MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

OCTOBER, 1975

Problem Banks: Federal Regulators Seek Ways to Reduce Their Growing Number

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A Report On EFT Services— Are They Practical For Your Bank?

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Bank's National Advisory Board Tackles State Problems

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Interdependence and EFTS in an evolving environment

Interdependence (Liberty style) means providing you with EFTS/Data Processing capabilities geared to an evolving environment. It means services and capabilities to help you maintain the position of leadership you've established in your community.

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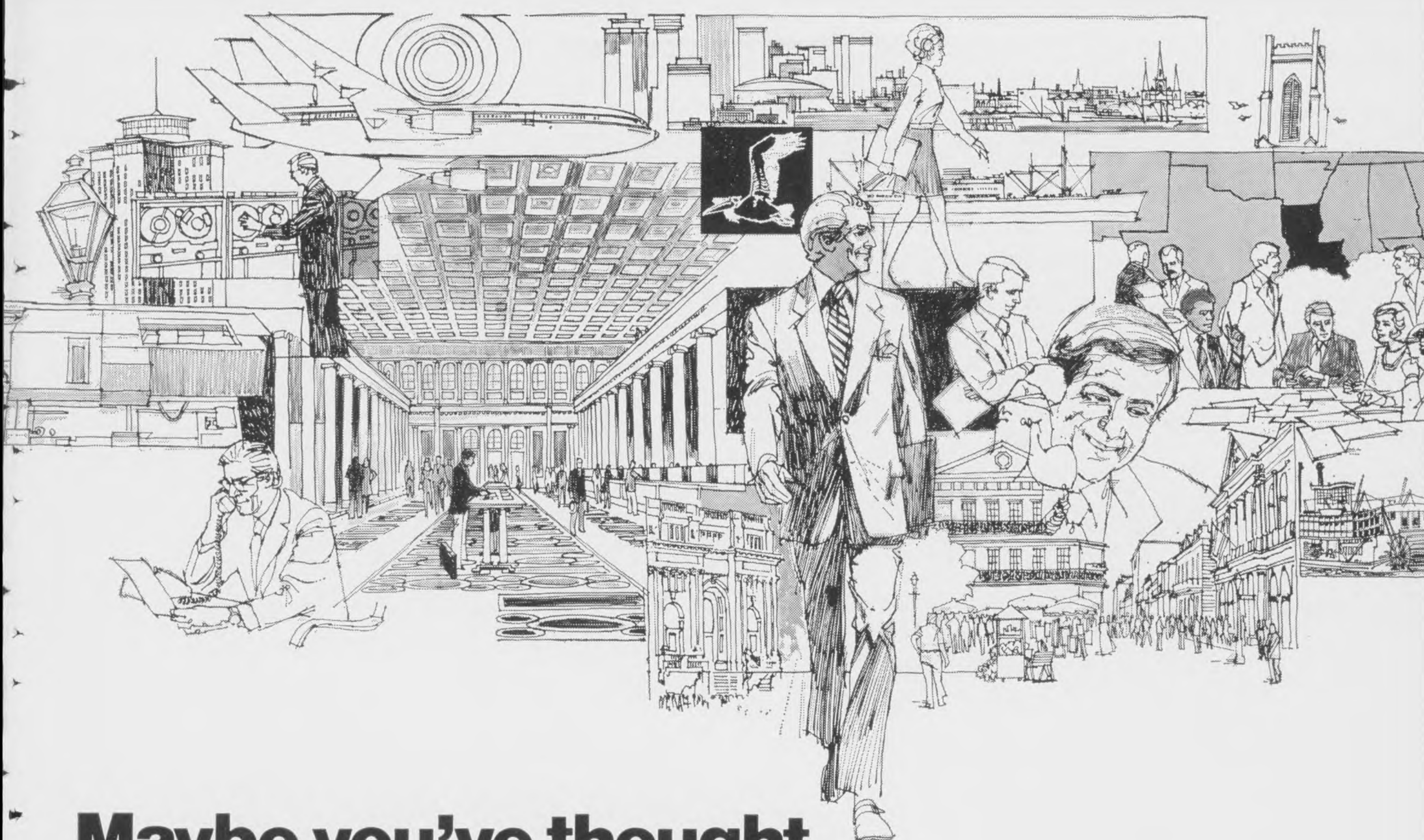

Maybe you've thought of New Orleans banks as sleeping giants.

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

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

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Convention Calendar

October

Oct. 19-20: Kentucky Bankers Association Trust Conference, Louisville, Stouffer's Louisville Inn.
Oct. 19-22: ABA Bank Trainer's Workshop, Atlanta, Sonesta Hotel.
Oct. 19-23: Independent Bankers Association of America Seminar for Younger Bank Officers, Muncie, Ind., Ball State University.
Oct. 20-22: ABA Bank Investments Regional Workshop, Louisville, Galt House.
Oct. 23-24: Missouri Bankers Association Trust Conference, Osage Beach, Tan-Tar-A Resort & Golf Club.
Oct. 26-29: Bank Administration Institute Convention, Atlanta, Marriott Motor Hotel.
Oct. 26-29: Bank Marketing Association Trust Marketing Workshop, San Francisco, San Francisco Hilton.
Oct. 26-31: ABA National Commercial Lending Graduate School, Norman, Okla., University of Oklahoma.
Oct. 26-31: Kansas, Missouri and Nebraska Bankers Associations' Intermediate School of Banking, Lincoln, Neb., University of Nebraska.

November

Nov. 2-5: Robert Morris Associates Annual Fall Conference, San Francisco, Fairmont Hotel.
Nov. 2-7: Kansas, Missouri and Nebraska Bankers Associations' Advanced School of Banking, Lincoln, Neb., University of Nebraska.
Nov. 5-6: Missouri Bankers Association Consumer Finance Conference, Osage Beach, Tan-Tar-A Resort & Golf Club.
Nov. 5-6: Illinois Bankers Association Bank Management Conference, Champaign, Ramada Inn.
Nov. 5-7: ABA International Foreign Exchange Conference, New York City, Americana Hotel.
Nov. 5-7: ABA National Insurance Conference, New Orleans, International Hotel.
Nov. 5-8: Assembly for Bank Directors, Phoenix, Arizona Biltmore.
Nov. 9-11: Bank Marketing Association EFTS Conference, Chicago, Hyatt Regency Hotel.
Nov. 9-12: ABA National Correspondent Banking Conference, Los Angeles, Century Plaza.
Nov. 9-12: ABA National Personnel Conference, New Orleans, Marriott Hotel.
Nov. 10-12: ABA Bank Risk and Insurance Seminar, Pomona, Calif., Kellogg West Center for Continuing Education, California State Polytechnic University.
Nov. 10-20: ABA National Commercial Lending School, Norman, Okla., University of Oklahoma.
Nov. 11-21: ABA National Commercial Lending School, Norman, Okla., University of Oklahoma.
Nov. 16-18: Association of Registered Bank Holding Companies Fall Meeting, Palm Beach, Fla., the Breakers.
Nov. 16-19: ABA Agricultural and Rural Affairs Conference, Houston, Shamrock Hilton Hotel.
Nov. 20-21: ABA Mid-Continent Trust Conference, Minneapolis, Hotel Radisson.
Nov. 20-21: Robert Morris Associates Real Estate Lending: Control and Loan Service Workshop, New Orleans, Royal Orleans Hotel.
Nov. 20-22: ABA Meeting With Comptroller of the Currency, Austin, Tex., Lakeway Inn.
Nov. 30-Dec. 5: ABA National Commercial Lending Graduate School, Norman, Okla., University of Oklahoma.

January

Jan. 18-21: ABA Risk & Insurance Management in Banking Seminar, Reston, Va., Sheraton Inn.

February

Feb. 8-11: ABA National Trust Conference, Atlanta, Peachtree Plaza.
Feb. 8-20: ABA National Installment Credit School, Norman, Okla., University of Oklahoma.
Feb. 9-March 3: Kansas, Missouri and Nebraska Bankers Associations' Intermediate School of Banking, Lincoln, Neb., University of Nebraska.
Feb. 11-13: ABA Bank Investments Conference, New York City, Americana Hotel.
Feb. 15-20: ABA Community Bank CEO Program, Santa Barbara, Calif., Santa Barbara Biltmore.

MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 71, No. 11 — *October, 1975*

FEATURES

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Quarter of a Million Dollars in Sales Made in One Day at Bank's Auto Show

AN AUTO SHOW put on by a $31-million bank in South Carolina produced more than a quarter of a million dollars in new car sales and put $100,000 worth of new car loans on the bank's books, all in one day! Yet the program cost the bank just a little less than $2,000.

The bank, Carolina National of Easley, is located in upstate South Carolina on the outer fringes of southern Appalachia. The bank's marketing area, in the heart of the nation's textile manufacturing center, had been in economic difficulty for several months before the auto show was held. As a result, demand for consumer loans went down.

Salesman (l., foreground) figures his "best deal" for prospective customer at Carolina Nat'l of Easley's auto show.

It was then that President Ronald Falls suggested the auto show as a means of boosting installment loans at the bank. He thought that if people could be inspired to start buying new cars again, Carolina National could at least get its share of the financing. He sold the six new car dealers in town on the idea of coming together on the bank's Main Office parking lot one Saturday and displaying their most popular 1975 models.

As an incentive to purchasers, the bank announced it would drastically reduce its finance charges on any new car loans made that day. In addition, the bank agreed to underwrite the total cost of the promotion except for any collateral advertising the dealers would want to do on their own.

Carolina National used the three small weekly community newspapers in its county as the primary advertising medium for the show because the cost is less, while the readership is greater than a large daily newspaper in Greenville, according to Mrs. Carnis B. Davis, senior vice president, who handled the advertising and publicity. Promotion for the show began six weeks before it was held. Throughout the campaign, the bank adopted a positive outlook toward the economy, a tone of optimism, of relief that the worst is over, and now "we can get back to business as usual," said Mrs. Davis. Each ad was illustrated with a big bunch of balloons, which emphasized that "We're going to try to turn the recession upside down!" The word recession was turned upside down in a box in the ads. In the third week, the bank brought the auto dealers into the ads: "Ask any auto dealer for details. They're going to help us turn the recession upside down!" In the fifth week, the auto dealers' names were listed, and complete details were given about the "party," as the bank referred to the show.

The key piece of advertising went out on the sixth Wednesday, three days before the show. It was a 12-page tabloid inserted as a supplement in all three papers. It again gave complete details of the show and provided each dealer with a three-quarter-page ad of his own to promote his specific line of cars.

On the day of the show, a local radio station's mobile unit was set up on the parking lot, with live broadcasts all day long. A number of car buyers were interviewed, and all enthusiastically lauded Carolina National "for the great financing deal it gave me today."

Several auto dealers also were interviewed and praised the bank, too, "for its efforts to spur the economy of our area." The bank neither prompted the interviews, nor did it coach those who were interviewed.

Other means of advertising included statement stuffers, which were sent out in one complete monthly cycle of checking-account statements, a total of about 12,000. The stuffers invited recipients to come to the "party" and enjoy music, entertainment, refreshments and favors.

The day before the show, a crew of students supervised by bank staff members nailed up directional signs—simple cardboard arrows with the words, Auto Show—on utility poles all over town. The same crew retraced their steps and removed and discarded the signs as soon as the show was over.

Most of the work leading up to the show was done by bank employees, including hand printing the directional arrows. • •

75th Anniversary:

The Theme Is Diamonds During Bank Celebration

Here's a bank that really means it when celebrating a diamond anniversary. During the 75th anniversary of Woodford County National, El Paso, Ill., a ring of clustered diamonds was given away as an open-house prize.

During the event, refreshments were served along with pieces of a huge birthday cake—which had been decorated with 75 one-dollar bills—and special souvenir booklets of the bank's history were given away.

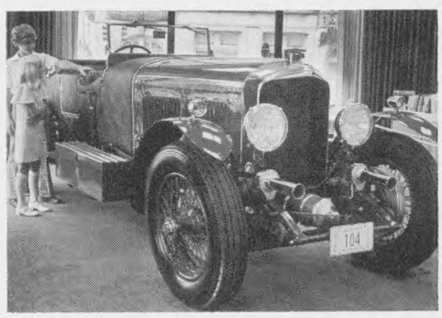
As a climax to the diamond anniversary, free tickets were given away for two performances by Lee Mace and his Ozark Opry.

AA-OO-GAA!

Antique Automobile Display Draws Crowds to Bank

Millikin National, Decatur, Ill., found an interesting draw for crowds in the form of a lobby display of antique automobiles.

During a six-week period, four mint-condition autos were shown: a 1923 Rolls-Royce, a 1930 Bentley, a 1912



Two youngsters check out what was a typical race car of its day—1930 Bentley "Speed 6." Auto was one of four antique cars featured in six-week lobby display at Millikin Nat'l, Decatur, Ill.

Packard and a 1915 Ford Model "T" touring car.

The Rolls, a custom-made "Silver Ghost" model, is said to be the most sought-after Rolls ever manufactured. The Bentley was one of only 265 made and the Packard Millikin National displayed was made especially for that motor company's president. It came equipped with a 48-gallon gas tank and the Packard's cost was more than 10 times that of the Model "T"—$5,000.

Back-Up for Banks:

ABA Ad Campaign Begins; Supports Direct Deposit

The ABA has launched a nationwide TV advertising campaign to promote consumer participation in the Treasury Department's social security direct deposit program.

The ABA's commercial focuses on the safety and convenience of direct deposit, pointing out that payments may be credited to checking or savings accounts.

The ad is slated to run through December 10.

Another aspect of the direct deposit program—automatic payroll deposit—has been prepared as a TV commercial by the ABA. It will use the theme, "Your Bank—Helping You Change Things for the Better," and illustrates banking's role in community growth.

Command Performance:

Oil Paintings as Premiums Back 'by Popular Demand'

Officials at Heritage/County Bank, Blue Island, Ill., say that the bank has again offered original oil paintings as premiums for a deposit of $200, due to "popular demand."

The art work, gathered from around the world, included a variety of land and seascapes, still lifes and portraits. Displayed in the bank lobby, they were priced from $15 to $90. The paintings ranged in size from 5x7 inches to 24x48 inches.

Anthony Tortorici (r.) e.v.p., Heritage/County Bank, Blue Island, Ill., assists customers in choice of original oil painting as premium. Variety of works from European artists were offered for $15-$90 with $200 deposit.

Nat'l Boulevard Gives View of Chicago of '20s, '30s

The Goodyear Blimp is the main character of this 1933 photo, with Chicago's Century of Progress Exposition visible directly below. This picture is part of a 21-piece collection of aerial views of Chicago from the '20s and '30s that recently was held in Nat'l Boulevard bank's windows and foyer. The skyscapes are from the private collection of Photographer/Author David Phillips and include the earlier days of the town's Gold Coast, when the tallest highrise apartment was 15 stories, and views of neighborhoods as they became one community.

Remember Dad:

Father's Day Promotion Features Tees, Lures

What's a good way to remember Dad on his day? Officials at Heritage/Standard Bank, Evergreen Park, Ill., say the free golf tees and fishing lures given away during a recent Father's Day promotion brought smiles to many of the bank's male customers.

A bank spokesman said Heritage/Standard has several "women's days" during the year, so it was felt that the men should be remembered. Any man who visited the institution during the two days previous to Father's Day received his gift.

Bank's Bounty:

'1st Day' Checks Worth $5 During Anniversary Fete

Anyone who possessed a Bank of North Aurora, Ill., souvenir check dated August 14, 1970, the first day the institution was in operation, received $5 for it during the bank's fifth-anniversary celebration. In addition, Bank of North Aurora matched the $5 in the form of a donation to the local youth center.

During the two-day open-house celebration, which also honored the opening of a new drive-up facility adjacent to the bank, free refreshments and helium-filled balloons were provided to the public.

Bank of North Aurora had a five-gallon jug filled with an assortment of coins displayed in the lobby. A contest was held in which the person whose guess came nearest the amount within won a $100 savings account, while second, third and fourth prizes of $75, $50 and $25, accounts, respectively, were offered.

Golden Anniversary:

Deposit Guaranty's 50th Has Gilded Features

Deposit Guaranty National, Jackson, Miss., really stuck to the "gold" theme during its 50th-anniversary celebration. In a random drawing, winning regis-

J. H. Hines (l.), ch., Deposit Guaranty Nat'l, Jackson, Miss., draws winners' names in contest during bank's 50th anniversary. Prizes of solid gold ingots were awarded to 33 persons.

trants received one of 33 solid gold ingots and those opening a new account had their choice of a golden "four-foot yardstick" or a goldfish and bowl.

Other highlights of the event included a week of festivities. A six-piece jazz combo played '20s-era music in the bank's plaza during each noon hour, accenting the collection of antique autos that was on display there.

The main banking floor was the location for a display of '20s-era items, while silent films—Chaplin, Valentino, etc.—could be seen under the Capitol Street escalators in the bank during the noon hour.

During the 11:30 a.m. to 1:30 time period, popcorn, soft drinks and flowers were given away in the courtyard.

Chicago Sweepstakes:

New Convenience Center Opens With a 'Bang'

The First Place, First National of Chicago's new convenience banking center, opened recently and the event was sparked by the giveaway of thousands of dollars in prizes.

The new consumer banking facility serves personal banking customers with 16 tellers, four automated teller units and extended hours. Customer service, installment credit and new account representatives also are available at the new facility.

To celebrate the First Place's opening, the bank's noontime plaza activities were geared to the new facility. Thirty prizes, including an Olds Starfire automobile, 14-foot Boston Whaler boat with 40 h.p. motor, Caribbean trip and others, were offered to Illinois residents who filled out and turned in the proper entry forms.

Free T-shirts with First National's motif were given to all who deposited $50 or more in a savings account, and free balloons were distributed at the new facility.

To advertise the opening, radio spots were run for one week and the two major newspapers had ads announcing, "The First National Bank of Chicago introduces the *other* First National Bank."

Midland Wassail:

Food, Drink and a Choir Highlight Texas Holiday

Wassail, gingerbread and choir music highlighted the week preceding last Christmas at First National, Midland, Tex.

Visitors to the bank during the pre-Christmas week were treated to refreshments and songs by choirs from local schools. In addition, all in attendance received a free recipe for the wassail from First National.

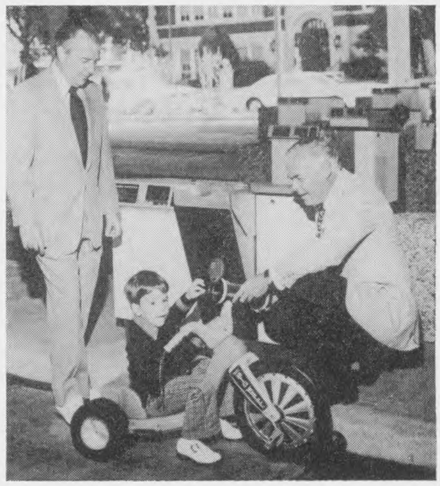
Two half-hour choir sessions were featured during the five working days before Christmas, with the first group beginning its music at noon and the second choir at 12:30 p.m.

For those with a thirst, the First National wassail recipe calls for two gallons of sweet cider, two cups of orange juice, one cup of lemon juice, one of pineapple juice, one stick of whole cinnamon, a teaspoon of whole cloves and one cup of sugar. Combine the ingredients and bring to a simmer, then strain and serve while hot.

At New Facility:

Bank's Anniversary Baby Is First 'Motor Customer'

When First National, Tulsa, celebrated its 75th anniversary in 1970, much of the event centered around "Mr. First 75," Lance Lawless, the first baby born on July 29, the date of the anniversary. Now that he is five, Lance has scored another "first" at the bank



Don R. Turner (l.), v.p., and John L. Robertson (r.), ch. and pres., First Nat'l, Tulsa, assist first customer to newly remodeled drive-up facility, Lance Lawless. Lance was first baby born in city July 29, 1970, date of bank's 75th anniversary. He holds honorary title, "Mr. First 75."

by being the first customer to transact business at First National's remodeled "Autobank."

The drive-up facility features six new teller units which are remotely controlled by four tellers from a central facility.

Bank's 'Watermelon Bust' Is Anything But!

Employees at Bank of Benton, Ky., wanted to promote the bank in a way that was different, so a "watermelon bust" was held, complete with all the fruit one could eat and a local gospel group (with pianist Dick Ready—a Bank of Benton dir.) to provide some music. As can be seen in the accompanying photo, the event was anything but a bust! The crowd was estimated at about 2,500—one family from Texas visited after hearing the proceedings broadcast on the radio. Bank personnel served 215 watermelons from five tables set up throughout the bank's parking area. Why watermelons? Why not—when it's watermelon season in Benton.

For Your Information:

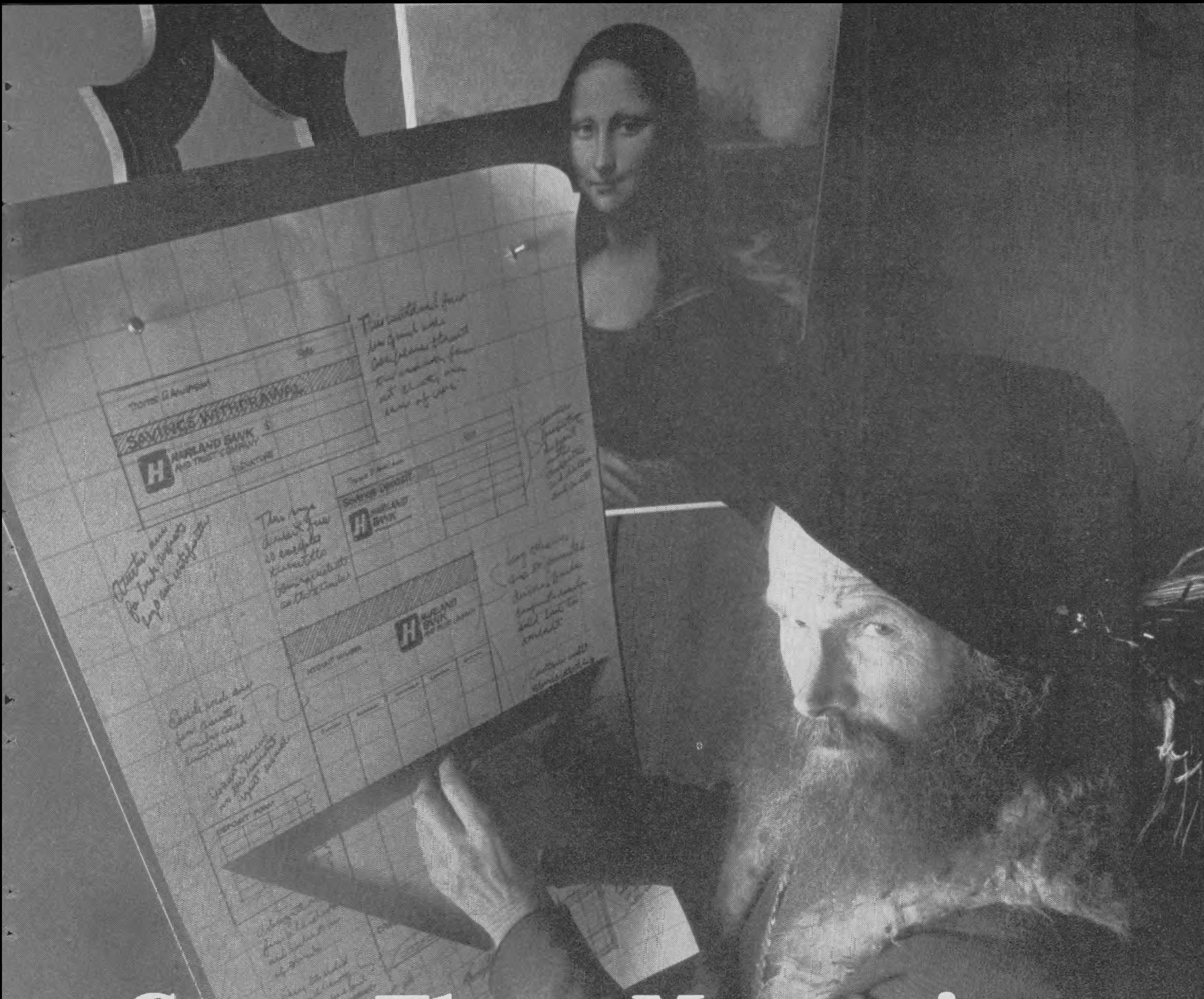
Bank-Sponsored Seminars Cover Important Topics

St. Louis residents had a chance to learn more about a variety of topics and services offered by Tower Grove Bank when that institution held a series of free informational seminars.

The series was held on consecutive Tuesday evenings in the bank and each was conducted by various officers.

Topics covered included "Service Is Our Business," "Your Birthright—You Can Reduce Your Inflating Cost of Living," "Budget Planning and Credit Buying," "Loan Services at Tower Grove," and "Where There's a Will, There's a Weigh."

The latter seminar was so named because of the various factors that must be weighed when making out a will: naming the executor, providing for a spouse, children, etc., and paying taxes.



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Harland has a tremendous number of internal and external bank forms from which to choose, but sometimes a stock form just won't do.

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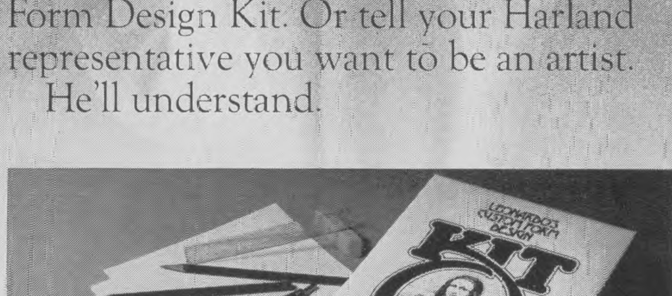

HARLAND

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Agricultural News

Hog Prices to Stay at Favorable Levels Through Spring, ABA Panel Concludes

BANKERS taking part at a press seminar on hog production financing sponsored by the Agricultural Bankers Division of ABA predicted that hog prices will remain at favorable levels at least through next spring.

They said that hogs can still be the "mortgage lifter" for many farmers, as well as a means of building financial strength for the young farmer.

"Efficient hog production has been one of the main factors in increasing the net profits on many of our farms," reported Charles Belshe, senior vice president, First National, Gallatin, Mo., one of five bankers participating in the seminar, held in Des Moines in August.

"Feeder pig producers, purebred breeders and farrow-to-finish operations have been profitable three out of four years during the past decade," Mr. Belshe said. "Our market hogs are making money now with \$3 corn, and there is a good picture of profitability for the next 12 months.

"We are estimating a \$45 to \$48 hog market this fall and winter," he added. "With corn ranging from \$2 to \$3, most of our producers can show a profit on \$100 per head fat market hogs."

Oliver A. Hansen, panel moderator and president, Liberty Trust & Savings, Durant, Ia., emphasized the importance of financial counseling. "The farmer's banker should be a sounding-board, consulting and working with the farmer to ensure that his plans will work out to a profit."

Mr. Belshe said his bank's officers "spend the winter months visiting with farmers in preparing an operating budget, cash flow and credit needs. We like to give them a committal on their credit needs which will include not only operating expense, living expenses and machinery needs, but also other improvements which will be a profitable investment.

"Loans are normally made on a secured basis using livestock, feed, machinery and crops, unless their farm is clear of liens and has a high net worth. All notes are usually set up for the following fall and winter after the farmers have sold their year's production," Mr. Belshe said.

The relatively quick capital turnover and high profit of hog operations make them attractive to young farmers, he said. "We like to start our young farmers in a hog operation. You invest \$700 in a sow, feed and other overhead expenses and she could return you \$700 in 10 months. You would still have the sow to continue the operation.

"Compared with a beef cow operation, which would take \$300 for cow, feed and overhead expenses and the sale of a \$150 calf each fall, you have over twice as fast a capital turnover with the hog enterprise," he noted.

Management has become the most critical factor in agribusiness, all five bankers agreed. "We can say this because when the chips are down it is the operator who has that proved managerial ability who can usually get the land, capital and labor," said James B. Swackhamer, senior vice president, Clinton County Bank, Frankfort, Ind.

Interest rates paid by agricultural borrowers have tended to remain stable in spite of the ups and downs of America's major money markets, the bankers observed. They attributed their interest rate stability to the fact that the bulk of their lendable funds is generated by local deposits.

Although growing depositor sophistication is slowly raising the interest rates that rural banks pay their depositors, the stable rates paid by ag borrowers have helped to strengthen American agriculture, Messrs. Belshe and Swackhamer noted.

"With basic, productive agriculture at heart, we have joined the Farmers Home Administration and the Federal Land Bank in joint financing, and even participate with our local competitors to assist ag financing and help keep local dollars in our area," Mr. Swackhamer said.

The use of three-to-five-year market price averages in figuring repayment schedules has helped to protect farmer borrowers from financial troubles during price cycle dips, said Bruce Otto, vice president, First Farmers State, Minier, Ill. "We use the averages to carry our customers through the dips in the cycle."

The seminar was the third in a series of specialized briefings held by the ABA for members of the agricultural press. • •

How our bank can help your bank grow with your farmers and ranchers.

The world's appetite for food and fiber is getting bigger all the time. So today's demands for agricultural financing may be more than you can handle with available funds.

First National Bank in St. Louis is ready to help you and your customers.

With funds for operating and production loans, machinery and equipment loans. With leasing plans and exporting assistance.

Even investment and estate planning to help them conserve their assets.

You'll find us easy to work with, and we're staffed to respond quickly. Our Agricultural Department is headed by Neil Bergenthal, Vice-President, who has 20 years of farm credit experience in agribusiness and the U.S. Farm Credit Administration.

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And grow with your farmers and ranchers.

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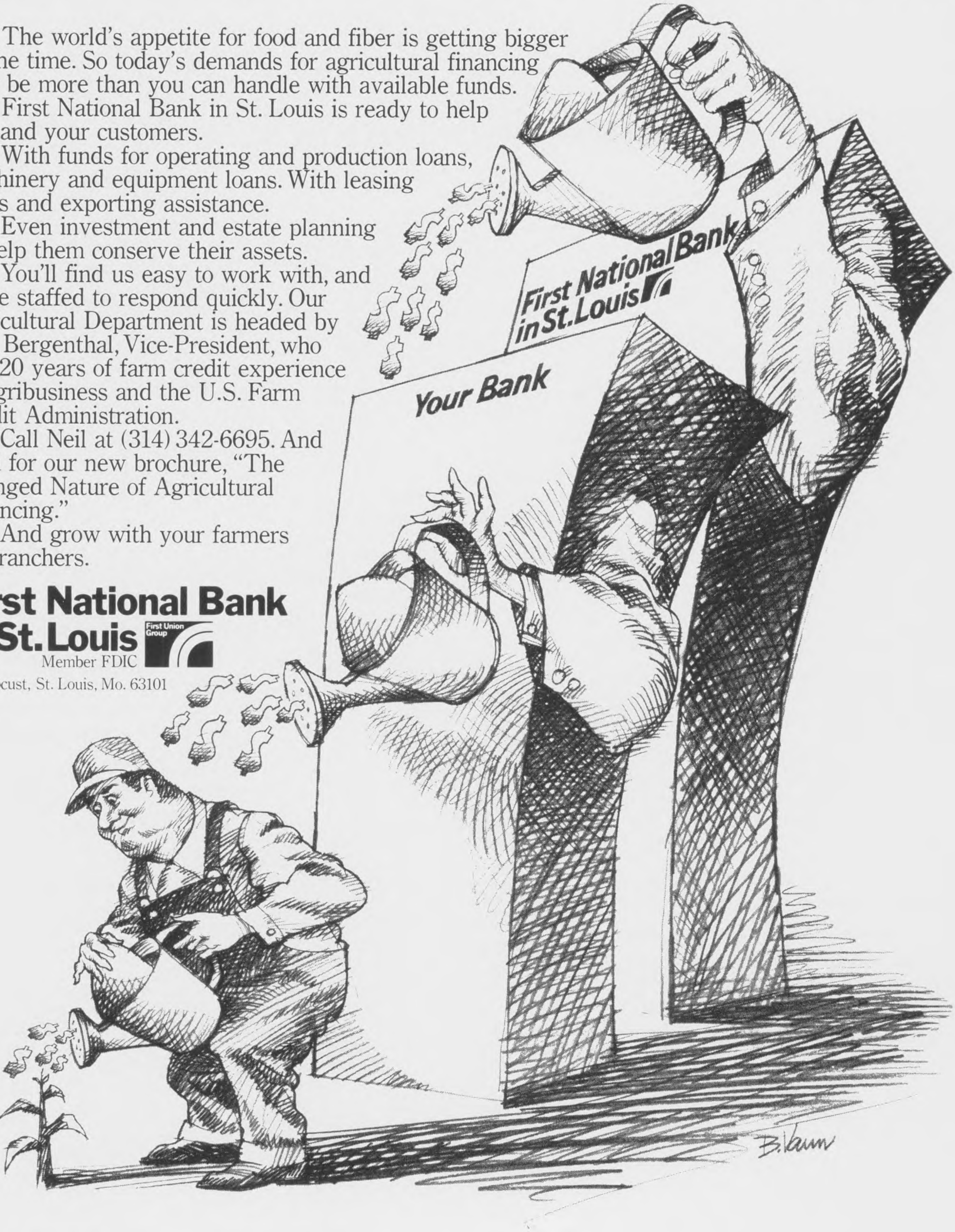


By Dr. Lewis E. Davids

Hill Professor of Bank Management,
University of Missouri, Columbia

Will Your Bank Be Unionized by 1980?

ABOUT 20 banks in the U. S. are unionized, a number that would seem to preclude the possibility of unionization occurring in your bank. That should not be grounds for complacency by bankers, because the number of institutions which have been unionized has more than doubled in the last five years, and union activity in banks is increasing at a high rate.

An historical perspective will help in viewing the situation more clearly. The late Walter Reuther once said, "White collar workers now offer the most fertile field for new union members of any group in America."

When one thinks of white collar workers, bank employees, as a class, head the list because they are more likely to be named as one of the most attractive targets of a unionization effort.

In 1970, Howard Coughlin, president of the 80,000-plus-member Office & Professional Employees International Union (OPEIU), indicated that banks were to be the principal target of the union for organizational efforts. About 60% of the unionized banks have the OPEIU as their agent, and of 16 union affiliations made during the 1970s, all were with the OPEIU.

"Women are a majority in banking, but are a distinct minority in the upper levels of banking administration."

That union's success has encouraged others, such as the Marine Engineers Beneficial Association, the Teamsters, the Service Employees National Union, and lately, the United Auto Workers.

The Retail Clerks International Association successfully organized a bank in Pennsylvania in the past year, while the Laborers International Union of North America has had recent success in organizing an institution in Rhode Island.

The recent downturn in the economy, followed by a substantial jump in unemployment, has had some mixed impact on the unionization of banks. Because banks have been one of the more stable employers, some of the threat of unionization has been temporarily removed by the economic downturn, coupled with an overall decrease in clerical unemployment.

However, the continuing nature of inflation—or, if you prefer, stagflation—shows that many wage-earners haven't received the salary increases necessary to maintain their past purchasing power: Their *current* income doesn't seem to be adequate, especially when measured on a net after-tax basis. Those individuals are not only vulnerable to unionizational overtures, but are welcoming profferred "solutions" which will —they hope—help improve their lowered standard of living.

Many banks have made valiant efforts to increase clerical salaries, but when faced with increased costs of funds and pressure from bank regulators to improve their capital adequacy and provide more reserves for bad debts, staff pay scales simply could not be made any higher than they were.

Of all the service industries, banking has been one of the most stable. Its growth has had a close correlation with changes in the GNP and the population. Today, there are approximately 1.2 million people working in banks and their related HC affiliates. About two out of every three bankers are in what normally would be classified as relatively low-skill and challenge positions. We can anticipate about 70,000-plus job openings developing in banks each year, assuming the U.S. Department of Labor's statistics are valid, and most of those openings will be filled by women—as they have been for years.

In the past, women have been considered less subject to unionization, but the question is whether their *past* attitudes will continue in the future. There are good reasons for questioning the possibility of such a trend. Consider the attitudes of the younger generation of women toward such movements as women's lib and the actions of the National Organization of Women (NOW), as well as the proliferation of affirmative-action programs by federal agencies. To that can be added the presence of such programs as the Employee Retirement Act, the Equal Employment Act, the Occupational Safety and Health Act (OSHA), etc.

". . . many wage-earners haven't received the salary increases necessary to maintain their past purchasing power . . ."

The general thrust of those regulations and laws is that they have the desirable goal of equality and safety. Those goals, as expressed by federal agencies, unfortunately have many ambiguities and are accused, by many bankers, of encouraging reverse discrimination.

Women are a majority in banking, but are a distinct minority in the upper levels of banking administration. Their aspirations have been raised, not only by legislative action, but also by the changing cultural pattern of the "housewife" and increased militancy at all levels.

Not only does this cultural phase make banks more subject to unionization efforts, but it has encouraged class-action suits against some of our nation's leading banks. Both activities

generate publicity and stimulate individuals in other banks to "hop on the bandwagon." Like airplane hijacking in past years, one "success" has led to emulation of the actions.

Most of the 14,000-plus banks in the U. S. are relatively small in size. Students of business management note that when any organization has as many as 100 employees, at least one full-time individual is needed in personnel administration. Studies made by the Bank Administration Institute (BAI) show that this generalization—which is applicable to industry—is true only in about 55% of our nation's commercial banks. Since we have many thousands of banks without any full-time personnel administration, it may be conjectured that such banks are especially vulnerable to unionization efforts. In a related sense, they may not fully understand the many federal regulations affecting their personnel.

The BAI study showed that more than one in 10 banks having over 250 employees do not have full-time executives exercising the personnel function. Where full-time personnel executives are found in banks, their stature and level tend to be lower than that for which such important responsibilities would call.

One of the most—if not *the* most—important contributing factors to the encouragement of unionization is poor morale. Most bank executives may believe that the morale of their clerical staff is good or excellent, an opinion I have found to be generally subjective in nature.

At least one highly regarded bank *did* have the foresight to find out about the morale of its staff. Following are some comments received from several dozen clerks on a written questionnaire. The specific question was: "What do you like least about working for the bank?" (It's interesting that the responses to that query were more numerous and frank than those to the question, "What do you think is the greatest thing about the bank?").

Here are some things clerical workers *didn't* like about working for the bank:

• A great number didn't like the amount of time they had to spend working at the institution. Typical comments were ". . . proof department doesn't get a break. Everyone should get a break either morning or afternoon . . . why does the motor bank have to be the 'labor camp'? . . . the long hours at the motor bank . . . working hours should be evened up. Some people work late every day and on Saturdays; others never work Saturdays and seldom work late . . . when my work is finished, I feel I should be permitted to leave. No one minds staying if there is work to be done, but to stay to keep other departments happy is foolish . . . working Saturdays. . ."

• Many felt they were treated like a "number," not a person: ". . . some of the officers would not even give you the time of day if they met you on the street. This does not show any interest, in my opinion, of you as an employee or even as an acquaintance . . . not feeling free to talk to those in the 'chain of command' about complaints, suggestions, jobs, raises, etc. . . . the feeling of the employee is low on the priority list . . . you aren't patted on the back when you do something good, but when an error is made, you sure hear about it . . . it's a 'crime' to ask for time off . . . the independent idea of being in existence only to make money and not being concerned about the small or average man . . . I've worked here for a year and have had personal contact with five officers; I think the officers should come to all departments once in a while. . ."

• Not knowing "what's going on" was another popular "gripe": ". . . I feel I'm uninformed about things relating to the bank at the time of the event . . . departments cutting down one another. One department not knowing what the other one does . . . supervisors should pass on any information to the employees that concerns them; you hear a lot in the lunchroom about a meeting and I'm sure it's not always what was said . . . lack of communication . . . changes that occur without employees being notified. . ."

• Pay and prestige were other frequently mentioned irritations: ". . . many people take a dim view of a position that allows some freedom and independence . . . being a small, closely held bank, there are only limited areas for advancement . . . the monetary compensation has been the greatest disappointment to me. The lucrative business of banking is notorious for paying low wages to employees in the lower echelon and this is true here . . . too much partiality shown . . . too many chiefs and not enough Indians . . . some reap glory at someone else's expense . . . I get all the small jobs pushed off on me because I'm not important enough *not* to get them . . . the bank's starting salaries are lower than other companies . . . no man would do the work I do for the pay I get. . ."

You might wonder just how many of your own bank's staff might make similar or even more harsh comments in answer to such a questionnaire. Perhaps now is an appropriate time to find out.

Some comments you receive may be valid, some easily corrected, at no cost and with little effort on the part of your bank. Others may be more fundamental and difficult to deal with, but it would be desirable for you and your bank's top management to be aware of areas of dissatisfaction.

Simply finding out your staff's "gripes" will be valuable. No bank is without areas in which one or more employees are dissatisfied with working conditions. Yet, after rational consideration of the "gripes," your bank can take steps to rectify those that are valid. For those based on misinformation, measures can be taken to educate the staff in the condition's necessity. (For example: "Having to work Saturdays part of the time." In the initial hiring interview, this condition should have been noted and stressed as a condition of employment.)

By sincere efforts to "right" the correctable adverse conditions in your bank, not only will the morale of your clerical staff improve, but the possibility of your institution being unionized by 1980 will be diminished. • •

Community Involvement

$25,000 Goal:

Bank's Charitable Donations Go for Hospital Expansion

Continental Bank, Chicago, recently presented that city's Jackson Park Hospital with a $5,000 first installment on a pledge of $25,000 for the hospital's "Plan 77" fund raising program.

The fund, which has a $17.2 million goal, is intended for the addition of four new buildings to the hospital, reportedly will increase its bed capacity to 360, provide new laboratories, enable enlargement of emergency room facilities and provide for a community health services center.

"Grizzly Gang Bust":

Bank's Football Rally Attracts Record Crowd

People in Memphis probably were surprised at being confronted by a grizzly bear wearing brown patent leather shoes, but the surprise must have been a pleasant one. The "grizzly," played by a volunteer from First National's marketing department, was walking the streets to invite one and all to a pep rally for the town's World Football League team, the "Southmen."

The rally was labeled the "Grizzly Gang Bust"—the team is commonly called the Grizzlies—by local radio personalities who MCed the event. It was promoted for several days in advance with fliers, a billboard on the bank's plaza (site for the rally) and through radio spots.

On the day of the rally, a dixieland band served to draw the lunchtime crowd to the plaza. That was followed by comedy sketches and speeches by bank and team officials. Cheerleaders set the stage for appearances by team members Larry Csonka, Wally Highsmith and Ron Mikolajczyk.

Game tickets were sold from special booths in front of First National and MCs threw miniature Southmen footballs, pennants and jerseys to the audience, which by then had spread across the street. A dance contest was held with season tickets as the first prize.

This is part of crowd of about 2,000 that attended noontime rally of First Nat'l, Memphis for local World Football League team, the Southmen. Event featured entertainment, team stars, dance contest and free game tickets.

The rally came to a close with a Grizzly version of "Let's Make a Deal" —50 free game tickets were given to people who could produce items such as a pink hairbrush or a Mississippi driver's license.

The "Grizzly Gang Bust" lasted two hours, drew a crowd of about 2,000 people and was covered by three local TV stations and Memphis' two major newspapers. Photographers from *Sports Illustrated* were there, and, as one spectator reportedly said, "For a little while, it sure brought downtown Memphis back to life."

How We're Involved:

Bank of America Report Shows Its Social Action

Want to tell your community and employees of the good deeds your bank has done in the past year? Do as Bank of America, San Francisco, has done and publish a social-performance report.

The three-section, 16-page booklet is entitled "The Community and the Bank." In its first segment, the year's important issues are discussed: disclosure, community involvement, consumer issues, employee concerns and environmental practices.

Section two of Bank of America's publication updates figures for ongoing programs: special loans, agricultural activities, educational aid, urban affairs, equal opportunity and contributions.

Part three outlines the organizational structures charged with implementing the bank's social policies.

Following are some of the report's highlights:

• The bank made over 50% of California's student loans during 1974—$50 million to 36,500 students.

• Bank of America wasn't satisfied that only 81% of the women shoppers surveyed had loans approved by the bank; the institution re-emphasized its credit guidelines to loan officers and plans to conduct a second survey.

• The bank agreed to increase its proportion of women officers to 40% by year-end 1978; set goals so more women will train for positions as lending and operations officers and expand career counseling, job posting and recruitment efforts for women.

What's Happening?

Community Message Sign Operates 17 Hours Daily

What's 40 feet tall and tells all—17 hours a day? No, it's not the Jolly Green Rona Barrett. It's the new, electronic "community message center," sponsored by American National, Amarillo, Tex.

New "community message center" of American Nat'l, Amarillo, Tex., is said to be largest of its type in state. Characters in light panel are 42 in. in height, are operated 17 hrs. daily. Bank can be seen in left background.

Said to be the largest message center of that type in the state, it was installed by American National in the hope that it would become a helpful service to the community. The huge outdoor sign broadcasts messages in 24-inch characters in a light panel across the bottom, which contains 770 lamps.

The message panel is computer controlled and operated from the bank. It can be programed to run a series of messages up to one week in advance and the information can be displayed in three ways: static messages, which can have a duration of from one-fourth second to 511 seconds; repeating; or messages that travel across the light panel.

Bank Promotes Ecology

Arlyn Schuler, cash., Citizens State, El Dorado, Kan., surveys what was left on the bank's drive-up parking lot during one Saturday. He was delighted with the pile of flattened aluminum cans, for which the bank paid a penny each. The day-long event was the culmination of a bank-sponsored, six-week ecology cleanup program—"Do Something." "Do Something Day" resulted in 253,143 cans being dumped on the bank lot. The total program urged citizens to do something about litter in the area and was promoted with litter bags, bumper stickers, put-together waste baskets and "Do Something" buttons, all given away by Citizens State.

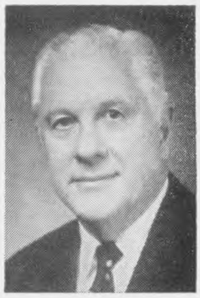
NEWS OF THE BANKING WORLD


STEELE


E. SMITH


ANDERSON


R. SMITH


DAVIS

• **Joe H. Davis Sr.** has retired as executive vice president at First National, Memphis. He will be succeeded by J. C. Wyckoff, senior vice president. Mr. Davis has been with the bank 45 years, once headed the correspondent bank division and has supervised governmental relations there since 1970. He served as ABA treasurer, 1971-72, and as president, ABA Marketing and Savings Division, in 1969.

• **Betty L. Steele,** vice president and secretary, Brenton Banks, Inc., Des Moines, Ia., has been elected president of the National Association of Bank-Women, 1975-76. Elected to other top NABW posts were Bette B. Anderson, assistant vice president, Citizens & Southern National, Savannah, Ga.—vice president; Esther H. Smith, vice president, Commerce Union Bank, Nashville—secretary; and Ruth I. Smith, executive vice president, Tower State, Kansas City, Kan.—treasurer.

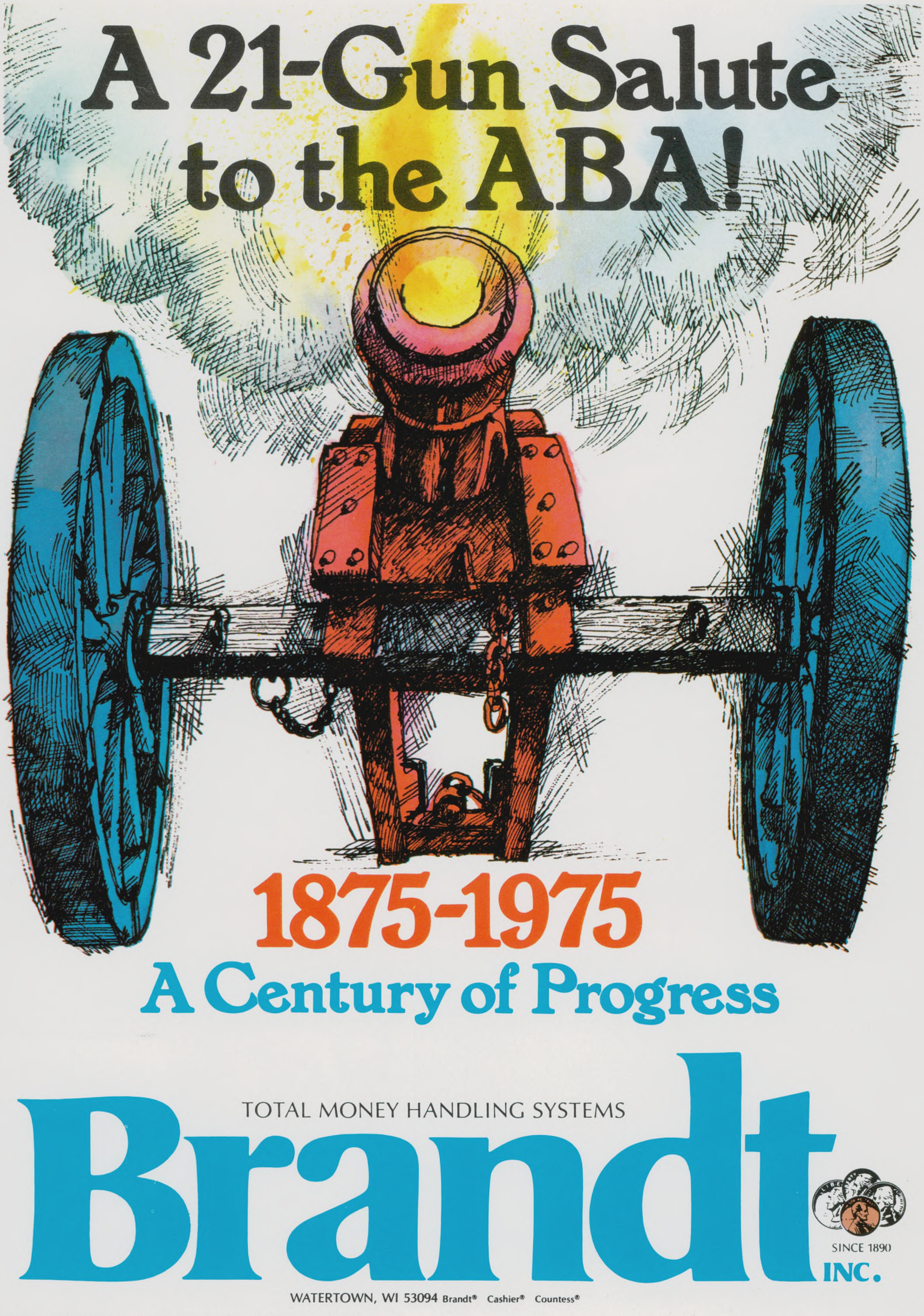
• **William F. Graff** has been elevated to senior executive vice president at Irving Trust, New York City. He joined the bank in 1932 and headed the international division from 1967 to 1973, when he was elected executive vice president.

• **G. Jeffrey Jones,** formerly a cash management officer, First National, St. Louis, has been transferred to the bank's West Coast regional office in Los Angeles as a commercial banking officer. Mr. Jones joined the bank in 1974, going from Mellon Bank, Pittsburgh.

• **John E. Shockey** has been appointed deputy chief counsel by Comptroller of the Currency James E. Smith. Associated with the Comptroller's office from 1969 to 1974, Mr. Shockey left to enter private law practice. As deputy chief counsel, Mr. Shockey will supervise the daily operations of the Comptroller's law department.

• **Gabriel Hauge,** chairman, Manufacturers Hanover Trust, New York City, has been given the Society for the Family of Man Business and Industry public service award. The honor is bestowed by the New York City Council of Churches.

• **John C. Archibald,** senior vice president, Chase Manhattan Bank, New York City, will be honored by Brandeis University, Waltham, Mass., at a national dinner in New York City, October 30. He will be presented the university's distinguished community service award. In 1954, Mr. Archibald joined the old Bank of Manhattan Co., which merged with Chase National one year later.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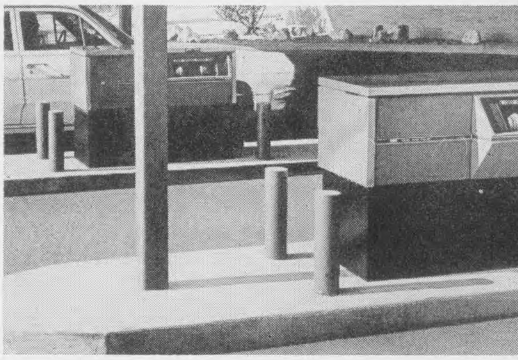
Operations

Satellite Bank Solves Traffic Problem When City Reaches Maximum Growth



To solve the traffic problem when its neighborhood reached point of maximum growth, Bank of Crestwood, Mo., constructed Bank of Crestwood South across highway. Two are connected by Diebold closed-circuit TV, allowing check of customer records kept in Bank of Crestwood. Customers approach drive-up satellite from rear, can be serviced by one of six Diebold Visual Auto Teller systems. Bank staffer is situated above and facing oncoming traffic, can handle more than one customer per minute.

BANK OF CRESTWOOD, Mo., was established in a St. Louis suburb 17 years ago, when its neighborhood consisted of the bank and a large shopping center across the street. Since that time, Crestwood has reached its point of maximum growth and old Highway 66, which fronts the bank, now has traffic lights, a median and day-long bumper-to-bumper traffic.

Officials of Bank of Crestwood, realizing how customers were being hindered from visiting the institution—due to the aforementioned traffic and the comparable building growth in the area adjacent to the institution—solved the drive-up problem by constructing a satellite bank across the busy highway. It's called Bank of Crestwood South.

Although it's a separate physical entity, Bank of Crestwood South is organizationally an integral part of Bank of Crestwood. All customer records are kept at the main institution and are available to the drive-up satellite across the road via a Diebold closed-circuit television system.

Diebold, Inc., Canton, O., also installed the six-lane drive-up facility at the satellite. Bank of Crestwood South uses Diebold Visual Auto Teller IV remote systems, and the drive-up area reportedly can accommodate over 50 automobiles. Tellers are located ahead and above the approaching customers, much like a control tower at an airport, giving complete visibility of all oncoming traffic.

Due to the installation's design, only two tellers are needed to service the six lanes, and bank officials say the facility can handle customers at a speed in excess of one-per-minute. In one peak period, a spokesman noted, 357 customers were served in less than four hours.

Bank of Crestwood has solved the problem of traffic tie-ups, since there no longer is any way it can be on the "wrong" side of the street. • •

Chase's New 'BankRoll' Is Computer Call System

Chase Manhattan Bank, New York City, has developed a computer-based system for financial institutions which is designed to access, analyze, manipulate and store call report data on FDIC-insured commercial banks.

"BankRoll," as it's called, incorporates a five-year analysis of reports, updated semiannually. It includes a series of 10 key ratios developed by Chase for measurement of liquidity, capital adequacy, loan-loss experience, profitability and earnings retention.

Chase has been using BankRoll to screen its own credits. The system will enable participating banks to measure their performance against competitors and allow them to analyze other banks to which they extend credit. It also enables banks to gauge the reliability of institutions on which they depend for credit.

According to Wayne Hansen, senior vice president, ratios used in BankRoll have been sufficient to indicate banks which would experience financial problems—some that might end in failure.

The computer's information also can be used to market participating banks' services, respond to credit inquiries and eliminate clerical costs.

BankRoll is being offered by Chase's correspondent banking division through its relationship managers, who provide the bank's services to its 3,500 correspondents.

Karandjeff Leaves BAI Post For Bank Presidency

Harold F. Karandjeff, the Bank Administration Institute's administrative director, has resigned that post to assume the duties of president and CEO at New Canaan (Conn.) Bank, a new institution scheduled to open late this year.

Prior to joining the BAI, Mr. Karandjeff organized American National, Granite City, Ill., in 1959. He served as that bank's president until going to the BAI in 1971.

McCabe and DiCara of BAI Staff Are Elevated to Sr. V.P.

Frank G. McCabe, senior deputy director, and Sam F. DiCara, deputy director, Bank Administration Institute, have been elevated to senior vice presidents. The BAI is headquartered in Park Ridge, Ill.

Mr. McCabe, formerly director of the BAI publication division, has become director, administrative services division. He will have responsibilities over the controller, conventions and events management and public relations functions.

Mr. DiCara will continue to direct the BAI membership and chapter activities division.

Succeeding Mr. McCabe as director of the publication services division is R. Gerald Fox, formerly managing editor, *Bank Administration* magazine. He will coordinate preparation of all BAI publications and will have complete editorial responsibilities for the abovementioned magazine and the association's quarterly, *Journal of Bank Research.*

Personnel

Bank Management Course for Women Started at College in Tennessee

BANK MANAGEMENT COURSES aren't new to banking. They've been available for a long time, but *usually* participants have been men. However, with the advent of laws banning sex discrimination, this situation either has changed or is changing, with an increasing number of women signing up for such courses.

Now—at Lambuth College in Jackson, Tenn.—a bank management course has been designed specifically for women (although it's open to men, too), and it leads to a bachelor of business administration degree. The course also is available to out-of-state and foreign students. Four women and one man have signed up for the fall term.

"With the demand for women in management positions increasing," said Walter H. Whybrew, academic dean at the college, "we felt specialized training could be helpful."

The four-year course was designed by Mr. James E. Golden, acting chairman, Department of Business and Economics, in consultation with leading bankers throughout the state, including Walter Barnes. Mr. Barnes, a trustee and treasurer of Lambuth, is a former Tennessee Bankers Association president and is president, First National, Jackson.

The personnel division of First National, Memphis, which, said Mr. Golden, has the most advanced in-house training program in the state, contributed many suggestions on how the course should be made up. Steve Aldridge, manager of personnel operations and training at First of Memphis, said everyone connected with putting the course together wanted to develop a curriculum that would be applicable for both men and women planning to enter the field of finance. First National's personnel division also worked with Mr. Golden on areas of special interest for women who might be seeking positions in finance. In addition, the bank has committed itself to providing two on-campus seminars, which are instructed by its personnel. They are: 1. A seminar for women in banking. 2. A seminar in functional areas of banking.

The first seminar—developed and taught by a woman member of First of Memphis—is designed to investigate specific problems and opportunities for women entering banking, with emphasis placed on special opportunities they have in that field. The second seminar is designed to investigate specific functional areas of banking and covers transit and check clearing, collections, trust funds, real estate, commercial and consumer loans, computerized banking, federal funds and CD management, branch banking and holding company operations. The seminar's purpose is to acquaint students with actual operations and solutions rather than giving them theoretical textbook approaches.

Furthermore, First of Memphis agreed to provide a three-to-four-week internship program similar to one it already holds for Southwestern College in Memphis. The Southwestern program, for men and women, is a four-to-six-week accelerated, nonpaying course in which participants work at First of Memphis.

The Lambuth internship program—scheduled for January or February each year—is an overview of many areas of a banking institution. Participants are not paid and are not doing work as such, but take part in instructive orientation.

Although the primary internship program has been designed with officers of First National, other banks in the Jackson area have been incorporated into the internship program. Negotiations are now under way to include banks in New York City and other cities as the number of enrollees grow. Special arrangements for housing and food are being made with nearby colleges to keep students' costs to a minimum.

Under this internship program, students work in nearly all departmental areas of a bank—administrative, corporate and retail—eight hours a day, five days a week. They cannot choose a particular area of a bank, but there is flexiblity in the schedule to provide "backing up" and spending more time and concentration in areas they find particularly interesting or don't fully understand.

According to the course schedule, when a student reaches her senior year, she will work for one semester in her local bank and will receive monetary compensation in addition to college credit. In the case of out-of-state students, the work—under college auspices

—can be done at a bank in the student's home town, if suitable arrangements can be made, or she may work at a Jackson bank.

This part of the course, according to Mr. Golden, is designed to give students a feeling of "working for a living" and to offer them an opportunity to see the rewards and disappointments of actually performing a job.

Other subjects taught as part of the course include: Money and Banking, Managerial Finance, Personnel Management, Auditing, Business Law II, Statistics II, Systems Analysis, Managerial Accounting, Production Management and Computer Programing. In addition, courses are available in typing and shorthand, office machines, office management and procedures and business and financial math.

In discussing the program, Mr. Golden told MID-CONTINENT BANKER, "It is our feeling and that of bankers that there is little or no difference in the training for success in the banking industry, regardless of the sex of the employee. It is felt, however, that women face problems that are specific to them. Some of these problems include lack of proper training, resistance of men to women's leadership, traditional reluctance of men to discuss money problems with women and the traditional feeling on the part of top management that women, because of family transfers, etc., are poor risks for top-management-level positions."

This course was established, he continued, to acquaint women with and prepare them for these and other special problems. He added that there's a demand now for women in management positions, and this demand will increase in the next few years. He did emphasize, though, that the course is not just for any woman, but rather for qualified, promotable, contributing women. • •

New BAI Publication Profiles Personnel, Plots Paths to Harmonious Management

WHAT is the typical bank employee looking for in a job? According to a new Bank Administration Institute publication, *Bank Personnel Administration: A Basic Plan*, the answer is the following:

• An opportunity to do responsible, interesting work.

• A feeling of identification with the "team."

• Fair and equal treatment.

• Economic and emotional security.

• Knowledge of "what's going on."

The book says an occasional pat on the back also is welcome.

The 200-page manual, intended especially for personnel officers in smaller banks, offers additional recommendations for harmonious management:

• Formulate written personnel policies that are fair and manageable.

• Create a good first impression when interviewing prospective job applicants. That impression may determine whether the applicant will return when counsel for personal or job problems is needed.

• Understand and comply with state and federal regulations regarding equal-employment practices and affirmative-action programs.

• Reinforce bank policy by promoting from within: Post notices of job openings, letting employees "bid" for positions.

• Implement an orientation program that continues until the new employee is at ease, trained and fully productive.

• Develop a training philosophy and a basic training plan designed to get a person to do a job correctly, quickly and conscientiously.

• Develop a formal plan for salary administration.

• Have a reasonably formal procedure for handling grievances, documenting nature of complaints and action taken.

• Maintain a constructive relationship with the first-line supervisor. It is at this level that a personnel program gets its daily test and will succeed or fail.

• Care about people; let it show.

The new BAI publication covers essential principles and practices of good personnel administration, setting forth a basic plan of administration. It stresses practical, useful information rather than theoretical approaches.

Included are examples of existing personnel policies, checklists, charts and forms to be used. Attention is given to job classification and illustrations, listing grades and titles of common bank jobs. Descriptions and salaries for jobs also are features of the book.

Bank Personnel Administration is completely revised, superceding BAI's 1971 work under the same title. Chapters are expanded to include such information as the Occupational Safety and Health Act of 1970 (OSHA), and more.

Copies have been mailed to BAI members without charge, while additional copies go for the member price of $7.50. Nonmember cost is $15. Write: Bank Administration Institute, P.O. Box 500, Park Ridge, IL 60068. • •

Income Tax Implications in Termination Of Problem Real Estate Loans by Banks

By J. ALAN HARKNESS
Partner
Peat, Marwick, Mitchell & Co.
St. Louis

IN VIEW of the current troubled economic environment and its effect on the real estate industry, it is timely to review the federal income tax implications involved in the termination of problem real estate loans by banks.

Particular care must be exercised in taking possession of or effecting foreclosure of mortgaged real estate or in disposing of wholly or partially worthless mortgages to insure that the tax results are as contemplated and are the most desirable in view of the bank's particular tax situation.

Among the items for consideration which must be reviewed for each particular situation are the bad debt deduction, if any, to be recorded upon foreclosure; the tax effect of varying bid prices at foreclosure; the ability to carryover a bad debt deduction to subsequent years as opposed to the necessity of reflecting gains or losses measured by the difference between bid price and fair market value in the current year's tax return; the effect of acceptance of voluntary conveyance of title in lieu of foreclosure.

Also to be considered are possible outright sale of mortgages in lieu of reduction to possession of the underlying collateral; the nature of any gain or loss to be realized upon ultimate disposition of real estate acquired through foreclosure or voluntary conveyance; and the possibility of creating a capital loss from which the bank may not realize tax benefit as a result of placing a bid on property in foreclosure in excess of its fair market value.

Other elements which must be considered in advance, but which are not within the scope of this article, include the propriety of discontinuing the accrual of interest income on delinquent loans and the treatment of expenses incurred in connection with real estate acquired through foreclosure or acceptance of voluntary conveyance.

The foreclosure of mortgaged real estate can trigger two immediate taxable events. The first occurs when real estate is acquired at auction for a bid price of less than the mortgage basis. If it can be demonstrated that the remaining unsatisfied portion of the mortgage is wholly or partially worthless, the mortgagee is entitled to a charge against its bad debt reserve measured by the difference between the mortgage basis and the bid price, plus any additional collectible portion.[1] Mortgage basis includes accrued interest to the extent of its prior inclusion in taxable income.[2]

A second taxable event occurs if there is a variance between bid price and actual fair market value of the foreclosed property. It should be noted that the regulations specifically state that the fair market value of acquired property is assumed to equal bid price in the absence of clear and convincing proof to the contrary.[3] However, when it can be demonstrated that a variance does exist between the bid price and market value, the basis of the acquired property must be adjusted to its fair market value and an amount of gain or loss recognized equal to the difference between bid price and the actual fair market value.[4] Any such gain or loss resulting from adjustment to market value does not represent a charge to the bad debt reserve but must be immediately recognized as ordinary gain or loss.[5] The basis for purposes of determining gain or loss upon ultimate disposition of the foreclosed property equals the foreclosure bid price plus any gain or minus any loss recognized to adjust the carrying value of the property to equal fair market value.[6] The nature of any gain or loss recognized upon ultimate disposition of the property will be discussed later.

The tax effect of acceptance of possession of real estate by means of a voluntary conveyance to the mortgagee in lieu of foreclosure differs from the treatment required in foreclosure situations. In such instances, a charge to the bad debt reserve must be reflected whenever the fair market value of the property received is less than the basis of the mortgage. The amount of the charge against the bad debt reserve is equal to the excess of mortgage basis over market value of property received.[7] Should the fair market value of property conveyed exceed the mortgage basis, such excess is taxable as ordinary gain. There is no flexibility in voluntary conveyance situations to control the bad debt deduction by means of varying the bid price, as is possible in foreclosure situations.

In certain situations, an outright sale of the mortgage note in lieu of foreclosure or acceptance of possession through voluntary conveyance may provide the most desirable tax result. Any loss realized on the sale of mortgage notes is deductible in full in the year of sale as an ordinary loss in arriving at taxable income.[8] For purposes of determining the amount of loss realized, accrued but uncollected interest must be added to the loan basis to the extent of its prior inclusion in taxable income.[9]

Prior to taking action with respect to a problem real estate mortgage, the above three basic modes of disposition should be carefully studied, as each alternative may produce different tax effects. Acquisition of property through foreclosure can result in a charge to the bad debt reserve and the simultaneous recognition of ordinary gain or loss. Only one taxable event occurs in the instance of acceptance of a voluntary conveyance of real estate in lieu of foreclosure—a charge to the bad debt reserve in an amount equal to the difference, if any, between the mortgage basis and fair market value of the property received.

Any charge to the bad debt reserve can be avoided entirely through an outright sale of the related mortgage note in lieu of securing possession through foreclosure or voluntary conveyance. Any loss realized upon such sale is recognized as an ordinary loss. This alternative is especially helpful in situations where the limitations on deductions for annual additions to the bad debt reserve act to limit a bank's deduction in the subject taxable year.[10]

Since 1969, banks have been permitted to claim deductions for annual additions to their bad debt reserves in accordance with formulas contained in Code Section 585. In general, these formulas permit banks whose bad debt reserves at December 31, 1969, were less than 1.8% of eligible loans to increase their reserves, over a six-year period, to the overall 1.8% limit. Those banks whose reserves exceeded 1.8% of eligible loans were allowed, in substance, to maintain the dollar balance of their reserves and to increase the reserves to 1.8% of eligible loans if loan growth justified such additions. Except where the actual experience method is utilized to compute the allowable annual bad debt deduction, such deduction cannot, except in unusual circumstances, exceed the overall limitation of .6% of eligible loans at year-end.

The IRS has ruled that if the amount of net bad debts charged to a reserve during a taxable year exceeds the maximum permissible annual addition, or are not deducted for other reasons, they may be deducted in subsequent years.[11] Although the ruling predates Code Section 585, it still is considered to be effective.

However, this general rule of carryover does not appear effective for bad debt losses charged off by banks but not claimed as deductions in their tax returns for the calendar year 1975, since taxable years beginning after December 31, 1975, a new base date will be effective and the allowable reserve ratio will be reduced to 1.2%. In view of this pending reduction in the reserve ratio limitation and the effect of the new base date on carryovers, banks will generally desire to maximize their deductions for additions to bad debt reserves in their 1975 tax returns and must exercise particular caution to insure that charge-offs are not realized in amounts that exceed currently deductible limits.

It is obvious that the maximization of bad debt loss in a foreclosure situation depends upon minimization of bid price. However, independent appraisals should be secured substantiating fair market value simultaneous with foreclosure in preparation for defense against a potential IRS assertion that fair market value of the property at the date of foreclosure exceeded the bid price and that ordinary income must be recognized to the extent of the excess. Although the determination of actual fair market value at the date of foreclosure often is difficult, the assumption contained in the regulations that fair market value is assumed to equal bid price in the absence of clear and convincing proof to the contrary can sometimes be most beneficial.

In holding for the taxpayer in *Community Bank* (62 TC No. 55, 1974) the tax court pointed out that this presumption generally favors the government, but when it happens to favor the taxpayer, he is entitled to rely upon it.

The bank had foreclosed on mortgages with a basis totaling $861,000. The mortgages were bid in at foreclosure in a total amount of $371,000 and a bad debt deduction of $490,000 was claimed. The IRS disputed the bad debt deduction, asserting that the property's fair market value exceeded bid price and that the excess was taxable as ordinary income. In absence of submission of sufficient evidence by the IRS to rebut the presumption that bid price equaled fair market value, the bank's bad debt deduction was sustained with no offsetting gain. It should be inticipated that future challenges by the IRS of market value in similar situations will be more adequately supported by documents prepared by IRS appraisers.

The nature of any gain or loss realized upon ultimate disposition of property must be considered prior to reducing the property to ownership. The IRS has ruled that real estate acquired by a bank in foreclosure (or by deed in lieu of foreclosure) that was not held for production of rental income but was advertised and sold as soon as possible, was held primarily for sale in the ordinary course of the bank's trade or business and, accordingly, any gain or loss realized from the sale of such property was taxable as ordinary gain or loss.[12]

The facts upon which the ruling is based are somewhat unique and are worthy of note. The taxpayer bank made substantial improvements to many of the unimproved properties acquired through foreclosure, including development of such property by installing sewers and water pipes, paving streets, grading land and installing curbing. It platted and subdivided some properties into lots and financed the construction of individual dwellings on some lots. The bank made continuous, substantial and frequent sales of such properties and financed the construction of dwellings as well as the construction of commercial buildings on vacant land. The bank appears to have been engaged in all activities commonly associated with the development and sale of real estate.

It would appear that this ruling should be applicable only to those situations where the taxpayer engages in frequent real estate transactions and developmental activities sufficient to cause it to be considered a dealer in real estate. Gains recognized upon disposition of real estate acquired through foreclosure are not always taxable as ordinary income. In holding that a bank was entitled to capital gain treatment on profit realized upon the sale of farm property which had been acquired in foreclosure, the court in *Parkersburg State Bank vs. U. S.* (74-1 USTC para. 9124) concluded the subject property was not held by the lending institution primarily for sale to customers in the ordinary course of its trade or business.

Care must be exercised to insure that a basis is established sufficiently low to preclude the realization of loss upon ultimate disposition of property acquired through foreclosure or voluntary conveyance in lieu of foreclosure. In view of the decision in *Parkersburg*, supra, it is possible that any loss realized upon ultimate disposition of such real estate may be considered capital loss.

Since capital losses are not deductible by corporations but may only be offset against capital gains, such losses may not produce any tax benefit to a bank, inasmuch as banks normally do not realize significant amounts of capital gains. This is especially true subsequent to the Tax Reform Act of 1969, which, in substance, eliminated capital gain treatment for net security gains realized by banks.[13]

In problem loan situations where foreclosure is not yet feasible or desirable, partial write-downs should be considered. If it can be demonstrated that a debt is partially worthless, the amount which has become partially worthless will be considered a bad debt to the extent written off within the taxable year.[14] In those instances where there may be some questions as to the exact amount of partial worthlessness, as is the usual situation, consideration should be given to obtaining a letter from federal or state examiners indicating that they concur with the charge-off and that such charge-off is in accordance with their established policies. Such statement should eliminate any question by an IRS agent as to the propriety of the charge-off.[15]

Each alternative method of terminating problem real estate loans must be explored to ensure that maximum tax advantage is secured with respect to termination of each particular problem loan.

Due to the redetermination of base date as of January 1, 1976, for purposes of computing bad debt deductions, care must be exercised to ensure that bad debt losses are not realized in 1975 in excess of currently deductible limits. Deferral of foreclosure or outright sale of the underlying mortgage should be considered when the limits are to be otherwise exceeded. The possibility of realization of a capital loss upon ultimate disposition of the subject real estate should not be overlooked and a valuation must be established sufficiently low to minimize the possibility of such an occurrence.

(Continued on page 46)

Footnotes

1. Regulations section 1.166-6(a)(1).
2. Regulations section 1.166-6(a)(2).
3. Regulations section 1.166-6(b)(2).
4. Regulations section 1.166-6(b)(1).
5. Revenue Ruling 72-238 1972-1 C.B. 65.
6. Regulations section 1.166-6(c).
7. Revenue Ruling 68-523.
8. Internal Revenue Code Section 582(c)(1).
9. Revenue Ruling 75-213 IRB 1975-23, 8.
10. Internal Revenue Code Section 585(B)(2)(b) and Section 585 (B)(3).
11. Revenue Ruling 70-124 IRB 1970-1, 38.
12. Revenue Ruling 74-159 IRB 1974-14, 13.
13. Internal Revenue Code Section 582.
14. Regulations section 1.166-3(a)(2).
15. Regulations section 1.166-2(d).

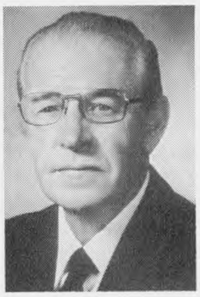
Corporate News Roundup

• **MGIC Investment Corp.** William H. Lacy has been elected vice president and Gordon H. Steinbach has been named assistant vice president at Mortgage Guaranty Insurance Corp., while Morris E. Rendahl and Elaine J. Remus have been appointed assistant vice presidents of American Municipal Bond Assurance Corp. and MGIC Indemnity Corp., all subsidiaries of MGIC Investment Corp., Milwaukee.

• **CMI Investment Corp.** Dennis L. Oliver has been named north central regional sales manager for CMI Investment Corp., Madison, Wis. Mr. Oliver, who has served as a sales representative for the firm since 1970 and as a regional sales director since 1972, will supervise CMI's marketing activities in an area including Illinois, Indiana and Kentucky.

• **Bank Consultants of America.** Richard F. Domurat has been named southeast division manager of Bank Consultants of America, Denver. His primary responsibilities will be in an area including Alabama and Tennessee. Mr. Domurat will be headquartered in the firm's Atlanta office.

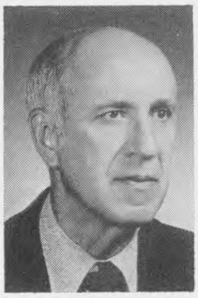
DOMURAT



COOMBS

• **American Express Co.** Charles A. Coombs, formerly senior vice president, New York Fed, has been named director and consultant of American Express International Banking Corp. and American Express International Development Co., Inc. In addition, Mr. Coombs will serve as consultant to First National, Chicago, and as a director of the bank's subsidiary, First Chicago International Banking Corp. He joined the New York Fed in 1946 and was named to his last office in 1959.

• **Meilink Bank Equipment.** Don R. Scheidemantel has been appointed vice president/general manager of Meilink Bank Equipment, Toledo, O. Mr. Scheidemantel, who has 17 years' experience in the industry, will be in charge of all production and sales for the company. For the past five years, he has been administrative manager, financial systems division, Rand McNally & Co.



SCHEIDEMANTEL

LUMLEY

• **LeFebure.** J. W. Lumley Jr. has been named manager of product planning—banking equipment and security systems at LeFebure, Cedar Rapids, Ia. In that position, he will be responsible for developing and marketing drive-up, walk-up, vault, depository, cash-handling and related banking equipment, in addition to components for alarm and surveillance equipment. He also will assist in market planning and development of LeFebure's 724 walk-up and drive-up automated customer terminals (ACTs). Mr. Lumley has an extensive background in banking and electronic funds transfer systems (EFTS).

• **John H. Harland Co.** John H. Harland Co., Atlanta, has agreed to purchase all the outstanding stock of National Safe Corp., Clearwater, Fla. The Florida-based manufacturer of bank security and drive-up equipment will continue with Thomas R. Seiter as president, but will function as a Harland subsidiary.

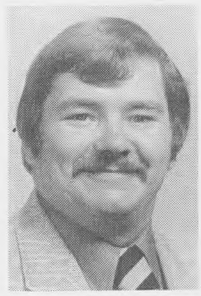
• **SLT Warehouse Co.** Lawrence Morice has been promoted to vice president, southern division, of SLT Warehouse Co., St. Louis. The southern division is headquartered in Memphis. Mr. Morice has been with SLT for more than 10 years and most recently held the position of district manager in Milwaukee.

• **Security Corp.** A financial showroom has been opened in Houston by Security Corp., Irvine, Calif., under the Lamkin Associates, Inc., name.

The display area has 1,900 square feet of space and features Security Corp.'s full range of financial equipment, including the international vault door, an operational model of the RTS II remote teller system and safe deposit boxes.

Besides security equipment, board room and office furniture is on view. The showroom's walls are hung with original works of art and engineering drawings depicting a variety of floor plans designed by Lamkin Associates for financial institutions.

MORRIS



MYRON

• **Mosler.** Benjamin Morris has been appointed national sales manager, dealer operations, and Robert Myron has been named director of marketing communications at Mosler, Hamilton, O. Both positions are newly created. Mr. Morris, formerly marketing director, bank and commercial division, joined Mosler in 1956, and Mr. Myron, in 1970. He was advertising director.

• **Nytco Services, Inc.** W. S. Coutts, vice president and former central division sales manager, has been elected a director and elevated to central division manager at Nytco Services, Inc., San Francisco. He will be headquartered at the firm's Des Plaines, Ill., office.

MORICE

Charge Cards

Proposed Fair Credit Billing Revisions Receive ABA, Card Firm Comments

BANK CARD creditors have petitioned the Fed to allow at least six months, and as long as 18 months, for them to comply with revisions to implement the Fair Credit Billing amendments to the Truth in Lending Act. The regulations become effective October 28.

In a detailed letter, the ABA, Interbank Card Association and National BankAmericard, Inc., directed attention to the technical problems of the proposed amendments and offered solutions to many aspects of the regulations.

Among the reasons cited for the lengthy compliance period are the need to implement programing changes, the necessity to revise and print new forms and the need to train employees to respond to provisions of the law.

A substantial number of serious problems present in the first draft of the regulations, released earlier this year, have been eliminated, the letter stated, but several technical problems remain.

"These problems must be carefully and thoroughly dealt with," the letter stated, "for they carry the potential for confusion and costly litigation."

While the comments relate to nearly all of the proposed regulations, six sections are identified to be most in need of further attention. They include:

- Several proposed regulations in the "definition of billing error" section need clarification, the letter stated. Of major concern is the failure to make an adequate distinction between a "billing error" by a creditor and failure by a merchant to provide goods and services properly.
- Fundamental policy issues need clarification regarding the payment of surcharges and discounts in regulations that pertain to "price discounts for payments in cash."
- There is not justification in regulations pertaining to "identification of transaction," to require three or more items of information in addition to the amount for each transaction on a descriptive billing statement, the letter contended. It is necessary to provide one piece of information unique to a transaction, in addition to the amount, to enable the matching of a descriptive billing statement with a sales slip.
- The letter contended that certain regulations for the "prompt crediting of payments" go far beyond congressional intent, and asks that the only requirement for posting should be that payments and other credits be posted as promptly as debits.
- Certain ambiguous, impractical requirements under regulations for "billing errors—resolution procedure" should be corrected.
- In regulations proposed for "inconsistent state requirements," the letter urged that when state laws provide greater protection, that state may apply to the Fed to use those laws in place of Fair Credit Billing laws.

The letter identified other banking interests that actively participated in the preparation of the comments, in-

(Continued on page 47)

New Products and Services

• **BankVertising Co.** BankVertising Co., Champaign, Ill., a firm known for newsletters used by over 700 banks in more than 30 states for advertising and public relations, has introduced "American Dream Makers," a booklet that ties in with the bicentennial.

"American Dream Makers" is a 12-part story of what went into making the dream of the Revolution a reality for 200 years, and what can be done to keep the dream alive for future generations.

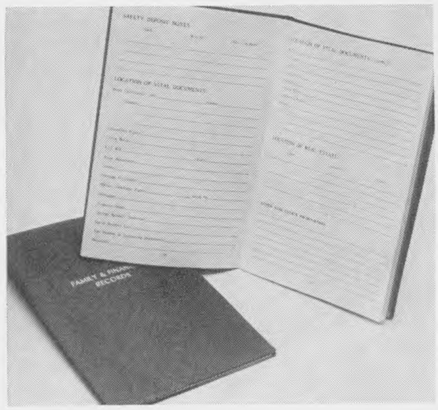
Bound as a booklet, it is illustrated and printed in full color. Reprints of any or all 12 topics are available. Either may carry a bank's own imprinted logo or message, making it suitable as a gift or premium. Reprints may be used as statement stuffers, may be distributed with the payroll or used for in-bank promotions.

For further information, contact BankVertising Co., 1300 Hagan St., Champaign, IL 61820.

• **Meilink Bank Equipment.** A new security vault has been introduced by Meilink Bank Equipment, Toledo, O. It is said to be resistant to oxy-acetylene torch, high-speed drills and other forms of attack. The door exceeds Bank Protection Act requirements, and the four-way boltwork is secured with two

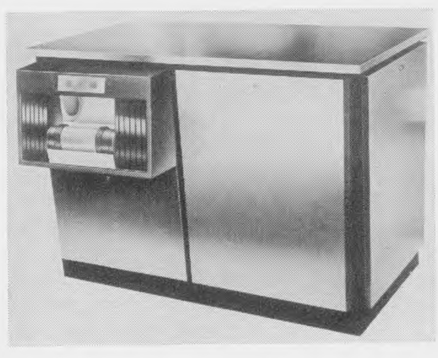
manipulation-proof combination locks. The vault reportedly has withstood temperatures of 1,850 degrees F for a two-hour test period and is designed to accommodate up to 180 safe deposit boxes. The exterior is finished in a two-tone color combination. Write: Meilink Bank Equipment, 3100 Hill Ave., Toledo, OH 43607.

• **Forbes Products Corp.** The "Family Facts Booklet" has been introduced by Forbes Products Corp., Rochester, N. Y. The booklet has a leather-grained vinyl cover, separate 20-page booklet for family records and is designed as



a gift for new trust, banking center or loan customers. A quality silk screening of a bank logo is included and lot prices are available. Write: Forbes Products Corp., 1465 Jefferson Road, Rochester, NY 14623.

• **Security Corp.** Security Corp., Irvine, Calif., has announced the RTS II remote teller system, which reportedly features a low initial cost. Its electronic operation is controlled by multiplexed modular units, which can be accessed easily for quick changeover by bank personnel. The RTS II has a



single-tube delivery system and a self-contained blower component, so if one unit fails to operate, all others will continue to function. The command console offers the teller a choice of four operating modes from open access to electronic locking of the customer console. Write: Security Corp., 2055 S.E. Main Street, Irvine, CA 92705.

INVENTORY AUDITS

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New Customer Services

Hospital Insurance Offered To Bank's Retail Customers

As the result of a survey that revealed that 25% of the families in Philadelphia feel their current level of hospital insurance is inadequate, First Pennsylvania Bank has begun offering group hospital insurance to its retail customers.

The plan differs from hospital insurance plans offered by banks such as First National City and Chase Manhattan, New York, in that those banks offer insurance only to credit card holders.

The First Pennsylvania plan is administered through an underwriting agreement with Mutual Benefit Life and is coordinated by International Group Plans, Inc., Washington.

The bank's 347,800 retail customers were informed of the plan via a direct mail campaign in late August. The mailing included pre-addressed return envelopes for customers' use. The envelopes were addressed to International Group Plans and any inquiries the bank receives about the coverage are relayed to the firm.

Premiums are said to be competitive with those of other group plans. The policy provides $25 or $50 per day, depending on options chosen, to insured people under 65 who are confined to a hospital for an illness or injury covered by the policy.

The amount of fee income the bank will derive from sponsorship of the program has not been determined and won't be until response from the direct mail campaign is known and a relationship between premium income and the rate of claims is established.

Unsecured Revolving Credit Offered by Bank of America

Bank of America, San Francisco, is offering unsecured revolving lines of credit to qualified individuals and a computer information service to other banks and firms.

The credit service, called PersonaLine Credit, offers lines of credit ranging from $3,000 to $15,000, depending on borrowers' qualifications. Funds for automobile purchases, home improvements, education, emergency medical expenses and other long-term personal debts are available under one commitment.

Borrowers will be able to draw on lines of credit by writing special personalized checks in amounts of $300 or more.

Repayment schedules will be flexible, but a minimum monthly payment on the balance outstanding will be required and more than the minimum monthly payment may be made with no prepayment penalty.

Borrowers will receive a monthly statement listing PersonaLine transactions, outstanding balance and finance charges.

Bank of America's BAMACS (Bank of America Money and Credit Statistics) provides subscribing users with on-line computer access to current and historical financial data. A key feature is the daily updating of interest rates for domestic and international money market instruments and of prices and yields on intermediate and long-term U. S. Treasury and federal agency debt securities.

BAMACS is directed chiefly to commercial banks, large industrial companies, nonbank investment dealers, insurance companies, investment counselors, thrift institutions and pension funds.

According to a bank spokesman, more than 50 computer programs have been written to provide subscribers with practical applications of the data. Assistance in evaluation and use is available from the bank's investment securities division.

Consolidated Statement Program Started by Bank in Illinois

PEP—Personal Economic Profile—is the name of a bank statement program being offered by Jefferson Bank, Peoria, Ill. The statement consolidates all the consumer's banking relationships on one monthly report.

The PEP statement shows checks in numerical sequence, in the order in which they were written. Savings information reports current balance and date and amount of interest last paid.

Certificates of deposit and repurchase agreements a customer has with Jefferson Bank are recorded, identifying date of purchase, maturity and face amount of the certificate.

To assist the consumer in debt management, the PEP statement provides a monthly review of his current debt position. Personal installment and home mortgage loans are displayed, denoting account number, regular payment amount and balance due.

Cash reserve (overdraft protection) activity is summarized on the statement, while the bottom of the form carries a special message panel alerting the customer to important opportunities at the bank. The message varies with changes in the individual's financial position.

Fiscal Plan Offered to Banks By Comm'l of Little Rock

A new service, Bankplan®, is being offered to banks in Arkansas by Commercial National, Little Rock. The plan is designed to provide fiscal management information to small- and medium-sized banks.

The advantage of the plan, according to a bank spokesman, is that the information offered should help control costs and manage profits. Bankplan® provides a monthly analysis of current financial and operating data, analysis comparisons to prior periods and comparisons to budgets.

With the service, bank officials will be able to compare information and performance with other banks similar in size, and the plan cost reportedly averages about the same as that of a part-time clerk.

Instant Interest Certificates Offered by NBC of Dallas

National Bank of Commerce, Dallas, has introduced instant interest savings certificates, paying 5.9% at the time the certificate is purchased.

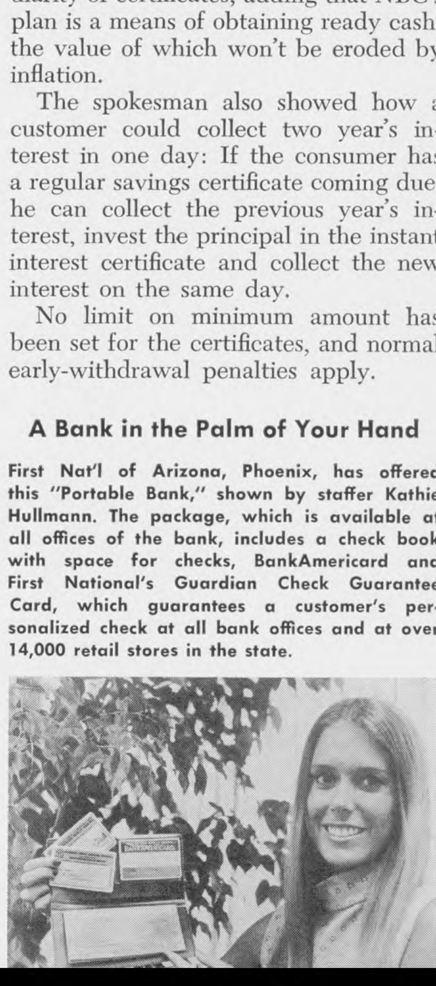
A bank official noted the rise in popularity of certificates, adding that NBC's plan is a means of obtaining ready cash, the value of which won't be eroded by inflation.

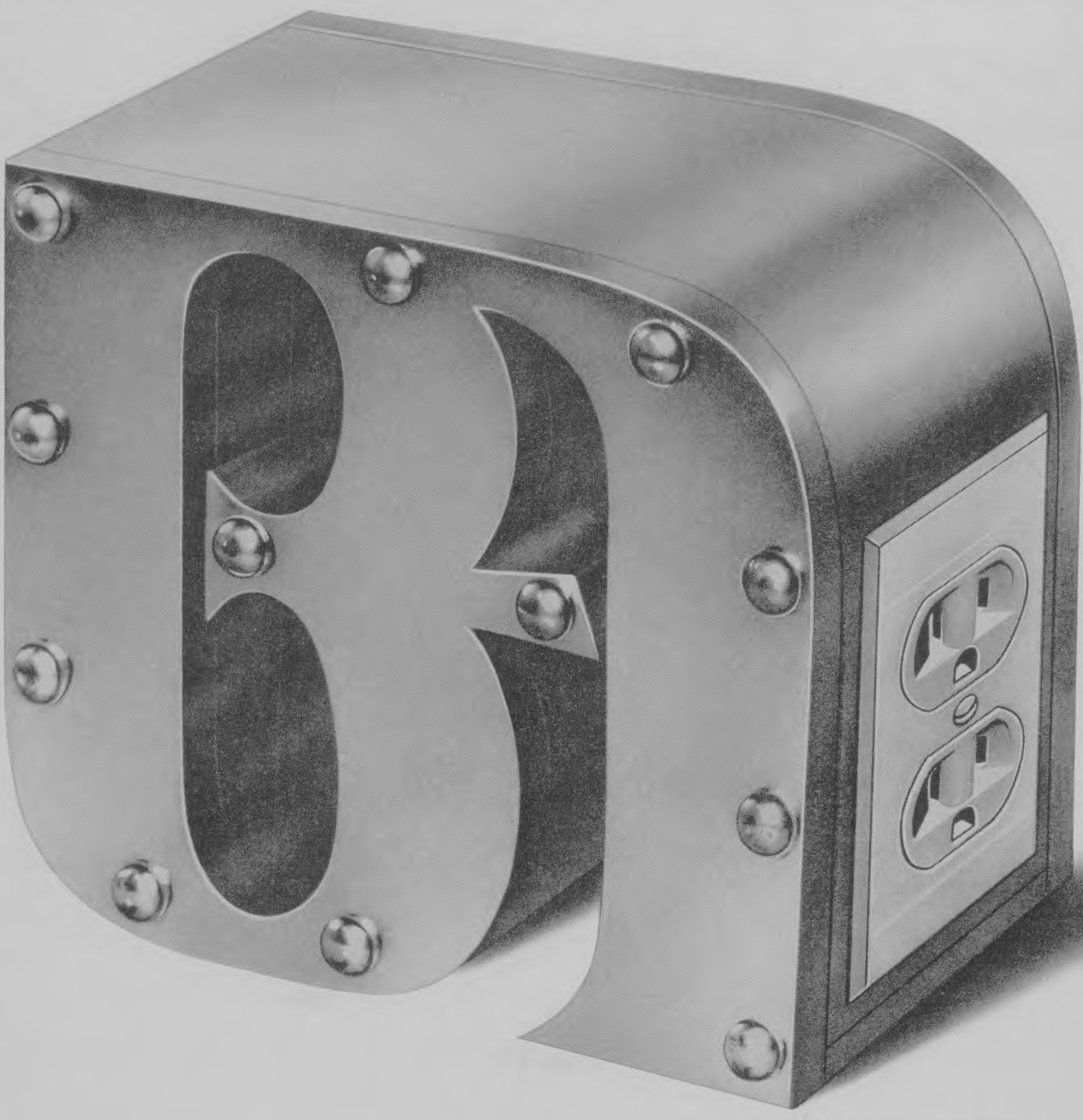
The spokesman also showed how a customer could collect two year's interest in one day: If the consumer has a regular savings certificate coming due, he can collect the previous year's interest, invest the principal in the instant interest certificate and collect the new interest on the same day.

No limit on minimum amount has been set for the certificates, and normal early-withdrawal penalties apply.

A Bank in the Palm of Your Hand

First Nat'l of Arizona, Phoenix, has offered this "Portable Bank," shown by staffer Kathie Hullmann. The package, which is available at all offices of the bank, includes a check book with space for checks, BankAmericard and First National's Guardian Check Guarantee Card, which guarantees a customer's personalized check at all bank offices and at over 14,000 retail stores in the state.





NEWS ROUNDUP

News From Around the Nation

Portfolio Problems Up

Fed examiners have found an increase in the number and size of member banks whose loan portfolios need careful attention, according to Arthur F. Burns, Fed chairman.

The increase is said to be largely due to troubled real estate loans, especially in the construction and development areas. However, most of the credits are supported by real estate collateral, Mr. Burns said, "and there is every reason to believe that they will work out as the economy and the real estate industry recover."

Branch Laws To Be Examined

A study on bank expansion, with emphasis on the "mish-mash" of confusing state branching laws, has been announced by Thomas J. McIntyre (D.,NH), chairman of the Senate subcommittee on financial institutions.

The senator has noted that both the Supreme Court and the Justice Department have said that some state branching statutes restrict rather than promote competition. He said it was time for Congress to make a judgment on the situation.

He also said that the McFadden Act, which sets bank branching standards, is more than 40 years old and may have outlived its usefulness.

Banks Ask for Equal Rates

The ABA has recommended removal of existing rate differentials on savings and time deposits for all types of financial institutions.

The ABA testified that savers at banks should not be treated as second-class citizens restricted to lower rates of return. Rate differentials are not the most efficient, economical or equitable way of encouraging flows of funds into social priority areas, it said.

The ABA is also backing removal of the existing differential on individual retirement accounts.

NOWs To Go National?

Congress is expected to approve the offering of negotiable order of withdrawal (NOW)accounts nationally on the basis of experience with the accounts in New Hampshire and Massachusetts.

Senator Thomas J. McIntyre, (D.,NH), chairman of the financial institutions subcommittee of the Senate Banking, Housing and Urban Affairs Committee, said NOW accounts seem to have "proved themselves a very good thing" for consumers and "no great threat" to lenders.

The accounts have been offered in the two states for two years. They were initiated by mutual savings banks but are now offered by all financial institutions in those states that wish to offer them. It is illegal to offer NOW accounts in any other state at this time.

Checking Asked for State S&Ls

The Federal Home Loan Bank Board has requested that federally insured state-chartered S&Ls be authorized to offer checking accounts in states where statutes permit.

The proposal is intended to enable such institutions to compete with noninsured state-chartered thrifts in states where such practices are legal, which, at the present time, means Maine and Connecticut.

Anti-Redlining Measures Signed

The governor of Illinois has signed two measures against redlining. They prohibit discrimination in lending practices on the basis of geographic location and require financial institutions in the state's largest cities to report mortgage lending by zip code area and census tract twice yearly.

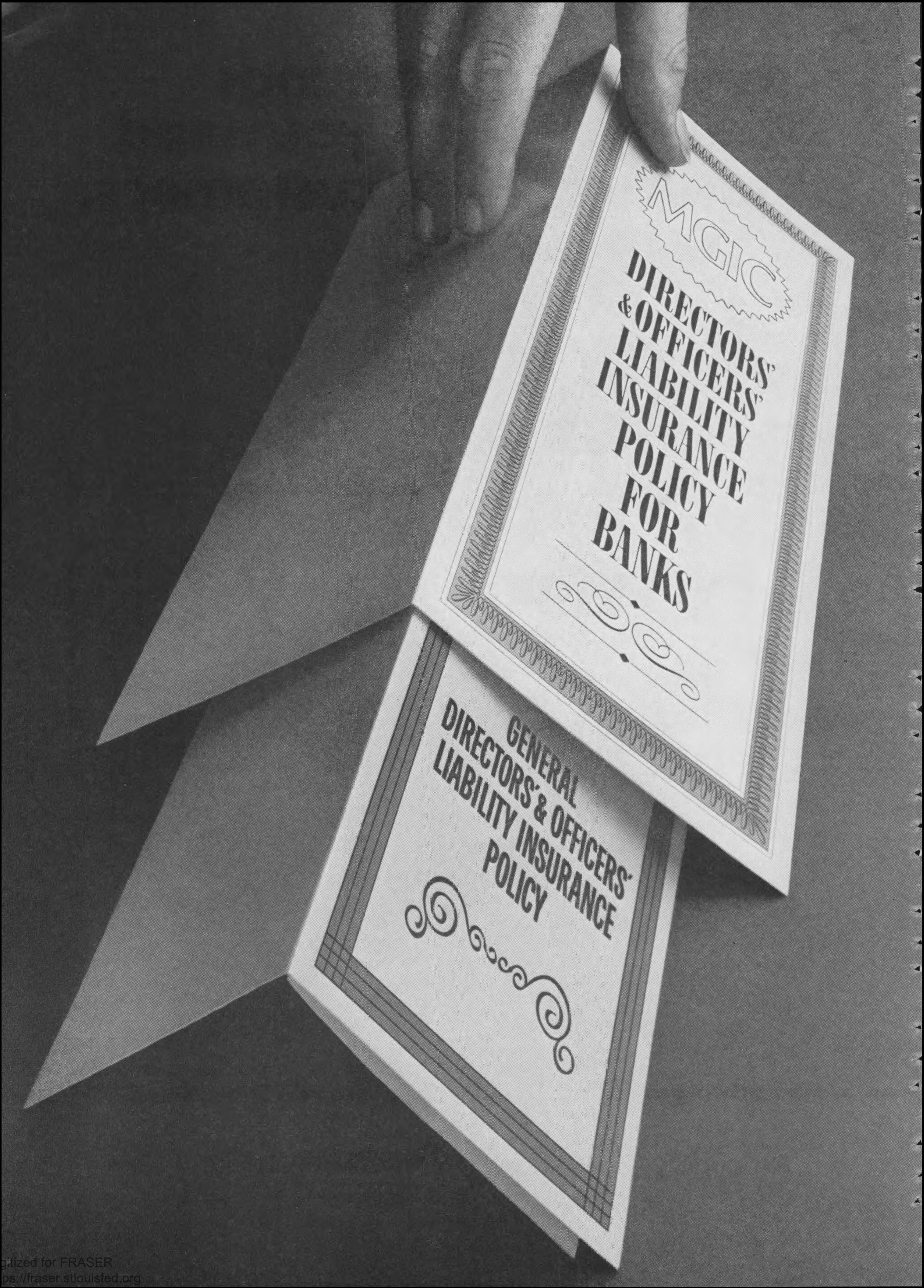
The anti-discrimination law forbids lenders from denying or varying the terms of a loan based on the geographic location of the property or the child-bearing capacity of loan applicants or their spouses. However, the legislation states that nothing in the law should prevent a lender from considering sound underwriting practices in making loans.

More Call Report Data Asked

The Comptroller of the Currency plans to require more detailed balance sheet and income information in call reports from national banks by the end of the year. The requirement is a move toward wider disclosure of financial information.

The requirements are expected to apply primarily to larger banks and are expected to be in effect for the 1975 report.

Bankers have been told to expect regulatory agencies to pay increasing attention to disclosure requirements. The Securities & Exchange Commission has taken the lead in this area by pushing for more disclosure regarding problem real estate loans.


MGIC
DIRECTORS' & OFFICERS' LIABILITY INSURANCE POLICY FOR BANKS
GENERAL DIRECTORS' & OFFICERS' LIABILITY INSURANCE POLICY

"MGIC gives us more Directors' & Officers' liability coverage than any other insurer, at a reasonable premium."

Dale L. Jernberg, Exec. V.P. and Director, National Bank of Washington, D.C. tells how MGIC provides coverage for directors and officers, plus an exclusive combination of key features tailored to a bank's needs.

Did you analyze coverage offered by a number of D & O liability companies?

"Yes. Four besides MGIC. And very thoroughly. We found that types and quality of coverage varied all over the lot. But only MGIC provided a complete protection tailored to our bank's needs. And for a reasonable cost."

How do MGIC's features compare with the others?

"Their various plans, limits of liability, and deductibles offer extremely attractive options. The $5 million policy we have with MGIC protects all directors and officers. In any case covered, it pays 100% over the deductible limits we selected.

"Also, when we indemnify to the extent permitted by law, MGIC's coverage has far fewer exclusions than many other insurers. This 'waiver of exclusions' is most important to us.

"In our judgment, MGIC's D & O liability coverage is by far the best value we could buy. Other companies just couldn't provide us the kind of protection that MGIC offers."

How do you feel about your right to participate in selection of counsel in the event of a lawsuit?

"It is very important. MGIC would give us a free hand to choose counsel, subject to their approval. They also could advance legal fees in the event of a costly lawsuit which is covered. And they would cooperate with us to counter unfavorable publicity that could be damaging to the named individuals and to our bank."

Do you find greater awareness of your specific needs and greater flexibility in MGIC's D & O policy?

"Absolutely. The other policies seemed pretty general, and not tailored to a bank's needs. MGIC, on the other hand, really knows the financial community, because they're part of it. This, coupled with the fact that they did their 'homework' before the initial proposal, proved the key to our decision. MGIC thoroughly knew what we needed and the result is a very secure feeling that we have the best D & O liability insurance we could buy."

MGIC

Totally tailored D & O liability protection. And we mean total.

MGIC Indemnity Corporation
A Subsidiary of MGIC Investment Corp.
MGIC Plaza, Milwaukee, WI 53201

Will every bank who can really handle student loan administration please sound off.

The First National Bank of Minneapolis was the first bank in the nation to go completely automated in handling guaranteed student loans. We were the first to have a completely automated third party service bureau. We were the first to sell to and service for Sallie Mae.

Innovation, competence and dedication are just some of the reasons that over 325 lenders from 32 states have turned their student loan problems over to us. They're pretty good reasons why you should too. We can handle it.

Call us collect at (612) 370-4114. The Student Loan Servicing Center. The First National Bank of Minneapolis.

First Minneapolis

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PROBLEM BANKS—

FDIC, Fed, Comptroller Seek Ways To Reduce Their Growing Number

A REGULATION designed to curb abuses resulting from "insider" transactions at insured state nonmember commercial banks has been proposed by the FDIC. Its objective, according to FDIC Chairman Frank Wille, is to reduce the growing number of so-called "problem" banks.

Under the proposed regulation, the term "insider" is defined as any director, officer or employee in a position to influence a bank's management or policies and any other person who has direct or indirect control over voting rights of more than 5% of the shares of any class of a bank's voting stock. An "insider transaction" would include, with limited exceptions, any business transaction between an insured nonmember bank or a subsidiary of such a bank and an insider or certain persons related to such insider. An insider transaction also would encompass transactions between the bank and a non-insider where the transaction ultimately inured to the benefit of an insider or persons related to an insider.

In announcing the proposed regulation, Chairman Wille said insider transactions must be more vigorously supervised than they are now by bank boards and bank supervisory agencies. Abusive self dealing has been a significant contributing factor in more than half of all bank failures since 1960, including the failures of 29 nonmember insured commercial banks, continued Mr. Wille. Losses to the deposit insurance fund as a result of these failures are likely to approximate $175 million.

Mr. Wille pointed out that a review of existing and past "problem" bank cases reveals a similarly high incidence of abusive self dealing as a source of serious difficulty. Even where the immediate result is not the bank's failure or its designation as a bank requiring close supervision, he said, an insider transaction that's not effected on an "arm's length" basis may lead to a diminution of the bank's earnings and an erosion of its capital, thereby increasing risk of loss to depositors and minority shareholders and, ultimately, to the deposit insurance fund.

The proposed regulation would establish procedures that would ensure that bank directors supervise insider transactions effectively and that would better enable FDIC examiners to identify and analyze such transactions. The board

(Continued on page 82)

A BROAD EXTENSION of regulatory authority to stop policies that produce problem banks is contained in a proposed bill sent to Congress by Chairman Arthur F. Burns on behalf of the Fed, FDIC and Comptroller. All three agencies worked together to draft the proposal, which, according to Chairman Burns, would be an improvement over present federal remedies to eliminate corruption and incompetence in the banking system.

A 1966 law grants federal regulatory agencies power to order a financial institution to cease a questionable practice and allows regulators to remove bank officers guilty of dishonest acts. The new proposal also would allow removal of bank officers for chronic incompetence where it endangers financial institutions.

In his message to Congress, Mr. Burns pointed out that it's often difficult and time consuming to prove that a suspected bank official was engaged in an act of personal dishonesty. Thus, he continued, the present law effectively bars removal of an individual who repeatedly has demonstrated gross negligence in a bank's operation or management or a willful disregard for a bank's safety and soundness, but who cannot be shown to have exhibited personal dishonesty.

In addition to making it easier to force out negligent bank administrators, the proposed law would force quicker compliance with cease-and-desist orders by allowing regulators to fine violators up to $10,000 a day.

The theme of the Burns letter seemed to be that current authority to order a bank to cease a certain practice and to force out a dishonest bank official wasn't strong enough to resolve the types of situations that showed up during the many bank failures of recent years. As an example, Mr. Burns cited Fed difficulty in enforcing a law that forbids a member bank from lending to an affiliated nonbanking corporation.

He pointed out that—in the absence of any specific penalties—a bank HC or other person experiencing financial pressure may cause the affiliated bank to violate the law's provisions, knowing that the sole remedy is a cease-and-desist order requiring reversal of the transaction.

According to the Fed chairman, a daily money penalty

(Continued on page 84)

Members and guests of Commercial Nat'l's national advisory board attending 1974 annual meeting included (from l.) Henry H. Henley Jr., Cluett Peabody & Co.; Fred Taylor, University of Arkansas; George A. Stinson, National Steel Corp.; Hugh Mills, University of Arkansas; H. L. Hembree, Arkansas Best Corp.; Charles Oxford, University of Arkansas; Senator Dale Bumpers; Richard C. Butler, ch., host bank; Charles E. Bishop, University of Arkansas; William H. Bowen, pres., host bank; David Pryor, governor of Arkansas; William Hughes, University of Arkansas; Frank Pace Jr., International Executives Service Corps; Neil E. Harlan, Foremost-McKesson; Sidney A. McKnight, Montgomery Ward.

Distinguished Native Arkansans Serve State As Members of Bank's Advisory Board

By INEZ H. MacDUFF*

Business Columnist
Arkansas Democrat
Little Rock

A PROGRAM that has emerged from a new concept of civic responsibility within the banking industry will observe its fifth anniversary when the national advisory board of Commercial National, Little Rock, holds its annual meeting at the bank October 31.

Members of the board are native Arkansans who have risen to positions of distinction and leadership at the national level in a variety of fields, including business, industry, finance, the professions and religion. Each of the original 15 members, and the four who joined this year, holds a major executive post of exceptional responsibility.

All give their time and attention to selection and development of an overview of one of their native state's greatest needs over a period of months each year, and to a day-long discussion of the chosen subject at their annual board session.

On that occasion, the Commercial National board room is filled with an executive group comparable to few others, if any, outside a major metropolitan financial center.

Subjects of the board's annual studies are chosen by the members eight or nine months in advance of the meeting, after consultation with each member by phone and by mail, and all members contribute ideas and suggestions. As their thinking takes form, the entire board is circularized and a collective body of opinion and information emerges. This eventually becomes the basis of a position paper that is distributed to board members in the early summer.

William H. Bowen, president of Commercial National, personally handles the contact work with national advisory board members, many of whom have been his personal friends for some years. From the initial projection of the idea for any given year's study to the completed position paper that lays the groundwork for the day-long session in the fall, Mr. Bowen works ahead of the project to maintain a flow of information and opinion that will reflect the views of each member.

If dissent from the final majority opinion is expressed, it is published in full in the permanent library of reports, and it is never regarded as disagreement in the sense of courtroom terminology. In any case, much work goes into assembly of the study material,

Cover for board's 1973 report bore title "The Buffalo Hunter versus the Environmentalist." Report dealt with land use management.

* *Mrs. MacDuff also serves as Arkansas correspondent for "The Wall Street Journal" and the "Daily Bond Buyer."*

and sponsors of the project are proud of the fact that there is nothing casual about it.

Results of each year's collective study are published early in the ensuing year in a brochure worthy of acquisition by public and private libraries.

The publication is distributed to members of the legislature initially, then to other leaders in government, business and other fields who are in the position to consider and eventually launch proposals to implement such ideas and suggestions.

Board members stipulate, as a condition of their attendance at the annual meeting, that they travel at their own expense and must not receive honoraria. Entertainment is limited to an informal luncheon and a dinner. This year's dinner will be given at the executive mansion by Governor and Mrs. David Pryor.

"Our own effort is directed toward making the discussion subject interesting, the local speakers authoritative and their talks brief, and the entire day a rewarding exchange of views between friends," Mr. Bowen said.

"These men include some of the nation's most distinguished and influential business executives. They represent companies and organizations that employ almost 400,000 people and produce $12 billion annually in goods and services, not to mention the influence they exert on decisions of boards on which they sit in other organizations.

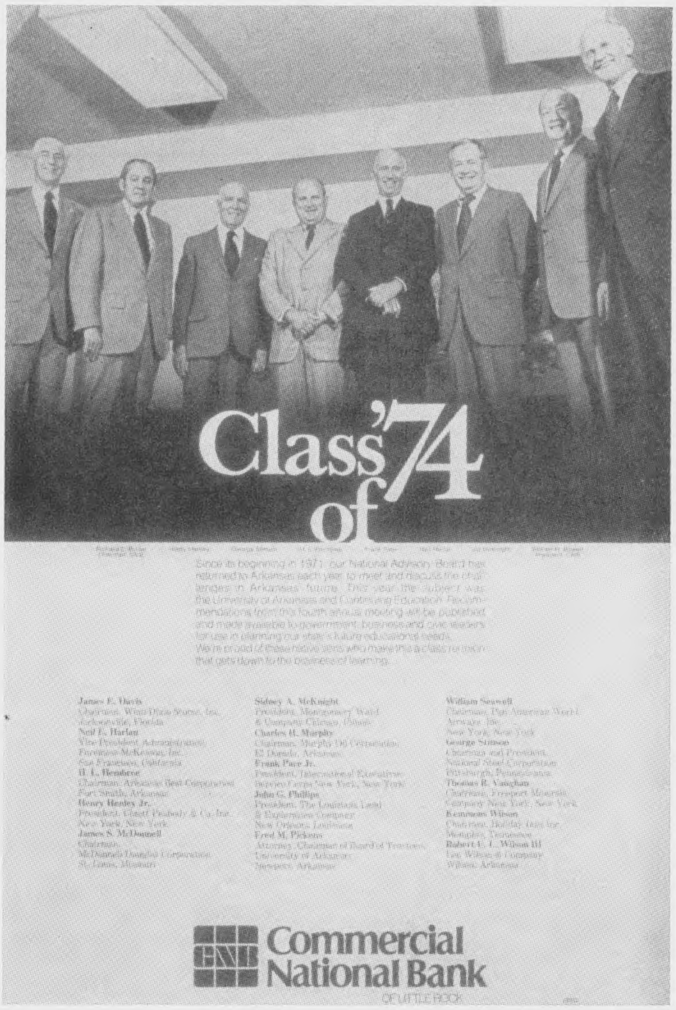
"While they are our guests," Mr. Bowen added, "we try to protect them from annoyance—we don't bother them with petty things—and they like our low-key approach to a full day of fruitful discussion. At parting, we give each of them a specially crafted gift with significance for their Arkansas origins, such as gold cuff links with a diamond marking the man's birthplace on a map of Arkansas."

The meeting is closed, with attendance limited to board members, the bank's two top officers—Richard C. Butler, chairman, and Mr. Bowen—and an aide. No minutes are kept, no recording or stenographic report is made and board members speak freely in what one has called "candid, forthright and hard-hitting discussion."

A press conference following the afternoon session is attended by reporters and photographers from the central Arkansas news media.

On leaving one of these press conferences, a reporter was heard to say to a co-worker, "These guys must have given advice that money couldn't buy —look at that list of companies they run! How on earth does this bank get

(Continued on page 42)



Advertisement in Little Rock newspapers at time of 1974 National Advisory Board meeting introduced members attending meeting to the public.

Members of National Advisory Board

Here is the list of board members, including those from other states, and several nationally known executives who chose Arkansas as a base of operations:

James E. Davis, chairman, Winn-Dixie Stores, Inc., Jacksonville, Fla.; Neil E. Harlan, senior vice president, Foremost-McKesson, Inc., San Francisco; H. L. Hembree, chairman, Arkansas Best Corp., Fort Smith; Henry H. Henley Jr., president, Cluett, Peabody & Co., Inc., New York; James S. McDonnell, chairman, McDonnell-Douglas Corp., St. Louis; Sidney A. McKnight, president, Montgomery Ward & Co., Chicago; Charles H. Murphy Jr., chairman, Murphy Oil Corp., El Dorado, Ark.; Frank Pace Jr., president, International Executive Service Corps, New York; John G. Phillips, chairman and CEO, Louisiana Land & Exploration Co., New Orleans; Fred M. Pickens, attorney, Newport, Ark.

William Seawell, chairman and president, Pan American World Airways, Inc., New York; George Stinson, chairman and CEO, National Steel Corp., Pittsburgh; Thomas R. Vaughan, chairman, Freeport Minerals Co., New York; Kemmons Wilson, chairman, Holiday Inns, Inc., Memphis; Robert E. L. Wilson III, Lee Wilson & Co., Wilson, Ark.

Joining the board this year were The Right Rev. John Maury Allin, presiding bishop of the Episcopal Church, Greenwich, Conn.; W. Carroll Bumpers, president, Greyhound Leasing & Financial Corp., Phoenix; C. M. Kittrell, executive vice president, Phillips Petroleum Co., Bartlesville, Okla.; and Raymond Rebsamen, chairman, Rebsamen Companies, Inc., Little Rock.

them to come down to Arkansas?"

And well he may have wondered.

President Bowen and his associates understand why these native Arkansans with heavy responsibilities of their own, many of them in distant parts of the country, are willing to take the time and trouble to share in this continuing project. Despite their busy schedules, they come because they hope to help solve problems and suggest solutions for the state's development and growth, using their own diversified experiences elsewhere as guidelines for future undertakings in Arkansas.

Their first meeting in 1971 was for organizational purposes and for a thoughtful look at statistics on the number of young Arkansans migrating from the state prior to the 1960s because opportunities were meager. Included among those young people were some of the national advisory board members—those who have lived and attained prominence outside the state. All the original members of the board have continued to share in a clearing house of innovative ideas with potential for the development of Arkansas. No member has resigned from the board.

The 1972 meeting resulted in the board's first published report, which recommended preservation of the enviable lifestyle which Arkansans enjoy in a clean, uncrowded, naturally beautiful environment rich in natural resources. The study also urged improvement of the state's economic base to undergird its built-in advantages and to stimulate growth.

In 1973, the subject of land use management and adequate definition of both the landowner's rights and the public interest was explored. J. William Fulbright, then U. S. senator from Arkansas, reviewed legislation proposed for the area. Governor Dale Bumpers of Arkansas, now Mr. Fulbright's successor in the Senate, briefed the group on findings of the advisory committee on land management, which he had named at the state level.

The 1974 board meeting explored availability of opportunities for continuing education at both high school and college levels throughout the state under the Division of Continuing Education of the University of Arkansas. Dr. Charles E. Bishop, newly installed president of the University, led the discussion and provided a detailed statement of the present program.

The board's subsequent recommendation urged a high priority for construction and establishment of a Continuing Education Center at Little Rock to unify present leadership and to continue expansion of the adult education program. The board also proposed that aid and support from foundations be sought after specific plans for the center have been made.

Mr. Bowen has long held that Arkansas has a pressing need for economic opportunities that will keep its bright, well qualified young people in the state.

The subject of the 1975 study is development of the tourist industry in Arkansas, a proposal of great interest among the Mid-Continent states with major recreational resources in their abundant waterways and forestlands. The board's report on this area of potential economic development will be published early next year.

Concrete results of the national advisory board's first five years of study and recommendations will, of necessity, come slowly, but the published record of research, information and recommendations is a valuable springboard for specific action by appropriate government and private agencies.

The projects most likely to be implemented initially, in whole or in part, are the proposals for a permanent Continuing Education Center at Little Rock and for closer examination of the land use management concept. Advisers on the latter are known to believe that Arkansas may well be chosen for a pilot study combining preservation of natural resources and further definition of ownership rights.

Many organizations and individuals have shared in efforts to improve the state's economic and educational structures, and a strong effort to balance agriculture with industry has been urged by far-sighted leaders since the late 1930s. Creation of the Arkansas Industrial Development Commission by the 1955 legislature, is regarded by many as the turning point in the state's economic growth. The commission's record of attracting industry has been and still is unmatched by any other government-funded effort.

At Commercial National, the time seemed right in 1970 to focus informed attention on specific Arkansas needs and problems through organized effort. When Mr. Bowen left an active law practice as a member of one of the state's largest law firms to become president of Commercial National in 1971, he brought with him a long-held conviction that Arkansas has a pressing need for economic opportunities that will keep its bright, well qualified young people in the state.

Statistical history of out-migration in the 1940s and 1950s had convinced him that the state has lost too many college graduates and too many well qualified people in its labor force, simply because they could do better elsewhere.

When he thought of the men he knew personally who had made brilliant records in other sections of the country after leaving Arkansas in early life, the idea of tapping their opinions and advice surfaced. Others in his organization, many of whom had served with him when he was president of the Little Rock Chamber of Commerce in 1962, agreed with Mr. Bowen's appraisal of a civic need and a new solution to meet it. With approval of the bank's board of directors, Commercial National formed the advisory group and is actively sponsoring it as a continuing project.

"This could be done in any state, particularly in the Mid-Continent and in the South," Mr. Bowen said. "Growth is in the air, and problems common to our region can be explored and solutions found. What better way of fostering home state pride and progress can be found than that of enlisting help of our own native sons, wherever they live, who have demonstrated leadership in their lives?

"We are honored that our board members give their time and expertise so willingly. Without doubt, other states have banks that can use this plan to help influence creative thinking in their own areas."

Members of the national advisory board enjoy their volunteer service. "These men love to get together here," one of the group's hosts recalled. "Many of them have known each other for years as directors of the same corporations or as authorities in fields outside business and industry. This yearly project is a special link between them, and most of them look forward to it, even though they are among the busiest executives to be found anywhere."

And many of them must have agreed when J. S. McDonnell, chairman, McDonnell-Douglas Corp., St. Louis, remarked at one of the group meetings that, "after all, we are Arkansans, and we all share a basic bond of interest in our home state. This annual meeting is our low bridge to home."

A low bridge, as those with early roots in the Arkansas-Missouri Ozarks know, is a homemade rock bridge, perhaps two or two and one-half feet high, that provides a dry short cut across a small creek or branch near a farm dwelling or rural store.

In times of high water, the bridge is covered. When the stream flows normally, the picturesque low bridge emerges as a familiar landmark and a bit of early Americana. For some, it can be the route to a remembered rural childhood in Arkansas. • •

Banker Triggers Rebirth of Ozark Community

IN THE Ozark highlands of south central Missouri lies Richland, a community of about 1,800, breathing new life and prosperity.

WARREN

Livestock, light industry and commercial/retail services combine with defense and recreational businesses nearby to give it a solid economic base and a bright outlook.

Yet 15 years ago, Richland was standing still, showing signs of age, suddenly deprived of a major employer and apparently headed for decline.

That it chose to take notice and reverse the situation is a tribute to many of its townspeople—to their concern and determination. That it succeeded so quickly, however, is a tribute to one man, Gordon W. Warren, and to his talent for tapping the sources of major outside help—namely, government and education.

A native of Richland, lifelong resident and former mayor for 16 years, Mr. Warren is president of the only bank in town, Pulaski County Bank, an affiliate of Boatmen's Bancshares, St. Louis.

An aggressive promoter of his business and his community, the 63-year-old banker says, "When something needs doing, I look for a way to get it done, no matter how new or different."

In Richland's case, he has obtained assistance from state and federal jurisdictions, and appropriated the various skills and services available from his alma mater, the Extension Service of the University of Missouri.

"It was all there, really—the urban renewal and community development help that we needed," says Mr. Warren. All that was required was finding out what was where and then making proper application."

Life in Richland, during the first four decades that Gordon Warren knew it, was pleasant. The community was smaller and less developed, more agriculturally oriented, near good fishing and camping, away from interstate highway and airport din, untroubled by racial tensions, and most of its residents were moderately well off.

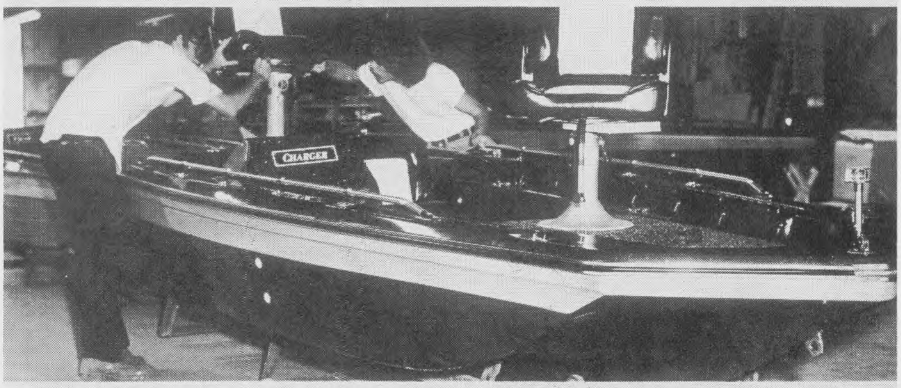
But things began to change toward the end of the '50s. Population began dropping as young residents went off to college or military service and never came back, and elders were lured elsewhere by better job opportunities. Freight shipments declined and rail passenger service fell off, prompting the railroad to curtail and eventually eliminate both. Even livestock farming—so strong over the years—started having reverses. Blight began to encroach here and there; municipal facilities needed costly improving; fewer outsiders shopped the town's stores, and services and employment, locally, seemed at a standstill.

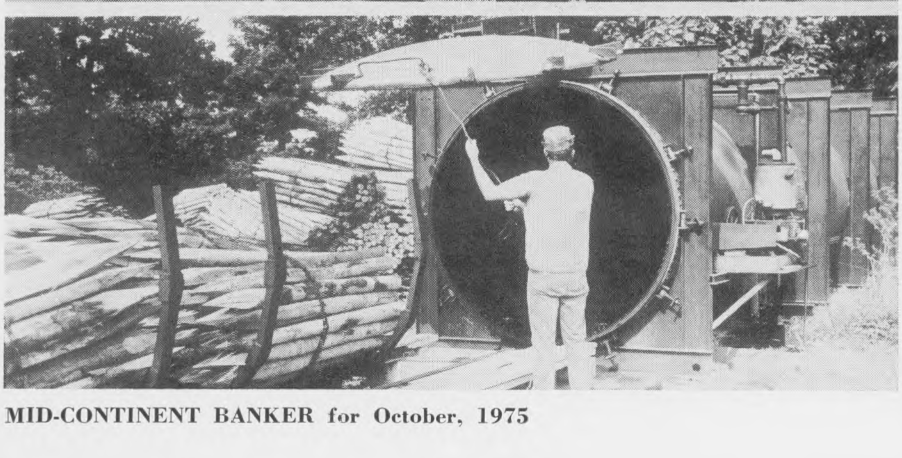
Then, abruptly, the situation grew worse. International Shoe Co. closed its Richland plant in 1961, laying off some 250 workers.

Mr. Warren, who was mayor at the time, remembers the event. "Suddenly we had all these people, most with families to support, out of work."

There was no rectifying this calamity, but it served to strengthen the town leaders' determination to do something.

Actually, something was being done. It started in 1957, when the town government (headed by Mr. Warren) asked





Richland's economy is more varied today than a decade ago, although livestock production (top picture) remains a principal activity. Pleasure boat building at Richland Diversified Industries and wood treatment operations at Sullen's Lumber and Post are new.

Hugh Denney, professor of regional and community affairs, University of Missouri-Columbia, to survey the town and assess its prospects.

Two years later, his detailed findings confirmed what was a growing suspicion. Richland was *not* a growth center, he reported, its businesses and services were diminishing; it was geographically distant from outside stimuli that might induce growth, and it did, indeed, appear to be headed for further decline.

But the situation was not hopeless, Professor Denney pointed out. Studies over the years had shown that a very real need exists (among Missourians and elsewhere) for a community offering a variety of shops and services, and no more than 15 minutes distant by car. Such a community, no matter how small physically, could flourish if it could be broadly useful to residents and those persons 15 minutes away—and if it could keep itself fairly spruced up and pleasing to visit.

But no community could even hope to make headway, the professor cautioned, unless it got its residents deeply involved every step of the way—from investigation to decision-making.

The advice was taken to heart. By weekly newspaper, local radio, verbal invitation and other means, public attendance and participation at municipal governmental meetings was encouraged. Citizens committees were formed to look into housing, education, streets and lighting, recreation, public services, blight, etc.

"Much of what the public learned firsthand and reported, the leaders of the community already knew," says Mr. Warren. "But the difference was that you had people here now personally involved and urging action—action which they were prepared, individually and collectively, to support."

Piecemeal changes began occurring in Richland—a planning commission was established, its water supply was fluoridated, and an industrial development corporation was created to attract new business. But a broader and more organized effort was needed.

In 1966, with a grant from the Department of Housing and Urban Development (HUD), Richland commissioned a St. Louis city planning firm to survey the community and develop a comprehensive plan for its development.

The survey, which looked into existing land uses, population trends, the economic structure, street and sewer conditions, transportation, the central business district and other aspects, also investigated the feelings of Richlanders—their attitudes, likes and dislikes and wishes.

Eighteen months later, a detailed report based on the survey was presented to Richland. It became a blueprint for action.

In 1972, Richland qualified for federal urban renewal assistance, the smallest community in Missouri to do so.

But HUD was only one of several governmental departments with which Richland, under Mr. Warren's direction, began discussions and cooperative efforts. There were others: Department of Health, Education and Welfare (HEW), HEW's Bureau of Outdoor Recreation, the Farmers Home Administration, the Federal Aviation Administration, the Missouri Department of Community Affairs, the Federal Soil Conservation Service and the Missouri Park Board.

Results of those endeavors are evident today. Richland has new industries in and around town—a blue jeans manufacturer employing 210, a fiberglass boat maker whose bass boat models sell faster than he can produce them, a manufacturer of game room furniture made from wooden whiskey barrels, a cabinet maker, a lumber/post treatment dealer, private housing contractors and a tri-county nursing home.

Retailers of goods and services are more numerous in Richland than a decade ago. There are new businesses, plus a small drive-in shopping center of four stores downtown, recently built. There's also a new motel.

Richland today has a nine-hole golf course and clubhouse and a community swimming pool that cost $126,000. Its park acreage is 300% larger than a decade ago. It has a 3,200-foot airstrip for quick and easy access by light plane.

It has a new four-county-serving regional library containing more than 16,000 books. It has a modern high school for 300 students.

Currently, Richland is busy putting in new streets, sewers, curbs and sidewalks in the central business district.

Mr. Warren estimates that federal and state aid to Richland in the 1960s through 1974 amounted to $2 million, excluding FHA individual housing loans. Yet Richland itself, through property taxes and other means, has contributed to its own well-being.

"We operate our own utilities system—electricity, water, sewers, even garbage collection," he points out. "We operate it at a profit. So last year, for example, our Board of Public Utilities donated some $49,000 of profits to the community coffers. It's been making contributions for many, many years."

Even so, it's been outside help—and the banker's sure knowledge of it and the processes for obtaining it—which have helped Richland so materially in recent years.

And it continues: This past June, the community received a check for $225,000 from HUD for paving, storm sewer, water and other improvement projects. It's the first of several grants—under Title I of the Housing & Community Development Act of 1974—which could total $880,000 for Richland in the next five to six years.

There is a second source that's also being tapped for community and personal benefit—the University of Missouri Extension Service.

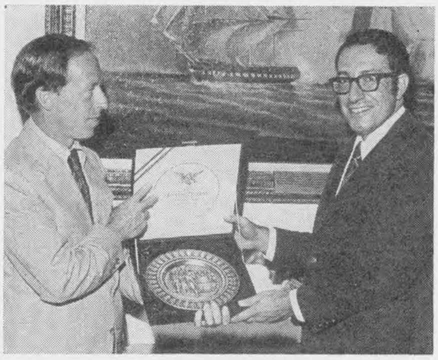
"Its purpose was and is to apply the special skills and knowledge of university academics and technicians beyond the four campuses—to every rural and urban area of the state where help is needed.

"We have one physician, who is in poor health himself, and two osteopaths. We need to attract young doctors here. Recently, a dozen medical students visited the town, to learn what it's like to live and practice in a small rural community. We even linked up on that occasion—by phone and amplifier—with a doctor at the University of Minnesota whose specialty is rural medicine. He answered quite a few questions that the students had."

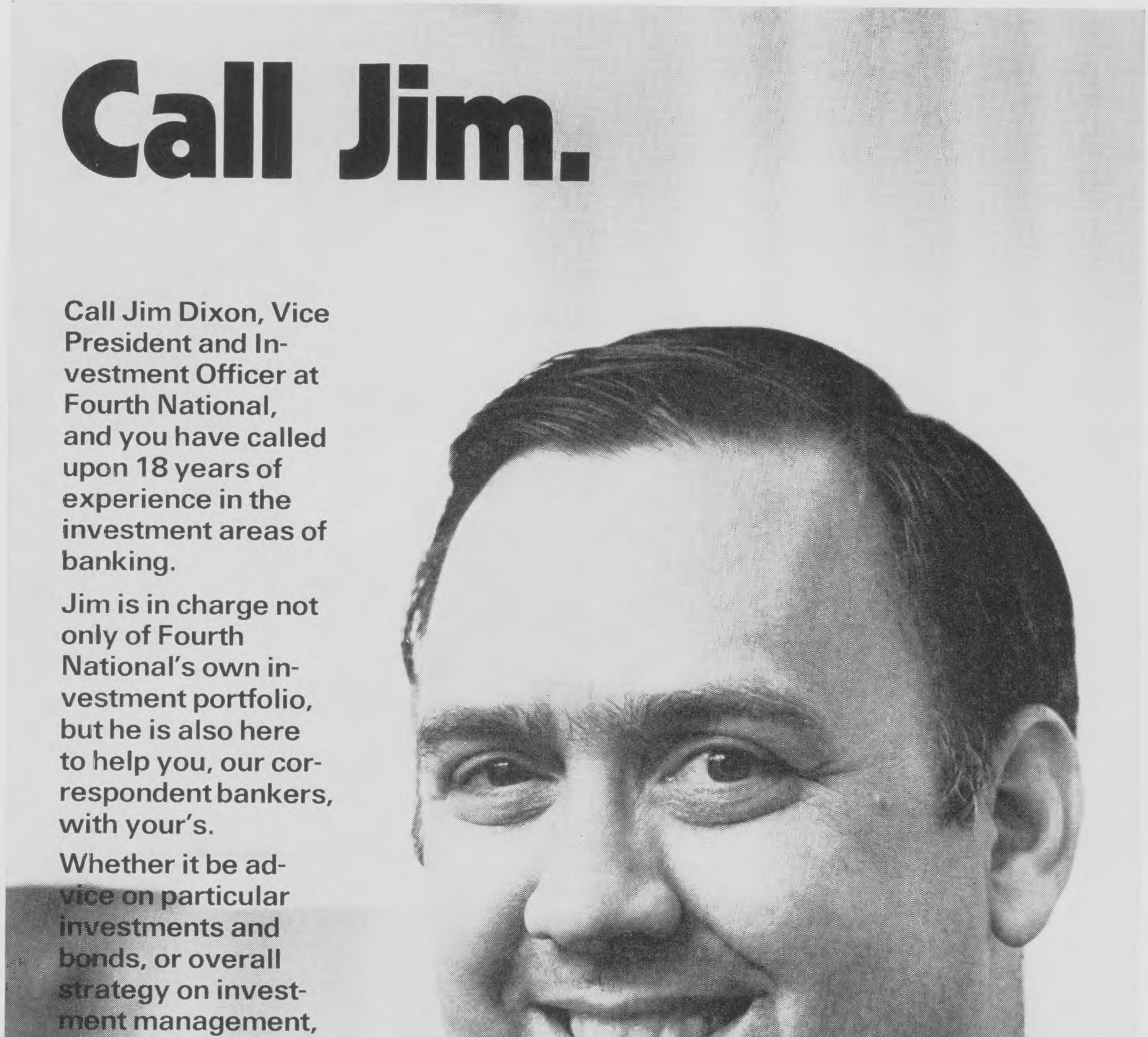
Last spring, Mr. Warren persuaded Glenn A. Grimes, professor of agriculture at the university's Rolla campus, to be interviewed concerning the outlook for cattle and hog production and prices. The interview was taped on film (with Mr. Warren asking the questions) and ran about 15 minutes. Later it was replayed—as a public service—via TV in the lobby of Mr. Warren's bank.

"A community, like an individual, can drift along or it can take direction," Mr. Warren observes. "We decided in the late '50s, early '60s to take direction. Several directions, in fact. The result is a rejuvenation of our town." • •

Gift for White House



Paul M. Warner Jr. (l.), v.p., product development, International Silver Co., Wallingford, Conn., presents the first of a series of presidential commemorative plates to William J. Baroody Jr., assistant to President Ford. The remainder of the series, each bearing serial No. 1, also will be presented to the White House for permanent display.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Mortgage Lending

(Continued from page 25)

It is apparent that the before-tax loss in all three situations illustrated below is $100. However, the after-tax cost may vary significantly. Should the amount charged to the bad debt reserve not be deductible due to other significant current charge-offs, carryovers of prior year charge-offs or limitations on the annual deduction for additions to the bad debt reserve, no current tax benefit would be realized for the charge-off. Any amount of ordinary gain or loss would still be recognized. In such instance, assuming a 50% tax rate, the after-tax loss in the three situations illustrated would be $150, $100 and $50, respectively. Acceptance of voluntary conveyance of deed in lieu of foreclosure in this factual circumstance would produce the same tax effect as situation B below.

If it appears the bank will be unable to obtain a current deduction for any bad-debt loss to be sustained in foreclosure or acceptance of conveyance, consideration should be given to an outright sale of the mortgage note at a price equal to the value of the underlying collateral. Based upon the assumptions in the above illustration, a sale at market value would produce an ordinary loss of $100. Such loss would be deductible in full in the current year's tax return and, assuming a 50% tax rate, would result in a net after-tax loss of $50. Although the net result is the same as that in situation C below, it eliminates any potential disallowance of the $100 reflected in situation C, should the bank be unable to sustain the $900 fair market valuation upon audit by the IRS. • •

Effect of Alternative Amounts of a Mortgage Bid On Real Estate in Foreclosure

	Situation A	Situation B	Situation C
Charge to Bad Debt Reserve:			
Tax Basis of Mortgage	$1,000	$ 1,000	$ 1,000
Amount Bid in Foreclosure	800	900	1,000
Charge to Bad Debt Reserve	$ 200	$ 100	$—0—
Recognition of Gain or Loss on Foreclosure			
Bid Price	$ 800	$ 900	$ 1,000
Fair Market Value of Property Received	900	900	900
Ordinary Income (Loss)	$ 100	$—0—	$ (100)

(For purposes of this illustration it is assumed any mortgage deficiency is uncollectible.)

RESPA Information Kit Provides Forms, Booklet For Mortgage Lenders

An information kit has been assembled by the Consumers' Legal Association (CLA), Philadelphia, to assist mortgage lenders, title companies, real estate brokers, lawyers and land surveyors as well as buyers and sellers who are effected by implementation of the Real Estate Settlement Procedures Act (RESPA), which became effective in June.

The kit contains samples of all forms required by the Department of Housing and Urban Development, which are keyed to an instruction booklet. The kit also includes the required booklet on settlement costs, a copy of the act, a copy of Regulation X containing modifications and clarification of the act and a booklet covering the background and principal features of the act.

RESPA requires that detailed settlement costs be clearly outlined to the buyer at least 12 days before he signs the final settlement papers. The act applies to every transaction that involves a federally related mortgage. However, the definition of this type of mortgage is so broad that it includes almost all mortgage loans on one- to four-family residential real property, according to CLA.

Kits are available for $9, plus $1 postage, from the Real Estate and Housing Division of the Consumers' Legal Association, Suite 1116-20, 1315 Walnut Street, Philadelphia, PA 19107.

Citizens Nat'l, Decatur, Hosts Correspondents

DECATUR, ILL.—A bicentennial salute was the theme of the annual correspondent bankers party given by Citizens National here last month at the Country Club of Decatur. Of the 330 bankers attending, 176 played golf. Other bankers took to the tennis courts.

Past and present presidents of Illinois Bankers Assn. attended party. At l. is past IBA Pres. James Ghiglieri, pres., Citizens Nat'l, Toluca. At right is current IBA Pres. Arthur Busboom, pres., Bank of Rantoul.

Golf prizes were awarded at the traditional stag dinner. Low net prize winner was Donald S. Cason, president, First National, Mattoon, Ill.

Presiding over the day-long event were William Barnes III, chairman, and J. L. Hunter, president. Dale P. Arnold, vice president in charge of the bank's correspondent relationships, awarded the prizes.

Dale Arnold (l.), v.p., Citizens Nat'l, congratulates Don Cason, pres., First Nat'l, Mattoon, Ill., on winning low net golf prize.

J. L. Hunter, pres., Citizens Nat'l, Decatur, welcomes guests at stag dinner.

Bank Directors' Assembly Scheduled for Phoenix; 1976 Events Announced

Phoenix' Arizona Biltmore is slated to be headquarters for the 23rd Assembly for Bank Directors of the Foundation of the Southwestern Graduate School of Banking, Southern Methodist University, Dallas. Date for the event is November 5-8.

Several topics scheduled for discussion during the Assembly are "Evaluating Management," "Legal Responsibilities of Directors," "Credit Administration," "Planning—How the Director Can Help," "Reporting to the Board for Protection," "The Marketing Function and the Director," "The Economic Outlook" and more.

Comptroller of the Currency James E. Smith will be the luncheon speaker November 7. His topic will be "A Regulator Looks at the Banking Future," while FDIC Chairman Frank Wille will address a morning session November 6 on "What a Supervisor Expects."

Three assemblies have been slated for 1976. The 24th Assembly is set for February 1-6 at the Sheraton-Waikiki and Royal Hawaiian, Honolulu. Some scheduled speakers and their topics are: Fed Governor Philip E. Coldwell —"The Financial Outlook"; Mr. Wille —"The Regulatory Assignment"; and ABA Executive Vice President Willis W. Alexander—"The Legislative Climate."

The 25th Assembly will be held at the Broadmoor, Colorado Springs, September 4-7, 1976, while the 26th Assembly is set for The Breakers, Palm Beach, Fla., November 28-December 2.

Billing Revisions

(Continued from page 28)

cluding Eastern States Bankcard Association, Marine Midland Banks and Western States Bankcard Association, with assistance from Atlantic States Bankcard Association, Continental Illinois National Bank, Chicago, and New England Bankcard Association.

"The comments represent the mutually held views of persons who have been actively involved with the industry and with the Fair Credit Billing Act since its introduction and who, therefore, bring substantial experience to this task," the letter stated. • •

Prize Winner Carts Off Food

Wendy Friedman happily awaits the "go" signal from Barton Lilly, mktg. dir., United Bank of Monaco, Denver, as Bob Tschappat, bank pres., gets set to push her shopping cart. Mrs. Friedman won the bank's opening celebration's grand prize—a 90-second free shopping spree in the local Safeway store. What did she "shop" for during her spree? Over 150 lbs. of beef, worth about $365.

Bankers and the RV Dealer

MANY recreational vehicle (RV) dealers have complained for several seasons that they cannot afford to stock an adequate amount of merchandise. Some have had their floor plan lines of credit cut and others say they merely cannot afford the high interest. Regarding the latter, it is imperative that the lender point out to the dealer what his true cost of interest is.

To do this, certain assumptions must be made: The rate of interest is 1% over prime; the dealer turns his inventory four times a year; and a unit has a wholesale cost of $3,000. Based on these assumptions, and with an 8% prime, the dealer would pay $67.50 in interest for 90 days. A 12% prime would cost him $97.50. This $30 increase is certainly one the dealer could afford.

The real problem is that the $3,000 unit the dealer previously financed is now $4,000, which makes his interest cost for a 90-day period $130, although the true increase in the cost of money was the original $30.

Many dealers never have gotten into the critical area of inventory turns. Assuming a dealer has an annual volume of $300,000 and turns his inventory twice, he then needs $150,000 of floor plan. However, if the same dealer did the same volume and turned his inventory four times annually, he would need only $75,000 of financing. In the recent past, many dealers have not taken into consideration the fact that if these units will not turn retail, the true cost of buying them will far outweigh the savings they received at the time of purchase. Similarly, many dealers heretofore have not developed their cost in order to know the minimum percentage of markup they must make to pay their overhead.

Bankers should point out to these dealers that the day of "hip-pocket" financial information is gone forever and that it is absolutely imperative that a

By WILLIAM J. BECKER
Vice President
St. Joseph Bank & Trust
South Bend, Ind.

competent accountant be engaged to furnish timely financial information which the dealers must communicate to their floor planning and retail lenders.

The RV dealer is vying for a product, and that product is money. The competitors for those dollars are the auto dealers. Along that line, it is mandatory that the RV dealer take a page out of the auto industry's practices.

One reason for most auto agencies' success is that the auto industry forces each dealership to furnish a monthly profit-and-loss statement broken down in sales, parts and service. If RV dealers were to set up the same type of financial information and report it to their lending institutions on a monthly basis, they would find many of their current problems eliminated.

Each auto dealership has an individual who either approves each contract or has an opportunity to go one-on-one with the retail purchaser. The individual's responsibilities are to control the retail paper, to sell credit, accident and health insurance, to work with rates to maximize the dealer's return (which includes the reserve) and probably to make up the contracts. In addition to this he must be able to work with the payment customer, who is interested in purchasing a unit and must be controlled into the price of unit his payment will purchase. The recreation vehicle dealer cannot afford to skip lightly over this area of responsibility, since his reserves on certain contracts can be extremely meaningful in his overall profitability.

A bank must set up a meaningful relationship with the dealer, just as the dealer must establish meaningful relationships with his other suppliers of merchandise. Lenders are no different from any other supplier to the RV dealer.

The bank's product, money, enables the dealer to create wealth, using his expertise in a given area. Because a bank's product is identical to that of all its competitors, it is essential for the bank to develop that meaningful relationship by giving the kind of guidance and information the RV dealers need.

One area that should be looked into extensively is that of the repurchase agreement. Historically, these have been received from manufacturers, placed in the file and forgotten. In today's market, the dealer should be protected as much as possible, so the repurchase agreements should be given by sound companies. The company need not be one of the big three, but it must be a sound and well-run manufacturing facility.

Bankers should force themselves to become knowledgable of the RV dealer. Besides occasionally being on a recreational vehicle dealer's lot, we have no information or knowledge of what that industry is or what it represents. Also, each RV dealer should force his lender to become more knowledgable and better informed of his business and the industry. • •

The Mobile Home Financing Scene:

Service Company-Bank Cooperation Can Result in Mutual Benefits

By ROLLIN R. WILLIAMS
Executive Director
Manufactured Housing Financial Service Assn.
Nashville

MANY terms have been used in recent months to describe our present economy—inflation, depression, money crunch, and so on—and whether one, all, or a combination of them is used, the result is the same. The present holds difficult and distressing conditions for many, if not most, businesses and industries.

This isn't another pessimistic analysis of business, but it isn't useful, under present conditions, to ignore facts with a useless pretense that they don't exist, or that, like a bad dream, they will disappear and be forgotten "in the morning." "In the morning" is *now,* and the bad dream, unfortunately, is reality.

None of the mobile home service companies has done well during these past months; some have been unable to survive and others may be forced to surrender.

The non-recourse approach to mobile home financing, as conceived by some of the credit indemnity insurance companies, vigorously promoted by the service companies and eagerly accepted by many lenders, has produced such severe losses that most credit indemnity companies have been forced to withdraw these plans. Other programs either have been, or will be, devised which will operate to spread the risk and the losses and responsibilities among the participants.

Tight, expensive money has so affected most lenders that they have been unable to continue buying large volumes of mobile home paper. In many instances, yields have not kept pace with increased money and operating costs while delinquency and repossession ratios have become distressingly high. Naturally, when funding supplies are cut off or drastically reduced, the total industry suffers proportionally.

These events must not, in all fairness, be charged against any single participant in the business. No one is the culprit; rather, all are responsible to some degree.

It would be equally unjust to bring a class indictment, charging dishonesty, bad faith or a lack of reasonable foresight. The problems that afflict the industry today result from an economic tailspin which few, if any, foresaw and warned against. As few had the foresight to point out the pitfalls ahead, it isn't surprising that inadequate precautionary measures were taken by many businesses in the industry. In view of the fact that all are guilty, it follows that all must suffer to some extent and all must accept a share of the consequences.

Let's look ahead. The questions we now must resolve are: *"Has the service company concept failed?"* and *"Has the service company image become so tarnished that there is little likelihood of restoring it?"*

The answer to both is *no.* The service company concept, as a proper and reasonable segment of mobile home lending operations, has not failed any more than the need for a well-conceived lending operation has or will cease. Mobile home financing has become a large and very important part of consumer credit lending and, since the demand for this type of housing is great, the demand for financing will continue. I believe we should be reminded of some of the basic concerns with respect to all types of consumer lending, including mobile home and recreational vehicle.

Those engaged in the field of consumer lending must still be concerned with the same basic criteria which helped build the highest standard of living for the greatest number of people the world has ever seen. Those basics are simple: Provide needful credit services to worthy customers; do it with reasonable safety and security for the protection of investors and earn a reasonable profit for the benefit of investors and assure, if possible, the continuance and well-being of the business.

With these fundamentals in mind, let's look at the manner in which specialized mobile home service companies and consumer credit lenders can best fit their operations together for the benefit of each, as well as for the good of their mutual customers, the consumers.

As in every business in which a financial interest is considered, it is helpful and essential that an in-depth knowledge of the business in which an investment is contemplated is available. This is so in the mobile home/recreational vehicle financing business. The lender should have access to expert counsel in the field, but it isn't always available or obtainable within its own operation. This is why service companies exist and it is the reason for the popularity and growth they have experienced. The unfortunate experiences of the recent past have not erased the need for them, but they have made it more necessary that, in the future, there should be closer communication, understanding and cooperation between the financial institutions engaging in the business and the service companies that propose to furnish the expertise.

The entire mobile home/recreational vehicle industry is a highly specialized one, beginning with manufacturing and continuing through merchandising, purchaser motivation and satisfaction, legal documentation, specialized insurance protection, financing plans (retail and wholesale), lender's needs and requirements, credit terms and risks, collections and repossessions. In addition, sales volume (availability of paper) and funding availability do not always coincide. The skilled, financially sound service company can be the catalyst that makes the whole work effectively and harmonously by having the means and ability to tailor-make plans and programs suitable to the individual purposes, needs and requirements of all concerned.

By what yardstick shall the skills and abilities of a service company be measured? How is it to be known that a given company has all the skills, expertise, personnel, financial strength, to perform all the required functions acceptably? Here are some prerequisites to a satisfactory relationship, not necessarily in order of importance:

• Audited financial statements and operating figures. Every lender has its own methods of analysis and evaluation.

• Complete information on the proposed plan of operating, including: (a) The service company-lender agreement should be complete and clearly understood by both parties; (b) Loss reserves, lender's yield on invested funds, service company indemnification, lender's agreement to provide funding; (c) Insurance company relationships (bond and physical damage). Responsibilities of each party with respect to insurance; (d) Credit checking procedures and responsibilities; (e) Dealer agreements which the service company uses should be studied and approved by lenders. They should, among other requirements, provide for the type of dealer endorsement employed; periodic submission of dealer financial statements, franchises, references and business history; inventory requirements funding of wholesale requirements; (f) Collection procedures, areas served, responsibilities of all parties; (g) Down payments, maturities, advances; (h) Personnel names, experience, location and responsibilities.

• A service company should be glad to furnish references concerning past and current relationships with lenders, insurance companies and dealers.

• Membership in the Manufactured Housing Financial Services Association should be a consideration. MHFSA is an organization of strong service companies and reliable allied firms—mostly insurance-oriented—with proven records of success and service. It has adopted a strong code of ethics and a standard of practice, spelling out the dedication by members to conducting business in a sound, efficient and ethical manner. • •

ERISA Aid Package Offered

Continental Bank, Chicago, has announced a package of pension and profit-sharing plan administrator services to help firms meet requirements of the Employee Retirement Income Security Act of 1974 (ERISA). The plan enables firms to designate Continental as official plan administrator.

The bank's services include preparation and dissemination of reports to government agencies and retirement plan participants, record keeping and monitoring of plans to assure conformity with current and future legislation. Firms will have the option of selecting complete services, a combination of services or consulting services.

The service is administered by Continental's trust and investment services department.

ABA Agricultural Conference Slated for Houston Nov. 16-19

The ABA's 24th National Agricultural and Rural Affairs Conference is expected to attract more than 1,000 ag bankers and their spouses to Houston November 16-19.

"The political, monetary and social implications of today's worldwide ag economy demand a careful examination of the business we are in," said Rex G. Plowman, chairman of the ABA's Agricultural Bankers Division, which sponsors the conference. He is also president and chairman, Lewiston (Utah) State.

"Agricultural finance today demands improved competence in managing our own affairs in order to produce the capital required to support the needs of our agricultural industry and the American people," he said.

Program highlights will include a keynote address by incoming ABA President J. Rex Duwe, president and chairman, Farmers State, Lucas, Kan.; a panel discussion on how the media view the ag banker; six concurrent workshops on alternative sources of funds, financial structure analysis, problem loans, capitalizing on ag programs for bank growth, financing young farmers and techniques of customer counseling; an Individual Retirement Accounts workshop; an outlook series of economic forecasts; early-bird sessions; and other features. Will Rogers Jr. will speak at the banquet.

Registration information is available from Miss Lucille Parslow, associate director, Agricultural Bankers Division, ABA, 1120 Connecticut Ave., N.W., Washington, DC 20036.

Ceremony Commemorates Topping Out Of Boatmen's Nat'l Tower, St. Louis

TOPPING out ceremonies for the $28 million Boatmen's Tower were held last month at the construction site adjacent to the Old Courthouse in downtown St. Louis.

Highlight of the brief ceremony was the hoisting of a blue and white beam, containing the signatures of officials of St. Louis, Boatmen's National and the Equitable Life Assurance Society of the U. S., to the top of the tower. The 22-story tower is a joint venture of Boatmen's and Equitable.

When the beam reached the topmost part of the tower, multi-colored balloons were released over the city, some containing $5 and $25 certificates.

During the ceremony, Donald N. Brandin, chairman and president, Boatmen's National, said, "Missouri has the resources to emerge as one of the great states in this last quarter of the 20th century . . ." and that, "the project reflected the confidence of Boatmen's in the future of St. Louis."

Also speaking was Robert M. Hendrickson, newly elected executive vice president and chief investment officer of Equitable, who told the gathering: "Perhaps I can speak for both the Equitable and Boatmen's National when I say that this new building signifies the joint enthusiastic and continuous support we feel for the prospects for the future growth and progress of downtown St. Louis. It's exciting to see plans of many years finally take tangible shape."

Workmen secure beam atop Boatmen's Tower after ceremony.

The bank reports that more than half of the 450,000 square feet of rentable area in the new building has been leased or spoken for.

Work on the tower began in June of last year and is expected to be completed by next summer. The building's dominant feature is the tower which will be sheathed in special reflective glass and aluminum cladding, allowing glare-free viewing of the surrounding area from inside, particularly Bush Memorial Stadium, the Old Courthouse and the Mississippi River. From the outside, observers will see reflections of the sky and nearby buildings.

The building facade will consist of two sheets of glass with insulating space between. The insulation and the reflective qualities of the glass will make possible exceptional climate control, according to bank officials.

A two-story, open court atrium with a glass skylight measuring 8,100 square feet and exterior wall of glassed greenhouses will adjoin the tower. A 200-car underground garage is included in the complex. • •

TOP: Donald N. Brandin (r.), ch. & pres., Boatmen's Nat'l, leads civic leaders in signing steel beam prior to hoisting of beam to top of building.

MIDDLE: Mr. Brandin addresses gathering prior to hoisting of beam.

BOTTOM: Beam begins ascent to top of 22-story Boatmen's Tower, flanked by balloons containing gift certificates that were released over city.

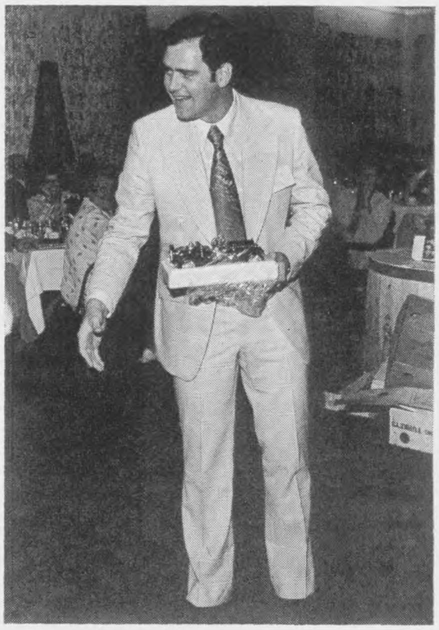
Millikin Nat'l, Decatur, Hosts Correspondents

DECATUR, ILL.—Millikin National entertained a record number of bankers at its 35th annual correspondent bank party August 25 at the Country Club of Decatur.

Activities included golf, a social hour, dinner and the awarding of attendance and golf prizes.

Among the guests were Richard K. Lignoul, commissioner of banks of Illinois, and Joe Ciaccio, deputy commissioner.

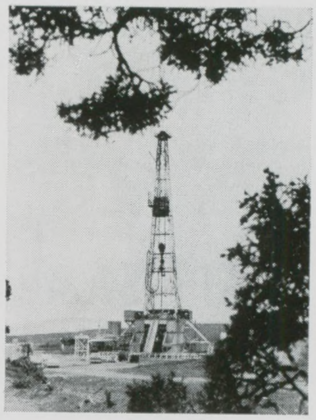
Winning a model of a 1915 Stutz auto was Ray Duncan, vice president and cashier, First National, Tuscola, Ill.

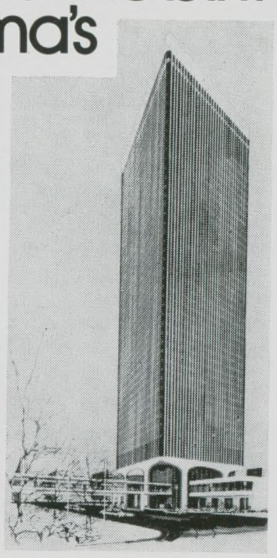


Ray Duncan, v.p. & cash., First Nat'l, Tuscola, Ill., walks off with model of 1915 Stutz auto.

Foursome at Millikin Nat'l correspondent party were (from l.) Joe Ciaccio, deputy commissioner of banks for Ill.; host Ray G. Livasy, pres., Millikin Nat'l; Richard K. Lignoul, commissioner of banks for Ill.; and Gene Gibson, pres., First Nat'l, Effingham, Ill.

We financed the birth of Oklahoma's oil industry.





We can probably help you.

True: our bank was started in 1910 by a group of oil men who were getting little or no financial help from the existing banks of the day. Their venture, like their industry, was a booming success.

Today, Bank of Oklahoma provides diversified, contemporary services to virtually all segments of business, industry, and the general public. Consider the ways that we might help you.

Our Commercial Banking Division is vigorously financing the area's manufacturing, processing, shipping and energy production. To start doing business—or start doing more—in this part of the country, give us a call.

Our Investment Division could help you profit from involvement in an area economy which has held strong despite economic conditions elsewhere. And incidentally, our Municipal Department is solidly among the leaders in municipals in the Southwest.

Perhaps you could use the services of the leading Trust Division in the state. Or the counseling of a Cash Management Department that's gaining prominence throughout our region.

In short, we have extensive resources, and the expertise to put them to work for you. And our location is ideal: in the Southwest, yet adjacent to Southeast, Midwest, and Plains areas.

So, if part of your business flows to, through, or near Oklahoma, we can probably help you.

Pictured above right: Bank of Oklahoma Tower, now under construction in downtown Tulsa.

BANK OF OKLAHOMA (NA)

P.O. Box 2300 / Tulsa, OK 74192 / (918) 584-3411

Member F.D.I.C.

LEFT: John P. Borden, exec. dir., MACHA; Clifford W. Stone, pres., Walnut Valley State, El Dorado; Floyd Pinnick, KBA pres.-elect. CENTER: John A. Adair, Reg. One v.p., & pres., Exchange Nat'l, Atchison, and J. R. Ayres, KBA pres. and pres., Citizens State, Miltonvale. RIGHT: Dr. Emerson Hazlett, Kansas State University, and John Suellentrop, Reg. Four v.p., and pres., State Bank, Colwich. All but Mr. Borden took part in KBA regional programs. Mr. Pinnick is pres., Grant County State, Ulysses.

New KDCC Firm, EFT Strategy Report Dominate Kansas Regional Meetings

By JIM FABIAN
Associate Editor

ANNOUNCEMENT of the establishment of a small business investment company and a digest of a report on EFT were the primary topics on the program at this year's regional meetings of the Kansas Bankers Association. The meetings were held in Lawrence, Iola, Manhattan, Wichita, Hays and Dodge City last month.

KBA President J. R. "Dick" Ayres, who is president, Citizens State, Miltonvale, said the new company, called Kansas Venture Capital, Inc. (KVC), would help establish new firms in Kansas, help increase employment and help the growth of present bank customers "so that they can enlarge their borrowing base and in turn increase our profits."

"Under the program," he said, "we will be able to use Small Business Administration funds on a three-to-one ratio to the capital we raise."

Kansas bankers were asked to purchase stock in the new organization, which is to be a majority owned subsidiary of the Kansas Development Credit Corp. (KDCC). Bankers were asked to purchase stock in the amount of one-quarter of 1% of their capital and surplus accounts, based on 1974 figures.

Banks are expected to purchase about $700,000 in stock, with another $800,000 sold in KDCC through business and industry for a total of $1.5 million.

Mr. Ayres described KVC as "a state-wide company with over 600 banks as salesmen, 200 chambers of commerce personnel as salesmen, the Small Business Administration as salesmen and major industry as salesmen, all of which will add up to a whopping sales force."

He said the most important fact about KVC is that it's organized for profit. Banks will not only get profit from the capital loaned to their home grown industries, he said, they also stand an excellent chance to make a profit on their stock investment.

George L. Doak, president, KDCC, said that the same expertise that has made KDCC a success will be available for KVC. He said that KDCC, now in its 10th year of operation, has made $51 million in loans that have resulted in 12,000 jobs and sustained or created an estimated payroll in excess of $41 million. He also said KDCC's loan-loss average over the past nine years has been less than one-half of 1%.

He said that directors of KVC would include Robert Docking, president, Union State, Arkansas City; Art Collins, chairman, Hutchinson National; Henry Blanchard, chairman, Commercial National, Kansas City; and Don C. Steffes, president, McPherson State.

He said the KVC will have no competition in Kansas.

The EFT summary was presented by John L. Cooley, senior vice president, Fourth National, Wichita, and chairman of the KBA EFT committee.

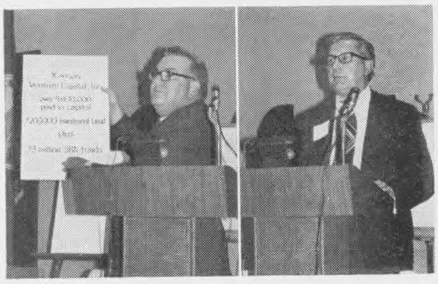
The report he summarized was prepared for KBA by Arthur D. Little Co., Cambridge, Mass., as part of a series of such studies done in cooperation with ABA and a number of state banking associations.

Purpose of the study was to assess the climate for EFT in Kansas and to produce a plan for action.

Only the first portion of the report was presented. This portion deals strictly with the situation in Kansas. The second portion will deal with the nation as a whole.

Seven major recommendations were made in the report, according to Mr. Cooley, including the following:

- Each bank in Kansas that is interested in offering EFTS should plan for a phased approach to EFT development with heavy emphasis in the next two to three years in the preparation of internal resources and possibly some experimentation.
- Any experimentation in early EFTS should be limited in geography, services offered, number of bank participants and technical complexities.
- Support and development of Mid-America Automated Clearing House Association (MACHA) was recommended. To date, 450 of the state's 615 banks have signed up with MACHA.
- Point-of-sale (POS) terminals were recommended for individual banks or groups rather than automatic teller machines (ATM) due to their relative economies and the facts that they are operated by the merchant and are capable of offering a broad mix of EFT services.
- All contemplated EFT services should include both debit and credit services to customers, because such a combination would be most attractive to customers and useful to the bank.
- Individual banks should consider small-scale correspondent or co-op ventures if the project scope is manageable and participants share common objectives.



Presenting principal topics at KBA regionals were George Doak (l.), pres., Kan. Development Credit Corp., who spoke about Kan. Venture Capital, Inc., and John Cooley (r.), s.v.p., Fourth Nat'l, Wichita, & ch., KBA EFT com., who gave report on KBA/A. D. Little study on EFTS.

• Banks should look to their traditional EDP services as the principal resource for offering EFTS in the near future.

According to Mr. Cooley, the report said that the following specific points should be kept in mind in implementing the previous recommendations:

• In some cases, use of EFT can help to increase profits by reducing the costs associated with less efficient manual systems.

• Some EFT services may represent an opportunity to increase profits by boosting revenues from service fees or by providing additional services for an existing customer base.

• Other EFT services can be cost-justified because they can increase profits by increasing market share.

• Some EFT programs may not increase profits, but may be necessary to protect profitability threatened by the actions of a competitor.

The report then applied the strategies to banks serving four types of municipalities in the state, as follows:

• Some 205 municipalities in the state have no banks but have potential for outside bank market expansion through EFT. A bank-installed EFT terminal in these communities could serve to block outside competition.

• Over 250 communities are served by only one bank and cannot support a second bank. These bankers should be on the lookout for a competitor who might choose to install an EFT terminal in one of those communities. If the banker installs a terminal first, he could cause the competitor to abandon his attempt to establish himself in such a community.

• Of the approximately 100 towns in which banks face moderate competition, those banks should begin to prepare for EFT service delivery in order to both increase market share and to develop services to respond to competition. These banks also should begin to investigate sources for EFT systems, such as correspondents and current suppliers of EDP services that are beginning to develop EFT services in anticipation of small bank needs. Banks in these communities might give thought to forming small co-op ventures to develop EFT systems.

• Bankers in 32 communities face substantial competition, particularly from thrifts. These communities are the most likely areas for immediate EFT developments. Banks in these communities should consider planning off-premise EFT programs, developing EFT systems in-house, acquiring EFT services from outside banks with superior services, considering EFT as a means of increasing market share, seeking merchant relationships in anticipation of delivering EFT services and preparing EDP resources as quickly as possible.

In addition, the report states, each banker in the state should assess his own market situation and develop an appropriate EFT schedule, remembering the three Cs of EFT: cost, customer acceptance and competition.

Bankers also should be doing something to prepare their banks for EFTS by keeping informed on industry developments, monitoring their competition and enhancing their own internal operations, the report stated.

It should be remembered that it takes from two to three years to develop an EFT system via a phased approach. Sufficient lead time must be built in to the program, the report cautioned.

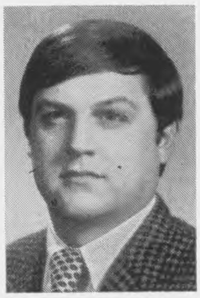
Mr. Cooley said that now is the time to implement the knowledge gained and to do so along the guidelines enumerated in the study. "Although we advocate a conservative approach," he said, "we must continue to be aggressive in competing with the thrift industry."

Following the presentation, a panel of bankers fielded questions about EFT from the floor.

Harold Stones of the KBA staff reported that Kansas banks have pulled ahead of S&Ls in time deposits. Banks now post $600 million more in this category than do S&Ls, despite the fact that banks offer no advantages, interest-wise, over thrifts. He attributed the good showing to the fact that Kansas bankers have done a good job in creating trust through aggressive marketing.

Correspondent Post Is Given Adams at Kentucky Bank

LEXINGTON, KY.—Samuel Tunstall Adams has joined First Security National as vice president in charge of the correspondent banking department.



ADAMS

Mr. Adams was formerly vice president, correspondent banking division, Liberty National, Louisville.

In other action, First Security elected C. Thomas Murrell III vice president, commercial loan division. He also is from Louisville, having been senior regional banking officer at First National there.

$2,000 Reward:

Group of Indianapolis Banks Announces Robbery Plan

Members of the Indianapolis Banks Clearing House Association (IBCHA) have announced a plan under which a $2,000 reward will be offered for arrest and indictment of anyone who robs a member-bank.

When a robbery occurs, a $2,000 fund will be deposited in the victim-bank, which may increase the amount of the reward if it wishes. The amount of the reward paid in each case will be dependent on the value of the information furnished.

Members of IBCHA include American Fletcher National, First Bank, Indiana National, Merchants National, Midwest National and Peoples Bank.

Officials say the plan's purpose is to develop greater public awareness and interest in furnishing information leading to arrest and conviction of bank robbers. All presidents of member-banks reportedly have expressed concern for their staff's well-being, due to an increase in the number of robberies in the past 12 months.

By offering the rewards, IBCHA members hope the public will be more attentive to suspicious activities while visiting or driving past banks.

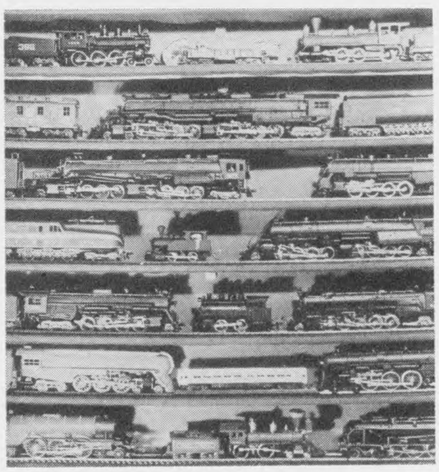
All Aboard: Model Railroad Collection Is Bank Employee's Touring Museum

Clefford Farley of Oak Park (Ill.) Trust must have railroading in his blood. His grandfather was in charge of track repair from Elgin to Dundee on the Chicago Northwestern, his nephew is a towerman for the Chicago-Milwaukee and his father was a control towerman for the Chicago-Aurora-Elgin.

Mr. Farley was a yard clerk for the Chicago Northwestern and a Chicago streetcar motorman and driver before joining the bank 16 years ago.

It's not surprising that he has an extensive model railroad collection. Begun over 30 years ago, it has been turned into a portable museum, which is displayed at public places—including Oak Park Trust—and functions throughout the Chicago area.

The collection features 77 electric locomotives in working condition, most of which are antiques, manufactured in



ABOVE: Clefford Farley of Oak Park (Ill.) Trust sets up his portable, operable model railroad display, which he shows throughout Chicago area. Sweater was Christmas present from his wife. BELOW: This is portion of Mr. Farley's 77 electric locomotives collected from throughout world. Collection features railroad commemorative stamps, posters, lanterns and hats.

such varying locales as Japan and England. The operable display includes cities, farms, freight yards and a complete roundhouse.

Other notable features of the collection are the 50 railroad commemorative stamps, the posters, kerosene brakeman lanterns and a variety of railroad-oriented hats.

Mr. Farley has amassed his collection by traveling through 45 states and works for the preservation of steam engines with a number of groups.

"The steam engine was one of the most important parts of the nation's history and development," he asserts, "because without the steam engine, the interior of our country could not have been settled in the last century, industry couldn't have spread to the West and our armed forces would never have been able to win their victories. I think the bicentennial year is an excellent time for our government and great institutions to take definite steps to preserve steam power's history and that of the Americans who pioneered it."

Life's Little Pleasures:

Sakowitz' Unusual Gifts Draw Crowds to Bank

Republic National, Houston, has a year-long program of lobby displays, wherein something different is exhibited each month. Art creations, sea shells and live animals have been a few. Last Christmas, a display, valued at $10,000-$12,000, of "Unusual Collectables" from Sakowitz of Houston was shown.

The display included four cases with a Christmas tree in the center. The items, taken from the store's Christmas catalog, included such things as china from Italy, tools from Taiwan, decorative jewelry and accessories and a seashell music box topped with a golden turtle.

The exhibit was designed by the store, which provided all items necessary to carry out the theme, while the bank provided the insurance.

According to a bank spokesman, many people in the institution's area are in a lower middle income group and would not have been able to see the items in the exhibit unless they traveled several miles. The Republic National official went on to say that there was a great amount of interest shown in the display, especially among young people.

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Your tellers will love our new IMO...

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We're also including, at no extra cost, colorful promotional and advertising material to help you inform your customers of the many advantages of our new IMO.

For more information on putting our new International Money Orders to work for your bank, contact your National Division Representative or Joseph J. Meehan, Manufacturers Hanover Trust Company, 4 New York Plaza, New York, N.Y. 10015. Tel. (212) 623-4407.

MANUFACTURERS HANOVER



LEFT: Special guests at Market Day at First Stock Yards Bank, St. Joseph, were (from l.) Roland-Pierre Gujer and Max P. Strebel, reps of Union Bank of Switzerland, stationed in Chicago. At r. is H. H. "Beanie" Broadhead Jr., pres., host bank. CENTER: Samuel D. Addoms (c), guest speaker, Monfort of Colorado, fields questions after talk. RIGHT: John E. Karn (c.), e.v.p., host bank, escorts portion of Market Day guests on tour of Peachtree Doors, Inc., St. Joseph.

Optimism Permeates Market Day Program

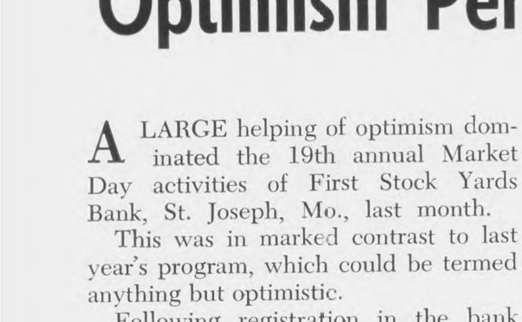
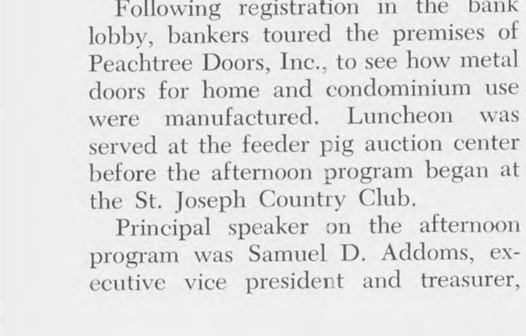
By JIM FABIAN
Associate Editor

A LARGE helping of optimism dominated the 19th annual Market Day activities of First Stock Yards Bank, St. Joseph, Mo., last month.

This was in marked contrast to last year's program, which could be termed anything but optimistic.

Following registration in the bank lobby, bankers toured the premises of Peachtree Doors, Inc., to see how metal doors for home and condominium use were manufactured. Luncheon was served at the feeder pig auction center before the afternoon program began at the St. Joseph Country Club.

Principal speaker on the afternoon program was Samuel D. Addoms, executive vice president and treasurer, Monfort of Colorado, Inc., Greeley. Mr. Addoms is a former officer of Continental Bank, Chicago.

TOP: Kansas bankers chat with Don Spaulding (r.), pres., St. Joseph Stock Yards. They are M. L. Deaver (l.), of Farmers State, Sabetha, and Everett Stokes of Farmers State, Fairview.

BOTTOM: Robert Oliver (2nd from r.), Farmers Bank, Maysville, Mo., joins group of bankers from Farmers State, Cameron, Mo. From l.: Dr. T. H. Tye, Jim Long, Charles Hill, Mr. Oliver and Ken Stafford.

Speaking on the topic, "Will There Be Cattle Feeding in 1985?" Mr. Addoms discussed "some heavy questions" facing the industry that place doubt on its existence by 1985.

"Foremost in mind," he said, "is the great grass-fed beef miracle which has placed lower-cost finished product in the hands of the consumer under various titles, such as baby beef. There are some who would tell you it is almost patriotic to eat grass-fed beef. You hear remarks such as 'It helps sustain the world's hungry, it's just as good, it's lower priced.' If any of these claims were true over a sustained period of time we could be in trouble again as an industry. So let's take a look at the facts.

"Fact number one, the product has been subsidized to the consumer by the producer. I sincerely doubt that one pound of baby beef has been consumed at a profit to the rancher or farmer that raised the raw material. In fact, I would estimate that the consumer has received between $30 and $50 per head in producer subsidy. I fail to see how putting producers into the ranks of the unemployed will feed the world's hungry.

"Fact number two, and one often overlooked, is that grass-feds are more expensive to process. Packers consistently assess carcass weights as a percentage of liveweights to determine carcass yield. The cost to process a fed steer which has a carcass yield of 63% is identical to the cost to process a grass-fed steer which might yield 58%. Keep in mind, too, that processing costs are largely labor, packaging and energy related, all of which are rapidly inflating.

"If you have a $50 cost to kill, chill, break and fabricate a carcass, that cost can then be applied to the carcass weight to determine the unit cost of production. In the case of a fed steer weighing 1,000 pounds liveweight, yielding a 630-pound carcass, this cost would amount to $7.94 per hundredweight. With the grass-fed steer having the same liveweight of 1,000 pounds, the carcass yield is only 580 pounds dressed, producing a cost per hundredweight of $8.62. The difference between these costs is a mere 68 cents per hundredweight.

"That may not sound like much to you, but to a packer whose industry in 1974 earned before taxes only $1.14 per hundredweight, it represents a staggering 60% of the industry's average profit margin. The fact that average grass-fed weights are in fact lower, and by-product values from grass-fed cattle are similarly lower, makes the equation even more difficult to comprehend. It makes one realize that grass-fed cattle are not as efficient as plant level and, given the choice, the processor would prefer to work with the higher yields represented by fed cattle.

"Grass-fed beef is no miracle. It will prove to be as shortlived as the cattle herd liquidation that is now taking place. By 1978, little of this product will be in evidence."

Mr. Addoms spoke of the principal concerns to the industry, such as population growth and attendant world hunger, coupled with high energy costs. In the past year, he said, beef has been questioned as a form of diet from a health standpoint. Beef also has come under fire because feeding requires intensive use of fossil fuel and because it diverts food production away from world food requirements.

"These concerns are legitimate," he said. "We eat too much in our daily diet, cattle feeding does require fossil fuel and the world's hungry could somehow eat whatever excesses we could export."

He then presented rebuttals to these concerns.

Since beef cattle herds are being liquidated, per capita consumption should begin to decline from the 125-pound level of today to from 100-110 pounds in 1978-79, he said. Beef will then be higher priced and less available, forcing an adjustment in the nation's diet.

He said that, with proper grazing and a shortened feeding period, it will be possible to maximize the low-energy consumption period of livestock and minimize their relatively high energy stay at the feedlot, thereby countering to a great extent the criticism that cattle feeding wastes precious energy.

As for world hunger, he said that cattle feeding and export demand are not at odds. "In fact," he said, "They work in tandem to provide the supply-demand balance of a vigorous farm economy. In the absence of either one the farm economy of the U.S. would approach the efficiency of the northeastern railroads.

" 'Survive in '75' has been our slogan and it has taken some tough steps to do it," he said. "To make it through the next 10 years should be just as interesting.

"There are some clear implications," he continued. "First, the feeding industry now has more than sufficient capacity for the foreseeable future. With lower numbers on feed coupled with higher throughputs occasioned by shortened feeding periods, we're going to see more feedlots leave the scene.

He said that, in the next two years, as excess cows are liquidated and the beef cow herd is reduced to a level that will permit production of 750-850-pound feeders entirely on grass, the packing industry should enjoy a buyers' market and relatively good earnings.

"The big packer race in the late 1970s will be to establish stronger markets for beef that will prove to be more price stable. This strong market orientation will be essential to processors if they are to survive and suppliers of cattle, like bankers, will be wise to assess these strengths or weaknesses to be sure their own bets are down on the strongest contenders.

"The next year may prove to be among the toughest of the next 10 for feeders as we send product to market to compete with those cattle proved to be surplus by high grain costs. But I expect that the worst is behind us."

The annual panel discussion of ag experts from St. Joseph was considerably more optimistic this year than last. It was predicted that the hog market would stay strong. It was reported that the high price for the year had not yet been reached and would probably not be reached until mid-winter. These prices have been triggered, for the most part, by the fact that hog production is at its lowest point since 1935.

Progress was predicted for the cattle industry and money is to be made in feeding cattle if cheap grain is used to fatten the cattle and good judgment is exercised when buying cattle.

The average weight of cattle has been down, although the number of cattle slaughtered is up. More than 50% of slaughtered cattle have been fed cattle, although twice as many non-fed cattle have been sold this year than were sold last year. • •

First Mo. Rates Are 9½%

First Missouri Development Finance Corp., Jefferson City, reports a current interest rate on loans of 9½%. That rate reportedly will remain in effect until December.

First Missouri, a private corporation supervised by the Missouri Division of Finance, provides financial assistance to small businesses in the state when other lending sources aren't available.

Since its organization in 1968, First Missouri has helped create or retain more than 3,000 jobs in the state through its financial assistance.

Missouri Regionals Spotlight RESPA, EFTS

By DANIEL H. CLARK
Editorial Assistant

MISSOURI bankers—at their annual regional meetings last month—heard Wade L. Nash discuss the Real Estate Settlement Procedures Act (RESPA). Mr. Nash, staff attorney for the Missouri Bankers Association, outlined the following seven provisions of RESPA:

1. Distribution of settlement cost booklets—Section 5.
2. Advance disclosure of settlement costs—Section 6.
3. Uniform settlement statements—Section 4.
4. Disclosure of previous selling price and borrower as real party in interest—Sections 7 and 11.
5. Prohibition against kickbacks—Section 8.
6. Prohibition against seller selection of title companies—Section 9.
7. Limitation on amount of escrow for taxes and insurance—Section 10.

The first three provisions are regulated by the Department of Housing & Urban Development under HUD Regulation X. The other four are criminal or quasi-criminal statutes currently without HUD or Justice Department regulations, said Mr. Nash, but indications are that such regulations will be forthcoming in late fall.

Mr. Nash said, in his opinion, the heart of RESPA is the criminal and quasi-criminal sections, parts that many people don't consider. The real keys are disclosure of previous selling price and real party in interest sections.

He pointed out that the lender is responsible for supplying a copy of the previous price disclosure to the buyer/borrower before the lender can make a commitment for the loan.

Other sections, Mr. Nash continued, outlaw kickbacks, that is, anything received back from, for instance, a title company for volume trade or money earned through a referral service. The seller may not select the title company, he said. "Should the courts construe that a realtor or lender is the seller's agent, they also could not select the title company," the MBA staff attorney stated.

Another important point to consider, he said, is that limitations required on escrow accounts allow only one month advance escrow collection for taxes and insurance at the time of closing. Presently, many urban lenders have a collection of two months' advanced escrow at closing, Mr. Nash added, and the act requires the lender to escrow on the basis of unimproved property in the case of newly constructed residential estate. Penalties for failure to comply include:

- No penalty for not giving out settlement booklets, something for which the courts may shape a remedy.
- Failure to make advance disclosure with the appropriate 15-12 day interval will make the lender liable for provable damages, with minimum of $500 damages, court costs and attorneys fees for buyer/borrower and, possibly, the seller.
- No penalty for failure to complete the final settlement form, but, again, the courts may shape a remedy.
- Previous price disclosure information, when applicable, is a criminal statute, with a maximum fine of $10,000 and/or one year in prison.
- Kickback penalties are the same as in the previous item. Additionally, the borrower can recover treble damages for the kickback amount.
- Seller selection of title company makes the seller liable for three times all charges for title insurance.
- No penalty exists for lender over-escrowing, but it is foreseen that courts may shape a remedy.

The President's Talk. In his speech before the regional meetings, MBA President Richard Pfleging discussed two topics: banking education and EFTS. Mr. Pfleging is president, Bank of St. Ann.

He urged bankers to use the educational facilities available to them, noting that, in the past, bankers could keep informed about financial developments and still have time to train a staff. He stated that the depth of expertise required today has increased, so it is nearly impossible to keep up with regulations and innovations, let alone find time to train a staff on the job.

"If you aren't taking advantage of the variety of opportunities offered by MBA educational programs," Mr. Pfleging said, "you aren't interested in knowing where you are, let alone where you

Bankers and dignitaries enjoy themselves prior to MBA Region 5 dinner (All are listed l. to r.).

TOP: Richard J. Pfleging, MBA pres. and pres., Bank of St. Ann; Mrs. Pfleging; and J. Richard Furrer, regional v.p. and e.v.p., South Side Nat'l, St. Louis.

SECOND FROM TOP: Charles K. Richmond, MBA pres.-elect and e.v.p., American Nat'l, St. Joseph; Louis B. Eckelkamp, MBA regional sec. and ch. & pres., Bank of Washington; and Wade L. Nash, MBA staff attny. During meeting, Mr. Eckelkamp was elected regional v.p. for 1976-77.

THIRD FROM TOP: R. J. Stretesky, v.p. & cash., Washington County Mercantile Bank, Potosi; Verle R. Hugenot, e.v.p., Meramec State, Sullivan; and Ted L. Kelderman, cash., Washington County Mercantile Bank, Potosi.

BOTTOM: William C. Dowd, pres., Missouri State, St. Louis; Philip R. Hoffman, Mo. state representative; and Harry J. Krieg, ch., Cass Bank, St. Louis.

are going."

Turning to the subject of EFTS, the MBA president quoted a manufacturer, who asked the Minnesota Bankers Association, "Who is the enemy (of banking)? Not the manufacturer who is developing flexible technology for use in banks and certainly not S&Ls, who want shared terminals.

"Nor is the enemy the retailer," Mr. Pfleging continued to quote the businessman, "who is accustomed to credit card transactions, or the consumer, who likes using the credit card and who says he wants to interface with financial institutions. Your enemy is your own indecision and reluctance to give the customer what he wants."

Mr. Pfleging referred to many articles which have pointed out the dangers in continued discord among bankers. Such discord helps banking's enemies, not bankers, he said.

He pointed out how the president of the Independent Bankers Association of America predicts the elimination of float that would occur when EFTS had arrived, something that would encourage overdrafts of consumers' accounts.

Dick B. Dale (c.), MBA gen'l counsel, discussed the campaign financing act at the Region Three meeting in St. Joseph. Flanking Mr. Dale are Frank N. Akers (l.), regional secy. & ag. rep., Gentry County Bank, Albany; and Ivan D. Wilson (r.), regional v.p. & v.p. & cash., First State, King City. Mr. Akers will be regional v.p. next year.

Missouri State Commissioner of Finance William R. Kostman delivers speech before MBA Region 7 meeting in Springfield. Seated (l.) is Jack Stone, regional v.p. and e.v.p., Bank of Table Rock Lake, Reeds Spring.

The overdrafts would then be converted into loans bearing interest rates of between 12% and 18%, he quoted.

"Perhaps I am blind," Mr. Pfleging stated, "but I don't see how a reduction or elimination of float would have a disastrous effect on our nation's economy.

"We must not turn our backs on EFTS," the MBA president continued. "Putting our heads in the sand will give us nothing more than sand in our ears while exposing the most vulnerable part of our anatomy. Too many of us fear the unknown and refuse to recognize that our competition is not fighting among themselves. Cries of moratorium help no one but our opponents. Where would we be today if, at the turn of the century, we had said, 'Moratorium to the Henry Fords and the Wright brothers'? You know as well as I that we would be riding horseback, up to our armpits in manure."

Mr. Pfleging concluded by pointing to the EFT inroads made by the S&Ls in Nebraska, warning his audience of the willingness of retailers everywhere to get into EFTS. Many of the leaders in the retail field have warned, he said, that if banks don't cooperate with the stores in electronics, thus forcing them to go their own way, banking could find itself locked out of the market.

"We bankers have three choices," the MBA president said in closing. "We can lead, we can follow, or we can get the hell out of the way."

New Regional Officers. Following are the new officers, elected at the regionals, but who will not take office until after the MBA convention next May:

Region 1. Vice president—George Harris, president, Farmers & Merchants Bank, Huntsville; secretary—Will Ben Sims, president, City Bank, Moberly.

Region 2. Vice president—William E. Carr, president, Farmers Bank, Green City; secretary—Edward E. Holt, vice president, Trenton Trust.

Region 3. Vice president—Frank N. Akers, agricultural representative, Gentry County Bank, Albany; secretary—Glenn L. Cooksey, cashier, First State, Forest City.

Region 4. Vice president—Walter Kramer, president, Alma Bank; secretary—E. L. Burch, vice president, United Missouri Bank, Kansas City.

Region 5. Vice president—Louis B. Eckelkamp, chairman and president, Bank of Washington; secretary—John H. S. Dressel, president, Gravois Bank, Affton.

Region 6. Vice president—Robert E. Green, president, New Era Bank, Fredericktown; secretary—Pauline Clubb, executive vice president and cashier, Bollinger County Bank, Lutesville.

Region 7. Vice president—Bill Reser, vice president, Mercantile Bank, Springfield; secretary—Darrell W. Johnson, vice president and cashier, Sac River Valley Bank, Stockton.

Region 8. Vice president—Frank Sallee, president, Camden County Bank, Camdenton; secretary—Don Singleton, vice president and cashier, Commerce Bank, Columbia. • •

Comptroller Names Bench as Head Of Human Resources Division

Comptroller of the Currency James E. Smith has named Associate Deputy Comptroller Robert R. Bench as director of the division of human resources, following recommendations in the study of the Comptroller's office by Haskins & Sells.

Mr. Bench will continue to have responsibility for the international department.

In his new office, which he has accepted as a 12-month assignment, Mr. Bench will administer the improvements suggested in the Haskins & Sells report in the areas of training, manpower planning, recruitment, employee relations, compensation and benefit programs and career development.

Recommendations by the accounting firm specifically outline a comprehensive manpower planning program; a nationally coordinated recruitment program; an upgraded employee relations program; a new salary-administration program for excepted, professional and technical positions; an employee benefits program modified to achieve a balance of benefits more comparable to the professional-financial community; a comprehensive career development program; and an effective continuing education program.

Mr. Smith also announced the appointment of Harold D. Schuler as director, international group, which is within the Comptroller's division of banking operations.

Bank Surpasses $100 Million

Harry M. Gage (c.), pres., O'Hare Internat'l, Chicago, holds a sign showing total deposits at the bank, $102.6 million, while staff members hold signs having equivalents of that amount in foreign currencies. A rise of 14% in deposits was attributed by bank officials to a 21% time deposit increase.

Lenders Criticize RESPA in Hearings

THE Real Estate Settlement Procedures Act—RESPA—is proving to be unpopular with many factions. Senator William Proxmire (D., Wis.), who chairs the Senate Banking, Housing and Urban Affairs Committee, called the law "regulatory overkill" during recent hearings on RESPA in Washington, while J. Rex Duwe, incoming ABA president, said RESPA "is not good consumer legislation . . . the general reaction from consumers has been confusion and indifference." Mr. Duwe is president and chairman, Farmers State, Lucas, Kan.

Senator Proxmire shared Mr. Duwe's feelings on the act when he stated, "It masquerades as consumer legislation, but in some cases, it does the consumer obvious harm by delaying the settlement." He charged that the law was lobbied through Congress by the land title industry to head off charge limitations. (For more information on RESPA, see page 60.)

The ABA singled out three sections of the law as the cause of the most frustrations, delays and complaints associated with it (RESPA).

Mr. Duwe, speaking for the ABA in the hearings, called for repeal or modification of the act until Congress is able to determine a more reasonable way to inform prospective mortgagors of settlement costs and procedures. He and Richard G. Tilghman, president, United Virginia Mortgage Corp., Richmond, cited the "hundreds of letters" the ABA had received which complained about RESPA, giving examples of specific instances of how the act had troubled consumers and lenders.

"Buyers are very unhappy about the waiting period created by RESPA," Mr. Duwe testified. "They do not understand why the lender must wait 12 to 15 days from the date of application to the date of closing."

All federal agency witnesses during the first day of the Proxmire hearings expressed the need for changes in the act, citing the voluminous amounts of paperwork involved as a major cause for the waiting period.

Two bills, one that would repeal disclosure provisions of RESPA, were introduced at the hearing's beginning. The other would offer lenders a pay option, allowing elective payments of certain closing costs by lenders in return for exemptions from state usury ceilings.

A banker from New York held that

According to incoming ABA President J. Rex Duwe, "RESPA, despite our efforts, is a crucial example of well-intended legislation gone awry."

"the additional letter writing and paperwork involved in compiling all the needed information required for both the borrower's and seller's transactions, plus the increase in postage costs, will soon be a factor in making necessary increases in mortgage originations fees," Mr. Duwe stated, adding, "It is naive for anyone to believe that costs associated with compliance will not be passed on to the mortgagor in one way or another." "Due to that," the ABA president warned, "some bankers are considering withdrawal from the residential mortgage market."

The ABA singled out three sections of the law as the cause of most frustrations, delays and complaints associated with it: Section Four, the Uniform Settlement Statement; Section Six, the requirement for a 12-day advance disclosure of settlement costs; and Section Seven, requiring disclosure of the property's previous selling price.

One of the early witnesses before Senator Proxmire's hearings was Robert R. Elliott, general counsel, Department of Housing and Urban Affairs, which wrote regulations to implement RESPA. Mr. Elliott cited the "40 or 50" telephone calls per day the Department had been receiving in complaint of the act.

He offered several changes HUD had been proposing to make to the law:

- Elimination of the advance disclosure requirement on mortgage assumptions, except where a construction loan to a builder had been converted to a permanent loan to the purchaser.
- Addition of a provision stating that the advance disclosure rules don't apply to mortgage loans made by the person or family selling the property.
- Elimination of the Truth in Lending portion of the form, when used as the settlement statement, something that is legally permissible, Mr. Elliott stated.
- Clarification of the statutes of installment sales contracts.
- Addition of a provision that, where there are multiple buyers or sellers, required documents need be provided to only one buyer and one seller.
- Simplification of advance disclosure requirements applicable where a second mortgage is made.

Mr. Duwe supplied a supplemental page to the ABA testimony, outlining the effort made by the association to get RESPA to work. Free RESPA consumer information—over 130 tons of it—was sent to member banks. He also cited the ABA's news campaign, made to inform real estate editors, and their readers, about the act.

"The fact is," Mr. Duwe explained, "RESPA, despite our efforts, is a crucial example of well-intended legislation gone awry."

All federal agency witnesses . . . expressed the need for changes in the act, citing the voluminous amounts of paperwork involved as a major cause of the waiting period.

Fed Member Philip C. Jackson, in testifying before the hearings, held that the act hadn't been in effect long enough for the Fed to say whether complaints by lenders of increased costs were justified, adding that the Fed had "become aware of instances of needless complexity and procedural problems" in the law.

Garth Marston of the FHLBB told the hearing that "certain difficulties, which presently may exist in meeting the requirements of RESPA, derive to some extent from a lack of familiarity with the new forms and procedures." He said the FHLBB would support amendments to simplify the act's procedures, particularly those that would shorten loan transaction processing time. • •

DON'T JUMP GEORGE!

I've called your office and they said you'll be tied up until late afternoon. George, I hope it's not what I think! You're probably in there with your customers trying hard to explain why you won't be able to finance the construction of their new shopping center, and knowing you, you're hoping they'll understand.

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Kentucky Bankers Give Attention To Problems Created by RESPA

By RALPH B. COX

Editor & Publisher

THE REAL Estate Settlement Procedures Act (RESPA) came under attack by three speakers during the annual Kentucky bankers convention held in Louisville last month. Each speaker expressed concern over "one more" consumer-reporting requirement; each expressed the need for amending the present law; each, however, urged banker compliance with this newest reporting requirement that does carry heavy legal penalties if not handled properly.

Kentucky's retiring president, H. B. Troutman, noted that the RESPA regulation was just one more reporting requirement in the "flood of consumer requirements" coming out of Washington. He observed that "just a few" unscrupulous lenders had precipitated the action that now requires long and complicated documents for purchase of a home. These reports, he said, undoubtedly would cost the consumer more in the long run.

Mr. Troutman, president, Stock Yards Bank, Louisville, urged bankers to communicate with their congressmen. Lawmakers, he observed, do not have such "divine wisdom" that they can solve banking problems without the help of the banker.

The RESPA "theme" was picked up by Kansas banker J. Rex Duwe, who is president-elect of the American Bankers Association. Mr. Duwe, chairman and president, Farmers State, Lucas, Kan., urged bankers to present evidence to Congress that would demonstrate the harmful effects of the new law on mortgage lending. The Kansas banker called the RESPA Act of 1974 "a dramatic example of good legislative intent gone awry."

According to Mr. Duwe, "The government has journeyed far afield, imposing reporting requirements so cumbersome, so time consuming and so confusing to bankers and consumers alike, that in almost half the states, settlement costs to the home buyers may go up, not down as Congress intended."

In private conversations, Mr. Duwe expressed hope for an "amended" RESPA that would serve both the public and the financial community. He urged bankers, therefore, to express their thoughts to a special hearing on the RESPA legislation that was to be held shortly after the Kentucky convention. Hearings had been scheduled by the Senate Banking, Housing and Urban Affairs Committee, and testimony will have been taken by the time this article reaches the readers of MID-CONTINENT BANKER.

CONVENTION SPEAKER J. Rex Duwe (r.) visits with KBA officials before second general session. Mr. Duwe, pres.-elect of American Bankers Association, is pres. & ch., Farmers State, Lucas, Kan. Others from left: Frank Barker, pres., 1st & Farmers Nat'l, Somerset; Kentucky ABA V.P. Lamonte Hornback, pres., First Hardin Nat'l, Elizabethtown; and outgoing KBA Pres. H. B. Troutman, pres., Stock Yards Bank, Louisville.

NEW KBA DIRECTORS: J. L. Webb, ch. & pres., Bank of Williamstown; Allan S. Hanks, pres., Anderson Nat'l, Lawrenceburg; and Charles H. Rogers, pres., Corbin Deposit Bank.

Mr. Duwe stated that the ABA would ask for a compromise on RESPA, recommending that some of the settlement costs be made a direct responsibility of lenders, rather than home buyers. He would ask Congress to exempt the lenders that would bear part of the cost rather than itemizing the various costs in advance.

Earlier in the convention, another speaker, Representative Carroll Hubbard (D.Ky.), also had attacked the RESPA legislation, calling it a "nuisance" law. Representative Hubbard, a member of the House Banking and Currency Committee, told Kentucky bankers that he, too, had introduced a bill to repeal RESPA. His bill, unlike the one in the Senate, had not been scheduled for hearings at the time of the Kentucky convention.

The Kentucky congressman also lashed out at increasing federal controls on business, specifically calling attention to the OSHA law and the Environmental Protection Agency. The consumerism trend, he said, also had gotten out of hand, and he expressed the opinion that "Ralph Nader has had more to do with the increase in the cost of living than any other living American."

On the home front, Kentucky's banking commissioner, John L. Williams, revealed that he will ask the state legislature next year for an increase in bank examination fees. Reason: He needs more revenue for his department to upgrade salary schedules of his examining staff, who constantly are being lured away to higher-paying jobs in the banking field and related financial fields.

Mr. Williams, a former Kentucky banker who took over the commissioner's post in July, observed that his 41-man staff has an average of approximately two years and eight months' ex-

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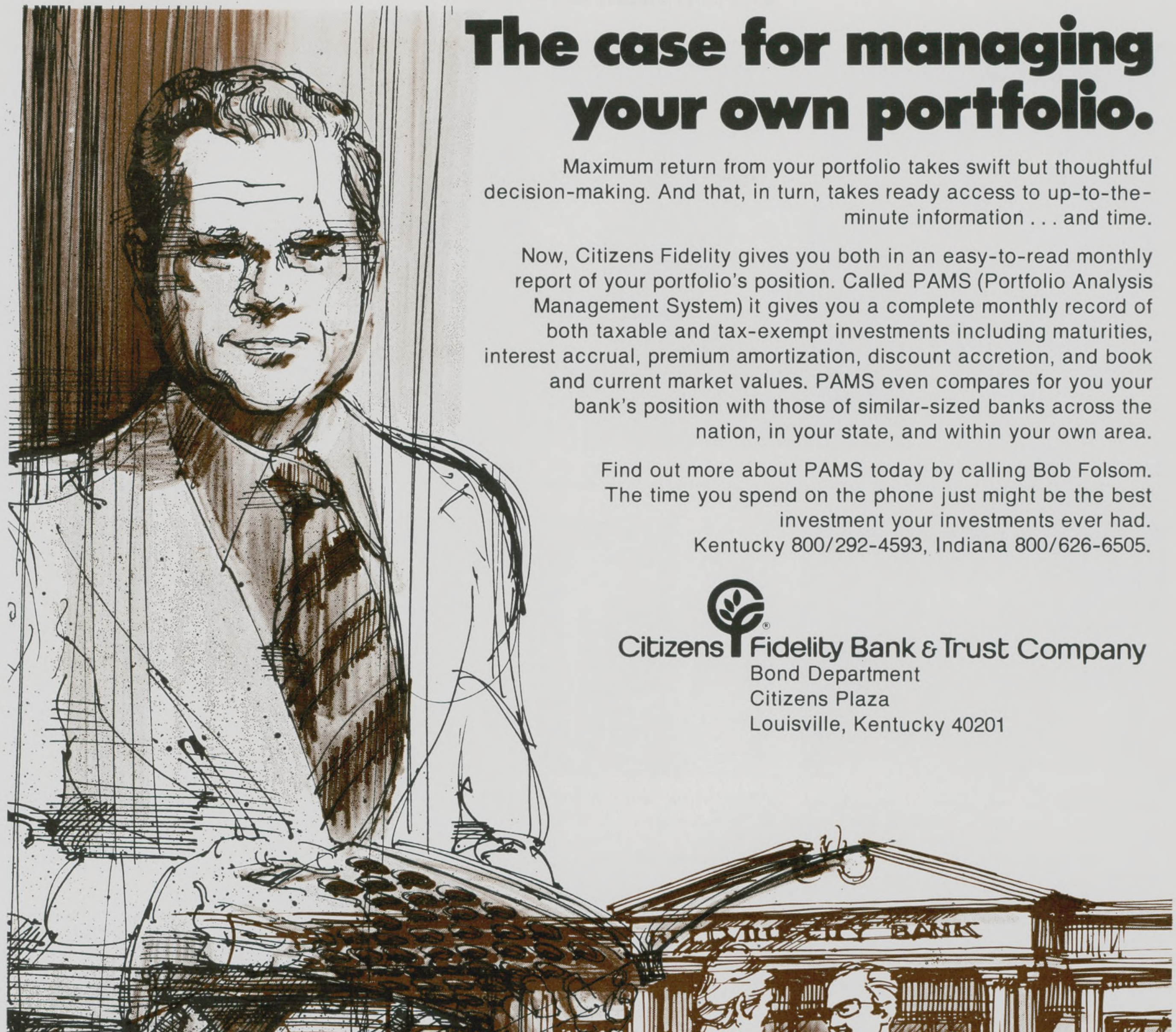

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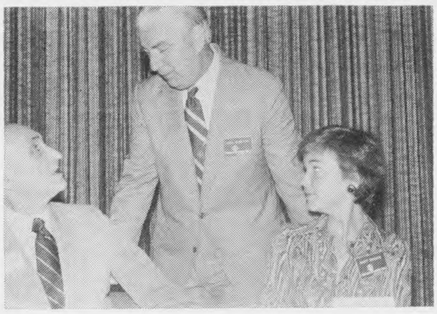
NEW KBA OFFICERS: pres., Leon Page, pres., Franklin Bank; pres.-elect, O. T. Dorton, pres., Citizens Nat'l, Paintsville; and treas., H. D. Sullenger, pres., Farmers Bank, Marion.



ABA PRES.-ELECT J. Rex Duwe receives "breakfast greeting" from Joe L. Hamilton, exec. v.p., Citizens Fidelity, Louisville. Also shown is Mrs. J. David Grissom, wife of v. ch. of Citizens Fidelity.

CONVENTION SPEAKER Will Rogers Jr. (c.), son of famed Hollywood movie star, chats with J. W. "Billy Joe" Phelps, pres., Liberty Nat'l, Louisville; and KBA pres., H. B. Troutman.

perience. Over half of the staff, he said, have been with the department less than two years.

His staff, he said, is paid 54% of salaries paid to examiners in comparable posts with the FDIC. It is easy to see, he said, why Kentucky examiners are "lured away" to private industry.

Fee increases he proposes would add approximately $110 to the cost of examination for a $10-million bank, $360 for a $15-million bank and $510 for a bank of $25 million and over. Overall, the schedule proposed would add about $204,000 in revenue to his department.

Kentucky's incoming president, Leon Page, indicated privately that the commissioner's proposal would win industry support.

Another convention speaker, C. Westbrook Murphy, deputy comptroller of the currency for law, Washington, D. C., urged Kentucky bankers to hasten their efforts to participate in the coming EFTS program. He also questioned whether the banking industry already is so far behind the savings and loan industry in the retail application of EFTS "that it's too late to catch up."

He also questioned whether the efforts of the Independent Bankers Association of America in seeking a moratorium on the progress of EFTS was in the best interests of the banking industry. "One might conclude," he said, "that the IBAA is less interested in the philosophical question of whether EFTS should be regulated by the states or by the federal government, than the association is in assuring that no bank does anything."

A condensation of Mr. Murphy's address begins on page 68.

Speaking in behalf of the AIB's 75th anniversary, Frank Barker, president, First & Farmers National, Somerset, listed the AIB's goals and achievements over that period of years. Development of leadership, he said, has been one of the chief benefits of the AIB program.

For example, a national survey of past AIB leaders in 1973, he said, revealed that 59% of the respondents rated "AIB involvement" as a factor for advancement in their banks; 74% felt that AIB leadership experience had been of significant help in their banking careers.

Mr. Barker urged bankers to support the AIB program, not only with cash contributions, but in direct involvement. Make your employees aware of the AIB in terms of "what's in it for them individually; what's in it for the bank collectively," said Mr. Barker.

He asked bankers to lend personnel of ability to the program and to make the program a part of the bank's leadership training. The AIB program will help any bank, he said, have higher morale, lower turnover, less overtime, reduced absenteeism, improved performance, increased productivity—all of which, he said, will add up to lower costs, higher profits and more rapid bank growth.

Several resolutions were presented to the convention, one of particular significance. It opposed deposit of state funds in any type of financial institution other than a commercial bank. The resolution was aimed at savings and loan associations, which have sought state deposits on the premise that additional funds would be useful in helping pull the housing industry out of periodic slumps. Kentucky bankers stated that any change in present policy would be "contrary to the public interest," insisting that state funds deposited in banks would help *all* types of businesses and not just the housing industry.

KBA Officers Elected. In official action near the close of the convention. KBA delegates elected the following officers: president, Leon Page, president, Franklin Bank; president-elect, O. T. Dorton, president, Citizens National, Paintsville; and treasurer, H. D. Sullenger, president, Farmers Bank, Marion.

Kentucky bankers also elected three new directors: Allan S. Hanks, president, Anderson National, Lawrenceburg; Charles H. Rogers, president, Corbin Deposit Bank; and J. L. Webb, chairman and president, Bank of Williamstown.

ABA Officers. Members of the American Bankers Association also elected their delegates: member of the governing council, E. L. Cawood, president, Bank of Harlan; member of the nominating committee, P. J. Cvengros, president, Citizens Bank, Paducah; and alternate member, Frank Barker, president, First & Farmers National, Somerset.

One of the highlights of this year's convention was an after-lunch appearance of Will Rogers Jr., son of the famous Oklahoma humorist. Mr. Rogers related some intimate stories about his father, whose barbed remarks often were aimed at "the politicians" in Washington, D. C.

But his father never kicked a man when he was down, said Mr. Rogers, who then resurrected one of his father's famous quips. It was during the deep depression of the Hoover Administration, said Will Jr., when his father said: "Don't blame the Republicans for the mess we're in. Heck, they ain't smart enough to have thought of all them things." • •

At the Kentucky Convention:

Comptroller's Deputy Defends EFTS Position: Asks if It's too Late for Banks to Catch Up

ONE OF the most thought-provoking questions raised at the Kentucky Bankers Association convention in Louisville last month was this: "Is banking so far behind in the retail application of EFTS that it's too late to catch up?"

The question was asked by C. Westbrook Murphy, deputy Comptroller of the Currency for law and chief counsel for the regulatory agency.

Mr. Murphy's talk was a rebuttal to the position taken by the Independent Bankers Association of America (IBAA) calling for a two-year moratorium on EFTS development in banking.

He said that banks are veterans at many different ways of transferring funds, but that in the EFTS area, they aren't anywhere near the top of the league. He said there are many bankers who say, "Let's not worry about EFTS now. Let's plan and build for the future. Let's wait for a commission to report or another study project to be organized. For now, let's have a moratorium."

Mr. Murphy detailed the advances in EFTS being made by S&Ls. "EFTS activities by S&Ls are an obvious competitive threat to banking," he said, "and the situation, from the bankers' standpoint, will grow even worse. Legislation is now pending before Congress, with the backing of the Ford Administration, to increase the powers of federally chartered S&Ls. Legislation increasing the powers of state-chartered S&Ls is pending or already has been enacted in a number of states. S&Ls are making more and more inroads into the business which once belonged to commercial banks, and EFTS is one means by which these inroads are being made."

He also detailed the EFTS capabilities of firms such as Sears, Roebuck and American Express. He said it wouldn't take a legal or engineering genius to adapt the Sears system to authorize customer cash-in and cash-out transactions. Customers might be permitted to carry a positive balance in their credit accounts, or Sears might issue a variable denomination note, to be purchased at any cash register in whatever amount desired by the customer and redeemable by the customer in whole or in part at any time he chooses.

Deputy Comptroller C. Westbrook Murphy at podium at Kentucky convention. He is chief counsel for Comptroller's office.

"Does it take much imagination," he asked, "to foresee American Express taking money from its customers and, instead of issuing travelers checks, arranging for that customer, who already has a little plastic card, simply to use that card to withdraw the funds electronically by means of the computer terminals that American Express has in place now?"

He said a look at the number of terminals now in place shows how far behind banking really is. "If one were to count all the CBCTs for which the Comptroller's office has received notice and all the remote service units involved in pending or already approved applications to the Federal Home Loan Bank Board, he would arrive at a total of between 300 and 400 terminals. By contrast, the best estimate is that the retail industry as a whole now has installed between 300,000 and 400,000 point-of-sale terminals. Retailers are expected to install another 2.5 million point-of-sale terminals over the next five years."

He termed the IBAA's position calling for an EFTS moratorium "a wrong solution." He said its solutions "are internally inconsistent" because, on one hand, the IBAA supports state-determination of banking structure over federal determination, while at the same time, it supports a proposed report to be made by the National Commission on Electronic Funds Transfers—a federal commission.

"One might conclude," he said, "that IBAA is less interested in the philosophical question of whether EFTS should be regulated by the states or by the federal government than the association is in assuring that no bank does anything."

He said that no one has suggested an EFTS moratorium for retailers or credit card firms and any suggested for S&Ls seem unlikely to be enacted. "It seems to me," he said, "that the job for banking is to find ways of loosening current restrictions that inhibit a bank's ability to compete—not to make those restrictions tighter."

He said that competition from other industries was an important factor to those at the Comptroller's office who were involved in issuing the Comptroller's ruling last December that a CBCT was not a branch bank.

"It seemed clear to us that before banking in general, and national banks in particular, could make much progress at meeting this competition, the branching issue would have to be addressed. So we addressed it. Whatever way that question turns out, its resolution is necessary so that legislators, bank regulators and bankers may know from what point they are starting. The dispute over this issue probably was inevitable. We saw no benefit to be gained from delaying its resolution, and much in favor of raising the issue and having it decided."

He also said that it was felt that it was necessary to get at least some banks up and operating in the retail EFTS field because, without some practical experience to study, the report of the National Commission on EFT would be an abstract document.

He said that he feels that the fears about EFTS expressed by small banks seem somewhat exaggerated. "Some small banks fear that allowing CBCTs to develop freely according to the dictates of the competitive market will result in the takeover of banking in a particular state, or even nationwide, by a few giant banks. This argument is not well founded. CBCTs can be used efficiently only when there is an existing base of bank customers large enough to make installation of a CBCT economically feasible. It is not a useful

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competitive weapon for penetrating a geographic market distant from a bank's natural customer base."

He said that a CBCT is a comparatively inexpensive method for a small bank to use to offer routine banking services where and when its customers require them without the need for extensive and expensive branching. "A small bank is usually a retail institution," he said, "a higher percentage of its business is done with individuals than is the case with a large bank which deals in multimillion-dollar commercial loans. A CBCT is a retail device for use by these individual customers . . . thus, it should help local banks retain their customers, even when faced with competition from an extensive branching network."

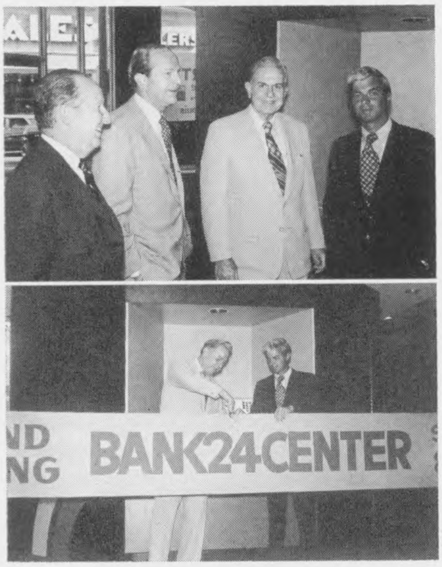
The fear of not being able to afford an EFTS operation is groundless, Mr. Murphy said, for the following reasons:

- A complex retail network may not be the first or the most effective retail application of EFTS in a particular market.
- A number of banks of varying sizes might cooperate in developing a CBCT network.
- Large banks are expected to offer their CBCT systems to their correspondents as well as to other smaller banks.
- The probability of savings through joint access to CBCTs, something that will probably be demanded by retailers.

Experience may prove the Comptroller to be wrong in his projections of the possible effects of EFTS, Mr. Murphy said. "I don't believe, however, that experience is likely to prove the Comptroller wrong in having exercised his statutory powers so as to encourage the banking industry to face the problems confronting it in the EFTS area.

"Had the Comptroller not acted when he did, I suspect we would be not much further along than we were last year in resolving the legal problems related to EFTS or in encouraging bankers to think in operational terms. The S&Ls, the retailers and the credit card companies, meanwhile, would have proceeded merrily ahead." • •

BANK24 Center Opened



First Nat'l, St. Louis, opened its remodeled Convenience Banking Center at the bank's downtown location last month. The installation features four countertop computer-linked automatic teller machines (ATMs) and is open to the public around the clock. Top photo shows bank officials with St. Louis Mayor John Poelker (2nd from r.) prior to ribbon cutting. They are (from l.) Lawrence K. Roos, e.v.p.; Clarence C. Barksdale, pres. & CEO; Mayor Poelker; and Richard F. Ford, e.v.p. Lower photo shows Mayor Poelker cutting ribbon. During the ceremony, the Mayor was shown how to use one of the ATMs. He withdrew $500, and First Nat'l authorized him to donate it to the "Save Our Schools Fund," an organization dedicated to raising funds to help pay for non-curricular activities at the St. Louis public schools.

Customer Information File Added to EFTS Program

WICHITA—Fourth National has added a service to its electronic banking program called CIF (customer information file). CIF provides video and audio responses to off-premise terminal inquiry and input.

The IBM 3275 CRT terminals of the system provide inquiry and input into a complete CIF base by a correspondent bank lacking a CIF department. Besides demand-deposit and savings-account information, the program offers the capability of credit history for lending, marketing analysis and coordinated segmentations for mailing, etc.

Balance-information display is possible on every transaction for each customer and is updated automatically with input through the CRT terminal.

'Tele-Banking' Service Is Introduced in R. I.; Allows Phone Transfers

PROVIDENCE, R. I.—"Tele-Banking," a service allowing the transfer of money between savings and checking accounts by telephone, has been introduced by Industrial National.

Under the provisions of the service, any customer of the bank having a checking account and a 5% statement savings account can transfer as much as $500 per day to and from either account by calling a "Tele-Banking Operator" during certain hours.

While it is permissible to request that a bank automatically transfer funds from a checking account to a savings account, federal regulations do not permit automatic transfers of funds without customer authorization from savings to checking. Until a few months ago, a depositor had to effect such transfers by written instrument mailed to the bank or by presentation of a savings passbook to a teller at the bank.

New Fed regulations now permit such transfers by a telephone request.

Customers using "Tele-Banking" will be protected from fraud by choosing a special security code number, which will be matched with both checking and savings account numbers and with the customer's name before the transaction is made.

Commercial National, KCK, To Install ATM Machines

KANSAS CITY, KAN.—Commercial National has announced plans to install the first automated teller machines in the state, beginning early next year. One machine will be installed at the bank's facility at 81st and Parallel and the second unit at a location to be announced later. The machines will be made by IBM and will be on-line.

T. M. Higgins (l.), pres., Twin City State, Kansas City, Kan., chats with Bernard J. Ruysser (c.), pres., and Donald G. Barnes (r.), s.v.p., both with Commercial Nat'l, KCK, at latter bank's 1975 CEO Seminar

The announcement was made by Donald G. Barnes, senior vice president, at Commercial National's 1975 CEO Seminar, held last month. Purpose of the seminar was to present new developments in information processing for CEOs of Commercial National's correspondent customers.

Subjects discussed during the hour-long program included CDC position and direction, customer information files, proof of deposits, individual retirement accounts, microfiche signature cards, overdraft banking, automated teller machines and point-of-sale services.

A Report on EFT Services—Are They Practical for Your Bank?

ELECTRONIC funds transfer is a broad term and it's hard to describe fully the kinds of services usually lumped under that heading. Therefore, I'd like to discuss just one part of EFTS and its impact on what some call retail banking or consumer banking.

It's in this part of the banking business that EFTS is promising to revolutionize the ways in which customers obtain services from their institutions.

Some refer to this kind of banking—banking that serves consumers—as personal banking. And there are bankers who say that EFTS is going to remove much of the personal contact that makes for friendly relationships with their customers.

I'm not going to try to fool you. EFTS is going to have this effect! But, is that bad? Let me ask you:

- How often do we call the family doctor and ask him to prescribe over the phone?
- How many of us do some of our shopping, not in a store, but in our homes using a Sears catalog?
- Or do any of your customers use a bank-by-mail service? Do you ever take a loan application over the phone? Do all of your customers come down to the bank when they want to cash a check, or do they do it at the grocery store?

What I'm trying to indicate is that, for many of us, convenience can be more important than a "hello," a smile or a "thank you."

I would propose that, in the future, personal banking and retail banking will not mean the same thing. Instead, personal banking will be only one component—one part—of retail banking. I'd like to propose that, with the advent of electronic funds transfer systems, we will see the rise of some new forms of retail banking.

At this time, let me highlight four of the forms that already have popped up in different parts of the country.

The first new twist to retail banking is what we call "automatic banking." This takes several forms, but the two with which we're becoming familiar are the various direct—or automatic from the retail customer's point of view—deposits of payroll, social security benefits and other recurring payments, and the pre-authorized payment of various bills that might represent loan repayments, insurance premiums, utility bills and the like.

While automatic banking can be and is practiced without access to an automated clearinghouse—usually referred to as an ACH—the existence of an ACH can be an important part of an economical way to provide these kinds of services.

Second, we have "self-service banking." You're all familiar with cash dispensers and automated teller machines (ATMs). These machines enable customers to obtain banking services without requiring assistance from other people. Self-service banking machines can be located anywhere—on bank premises, in retail establishments, transportation facilities, shopping malls or factories, or they can stand alone in a parking lot or on a busy street corner.

By STEPHEN R. LOW
Financial Industries Consultant
Arthur D. Little, Inc.
Cambridge, Mass.

The benefits of self-service banking to both customer and bank are like those obtained from a self-service store or a soft drink machine. In fact, like the soft drink machine, service can be available 'round the clock when the unit is placed in an accessible location.

Third on my list of new kinds of retail banking is what we can refer to as "merchant-assisted banking." Perhaps this is the hottest EFT topic now, so let's discuss it, focusing on the supermarket.

Over the last 50 years, we've seen the grocery store evolve into what we call the modern supermarket. Now in one store—under one roof—it's possible to purchase any food item found in the normal American diet. That means not just canned and packaged goods, but meat and fish, produce, bakery items, even delicatessens. Then there are all the household items: cleaning supplies, paper goods, etc. Not content to stop there, supermarket managers have added health and beauty aids—some stores even include pharmacies, housewares, hardware items, small appliances, toys, sometimes clothing! This is what they call one-stop shopping!

While expanding the kinds of merchandise they carry, supermarkets also have become a cornerstone in the financial lives of many. You can buy a money order; you can pay utility bills; and you can cash a check in most supermarkets. So is it really so surprising that supermarkets have demonstrated such a willingness to expand the financial services they offer by signing up with banks and S&Ls? Of course not! Check cashing—which is really just a withdrawal from a demand account—already is done more at

supermarkets than at banks. Using electronic systems, would a withdrawal from savings be more difficult? And deposit taking apparently is not difficult, either.

No bank, no merchant, no customer is forced to offer or use merchant-assisted banking services. So why do they do so? Because each of these parties—the bank, the store, the customer—benefits from this new way of doing things. The bank has found a new way to deliver convenience to its customers—and, after all, that's always been the major reason for picking a bank.

Not only that, but as merchant-assisted banking becomes more popular, it's reasonable to expect branch costs to come down a bit.

The merchant is excited. Unlike bankers, he lives on traffic, and here's a new way to get customers to come into the store. Not only that: These customers have access to their funds and may do some buying at the same time! For the customer, we've just said it: convenience. And that's still going to be the name of the game in banking.

Now before moving on, I want to mention two important points about merchant-assisted banking.

First, I know there are a lot of bankers who think it won't work. A lot of bankers are afraid of letting merchants handle their money—or their customers. Well, all I can say is that if you think it won't work, then you haven't talked to the people who have made it work. You should, because they have an interesting story to tell. And, if you're worried about the merchants, they've been serving customers as long as you have—sometimes doing a better job—and have handled cash, checks and payments to third parties with a pretty good track record.

The second point is that if you use EFTS to provide merchant-assisted banking services to your customers, give some thought to how you also can assist the merchant. You know, EFTS can do some mighty important things for the store. There are enormous opportunities to cut fraud and bad-debt losses for these people and to help automate some of their accounting and customer-service functions.

Merchant-assisted banking—using EFTS concepts—has been here for a year and a half. And it's not as expensive as you might think.

Finally, let's turn to the fourth new kind of retail banking: in-home banking. Really, this has been with us for a long time. Bill-paying and banking-by-mail are really forms of in-home banking. But, recently, EFTS has been used to create telephone banking, and this is an exciting development!

Using a touch-tone telephone, customers of some banks can tell a computer to transfer funds, pay bills or mail a withdrawal check. To the extent that EFTS is intended to replace paper documents, telephone banking is a pretty interesting answer.

The science fiction writers tell us that some day cable TV will be used to help bring the bank into the home and, who knows, maybe, some day, it will! Keep your eyes on in-home banking. You don't need fancy systems to expand bank-by-phone services, and you might want to experiment yourself with this a bit.

So that's a quick review of the changes now underway in delivering retail banking services to customers. Each becomes more practical using EFTS concepts. Each is being tried in different parts of the country. As a consultant, I neither favor nor oppose these changes—I only observe.

My advice to you is simply to keep your eyes open to these options. If they appear as good strategies to compete with, use them. If the guy down the street starts treating his customers to some of this stuff and you find that some of your customers are now his customers, then maybe you, too, will have to act.

On the other hand, if EFTS makes no sense for your bank, steer clear of it. Don't waste your money on gimmickry. But no matter what you do, get informed and keep informed about EFTS.

Is it really true that the public won't accept EFTS? Don't reply until you look at the evidence.

Is it really true that you have to be a banking giant to consider participating in an EFTS program? Some people say "yes," others "no." Who's correct?

Is it really true that the thrift industry—with only a few exceptions—is content to restrict its business to mortgage lending?

The message is clear. Don't rely on the judgments of others. Learn from the facts. Draw your own conclusions.

Earlier I made the comment that as a consultant I'm neither for nor against EFT. I'm only an observer. Let me share with you one of the observations made by my colleagues and me after talking with bankers all over the country. Our research tells us that the concern voiced by both small—and, indeed, large—banks is fear that EFTS is a game that only the "big boys"—like Citibank or Bank of America—can play; that if you're much smaller than these two giants, then you're economically cut out of this new banking technique. Said another way, the fear is that the vast number of small- and medium-sized banks will not be able to afford what appears to be the enormous investment and capital requirements to build their own EFTS systems.

For most medium-sized banks, the fear is unjustified. Already, several institutions in this size range have announced EFTS plans; we know of others that will do so shortly. But many smaller banks might truly find it out of the question to build some EFT systems themselves. Even the smallest banks have encountered no really insurmountable problems in participating in automated CHAs. Some smaller banks have already installed ATMs. But for some kinds of EFTS—like the programs involving on-line merchant terminals—investment in computers and computer programs may be too great for the small guy.

But does this mean the smaller bank is cut out? Our observation tells us not! And why not?

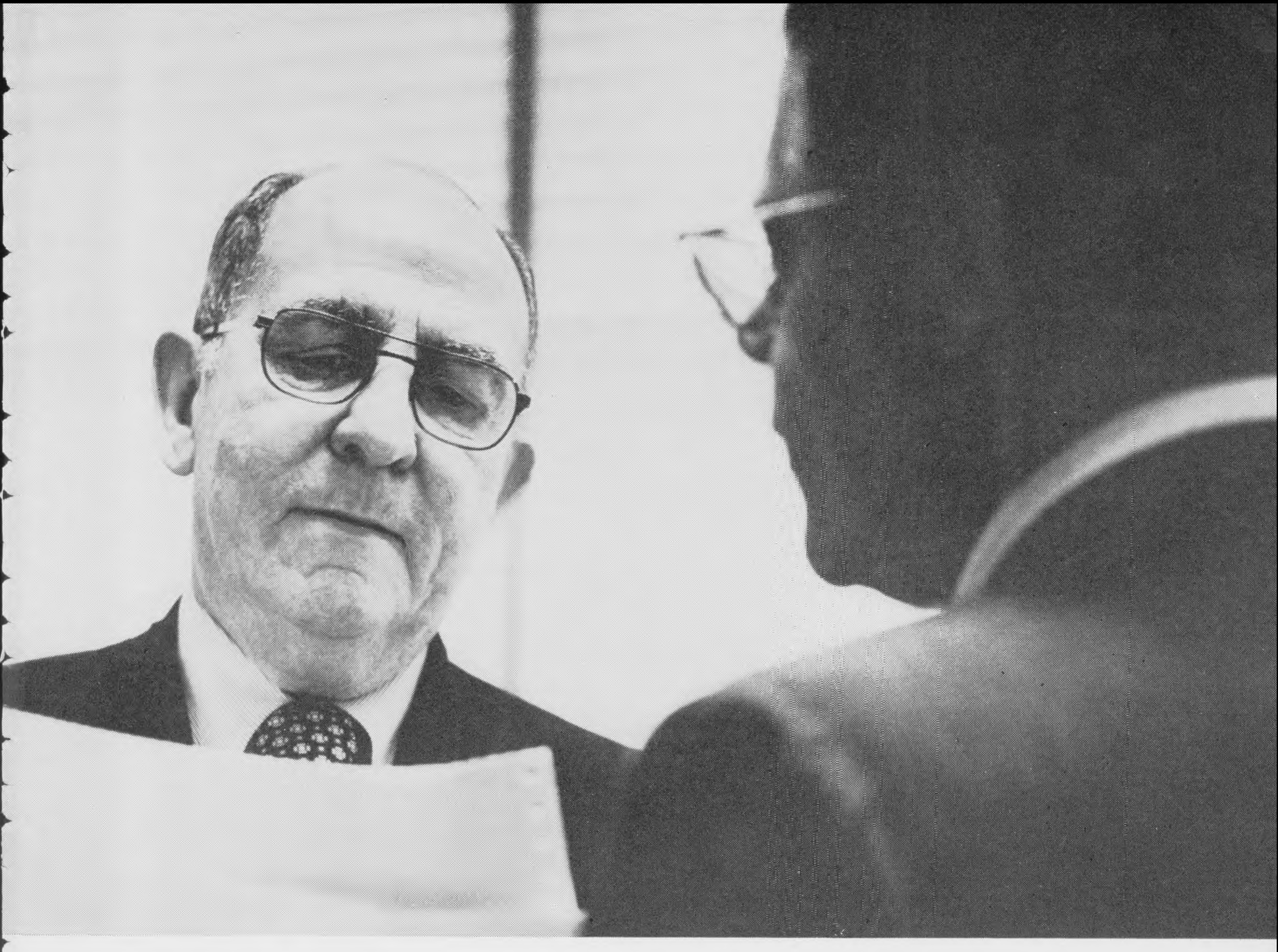
- Because banks investing in EFTS have already started to peddle EFTS services aggressively to correspondents and other banks.
- Because cooperative arrangements among banks—not necessarily on the large scale—are just now beginning to prove their worth as an economical way to bring EFTS to smaller institutions.
- Because we expect that some non-bank business organizations are getting ready to serve the smaller bank with EFT services.

In short, it looks as though there's going to be a competitive industry vying for the small banks' EFTS business. In the end, the customers of these EFT service competitors will benefit greatly from the reasonable prices and the better services wrought by competition among these EFTS suppliers.

You may wonder why we are so sure that this will happen. I'll tell you. First, it's already started. Just look at the financial institutions around the country that have announced EFTS programs for themselves and, at the same time, have started to sell these services to other—often competing—institutions. The list includes Central Trust, Cincinnati; Citizens & Southern National, Atlanta; Seattle-First National; and Citicorp, New York.

Second, in confidential interviews we conducted around the country, we've uncovered several other banks with EFTS plans on the drawing boards that tell us that they, too, want to offer this service to the banks. Strikingly, in the vast majority of cases, these banks are not governed by any law that forces mandatory sharing. They're acting on a voluntary basis.

Third, we believe that EFTS, viewed as a transaction-processing business, will offer profit opportunities to the



organizations that provide services to other banks. This will be true, of course, only if these other banks are willing to buy these services, and we're convinced that buy decisions will be made after potential customers perform their own financial analyses and obtain favorable results. Believe me, this will happen!

And, fourth on our list is our expectation of accelerated aggression on the part of the thrift industry. This is a national trend, and it's going to continue.

If my message appears aimed only at the smaller banks, it is not! To the larger bank, not yet planning EFTS, I encourage you to examine the desirability of serving your correspondents. I can assure you that they will be served. Is there any reason why you should see an existing relationship threatened by someone else?

Not all banks have their own computer systems. Many of you, in need of automated services, have found no difficulty in finding not just one source for data processing, but have found no difficulty in discovering that you have a choice. Likewise, how many banks purchase data processing programs from others? Do you have your own in-house security experts or do you rely on the products and services available from firms that specialize in this area?

In short, for EFTS, we look forward to a healthy supply of services for banks of all sizes, and we base our belief on a host of known, as well as unpublished, facts.

In some states, federally chartered S&Ls and national banks have the power to perform some off-premise banking which state-chartered banks cannot do. This means that state banks not only can't develop their own EFT services, but that they can't buy EFT services, even if they are offered at a reasonable price.

Frankly, this is not a healthy situation, and it offers a grave threat to the dual-banking system. Prolonging this imbalance could seriously weaken state banks or could force these banks to convert to national charters.

I view state EFTS legislation as a seat belt or a life preserver. In itself, the law forces no banker to use EFTS. But if, and when, it becomes necessary or desirable, at least the option is open. It took the Nebraska legislature over a year to approve the law that gives all banks in that state the right to perform the off-premise EFT services the courts affirmed were legal for S&Ls.

Let me summarize by saying that the way banks deal with their customers and the way banks deal with one another is changing. Off-premise banking, which began with the check, the credit card and the bank-by-mail envelope, is about to take some new forms using currently available technology.

Likewise, the clearing of debit and credit items among banks will change, too. It's not as expensive as we fear and with people, building and energy costs still on the rise, and the cost of electronics still coming down, EFTS may begin to look quite attractive. • •

ACH Planned by Major Chicago Banks; Will Operate Independently of Fed

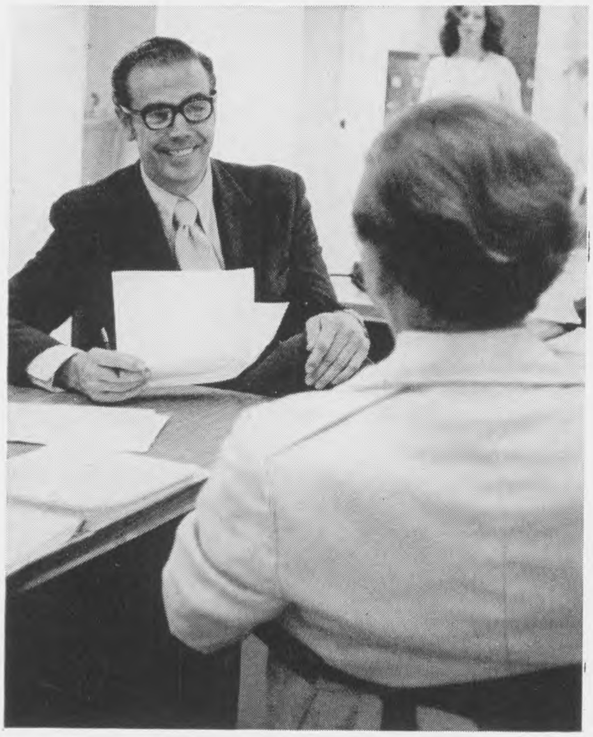
MAJOR CHICAGO BANKS are following the lead of New York institutions in planning an automated clearing house (ACH) which will operate independently of the Chicago Fed. All other ACHs in operation across the nation use the Fed's facilities.

The Chicago ACH, formerly the Midwest Automated Clearing House Association (MACHA), will utilize an outside service bureau for about six months as a means of evaluating the costs of running an independent ACH operation, according to George Auble, Chicago ACH director of payment systems. ACH planning group members added that the decision would allow participants greater flexibility of operational options.

The Chicago bankers also said the slowness with which decisions are reached in the Fed was another deciding factor in setting up the Chicago ACH; the Fed's lack of action on the question of ACHs having "piggy-back" use of Fed courier routes for transmitting items among outlying banks; ACH access by thrift institutions; how government payments may be handled through private ACHs; and how to handle the items entered by a non-ACH member.

Organizing banks of the Chicago ACH include First National, Continental Illinois National, Harris Trust, Northern Trust, American National, LaSalle National, Central National, Exchange National, National Boulevard, Drovers National and Mercantile National. • •

Correspondent banking is a one-to-one relationship at Number One Wall Street.



You can have a correspondent relationship with many money center banks.

What's different at the Irving is the personal quality of that relationship.

We already have a network of local banks throughout New York State, so we understand community banking.

We also have nearly 1,000 correspondent accounts in America and even more abroad.

So what we offer is an important, quality money center bank that isn't too big to be personal.

We offer such special services as:

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—Funds movement and investment...to diversify surplus funds.
—Economic Outlook Forecasts.
—Security handling and safekeeping, through a quality clearance bank.
—Foreign draft...allowing you to take advantage of our overseas branches and correspondent network.

The bottom line: a big money center bank that's personal, fast and flexible.

Irving Trust Company
Number One Wall Street

A Charter New York Bank

Good packages do come in small things.

We've developed a mini-catalog of check packages for business accounts. It doesn't contain every DeLuxe business check selection, but it does give a good representation of what you have to offer business check customers.

You may want to use it to allow business accounts to become acquainted with various designs while waiting to open an account. Or, it can be used by bank officers who call on business accounts. On some occasions, you may simply feel a more abbreviated catalog is more desirable.

In any event, our new, full-color business check mini-catalog will give you and your customers a quick review of some of the checks DeLuxe has to offer. Again, it's not the total answer. But, there may be a place for it in your efforts to satisfy new accounts. We'd be glad to talk to you about it. It's small... but it displays many good business check packages.

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STRATEGICALLY LOCATED PLANTS FROM COAST TO COAST

'Entrée' Enters Plastic Card Scene; Offers 'Credit-Less' Services

IT LOOKS much like the BankAmericard, with its familiar blue, white and gold bands. Like BankAmericard, it will be accepted for purchases at over 1.7 million merchant outlets across the country, but elimination of "credit" when using National BankAmericard's "Entrée" card is the difference.

Entrée, according to NBI officials, will be issued under existing company operating regulations. It will enable consumers to make purchases or obtain cash from their funds *on deposit* rather than against *lines of credit*. In addition

This is "Entree," new member of BankAmericard family. Appearing on familiar blue, white and gold card, new service will be offered by some National BankAmericard, Inc., member banks beginning this month. Card will enable consumers to make purchases, obtain cash from funds they have on deposit, rather than against lines of credit. Card also will be usable in automated banking machines.

to the merchants who will accept the card in this country, Entrée may be used in 100 other countries for purchases and in more than 45,000 worldwide banking offices for cash, says a company spokesman.

"The card will provide the consumer with a means of over-the-counter access to depository funds at bank locations," says Charles T. Russell, NBI executive vice president. "At the same time," he adds, "it initially will be usable in issuers' automated banking machines and will be compatible with electronic systems as they evolve, so it represents an entry for banks into an evolving electronic environment."

By using the same color scheme as the BankAmericard, it was felt that the new service's acceptability would be enhanced. Marketing support materials—radio and TV commercials, print ads, statement enclosures and outdoor boards—are included with the program, which is expected to be started by as many as seven NBI members this month.

The Entrée service will utilize BASE I, the nationwide automated switching communications system operated by NBI for authorization of transactions. Also used in the program is BASE II, the company's nationwide electronic draft data transmission system for interchange of transactions between banks.

As with the BankAmericard, banks issuing the Entrée card will be able to use their own names or local program's name above the "Entrée" logo on the card's upper blue band. The new cards may not be issued using the BankAmericard logo in conjunction with the "Entrée" title. • •

Shared POS Network Offered Chicago Correspondent Banks By Continental Illinois Nat'l

CHICAGO—Continental Bank has offered 300 Chicago-area correspondent banks an opportunity to take part in Continental's point-of-sale (POS) terminals at all Dominick's Finer Foods stores.

The system, using an automatic banking card, provides bank customers with instant check-cashing authorization at the 62 Dominick's stores in the Chicago area and at additional POS locations Continental plans to open in coming months.

POS terminal at Dominick's Finer Foods store in Chicago is shown being used for Master Charge purchase. Automatic banking card, issued to its customers by Chicago's Continental Bank, has magnetic stripe across back and simply has to be inserted into terminal to activate machine. Continental has offered to share these Dominick POS terminals with 300 Chicago-area correspondent banks.

The POS system has the technical capability to perform a full range of banking transactions. However, the bank is not adding these transactions now because of an agreement between the bank and a federal district court judge not to expand the Dominick terminals pending the outcome of litigation over other Continental electronic terminals. The latter—one in the Illinois Center Concourse and the other in the Chicago & North Western Railroad terminal—have been objected to by the Illinois commissioner of banks and trust companies. He maintains the two terminals violate Illinois' anti-branching law. However, Federal District Judge Hubert Will refused to halt their operation, but plans to issue a ruling on them November 12.

In addition, Continental is offering its correspondents a POS-automated teller machine (ATM) system, which includes the Dominick's services plus installation of ATMs at banks and drive-up facilities. The ATMs allow customers to make deposits and withdrawals, transfer money between accounts and make consumer loan and bank card payments.

Shared POS Terminals Planned in California By S&Ls, Supermarkets

SAN FRANCISCO'S Federal Home Loan Bank has created and plans to operate a pilot switch and settlement center, ASSIST (Automated Switch and Settlement of Interinstitutional System Transactions), which initially would service three California S&Ls and use 100 supermarket terminals.

Maurice Mann, president of the FHLB, describes ASSIST as the forerunner of a nationwide EFT switch and settlement center for thrifts.

The system would provide a routing of data between point-of-sale (POS) terminals and the S&Ls' data centers. The institutions planning to take part in the project are California S&L, Los Angeles; Glendale Federal S&L; and Gibralter S&L, Beverly Hills.

ASSIST is subject to final approval by the FHLBB, Washington, D. C.

Mr. Mann indicated that the switch would enable customers to use savings accounts much like checking accounts and that he believes it would be the first step in the evolution of a nationwide system that would help eliminate much of the paperwork in the financial system.

The services are expected to be available by no later than March 1, Mr. Mann added. Although he expects initial activity to be quite low—100 to 1,000 messages daily—Mr. Mann predicts that there will be about 10 million card holders in California, Arizona and Nevada by 1978, using 5,000 terminals and sending over 150,000 messages a day.

The FHLB would be involved with the operation of the center only, Mr. Mann stated, avoiding consumer involvement that might risk the restraint of competition or innovation. He added that the FHLB would involve itself only with settlement between banks and with the other "invisible" counterparts of the checking function.

ASSIST, it is hoped, will be bought, installed and marketed by the California Savings & Loan League's Savings Association Central Corp. (SACC), creating a membership similar to the national bank credit card associations. By promoting the jointly operated terminals under a common trade name, individual S&Ls wouldn't have to install and operate their own terminals, while customers of all institutions involved could use their debit cards at any terminal.

Mr. Mann says the ASSIST budget through the end of 1976 will be $1 million. When it becomes functional, ASSIST's transaction costs will be charged to the participating institution, based on volume and types of transactions.

Although the FHLB has its own IBM 370-135, the switch would be a new installation, not integrated with existing or planned in-house data processing operations. It is expected that members eventually may share facilities with commercial banks and other financial institutions, Mr. Mann said, to the extent permitted by regulations. • •

ATMs To Be Installed By Indiana National

INDIANAPOLIS—Indiana National has plans to install Diebold automated teller machines (ATMs) in a number of its branches early next year. Locations are still under consideration, according to a bank spokesman.

Indiana National also has been testing electronic check guarantee capabilities at selected retail locations in Indianapolis in anticipation of introducing point-of-purchase bank terminals throughout the area at some future date.

Ala. Banker Factions Sign 'Peace Treaty' To Settle Statewide Branching Impasse

LEADERS of independent banks and HCs in Alabama have negotiated a "peace treaty" over statewide branching, resulting in a temporary cease-fire in a legislative battle over the topic that could have resulted in a major split among the state's bankers.

Both factions have agreed to jointly fund a research study to determine what kind of banking structure the state should have.

The controversy led HC bankers to form a new section of Ala.BA, chaired by Frank A. Plummer, chairman, First Alabama Bancshares, Montgomery. Purpose of the action was to give HC bankers official status in Ala.BA and to prevent the type of split that developed over similar issues in Illinois and elsewhere.

HC bankers felt that the formation of the HC banker section of the Ala.BA would keep the resolution of any controversy within the framework of the association.

Under the agreement, both sides agreed not to push legislation or initiate legal action which might be damaging to the other side—at least until the research study is completed. Bankers expressed hope that the result of the study would be compromise legislation that could be supported by both factions. The legislation could be introduced in the Alabama legislature when it reconvenes this coming winter.

The research study is being made by an outside consultant and is funded on a 50-50 basis by the two sections. The study will focus on the economic needs of the individual citizen and the state at large, the countywide branching statute now in force that permits each county to set its own regulations on branching and the impact of EFT in Alabama. Neither section will be bound by the study, according to Howard J. Morris Jr., Ala.BA executive vice president.

The compromise was reached after the independents had introduced a bill in the legislature directed at de novo acquisitions by HCs. It would have limited such acquisitions to banks in existence more than five years. Such a bill would have blocked the "phantom bank" method of acquisition which has been popular in Alabama.

HC bankers reacted by introducing a statewide branching bill in the Alabama Senate which received swift and favorable committee action.

It was at this juncture that the HC bankers decided to form a section in the Ala.BA, to give them equal status in the association with the independents, which had organized a section at the 1974 convention in Mobile.

After the HC banker section was formed, meetings were arranged between the two sections, and the compromise was worked out.

Mr. Morris stated that the Ala.BA "congratulates both the independent bankers section and the HC section for their fine perspective and reasoned course of action. The entire banking community of the state will be the beneficiary of their good judgment and level-headed approach to an explosive situation." • •

Free Samples:

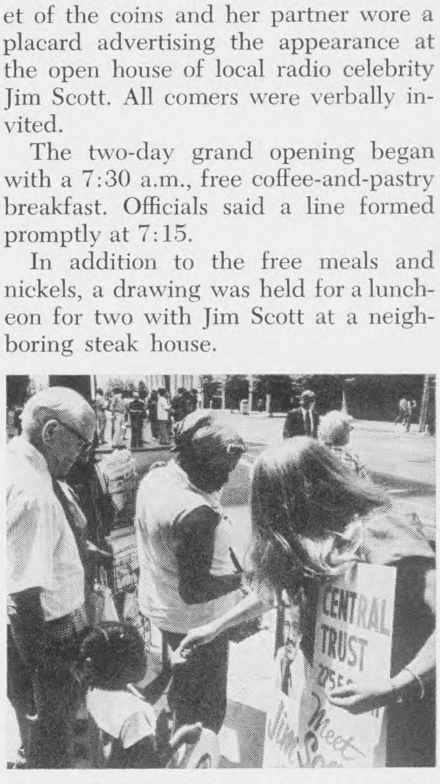
Bank Complies With Law; Nickel Is 'Brochure'

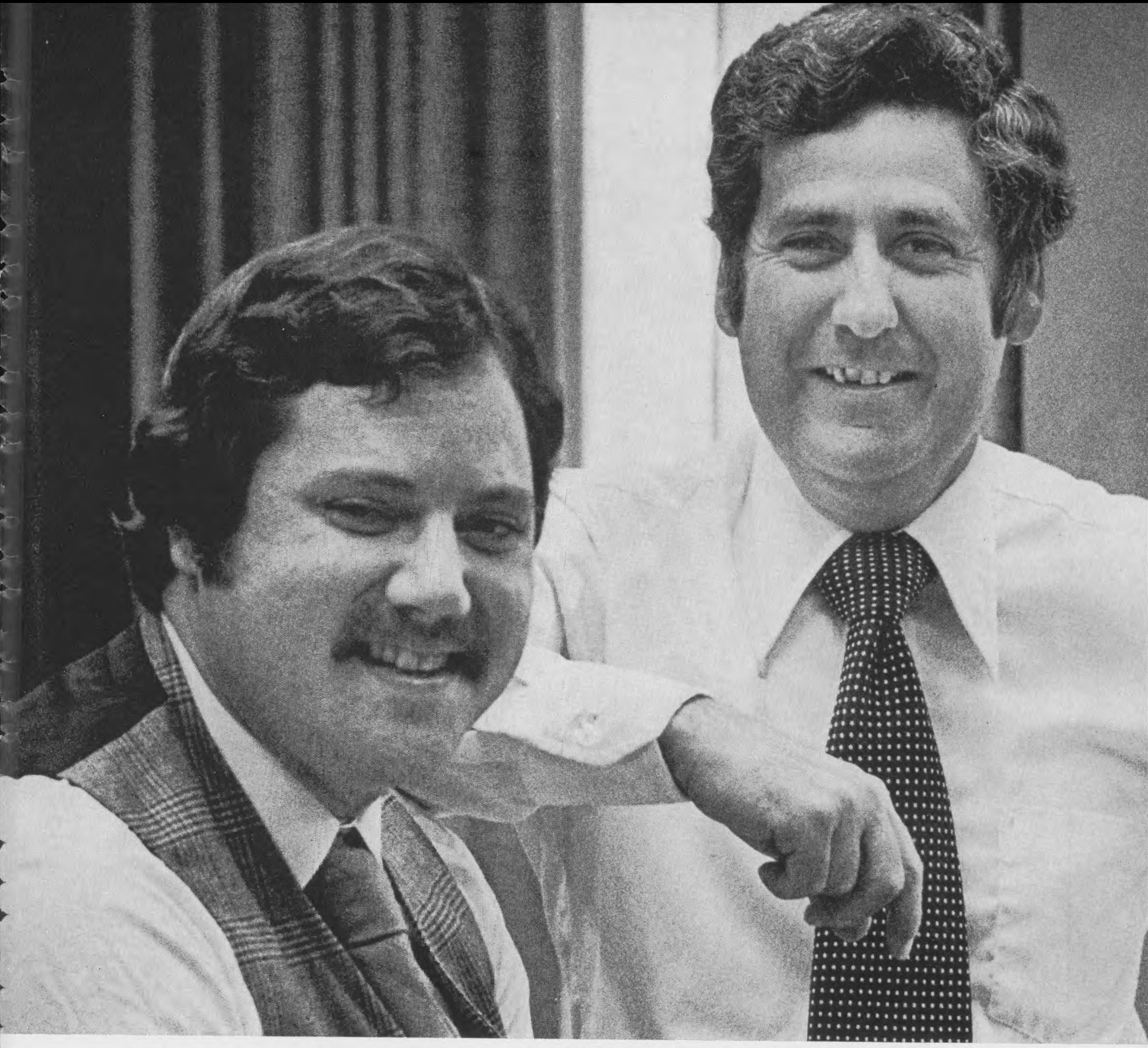
Cincinnati has a law prohibiting distribution of advertising on its streets, so Central Trust had to devise a way to tell about its new downtown banking center. The solution, a legal one, was to hand out free samples.

Models were employed to pass out nickels on four of the town's busiest street corners. One would carry a bucket of the coins and her partner wore a placard advertising the appearance at the open house of local radio celebrity Jim Scott. All comers were verbally invited.

The two-day grand opening began with a 7:30 a.m., free coffee-and-pastry breakfast. Officials said a line formed promptly at 7:15.

In addition to the free meals and nickels, a drawing was held for a luncheon for two with Jim Scott at a neighboring steak house.





BAI's CBA Designation Goes to 10 Bankers In Mid-Continent Area

The Bank Administration Institute (BAI) has awarded the designation of Chartered Bank Auditor (CBA) for 1975 to 10 bankers in the Mid-Continent area.

The designation formally recognizes the professional practice of internal bank auditing and is conferred after the candidate successfully completes four written examinations covering major disciplines of bank auditing, accounting, economics and law and management. Eligibility requirements also include a minimum number of years in banking and internal auditing experience, three letters of reference and a written commitment to a code of ethics.

Those from the Mid-Continent area receiving the designation include James C. Barnes Jr., vice president and treasurer, First National, Covington, Ky.; Joseph E. Ryan, vice president and senior auditor, First National, Louisville, Ky.; Robert R. Chadwick Jr., vice president and cashier, DuPage Trust, Glen Ellyn, Ill.; Herbert R. Lahmann, auditor, Second National, Richmond, Ind.; Donald C. Price, auditor, Merchants National, Indianapolis; Donald L. Dye, auditor, First National, New Albany, Miss.; Betty D. Gulick, auditor and manager of audit services, United Missouri Bancshares, Inc., Kansas City; Patricia P. Smith, assistant auditor, First National, and W. Ramsey Wall Jr., resident auditor, Hamilton Bancshares, Inc., both of Memphis; and John P. Wilkinson Jr., auditor, National Bank of Commerce, San Antonio, Tex.

FDIC Proposal

(Continued from page 39)

of each insured nonmember commercial bank would be required to review and approve each insider transaction involving assets or services having a fair market value greater than a specified amount, which varies with each bank's size. In addition, certain record-keeping requirements, including a record of dissenting votes cast by directors, would be imposed to foster effective internal controls over such transactions by the bank itself and to facilitate examiner review.

The proposed regulation makes it clear that formal compliance with proposed directors' review and approval requirements neither relieves a bank of its duty to conduct its operations in a safe and sound manner nor prevents the FDIC from taking whatever supervisory action it deems necessary and appropriate with respect to any insider transaction or group of insider transactions. Such supervisory action could include cease-and-desist proceedings, removal proceedings and termination of deposit insurance under Section 8 of the Federal Deposit Insurance Act.

Finally, the proposed regulation sets forth factors that the FDIC's board will consider in determining whether such insider transaction or transactions indicate the presence of unsafe or unsound banking practices.

These factors include:

- Whether, because of preferential terms and conditions, such transactions are likely to result in significant loan losses, excessive costs or other significant economic detriment to the bank that would not occur in a comparable arm's length transaction with a person of comparable credit worthiness or otherwise similarly situated.
- Whether transactions with an insider and all persons related to that insider are excessive in amount, either in relation to the bank's capital and reserves or in relation to the total of all transactions of the same type.
- Whether, from the nature and extent of the bank's insider transactions, it appears that certain insiders are abusing their positions with the bank.

Although the FDIC believes insider transactions require special supervision by bank boards and close scrutiny by FDIC examiners, Chairman Wille emphasized that this determination doesn't mean that *all* transactions with insiders or their interests are detrimental to the bank in question or that such transactions should be rejected automatically. In addition, Chairman Wille said that his agency has tried to avoid unrealistic prohibitions or unduly burdensome record-keeping requirements and is, therefore, particularly interested in comments from bankers on the practicality of the proposed regulation and whether it meets the need for more effective supervision of this type of transaction.

As issued for comment, the proposed regulation wouldn't apply to the 322 FDIC-insured mutual savings banks, although the corporation fully intends, at an early date, to extend similar procedures, specifically adapted to such banks, to transactions involving their officers, employees and trustees. Therefore, the FDIC also wants comments from mutuals and the various trade associations that represent them.

All comments should be written and sent—before October 31—to: Alan R. Miller, Executive Secretary, Federal Deposit Insurance Corp., 550 17th Street, N.W., Washington DC 20429.

Proposed Fed Bill

(*Continued from page 39*)

should be an effective deterrent to such violations, although he promised that the fining authority would be used selectively.

Mr. Burns said that in assessing fines, the agencies would take into account the financial resources and good faith of the person or bank charged with a violation, the gravity of the violation and history of previous violations.

It's the agencies' hope, he continued, that such a remedy would have to be used infrequently, if at all, and that its primary benefit would be in deterring violations by a member or insured nonmember bank, its officers and directors or persons affiliated with a bank.

The proposed regulation also would extend regulations intended to prevent bank officials from using their positions to gain a business advantage, would permit use of cease-and-desist proceedings against officials or employees of a bank, even if the bank were not named, and would give authority to the Fed to order a bank HC to divest itself of a subsidiary.

As with the FDIC's recent proposal to curb abuses resulting from "insider" transactions (see page 39), the Burns request to expand the powers of the Fed, FDIC and Comptroller also alludes to such transactions. The three agencies' proposal covers loans to directors, stockholders and firms affiliated with such individuals as well as loans to bank officers. The agencies have requested that Section 22 of the Federal Reserve Act be amended to cover officers, directors and individuals holding more than 5% of the voting securities of a member bank and any companies controlled by such an officer, director or 5% shareholder. These restrictions also should be applied to insured nonmember banks. This proposal—set forth in Sections 3 and 7 of the bill—would aggregate loans or extensions of credit to such an officer, director or shareholder and provide that the aggregate may not exceed the limit on loans to one borrower established by federal or state law.

Besides seeking to prevent problem-bank situations, the proposed legislation also seeks to deal with such a situation once it exists. The proposal would allow an individual to be removed—even if his personal dishonesty cannot be proved—if he is shown to have violated a law, rule or regulation, participated in an unsafe or unsound practice, breached his fiduciary duty or violated a final cease-and-desist order and whose action is seen as causing substantial financial loss to his bank or damage to its depositors. It also would provide for more efficient and speedy enforcement of final orders and consent agreements.

In addition, the proposal would provide a less complicated procedure for removing a director or officer of a national bank and would allow cease-and-desist proceedings to be instituted against directors, officers, employees and agents or other persons taking part in a bank's affairs regardless of whether the bank itself is named in the proceedings. The Fed's Board of Governors, under the proposal, would have similar powers with respect to bank HCs and their officers, directors, employees and agents.

The bill includes a provision designed to help the Board of Governors handle a problem-bank situation where adverse effects have arisen from the relationship between the banking and nonbanking subsidiaries of the parent HC. The board would have the power to order divestiture of a bank HC subsidiary or termination of a nonbanking activity by a bank HC whenever it has reasonable cause to believe that continuation of such activity or ownership constitutes a serious risk to the financial safety, soundness or stability of a bank HC's subsidiary bank or banks. The board said it would use such power in rare circumstances. • •

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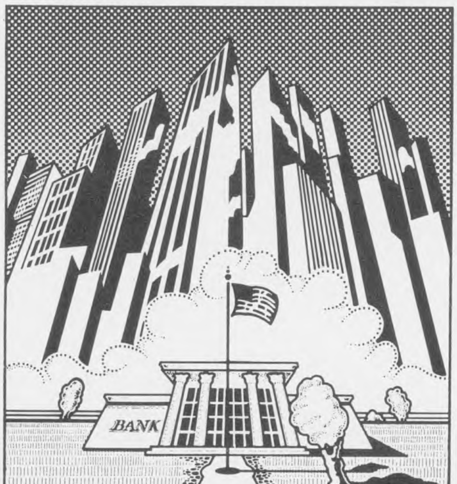

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Oklahoma Independents' Stand Reinforced With Publication Of Bimonthly Newspaper

INDEPENDENT BANKERS in Oklahoma not only formed an organization—on July 1, 1974—to advance their cause, but earlier this year, they began publishing a bimonthly newspaper, which expresses the views of the Independent Bankers Association of Oklahoma (IBAO). It's called *Oklahoma Independent Banker*.

A tabloid format was chosen to make the publication easy to read and to provide a bold approach in presenting critical issues facing the banking industry, said IBAO Executive Manager Don J. Harr. In addition to being distributed to IBAO members, the newspaper is sent to opinion leaders throughout the state, members of the state legislature and other elected officials.

Mr. Harr said reaction to *Oklahoma Independent Banker* has been excellent from both inside and outside the association. Members believe the paper provides them with a regular way to be informed about latest developments in bank structure in Oklahoma. The paper features personnel changes at member banks and interviews with leading banking figures, such as the state banking commissioner.

Advertising from member banks and merchants who deal with the banking industry contribute substantially to defray publishing costs, Mr. Harr said.

After an experimental period, the IBAO polled its members and outside sources and decided to continue publishing the paper—principally because the IBAO's activities are covered by the regular news media, but not in the depth or detail that its own newspaper does, according to Mr. Harr. For instance, he pointed out that the paper had informed a number of state legislators about critical issues they had not considered seriously before.

The IBAO, with a membership of 118 banks and headquartered in Oklahoma City, held its second annual convention there last month and adopted the following resolutions:

It supports regulatory legislation pending in Congress that would adopt the McFadden Act approach for electronic funds transfer systems in all financial institutions and believes that state law should be controlling as to EFT systems used by all financial institutions. (The McFadden Act holds that national banks are subject to the same branching laws as state banks.)

It urges the President of the U. S. to name the members of the 26-man EFTS Study Commission, as authorized by H.R. 11221, so that the commission can begin its contemplated work and fully explore all ramifications of EFT systems with particular thought to preservation of customers' rights of privacy and confidentiality and adequate protection against fraud and theft and work for recommendations for EFT systems that will bring maximum convenience and benefits to the public at the lowest cost.

It supports Senate Bill 440, authored by Senator Ralph Graves and which is pending in the Oklahoma Senate Banks and Banking Committee. This bill would prohibit any entity other than financial institutions from performing any service related to the transfer of money, credit or financial services with an EFT system.

It supports the Independent Bankers Association of America's lawsuit against the Comptroller now on appeal in the District of Columbia Court of Appeals and supports the lawsuits filed in the U. S. District Court for the Northern District of Oklahoma by the Oklahoma attorney general against Bank of Oklahoma and Utica National, both of Tulsa, and further supports the IBAO executive committee's decision to intervene and become a party plaintiff in these lawsuits. (According to the IBAO, Bank of Oklahoma, formerly National Bank of Tulsa, is operating an off-premises customer-bank communications terminal, and Utica National is operating two point-of-sale terminals in a retail store and, therefore, are violating Oklahoma's branching statute.)

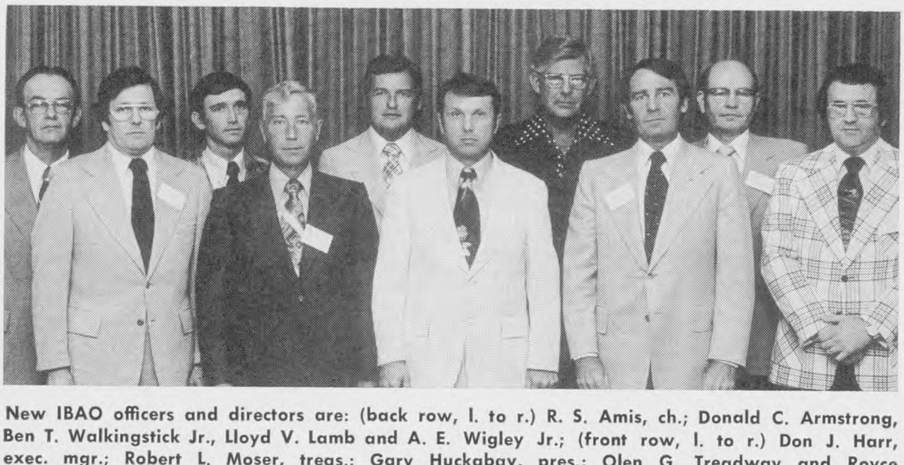
It supports continuing study and participation in development of EFT systems on a state level, and seeks whatever changes are necessary in state law and, in particular, the Uniform Commercial Code and Uniform Consumer Credit Code, which will allow development of EFT systems in Oklahoma with restrictions, controls and limitations, on a shared basis at a fair cost per transaction, per institution.

It supports the dual-banking system and resists federalization as being contrary to public interest. The IBAO opposes recommendations made to the Comptroller in the 1974-75 Haskins & Sells study insofar as it advocates branching without regard to state laws or state lines. This study was made under the authorization and request of the Comptroller.

It supports retention of Regulation Q.

It believes that the Real Estate Settlement Procedures Act (RESPA), adopted by Congress, has not served its intended purpose in that it does not offer the advantages to the consumer that were intended and creates the necessity of burdensome paperwork resulting in the cost of the time and work being passed on to the consumer. The IBAO urges Congress to consider RESPA's simplification or repeal.

During its first year, the IBAO led a successful battle in the Oklahoma Senate against S. B. 172, the so-called multibank holding company bill. The



New IBAO officers and directors are: (back row, l. to r.) R. S. Amis, ch.; Donald C. Armstrong, Ben T. Walkingstick Jr., Lloyd V. Lamb and A. E. Wigley Jr.; (front row, l. to r.) Don J. Harr, exec. mgr.; Robert L. Moser, treas.; Gary Huckabay, pres.; Olen G. Treadway and Royce G. Wilmouth. Absent were Pryor Waid, v.p., and Temple Benbrook and Billy E. Nichols, directors.

bill received a "do pass" recommendation from the Senate Banks and Banking Committee, but was defeated on the Senate floor last April 23 by a vote of 28-14.

At the September convention, Gary Huckabay, vice president, First Mustang State, was elected president, succeeding R. S. Amis, president, First National, Midwest City. Mr. Amis became IBAO chairman. Other officers are: vice president, Pryor Waid, chairman and president, First Farmers National, Waurika; and treasurer, Robert L. Moser, president, Quail Creek Bank, Oklahoma City.

Directors are: Donald C. Armstrong, vice president, National Bank of Sallisaw; Ben T. Walkingstick Jr., chairman and president, Union National, Chandler; Lloyd V. Lamb, president, Cleveland National; A. E. Wigley Jr., executive vice president, First National, Chickasha; Olen G. Treadway, senior vice president, Fidelity Bank, Oklahoma City; Royce G. Wilmouth, chairman and president, Exchange National, Moore; Billy E. Nichols, chairman, First National, Cordell; and Temple Benbrook, president, Stock Exchange Bank, Woodward.

Mr. Huckabay's No. 1 objective as IBAO president is an increase in membership and passage of legislation as proposed in the resolutions adopted at the convention.

Mr. Amis believes that the most important accomplishment under his leadership this past year was development of the organization and making it into a viable force in the state. Mr. Harr added that, of course, the defeat of the multibank HC bill in the state Senate was a great tribute to Mr. Amis' leadership. • •

Institutional Bond Counseling Offered by Harris Bank

Harris Bank, Chicago, has introduced a new bond investment counseling service for banks, insurance companies and other institutional investors.

Entitled Fixed Income Portfolio Service (FIPS), the program will put primary emphasis on interest-rate judgments, development of portfolio strategy and credit analysis.

Subscribers to FIPS will receive reports and recommendations on weekly, monthly, quarterly and annual bases. The program includes a bond market survey, summarizing corporate bond market data supplemented by price judgments on upcoming new issue offerings; a working list with credit analyses and recommendations preceding expected bond offerings and an annual statistical summary of all working list bond issuers.

Mercantile of St. Louis Begins 12-Week Move To New Headquarters

ST. LOUIS—Mercantile Trust has begun its 12-week move into the new 35-story Mercantile Tower. The principal banking floor will remain at its present location.

While 17 floors of the structure will house the bank's staff, the remaining floors are being leased to other tenants. Formal dedication ceremonies for the tower will not be scheduled until all moves are completed.

The building has been under construction since 1973, is 485 feet tall and has nearly 759,000 square feet of space. A multi-level attached garage, able to accommodate over 380 automobiles, is under construction. It will be connected to the main building by a skywalk.

The first two floors of the structure will have interior walls decorated with travertine marble imported from Tivoli, Italy. About 11,500 square feet of nine-inch-square brown brick pavers will be used as floor coverings on levels one and two.

Cornerstone of Program:

Bank Investor Relations Discussed in BMA Book

The Bank Marketing Association has published a book by David C. Cates as the cornerstone of its new program dealing with bank investor relations. The book is entitled *Bank Investor Relations—How to Plan, Design and Conduct an Investor Relations Program for Banks.* Mr. Cates is a financial analyst and consultant.

According to a BMA spokesman, bank officers are more concerned now than at any time in the past about capital adequacy and responsibility to shareholders. The new program is BMA's response to that concern.

Other components of the program are to be introduced in the future, the spokesman stated.

The 114-page book begins with a CEO's overview of investor relations, examines important guidelines for setting goals in an investor relations program, details key audiences—bank stock analysts, shareholders, etc.—and describes a systematic procedure for "telling the bank's story" to the public.

Included is an interview with analysts Edward K. Dunn and Warren R. Marcus on the bank securities business. Another chapter investigates policy implications of and compliance with SEC directives.

Copies of the publication are available for $35 to BMA members and $70 to nonmembers. For more information about the book or the new investor relations program, contact Robert F. Schlax, vice president and director, Large Bank/Holding Company Division, Bank Marketing Association, 309 West Washington Street, Chicago, IL 60606.

Calling All Brides:

Engaged Couples Advised By Bank at Wedding Fair

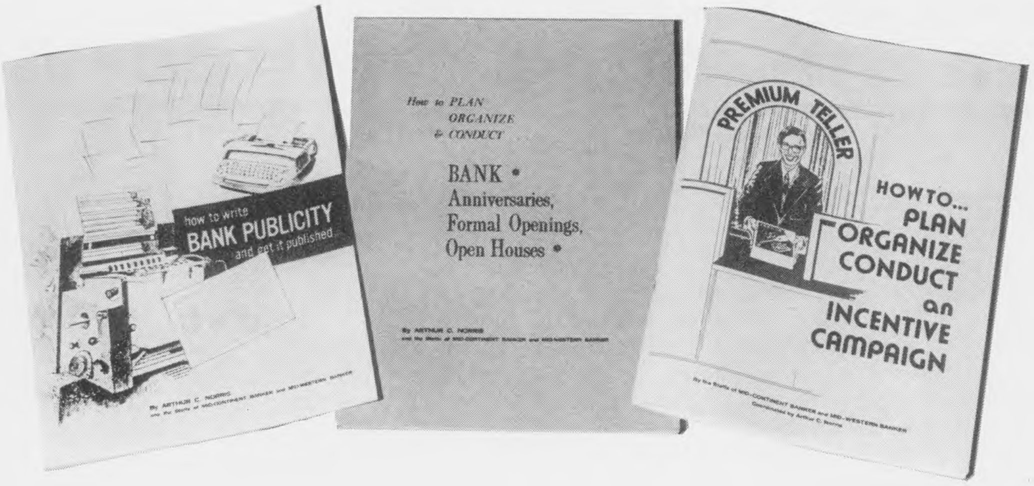
Engaged couples in Detroit have had the opportunity to get some free financial advice and win a savings account. It all happened when Detroit Bank participated in a J. L. Hudson Co. Bridal Fair.

Rodkey Craighead, pres., Detroit Bank, congratulates young brides-to-be, winners of $50 savings account certificates in drawing during J. L. Hudson Co. Bridal Fair. About 1,000 attended fair and bank officials spoke from booth about money management, handed out free booklets on that topic.

Approximately 1,000 were in attendance, and bank officials were able to talk to hundreds of couples about many different kinds of financial matters—setting up budgets and bank accounts, for instance. Stationed in a booth, Detroit Bank representatives gave away booklets entitled "Personal Money Management."

One of the fair's high points was when a drawing was held, and three winners collected $50 savings account certificates from the bank.

Detroit Bank has participated in the Hudson Bridal Fair for the past several years. Hudson's presents a fashion show and invites various firms to operate booths and answer engaged couples' questions.



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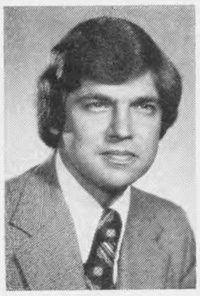
NEWS
From the Mid-Continent Area

Alabama

■ G. RAY STONE has been named vice president-manager, correspondent loan department, while Marion A. Duncan has been elected assistant correspondent banking officer and correspondent bank division office manager at Central Bank, Birmingham. Mr. Stone has been with the bank nine years and most recently served as assistant manager, commercial loan department. Miss Duncan joined the bank in 1968.


STONE


DUNCAN

■ SHAREHOLDERS have approved the proposed merger of First Bancgroup-Alabama, Inc., Mobile, and United Alabama Bancshares, Inc., Bessemer. The resultant HC carries the name of the former. Due to Fed regulations, Bank of Huntsville had been divested from the latter HC. At First National, Mobile, HC affiliate, Shirley K. Bridges, Richard E. Curry, James D. Hopkins, Robert H. Meaher and Frank D. Nichols have been elevated to assistant vice presidents.

■ L. DENTON COLE JR. has been appointed president and CEO of First Selby National, Pelham, a new bank. He goes there from First National, Alexander City, where he held the position of vice president.

■ RONALD T. REGAN has been promoted to cashier at First Colbert National, Sheffield.

■ LAWRENCE R. TATE has been named president and CEO at Central Bank, Uniontown. Previously serving as executive vice president, he has been with the bank since 1973.

■ L. REGINAL PIEL has been named assistant cashier and loan officer, while Leda S. Evans has been elevated to assistant cashier at Exchange National, Montgomery. Both have been with the bank since 1973.

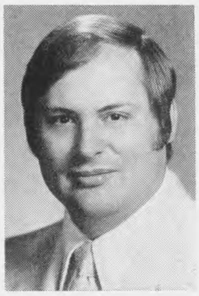
■ MICHAEL G. GYURKO has been elected vice president and comptroller at First National, Birmingham, while Charles A. Boswell Jr. and Barbara Chapman have been named assistant vice presidents. Mr. Gyurko joined the bank this year after serving as assistant treasurer, Alabama Bancorp., Birmingham, HC for the bank. Mr. Boswell joined the bank in 1972, and Miss Chapman, in 1973.

Arkansas

■ D. EUGENE FORTSON has been named senior vice president, marketing, while Louis J. Schaufele has been appointed vice president at First Arkansas Bankstock Corp., Little Rock. Mr. Fortson formerly was vice president and marketing division manager at Worthen Bank, Little Rock, HC affiliate, and Mr. Schaufele formerly was Worthen's vice president and controller. Succeeding Mr. Fortson as marketing division manager at the bank is Lawrence E. Mobley, while Robert L. Trammel has been elected planning and control division head. Both are vice presidents. Marion L. Myrick and Jerry Hodge have been named vice presidents. Mr. Myrick will head administrative services, while Mr. Hodge has been tapped to manage computer services. Steve Patterson has been elected head, planning department.


MOBLEY


FORTSON


TRAMMEL

■ FIRST NATIONAL, Conway, has opened its new building, which features a two-story lobby. During the grand-opening celebration, 10 $50 savings accounts were given away. A $500 account was the grand prize.

Illinois


WALLER


KLARK

■ RICHARD W. WALLER has been elected executive vice president and counsel at Exchange National, Chicago, while Nate N. Klark has been elevated to senior vice president and cashier at the bank and senior vice president of the bank's HC, Exchange International Corp., Chicago. Alan B. Eirinberg has been named senior vice president at Exchange National, while Bernard Wendrow has been promoted to senior vice president and comptroller and Gerald Shea has been elected vice president.

■ BETTY STEPHENS has been elected vice president and cashier at First State, Morrisonville, while Dorothy Schum has been elevated to assistant vice president in charge of bookkeeping. Robert B. Cullison has joined First State as assistant cashier and loan officer.

■ DONALD E. CARROLL has been named vice president in charge of marketing at Heritage Bank, Addison. He previously served as supervisor, Lombard Office, State Drivers License Station.

■ JOHN C. KIRSCHER and Richard L. Walker have been elevated to vice presidents at Harris Bank, Chicago,

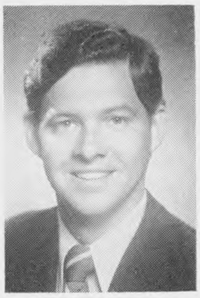
Beryl W. Sprinkel, Executive Vice President and Economist, Harris Bank.

while Walter J. Kowalczyk, Lance Morgan and Charles E. Wilcox have been elected assistant vice presidents.

■ CHARLES A. COOMBS, formerly senior vice president, New York Fed, has been appointed as consultant to First National, Chicago. In addition, he has been elected a director of First Chicago International Banking Corp., a wholly owned subsidiary of the bank. Mr. Coombs joined the New York Fed in 1946 and was elected senior vice president in 1959.

■ FRANCIS W. RODE III has been named vice president at Irving Trust, New York City. He is a lending officer in the midwestern district of Irving's national division, serving customers in an area that includes Illinois. He joined the bank in 1967.


FOLTZ


RODE

■ LESTER H. FOLTZ has been elected chairman of First National, Decatur, succeeding Lynn H. Gebhart, who died recently. Mr. Foltz has been a director at the bank since 1954 and has been serving as an executive committee member.

■ VERNON A. MERCIER has been elected assistant cashier, trust department, at Millikin National, Decatur. He joined the bank in 1968.

■ WILLIAM S. P. COTTER and Jeffrey H. Wessel have been named vice presidents, while William C. Schall has been elevated to second vice president in Northern Trust of Chicago's trust department.

■ PAUL S. MILLER, bond department; David E. Anderson, Michael J. Feltes, Walter G. McGuire Jr. and William A. Obenshain, commercial banking department; Tyrus L. Kaufman, controller's department; and Robert A. Wiegand, trust department, have been elevated to vice presidents at Continental Bank, Chicago. Vincent Cortese, bond department; Elliott B. Israel, commercial banking department; James A. Crawford, controller's department; Owen C. Johnson Jr., personnel division; and James C. Mastandrea and John K. Rutledge, real estate department, have been elected second vice presidents.

■ COTTONWOOD BANK, Glen Carbon, has opened, with Elmer H. Austermann Jr. as president and CEO. He was vice president, banks and bankers department, Mercantile Trust, St. Louis, and, in the summer of 1974, became vice president, Mercantile National of St. Louis County. Drive-up services at Cottonwood Bank are emphasized at the new bank: There are five windows for in-car banking, and provisions have been made to add two more in the future. The building's decor is highlighted by natural earth tones, while ramps and doorways have been set up to accommodate the handicapped.

AUSTERMANN

■ FIRST STATE, Morrisonville, has displayed a 15-piece watercolor collection by Rob O'Dell, entitled "Prairie Heritage." The collection depicts midwestern rural areas, including churches, schools and general stores, and was a highlight for the bank's newly remodeled quarters. "Prairie Heritage" was commissioned by Citizens National, Decatur, as part of its permanent display and is offered on loan for special showings to its correspondent banks.

Died: Louis E. Nelson, chairman and president, First National, Maywood. Mr. Nelson founded the bank in 1942 and had served as chairman and president since that time.

Indiana

■ RICHARD E. BONEWITZ has been promoted to vice president, Indiana division, at Indiana National, Indianapolis. Thomas L. Hefner, national division, and Robert A. O'Neal Jr., governmental and corporate services division, have been elevated to vice presidents, while Donald K. Willling has been named vice president and trust officer.

■ LEWIS S. ARMSTRONG, chairman, SJV Corp., Elkhart, has retired

ARMSTRONG

after 50 years in banking. A former Indiana Bankers Association president and ABA vice president for Indiana, he joined St. Joseph Valley Bank, Elkhart, in 1935, as cashier. The bank is a subsidiary of SJV Corp.

■ DENNIS M. MURPHY has been promoted to vice president at American Fletcher National, Indianapolis. He joined the bank's real estate division in 1971.

Kansas

■ M. A. ISERN has retired as chairman, Peoples State, Ellinwood. He joined the bank in 1924, advanced through the ranks, and was elected to his most recent position in 1970. Succeeding him as chairman is Walter L. Roth, who has been replaced as president by Alan Isern, formerly executive vice president. Ellis D. Bever, who had been serving as an advisory director, has been appointed a director, to fill M. A. Isern's unexpired term.

Kan. Young Bank Officers

The newly elected officers of the Kansas Bankers Association's Young Bank Officers got together for this group photo during their annual convention. They are (seated, from l.) Murray Lull, v.p., Smith County State, Smith Center—treas.; Ray Makalous, corr. bkng. off., First Nat'l, Topeka—sec.; Dale Bradley, e.v.p. & cash., Citizens State, Miltonvale—pres.; and Terry Odle, v.p., First Nat'l, Salina—v.p. Standing, from l., are Mike Glass, v.p. & cash., Southwest Nat'l, Wichita—immediate past pres.; Peter Clune, v.p., Roeland Park State—program ch.; Joe Stout, v.p., Fourth Nat'l, Wichita—educational ch.; Leland Cox, v.p. & controller, Fourth Nat'l, Wichita—dir.; and Don Brennan, e.v.p. & CEO, Home State, LaCrosse—dir. Not shown is Roger Batson, v.p., Kansas State, Manhattan—dir.

Business outlook uncertain?

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Fourth Nat'l Offers Franklin Bicentennial Medal

This is a photo of the Franklin Mint bicentennial medal, which has been on display in the lobby of Fourth Nat'l, Wichita. The medal was designed and created by Gilroy Roberts, whose portrait of John F. Kennedy appears on the U. S. half dollar. While the medal's face carries portraits of 30 men and women who have shaped our nation's history, the reverse displays the first lines of the Preamble to the Constitution. The bicentennial medal, which is 2½ inches in diameter, contains 2,000 grains of solid bronze.

■ GARY M. THOMAS has been named assistant cashier at Merchants National, Topeka, and will work in the correspondent bank department. He previously was with Union National, Manhattan.

Wins Southgate Open

Pro golfer Kathy Whitworth of Richardson, Tex., holds trophy and $5,700 winner's check, which has been awarded her by J. Wesley St. Clair, gen'l ch. of the $40,000 Southgate State (Prairie Village) Open golf tournament. Mr. St. Clair is the bank's pres. The tourney, a regular on the Ladies' Professional Golfer's Association tour, is sponsored by Southgate State yearly, with proceeds going to charities. This year's beneficiary was the Ozanam Home for Boys.

R. Charles Clevenger Dies

R. Charles Clevenger, 65, ch., First Nat'l, Topeka, died September 4 in a Kansas City hospital. He began his banking career in 1931 at Fourth Nat'l, Wichita, going to Nat'l of Topeka in 1937. Elected pres., 1949, Mr. Clevenger became pres., First Nat'l, when his bank and Central Nat'l consolidated in 1957. He was named ch., 1971. He was a former Kansas Bankers Assn. pres. His survivors include a son, Thomas R., pres., First Nat'l.

COUP

■ CURTIS D. COUP has been named sales engineer, Kansas City branch, of LeFebure, Cedar Rapids, Ia., and is responsible for northwestern counties of Kansas.

■ DELORES DECKER has been promoted from assistant vice president to vice president at Peoples National, Burlington. She has responsibilities in customer service and operations.

Kentucky

■ BANK OF LEXINGTON has moved into its new seven-story building, which has an exterior of horizontal strips of precast concrete and non-reflective bronze-tinted glass. It has 67,000 square feet of space and a two-level parking garage in the rear that includes three drive-up windows. The bank's lobby occupies the structure's first two floors and is in the "open" style, having most officers' desks accessible by customers. The structure is called Bank of Lexington Building.

■ HOWARD T. SALLEE, former Kentucky commissioner of banking, has been elected president at Bank of Danville, succeeding Gene F. Worthington, who has been named chairman. Prior to his term as commissioner of banking, Mr. Sallee served as executive vice president of the bank. He formerly held a similar title at Corbin Deposit Bank and had been president, Bank of Williamsburg. Mr. Worthington joined Bank of Danville in 1965 as executive vice president and was elected CEO later that year.

Every Director and Officer Needs a Copy of . . .
These Three Board-Related Books

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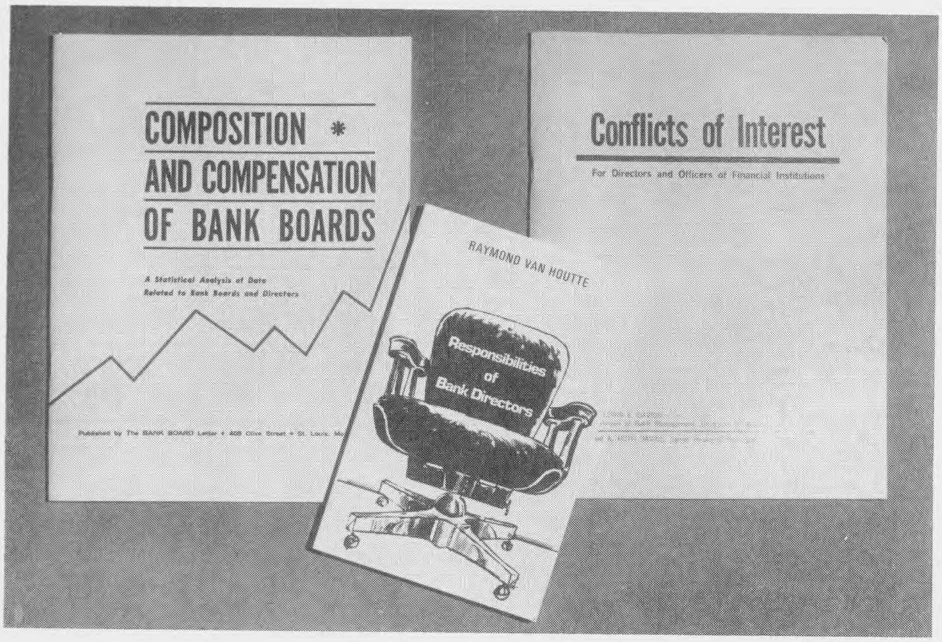

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(1) **COMPOSITION AND COMPENSATION OF BANK BOARDS $4.00** . . . A statistical analysis of bank boards based on comprehensive surveys by the author, Dr. Lewis E. Davids, editor of The BANK BOARD Letter. This book will give the reader an insight into the variety of occupations represented on bank boards; the number of inside and outside directors; frequencies of meetings; salaries paid. Also included are many tables, showing retirement ages for directors, per-meeting and annual fees, highest paid directors, etc. Designed to help you make comparisons and put your board structure and fees in proper perspective.

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6-10	$3.50 ea.	over 25	$3.00 ea.

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(3) **CONFLICTS OF INTEREST FOR DIRECTORS AND OFFICERS OF FINANCIAL INSTITUTIONS $5.95** . . . Includes everything directors and officers should know about the topic: Presents the problem of "conflicts," gives examiners' views of directors' business relationships with the bank, examines ethical pitfalls involving conflicts, conflicts in trust departments, details positive actions for reducing potential for conflicts. Other important data are the Comptroller's ruling on statements of business interest of directors and principal officers of national banks and sample conflict of interest policies in use today that can be adapted by *your* board.

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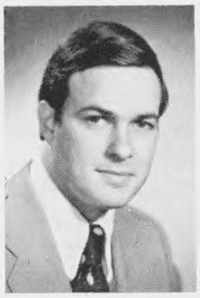
■ R. GENE SMITH has been named first vice president and manager of retail banking at Citizens Fidelity Bank, Louisville, while Michael N. Harreld, vice president, has been promoted to manager, marketing department, succeeding Mr. Smith. Mr. Smith joined the bank in 1955 and Mr. Harreld, in 1969.

SMITH

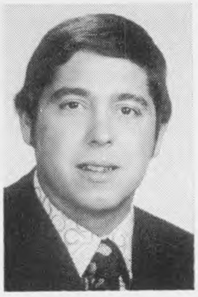
SALLEE

Louisiana

■ JOHN V. RAYMOND JR. has been appointed correspondent bank officer at Bank of New Orleans. He joined the bank in 1972 and has served as assistant operations officer in the operations office of the bank and its parent company, New Orleans Bancshares, Inc.



RAYMOND



MELTON

■ PAUL A. MELTON has been appointed vice president and correspondent bank department manager at Louisiana National, Baton Rouge. He previously had been executive vice president at Colonial Bank, New Orleans. Mr. Melton initially joined Louisiana National in 1967 as manager of sales and marketing, BankAmericard department. In 1969, he was named correspondent department manager and left that bank for Colonial Bank in 1973.

■ WILLIAM C. WEATHERSBY has been named senior financial vice president at Great American Corp. and its principal subsidiary, American Bank, Baton Rouge, while Patricia T. Barnes has been elevated to vice president at the bank. Mr. Weathersby joined GAC in 1972, and Mrs. Barnes joined the bank in 1949.

BNO Opens New Branch

Beauregard A. Redmond (l.) and Jacques A. Livaudais, both e.v.p., Bank of New Orleans, flank Carol C. Beary, mgr. of the bank's new Uptown Branch, during opening ceremonies. The branch features four inside tellers and three drive-up banking lanes connected to the main building by pneumatic tubes. Also provided are off-street parking, vault and night depository and automatic teller. The building has 1,370 sq. ft. of space, and its design follows the cottage style of the area's structures.

Mississippi

■ BEN M. RAWLS has been elected executive vice president and trust officer at Citizens Bank, Columbia, while Dan McKenzie has been promoted from assistant vice president to vice president. Mr. Rawls was vice president and trust officer. W. Dean Noblitt has joined the bank as vice president. Mr. Rawls joined the bank in 1960, and Mr. McKenzie, in 1965.

■ B. F. JARMAN has been named president of Leflore Bank, branch of Deposit Guaranty National, Greenwood, while Tommy J. Ellett Jr. has been elevated to senior vice president. Mr. Jarman succeeds F. E. Brasfield Jr., who has returned to Deposit Guaranty's Headquarters Office in Jackson to assume responsibilities in the retail division. Mr. Jarman joined Leflore Bank in 1949 and Mr. Ellett joined Deposit Guaranty in 1956.

Art Exhibit Is Plaza Highlight

Customers view the art exhibit at Deposit Guaranty Plaza, Jackson, which was put on display by Deposit Guaranty Nat'l in conjunction with the Mississippi Artist Guild. The showing included oils, watercolors and pen-and-inks by 21 artists.

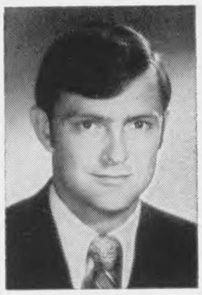
Missouri

■ KENT L. THOMPSON has been elevated to vice president and business development department head, trust division, at Commerce Bank, Kansas City, while Victor E. Lambert has joined the bank as assistant vice president, bond department. He went there from Hempstead (N. Y.) Bank. Mr. Thompson joined the bank in 1954.

■ ELAINE M. WHITEHOUSE and Jacqueline Hendren have been elected assistant cashiers at First National, Kansas City. Mrs. Whitehouse joined the bank in 1970 and is manager of the Loma Vista Facility, while Mrs. Hendren, who has responsibilities in the international department, joined First National in 1963.

■ ALICE MARIE BONO, Personal Banking Center manager at First National, St. Louis, has been elected assistant vice president. She joined the bank in 1954.

■ LARRY D. KISNER has been elected assistant vice president at United Missouri of St. Louis. Succeeding him as cashier is Donald E. Lape. Mr. Kisner joined the bank in 1972, and Mr. Lape joined United Missouri of Kansas City, affiliate bank, in 1969, going to St. Louis in 1973.



McCLURE

SANDWEG

■ JOHN W. McCLURE and Jerome J. Sandweg have been elected vice presidents at Mercantile Trust, St. Louis. Mr. McClure has been with the bank since 1971 and is responsible for division B of the banking department's central group. He calls on correspondent banks in Kansas and Missouri. Mr. Sandweg, who went to the bank from Mercantile Mortgage Co. in 1965, heads the customer services division of data processing.

■ RAYMOND F. ERKER JR. and Richard H. Thomas have been promoted to assistant vice presidents at St. Louis County National, Clayton, while Thelma Schlobohm and Pauline Mitschele have been elected assistant cashiers. Mr. Erker joined the bank

in 1965; Mr. Thomas, in 1972; Mrs. Schlobohm, in 1958; and Miss Mitschele, in 1953.

■ CURTIS RENSING has been named vice president and data processing manager at Boatmen's National, St. Louis.

Consumer Finance Meeting Set for Missouri Bankers Next Month at Tan-Tar-A

The 20th annual Consumer Finance Conference of the Missouri Bankers Association will be held November 5 and 6 at Tan-Tar-A Resort, Osage Beach, Mo.

The conference will be chaired by Don F. Barnes, vice president, First National, St. Joseph. Norman T. Williams, regional vice president, Commerce Bancshares, Kansas City, is vice chairman.

Tentative plans for the program call for the presentation of remarks by MBA President Richard J. Pfleging on November 5. Mr. Pfleging is president, Bank of St. Ann.

Dr. James V. Baker, senior vice president, Fidelity Bank, Oklahoma City, will speak on the role of installment lending in the economy; a representative from one of the automobile manufacturers will speak on the financing of autos; and a federal legislative update will be presented by a representative of the ABA in Washington, D. C.

Following luncheon on the first day, special interest sessions will be held as follows: "Collections, Repos, Bankruptcy and Other Minor Problems," to be moderated by C. F. Luetkemeyer, vice president, Big Bend Bank, Webster Groves; "Insurance," to be moderated by Robert Sears, vice president, United Missouri Bank, Kansas City; and "How to Finance Mobile Homes Profitably," to be moderated by Lonnie J. Adair, vice president, Sedalia Mercantile Bank. The special interest sessions will be repeated later in the afternoon.

Bob Murphey of Nacogdoches, Tex., will be the banquet speaker.

The program for the second day will begin with a talk entitled "Competition," by Mr. Pfleging, and a panel entitled "Legal Aspects of Lending," to be moderated by Mr. Barnes. Panelists will include Missouri Banking Commissioner William R. Kostman; Joseph Sanders, associate general counsel, Bank of St. Louis; and Harvey M. Tettlebaum, chief counsel, consumer protection division, Office of the Attorney General of Missouri.

The conference will adjourn at 11:30 a.m.

■ THE FED has approved a request for reconsideration of the merger denial of Ameribanc, Inc., and First American Bancshares, Inc., both of St. Joseph. The request was granted because of new data supplied by Ameribanc.

■ GARY J. GUTJAHR has been appointed assistant vice president at Plaza First National of West Port, St. Louis County. He will have responsibilities in the installment loan department.

United Mo. of Warrensburg Opens

Pictured cutting the ribbon during the opening of United Missouri Bank, Warrensburg, are (from l.) Rowland L. West, pres.; Howard Chappell, mayor of Warrensburg; John J. Kramer, pres., United Missouri Bancshares, Inc., Kansas City, parent HC for the bank; Wilmer R. Preston, bank e.v.p.; and Stuart M. Hutchison, architect. The building has two stories and two drive-up windows. The interior features six teller windows and a fireplace in the lobby's center.

Marketing & PR Seminar Set by BMA-MBA Nov. 18

The Bank Marketing Association and the Missouri Bankers Association will sponsor a second annual Marketing and Public Relations Seminar at the Marriott Hotel, St. Louis, November 18.

Keynote speaker for the day-long meeting will be Jack W. Whittle, vice president, marketing division, Continental Illinois National, Chicago. A joint message entitled "What Management Expects From Marketing," will be presented by Lynn Miller, executive vice president, Mercantile Trust, St. Louis, and Charles Daily, chairman, Edgemont Bank, East St. Louis. Mrs. Ruth Harrison, vice president and marketing director, Irwin Union Bank, Columbus, Ind., will speak on the use of premiums in marketing and Gary Holt,

AIB—St. Louis Holds Enrollment Dinner

LEFT: Officers of the St. Louis American Institute of Banking Chapter get together prior to the commencement of the fall enrollment dinner (from l.): Michael P. Dolan, e.v.p., Plaza First Nat'l of West Port—v.p.; Catherine Hounshell, a.v.p., Central Bank, Clayton—v.p.; Richard L. Johannesman, v.p., Mercantile Trust, St. Louis—pres.; Rosemarie Stallings, a.v.p. & tr. op. off., Edgmont (Ill.) Bank—treas.; and Albert A. Miller, v.p. & cash., Big Bend Bank, Webster Groves—v.p. RIGHT: Leona C. Seaman of the nat'l AIB exec. council and a.c., Home State, Kansas City, Kan., and Mr. Johannesman check out the sign announcing the AIB's diamond anniversary.

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vice president, Winfield Advertising, Clayton, will discuss financial advertising.

Other topics on the program include employee training, employee incentive programs, planning for profits, making marketing work, EFTS, automated clearing houses, an update on individual retirement accounts and Keogh plans, advertising agencies, marketing research and personal banking.

To end the program, two speakers will discuss "Consumer Marketing in the '70s" and "A Marketing Overview." The speakers will be James B. Watt, senior vice president, Essex County Bank, Lynn, Mass., and Barry I. Deutsch, vice president and director of marketing, Provident Bank, Philadelphia.

The seminar is directed to senior officers, including CEOs, marketing officers and other officers involved in marketing activities.

Pine Lawn Move Upheld

The move of Pine Lawn Bank to Ladue and the change in its name to Ladue-Innerbelt Bank have been upheld by the Missouri Court of Appeals.

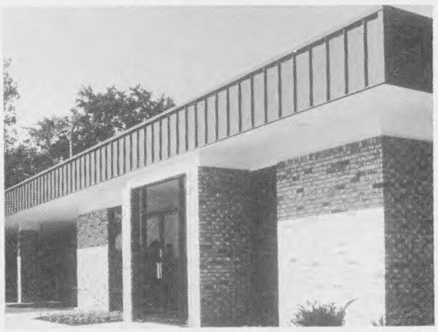
Commissioner of Finance William R. Kostman, who denied the bank's original application to move, has asked the court for a rehearing and/or transfer of the case to the Missouri Supreme Court.

■ ROBERT KYLE has been elected vice president and commercial banking head at Union National, Springfield, succeeding Richard K. Flory, who has resigned to become president of a midwestern bank. Mr. Kyle formerly was executive vice president and director, Central Mortgage Co., and continues as president, Missouri Mortgage & Investment Co., which he organized in 1972.

KYLE

Died: Emil H. Bangert, 58, executive vice president, Chesterfield Bank, in a St. Louis hospital, August 25. Mr. Bangert joined Chesterfield Bank in 1964 and was elected executive vice president one year later.

Chesterfield Bank Unveils Facility



Chesterfield Bank has opened its new Baxter Road Facility in St. Louis County. It features four drive-up lanes, automatic teller and has 1,500 square feet of space.

New Mexico

■ JOHN D. ALFORD has been named executive vice president at First National, Clovis. He joined the bank in 1966 as a teller and was elevated to vice president before going to American National, Silver City, where he served as executive vice president for the past 2½ years.

■ JERRY FRENCH has been elected vice president at Fidelity National, Albuquerque, and will manage its new Montgomery Plaza Office. Don Schreiber, who has been named marketing officer, will serve as the Montgomery Plaza's assistant manager.

■ HERMAN GARCIA has been promoted to vice president at First National, Las Vegas, while Isabel Maes of the La Bonita Branch has been named operations officer and assistant vice president. Adonilia "Donna" Menzor has been elevated from assistant cashier to cashier.

■ CONSTRUCTION has begun on Rio Grande Valley Bank of Albuquerque's new building. The structure will have 30,477 square feet of space and the bank will be housed in part of the ground level and most of the basement. It will be of precast concrete panels with bronze solar glass on all sides. The bank will have seven teller stations, four drive-up windows, two commercial loan windows and a collection-exchange window.

■ RICHARD GEHA has resigned as vice president, marketing, at First National, Albuquerque, to accept the post of executive vice president of First New Mexico Holding Corp., Albuquerque. First New Mexico is an investment company which conducts diversified business operations in the state and intends to organize New Mexico's first investment banking house. Mr. Geha joined First National in 1969.

■ ROBERT J. REMEN has joined Bank Building Corp.'s Rocky Mountain division as consultant services manager and will represent the firm in an area including New Mexico. Bank Building is headquartered in St. Louis. Prior to joining the firm, Mr. Remen served as president of a Colorado-based development company specializing in commercial development.

■ JAMES CLARK has resigned as president at First National, Albuquerque, to assume the position of president and executive committee member of Texas Bank, Dallas. George Maloof has been named chairman at First National, while George Clark succeeds James Clark as president. James Clark served as NMBA president, 1973-74.

CLARK

REMEN

■ KENNETH W. BERGREN, senior vice president, Bank of New Mexico, Albuquerque, has been given responsibility for business development in the area served by the North Valley and Candelaria offices. Van W. Tillotson, vice president, has been named Main Office manager; David R. Meyers, vice president, has been appointed manager, San Pedro Office; and Curtis M. Comstock, assistant vice president, has been named to manage the Wyoming Office.

Oklahoma

■ OKLAHOMA BANKERS will have the opportunity to hear prospects for continuing economic recovery and a view of potential inflationary developments during a series of seven economic forums in the state. Co-sponsored by the Kansas City Fed and the OBA, the meetings will feature Fed Vice Presidents Thomas E. Davis and Sheldon W. Stahl and Fed Research Officer C. Edward Harshbarger. William G. Evans, vice president in charge of the Fed's Oklahoma City Branch, will chair the forum. Dates and places for the series are: Lawton, October 14; Fountainhead Lodge, October 15; Oklahoma City, October 16; Enid, October 20; Woodward, October 21; Ponca City, October 22; and Tulsa, October 23.

COLLINS

■ SEVERAL staff changes have been announced at Fidelity Bank, Oklahoma City. Marjorie Mathes has been promoted to assistant vice president and trust officer; Henry W. Collins has joined the bank as assistant vice president, business development department, marketing division; Ron Bowles has been elevated to trust officer; and Dan Love has been named assistant cashier. Mrs. Mathes joined the bank in 1968; Mr. Bowles, in 1969; and Mr. Love, in 1971.

Tennessee

■ PETER T. COOPER has been promoted to trust officer at American National, Chattanooga. Named branch managers and officers were Mary B. Cushen, East Ridge Branch; Patricia W. Smith, Lindsay Street Branch; and Dannye Sue Brown, Lookout Mountain Branch.

■ GROUND-BREAKING ceremonies have been held for Commerce Union Bank of Nashville's Commerce Place, a 20-story building which will headquarter the bank and its parent, Tennessee Valley Bancorp., Inc. The structure will be trapezoidal in shape and will have a bronze tinted, non-reflective glass exterior. The bank and TVB will occupy the first eight floors of the building, which will have 400,000 square feet of space. The project is the first stage of the redevelopment of an entire 1.8-acre downtown block, which will include two separate structures and a connecting tree-lined pedestrian mall.

■ ROBERT L. WHEELER has been promoted to vice president at City National, Memphis. Prior to joining the bank earlier this year, he served as president, Monroe County Bank, Sweetwater.

Texas

■ JERRY L. CRUTSINGER, correspondent banking; Leta C. Fowler and David H. Smith, family banking; and Michael S. Denning, London Branch, have been named vice presidents at Texas Commerce Bank, Houston. Michael F. Hord has been elevated to vice president and trust officer, personal trust. Mr. Crutsinger joined the bank in 1973; Mrs. Fowler, in 1942; Mr. Smith, in 1967; Mr. Denning, in 1972; and Mr. Hord, in 1970.

■ R. KEITH MARTIN has been elected vice president, commercial loans, at Frost National, San Antonio, while Howard P. Smith has been elevated to

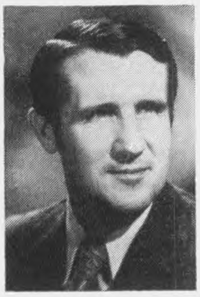
CRUTSINGER

MARTIN

vice president, BankAmericard administration. James M. Caruth has been promoted to assistant vice president, consumer loans. Mr. Martin joined the bank in 1968; Mr. Smith, in 1969; and Mr. Caruth, in 1974.

■ JOE J. FULMER has been named senior vice president at First City National, Houston, while Travis Kendall has been elevated to vice president and auditor and Michael Jeane has been elected vice president and economist. Mr. Fulmer, who was vice president and auditor, manages the bank's customer service group and joined the bank in 1973.

■ GENE L. DUNBAR, vice president and trust officer at Fort Worth National, has been named farm and ranch management group manager in the trust division, succeeding Arthur B. Scharlach, who has retired. Mr. Dunbar joined the bank in 1968 as the group's assistant manager, attaining his present title last year. Mr. Scharlach joined Fort Worth National in 1960 and had headed the farm and ranch group since its creation that year. Prior to that, he served as executive secretary, Texas Veterans Land Board.



DUNBAR

JENSEN

SALISBURY

■ BEN E. SALISBURY has been promoted to assistant vice president, oil and gas department, at Bank of the Southwest, Houston. Erik C. Jensen has been named loan officer, correspondent department. Mr. Salisbury joined the bank this year as petroleum engineer, going there from Exxon, where he had served seven years. Mr. Jensen went to the bank in 1973.

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New Entertainment Ticket Service Offered to Banks in North Texas

Preston (Tex.) State, in conjunction with the Preston Ticket Agency, is offering a new entertainment service to banks in the north Texas area.

The program, according to a bank spokesman, offers a means of providing the institution's customers with tickets to nearly all major entertainment events in the northern part of the state and for New York Broadway shows.

Interested banks, the spokesman went on to say, will have the opportunity to accommodate customer requests for tickets by simply calling the ticket agency. Formerly, institutions had to contact individual outlets and/or brokers for specific events.

Estell Appointed First Mo. Dir.

Donald A. Estell, director, Missouri Division of Commerce and Industrial Development, has been appointed by Governor Christopher Bond to represent him as an ex officio director of First Missouri Development Finance Corp., Jefferson City.

Prior to his elevation to Commerce and Industrial Development Division director, Mr. Estell worked in the division as a community betterment specialist, industrial development specialist and assistant director.

First Missouri is a private business development corporation. It was organized in 1968 and originally was co-sponsored by the Missouri Bankers Association and the Missouri Chamber of Commerce and serves as a supplementary source of financing and counseling to small business in the state. To date, First Missouri has extended financial assistance to business and industry in excess of $7.1 million, creating or retaining a reported 3,000 jobs.

Jerry Stegall, First Missouri's executive vice president, indicates that present bank membership is 190, but all Missouri banks are invited to participate.

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