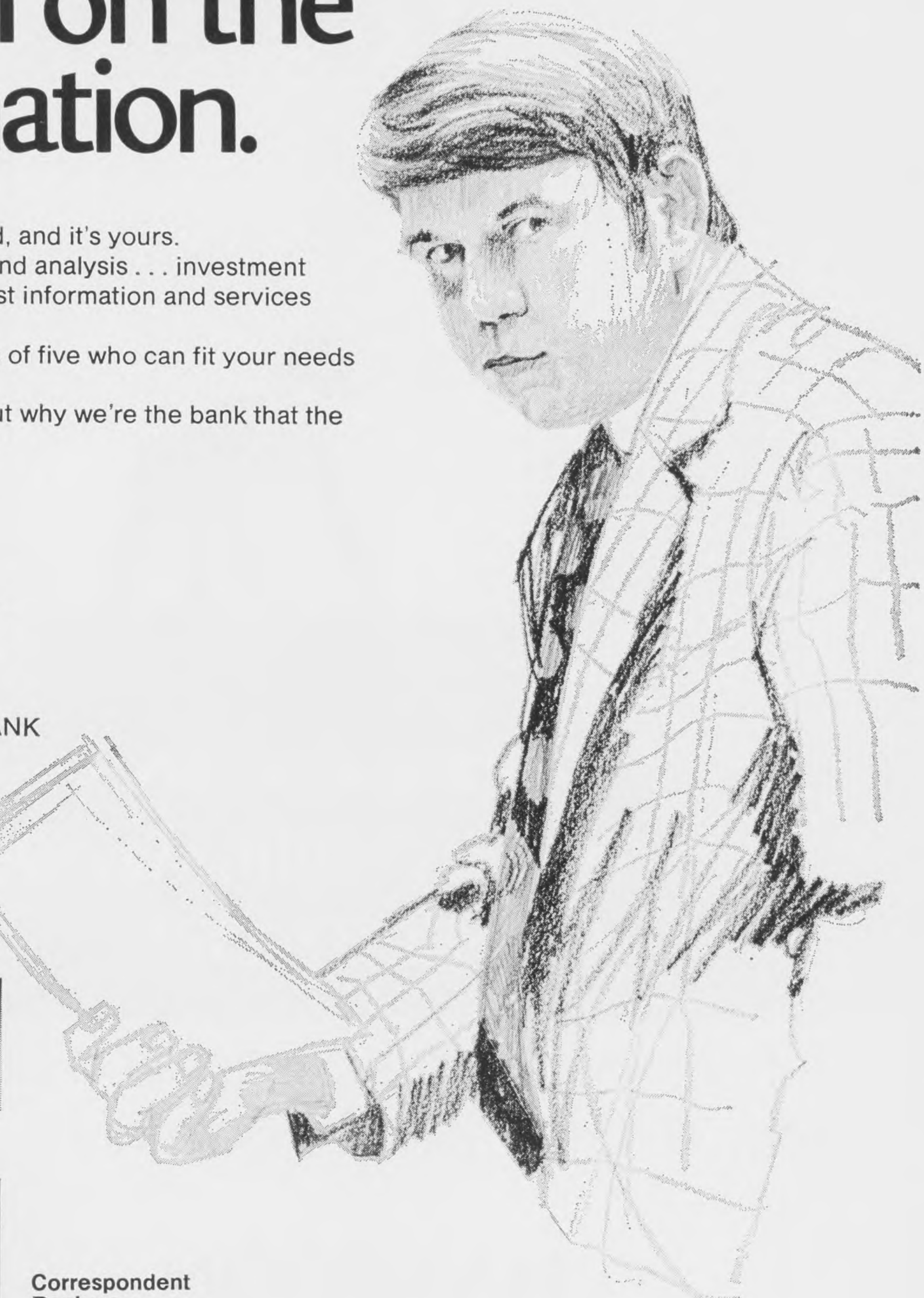

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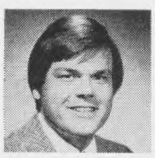


Scott Martin

Charles Rice
Department Manager

Correspondent Bankers

Oklahoma Convention

President

TUCKER

OBA Pres. Morrison G. Tucker is ch., Will Rogers Bank, Okla. City, and is associated with four other local banks. He retired from Liberty Nat'l, Okla. City, in 1969 and remains an advisory dir.

Pres.-Elect

KELLY

Tracy Kelly, OBA pres.-elect, is pres. and ch., American Nat'l, Bristow, and ch., Citizens State Bank, Okemah. He also serves as dir. and treas., Mid America Automated Clearing House (MACHA), Kansas City, Mo.

Tulsa, May 13-15

Headquarters—Mayo Hotel

PROGRAM

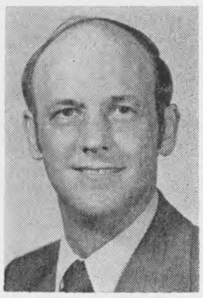
FIRST SESSION, 9:15 a.m., May 14

Call to Order—MORRISON G. TUCKER, president, Oklahoma Bankers Association, and chairman, Will Rogers Bank, Oklahoma City.
Introduction of New Members, 50-Year Club.
Address—"Oklahoma's Stake in Energy"—ROBERT E. THOMAS, chairman and president, MAPCO Inc., Tulsa.
Address—"AIB Anniversary Message"—RICHARD L. KILLMON, vice president, Fidelity Bank, Oklahoma City.
Address—DR. RAYMOND JALLOW, senior vice president and chief economist, United California Bank, Los Angeles.
President's Message—MORRISON G. TUCKER.
Presentation of Service Awards.
Adjournment.

SECOND SESSION, 9:15 a.m., May 15

Call to Order—MORRISON G. TUCKER.
Meeting of ABA Membership—RON MURRAY, vice president, First National, Oklahoma City.
Address—"Trends in Banking"—JAMES H. JONES, chairman and CEO, First National, New Orleans.
Address—"Success Comes in Cans"—DR. JAMES BLAKELEY, Wharton, Tex.
Election of Officers.
Message of New President—TRACY KELLY, president, American National, Bristow.
Adjournment.

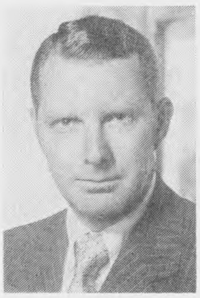
Treasurer



LAMPL

H. Harber Lampl, pres., American Nat'l, Shawnee, is OBA treas. He began his banking career with his present bank in 1949, becoming pres., 1970.

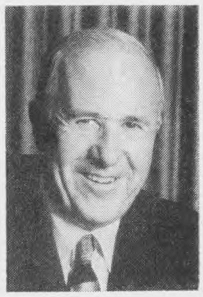
Convention Speakers



JONES

BLAKELEY

JALLOW



THOMAS

These four speakers will appear at the Oklahoma convention in Tulsa. They are (from l.) James H. Jones, chairman and CEO, First National, New Orleans; Dr. James Blakeley of Wharton, Tex.; Dr. Raymond Jallow, senior vice president and chief economist, United California Bank, Los Angeles; and Robert E. Thomas, chairman and president, MAPCO Inc., Tulsa.

Energy, Banking Trends Are Topics Of This Year's Oklahoma Convention

THOSE IN attendance at the 1975 Oklahoma Bankers Association convention in Tulsa will find it a busy time May 13-15. Two of the event's main topics will be "Oklahoma's Stake in Energy" and "Trends in Banking."

Registration will begin at 8 a.m. in the Mayo Hotel lobby May 13, while an 8:30 shotgun start golf tournament is slated for the East Course of the Indian Springs Country Club. The OBA men's doubles tennis tournament is scheduled for the Tulsa Southern Tennis Club from 9 a.m.-6 p.m.

Exhibits will open on Tuesday, May 13, in the Mayo Hotel lobby, at 1 p.m., and open houses are to be held from 3:30-6:30 and after the 7:30 dinner, which will be served in the Tulsa Civic Assembly Center.

A feature on Tuesday afternoon will be a bank structure workshop beginning at 2 p.m. and lasting until 3:30 p.m. Morrison G. Tucker, OBA president, and chairman, Will Rogers Bank, Oklahoma City, will moderate. Panel members will include the following Oklahoma City people: Don Harr, executive vice president, IBA; Vic Thompson Jr., president of the Oklahoma Financial Education Association; and W. V. Allison, president of Citizens for Convenient Banking.

The Civic Center will be the site of a social hour, beginning at 6:30. Following the dinner, to be presided over by Paul H. Mindeman, senior vice president and senior trust officer at National Bank, Tulsa, Barry Switzer, University of Oklahoma's head football coach, will address the audience on "What It Takes to Be a Winner."

Wednesday's schedule will begin with 8 a.m. registration in the Mayo Hotel lobby and the first general business session will start at 9:15 a.m. in the First of Tulsa auditorium.

Following the call to order by OBA President Morrison G. Tucker, there will be an introduction of the new 50-Year Club members. Robert E. Thomas, chairman and president of MAPCO Inc., Tulsa, will then speak on "Oklahoma's Stake in Energy," followed by the "AIB Anniversary Message," by Richard L. Killmon, vice president of Fidelity Bank, Oklahoma City. Dr. Raymond Jallow, senior vice president and chief economist at United California Bank, Los Angeles, will then address the assembly. To complete the segment, Mr. Tucker will give the president's message, followed by presentation of the service awards and adjournment for lunch.

OBA Chairman to Retire

Glenn P. (Red) Ward, 1974-75 OBA ch. and immediate past pres. of the association, will retire from the former position after this years' convention May 13-15 in Tulsa. He entered banking in 1952 as an agriculture representative with F&M Bank, Tulsa, becoming a.v.p. of business development there in 1953. Mr. Ward joined Fourth National, Tulsa, in 1959.

After the half-hour "Men's Personality Adjustment Period," which begins at noon in the foyer of the Crystal Ballroom, the men's luncheon will be served in the ballroom.

Exhibits will open at 1:30 that afternoon in the hotel lobby, followed at 5 by a social hour at the Civic Assembly Center Arena. A western-style buffet dinner is scheduled to commence at 6, with entertainment by Hank Thompson and His Brazos Valley Boys, Leroy Van Dyke and the Auctioneers and Tommy Overstreet and the Nashville Express.

May 15, the final day of the convention, will start with the 9:15 a.m. call to order by the president, of the second general business session in the First of Tulsa auditorium. A meeting of the ABA membership will then ensue, with Ron Murray, vice president of First National, Oklahoma City, presiding. Purpose of the meeting will be to elect a member of the governing council and a nominating committee member and alternate.

James H. Jones, chairman and CEO of First National, New Orleans, will then discuss "Trends in Banking," followed by Dr. James Blakeley's address, "Success Comes in Cans." Dr. Blakeley is from Wharton, Tex.

After the speakers, the election of officers will be held. The 1975-76 OBA president, Tracy Kelly, who is president of American National, Bristow, will offer the message of the new president. The convention will then be adjourned.

Several special activities will take place in conjunction with the convention. On Monday, May 12, will be the 7 p.m. Past Presidents Club Dinner in the Fourth National Bank Building's Summit Club. Presiding will be Convention Chairman Glenn P. (Red) Ward, senior vice president of Fourth National, Tulsa, and immediate past OBA president.

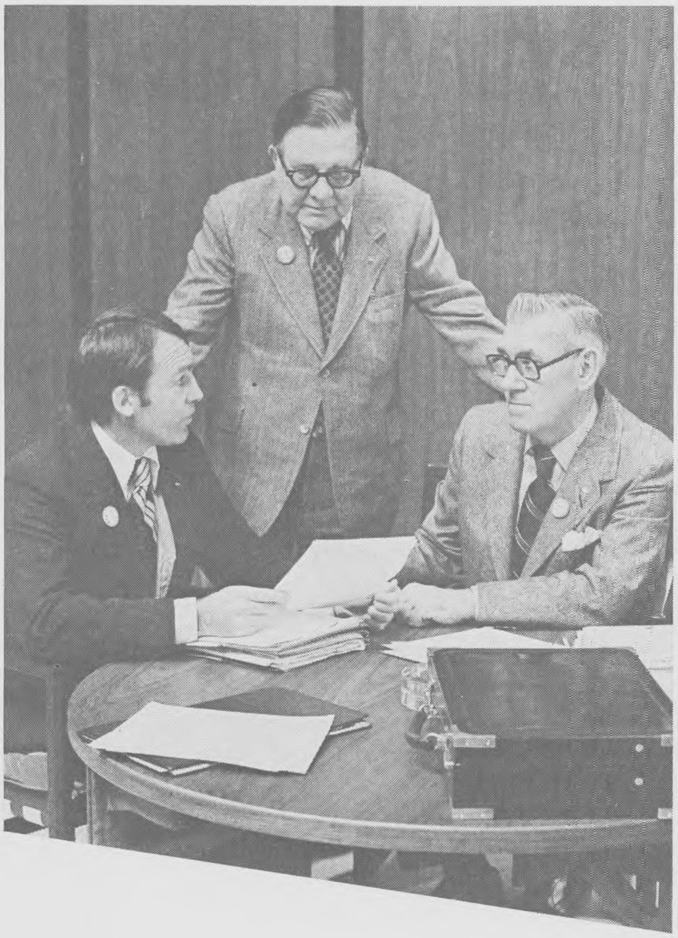
Tuesday's special activities will begin at 11 a.m., when conventioneers can register in the hotel mezzanine for Trust Division activities. At noon, a luncheon will be held in the Pompeian Court, featuring an "Update of Trust Activities on the National Scene" by Kenneth P. Gibbons, director, ABA trust division. Election of officers will then be held, followed by two workshops from 2:30-4.

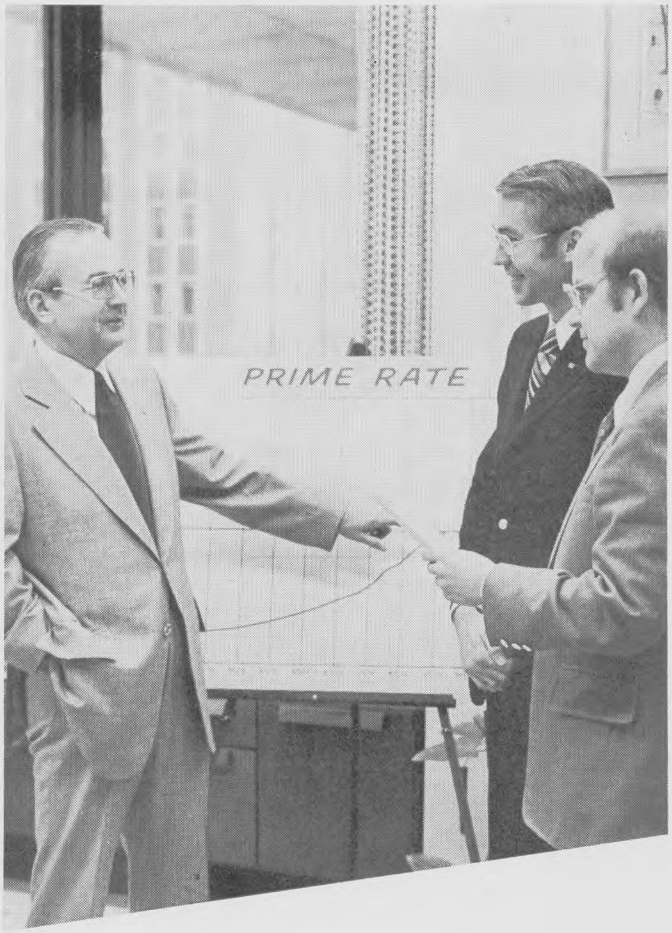
The first of the two will concern itself with trust investment and its panel will include Bill Bequette, Ken Brown and Neal Seidle. The second, entitled "Employee Retirement Income Security Act of 1974 Workshop (1974 Pension Reform Act)" will feature Jim Dodd, Andy Landford and C. A. Hartwig.

Wednesday's special events are a number of breakfasts, to begin at 7:45. The 50-Year Club breakfast will take place in the Golden Flame Room. Another will be held by the School of Banking of the South, Homer Paul presiding. Other morning meals have been arranged by the Stonier Graduate School of Banking, Madison Graduate School of Banking Club and the National Association of Bank-Women. • •

Bank Moves Sculpture

An original Harry Bertoia sculpture has been relocated to "The People Place," an inner-city park under construction in the First Place Plaza of First National, Tulsa. The sculpture was originally installed in First National's Autobank and dedicated in 1958.





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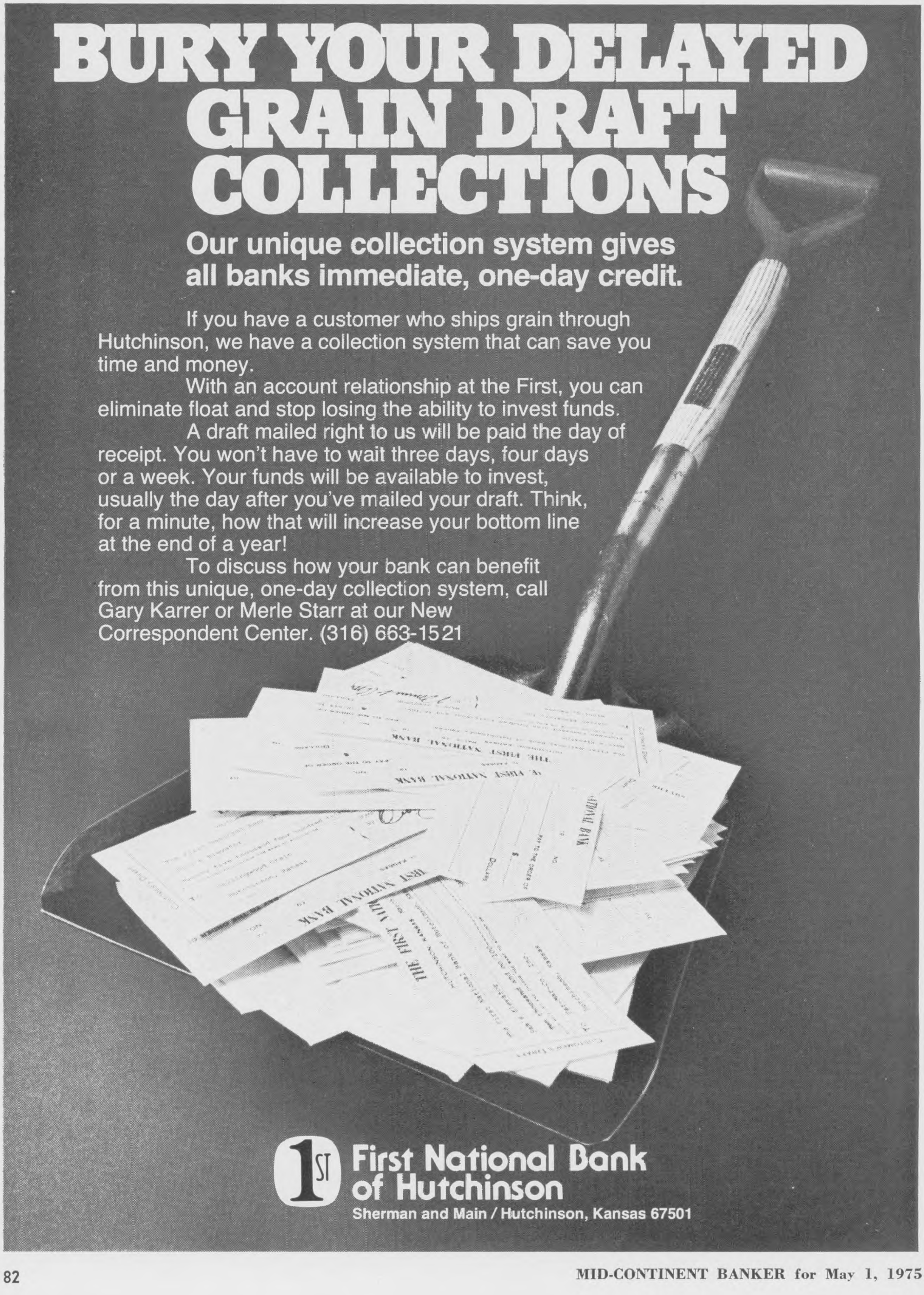
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Kansas Convention

President

JENNISON

Robert H. Jennison, KBA pres., is pres., First State, Healy, which he joined as cash. in 1937. He also is pres., First State, Ransom, and Security State, Scott City.

Topeka, May 14-16

Headquarters—Ramada Inn

PROGRAM

FIRST SESSION, 2:15 p.m., May 15

The Governor's Views on Banking—ROBERT F. BENNETT, governor of Kansas.

Commentary of the President—ROBERT H. JENNISON, president, Kansas Bankers Association, and president, First State, Healey.

50-Year Club Induction—J. R. AYRES, president-elect, Kansas Bankers Association, and president, Citizens State, Miltonvale.

American Bankers Association Elections—LINTON C. LULL, American Bankers Association state vice president, and president, Smith County State, Smith Center.

Address—U. S. SENATOR JAMES B. PEARSON (R.,Kan.).

SECOND SESSION, 10 a.m., May 16

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

EFTS Film—"The Future in Your Hands"

Presentation of Awards—DERYL SCHUSTER, regional director, Small Business Administration, Kansas City, Mo.

AIB Commemoration Presentation—VAUGHN HOSMANN, member, AIB 75th-anniversary committee, and president, Raytown (Mo.) Bank.

Installation of Officers and Regional Representatives.

Address—U. S. REPRESENTATIVE MARTHA KEYS (D.,Kan.).

Pres.-Elect

AYRES

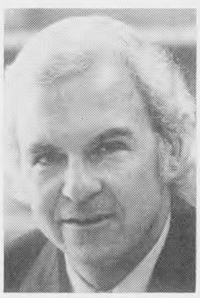
J. R. Ayres, KBA pres.-elect, is pres., Citizens State, Miltonvale, which he helped organize in 1946. He began his banking career with Greenleaf State and is a former KBA chairman.

Treasurer

MARSHALL

Elwood Marshall, KBA treas., is pres., Home Nat'l, Eureka. He has served there since his teen years, except for a period with Bank of America in Los Angeles and three years in public accounting.

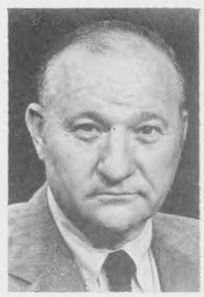
Convention Speakers



BARNES

BENNETT

KEYS



PEARSON

These four speakers will appear at the Kansas convention in Topeka. They are (from l.) Dr. Ron Barnes, senior associate and director of seminars, Center for Applied Behavioral Sciences of the Menninger Foundation, Topeka; Governor Robert F. Bennett of Kansas; U. S. Representative Martha Keys (D.,Kan.); and U. S. Senator James B. Pearson (R.,Kan.).

'Fiesta Topeka' Is KBA Theme For This Year's Convention To Be Held May 14-16

Chairpersons of events for the KBA convention are pictured at a planning session. Seated, from l.: Marilyn Ellenz, Rich Campbell, Chairman Lanny Kimbrough, Ann Rolley and Jacque Kimbrough. Standing, from l.: Al Moore, Dan Bonine, Darv Hawley, Sims Firestone, Greg Studer, Duane Fager, Russ Watkins, Sewall Macferran, John Fernstrom and Bruce MacElvaine. Not pictured: Maurice Fager, Anderson Chandler, Elmer Beck and Bill Dickerson.

Those attending this year's Kansas Bankers Association convention will have the opportunity to mix plenty of pleasure with business. Theme of the May 14-16 event is "Fiesta Topeka," and headquarters will be the Ramada Inn Downtown.

A men's golf tournament, to begin at 7:30 a.m., Wednesday, May 14, is slated for the opening event of the convention. Sites for the tournament will be the Topeka Country Club and the Shawnee Country Club.

Convention registration will begin at 8 a.m. in the Ramada Inn lower level.

A women's golf and tennis event, to occur at the Topeka Public Golf Course and the Topeka Country Club, respectively, begins at 1 p.m. the first day. "Fiesta Topeka's" final first day happening will be a welcome party beginning at 6 p.m. at the Ramada Inn poolside. Tony Dipardo's Orchestra will provide the entertainment.

Registration on the second day of the KBA convention, Thursday, May 15, will begin at 8 in the morning and continue until 8 that evening. The Governing Council breakfast and meeting will be held in the Ramada Inn South Lower Lounge, beginning at 8 a.m.

One of the special events will begin at 10 a.m. Thursday at Washburn University's Theater in the Round, when Dr. Ron Barnes will present the Menninger Foundation symposium, "Getting Along With People." Dr. Barnes is a senior associate and director of seminars in Menninger's Center for Applied Behavioral Sciences.

The symposium will be followed by a picnic lunch in the Mulvane Museum courtyard, weather permitting.

Several concurrent luncheons will be held at 12:15, in addition to the picnic. In the Ramada Inn, Parlor B, will be the Schools of Banking luncheon, featuring Dick Doolittle, administrator of the Graduate School of Banking, Madison, Wis. The Kansas Flying Bankers will have their midday meal in the Don Quixote room of the Holiday Inn Downtown, the YBOK luncheon will occur at the Topeka Town Club and the 50-Year Club will have its luncheon at the Ramada Inn, Gold Room, Le Flambeau.

At 2:15 p.m. Thursday, the first general session will begin in the Ramada Inn Ballroom. Governor Robert F. Bennett of Kansas will give his views on banking; R. H. Jennison, KBA president, and president, First State, Healy, will provide his commentary; the 50-Year Club induction will then take place, with J. R. Ayres, KBA president-elect, and president, Citizens State, Miltonvale, presiding; Linton C. Lull, state ABA vice president, and president, Smith County State, Smith Center, will oversee the ABA elections; and then there will be an address by U. S. Senator James B. Pearson (R., Kan.).

May 15 evening events will be kicked off by a social hour, to start at 6, at the Ramada Inn poolside. Dinner will be held in the Municipal Auditorium Arena at 7, and 8:30 will be the starting time for entertainment by country-western singer Jody Miller and comedian-instrumentalist Glenn Ash.

The men's breakfast, beginning at 7:30, Friday, May 16, will feature Bud Moore, head football coach, Kansas University, and the awarding of golf tournament prizes. A 9:15 press conference will be held in the Ramada Inn's Parlor D.

The Ramada Inn Ballroom will be the site of the second general session, beginning at 10 a.m. There will be an address by J. Rex Duwe, ABA president-elect and president, Farmers State, Lucas, followed by the EFTS film, "The Future in Your Hands." Presentation of awards will be by Deryl Schuster, regional director, Small Business Administration, Kansas City, Mo. Final events of the session will be the AIB commemoration presentation by Vaughn Hosmann, member, AIB 75th-anniversary committee, and president, Raytown (Mo.) Bank; installation of officers and regional representatives; and an address by Martha Keys, Democratic U. S. representative from Kansas.

A noon champagne luncheon will top off the convention.

Committee chairmen. General chairman for the convention is Lanny Kimbrough, vice president and trust officer, Highland Park State, Topeka, and vice chairman is Rich Campbell, vice president and cashier, North Plaza State, Topeka.

Committee chairpersons, all from Topeka banks, include: budget, Sewall

Pinnick, Schwartz, Bartels Are Nominees For KBA Posts

PINNICK

SCHWARTZ

BARTELS

Floyd V. Pinnick and L. M. (Mike) Schwartz are the two contestants in this year's race for KBA pres.-elect and James Bartels is the nominee for KBA treas. Mr. Pinnick is pres., Grant County State, Ulysses, and presently serves on the KBA Governing Council and Board. He also is ch., KBA Standing Committee on EFTS. Mr. Schwartz is pres., Citizens State, Paola, and dir., American State, Osawatomie. Mr. Bartels is pres., Farmers State, Hays, and Bushton State. Installation of officers will take place during the KBA convention's second general session, Friday, May 16, at 10 a.m.

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"MEN OF SECURITY"

Refreshments, Buffet
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The continued hospitality of Security National will not conflict with official KBA functions.

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Macferran, president, First State; golf tournament, Duane Fager, vice president, Commerce State; facilities and transportation, Bruce MacElvaine, vice president, Southwest State; publicity, Bill Dickerson, executive vice president, Capital City State; welcome party, Al Moore Jr., assistant vice president, Commerce State; men's breakfast, Russ Watkins, president, Fairlawn Plaza State; registration, John Fernstrom, assistant vice president, Kaw Valley State; women's golf and tennis and Menninger Symposium, Ann Rolley and Jacque Kimbrough; housing, Sims Firestone, vice president, Topeka State; Thursday night social, banquet, entertainment, Maurice Fager, senior vice president, First National; champagne luncheon, Dan Bonine, assistant vice president, Merchants National; 50-Year Club luncheon, Elmer Beck, executive vice president, Topeka State; Kansas Flying Bankers, Anderson Chandler, president, Fidelity State; Schools of Banking, Darvin Hawley, senior vice president, Merchants National; and YBOK luncheon, Greg Studer, assistant vice president, Fidelity State.

12 Officers to Retire From KBA Gov. Council

Twelve officers will retire from the KBA Governing Council this year. Of that number, six are regional vice presidents.

Retiring regional vice presidents are: 1. R. R. Domer, executive vice president, Security National, Kansas City; 2. Dean W. Daniel, president, First National, Coffeyville; 3. Wendell D. Gugler, executive vice president, Farmers National, Abilene; 4. Noel Estep, executive vice president, Southwest National, Wichita; 5. Dean D. Haddock, president, Guaranty State, Beloit; 6. Clarence A. Wilson, director, Home State, LaCrosse, chairman, Farmers State, Albert, and president, Central Kansas Bankshares, Hutchinson.

Also retiring are Charles Brisendine, executive vice president, Citizens State, Liberal; W. D. Bunten, executive vice president, Merchants National, Topeka; Keith Kehmeier, chairman, Citizens State, St. Francis; Linton C. Lull, president, Smith County State, Smith Center; Robert V. McGrath, chairman and president, Boulevard State, Wichita; and Theodore Meyer, president, Mission State.


DOMER


ESTEP

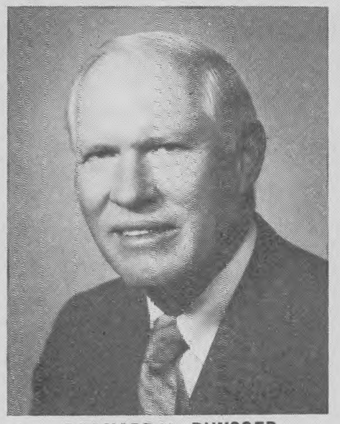

DANIEL


HADDOCK


GUGLER


WILSON

HENRY G. BLANCHARD

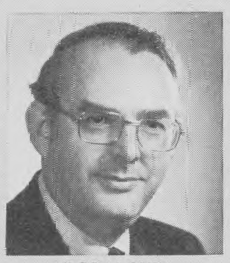


BERNARD J. RUYSSER

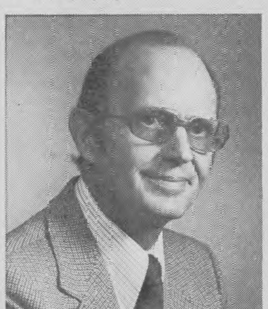
FRED DUNMIRE

MAX DICKERSON

JACK MUELLER

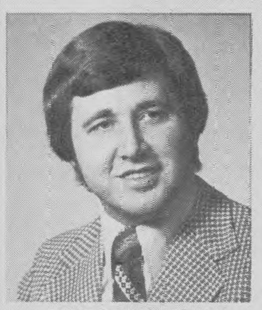


BOB LOYD

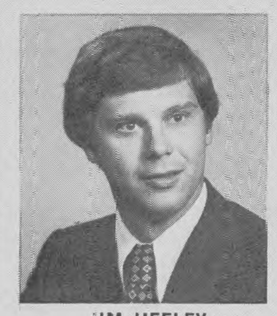


JACK MARKEY

JOHN STRUBE



FARRELL McATEE



JIM HEFLEY

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KDCC Reports Another Growth Year; Provides $17.5 Million in Loans

KANSAS DEVELOPMENT Credit Corp. (KDCC), Topeka, reported a year of growth at its annual meeting. KDCC had more than $17.5 million in loan services to Kansas businesses and industry in 1974.

Of the $17.5 million, $3.8 million was for loan approvals and commitments, $10.7 million in working secondary money market loans, coupled with over $1 million in loan payouts. Principal reductions totaled $1.1 million.

According to William Drenner, KDCC chairman and executive vice president, First National, Topeka, approved loans alone helped generate or sustain an estimated 1,000 jobs and $7 million in payrolls.

Entitled "Kansas Funds Promote Kansas Jobs," the program has purchased and resold Small Business Administration guaranteed bank loans for over $16 million since 1971. Of those, $10.7 million are working loans still on the books. Participation in the "Kansas Funds" program by state pension systems, insurance companies, banks and others has sustained an estimated 300 jobs and $2 million in payrolls.

In addition, groundwork has been prepared for creation of Kansas Venture Capital, Inc., a risk capital organization. It will be a fully licensed small business investment company and will operate under KDCC's umbrella.

Since KDCC's 1965 beginning, $51.3 million in loans and secondary money market loans have been generated by the corporation. These services have generated or sustained an estimated 12,700 jobs and $41 million in payrolls.

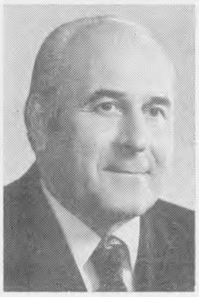
During the annual KDCC election of officers and directors, John J. Sullivan Jr., president, Roeland Park State, was named chairman, succeeding Mr. Drenner.

Others elected were: vice chairman, J. Rex Duwe, chairman and president, Farmers State, Lucas, and ABA president-elect; president, George L. Doak of Topeka; vice president, Larry J. High of Topeka; vice president and treasurer, Maurice E. Fager, sr. vice president, First National, Topeka; and secretary, Ellen M. Tyrell of Topeka. • •

KBA Chairman

Henry G. Blanchard, KBA ch., is ch., Commercial Nat'l, Kansas City, which he joined in 1947. He is a past pres., Greater Kansas City Clearing House Assn. Mr. Blanchard is immediate past pres., KBA.

■ LESTER C. CARLSON has been promoted from comptroller to vice president and comptroller at Merchants National, Topeka, and Marjorie Heck has been elevated to assistant vice president. Bernie Finney, Jack R. Shutt, Robert W. Spruill, Edward D. Marchant, Joyce Binkley and Philip W. Williams have been named assistant cashiers. Mr. Carlson joined the bank in 1969 and Miss Heck, in 1943.



BUTTON

■ A. DWIGHT BUTTON, chairman, Fourth National, Wichita, has been named honorary initiate for 1975 by Alpha Kappa Psi Fraternity, Gamma Upsilon Chapter, Wichita State University's College of Business Administration. Alpha Kappa Psi, a professional business fraternity, has primary objectives of furthering the welfare of its members, fostering scientific research in the fields of commerce, accounts and finance and promoting and advancing educational environments leading to degrees in business administration.

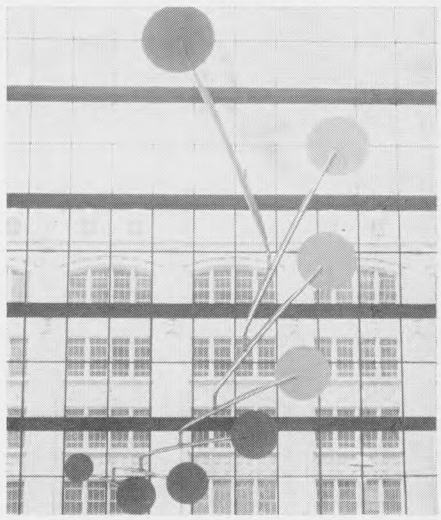
■ DARWIN E. BAKER has been named assistant vice president at Lenexa State. He formerly was with Indian Springs State, Kansas City, as an installment loan officer and vice president. Mr. Baker is installment loan supervisor at Lenexa State.

■ LAWRENCE W. MAGETTE has been named vice president, commercial loan department, East Side Bank, Wichita, and Michael C. Bigheart has joined the bank as marketing officer. Mr. Magette formerly was manager, Huntington Beach Branch, Security Pacific National, Los Angeles, a position he held for 10 years. Mr. Bigheart served as credit manager and then as assistant cashier, Union National, Wichita, since 1971. In his new position he will call on commercial businesses in the city.

■ CONSTRUCTION has begun on a new, 3,600 square foot permanent facility for Boulevard State's Woodlawn Office, Wichita. Scheduled for a late summer opening, the new structure will replace a temporary building which has been providing walk-in and drive-in service since last July. Mrs. Jeanette Nikkel is manager of the new facility, which will feature three drive-in service windows and five inside teller windows.

■ THE FED has approved a move by Tipton Insurance Agency, Inc., to become an HC through acquisition of Tipton State Bank and Tipton Insurance Agency.

Calder Mobile Positioned



This 47-foot-high Alexander Calder mobile, created for Fourth Financial Center, Wichita, is now suspended from the 130-foot skylight ceiling of the structure's courtyard. Entitled "Mobile fait d'demontables" (Collapsible Elements), the large, heavy-gauge aluminum discs are scaled in size and are colored in red and yellow. The entire piece, Calder's largest, weighs approximately two tons, and the suspension mechanism had been pre-designed as part of the original steel structure of the building. The creation was constructed under the artist's supervision in his Biemont ironworks on the outskirts of Tours, France.

ALL the "MEN" have gone to the KBA Convention in Topeka...

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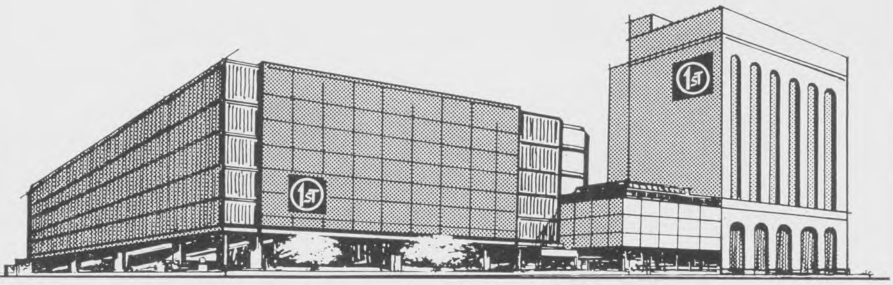

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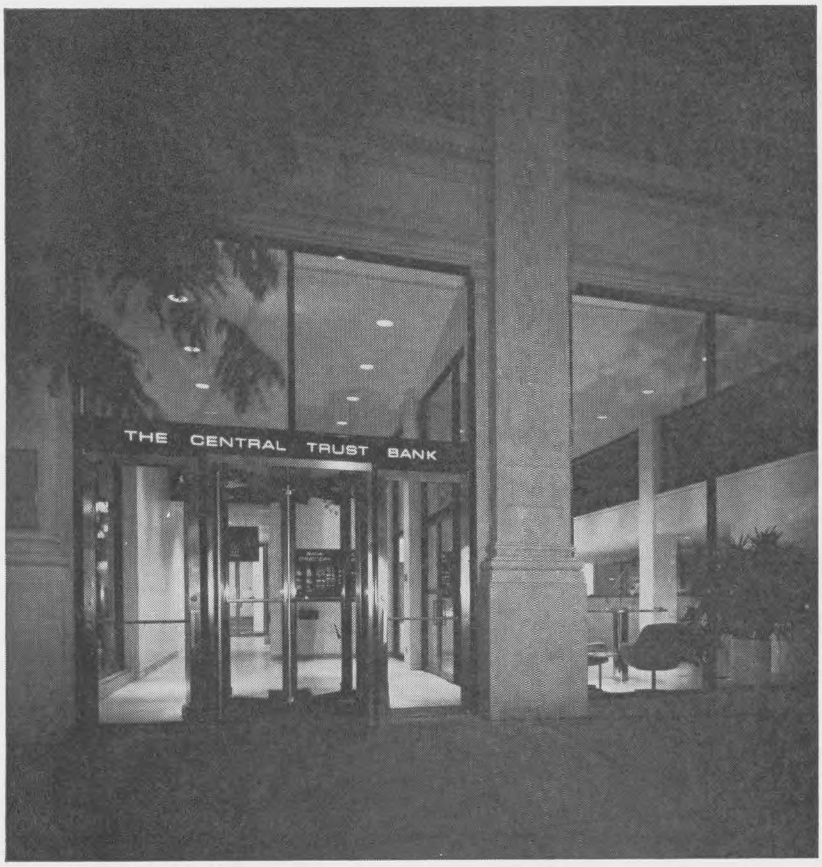

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Missouri Convention

President

RISLEY

Charles W. Risley Sr., MBA pres., joined Excelsior Trust, Excelsior Springs, in 1941. He became sec.-treas. in 1945 and was named pres. in 1966.

Vice President

PFLEGING

Richard J. Pfleging, MBA v.p., is pres., Bank of St. Ann, which he joined in 1964. A native of New York, he was with the New York Fed before joining Brentwood Bank in 1961.

Treasurer

RICHMOND

Charles K. Richmond, MBA treas., joined American Nat'l, St. Joseph, in 1946. He became an officer there in 1949 and was named e.v.p. in 1973.

Kansas City, May 11-13

Headquarters—Crown Center Hotel

PROGRAM

FIRST SESSION, 1:30 p.m., May 12

Presiding—WILLIAM O. WEIS, chairman, convention committee, and vice president, First National, Kansas City.
Welcome—BRUCE RICE, sports director, KCMO-TV, Kansas City.
Address—GEORGE A. LeMAISTRE, director, FDIC, Washington, D. C.
Remarks—C. W. RISLEY SR., MBA president, and president, Excelsior Trust, Excelsior Springs.
Introduction of Regional Vice Presidents and Secretaries and Chairmen of Standing and Special Committees.
Executive Vice President's Report—FELIX LeGRAND, Jefferson City.
Treasurer's Report—CHARLES K. RICHMOND, MBA treasurer, and president, Bank of St. Ann.
Report of Committee on Nominations.
Election of Officers.
Announcements and Adjournment.

SECOND SESSION, 9:45 a.m., May 13

Call to Order—C. W. RISLEY SR.
Meeting of Missouri Members of the American Bankers Association—JAMES J. LANNING, ABA state vice president, and chairman and president, Red Bridge Bank, Kansas City.
Address—ELMER W. LOWER, vice president, corporate affairs, American Broadcasting Companies, Inc., New York.
Address—WILLIAM McNEALY, group vice president, North American Marketing, American Motors Corp., Detroit.
Announcements.

THIRD SESSION, 2 p.m., May 13

Call to Order—C. W. RISLEY SR.
AIB—75 Years of Banking Education—E. VAUGHN HOSMANN, president, Raytown Bank.
A Survival Kit for Today's Banker—SOMERS H. WHITE, president, Somers H. White Co., Phoenix.
Installation of Officers.
Report of Committee on Resolutions.
Unfinished Business.
New Business.
Announcements and Adjournment.

Convention Speakers

RICE

LeMAISTRE

WHITE

Among the speakers at this year's MBA convention will be Bruce Rice, sports director, KCMO-TV, Kansas City; George A. LeMaistre, director, FDIC, Washington, D. C.; and Somers H. White, president, Somers H. White Co., Phoenix.

KC Is Site for Convention; 'Put It All Together' Is Theme for 1975

KANSAS CITY—"Tune In, Turn On —Put It All Together in '75" is the theme of the 1975 convention of the Missouri Bankers Association, to be held at the Crown Center Hotel here. Dates for the event are May 11-13.

Sunday's schedule begins at 2 p.m., when the registration desks open in the Century Foyer, followed by the opening of the commercial exhibits in the Century Room at 4.

A golf tournament begins 8 a.m. Monday at the Liberty Hills Country Club, with a tennis tournament beginning one hour later at the Kansas City Racquet Club. Registration and commercial exhibits open at 9 a.m., in the Century Foyer and the Century Room, respectively. At 9:30, First Missouri Development Finance Corp. will hold a stockholders' meeting and breakfast in the President's Room and the nominating committee will meet in the Senator's Room at 10, followed by the meeting there at 11 of the resolutions committee. The sergeants-at-arms meeting will be held in the Independence Room at 11 and the 50-Year Club reception and luncheon is scheduled for 11:30 in the Mission Room. A women's luncheon has a noon starting time.

Members of MBA convention committee pose during meeting. Seated, from left: Roy Schumacher, MBA dir. of public relations; George Stemmler Jr., Stemmler, Fisher Associates, St. Louis; Robert Townsend, public relations and advertising, Shawnee Mission, Kan.; Charles L. Richardville, a.v.p., Leawood Nat'l, Kansas City; C. W. Risley, MBA pres., and pres., Excelsior Trust, Excelsior Springs; Bill Weis, v.p., First Nat'l, Kansas City; Jack Wagner, a.v.p., Livestock Nat'l, Kansas City; Bob Fitzpatrick, formerly v.p., Traders Nat'l, Kansas City, now v.p., Security Nat'l, Kansas City, Kan.; Bill Gilmor, a.c., Bank of Independence; Bill Fisher, a.v.p., First Nat'l, Kansas City. Standing, from left: Mel Schroeder, v.p., Mercantile Bank, Kansas City; Bill Walsh, Jack Morton Productions, Inc., Chicago; Sylvia Greer, MBA; Bill Stephensen, MBA admin. asst.; Frank Greiner, a.v.p., Commerce Bank, Kansas City; Paul Rossan, sr. v.p., First Nat'l, Kansas City; Felix LeGrand, MBA e.v.p. Not pictured are Stan Samberg, v.p., Merchants-Produce, Kansas City; Ben Adams, a.v.p., United Mo., Kansas City; Bob Plummer, v.p., Columbia Union, Kansas City; Richard Pfleging, MBA v.p., and pres., Bank of St. Ann.

The first general business session will begin in the Centennial Room at 1:30 p.m. and an informal mixer and dance will be held from 9 p.m. to midnight, featuring the Levee Singers from Dallas.

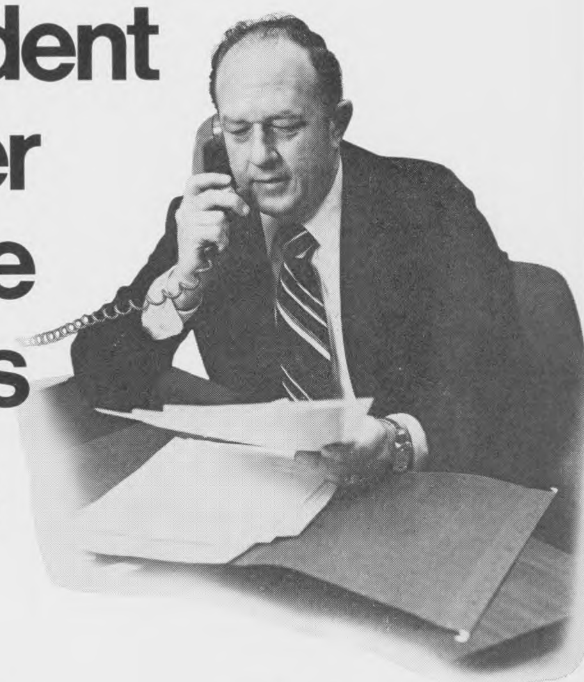
Tuesday's events will begin at 7:30 a.m., with the School of Banking of the South alumni breakfast in the Penn Valley Room. Registration opens at 9 in the Century Foyer, with commercial exhibits having the same opening time in the Century Room.

The second general business session has a 9:45 a.m. starting time in the Centennial Room. The third general

Convention Entertainment

Appearing at the Monday night mixer and dance will be the Levee Singers from Dallas. Mixer will begin at 9 p.m.

You'll like Our New Correspondent Officer because he knows the business outside in and inside out!



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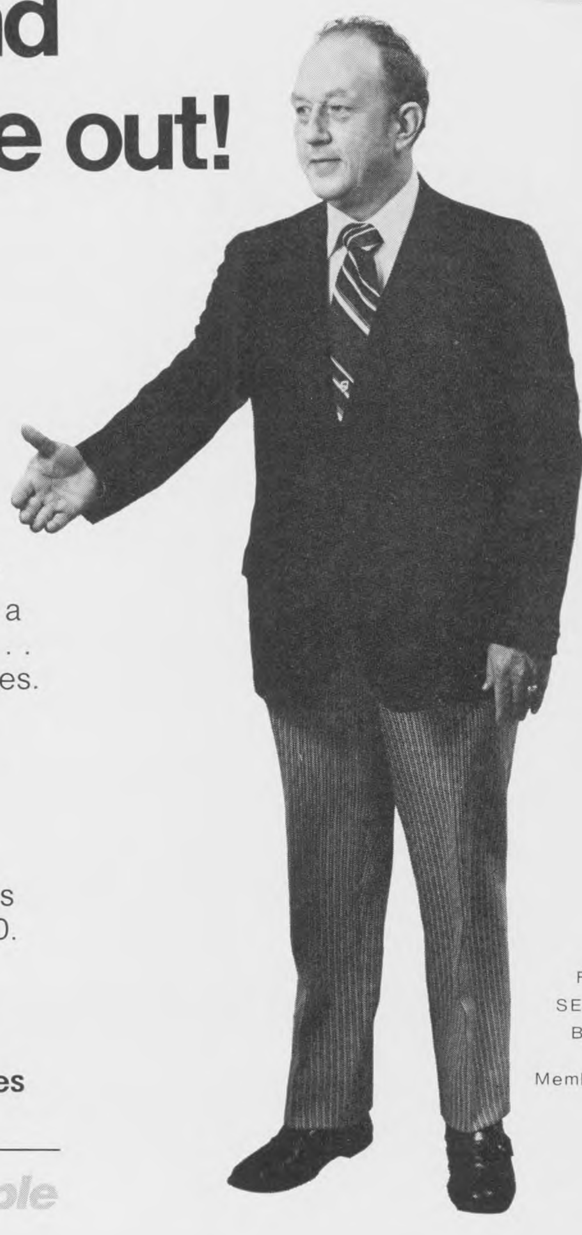

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business session begins in that room at 2 p.m., followed by a cocktail party in the Century Lounge and the Garden Terrace. Hosts of the cocktail party are the following Kansas City banks: Columbia Union National, Commerce Bank, First National, Livestock National, Mercantile Bank, Traders National and United Missouri. A 7 p.m. informal president's banquet is slated for the Century Ballroom.

William O. Weis, vice president, First National, Kansas City, is chairman of the convention committee, and John H. Obermann, president, Mercantile-Commerce Trust, St. Louis, is vice chairman.

Serving on the convention committee are Kansas City bankers Ben Adams, assistant vice president, United Missouri; Joe Archias, assistant vice president, Baltimore Bank; William J. Fisher, assistant vice president, First National; W. R. Fitzpatrick, formerly vice president, Traders National, now vice president, Security National, Kansas City, Kan.; Frank Greiner, assistant vice president, Commerce Bank; Robert V. Plummer, vice president, Columbia Union National; Charles Richardville, Leawood National; Paul Rossan, senior vice president, First National; Stan Samberg, vice president, Merchants-Produce Bank; Mel Schroeder, vice president, Mercantile Bank; and Jack Wagner, assistant vice president, Livestock National.

Other convention committee members include Paul M. Ross, senior vice president, First Union, St. Louis, and William Gillmor, operations officer, Bank of Independence.

50-Year Club Additions To Be Inducted May 16

The MBA 50-Year Club luncheon, which will be held Monday, May 12, at Kansas City's Crown Center Hotel, is scheduled to begin at 12:15 p.m., following an 11:30 reception. According to James B. Courrier, 50-Year Club secretary and assistant vice president, First National, St. Louis, the new members will bring the club roster to 227.

New additions from the St. Louis area include Julius A. Schaan (ret.) and Ernest D. Willer, assistant vice president, Boatmen's National; Julius Lind of First National (ret.); Edward W. Krite, president, American National; Fred H. Rider, vice chairman, and William R. Niedringhaus, vice president and cashier, Plaza First National of Westport, St. Louis County (formerly First National of Wellston); and Eugene F. Weber, assistant cashier, Normandy Bank.

Other inductees will be Elmer Erisman, vice president, Commerce Bank, Kansas City; Ben L. Mohney, president and trust officer, City Bank, Moberly; C. Ray Willard, vice president (ret.), Central Bank, Lebanon; Sidney Cooke Sr., chairman, Hub State, Independence; Vesper L. Shelby, president, First National, Bethany; George G. Rollins, president, Winona Savings Bank; Frank V. Mehl, president, Jefferson County Bank, Hillsboro; and E. C. Falk, president, Farmers Trust, Lee's Summit.

Pfleging, Richmond, Anderson Are MBA Officer Nominees

At its 1975 meeting, the MBA Nominating Committee named Richard J. Pfleging to run for president of the association, Charles K. Richmond for vice president and Mills H. Anderson for treasurer. Committee members in attendance were its chairman, William H. Corken, president, Clifford Bank, Clarksville; W. J. Ingraham, vice president, Cook & Vencil Bank, Galt; Paul H. Knoblauch, president, First National, St. Charles; E. Van Gibbs, executive vice president, Farmers State, Risco; David S. Eblen, vice president, Security Bank, Branson; and D. D. Salveter, president, Bank of Crocker.


ANDERSON

Mr. Anderson, the treasurer nominee, is president, Bank of Carthage. He joined the bank in 1946 as manager, installment loan department. Mr. Anderson advanced through the ranks, being named president in 1959. He is a former chairman of the MBA Consumer Finance and Governmental Affairs committees and has served on the Bank Management and Membership committees. He has been active in the ABA, having been a state member of the Executive Council, as well as a member of the Borrowing Committee and Governmental Relations Council.

■ JOHN M. HALL JR. and William Clark Adreon Jr. have been named vice presidents at United Missouri Bank, St. Louis. Mr. Hall began his banking career in 1971 and joined his present bank in 1973. Mr. Adreon recently joined the bank, going from Maritz, Inc., St. Louis.

■ MICHAEL A. LUBY JR. has been elected assistant cashier and Leland M. Walker has been appointed assistant auditor at First National, Kansas City. Mr. Luby joined First National in 1973 and Mr. Walker, who also is assistant auditor for First National Charter Corp., parent HC, joined the HC in 1973.

■ AMERICAN SECURITY BANK, Pacific, has concluded its month-long official grand opening. The celebration included a weekly television giveaway and a "treasure chest" filled with certificates redeemable for goods and services at area merchants. Response to the grand opening was termed "quite encouraging" by officials.

SANGUINET

■ MERLE M. SANGUINET has been elected president and CEO at County National Bancorp., Clayton. He also is chairman and president of St. Louis County National, Clayton, the HC's lead bank. Edward H. Schmidt, who had been president, has been named chairman at the HC, a newly created position. Martha Sheerin, assistant vice president at the bank, has assumed additional responsibility as secretary at the HC and Matthew Toczylowski, in addition to his position as a bank auditor, has been named an auditor at the HC.

Died: H. B. Campbell, 74, president, Peoples Bank, Lilbourn, of a heart attack, late in March.

■ RICHARD F. FORD, executive vice president, First National, St. Louis, and John Peters MacCarthy, executive vice president, St. Louis Union Trust, have been elected directors of First Union, Inc., St. Louis, the parent HC. Mr. Ford joined the bank as vice president in 1969, after working as manager, institutional and corporate business development department, Merrill Lynch, Pierce, Fenner & Smith, St. Louis. He became executive vice president at the bank in 1973, with responsibilities for the commercial banking divisions, international and retail banking and the marketing and advertising departments. Mr. MacCarthy, who also serves as secretary at First Union, joined Union Trust in 1969, after serving as a partner in a St. Louis law firm. In other news at First National, Charles F. Knight, chairman and CEO, Emerson Electric Co., St. Louis, has been elected a director. He also is a director of St. Louis Union Trust.

FORD

MacCARTHY

■ COUNTY NATIONAL BANCORP., Clayton, has been granted a charter from the state commissioner of finance for a new bank, to be located in Chesterfield. It will be known as County Bank of Chesterfield. Plans include a one-story building with 2,400 feet of space, three drive-up windows and a parking area. The charter is subject to Fed approval.

■ EXCELSIOR TRUST, Excelsior Springs, and First National Charter Corp., Kansas City, have announced an agreement by which Excelsior Trust will become a member of the HC. The agreement, subject to regulatory and shareholder approval, calls for First National Charter to acquire at least 80% of the outstanding stock of the bank through an exchange of shares.

■ AFFILIATION of United Bank, Macon, with Mercantile Bancorp., Inc., St. Louis, has received Fed approval. The HC also has announced completion of affiliation with State Bank, Willow Springs, and Salisbury Savings Bank.

LUMPE

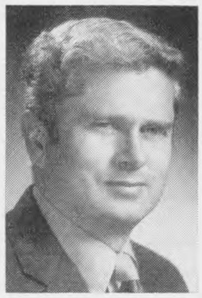
MEEKER

■ LARRY E. LUMPE has joined the correspondent division at Commerce Bank, Kansas City, as senior officer in charge of Missouri banks. He has been elected senior vice president of the bank and also will be named a vice president at Commerce Bancshares, Inc., Kansas City, parent HC. Gary L. Callaway has been elected vice president at the bank, to be in charge of the BankAmericard division, and D. W. Gilmore has been named a bank director. Alvin D. Meeker has been elected a regional vice president at Commerce Bancshares, to serve the Commerce banks in northeastern Missouri. Mr. Lumpe began his banking career in 1948, serving banks in Lincoln, Centralia and Rolla. He joined State Bank, Poplar Bluff (now Commerce Bank), in 1966, and later served as the first president of Commerce Bank, St. Louis, and most recently was president, Commerce Bank, University City. Mr. Meeker joined Commerce Bank, Kirksville, in 1957 and has served as president there since 1972.

■ CONSTRUCTION has begun on an addition to Red Bridge Bank, Kansas City. The present bank occupies 3,476 square feet of space on each of its two levels, plus drive-up windows. The new building will provide for an expansion of teller facilities and additional vault space. A centrally located service center will be provided for information, new accounts and safe deposit. The officer's lobby will be enlarged and the perimeter walls will allow space for four offices and a conference room.

Artist's conception of new addition to Red Bridge Bank, Kansas City. New construction will add over 11,000 square feet of space on two levels, more than doubling the building's present size.

■ DONALD R. SELBY has been elected president at Commerce Bank, Kirksville. He most recently served as regional vice president at Commerce Bancshares, Inc., Kansas City, parent HC. Prior to that, he was executive vice president at Commerce Bank, Fenton. Mr. Selby began his banking career in 1950 at Boone County National, Columbia.



SELBY

KIRK

■ JOHN R. KIRK JR. has retired from United Missouri banks of St. Louis and Kirkwood. He will serve as a consultant for United Missouri Bancshares, Inc., Kansas City, the parent HC. Mr. Kirk joined United Missouri Bancshares group in 1971 as president, United Missouri Bank, Kirkwood. He was elected chairman of the two banks in 1974. Mr. Kirk is a past president, Associate Bankers of St. Louis and St. Louis County.

■ WILLIAM E. FOWLER has been elected president and CEO at Commerce Bank, Harrisonville. He has served as executive vice president there since 1973. He joined the bank in 1961.

■ MARGIE STAFFORD has been promoted to assistant vice president, American National, St. Joseph, and Lyle Leimkuhler has been elected auditor. Mrs. Stafford joined the bank in 1961. Mr. Leimkuhler went from a Kansas City accounting firm.

■ THE FED has approved an application by General Bancshares Corp., St. Louis, to acquire Traders National, Kansas City.

ABA's Centennial Convention To Feature Current Issues

NEW YORK—The ABA's Centennial Convention will be held here October 4-8 and is expected to attract more than 12,000 bankers and spouses.

The 1975 convention will focus on issues affecting banking in the changing economy, such as public perception of banking, bank regulation and who will do it, government vs. industrial and consumer credit and competition and its role in a free economy.

Other topics of interest will be electronic funds transfer systems (EFTS), the outlook for the nation's money supply, enlarging minorities' and women's involvement in all phases of banking, new initiatives on Capitol Hill and the state of the economy.

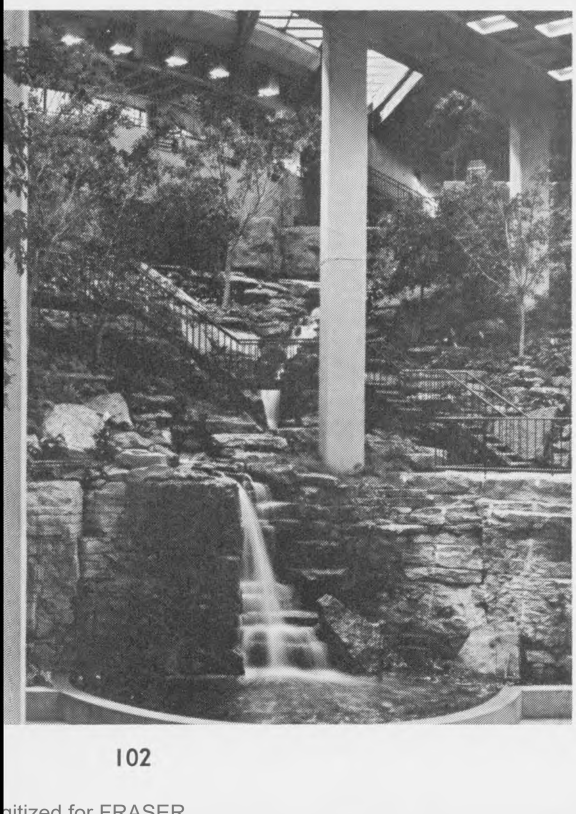
Registration and housing reservation information for the convention was mailed to CEOs of all ABA-member banks during the first week in April.

Anyone wishing to register for the convention should contact the ABA Convention/Meeting Services Division, 1120 Connecticut Ave., N.W., Washington, DC 20036.

Crown Center Hotel Selected to Host Missouri Convention

15 story hotel is perched atop 70 foot high limestone bluff. Five-story function block at base of bluff contains convention facilities. Penthouse dining area at top of hotel is served by glass-enclosed elevators.

Tropical garden adjoining Crown Center Hotel lobby measures 100 x 60 feet, with a 50-foot waterfall. Railinged walkway leads through garden to all-weather swimming pool located at top of bluff.



REGISTRATION at the Missouri Bankers Association convention this year should be at a record level. Why? Because the MBA will hold its annual meeting at Kansas City's Crown Center Hotel, a hostelry that is not only new, but elegant and unique.

The Crown Center complex is billed as a city within a city and as the answer to urban renewal plans for deteriorating inner cities. The complex includes the 750-room hotel, a major office complex and some 85 shops, including a major department store.

The hotel features a 12,000 square foot sunken lobby that includes a 60-foot-high tropical garden with footpaths and waterfalls. Convention facilities include a 16,000 square foot ballroom and a multimedia center.

Three restaurants and five cocktail lounges are scattered throughout the hotel and the shopping area houses several eating places. The rooftop restaurant and lounge are reached by glass encased elevators that offer panoramic views of Kansas City.

Other hotel facilities include an indoor health club, all-weather swimming pool and a games deck with tennis courts, putting green, jogging track and volleyball court.

Hotel rooms feature private balconies, oversized beds and original and limited edition art works. Underground parking is available.

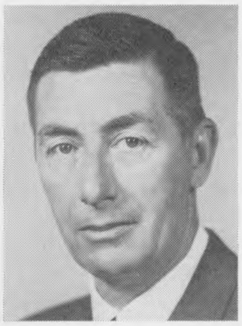
The hotel, opened in 1973, is owned by Crown Center Redevelopment Corp., a wholly owned subsidiary of Hallmark Cards, Inc., which maintains headquarters in the Center. The hotel is operated by Western International Hotels, Seattle-based partner of United Air Lines.

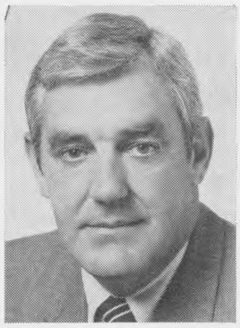
Future plans for the center include construction of a high-rise office building and various condominium housing units. Eventual weekday population at Crown Center is expected to be 50,000, with 8,000 full-time residents.

Is it any wonder that the MBA expects a good turnout this year?

While you're at the convention...


James M. Kemper, Jr.

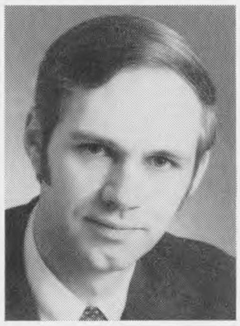

P. V. Miller, Jr.


Fred N. Coulson, Jr.


Larry E. Lumpe


Elmer Erisman


John C. Messina


Paul F. Langewisch

Put us on your meeting list.

Look for these seven men from Commerce Bank at this year's convention. They help keep banks of all sizes up to date on investments, new methods and systems, regulations, trends and everything involved in the changing pace of banking today. Join them at the Missouri Bankers Convention of May 11-13.

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NEWS
From the Mid-Continent Area

Alabama

■ G. SAGE LYONS and Matthew S. Metcalfe Jr. have been named directors, First National, Mobile. Mr. Lyons is an attorney and Mr. Metcalfe is an insurance executive.

■ DENNIS M. KAISER has been named manager, commercial credit department, Central Bank, Birmingham. He succeeds Jack James, who goes to Central Bank, Montgomery, as vice president-senior lending officer. Mr. Kaiser joined Central Bank, Birmingham, last year, after four years as credit officer with another organization.

■ DONALD B. TOWERY has been promoted to vice president, Alabama Bancorp., Birmingham. He has headed the HC's accounting department since he joined the firm in 1973.

■ RICHARD E. ANTHONY and Michael W. Underwood have been elevated to vice presidents and commercial loan officers, First National, Birmingham. Michael G. Gyurko has joined the staff as assistant vice president, going from a position as assistant treasurer, Alabama Bancorp., Birmingham, the bank's parent HC. In other news at the bank, Lawrence E. Sturges has been elevated from assistant vice president and installment loan officer to assistant vice president and commercial loan officer and Francis E. O'Neill has been promoted from assistant cashier to assistant vice president, while William E. Carrier has been named a trust officer, moving up from assistant trust officer.

■ ROBERT E. WILLIAMS has been promoted to senior vice president, First Alabama, Montgomery, while M. Ernest Richardson Jr. has been elevated to assistant vice president; Grady McCalman, to credit officer; and Dennis L. Stinson, to assistant credit officer. Mr. Williams has been with the bank for 11 years.

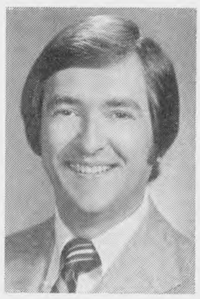
■ RONALD W. CURRIN, executive vice president, National Bank of Commerce, Birmingham, has been appointed to the additional position of branch administrator at the bank's new Roebuck Office. In other NBC news, Karl Thorne, assistant cashier, will assume responsibility for the bank's Master Charge department, while Jeffrey L. Collier has been named assistant vice president.

New BMA Flor-Ala Chapter

The Bank Marketing Association has announced the chartering of its 16th chapter, in northwestern Florida and southern Alabama, called the Flor-Ala Chapter. Of its roster of officers, one is from the Mid-Continent area, Treasurer Charles Stephenson, director of marketing, First National, Dothan.

Arkansas

■ WORTHEN BANK, Little Rock, has announced several promotions: Thomas M. Beard, Robert F. Carpenter, Jack W. Compton, Glenn R. Huselton and Robert L. Jordan, to assistant cashiers; Ben L. Rodriquez and A. John Grillo II, to credit officers; Ronald E. King, to trust operations officer; and Edwin C. Lamphier, to administrative assistant.

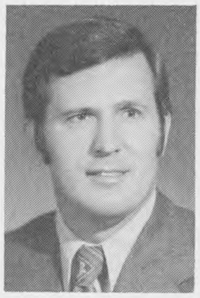


COATES

■ WAYNE COATES has been named vice president and manager of the new investment banking department, Worthen Bank, Little Rock. He joined the bank in 1971 and became a vice president, then worked for a Little Rock investment banking firm before returning to Worthen to manage the new department.

■ LARRY E. GRAYBILL, controller/operations division; G. Michael Sigman, marketing division; and Edward W. Walker, consumer division, have been named assistant vice presidents, Worthen Bank, Little Rock.

Illinois



HESSING

DRICK

■ BROCK L. HESSING, vice president, commercial loan department, has been named to head the new Illinois department at Commercial National, Peoria. The department will be responsible for correspondent bank accounts, agribusiness relationships and commercial customers outside its tri-county area. Clifford A. Michael Jr., vice president, will continue to be responsible for the bank's correspondent bank relationships. The Illinois department is part of the new commercial banking division, to be headed by Robert T. Stevenson Jr., vice president. Mr. Stevenson formerly was in charge of the real estate department. He also will supervise the loan review and administration department.

■ JOHN E. DRICK, executive committee chairman, First National, Chicago, has assumed additional responsibilities as chairman of the credit policy committee. The bank has announced these other promotions: Rudolph E. Palluck, senior vice president and head, administrative department, to head, corporate banking department; James S. Dailey, senior vice president, to head, real estate department; Homer J. Holland, vice president and head, personal banking department, to head, administrative department; and James A. Cassin, vice president and head, international banking department's continental Europe and sub-Sahara Africa region, to head, personal banking department. Mr. Drick joined the bank in 1935; Mr. Palluck, in 1937; Mr. Dailey and Mr. Holland, in 1971; and Mr. Cassin, in 1967.

■ THOMAS A. SPORER, vice president, American National, Chicago, has been elected president, IBA consumer credit division. His term commences July 1. Other new officers are: first vice president, Robert G. Streuter, vice president, City National, Murphysboro; second vice president, Lawrence A. Wilson, vice president, City National, Dixon; and secretary, Norman C. Peterson, IBA, Chicago. Executive committee members elected for a three-year term are: B. J. King, assistant vice president, Herrin Security Bank; and James N. Brasel, assistant vice president, First National, Woodstock. For a two-year term: Robert Ritter, manager, installment loan department, Bank of Pontiac.


SPORER


OWENS

■ BERNARD W. OWENS has been named vice president, commercial banking department, Exchange National, Chicago. Promoted to assistant vice presidents were: Jerome Ex and Donald H. Reisse, auditing group; and John F. Fitzgerald, commercial banking department.

■ DON J. McGRATH has been named investment officer, Illinois National, Springfield. Mr. McGrath will have responsibility for the bank's money desk. He also will manage the government and corporate securities portfolio. Mr. McGrath served as advertising manager for the bank from 1970 to 1972.

15th BMA Chapter Formed

The 15th Bank Marketing Association chapter has been formed in central Illinois. It serves banks in the Peoria, Bloomington, Springfield, Pekin and Galesburg areas.

Newly elected chapter officers are: president, Hazen M. Allen, vice president, Commercial National, Peoria; first vice president, Ron Sides, marketing department, Springfield Marine Bank; second vice president, H. Ray Moore, vice president, First Galesburg National; secretary, Rosalie Danielson, marketing department, Citizens First National, Princeton; and treasurer, Robert H. Baker, vice president, Jefferson Trust, Peoria.

Indiana

■ L. RONALD DUNN, O. Webber LaGrange, Clarence C. Wood, Timothy H. Kilfoil and John A. Smith have been named vice presidents at American Fletcher National, Indianapolis. Promoted to assistant vice presidents were Alan E. Campbell, Charles B. Lauck and E. LeRoy Summers. Mr. Dunn joined the bank in 1969; Mr. LaGrange, in 1968; Mr. Wood, in 1964; Mr. Kilfoil, in 1969; and Mr. Smith, in 1970.

■ GEORGE A BECKER and William J. Sherman Jr., branch banks division; Gerald L. Rush, metropolitan division; William F. Tearman, trust division; and Gary W. Ware, administrative services division, have been elevated to vice presidents at Indiana National, Indianapolis. Charles F. Kinney, William R. Lockwood and Bruce E. Whitham have been named assistant vice presidents. Mr. Becker, branch manager, joined the bank in 1957; Mr. Rush, in 1968; Mr. Sherman, in 1954; Mr. Tearman, in 1967; and Mr. Ware, who is manager, operating services, joined INB in 1970.

■ JOHN O. KOONTZ has been named assistant vice president at Merchants National, Indianapolis. He will be assistant department manager, installment loans. James Andrew Richey and Robert Michael Miner have been promoted to assistant trust officers, personal administration division, trust department, while Robert J. Schindler has been named director and division executive, international division.

■ JAMES RUSSELL OGDEN III has been appointed trust investment officer at Old National, Evansville. He previously was an investment officer at Citizens Fidelity, Louisville, where he worked as security analyst.

■ JON S. ARMSTRONG has been elected chairman of SJV Corp., HC for St. Joseph Valley Bank, Elkhart. He assumed the chairmanship after serving as vice chairman since 1973. Lewis S. Armstrong, who retired as chairman after 38 years' service with the bank, has been elected honorary chairman. The new chairman joined St. Joseph Bank, South Bend, in 1963, where he attained the title of senior vice president. In 1968, he joined St. Joseph Valley Bank as president, and later became president of SJV Corp. In 1973, he was elected chairman, St. Joseph Valley Bank.

■ ERNEST W. BILL SMITH has been elected a director at Citizens Bank, Jeffersonville. Mr. Smith has practiced law since 1965.

■ THOMAS S. CLARK has been named vice president, marketing division at Purdue National, Lafayette, and C. Virgil St. John has been elected a director. Mr. St. John replaces Jerome J. Stefaniak, who has taken an advisory board seat.

■ LINUS G. BOHNERT has been named to serve as the first chairman in the 89-year history of Dubois County Bank, Jasper. Hugo Melchior has been promoted to president. Mr. Bohnert has served on the bank's board 44 years and as board vice president 28 years. He became board president in 1965. Mr. Melchior has been with the bank 54 years and was elected senior vice president of the board in 1966. In other news at the bank, E. F. Uebelhor has been named executive vice president of the board and Dave Eckerle has been elected board secretary.

Kentucky

■ WANDA B. ARNOLD and Robert E. Harris have been named assistant vice presidents at First Farmers, Owenton. Mrs. Arnold is bookkeeping supervisor and assistant to the operation officer. She also handles computer transactions, new accounts and payrolls. Mr. Harris is branch manager in Gratz.

■ W. BARRETT NICHOLS, administrative assistant, regional banking, has been promoted to assistant cashier at Citizens Fidelity, Louisville. He has been with the bank since last fall.

■ RONALD L. PREWITT has been named assistant vice president in charge of installment loans at Bank of Williamsburg, while Ronald W. Bundy, Janice Moore, Mary F. Perkins and Princess Bowman have been named assistant cashiers.

Accounting Method Changed

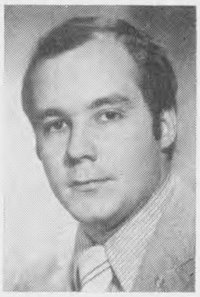
LOUISVILLE—First National has switched its accounting method for installment loan income from straightline to effective-yield. The new method "more accurately states the yield on installment loans as it matches interest earned to the funds invested in loans," according to A. Stevens Miles, bank president.

The change is expected to increase the bank's first quarter after-tax net operating income about five cents per share over what would have been reported under the former method.

Louisiana

■ ERNEST J. LANGENHENNIG has been named vice president and personnel director at Bank of New Orleans. Michael J. Martin has been appointed assistant cashier. Mr. Langenhennig joined BNO in 1969 and Mr. Martin joined the bank in 1966.

O'HARE



THORNE-THOMSEN

■ JAMES R. O'HARE and Fletcher Thorne-Thomsen have been promoted to vice presidents, correspondent banking department, National Bank of Commerce, New Orleans. C. G. Hargon and William H. Keener have been named assistant vice presidents. Mr. O'Hare joined the bank in 1960 and Mr. Thorne-Thomsen, in 1972. At the HC, First Commerce Corp., at the bank and their subsidiaries, Ronald E. Hagen has been appointed vice president and manager, operations. He formerly was associated with Marine National, Erie, Penn., and Society National, Cleveland.

BNO Automates Proof, Transit

Jacques A. Livaudais (seated), e.v.p., Bank of New Orleans, signs order for 20 Burroughs check document processing systems and computer, reportedly the first to be used by a commercial bank for automating internal proof/transit operations. Looking on are Walter G. Hamilton, New Orleans br. account mgr., Burroughs Corp., and Elaine Imhoff, BNO operations v.p. Installation of the equipment is scheduled to begin in January.

Mississippi

■ ROY K. MOORE, vice president and director of security, Deposit Guaranty National, Jackson, has been appointed a member of the ABA's Insurance and Protection Division, government relations committee. The division is concerned with the surety problems of banks and the methods and equipment used in creating and maintaining maximum protection of bank assets and personnel.

■ ALFRED G. RATH has been promoted to credit officer; Jack R. Case, to assistant comptroller; and Daniel L. Edwards, to assistant trust officer at Hancock Bank, Gulfport.

New Mexico

■ FIRST STATE of Sierra County, Truth or Consequences, has announced completion of the major part of its move from its temporary location to its new building. Opening ceremonies included a free barbecue and gifts for all and a drawing for an upright freezer full of beef for bank customers. Travis Waller is president; Johnny Taylor is vice president; and William I. Buhler serves as chairman.

■ DOROTHEA M. DINES and Larry G. Dillow, assistant vice presidents, Mimbres Valley Bank, Deming, have been promoted to vice presidents. Edward T. Ybarra, assistant cashier, has been elevated to assistant vice president.

■ JAMES F. BAILEY has been promoted to vice president and Donna J. Miller has been named assistant trust officer, First National of Rio Arriba, Espanola.

■ KENNETH COX has been named president, Ruidoso State. He has been with the bank 3½ years, serving as senior vice president and executive vice president. He succeeds Ed Wimberly, who remains chairman. Previously, Mr. Cox was associated with Security National, Roswell, for 11 years.

■ BOB PRICE, vice president, Peoples State, Artesia, has been named executive vice president and CEO. He will temporarily fill the vacant president's position, created by the resignation of Tom Taylor, who has assumed the presidency of Citizens Bank, Albuquerque.

■ JOHN DAVIES has been named loan officer, Valley Bank, Farmington. He formerly was manager, Citizens State, Cortez, Colo.

Texas

■ C. M. METCALF has been elected vice president-data processing, Mercantile National, Dallas. He comes from a bank in Houston, where he was vice president and manager, systems and data processing services.

■ HARRY SHUFORD, chairman, First National, Dallas, has been named president, Dallas Clearing House Association, while Charles Pistor, president, Republic National, was elected vice president of the association. Roy L. May has been reelected secretary, treasurer and manager.

■ JAMES W. DANNER has been promoted to senior vice president and cashier, Kleberg First National, Kingsville. He has served as vice president and cashier since 1968. Previously, Mr. Danner was associated with Pan American Bank, Brownsville. In other Kleberg First National news, Robert R. Shelton, vice president and director of King Ranch, Inc., Kingsville, has been named a director.

TBA Convention

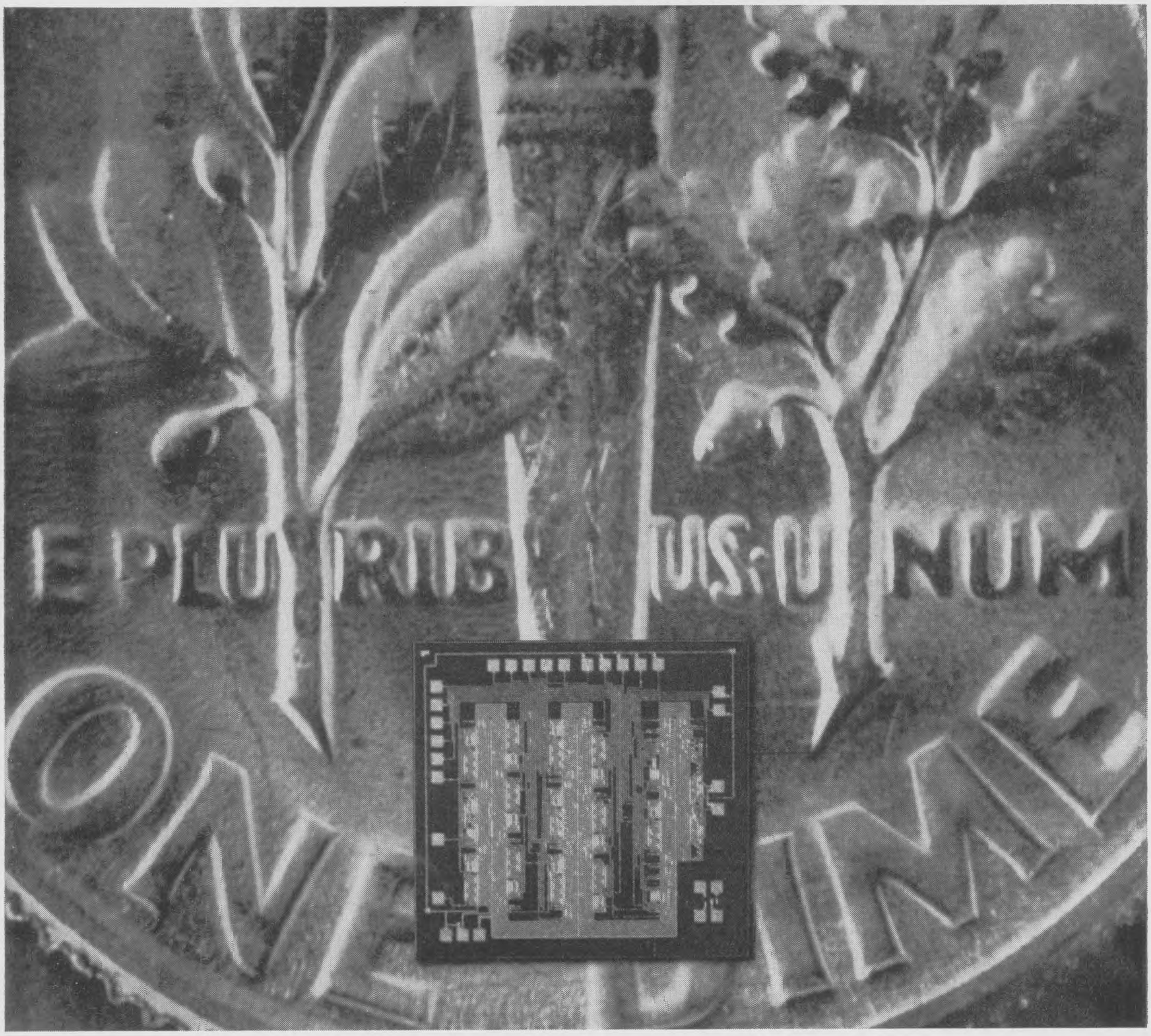
(Continued from page 76)

and is a former president of Robert Morris Associates and presently serves as a director of the Memphis branch of the St. Louis Fed.

Mr. Weatherford entered banking in 1949 at Murfreesboro Bank upon graduation from the University of Tennessee and became the bank's president and CEO in 1970. He is a graduate of Stonier Graduate School of Banking. Mr. Weatherford has been chairman of the TBA's State Bank Division and of its Groups Four and Five.

Mr. Willson, in addition to his positions with the TBA and Citizen's National, serves on the board of the Nashville Branch of the Atlanta Fed and as a director of the Monroe County Bank, Sweetwater. Mr. Willson attended the University of Tennessee, 1946-1951; the University of California, 1950-51; and the LSU School of Banking of the South, 1965.

Mr. Bulliner went to First State, Henderson, in 1948 as a clerk, advancing through the ranks, being named loan officer and a director in 1959. In 1964, he was named vice president and cashier, the same year he served as president of the Tennessee Young Bankers. Mr. Bulliner became president of his bank in 1970. • •



Personal Banking Machines Planned by St. Louis HC

ST. LOUIS—Mercantile Bancorp., a multi-bank HC based here, has contracted with Diebold, Inc., Canton, O., to install personal banking machines in its St. Louis-area banks.

Initially, the HC is buying 13 Diebold TABS 600s (TABS is a Diebold trademark meaning Total Automatic Banking System). Mercantile's data processing department now is testing the first machine. After the machine is linked to Mercantile's computer system, the 13 machines will be installed on the premises of St. Louis-area Mercantile affiliate banks later this year.

The round-the-clock machines will be on line with Mercantile's computers, and so there will be no need to limit the number of transactions a customer may conduct in a single day as with off-line systems. Mercantile will offer banking cards and personal identification numbers to customers. Beyond this secret number, a customer will need no special knowledge to operate the machine: A TV screen will guide the customer through the transaction step by step. If the customer needs assistance or has a question concerning a transaction, there will be a telephone handy with a direct line to the bank.

The round-the-clock banking system is being designed to be compatible with an interstate electronic funds network, which is being planned by Credit Systems Inc. (CSI), regional processing center for Master Charge.

After Mercantile's electronic banking is established in the St. Louis area, the system will be expanded to include the HC's affiliate banks throughout Missouri, said Harrison F. Coerver, vice chairman and CEO.

ACH Package Available

WASHINGTON, D. C.—The National Automated Clearing House Association (NACHA) now has a package of organizational materials for developing automated clearing house (ACH) groups.

The package contains samples of materials developed by existing ACHs, will be distributed automatically to the 20 current NACHA members and will be sold for $100 to nonmember ACH groups.

Further information may be obtained from Douglas D. Anderson, Payments System Planning Division, American Bankers Association, 1120 Connecticut Ave., N.W., Washington, DC 20036.

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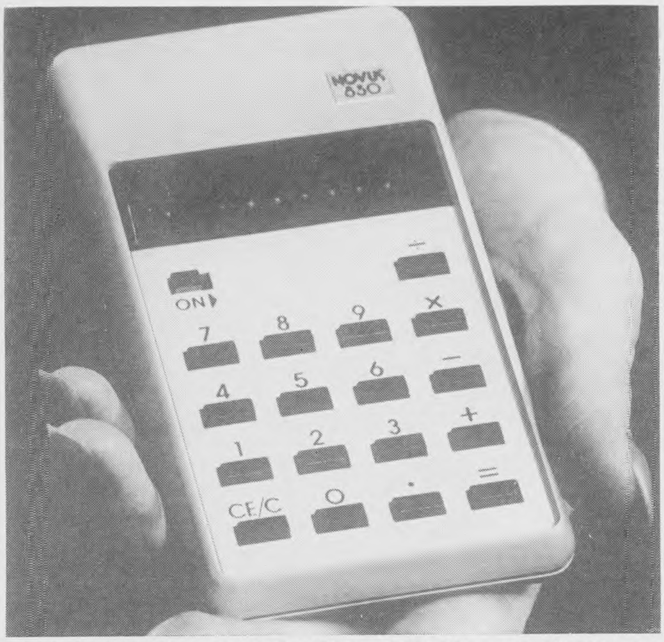

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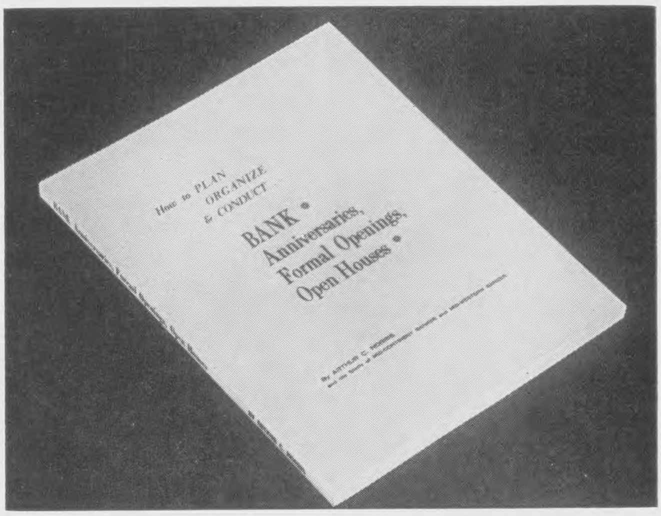
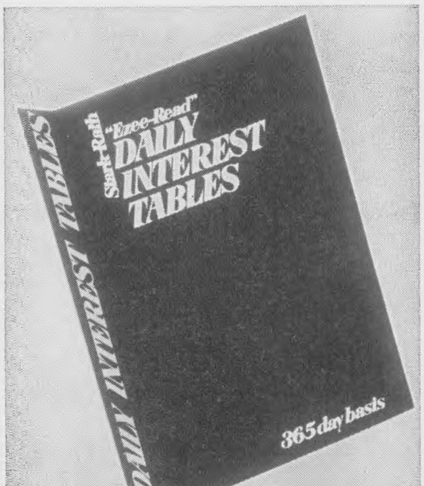


HOW TO PLAN, ORGANIZE & CONDUCT BANK ANNIVERSARIES, FORMAL OPENINGS, OPEN HOUSES. This book is actually a practical "how-to" manual that provides the banker with workable "formulas" for organizing and conducting any type of bank opening. Based on hundreds of successful openings, the book presents a planning approach, checklists of opening-day problems, as well as detailed plans (including budget samples) used in actual openings and anniversaries **$15.00** postpaid. Send check to MID-CONTINENT BANKER, 408 Olive, St. Louis, Mo. 63102 (Missouri banks add 4½% sales tax.)



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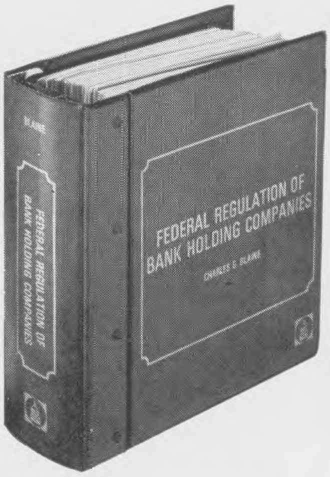
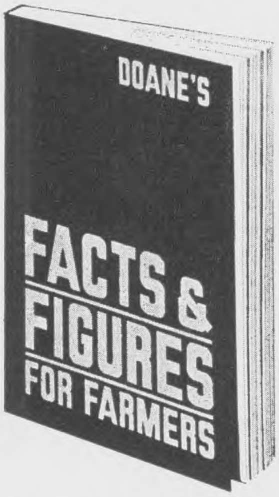


FEDERAL REGULATION OF BANK HOLDING COMPANIES. An exhaustive analysis of the Bank Holding Company Act of 1956, as amended, published by The Bureau of National Affairs. This reference material will prove indispensable to legal advisors, management of banks and bank holding companies. Contains 494 pages, indexed, loose leafed to accommodate supplements when available. **$45.00.** Send check to Commerce Publishing Co., 408 Olive, St. Louis, Mo. 63102. (In Missouri, add 4½% tax.)



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Continental Bank, Chicago, Plans CBCTs; Will Take Issue to Court If State Objects

CHICAGO—Continental Illinois National has announced its intention to establish three customer-bank communication terminals (CBCTs) in the Chicago downtown area by July 1.

One of the units will be located in Two Illinois Center, an office-hotel complex about a mile from the bank's headquarters. The second and third units will be located in office buildings within 1,500 feet of the bank's headquarters, the maximum distance allowed by Illinois statutes.

Although the bank cited the Comptroller of the Currency's ruling that the CBCTs do not constitute branches, the Illinois commissioner of banks & trust companies, Richard K. Lignoul, has announced that the devices would violate the state's prohibition on branching. It is expected that the commissioner will bring legal action against the bank, similar to that being brought against First National, St. Louis, by the Missouri commissioner of banking.

In setting up the CBCTs, Continental Bank representatives said the bank is prepared for a court battle and that it is willing to join other national banks in Illinois and elsewhere "in taking this all the way to the Supreme Court."

The CBCTs will be on-line and will be activated by magnetically-encoded plastic cards. The units will be in operation continuously and customers will be able to make consumer loan payments, deposit funds into checking and savings accounts, transfer funds between savings and checking accounts and withdraw funds in $25 increments up to $100 from savings or checking accounts or as advances on Master Charge accounts. • •

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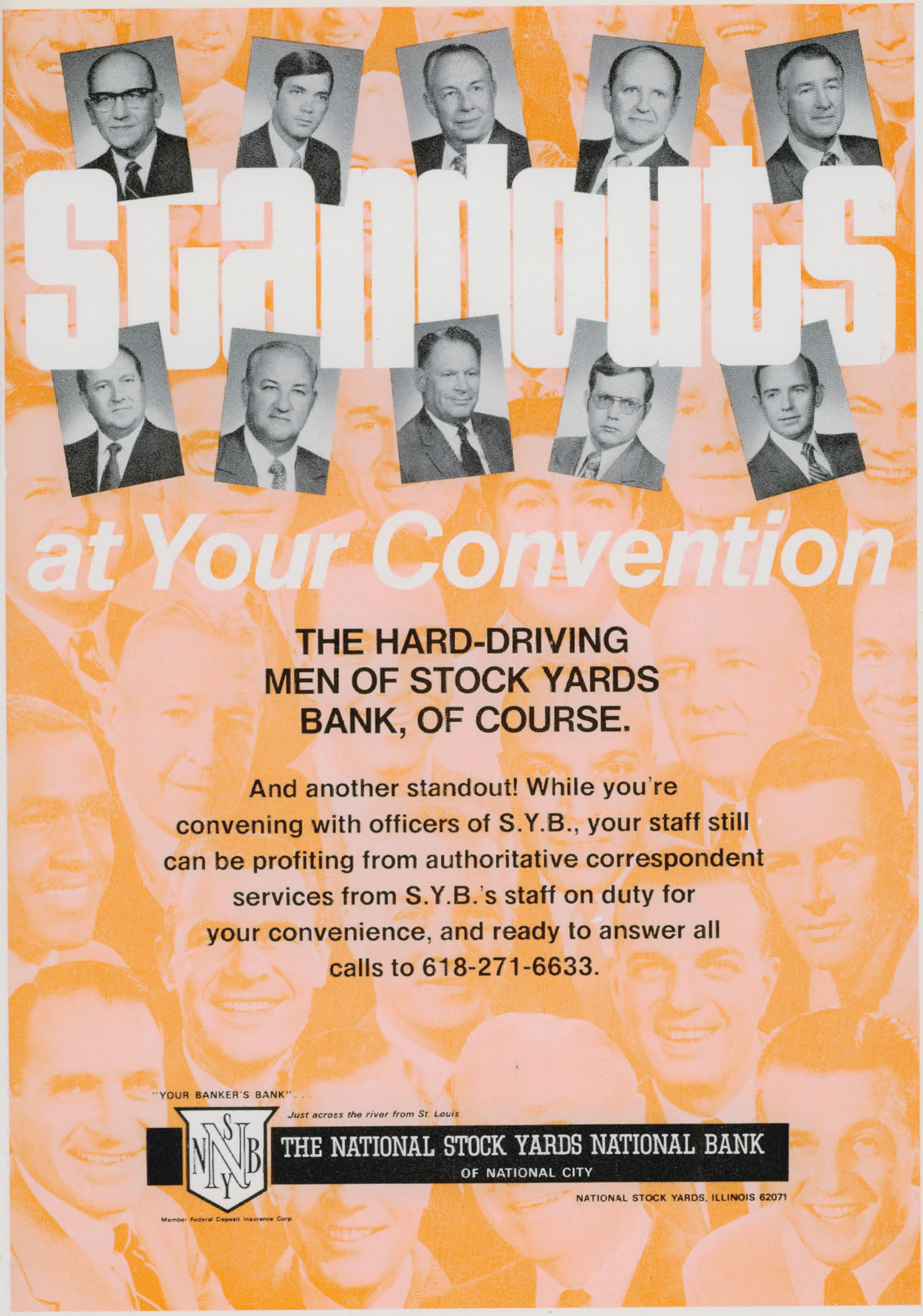
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