MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

YEAR-END STATEMENT ISSUE **FEBRUARY, 1976**

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Convention Calendar

February

Feb. 15-20: ABA Community Bank CEO Program, Santa Barbara, Calif., Santa Barbara Biltmore.
Feb. 15-21: ABA Operations/Automation Division Business of Banking School, Fort Worth, American Airlines Learning Center.
Feb. 22-27: ABA National Personnel School, Bloomington, Minn., Radisson South.
Feb. 24-25: Robert Morris Associates Regional Workshop on Lending to Finance Companies, Chicago.
Feb. 25-27: ABA Construction Lending Workshop, Columbus, O., Ohio State University.

March

March 7-9: ABA National Credit Conference, Atlanta.
March 7-10: Bank Administration Institute Exception Item Conference, Chicago.
March 7-12: Kansas, Missouri and Nebraska Bankers Associations' School of Basic Banking, Lincoln, Neb., University of Nebraska.
March 14-17: Robert Morris Associates Financial Statement Analysis Workshop, Boston, Colonnade Hotel.
March 14-18: Independent Bankers Association of America Convention, Honolulu, Sheraton Waikiki Hotel.
March 18-19: Robert Morris Associates International Lending Workshop, Atlanta, Omni International.
March 21-24: ABA Trust Operations/Automation Workshop, New York City, Americana Hotel.
March 21-26: Kansas, Missouri and Nebraska Bankers Associations' Commercial Lending School, Lincoln, Neb., University of Nebraska.
March 30-April 9: ABA National Commercial Lending School, Norman, Okla., University of Oklahoma.

April

April 1-3: ABA Meeting With Comptroller of the Currency, Lincolnshire, Ill., Marriott's Lincolnshire Resort.
April 4-6: ABA Midwestern Regional Bank Card Conference, Cincinnati, Stouffer's Inn.
April 4-7: ABA National Installment Credit Conference, Miami Beach, Fla., Fontainebleau Hotel.
April 10-13: Association of Reserve City Bankers Annual Meeting, Palm Beach, Fla., the Breakers.
April 11-14: Robert Morris Associates Financial Statement Analysis Workshop, Denver, Cosmopolitan Hotel.
April 18-23: Robert Morris Associates Loan Management Seminar, Bloomington, Ind., Indiana University.
April 21-23: ABA Governing Council Meeting, White Sulphur Springs, W. Va., the Greenbrier.
April 25-27: ABA Southern Trust Conference, Pinehurst, N. C.
April 25-27: ABA Southern Regional Bank Card Conference, Richmond, Va., Richmond Hyatt House.
April 25-28: ABA National Conference on Real Estate Finance, Dallas, Fairmont Hotel.
April 25-29: Bankers Association for Foreign Trade Annual Meeting, Hot Springs, Va., the Homestead.
April 25-30: ABA National Commercial Lending Graduate School, Norman, Okla., University of Oklahoma.
April 25-30: ABA Community Bank CEO Program, Palm Beach, Fla., La Coquille Club.
April 25-30: Robert Morris Associates Loan Management Seminar, Bloomington, Ind., Indiana University.
April 29-May 1: ABA Meeting With the Comptroller of the Currency, Buck Hill Falls, Pa., Buck Hill Inn & Golf Club.

May

May 1-4: Louisiana Bankers Association's Annual Convention, New Orleans, Fairmont Roosevelt Hotel.
May 2-4: Association for Modern Banking in Illinois Annual Convention, Lincolnshire, Ill., Mariott-Lincolnshire Resort.
May 2-4: Texas Bankers Association Annual Convention, El Paso, El Paso Convention Center.
May 2-4: Bank Administration Institute Northern Regional Convention, Chicago.
May 2-5: Bank Marketing Association Marketing Research Conference, Chicago, Hyatt Regency-Chicago.

MID-CONTINENT BANKER

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FEATURES

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The Banking Scene

By Dr. Lewis E. Davids

Hill Professor of Bank Management,
University of Missouri, Columbia

A New Banking-Education Development

THERE PRESENTLY ARE more than 100,000 bank directors and thousands are being added to their number yearly to fill vacancies on existing boards and to man newly established bank boards. What kind of bank-related education is available to them?

The Foundation of the Southwestern Graduate School of Banking, Southern Methodist University, Dallas, holds three Assemblies for Bank Directors yearly. Some state banker associations, notably New Jersey, Kentucky and Iowa, have periodic one-day director-oriented programs and the ABA has a director's education program.

"The Bank Directors Seminar (is) a loose consortium of regional banks, state banking departments and bank management educators and consultants (and) was set up to meet the more localized needs of bank directors."

In 1973, the American Institute of Banking (AIB) developed a bank management forum, "A Bank Director's Responsibilities," a four-case series. The AIB has plans to bring out 10 additional cases on bank boards and directors to help round out the original four.

Something new was put into operation in 1975: The Bank Directors Seminar, a loose consortium of regional banks, state banking departments and bank management educators and consultants, was set up to meet the more localized needs of bank directors. Bank management consultants and educators are brought in to staff the teaching cadre, while officials of regional banks or the state superintendents concentrate on a specific region's unique features, for instance, banking codes, etc.

The coordinating function of the program typically has been by Peat, Marwick, Mitchell & Co.'s (PMM) Newark Office; principals are Peter D. Louderback, whose expertise is in bank computers, and Marc F. Denton, PMM's Newark Office manager, whose major contribution has been in the area of internal audits.

Other principals and managers of the firm have rotated as contributors on the basis of their familiarity with local banking conditions and practices. For example, at the Portland Bank Directors Seminar, K. Barrett, manager of PMM's San Francisco Office, and Everett A. Rea, that office's principal, handled the topics of bank accounting and bank salary and perquisites, respectively.

In addition to the PMM cadre, the Portland program was rounded out by State Superintendent of Banks John B. Olin and William L. Hart, supervisor of banking, Washington state. They offered personal discussions of problems faced by the directors on regulations, etc.

Professors of banking from the universities of Colorado and Missouri added an academic perspective and balance to the tight schedule.

Objectives of a recent seminar were to provide bank directors with information and material on subjects relating to their responsibilities and to provide a forum for the exchange of techniques and approaches among small groups of directors from banks with similar objectives and environments.

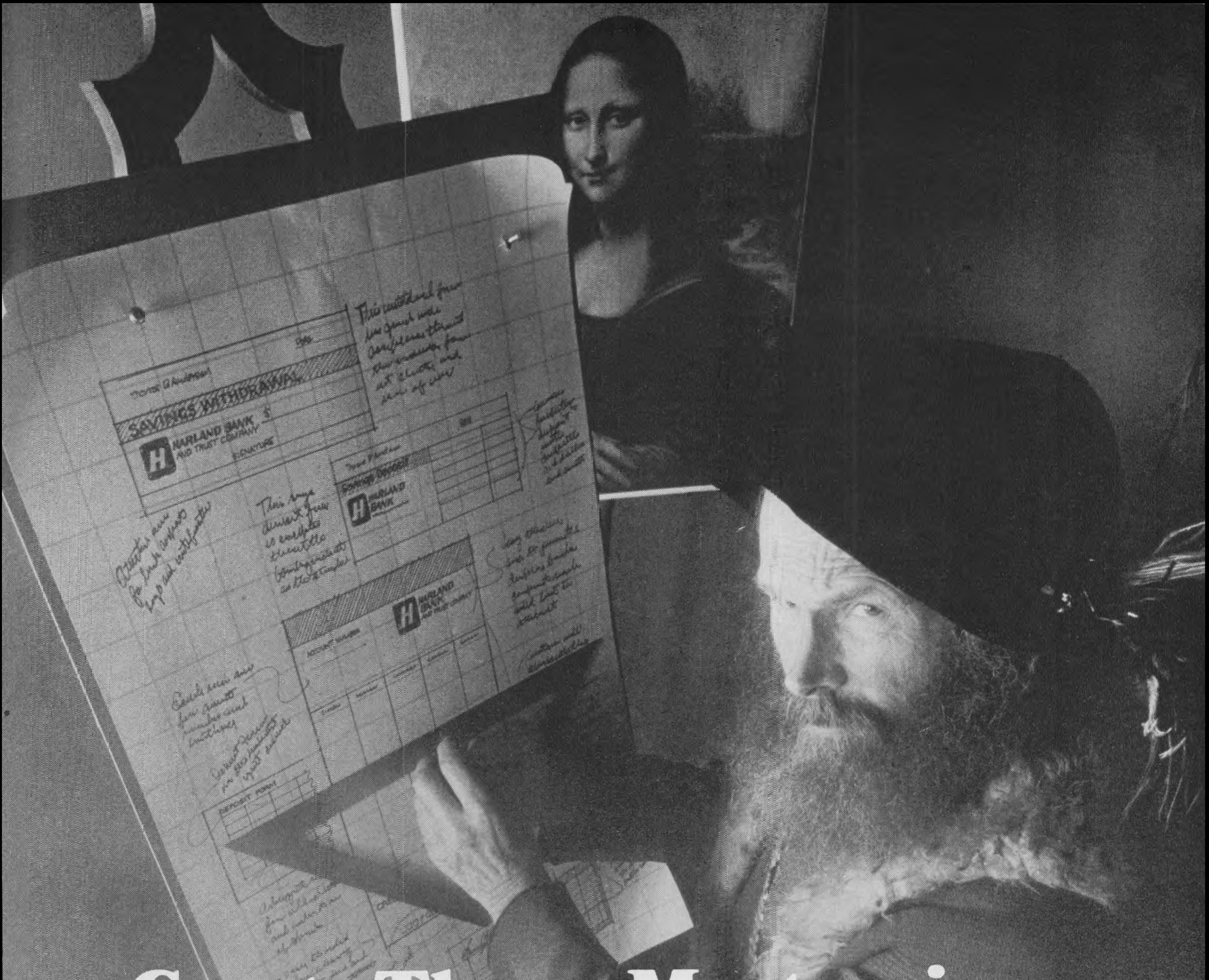
Specific sections of the program were:

- "The Board Member and His Job," which reviewed responsibilities associated with the director's job and the liabilities the job involves. The director's interrelationship with management and industry supervision was analyzed. Wherever possible, a state commissioner or federal bank regional supervisor participated. Directors discussed their responsibilities and liabilities candidly in the seminar's small-group environment.
- "The Board and Its Work" covered approaches to selection and organization of a board, of the board meeting format and of the informational needs of a director. Case studies of effective approaches to selecting, informing and utilizing bank boards were distributed and discussed.
- "Bank Financial Statements" investigated the statements, with emphasis on methods of presentation, supporting figures behind the statements and the techniques of analyzing financial data to determine a bank's condition. Analytical guidelines, significant ratios and trend analysis techniques were discussed, as was the extent of the director's responsibility for the accuracy of all financial data.

"The Bank Directors Seminar, coordinated by Peat, Marwick, Mitchell & Co., is most innovative in its staffing and size, as well as its geographic composition."

- "Business Development" reviewed the director's role in developing profitable business for his bank. Effective approaches were discussed, along with factors affecting the quality of business developed.
- "Asset Management" looked into the director's role in setting loan policy and in reviewing loans. Practical exercises designed to sharpen the director's ability to evaluate loans were used. Whenever possible, bank examiners assisted in presentation of this subject. Approaches to providing exception information for board review on new and existing loans also were discussed.
- "Conflicts of Interest and Banking Ethics" reviewed permissible and non-permissible activities for bank directors. Case studies helped clarify gray areas of conflict and ethics.

(Continued on page 42)



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Direct Mail, an Overlooked Sales Tool, Can Improve Retention, Cross-Selling

By REED KAMMERER
Marketing Officer
Beloit (Wis.) State Bank

THERE'S A NEED in the banking industry for an improved system of communications with customers, both for account retention and cross-selling of services.

The need exists because, too often, present methods of customer communication are casual, diverse, non-standard and difficult to control and monitor. Also, the growing size of financial institutions, combined with automated systems, has produced a spirit of impersonalization, which in turn has contributed to reduced customer retention.

This is particularly true of those using only one service. Surveys have indicated that the turnover of customers with only a checking account is 50%. As the number of services increases, the probability of retention increases dramatically.

In any bank, a great potential for new business growth can come from present customers. The communications system should allow for the customer to hear more about the bank and its services, and for the bank to know more about him, to learn what he wants from the bank and to translate his needs into services profitable to him and the bank.

Low service usage—1.4 services per customer as a national average—creates a dual problem: high turnover and high acquisition cost per account. The advertising and promotional expense of acquiring a new customer usually is estimated at about $25. If a customer uses 1.4 services, the acquisition cost per account is about $18.

Beloit State's "Consumer-Three Phase Direct Mail Program" enables us to direct personalized letters to new accounts immediately after they commence their first banking relationship. It then continues at regular intervals. The value of this approach is that we develop a marketing file of the best prospects—those who've established a relationship recently.

The probability of maintaining accounts, based on the following account relationships, is estimated to be:

Checking Account	1:1 (50% retention)
Savings Account	2:1 (66⅔% retention)
Checking & Savings	10:1 (91% retention)
Checking, Savings, Loan	18:1 (95% retention)
Checking, Savings, Mortgages	50:1
Checking, Savings, Loan, Safe Deposit	100:1
Checking & Trust	200:1

A direct mail program reaches only those customers that don't have the particular banking service a bank wants to sell. It's down-to-earth target selling. In this target area of cross-selling, a program such as Beloit State's *will* produce new business.

An Opinion Research survey demonstrated the multiplicity of services used by consumers. It indicated that 65% of people over age 17 have checking accounts, 41% have some type of loan and 52% have savings accounts.

These services often are dispersed among several institutions. Because of this, it's estimated that 70% of potential new business growth comes from present customers. Recognizing that, it's good to know the advertising dollar is targeted directly to someone who needs that service.

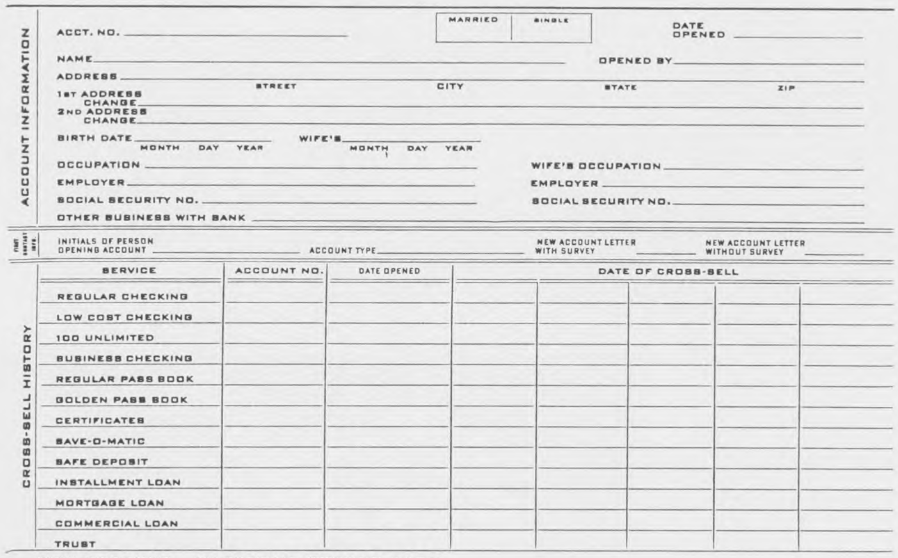
The three phases of a consumer direct mail program should contain these basic areas: (1) customer communications, (2) opinion survey and (3) cross-selling and follow-up.

The customer communications phase provides for a personalized letter welcoming new accounts to the bank. It's used to accomplish a tone, mood and attitude in the customer-bank relationship. The approach helps establish a "personal banker" feeling with the individual, while interest and readiness in discussing and explaining bank services is made clear.

The first communication should be mailed the day after the account is opened and should be hand-signed by the employee who opened it. This immediate mailing can be used to uncover fictitious accounts.

The opinion survey is a good customer relations tool. It demonstrates the bank's interest in providing the best service and provides the customer with an opportunity to voice meaningful suggestions, comments or complaints.

The survey form should be designed so the customer can complete it easily and quickly. The form also should be



ACCOUNT INFORMATION
ACCT. NO. ______ MARRIED | SINGLE DATE OPENED ______
NAME ______ OPENED BY ______
ADDRESS ______ STREET CITY STATE ZIP
1st ADDRESS CHANGE ______
2nd ADDRESS CHANGE ______
BIRTH DATE ______ MONTH DAY YEAR WIFE'S ______ MONTH DAY YEAR
OCCUPATION ______ WIFE'S OCCUPATION ______
EMPLOYER ______ EMPLOYER ______
SOCIAL SECURITY NO. ______ SOCIAL SECURITY NO. ______
OTHER BUSINESS WITH BANK ______
INITIALS OF PERSON OPENING ACCOUNT ______ ACCOUNT TYPE ______ NEW ACCOUNT LETTER WITH SURVEY ______ NEW ACCOUNT LETTER WITHOUT SURVEY ______

CROSS-SELL HISTORY

SERVICE	ACCOUNT NO.	DATE OPENED	DATE OF CROSS-SELL				
REGULAR CHECKING							
LOW COST CHECKING							
100 UNLIMITED							
BUSINESS CHECKING							
REGULAR PASS BOOK							
GOLDEN PASS BOOK							
CERTIFICATES							
SAVE-O-MATIC							
SAFE DEPOSIT							
INSTALLMENT LOAN							
MORTGAGE LOAN							
COMMERCIAL LOAN							
TRUST							

NEW ACCOUNT MARKETING RECORD CARD

New account marketing record card used by Beloit (Wis.) State. Card enables bank to keep track of cross-sell history of account.

designed to give analysis information to the marketing department, since it will be needed to measure how well new account openings are handled, to what degree new account people are cross-selling and why people bank there. Be sure to include space for comments or suggestions.

To save postage, consider sending the opinion survey with the customer communication letter. When new account activity is high, survey only a portion of the new accounts for that given week.

Cross-sell and follow-up phase. The new account card is the key to the cross-sell program. (See sample on page 10.) It should be designed to fit the bank's needs. Completion of the card is important, since all information for cross-selling is taken from it.

The cross-sell direct mail phase begins from one to three months after the account is opened and follows this basic procedure:

(1) The marketing department pulls the new account cards used in cross-selling. Bank personnel establish that the account is active and note what services that account has to date in the space provided. For example, if a customer has checking and savings accounts, the cross-sell letter could go out on loans, safe deposit, etc. New account cards then are returned to the marketing department, which then will prepare cross-sell letters to be hand signed and sent to customers not presently using the service being sold.

Always include a reply form in mailings. This signals the reader that action is expected of him. Direct mail that doesn't ask for action is time and money wasted.

(2) The cross-sell follow-up is mailed two months after the initial sales letter. These letters are sent only to accounts that didn't respond to the initial mailing. The follow-up gives customers who weren't able to respond to the initial mailing an opportunity to take advantage of the service offered. It may be advisable to offer an incentive or premium in the follow-up.

Our cross-sell efforts using the three-phase direct mail program haven't been an overlooked selling tool. Our evaluation is:

- A letter cross-selling regular savings programs sent to new qualified checking customers 90 days after the account is opened has resulted in a 23% cross-sell rate.

- A letter cross-selling checking accounts sent to new, qualified savings customers 90 days after the account is opened has resulted in a 9% acquisition for us. A follow-up letter sent to those who didn't respond has brought in an additional 11%.

- A letter urging installment loan customers at the time of their last payment to continue payments into a savings account, has resulted in a 16% response to the original mailing and 8% to the follow-up.

- We also offer a line of credit to borrowers who pay off their installment loan "as agreed" and have had a 53% response in this area.

I originally felt the marketing program was too expensive, but found we had never been able to measure the result of our advertising dollars in the past. Because of the results we are experiencing, I have trimmed our budget for other media use, and am spending that amount on direct mail. Consequently, we haven't significantly increased our total ad budget. I believe the dollars spent are working much harder than before.

The most recent direct mail program we've done was the selling of direct deposit, and it furnishes a prime example of what a good direct-mail program can produce in new business for a bank.

A direct mail piece was used in cross-selling direct deposit. Of the 1,500 pieces sent to our customers who receive social security checks, 70% have signed up for the service.

Direct mail programs offer a bank many benefits. Among them are:

A targeted approach to cross-selling existing accounts. All cross-selling is aimed at the market with the highest potential of buying and that market provides 70% of a bank's new growth.

A meaningful customer relations program. Original hand-signed letters are sent to thank the customer for his business and ask for opinions via the survey.

An evaluation of new account personnel for mannerisms and cross-selling efforts via survey analysis.

Lower overall advertising costs. A direct mail program is an advertising expense and, while costly, it's less expensive than mass media, i.e., newspaper, radio, TV or billboards. It's our belief that the budgeted expenses for mass media can be reduced by an amount greater than the increased costs of a truly effective direct mail program.

Flexibility in cross-selling. Because the marketing department will be developing a file on bank customers, the accounts they have and the accounts the bank has attempted to sell them, the marketing department has this file at its disposal for future mailings, promotions or new services. • •

Event With Punch:

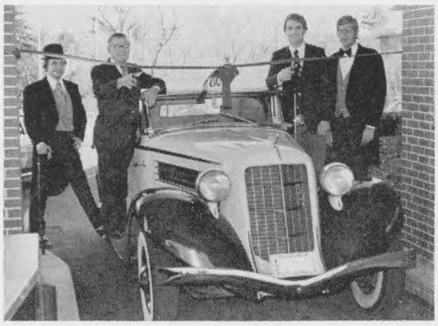
Aspects of Old and New Are Present in Opening

United Missouri Bank, Kirkwood, went all out when it celebrated the opening of its newly constructed drive-through and walk-up windows. Visitors during the event were treated to a stroll through time.

The bank's interior was decorated with a needlepoint rug from the Kirkwood Historical Society. The rug depicted the city's 12 oldest homes.

Artist Ralph Broughton was commissioned to execute a series of paintings entitled "Thru Time," while bank employees were dressed in the fashion of their turn-of-the-century counterparts. An old tradition was revived at the bank, wherein a flag pole was installed and a flag-raising event, with the Bennington 1976 and the official Bicentennial flags, was held.

A display of antique autos served as another attraction, while bank employees served an old Kirkwood refreshment, History House Punch.



Standing on running boards of vintage Auburn roadster, officials cut ribbon during opening of drive-through, walk-up of United Missouri Bank, Kirkwood (from l.): Marvin G. Langston, v.p.; Philip Hallof, Kirkwood mayor; Richard Mueller, pres., Kirkwood CofC; and William L. Hayse, bank pres. Event featured antique auto display, old-fashioned costumes and relics of city's past.

60-Second Art:

Bank Features Display Of Polaroid Photos

Exchange National, Chicago, has featured a display of Polaroid photography, entitled "Singular Images."

The exhibit, which spanned the 30-year history of the Polaroid process, is said to have been the first such display in Chicago and included 140 works by artists such as Yusef Karsch, Ansel Adams, Walker Evans, Co Rentmeister and Pete Turner.

Open to the public during regular banking hours, the exhibit was originated by Exchange National in cooperation with Polaroid Corp.

News From Around the Nation

Comptroller, FDIC Chairman Take Press to Task on 'Problem Banks'

Both Comptroller of the Currency James E. Smith and FDIC Chairman Frank Wille have come to the defense of banking following numerous stories in the nation's press about so-called "problem banks" on the two regulators' lists.

Mr. Smith particularly singled out the *Wall Street Journal* for a January 26th story that he described as "so filled with error and misstatement as to make detailed denial of its assertions virtually impossible."

In his statement, also issued January 26, the Comptroller said: "This story is made all the more disturbing because it is so at variance with the usual practice of both the *Journal* and the story's author for careful and accurate presentation."

With the story's appearance, Mr. Smith said he perceived an enlarging competition among major U. S. newspapers to print the names of banks *presumed* to have problems. He did add that American banking has shouldered some tough problems during the past two years and that some problems continue. For instance, loan workouts will be a high priority for the foreseeable future. But, he pointed out, the outlook is distinctly positive.

FDIC Chairman Wille sent a letter to Senator William Proxmire (D.,Wis.), chairman Senate Committee on Banking, Housing and Urban Affairs. The letter, which updated information on problem banks, pointed out that 97½% of all insured banks in the country are *not* considered "problem banks" by the FDIC. He also emphasized that there are no banks on his list with $1 billion or more in deposits. He said that the 359 FDIC-insured banks on his problem-bank list can be characterized as follows: 29 "serious problem—potential payoff"; 92 "serious problem" and 238 "other problem" banks.

However, Chairman Wille also contended that the banking system is sound and "likely to improve considerably as the economy works its way out of our recent recession."

'Q' Ceiling Extended

Regulation Q rate ceilings have been extended to March 1, 1977, by President Ford, who signed a bill that makes the quarter-point differential between the maximum rate payable by thrifts and commercial banks a matter of law rather than regulation.

The new law states that the differential in effect on December 10, 1975, cannot be reduced or eliminated by regulatory agencies without congressional approval. It also provides that, even with the approval of Congress, commercial banks may at most pay the same as thrifts for deposits.

Another provision in the legislation extended a study of electronic banking one year to October, 1977. The study is to be conducted by the National Commission on EFT.

S&L Rural Branch Proposal Hit

A proposal by the Federal Home Loan Bank Board (FHLBB) to encourage S&Ls to open more facilities in rural areas has come under attack from small banks and S&Ls, which claim the proposal could put them out of business.

Under the plan, federally chartered S&Ls would be permitted to establish branches or mobile units in rural areas beyond the current 100-mile limit from the head office. The FHLBB said this would improve service to rural residents.

The small banks and S&L claim the proposal is another step by the agency to undermine the role of smaller institutions.

Dissident Directors Dropped

Seven directors of Hamilton First American, Memphis, have been replaced by Hamilton Bancshares, Inc., Chattanooga, HC controlling the bank. The directors filed suit against the HC last November seeking to rescind the HC's acquisition of Hamilton First American.

Five of the seven dismissed directors were founders of the bank. Four of the five new directors named by the HC are officers of the HC.

The suit charged that the HC did not properly disclose its financial condition to bank shareholders before the June, 1974, purchase. The HC has reported heavy losses on real estate loans.

FTC to Check IRA Ads

A Federal Trade Commission (FTC) investigation into misleading advertising of individual retirement accounts (IRAs) by financial institutions is being planned.

The agency also plans to look at the marketing claims made by financial officers at the time the accounts were sold to depositors, along with the emphasis financial officers were placing on the negative side of the accounts, such as the interest loss and tax liabilities that can result from early withdrawal.

IRAs were authorized by Congress last year to provide retirement benefits for workers not covered by company pension plans.

A complaint has been made that sales literature promoting IRAs often tends to "obfuscate the disadvantages while dramatizing the advantages," leaving many depositors confused.

NEWS OF THE BANKING WORLD

• **Wright Patman,** a long-time antagonist of commercial banks and regulatory agencies, has announced that he will not seek another term in the U. S. House of Representatives. The 82-year-old Democrat from Texas has served in Congress since 1929, longer than any other current lawmaker. He was deposed last year as chairman of the House Committee on Banking and Currency—a post he had held since 1963—in an attempt to make committee chairmen more responsive to the rank and file. He has been tireless in his attempts to drive down interest rates and make the Fed more responsive to the will of Congress.

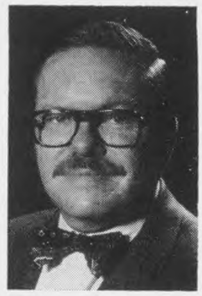
• **Edwin S. Jones,** chairman, First National, St. Louis, has been selected as a member of the Federal Advisory Council to represent the Eighth Federal Reserve District for the year 1976. Mr. Jones was also selected as "Man of the Year" by the St. Louis *Globe-Democrat,* which published an extensive article on Mr. Jones' civic accomplishments.

• **Jack W. Whittle** and three of his associates have left the marketing department at Continental Bank, Chicago, to form the Whittle Group, which offers marketing services to the financial community. Mr. Whittle was formerly vice president and director of marketing at Continental. Those joining him in the new venture include Gary H. Raddon, formerly second vice president and marketing manager of the commercial department; L. Biff Motley, marketing manager of the correspondent banking division; and Douglas R. Hanks, manager of sales training. Mr. Whittle is chairman of the new firm, Mr. Raddon is president and Messrs. Motley and Hanks are executive vice presidents.

Principals of the Whittle Group, Chicago-based financial marketers, include (from l.) L. Biff Motley, e.v.p.; Jack W. Whittle, ch.; Gary H. Raddon, pres.; and Douglas R. Hanks, e.v.p.

PATMAN

JONES



PARTEE

• **J. Charles Partee** has received Senate approval to be a member of the Board of Governors of the Federal Reserve System. He was formerly a Fed staff economist and is the sixth economist on the seven-member board. He has been on the Fed board staff since 1962, serving successively as chief of the capital markets section, advisor in charge of financial research, associate director and then director of the division of research and statistics. Prior to joining the Fed, Mr. Partee was a second vice president and associate economist at Northern Trust, Chicago, and had been on the staff of the Chicago Fed.

• **Irby G. Metcalf Jr.,** chairman, State Bank of East Fort Worth, Fort Worth, has been elected to a three-year term as director, Independent Bankers Association of America. Incumbents reelected to the IBAA executive council from the Mid-Continent area are Joe Siebenmorgen, chairman, Bank of Quitman, Ark., and John Kenaley, president, Hub City Bank, Lafayette, La.

Pension Reform Booklet

The Department of Labor has issued a booklet explaining the reporting and disclosure requirements of the Employee Retirement Income Security Act of 1974.

The booklet, entitled "Reporting and Disclosure: Employee Retirement Income Security Act of 1974," outlines and explains in non-technical language how the act's reporting and disclosure provisions affect workers, employers and pension plan administrators.

It covers reports plan administrators must file with the U. S. government and information administrators must disclose to participants and beneficiaries, exemptions and alternative methods, other reports, record-keeping requirements, effective dates and enforcement.

• **Charles J. Kane,** president, chairman & CEO, Third National, Nashville, has been appointed by Comptroller of the Currency James Smith to the Regional Advisory Committee on Banking Policies and Practices, Eighth National Bank Region. That region is comprised of Alabama, Arkansas, Louisiana, Mississippi and Tennessee. Mr. Kane's term is for one year. He also is serving his third term on the Banking, Monetary and Fiscal Affairs Committee, Chamber of Commerce of the U. S.

Missouri Banker Honored

Wade R. Stinson (r.), president, United Missouri Bank, St. Louis, was honored recently by the National Collegiate Athletic Association at its annual convention in St. Louis. Mr. Stinson was among the NCAA's silver anniversary top five honorees for athletic achievement while in college and subsequent career achievement. Mr. Stinson set records in football at the University of Kansas while a student 25 years ago and later served as manager of the university's athletic department. He joined United Missouri Bank, Kansas City, in 1972 and has held his present position since January, 1975. At l. is Clyde Walker, current athletic dir. at KU.

Use of Microfiche Signature Cards Saves Space, Verification Time

SIGNATURE CARDS have been eliminated at First National, Fort Worth. They've been reduced to microfiche, so records that once occupied over 30 square feet of lobby space now can be held in one hand.

Using the microfiche medium, the bank's 62,000 signature cards were converted to 52 pieces of film, each about the size of an index card. Teller checking time reportedly has been cut in half with the system.

Previously, lobby tellers had to refer to alphabetical files lining the area behind their cages, a process requiring about one minute per check. Motor bank tellers had to place a call to the bookkeeping department, where the customer's card was shown on a TV monitor, a process which took in excess of two minutes and sometimes 10 minutes.

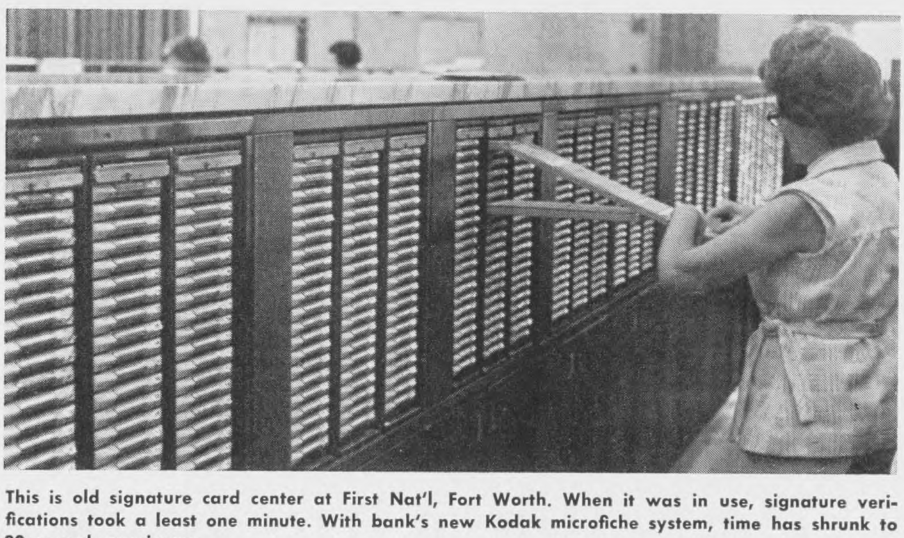
The Kodak microfiche system was installed in 30 hours by the bank's staff, who worked in around-the-clock shifts during one weekend. The First National data processing department produced a program to handle the master index; Kodak delivered the equipment within four weeks of the order date; and a Fort Worth firm wrote a program and produced a microfiche master for the bank in five days.

The new system has additional benefits, according to First National. It provides a better quality picture than in the past and therefore more thoroughly safeguards against forgeries. Regarding the faster signature verification time—30 seconds—bank officials say the time can be reduced to 15 seconds in the future.

Gary Mabra, op. off. at First Nat'l, Fort Worth, holds handful of film comprising bank's entire microfiche file of 62,000 signature cards. Nearly 1,200 cards are displayed on each piece.

How are the signature cards reproduced on fiche? Twenty-five cards are photographed at once with a special camera on 35mm film, which is reduced to 16mm size. Several of the smaller strips then are fit together and photographed, then developed, with the four-by six-inch microfiches resulting.

Each microfiche bears 1,190 signature cards, so 52 can hold the bank's entire collection. • •



This is old signature card center at First Nat'l, Fort Worth. When it was in use, signature verifications took a least one minute. With bank's new Kodak microfiche system, time has shrunk to 30 seconds maximum.

BAI Reveals Restructuring; Banking Services Enlarged Under Long's Direction

PARK RIDGE, ILL.—The Bank Administration Institute has integrated three divisions—Research, Technical and Assessment of Concepts and Technology—into the Banking Services Division.

That division is directed by Robert H. Long.

The new division will be subdivided into four groups, with specialists focusing on important banking requirements in financial services, auditing, bank systems and technology assessment.

The financial services group, headed by John Monroe, will work in the areas of bank accounting, taxes, financial and profit planning, trust administration and operations, bank performance, HC operations, cost/benefit analysis and information services to the banking community.

The auditing group will concentrate on all aspects of bank auditing, including EDP and trust, and will supervise BAI's Chartered Bank Auditor program. Heading this group is Charles Coen.

The bank systems group will direct its efforts to manual and automated banking systems, the payments mechanism, standards and bank security. Its director is Dan Momjian.

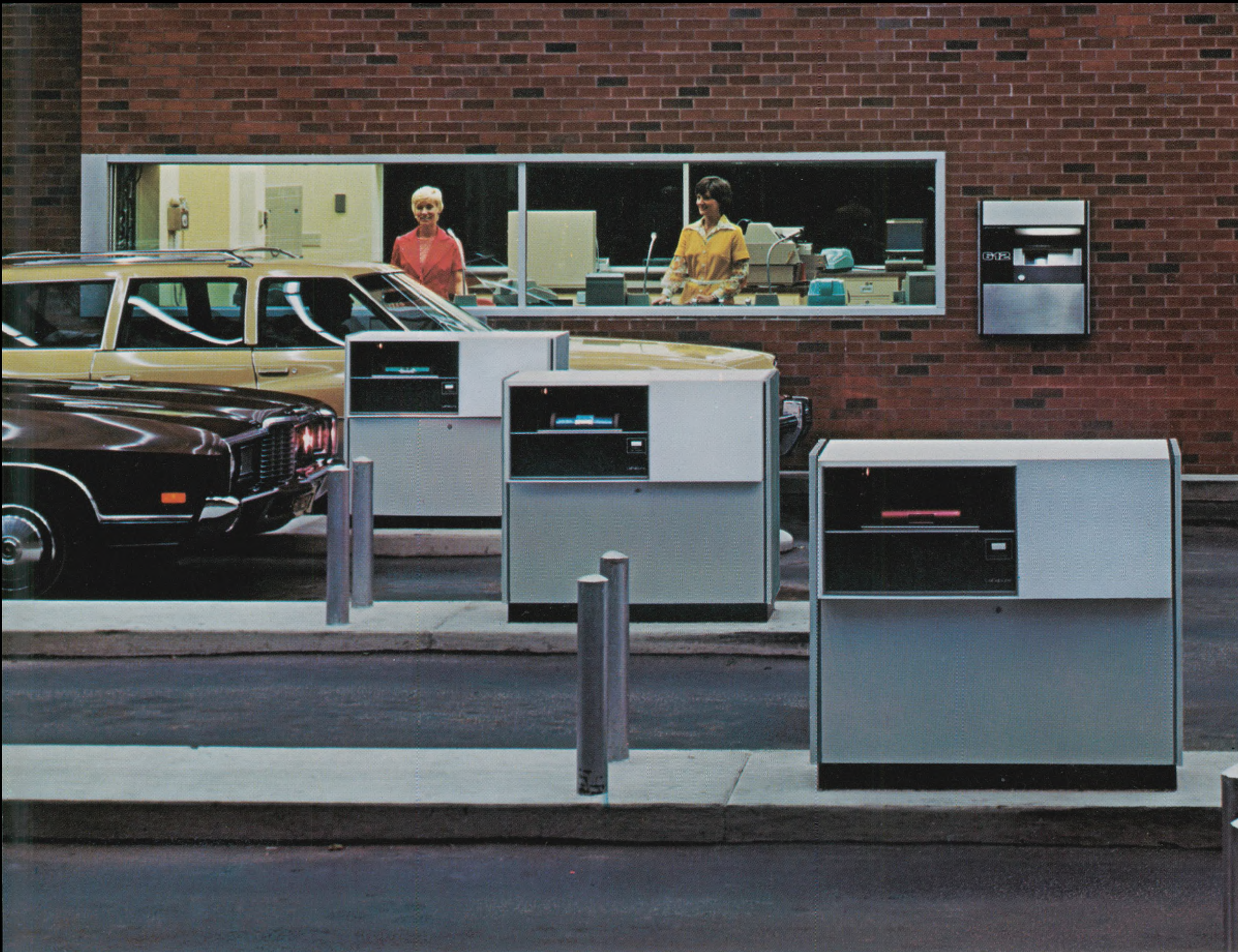
The technology assessment group will conduct evaluations of new bank services, technology developments and industry trends.

EFT Pioneer Dean Dies

LINCOLN, NEB.—EFTS pioneer John E. Dean, 57, president, First Federal S&L, died January 15.

Mr. Dean founded the Transmatic Money Service, now called The Money Service, which he first introduced in two Hinky Dinky supermarkets in Lincoln in January, 1974, causing an uproar in the finance industry.

At the time of his death, he was chairman of the EFTS committee of the National Savings & Loan League.



The drive-up system you can count on

LeFebure Tel-Air System Nine

Because your customers are important to you, you want a drive-up system that works. One you can depend on . . . day after day.

Tel-Air System Nine is this kind of system. It's simple. The carrier is always ready for the customer to pick up. No waiting. No buttons to push. The fully transistorized sound system makes communications clear, precise. And there's solid state circuitry throughout.

Tel-Air's two-line pneumatic tube system is simple, too. No need for switches, valves and air reversers. There's less chance for anything to go wrong.

This all adds up to a drive-up system with a low service cost per lane. LeFebure originated the concept of personal motor banking . . . then continued to improve its features year after year. The result is today's Tel-Air System Nine, your key to more drive-up transactions in less time at less cost.

Get all the facts. Talk to your LeFebure Sales Engineer. Or write for more information.

LeFebure

Division of Walter Kidde & Company, Inc.
Cedar Rapids, Iowa 52406

We make more of the things you need than anyone else in the world.

Community Involvement

$8,000 Project:

Lobby Collection Buckets Help Fund Mini-Park

"Put a Buck in the Bucket" read the signs in the lobby of Park State, Loves Park, Ill. Purpose of the posters and the red, white and blue buckets is to help raise $8,000 necessary to complete the Loves Park Bicentennial Mini-Park.

The donations of visitors and customers are deposited in a special account.

The citizens of Loves Park consider the Mini-Park a landmark in the town. It's highlighted by a three-spout agate cement fountain decorated with the red, white and blue bicentennial emblem, while the years 1776 and 1976 are inscribed to the left and right of the fountain, respectively.

The park is slated for an official opening on January 1, 1977.

Voter Participation Urged

This is a copy of the ad run by Fort Worth Nat'l, urging voter participation in the then-upcoming state constitutional amendment election. The ad's copy points out the "whys" of voting, beginning with a quote by Montesquieu, the French philosopher: "The tyranny of a prince in an oligarchy is not so dangerous to the public welfare as the apathy of a citizen in a democracy."

Hard-of-Hearing Job Seminar

J. Michael Searles (seated, r.), pres., Commercial Bank, Olivette, Mo., discusses employment opportunities with students with impaired hearing, while their teacher, Jim Oliger, and their consultant, Jacqueln Simms, translate into sign language. The students attend the St. Louis County Special School District Pre-Vocational Program and toured the bank as part of their career-exploration studies. A high point of the groups' day reportedly was when they met one of their former classmates, Kathy Biega, who works in the bank's operations department.

Merit Award:

Students' Research Paper Wins $500 From Bank

A student research team from North Texas State University's College of Business Administration has been awarded a first prize of $500 by Republic National, Dallas, for the students' study of "Banking and the Building of America."

The bank plans to use the work in a bicentennial exhibit.

Special merit awards went to two other student teams. Republic National gave prizes of $300 and $200, respectively, to students from Southern Methodist University, Dallas, and the University of Texas, Arlington.

In addition, each student team was given an unrestricted grant of $500 to conduct its research.

In Nashville:

Governor Honors Bank For Support of Arts

First American National, Nashville, has been awarded the governor of Tennessee's Certificate of Appreciation for support of the arts.

Reportedly the only bank in that state to win one of the 12 citations, First American's selection was based on its "Noontime Is Showtime" entertainment series and its co-sponsorship of the Tennessee Crafts Fair.

Originated in 1974, the "Noontime" series then offered 32 shows over a 16-week period, specializing in art, music and special activities.

The shows not only give artists a chance to gain exposure, but provide tourists and downtown lunch-goers with some free entertainment.

During the 1975 season, over 60 of the noon shows were put on, including such diverse programs as the Marine Corps Drum and Bugle Corps, karate demonstrations and sculpture exhibits.

The Tennessee Crafts Fair takes place over a three-day weekend in May and provides craftsmen with a chance to set up exhibits and sell their wares. More than 150,000 people are reported to have attended the 1975 fair.

Barbara Brake (r.), public relations coordinator, First American Nat'l, Nashville, accepts congratulations and state Governor's Certificate of Appreciation for bank from State Commissioner of Revenue Jayne Ann Woods. Bank was one of 12 businesses and organizations recognized by governor for support of arts.

Aid to Professionals:

Bank's Financial Seminar Helps in Estate Planning

Winchester (Ky.) Bank, in conjunction with Financial & Capital Planning Corp., Louisville, has conducted a financial problem-solving seminar for leading area professionals involved in estate and financial planning.

Highlights of the seminar were how to minimize taxation at the wife's subsequent death, how to avoid gift and estate taxes on life insurance proceeds, how to use tax-free corporate dollars to pay personal estate taxes, how to pay tax deductible corporate dollars to the wife after death, how to prevent estate taxes on future growth of assets and how to tax-deduct dollars to purchase life insurance.

Presentations were made by J. Clifton Stilz, bank vice president and trust officer, and representatives of tax and asset planning firms.

Oklahoma Atty. Gen., Two Chicago Banks Seek Overturning of CBCT Rulings

APPEALS have been filed in Oklahoma and Illinois seeking opposite results about the legality of customer-bank communication terminals (CBCTs).

The attorney general of Oklahoma is seeking reversal of a decision by a federal judge in Tulsa upholding the legal interpretation of the Comptroller of the Currency that off-premise electronic banking machines are not branches.

In Chicago, the two largest banks are seeking reversal of a ruling by another federal judge that such machines do constitute branches if they are used to accept deposits or make loans.

The Tulsa judge ruled in late December that two Tulsa banks conformed to both state and federal laws in operating off-premise CBCTs.

The state banking commission had sought an injunction to halt CBCT operations by Bank of Oklahoma and Utica National, but the judge ruled that neither the McFadden Act nor Oklahoma's anti-branching law applied to the off-site machines.

In five decisions handed down thus far at the district level on CBCTs, this was the first in which a federal judge upheld the Comptroller's view.

Although officials of First National and Continental Illinois National, both in Chicago, were pleased that the Chicago judge did not order the CBCTs in question closed, they went ahead with appeals to overturn the judge's ruling that the McFadden Act and Illinois antibranching statutes did apply and that it made the CBCTs being operated by the two banks illegal unless the deposit and loan granting functions were discontinued. The judge ruled that the banks were within their rights in offering cash dispensing services from checking or savings accounts.

As a result of the ruling, Continental Illinois National has made plans to expand its supermarket check authorization system to include cash withdrawals from savings and checking accounts at its POS network of terminal devices.

Bank of Oklahoma's CBCT has been operating since July and had limited services to cash withdrawals from checking accounts, charge card cash advances, funds transfer between savings and checking accounts and payment of bills by charge card. Now the bank plans to add a deposit service.

Utica National operates a POS terminal in a clothing store. It has been in operation since last summer.

Continental Illinois National has had CBCTs in use in office buildings since last fall and First of Chicago has several CBCTs in operation on the premises of business firms that are not available to the general public. • •

Continental to Share Network With Correspondents, S&Ls

CHICAGO—Continental Illinois National has announced plans to share its automatic banking network in local supermarkets with correspondent banks and midwest S&Ls.

Three banks in the Chicago area will share Continental's check-authorization technology at 200 National and Dominick's supermarkets in Chicago and suburbs. They are National Security, Chicago; Avenue Bank, Oak Park; and Glenview State. Each bank will issue its customers an automatic banking card, developed by Continental, that will enable customers to cash personal checks at any of the supermarkets. Completion of issuance of the cards is expected by the end of this month.

The Federal Home Loan Bank (FHLB) of Chicago and Continental have signed a contract to develop a shared electronic network between Continental and S&Ls in four states. The network is expected to be available to S&L customers by mid-year.

Under the agreement, Continental will provide computer linkage between its electronic terminals at Dominick's and National food stores and FHLB computers. The link will enable S&Ls whose data processing functions are performed by the FHLB to offer their customers, upon approval of the service by the Federal Home Loan Bank Board in Washington, the convenience of cashing checks and withdrawing or depositing to S&L savings accounts through Continental's terminals at the markets.

The FHLB currently performs data processing functions for 158 S&Ls in Illinois, Wisconsin, Michigan and Indiana.

S&L customers will use Continental's terminals to conduct their financial transactions and will use a magnetically encoded card, issued by their S&L, for access to the terminals. Upon presentation of their card to food store personnel at the convenience counter, S&L customers will be able to make withdrawals or deposits to their savings accounts as well as cash checks.

Oklahoma Independent Bankers Propose EFT Commission

OKLAHOMA CITY—Legislation drawn up by the Independent Bankers Association of Oklahoma will propose a new state commission to license and regulate EFT systems and equipment for all Oklahoma financial institutions.

The organization includes 137 banks in the state.

The measure calls for a three-member commission to license and regulate all EFT systems and equipment used by banks, S&Ls, trust companies, savings banks and credit unions.

One commission member would be appointed by Oklahoma's bank commissioner, a second would represent the governor and the third would be named by the Oklahoma Corporation Commission.

The proposal does not have the support of the Oklahoma Bankers Association, which is drafting its own bill, which would regulate EFT systems in banks only. However, the OBA has agreed to explore the utility regulatory aspects of the independents' proposal.

The OBA bill is designed to amend the state banking code to permit banks —and only banks—to operate remote and off-site terminals and tellers and engage in EFT systems.

Fourth National's ATM Network To Be Started in Wichita

WICHITA—Fourth National has announced plans to establish a network of ATMs and POS terminals in merchant locations in the metropolitan area here during 1976.

The bank's on-line terminals will permit all of its customers to have direct access to their accounts for payment of purchases at merchant locations. Under state law, the terminals must be shared with other banks and their customers.

The ATMs, which initially will be installed in the bank's downtown and detached facilities, will permit customers to withdraw cash, make deposits, process loan payments and find out their account balances 24 hours a day.

Competition Demands Concern for Bank, Not Just Installment Loan Department

By RICHARD J. PFLEGING
President
Bank of St. Ann, Mo.

COMPETITION is many things to many people. Webster defines it as "an act of rivalry; a contest for some prize or advantage; the rivalry between two or more business enterprises to secure the patronage of prospective buyers; rivalry for the purpose of obtaining some advantage over some other person or group."

Competition, as it relates to banking, is that force or being that keeps you or me from getting more of the most profitable and desirable business.

Competition is not only the bank, the S&L or the credit union, it is the friendly loan company up the street or across the nation that wants your borrower as much or more than you do and is willing to do something to take him from you.

". . . as we kindle the interest in competing from within we prepare ourselves for competing with the bank's true outside competition."

Competition is government that creates unfair competitive forces that permit other lenders to attract our customers at a cheaper price than we can pay for the same product or service.

Competition is also the people in our banks who come to work every day for lack of something better to do. They put in the required number of hours to get a paycheck but never to accomplish anything else. They know nothing about what is going on outside their own offices.

It is this last form of competition—which I call competition from within—that I would like to discuss.

The true competition from within the bank is a serious lack of concern on the part of many personnel for what makes the bank tick beyond their own desks.

There's a way you can inform yourself about the competition from within.

Keep track of the next 100 payments on installment loans made by check at your bank. Then note how many of them are made with checks drawn on banks other than yours.

After you have recovered from the shock, pull out the applications of the loan customers who do not bank with you and see if this fact wasn't known when the loans were made. Then ask why the bank didn't get the checking accounts when the loans were granted.

Ask yourself: Would the bank's gross profit margin have been any better on a $2,000 loan made at a 10% annual percentage rate where the bank had an average checking account balance of $200 rather than no checking account at all for that customer?

The gross profit margin without a deposit account is 10%. The gross profit margin with a $200 deposit account is 11.11% before any reserves on deposits, 10.99% after a 10% demand deposit reserve and 11.07% if the deposit is a time deposit subject to a 3% reserve.

An 11% increase in the gross profit margin of a $2 million installment loan department having the same gross yield as my bank means an additional $24,662 in gross income to the bank!

You are not going to increase your bank's deposits $200 for every $2,000 loan you make just because I suggested that you ask the borrower for an account. But, on the other hand, you are not going to get any deposit if you don't ask for it.

It might be well to remember that, as of last October 30, reserve requirements on CDs having an original maturity of four years or more were reduced to 1%!

Another illustration: Stay late some evening before checking account statements are mailed and thumb through the cancelled checks to some of your customers' accounts and see the shocking number of customers who borrow elsewhere.

You might classify these people as poor payers, but, if your bank is anywhere near average, these are customers who found the competition on the outside better than the competition on the inside.

Perhaps you think this doesn't concern you, since it isn't your department's business to handle new accounts. But it is your department's business to see that your bank gets all the business it can.

How many times has your bank made a loan secured by a savings account or CD from another bank or S&L? And how many times has someone at your bank asked the borrower to move his account or CD to your bank?

Sure, often the customer will say that it is not convenient for him to move his account or that the friendly S&L pays one quarter percent more interest on its passbook accounts than your bank does.

Then why not suggest that the customer put his money into a CD at your bank and get a higher rate than at the S&L? Or why not suggest that he move his account in exchange for a one-quarter percent reduction on the loan rate?

Certainly, no bank has the answer to every competitive question. If it did, it would be the only bank in the area. But, as we kindle the interest in competing from within we prepare ourselves for competing with the bank's true outside competition. • •

This article is based on a portion of a talk delivered by Mr. Pfleging at the 20th Annual Consumer Finance Conference of the Missouri Bankers Association. Mr. Pfleging is MBA president for 1975-76.

Lending, Investing Procedures For REITs Described in Book

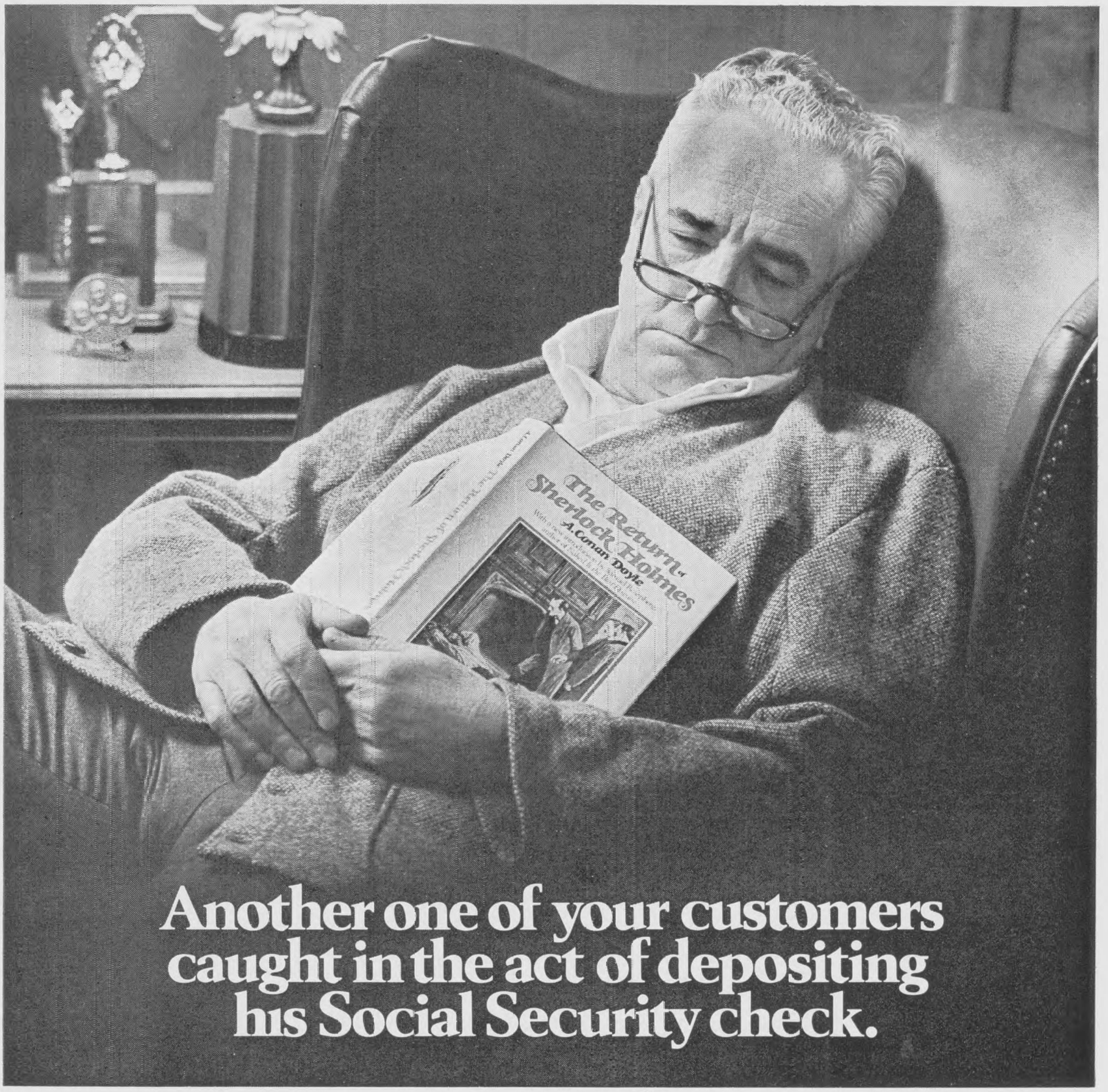
WASHINGTON, D C.—The National Association of Real Estate Investment Trusts (NAREIT) has published its second annual *REIT Fact Book.*

The 86-page booklet is designed to be a comprehensive reference source on the industry and is updated annually to reflect the most recent developments.

Prepared under the direction of NAREIT's director of research, Dr. Peter A. Schulkin, the book reviews the financial highlights of 1974 and describes the lending and investing procedures of REITs.

Included in the book are several appendices and statistics for the REIT industry, while sections of the IRS code pertaining to REITs have been reprinted, along with a sample declaration of trust and the REIT Statement of Policy by the Midwest Securities Commissioners Association.

The *REIT Fact Book* is available for $1 prepaid from the National Association of Real Estate Investment Trusts, 1101 17th Street, N.W., Washington, DC 20036.



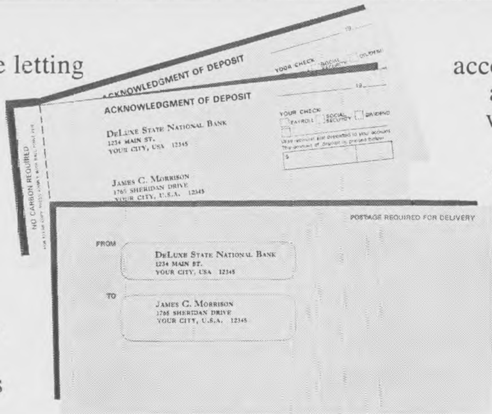
More and more of your customers are letting someone else make their deposits for them . . . the government, employers, and so on. And, as this Direct Deposit system grows, so grows your need for an appropriate acknowledgment form.

The multi-copy Acknowledgment of Deposit Form AD-1 by Deluxe is a solution to that need.

For you, this form will help simplify your internal tasks because the AD-1 is MICR encoded with the customer's account number, plus it is pre-addressed and is designed to be used with a dual window envelope for easier mailing.

For your customers, the AD-1 is an accurate acknowledgment as well as an extra recordkeeping tool.

The Acknowledgment of Deposit Form is available in sets of 36 and may be just the ticket you need to handle your Direct Deposit customers. Ask your Deluxe representative.



DELUXE
CHECK PRINTERS, INC.
SALES HDQTRS. • P.O. BOX 3399, ST. PAUL, MN. 55165
STRATEGICALLY LOCATED PLANTS FROM COAST TO COAST

New Products and Services

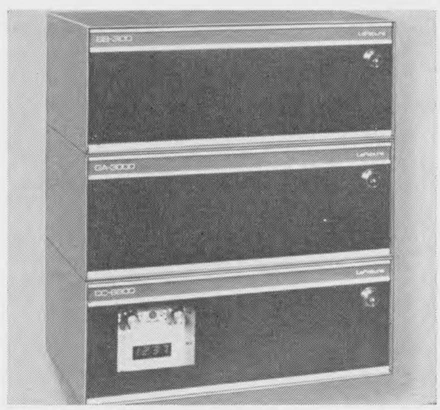
• **Meilink Bank Equipment.** The burglar-resistant Viking Safe is the new offering by Meilink Bank Equipment, Toledo, O. The unit, which was awarded U/L's TRTL-30 classification, is said to resist oxy-acetylene torch, high speed drill and all other known types of attack. It features a 5¼ inch door shell and five-inch-thick body, two adjustable shelves, optional interior accessories and is available in three models. In addition, the Viking has received a Class A120 certification for fire resistance by the Swedish Standards Association. Write: Meilink Bank Equipment, 3100 Hill Avenue, Toledo, OH 43607.

The Viking Safe is new burglar-resistant product of Meilink Bank Equipment, Toledo, O. It has been awarded U/L's TRTL-30 classification and the Swedish Standards Assn.'s Class A120 certification. The Viking is said to resist all known forms of attack, comes in three models and features a number of options.

• **Kansas Bank Note Co.** A computer-directed MICR encoder that converts information on a bank's computer tape directly to time payment books has been put into operation by Kansas Bank Note Co., Fredonia. A company spokesman feels the system will be a great time saver for banks, which just send in their computer tapes. No forms have to be filled out for setting up time payment book printing hours, so information from those forms will not have to be hand fed into the computer. Time payment books contain all necessary information for the bank's customer and are personalized with borrower's name, bank name and city and all other pertinent payment data. Write: Kansas Bank Note Co., Box 360, Fredonia, KS 66736.

• **NCR Corp.** A new magnetic card encoder has been introduced by NCR Corp., Dayton, O., for users of NCR card-activated financial equipment who wish to perform their own card maintenance. The NCR 773 magnetic card encoder will encode and verify data on the magnetic stripe of plastic cards used with the NCR 770 self-service financial terminal and the NCR 279 teller terminal. Designed for institutions wanting the in-house capability of replacing damaged, lost or stolen cards and of issuing cards to new accounts, the unit can encode the magnetic stripe in the ABA-standard second track and the NCR- and thrift industry-standard third track. The device includes numerical display, status indicators and operator lead-through, while an optional module allows encrypting secure data area on the NCR standard track. Write: NCR Corp., Dayton, OH 45479.

• **LeFebure.** For greater reliability and to comply with U/L's latest approved circuit changes, a digital clock has been incorporated into the programmer unit of the Grade A 3,000 Vault Alarm System of LeFebure, Cedar Rapids, Ia. Because of this, the time now is easier to read, according to the manufacturer. All other features of the system are the same as before, with complete system test capabilities and a programmer clock unit utilizing a pin-insert matrix to preset changes from day to night alarm conditions as exclusive features. The unit also is equipped with an independent power source for 80 or more hours of reliable operation in case of a failure of the usual power source. Write: LeFebure, Cedar Rapids, IA 52406.



LeFebure, Cedar Rapids, Ia., has added digital clock to its Grade A 3,000 Vault Alarm System, for easier readability, greater reliability and compliance with new U/L approved circuit changes. All other features of unit are retained, including complete system test capabilities and programmer clock unit with pin-insert matrix for presetting changes from day to nighttime alarm conditions.

Just send us your Computer Tape and our computer will print your

TIME PAYMENT BOOKS

Saves you time. No order form to fill out.

Kansas Bank Note has just purchased a sophisticated new computer that can read the loan information from **your** computer tape and print out time payment books for your customer at record speed. It's one of the few computers in the country with the capability to produce fully personalized books, including full field MICR encoding.

If you do **not** have a computer tape available, our computer will still do the computing for you and save you and your staff hours of time.

The time payment book is a quality piece too. It's personalized with the borrower's name, the bank name and city, the payment number, payment amount, account number, term of loan, net and gross payments and dates, the total owed before and after each payment, and on every December coupon we show the interest paid for the year for your customer's tax purposes. By using computer control for MICR encoding we can even encode amounts in MICR, including balloon payments when desired. We'll ship to you or your customer as directed.

Save time. Call or write for more information on our new computer tape service or ask for the complete brochure on our loan payment program.

KB
NC

KANSAS BANK NOTE COMPANY

FIFTH & JEFFERSON STREETS • FREDONIA, KANSAS 66736 • 316-378-2146

Morgan Guaranty Trust Company

OF NEW YORK

Consolidated statement of condition December 31, 1975

Assets

Cash and due from banks	$ 3 310 082 470
Interest-bearing deposits at banks	4 155 078 884
U. S. Treasury securities	1 430 640 275
Obligations of U. S. government agencies	127 099 381
Obligations of states and political subdivisions	829 776 163
Other investment securities	390 797 384
Trading account securities, net	405 547 136
Federal funds sold and securities purchased under agreements to resell	352 607 500
Loans, less reserve of $133 521 500 for possible loan losses	12 865 606 051
Premises and equipment, net	114 301 283
Customers' acceptance liability	706 105 805
Other assets	790 026 491
Total assets	$25 477 668 823

Liabilities

Demand deposits	$ 5 817 640 625
Time deposits	3 618 648 982
Deposits in foreign offices	10 528 326 368
Total deposits	19 964 615 975
Federal funds purchased and securities sold under agreements to repurchase	1 560 559 755
Commercial paper of a subsidiary	83 934 996
Other liabilities for borrowed money	855 666 807
Accrued taxes and expenses	429 827 894
Liability on acceptances	708 332 975
Dividend payable	23 750 000
Convertible debentures of a subsidiary (4¼%, due 1987)	50 000 000
Capital notes (6⅜%, due 1978)	100 000 000
Capital notes (5%, due 1992)	85 000 000
Mortgage payable	15 130 244
Other liabilities	367 751 260
Total liabilities	$24 244 569 906

Stockholder's equity

Capital stock, $25 par value (9,500,000 shares)	$ 237 500 000
Surplus	427 085 000
Undivided profits	568 513 917
Total stockholder's equity	1 233 098 917
Total liabilities and stockholder's equity	$25 477 668 823

Assets carried at $1 622 140 000 in the above statement were pledged as collateral for borrowings, to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes.

Member, Federal Reserve System, Federal Deposit Insurance Corporation

New York *23 Wall Street, 522 Fifth Avenue at 44th Street, 616 Madison Avenue at 58th Street, 40 Rockefeller Plaza at 50th Street, 299 Park Avenue at 48th Street*

West Coast *Morgan Guaranty International Bank of San Francisco, 400 Montgomery Street, San Francisco, Ca. 94104*

Southwest *Morgan Guaranty International Bank of Houston, 1100 Milam Street, Houston, Texas 77002*

Canada *J. P. Morgan of Canada Limited, 25King Street West, Toronto M5L 1G2*

Abroad *London, Paris, Brussels, Antwerp, Frankfurt, Düsseldorf, Munich, Zurich, Milan and Rome (Banca Morgan Vonwiller), Tokyo, Singapore, Nassau; Representative offices in Madrid, Beirut, Sydney, Hong Kong, Manila, São Paulo, Caracas*

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Campbell Soup Company

WALTER A. FALLON
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Bechtel Corporation

OLCOTT D. SMITH
Chairman, Executive Committee
Aetna Life and Casualty Company

Subordinated Debt Issues —A Source of External Capital

By DAVID H. JONES
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Washington, D. C.

THE RAPID INFLATION of the late 1960s and early 1970s exerted considerable pressure on our nation's financial intermediation mechanism to provide the funds required to keep our inflated economy going. To meet demands placed on them, banks, as well as other depository intermediaries, expanded their loans and assets at a rapid rate.

However, these additional assets were placed on the books of many banks at prices inconsistent with profitable long-run growth. Thus, with declining profitability adversely impacting internal capital generation and with equity markets becoming somewhat distressed, growth in banks' capital positions failed to keep pace with loan and asset growth. As a consequence, many banks today, though adequately capitalized at the moment, are not positioned to take on another round of rapid loan and asset expansion. These banks need capital, especially external capital.

One source of external capital available to banks is subordinated debt. By their very nature, subordinated notes and debentures cannot fully serve the function of equity capital. Because they must be paid off at maturity, capital notes cannot provide a cushion against loss as long as the institution is a going concern. Nonetheless, it is the Comptroller's view that the availability of note and debenture issuance adds needed flexibility to bank management.

During the 1960s, the Comptroller's office issued a ruling encouraging banks, under appropriate conditions, to issue long-term notes and debentures. The office continues to encourage issuance of subordinated debt for national banks for two reasons.

First, debt instruments add to the basic regulatory purpose of bank capital; they provide additional protection for bank depositors and others who would be adversely affected by bank failure.

Second, the Comptroller recognizes that some market situations would penalize existing bank stockholders if regulators were to insist on an injection of new equity funds.

In any event, issuance of subordinated notes and debentures is carefully circumscribed by our office. In the first place, we apply a general rule-of-thumb that limits debt capital to one-third of a national bank's capital accounts. In addition, we hold to a minimum one institution's sale of its debentures to another, usually larger, bank. While we recognize that in inter-bank debt may be the only source of debt capital available to smaller banks, such inter-bank transactions do not represent a fresh commitment of funds by those outside the banking system. A round-robin of inter-bank debt only waters down the system's capital. Generally speaking, small banks do not need debt capital because their earnings will not support it. If they need capital, they should raise equity capital.

Subordinated issues. At this point, it might be helpful to examine the procedures employed by the Comptroller's office in determining whether to approve a subordinated debt issue for a national bank.

The first step in obtaining authorization for a new subordinated note or debenture issue is for the national bank to submit to the Comptroller's office a completed "Application for Subordinated Capital Notes or Debentures by a National Bank." Copies of the application are available at each regional office of the Comptroller.

The application form requests detailed information on the following:

- Purpose of the issue.
- Principal amount.
- Interest rate.
- Details on arrangements involving correspondent balances.
- Maturity.
- Redemption provisions.
- Subordination provisions.
- Sinking fund provisions, if any.
- Dividend restrictions, if any.
- Rights of holders in event of default.
- Negative covenants, if any, to be entered into by the bank.
- Identity of purchaser(s).
- Sale arrangements, including identity of the underwriter and fee, if any.
- Pro forma projection of earnings, dividends and expenses giving effect to the proposed issue, for a three-year period; plus a statement of earnings for the current year.
- Annual mortgage payments and

"An examination of sources of capital funds raised by national banks during the past five years shows the importance of subordinated debt in the capital-funds picture."

This article is based on remarks Mr. Jones made at the ABA's 1975 Correspondent Banking Conference.

Number and Amount of Equity and Subordinated Debt Issues Sold by National Banks, 1970-1974 (millions of dollars)

	Equity Issues	*Subordinated Debt Issues*	
Year	*Total Amount*	*Number*	*Total Amount*
1970	$ 144.5	67	$ 70.5
1971	308.7	151	355.9
1972	466.2	245	722.6
1973	311.5	211	262.3
1974	342.7	113	108.8
	$1,573.6	787	$1,520.1

lease expense paid on bank premises for the preceding year, if any.

- Capital notes or debentures of other banks held by the bank.

The office also requires that the following be submitted with the application or shortly thereafter:

- Proposed notice of shareholders' meeting, proxy and proxy statement.
- A copy of the note and note purchase agreement, if any.
- A copy of the offering circular if other than a private placement.
- A copy of the underwriting agreement, if any.
- A copy of the underwriter's confidential memorandum, if any.

Following tentative approval by the administrator of national banks and approval by the bank's shareholders, the certified resolution of the shareholders or the board must be forwarded to the administrator of national banks.

An examination of sources of capital funds raised by national banks during the past five years shows the importance of subordinated debt in the capital-funds picture. As the table above shows, roughly half the $3.1 billion in new capital acquired externally by national banks during the five-year period, 1970-74, was through sales of subordinated notes and debentures.

As expected, sales of both equities and subordinated notes and debentures expanded and contracted with changes in money and capital market conditions. For example, in 1970—a year of sluggish economic activity and relatively tight money and capital markets—only $215 million was raised in the equity and subordinated debt markets. But with economic recovery and improved capital market conditions, new equity and debt issues expanded rapidly. In 1972, $1.2 billion of new capital was acquired externally by national banks, with about two-thirds coming through sales of subordinated debt instruments.

Since 1972, national banks have raised about $300 million in new equity capital annually, but sales of subordinated debt instruments have dropped sharply. In 1974, only 113 subordinated debt issues were sold by national banks for a total of $109 million in new capital.

Who Is Selling and Buying Subordinated Debt and on What Terms?

It might be helpful to those who would like to tap the debt markets to review the record on subordinated debt over the last 18 months. Specifically, let's look at who is selling and buying subordinated debt and on what terms.

From January, 1974, through September, 1975, national banks sold 199 subordinated debt issues. Of these, 112, or 56%, were sold by banks having assets of from $10 million to $50 million. Only 41 issues, or about 20% of the total, were sold by national banks having assets of $100 million or more.

A breakdown of subordinated debt issues according to purchaser shows that in each case the general public was the largest purchaser of these issues. Of the 199 issues sold by national banks since January, 1974, the general public bought 80.

As for other purchasers of bank subordinated debt, other banks were important for the smaller banks, taking about a third of the total. As I stated earlier, other banks often are the only source of debt capital available to smaller banks.

But as size of the banks is increased, bank holding companies replace banks as the second most important purchaser of subordinated debt. Of the 41 issues sold by national banks having assets of $100 million or more, only three were purchased by other banks, but 14 were purchased by bank holding companies.

The average size of the subordinated debt issues sold by national banks in the four asset-size categories is as follows: banks having assets of less than $10 million: $102,000; banks having assets of from $10 million through $49 million: $328,000; banks with assets of from $50 million through $99 million: $772,000; and banks with assets of $100 million or more: $3,138,000.

As to average weighted yields of subordinated debt issues sold by national banks since January, 1974, no noticeable upward or downward trends in yields are apparent for any size category of banks. Neither does there appear to be a significant difference in rates they had to pay. For the period January, 1974-September, 1975, the average weighted yields were, from the smallest asset-size category to the largest, 8.48%, 8.28%, 8.21% and 8.87%.

It's interesting to note that 25 (12.6% of the total) issues had yields tied to the prime. Of those that were tied to the prime, 19 were issues of banks in the $10 million-$50 million-asset category. In addition, 20 of the issues whose yields were tied to the prime were issues purchased by other banks. Thus, of the 58 debt issues purchased by other banks, approximately a third had yields tied to the prime. A breakdown of the issues whose yields were tied to the prime is as follows: at prime, six issues, prime plus one-half, five issues; prime plus one, 12 issues; and prime plus 1½, two issues.

Average weighted maturities of subordinated debt issues sold by national banks during the period January, 1974-Septemer, 1975, were as follows: banks having less than $10 million of assets, 11.1 years; banks having assets of from $10 million-$49 million, 9.6 years; banks having assets of from $50 million-$99 million, 14.7 years; and banks having assets of $100 million or more, 11.7 years.

Of the 199 individual subordinated debt issues sold by national banks during the 21-month period, only 25 had maturities of 15 years or more. However, 21 of these had maturities of at least 20 years. These longer-term debt issues were fairly equally distributed among the three largest asset-size categories of banks.

As bankers know, on July 2, 1975, the Board of Governors of the Federal Reserve System and the Comptroller of the Currency jointly issued for comment guidelines to be applied by these agencies in evaluating requests for approval of new subordinated debt issues proposed by banks as an addition to their capital structures.

The comment period has ended, and the two agencies are presently evaluating the comments received. In general, the comments appear constructive and are providing a valuable input in drafting the final version. The proposals receiving the greatest number of comments were those pertaining to the retained earnings test and inter-bank debt. • •

Bank Stock Loans —Opportunities and Hazards

By ERNEST T. BAUGHMAN
President
Federal Reserve Bank
Dallas

BANK STOCK LOANS may be used to create a controlling influence, to "salt away" a bank for possible future acquisition, to contravene unit banking by creating chains of banks or to "freeze out" competing correspondents. Bank stock loans made by banks also can have the effect of limiting the inflow of outside capital into banking, hence, weakening the system.

The regulator's greatest concern with bank stock loans, however, centers around the potential for conflict of interest and self-dealing. Frank Wille, FDIC chairman, commenting recently on a proposed regulation on insider transactions, stated that self-dealing and conflicts of interest were evident in more than half the bank closings that have occurred since 1960. These conditions were observed in relatively large, as well as smaller, banks.

The opportunity for conflict of interest in bank stock loans involves ability to gain control of a bank utilizing a preferential-rate bank stock loan. Such a loan may be supported, at least in part, by a dormant balance carried with the lending bank. The potential exists also for misuse of the acquired bank for the purpose of creating credit leverage to service personal speculative interests.

In the 1950s and 1960s it was common, at least in the 11th District, for controlling interests in banks to trade at two to three times book value. This was encouraged and made possible, at least in part, by 100% loans at correspondent banks at preferred rates of interest (in many cases as low as 2% to 4%). In most cases, these loans were supported by 100% compensating balances of the bank whose stock was pledged at the lending bank.

By the early 1970s, bank stock loans had reached such proportions as to attract attention at the Washington level. The three federal banking agencies initiated efforts to establish guidelines designed to control abuses arising from use of correspondent bank balances as compensating balances for personal borrowings by principals in bank management and control.

In September, 1970, the Criminal Division of the Department of Justice issued a letter stating that the practice of bank officials utilizing the correspondent accounts of their banks for the purpose of compensating lending banks for loans granted to those officials would, at a minimum, constitute a breach of fiduciary duty owed by the officials to the bank. Further, where the facts demonstrate a clear detriment to the bank and a concomitant benefit to its officers, the situation might warrant prosecutive action as a misapplication of funds under the criminal statutes.

The department's warning was disseminated to all banks by the supervisory agencies, and, thereafter, examiners for the Federal Reserve, the Comptroller and the FDIC were instructed to step up surveillance of bank stock loans and to report cases of preferential interest rate loans supported by compensating balances to the Department of Justice. For the next couple of years (1971 and 1972), no material change in the practice was observed in the 11th Federal Reserve District, but beginning in 1973 a noticeable change was observed.

Guidelines on bank stock loans were set forth fairly clearly in three Federal Reserve Board policy actions in 1972 and 1973:

1. In October, 1972, the Fed adopted revised guidelines for the Reserve banks in approving bank holding company applications under delegated authority. In cases where debt was incurred in the purchase of shares of any bank involved in the proposal, Reserve banks were authorized under the delegation to approve applications provided a number of conditions were met: (a) a plan was agreed upon for amortization of the debt within a reasonable time, normally not exceeding 12 years; (b) the interest rate on the loan was comparable to other stock collateral loans in the lending bank to persons of comparable credit standing; and (c) no compensating balances specifically attributable to the loan were deposited in the lending institution and the amount of any correspondent accounts maintained at the lending bank should not exceed the amount necessary to compensate the lending bank for correspondent services.

2. In January, 1973, the board, in an order approving the application of F&M Operating Co., Abilene, Texas, to acquire First National of Abilene, noted that the bank had made a number of personal loans at preferential rates to officials of other banks, which banks maintained correspondent balances with First National of Abilene. Typically, such loans were collateralized with

This article is based on remarks Mr. Baughman made at the ABA's 1975 Correspondent Banking Conference.

stock of the borrowing official's bank. The board stated its view that, if such loans were to be made by banks at all, they should be made on the same basis as stock collateral loans in general. The board stated it was concerned that stock collateral loans made at preferential interest rates could result in a conflict of interest or breach of fiduciary duty on the part of the borrowing officer or director if the reduction in interest rate was conditioned on the maintenance of correspondent balances with the lending bank, or if such loans were not available on an equivalent basis to all shareholders of the borrowing official's bank. Further, the order noted that making bank stock loans at lower than the prevailing interest rate might indicate that the lending bank was attempting to gain a measure of indirect control over the bank shares pledged as collateral for the loan without the approval of the Board of Governors, as required by the Bank Holding Company Act, although no such evidence was presented in the subject case.

3. In March, 1973, the Federal Reserve revised bank holding company application forms to require disclosure of interest rates at the origin of relevant bank stock loans and at date of filing. With respect to loans in subsidiary banks collateraled by bank stock representing more than 5% of the stock of the bank, information was required as to correspondent or other compensating balances.

The Federal Reserve actions in 1972 and 1973 to establish guidelines on bank stock loans promptly came to the attention of most of the large correspondent banks and many of the medium-sized and smaller banks in the 11th District inasmuch as the holding company development was in full swing at that time. Some lead banks in the holding companies welcomed the guidelines and seized the opportunity to adjust their rates on bank stock loans to the prevailing prime rate. Others adjusted rates on bank stock loans at such time as they filed bank holding company applications.

A survey conducted recently by the Federal Reserve Bank of Dallas shows that the interest rates on bank stock loans at the leading correspondent banks in the district range from a low of 7% to a high of 11.75%, and most are in the range of 8% to 10%.

The Federal Reserve's efforts were directed toward getting the bank stock loans adjusted so that such loans would satisfy Department of Justice guidelines. The effort was not understood or appreciated by some banks and, therefore, was not entirely successful. This is reflected by Department of Justice court actions in 1973, 1974 and 1975.

In June, 1973, a Houston bank and the chairman and chief executive officer of a bank in Waco, Tex., were indicted by a federal grand jury sitting in Houston and jointly charged in a one-count indictment with a violation of 18 U.S.C. §371 by conspiring during the period from December, 1969, until February, 1972, to knowingly and willfully misapply the monies and funds of the Waco bank with intent to injure and defraud said bank by causing the funds to be converted to the use, benefit and advantage of its chairman and CEO in violation of 18 U.S.C. §656. In July, 1974, the United States District Court for the Southern District of Texas dismissed the indictment, but the government promptly appealed the case. In August, 1975, the United States Court of Appeals, Fifth Circuit, reversed the Federal District Court in Texas and remanded the case for further proceedings, holding that a grand jury having sufficiently alleged in an indictment that defendants conspired to commit a criminal act, and the prosecution not being constitutionally improper, the government must be given an opportunity to prove its case before the trier of fact.

In April, 1975, the U. S. Court of Appeals, 10th Circuit, affirmed an earlier conviction by the U. S. District Court for the Eastern District of Oklahoma of a bank president from an Oklahoma state bank charged with

(Continued on page 38)

Guidelines for Loan Participations Issued by Robert Morris Associates

ELEVEN GUIDELINES to help banks in the structuring of single-instance loan participations have been issued by Robert Morris Associates. They're described in a booklet called "Guidelines for Upstream/Downstream Correspondent Bank Loan Participations." These guidelines focus on a participation arrangement as a mutually beneficial contribution to a continuing correspondent relationship that serves the borrowing customer as well as the community.

RMA submitted them to the Fed, FDIC and Comptroller. All three agencies took no exception to the final draft and deemed them a constructive contribution to the industry.

As listed in the RMA booklet, the guidelines are:

1. All participants in a loan should respect the confidential nature of the bank-customer relationship.
2. A request to engage in a participation should receive prompt consideration. Once made, the decision should be conveyed promptly to the originating bank.
3. The originating bank should provide the prospective participant with full information on the borrower to enable it to make an independent credit decision. Moreover, it is the continuing obligation of the originating bank to provide the participant with current information as it becomes available and to inform the participant of adverse changes in the status of the borrower for the duration of the loan.
4. Each participant should arrive at its own credit decision independently.
5. A loan participation is a non-recourse transaction.
6. The maturity of the participation shall be in harmony with the borrower's repayment program.
7. The yield is negotiable at the inception of the participation to the mutual satisfaction of each party.
8. Responsibilities for administration, documentation, collateral servicing and collection should be fixed at the inception of the participation. Such duties should be performed in a manner which preserves the interests of each bank.
9. Material changes in the terms and agreements between the borrower and the originating bank should not be made without the prior consent of the participant.
10. Losses and attendant collection expenses should be shared based on the participants' respective shares of the loan at the time of loss or of the incurring of the expense.
11. The responsible bank should remit promptly to the participating bank all payments of interest and principal.

The booklet contains additional information on the guidelines.

Copies of the guidelines booklet were mailed to 6,400 individual representatives in RMA's 1,600 member banks and to the chief executive officers of all U. S. banks.

According to RMA, development of the guidelines can be credited to the 1973-74 RMA small banks service committee. Under Chairman Wilford R. Pruett, the committee's research showed a need for such a set of suggested ground rules that would provide consistency in approaching the subject. Mr. Pruett is chairman and president, Union Bank, Benton, Ark.

How Your Correspondent Analyzes 'Your' Credit

By HAROLD F. STILL JR.
President
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Philadelphia

BANKS have been making credit available to other banks for many years and in a variety of forms. Undoubtedly, some type of analysis has been made in the past, particularly if credit was being extended on an unsecured basis for any protracted period of time. It's safe to say, though, that until quite recently, credit evaluation was conducted in haphazard fashion. The banking industry in the postwar years was in excellent health; bank failures were almost unknown, and there appeared to be no good reasons for detailed analysis. Moreover, too many searching questions by a lender might be upsetting to a correspondent relationship.

This type of casual approach continued well into the era of liability management, even though the latter dramatically changed the whole field of inter-bank credit transactions. Federal funds trading became widespread; bank certificates of deposit became popular investments for other banks; inter-bank liabilities, in general, became extensive.

The unsettling events of the past few years have caused many banks to take a whole new look at the process of establishing credit criteria to be applied to other banks. Large, well-publicized bank failures provided an all-too visible reason for doing this. Other bank failures, plus the generally tense and uneasy conditions in the money markets, have sharply accelerated the process. Today, it is commonplace for large correspondents to analyze in detail the smaller banks to which they make credit available, or to which they sell federal funds. These are healthy developments which should be welcomed by both parties.

This article is based on remarks Mr. Still made at the ABA's 1975 Correspondent Banking Conference.

How does one define the bank borrower this article is attempting to evaluate? Broadly speaking, the term refers to any bank that has a liability of any kind to another bank. All of us have demand deposits in other banks; to this extent, we really are extending credit, though seldom do any of us think of deposits in these terms. There are many other forms of credit extension. The most common of these are the purchase of subordinated debentures of another bank, term loans of various kinds, mortgage loans, CD purchases, Eurodollar placements, repurchase agreements, bank acceptances and, of course, the largest area of all, sale of federal funds.

There appears to be little solid data available on the magnitude of inter-bank credit transactions but, because of the keen interest now being shown by regulatory authorities and the banking industry, it's logical to assume that such credit extension does take place on a wide scale. Estimates of the federal funds market are available. A New York broker recently gave an approximation of the current volume of overnight fund trading. It is believed that, on a typical day, $12 billion might be traded through brokers; another $5-8 billion might be handled on a direct basis—a procedure whereby the largest banks trade back and forth and negotiate rates without benefit of brokers; and another $8 billion probably would be transacted through correspondent bank networks. Thus, more than $25 billion could change hands every night! In addition, another $4 billion trades in the form of "term" federal funds. The numbers are approximate, and undoubtedly there are duplication and overlapping in the figures, but by any measurement, this is a huge market. This description of the federal funds market makes it obvious that about half the funds traded are handled between banks that know each other well. Discussions with other bankers make it clear that credit evaluation is now widespread with respect to this type of transaction.

Much of this credit evaluation, and almost all the analysis for lending other than on a federal funds basis, depends on the correspondent bankers in the field, the "road runners." It's more important today than ever before that they become familiar with all facets of the banks upon which they call. They must become just as adept at credit investigation as the commercial loan officers in their banks.

This means that correspondent bankers must know how to analyze balance sheets and operating statements, and they must know the questions to ask which will enable them to get behind the actual numbers. It is not so much the dollars of investments that are important, for instance, but the quality of the investment, the maturity distribution and how many are pledged. The loan-to-deposit ratio is a relevant statistic, but it becomes meaningful only when one knows the quality of the loan portfolio and when one has a detailed breakdown of the composition of deposits.

For very short-term transactions, federal funds sales, for example, it's the liquidity of a bank that's important, and this is something the correspondent banker must ascertain. For longer-term loans, the only truly reliable source of repayment is earnings. To project these into the future, one must use the past record of profits, know the quality of those earnings, ascertain the basic philosophy of the management, find out what the bank aspires to be and how it plans to reach its goals.

One missing element in the credit analysis of banks has been the lack of control over the total borrowings of a given institution. This may not be a problem with a bank with only one primary correspondent, but most banks of any size have multiple correspondent relationships. If the borrowing bank is negotiating for a term loan, or trying to sell a debenture, or is discussing any kind of a specialized loan transaction, it is relatively simple to draw up a loan agreement in which covenants are made with respect to total borrowings.

It's quite different when a bank is purchasing overnight funds and may be using many fund suppliers. Some sellers of funds today are putting limits on what they will sell to a particular institution. This narrows the exposure of the selling bank, but it does nothing to prevent the purchasing bank from going to other banks that same day and buying whatever it needs from each of them. The total could be far beyond what prudence would dictate, but no one of the selling banks would know what that total was on any given day. Somehow, some way, methods must be devised to control this phase of federal fund purchases and sales. Without controls, without more order and discipline in this marketplace, sellers are likely to become uneasy and back away completely.

The thrust of this discussion is to be on downstream lending. Nevertheless, there remains a vast segment of interbank credit transactions which are vitally important. These transactions include upstream lending, but many are simply peer transactions where medium-size banks are lending to each other or, more importantly, selling federal funds to each other. To the extent that this trading takes place through brokers in that somewhat cold, impersonal, amorphous marketplace, it is much more undisciplined than other types of lending.

Perhaps it is the money managers of your banks who keep a watchful eye on this marketplace, but perhaps, too, you have some responsibility for this area of banking. If our broker friends in New York are correct in stating that about $12 billion trades each night in this market, then it means that we should know much more about these purchases and sales than we do at present.

It is a market largely confined to the top 300 banks in the country, some of whom trade regularly, many others infrequently. In recent years, a syndrome has developed around the very largest of the participants in this market to the effect that size equals quality. Generally speaking, funds have been available to these larger banks at the best rates and usually in whatever quantities are necessary. Credit analysis of this peer group seems to be considered unnecessary. There are all kinds of fascinating nuances to this, some of them deeply disturbing to managers of medium-size banks.

Primarily because of the slow, inexorable evolution of this two-tiered market, some medium-size banks are taking the policy position that their liabilities will be handled in a manner that will minimize reliance on the open market. Thus, they are tailoring their balance sheets so that federal funds purchases will be unnecessary, or they are relying solely on funds purchased from their own correspondents, smaller or larger. Presumably, these sources of funds know the purchaser well and are satisfied with its condition and performance. This policy permits a face-to-face exchange of views whenever a seller of funds might become a bit squeamish about the purchasing bank. It is during such an exchange that it's essential for the selling bank to know just what kind of credit criteria to bring to bear on the situation.

As an aside, it should be noted that a liability management policy of dealing only with one's customers means that growth will be limited to the kind of natural growth which comes through acquisition of new customers and expansion of old ones, but perhaps this is not all bad in the financial climate of the day.

There's one other facet of these transactions worth noting. Since the vast bulk of sales are repayable in 24 hours or less, the very nature of the transactions almost, but not quite, obviates the need for credit analysis. In those rare cases where a buyer of funds encounters serious liquidity or solvency problems, it is highly probable that sellers can escape unscathed. There usually are early-warning signals, and astute observers will quickly stop selling funds. In fact, it's the cessation of federal fund sales that really would cause the demise of a financial institution which depended on this type of liability to support any significant portion of its assets. In these rare cases, a natural course of events would be one in which federal fund liabilities were shifted to the central bank through borrowings at the discount window. Thus, the extremely short-term nature of these transactions provides an escape hatch for the seller.

Throughout the process of evaluating other banks, it is essential that accuracy, thoroughness and confidentiality be observed, particularly with respect to federal funds transactions. An appraisal that leads one bank to the conclusion that it will not sell funds to another is perfectly proper. However, if the appraisal is inaccurate and, more importantly, if word gets around, and other banks also stop selling, severe, if not irreparable, damage could be done. This really is a treacherous kind of marketplace.

It was interesting to read a treatise recently on the historical evolution of the federal funds market. There was no mention throughout the treatise of any attempt to establish credit criteria or of any attempt to evaluate bank borrowers, medium size or otherwise. Just two sentences have particular relevance today. They were found in a section of the paper describing the market in the 1930s and are quoted here. "The federal funds market dried up during the Great Depression. Banks became very cautious about arranging these unsecured loans, as uncertainty developed about bank solvency."

Now we are not in a Great Depression, and the conditions surrounding the banking industry are vastly different from those that faced the industry four decades ago. Nevertheless, one is not justified in taking an entirely casual approach to these extensive credit transactions. We're in a period of unease and uncertainty, and it behooves us to act in the manner of prudent lenders or sellers of funds. If this were not so, the whole issue of evaluating bank borrowers would be moot. • •

Jr.-High Students' Classes Are Held in Bank Lobby

More than 100 junior high school students have participated in an open classroom held at State Bank, Freeport, Ill. The event was held in conjunction with American Education Week.

The public was invited to view the classroom proceedings.

James Kleindl, head, Freeport Junior High School's business department, conducted the classes, which covered advertising, credit and opportunity cost and circular flow as pertains to recession and inflation.

The classes emphasized the "consumer" legislation of the last 10 years and were designed to help the youngsters survive in the marketplace. Consumer education courses are required of 9th grade students in Illinois, and bank officials feel the "open" classroom was a good way to demonstrate to the public just how that educational process was being carried out.

ESOPS–

How They Affect Banks
How They Affect Bank Customers

ESOPS (employee stock ownership plans) have been permissible since the 1920s, yet it's just recently that they've been getting much attention from bankers and other businessmen. Why? The reason is that in the past year and a half, Congress passed legislation that makes adoption of ESOPs or, as they sometimes are called, ESOTs (employee stock ownership trusts), more attractive than formerly. Specifically, this legislation is the Employee Retirement Income Security Act of 1974 (ERISA), the Foreign Trade Act of 1974 and the Tax Reduction Act of 1975.

ERISA has several provisions relating to ESOPs. One exempts ESOPs from certain provisions that apply to other employee benefit plans, such as the requirement that they diversify their investments and reduce to a 10% limit the stock they own in their sponsoring firm. Under ERISA, an ESOP also is said to be the only employee benefit plan that can be leveraged.

The Foreign Trade Act of 1974 provides that companies establishing ESOPs will get preferential treatment on government-guaranteed loans in areas hurt by foreign competition.

The Tax Reduction Act of 1975 provides an additional 1% investment tax credit in 1975 and 1976 to firms that contribute that 1% to an ESOP.

An ESOP is a deferred profit-sharing plan similar to a regular profit-sharing trust in that both are authorized under Section 401(a) of the Internal Revenue Code. Both allow employer contributions (up to 15% of eligible payroll) to be deducted from the employer's pretax income. Both provide that the contributions be held in trust and that plan benefits be paid on an employee's death, retirement or termination of service. In many other respects, rules covering these plans are identical.

The singular difference is that it's obligatory for the trustee to invest the annual employer contributions to the ESOP in securities of the employer, either preferred or common, to the extent that such shares are available. In legal contemplation, the ESOP is a seeker of securities of the corporation and may incur borrowings if necessary to acquire such securities. Debt incurred by the ESOP for this purpose may be guaranteed by the employer corporation. However, neither the employer nor any stockholder is under any continuing obligation to sell securities to the trust or otherwise serve as a source of company stock. When no further securities of the employer are available, the ESOP operates as a regular profit-sharing plan and invests the employer contributions in other qualified investments.

Another significant difference between a regular profit-sharing plan and an ESOP is that a regular profit-sharing plan is dependent on employer profits for its contributions, but contributions can be made to an ESOP regardless of an employer's profitability.

Whereas regular profit-sharing plans invariably are designed for the sole purpose of providing an incentive-oriented fringe benefit for employees, this objective generally is considered to be of secondary importance to the employer corporation when it installs an ESOP. An ESOP may provide the following benefits: recapture of prior-period federal income taxes, refunding of outstanding debt or arranging of new financing so that *both principal payments as well as interest charges are deductible from pretax income;* creation of a "market" for the stock of a closely held corporation, thereby allowing stockholders to sell their shares at prices equal to or greater than those of similar publicly traded firms, and conversion of a noncontributory profit-sharing plan into an ESOP, thus freeing funds for investment in the firm's shares.

In seeking securities of the employer corporation, the ESOP may buy newly issued shares directly from the corporation or it may purchase shares from existing stockholders. Therefore, it's capable of resolving either corporate or personal stockholder liquidity problems in closed corporations, and, as such, it provides a viable alternative to the more traditional solutions to these problems—a public offering or merger.

An ESOP has five distinct advantages over these two solutions: 1. The firm can retain its identity and remain private indefinitely. 2. The owners can continue to exercise voting control over shares they sell to the ESOP for as long as they desire. 3. Securities transactions within the plan don't require an SEC registration or any subsequent "filings" with that agency. 4. It can eliminate any existing or future problems with respect to minority stockholders. 5. As an employee-incentive program in a closed corporation, an ESOP can be extremely effective, particularly in cases where the firm experiences rising earnings over a period of years.

As far as banks are concerned, an ESOP is a flexible device that can be used in the commercial banking, trust, merger and acquisition departments and for their own employees.

Commercial banking department. An ESOP can help solve liquidity problems of a bank's commercial borrower by performing the following functions: 1. It will enable a firm to "clean up" its balance sheet by shifting term debt from the corporation to the ESOP and then having the plan purchase newly issued shares from the corporation, thereby augmenting the net worth. The company would, of course, guarantee the trust's borrowings, and this contingent liability would appear as a footnoted item on the balance sheet. 2. An ESOP can increase cash flow available for debt service significantly by the simple expedient of having the plan incur the borrowings it then would use to buy shares in the corporation. The debt would be amortized with proceeds from the employer's annual contributions to the plan, which are, of course, tax deductible to the corporation up to 15% of eligible payroll. In short, this provides a means for a company to service principal payments as well as interest charges with pretax, as opposed to post-tax, cash flow.

In essence, with an ESOP, a bank loan officer can stretch a client's cash flow, which, in turn, will enable the firm to service a greater debt load or to amortize its existing debt over a shorter period. This could prove particularly useful when an account is not reducing its borrowings on a satisfactory schedule or when a client company is growing rapidly and needs a $5-million term loan for expansion. Normal post-tax cash flow and current book value perhaps would justify no more than $3.5 million. By using an ESOP, the loan officer could, if he so desired, provide the business with the full $5 million it requires and still get paid out in the same period of time. Furthermore, the client would have a better-looking balance sheet, which should facilitate use of trade credit. In short, an ESOP not only enables a bank to provide its borrowing clients with more liberal accommodation if that is deemed desirable in certain circumstances, but it provides the bank with a tool to help turn over its loan portfolio more rapidly.

Divestitures. A bank often has large corporate clients who want to spin off a division, subsidiary or department, but they're experiencing difficulty in finding buyers with cash who are willing to pay a reasonable price for the property. Of course, it's in the bank's best interest to help its client resolve divestiture problems. Not only does it create good will and a satisfied customer, but, in many instances, proceeds of the sale may be used to reduce borrowings on static loans.

However, in trying to find a corporate buyer, the bank often is satisfying an old customer at the expense of losing potential new business, that is, the company that's created as a result of the "spinoff." In addition, under current conditions, it takes considerable time to find a suitable buyer, and this causes morale problems in the division and well may result in attrition of key personnel. In the meantime, the parent firm has its capital tied up in a business it shouldn't be in, and the bank may be sitting with light balances and a non-amortizing loan.

By using an ESOP, the parent company can sell its division within 60 to 90 days, and the divisional employees will cooperate fully since it's in their best interests. The bank solves a problem for an existing client while, at the same time, creating a new customer, because it probably will become the principal bank for the newly formed corporation, in view of the fact that the bank saved the management from being sold into economic servitude.

Dealership financing. A bank may have large corporate clients who distribute their goods through exclusive dealerships or franchises. It's common practice for the parent firm to provide new dealers with financing packages to enable them to get into business. Typically, these arrangements involve $4 to $7 of debt for each dollar of the dealer's equity money. Consequently, the new dealer's cash flow is severely burdened with excessive debt service the first seven or eight years. In turn, this makes it extremely difficult to stay current with the parent company on goods it buys, and the parent firm is limited as to number of new dealers it can finance.

If a bank is participating in these dealer-financing packages with a corporate client, it may want to suggest that new dealerships be set up on the basis of the ESOP taking down the term debt, thus enabling the dealer to use pretax cash flow to reduce his borrowings. Presumably, he could service the debt in four or five years, whereas, the existing program requires seven or eight. This would provide the parent with a stronger dealer organization and, ultimately, should improve its receivables turnover. Also, the dealer would be in a position to carry more inventory, and his employees would own a share in the business. This could reduce the personnel turnover rate.

Acquisition financing. Privately owned corporations desirous of making acquisitions for cash and debt may utilize an ESOP so that the borrowings incurred are serviced with pretax cash flow. The mechanics are as follows: 1. The acquiring firm sets up an ESOP and contributes 15% of payroll. 2. The ESOP then buys the stock or assets from the selling corporation, and the trust would incur borrowings to effect the purchase. 3. The trust then delivers

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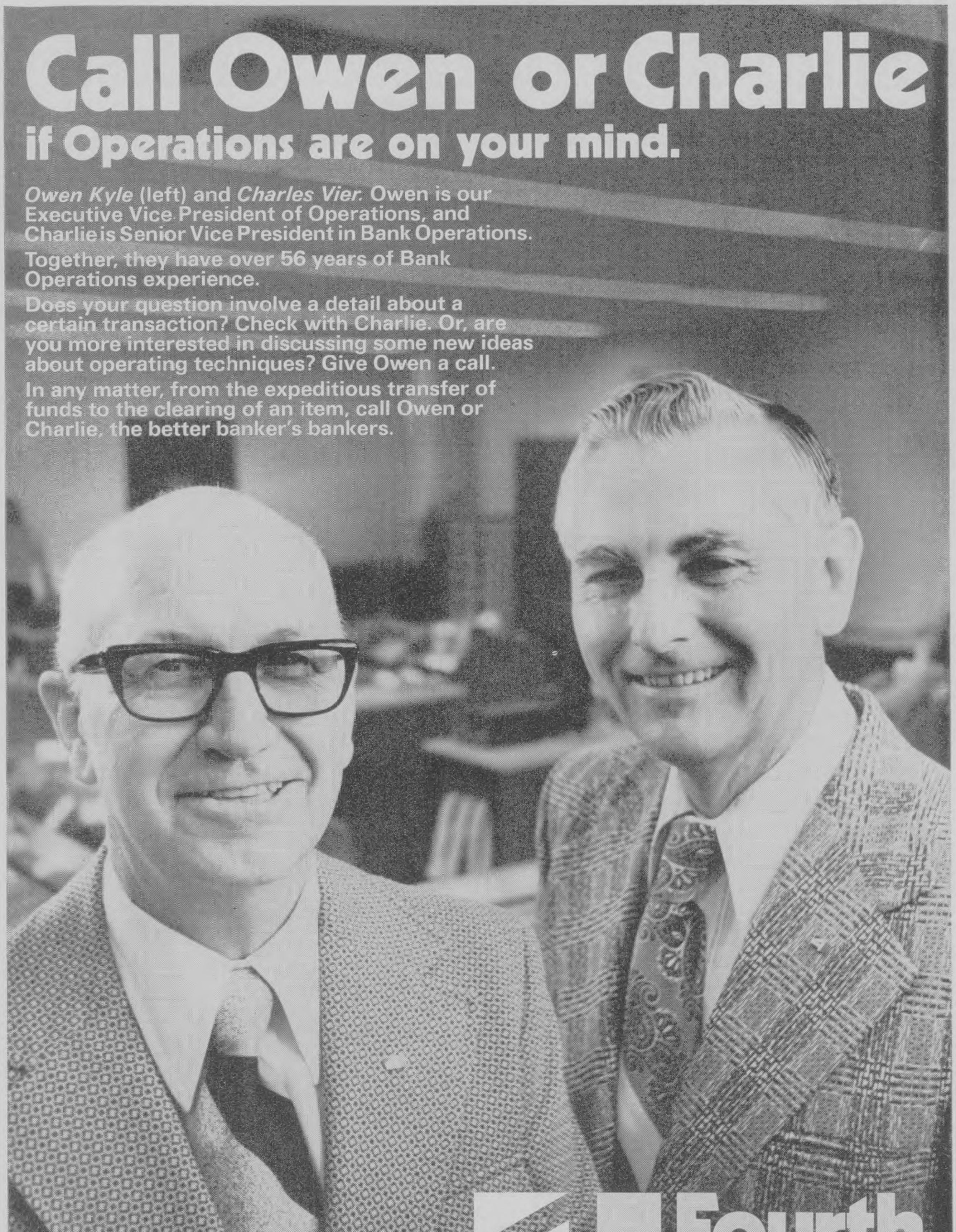
ESOP Adopted by St. Joseph, Mo., HC; Funding to Be in Cash and/or Stock

AMERIBANC, INC., a St. Joseph, Mo.-based multibank HC, has announced adoption of an employee stock ownership plan (ESOP) for its eight subsidiaries. According to Gerald R. Sprong, HC president, this ESOP is a first of its type among Missouri banks.

The Ameribanc ESOP will be funded entirely by contributions from the parent firm and its subsidiary banks. No monetary contributions from employees will be required or allowed. Funds contributed to the ESOP will be used primarily to buy Ameribanc stock. The plan will be administered by the trust department of American National, St. Joseph, the anchor bank of the Ameribanc system.

All HC bank employees who have completed at least 1,000 hours of service during the calendar year of 1975 are eligible to take part. Employer funding of the ESOP—effective for the full 1975 calendar year—will reflect a percentage of the total 1975 employee compensation of Ameribank personnel. The funding generally will be in the form of cash and/or Ameribanc stock. Distribution of stock in the ESOP to participating employees will take place at the time of each employee's retirement.

"We feel," said Mr. Sprong in announcing adoption of the ESOP, "it is an outstanding way for our employees to participate in the growth of the company, which has been very substantial in recent years." • •


Call Owen or Charlie
if Operations are on your mind.
Owen Kyle (left) and Charles Vier. Owen is our Executive Vice President of Operations, and Charlie is Senior Vice President in Bank Operations.
Together, they have over 56 years of Bank Operations experience.
Does your question involve a detail about a certain transaction? Check with Charlie. Or, are you more interested in discussing some new ideas about operating techniques? Give Owen a call.
In any matter, from the expeditious transfer of funds to the clearing of an item, call Owen or Charlie, the better banker's bankers.
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A multi-billion dollar U.S. industry takes root in Texas.

First City National Bank is helping cover the field.

Agribusiness adds over $7.3 billion to the Texas economy each year — including livestock, crops and many related businesses.

Half of the state's agricultural cash receipts come from livestock and the remainder from various crops, yet no single geographic area dominates the industry.

A more complete look at Texas' total agribusiness shows its national leadership:

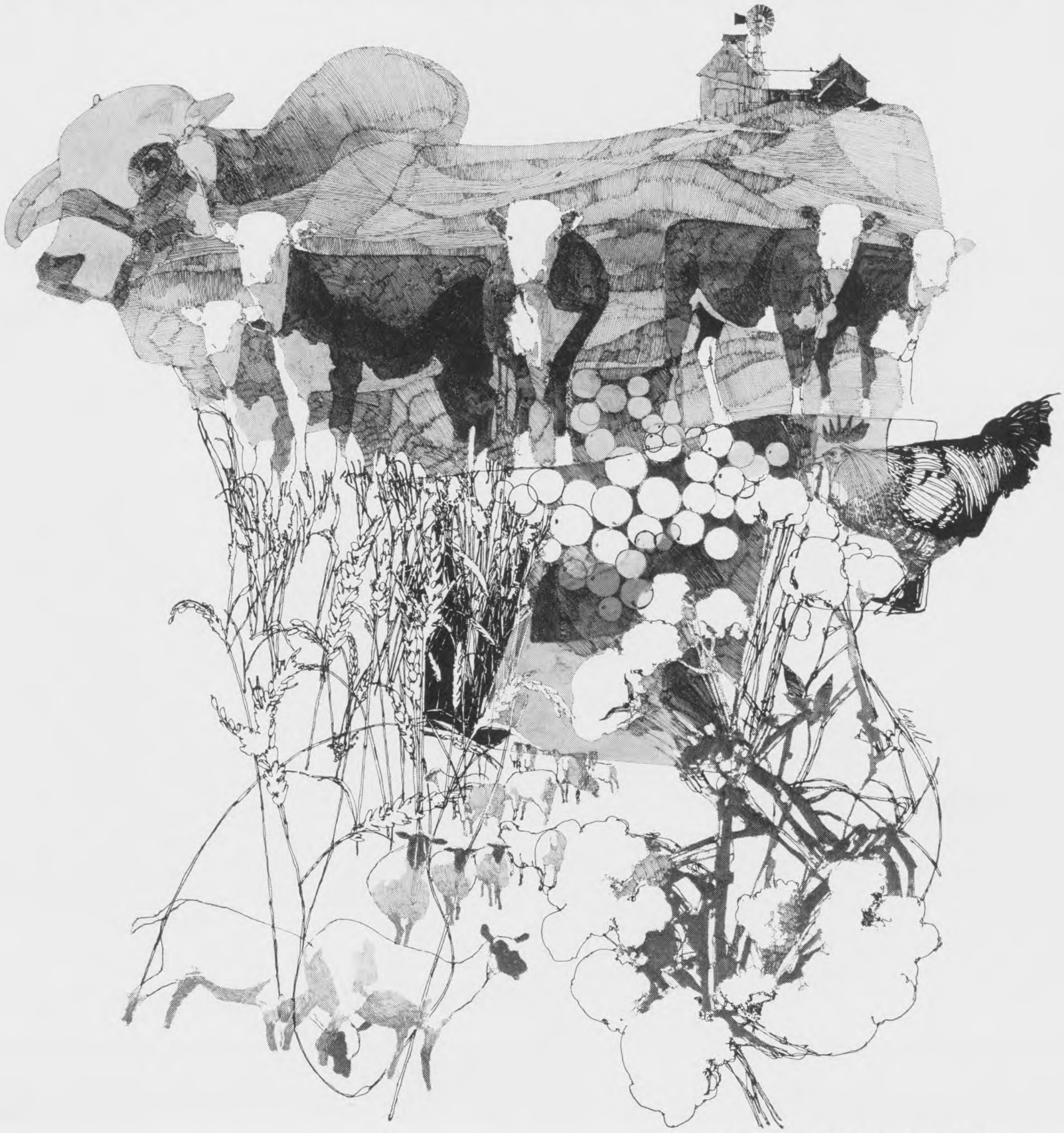
Cotton production in the northwest and central sections earns Texas a ranking of first in the country. As does beef cattle raising in the west. Sheep and wool in the southwest. And rice on the Gulf plains. Citrus fruit production in the Rio Grande Valley is only slightly behind California and Florida.

First City National Bank adds its financial seed to Texas agribusiness in many directions. What we've learned is yours.

We're becoming involved with more and more industries every day. And we're proving to correspondents that more service is the result of more experience. Understanding business as well as banking has helped make us . . .

A major financial strength behind Texas industry.

FIRST CITY NATIONAL BANK OF HOUSTON



the newly acquired stock or assets to the employer corporation in exchange for shares of the employer corporation.

Essentially, this transaction results in acquisition debt being serviced with pretax dollars, thereby generating significant cash flow savings. The net worth of the surviving firm is increased by the amount of the purchase price, and debt incurred by the ESOP (which is guaranteed by the employer corporation) is merely footnoted on the company's balance sheet.

The trust department. A bank's trust department could use an ESOP in several ways to resolve liquidity problems in estates and trusts it manages. For example, in situations where an estate owns control stock in a closed corporation, a bank would do well to dispose of these holdings as quickly as possible and at the best prices. Under current market conditions, it's extremely difficult to sell a private business on reasonable terms. There are few buyers with cash today, and the ones that are around drive hard bargains because they know the bank is not in the business of running a business and must divest itself of its holdings to provide the estate with liquidity. A problem for the bank is that if it sells at the going price, it later may be sued by the beneficiaries for having liquidated a major asset at a distressed price. On the other hand, if the sale is delayed in the hope of getting a better price, the bank is faced with running a business that could deteriorate and cause further problems. Also, any delay causes uncertainty on the part of the non-owner managers who know the bank ultimately will sell the business, and this may cause some attrition among key personnel. In the meantime, the estate remains in an illiquid position.

By setting up an ESOP, which would purchase the shares, the bank could sell the business within 60 to 90 days. Such purchases could be funded with bank borrowing guaranteed by the corporation, or the estate could enter into an installment purchase agreement with the trust. If the corporation has a noncontributory profit-sharing trust, it can be converted to an ESOP with IRS approval. The existing portfolio then may be liquidated, and, if necessary, the entire corpus may be used to purchase shares from the estate.

This should be an ideal solution for the bank because it can be consummated in a remarkably short time at a price that's frequently better than that which is available on the open market. It has the added benefit of creating a new corporate client for the bank or, at the least, preserving an old one. Conversely, the normal trust department procedure of finding a corporate buyer for the business generally results in the loss of the corporate business.

A bank may find that an ESOP can facilitate its estate planning activities. In fact, more than 80% of ESOPs now in existence are said to have been created expressly for this purpose. In cases where the client owns part or all of a closed corporation, an ESOP can provide his estate with the necessary liquidity while, at the same time, preserving the continuity of the enterprise.

This generally is accomplished by setting up an ESOP that enters into a buy-sell agreement with the client whereby he agrees to let a specific number of shares be sold to the trust on his death. The trust then buys life insurance on the client equal to the current value of the shares. Each year, the shares are revalued and the insurance adjusted accordingly. Generally speaking, the number of shares sold are comparable roughly to the estimated estate taxes so the client knows that no additional holdings need be liquidated when he dies. In addition, the management people, who may be family members, may continue to exercise voting control over the shares the estate tenders to the ESOP. More importantly, the company need not be sold to cover estate taxes. In the meantime, the life insurance premiums are funded with pretax dollars. If the client is not insurable, an installment purchase agreement can be worked out in place of life insurance or the trust can utilize bank borrowings, and such borrowings can be guaranteed by the corporation if necessary. In cases where the firm has a noncontributory plan, the trust may not require any outside financing because it can merely convert the existing trust into an ESOP and utilize the existing funds to implement the buy-sell agreement.

This setup is advantageous to the bank's trust department as well as to the client. In essence, the bank is setting up a mechanism that will automatically solve a future problem with respect to the management of this man's estate. Upon his death, the most illiquid asset in his estate will be sold automatically. Thus, the bank is freed from managing a business or from the problems of selling a closed corporation. This precludes the necessity of selling all the liquid assets to cover estate taxes or perhaps selling the illiquid assets at a distressed price.

In the estate planning area, an ESOP also can be used to help minimize the valuation ultimately placed on the business for estate tax purposes. This is particularly significant in situations where the company represents a substantial portion of the client's personal net worth.

ESOP for a bank. Publicly owned banks may want to consider converting their noncontributory profit-sharing plans into ESOPs. Properly structured, this can be accomplished with IRS approval. The bank then could liquidate all or part of the existing portfolio and use the proceeds to make regular or sporadic open market purchases of its own shares. The ESOP also could be used as a conduit through which large blocks could be funneled as they come on the market from time to time. This would help stabilize the price of the stock and prevent price erosion from blocks overhanging the market. Over the course of the years, it's likely that the trust could become the largest single shareholder or, at the least, a significant one. As the board appoints the trustees who vote the shares held in the trust, this would help preserve the bank's identity and solidify management's position. In short, it would tend to prevent raids on banks that are momentarily vulnerable such as the one attempted on a major New York bank several years ago. The bank also could enlarge its capital base by selling newly issued shares to the ESOP.

Bank Offers Tax Guide

Citizens Fidelity Bank, Louisville, has announced the *U. S. Master Tax Guide* for 1976.

Designed primarily to help taxpayers in preparation of their 1975 income tax returns, the *Guide* is geared to answer questions arising from preparation of returns.

Also included is information on tax consequences from decisions and transactions taxpayers may face this year.

Privately owned banks may want to convert their noncontributory profit sharing trusts into an ESOP, liquidate the portfolio and use the proceeds to purchase newly issued shares from the bank, thereby augmenting the bank's lending capacity. It also could be used to buy founders' shares from the controlling stockholders.

Setting up an ESOP within a bank also provides the bank's employees with an outstanding deferred compensation package and one that has real meaning to them. Psychologically, they can relate to collective ownership in their own bank far better than with a diversified portfolio of extraneous securities.

Adoption, administration. Before setting up an ESOP, banks should realize there is an administrative burden and expense in installing and operating the program. Besides the professional fees that are incurred in setting up the plan, there will be continuing expenses in complying with the reporting and disclosure requirements of ERISA.

The costs can mount up because a description of the plan and subsequent amendments must be given all participants and beneficiaries; a plan description and various annual reports must be filed with the Secretary of Labor, and annual returns and an annual registration statement must be filed with the IRS. There are exemptions from some reporting requirements for plans with fewer than 100 employees, but most filings are required to be met by all plans.

However, there's less expense involved if a bank has an existing profit-sharing plan that's converted to an ESOP.

Before adopting an ESOP, banks are advised to study such a program carefully and discuss it with their attorneys and accountants and, if possible, a specialist on ESOPs. Also, they must remember that, although an ESOP could be beneficial to the banks, such a plan must be operated *primarily* for the benefit of its participants and beneficiaries. • •

Bank Stock Loans

(Continued from page 30)

misapplication of bank funds in violation of 18 U.S.C. §656, involving use of an interbank deposit as a compensating balance for a preferential loan to the president of the depositing bank.

The final outcome of these cases is not yet known, and I shall not attempt to generalize, but I believe it appropriate to caution banks and bankers against complacency in the matter of bank stock loans. I feel that the abuses frequently associated with use of correspondent bank balances to support preferential interest rate loans have abated in large measure in the 11th District. However, there may remain a few lenders and borrowers whose practices are not consistent with Department of Justice guidelines or the fiduciary responsibilities of bank officers. Our examiners continue their surveillance of bank stock lending practices and continue to report to the Department of Justice those situations that appear to contravene the guidelines. • •

A Leasing Operation Can Place Bank In a Comfortable Situation

TO MANY bankers, leasing is a strange animal. When confronted with a leasing situation, some avoid it altogether. Because it is a relatively recent method of financing, unfamiliarity with leasing often leads to a feeling of extreme discomfort on the part of bankers. Since leasing is here to stay, there is no real need for any banker to avoid it.

With a little effort, any banker can satisfy himself that being a lessor—whether under a true lease situation or a "money-on-money" lease—can place him and his bank in a comfortable situation.

Leases ordinarily require no initial capital investment on the lessee's part, except perhaps the first month's rental in advance. This is equivalent to a lessor's advance of 100% of the equipment cost. This runs against the grain of many financing concepts, where there is a feeling on the part of the lender that the more equity a borrower has the more likely he will be to honor his obligation to pay.

The concept of leasing, as far as one of the major advantages to the user (the lessee) is concerned, is that he can have the use—and perhaps eventually ownership—of the equipment he needs without dipping into his capital. He feels his capital can be put to better advantages for purposes of inventory, accounts receivable and other day-to-day operations.

That this has merit is evidenced by the fact that many corporations will pay higher costs for leasing than they would for other borrowings. (Where the lease is tax-oriented and leveraged, the opposite will be the case.)

The concept of leasing, then, is that the lessee is paying for the *use* of the equipment. Here is the key on which the lessor should depend for his feeling of security.

The majority of Mercantile Bank's leases are for the acquisition of equipment that enhances a lessee's capabilities and enables him in the long run to do his job at a price that will keep him in the marketplace. This is true whether the equipment being leased is a machine tool, a computer, materials handling equipment, barges or railroad rolling stock. These are things he needs to keep him in business.

By ROBERT S. EVERSOLE
Leasing Manager
Mercantile Trust Co.
St. Louis

The purpose of the equipment being leased is important to pin down, as are the normal credit requirements. Such things should be asked as, "Will this equipment effect a cost savings over what the user is doing now?" For example, we recently leased several large hydraulic presses to a plastics fabricator. These presses enabled him to do a job that he previously sub-contracted. The savings in cost to him by being able to do the job in-plant more than offset his equipment rentals and added considerably to his cash flow and profit.

It is reasonable to ask a potential lessee for a cost justification. What does he expect the equipment to do for him? If it's additional equipment, does he have the ability to sell the additional product the equipment will turn out? It may be that the new equipment will allow him a considerable savings in personnel.

If a potential lessee can cost-justify the acquisition of the equipment, either through cost savings or the ability to realize more profit from the additional product produced, then oftentimes this may override a pure credit decision and enable the lessor to achieve that secure feeling.

Our experience as lessor has also shown us that, when lessees get into a financial bind, in most cases they will continue the lease payments, perhaps letting a supplier wait for payment on his account. This is done because of his need for the leased equipment in order to stay in business.

Railroads have provided a notable example of this to lessors. In most cases where a Chapter 11 has been taken, the trustee has reaffirmed the lease and rental payments have continued timely and unabated. The reason for this is that there is no hope of maintaining an ongoing operation without the equipment that has been leased.

Leases provide some advantages to lessors in the event of the bankruptcy of the lessee. If a lease is a true lease, the creditors of the lessee have no claim to the equipment; however, if the lease is a "money-on-money" lease, then the lessor, together with the creditors of the lessee, have a claim to the equipment with the relative priorities of such claims determined by the Uniform Commercial Code (UCC).

Inflation, as much as we detest it, has been good to lessors in most cases, in the following way: In the last six or seven years, the cost of replacing equipment that is now on lease has

NATIONAL BANKS ENGAGED IN DIRECT LEASE FINANCING IN MID-CONTINENT AREA*
(as of September 30, 1975)

State	Total Banks	Banks in Leasing	Amount of Direct Lease Financing
Alabama	94	11	$ 22,436,000
Arkansas	75	8	4,267,000
Illinois	421	61	69,614,000
Indiana	120	27	137,553,000
Kansas	170	22	3,878,000
Kentucky	80	10	49,132,000
Louisiana	53	9	24,793,000
Mississippi	39	8	579,000
Missouri	112	25	39,327,000
New Mexico	36	3	1,107,000
Oklahoma	194	79	32,228,000
Tennessee	75	15	39,365,000
Texas	581	50	86,587,000
Total	2,050	328	$510,866,000

*Source: Comptroller of the Currency

These people provide the "People Services" that give our correspondent banking services that "something extra."

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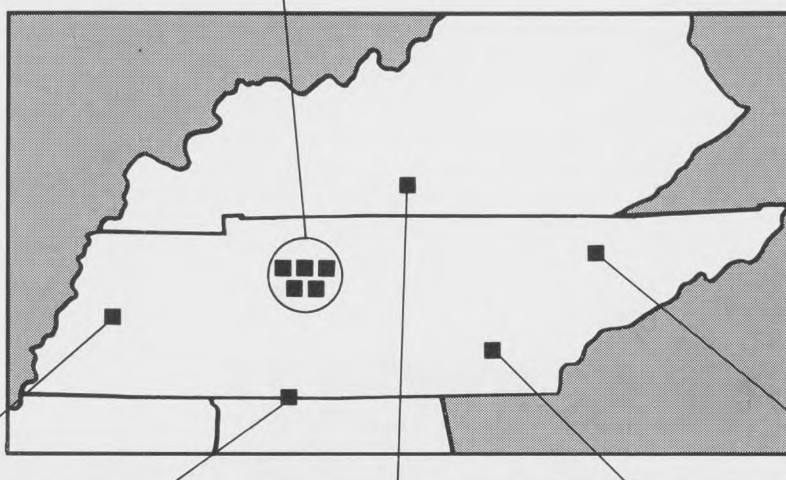

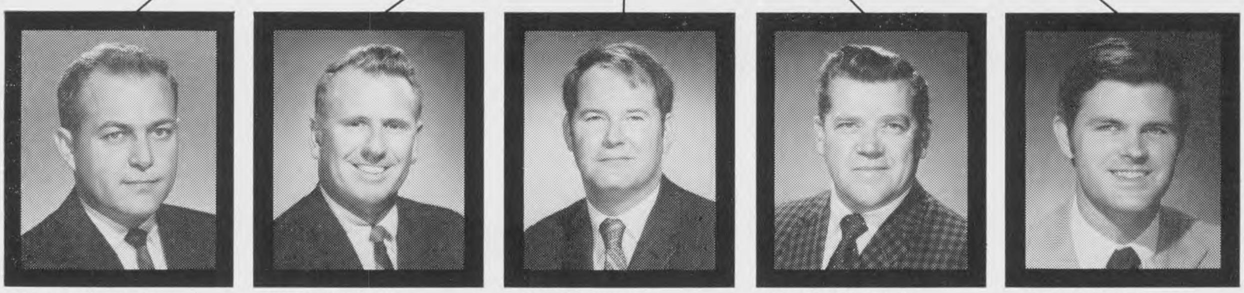

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Today, after 47 years of correspondent banking, we serve more than 370 customers over a five-state area.

We serve them with a staff of 10 full-time people. People vastly experienced in correspondent banking, and backed by the full resources of one of the area's largest banks. People who believe in getting to know each customer through frequent visits, the better to understand his problem.

We think our "people services"... the little "extras" personal contact enables us to provide...make a big difference. And we think you'll think so, too.

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THIRD NATIONAL BANK
IN NASHVILLE

MEMBER F.D.I.C.

doubled and even tripled. So we, as lessors of equipment, find ourselves as owners of equipment that has (in many cases) appreciated in value to the point that it is now worth more than the original cost, even though it is five or six years old.

A lessor should certainly give thought to the probable obsolescence and depreciation in value of the equipment before he consummates a lease. Historical basis is available, either through publications or people knowledgeable in the equipment field, and the lessor should research this if he wants to feel comfortable with his ownership of that equipment.

Lessors can, as they do in normal loan situations, use cross-corporate guarantees, personal guarantees, and even, in some cases—by means of additional documentation—can secure additional collateral as security for the performance of a lessee. The performance is the full and timely payment of the lease rentals.

Many bankers also feel uncomfortable as lessor in the implied ownership of the equipment, with the resultant increase in fixed assets of their bank.

This can be avoided in the area of true leases—as is commonly done in leveraged leases—with the creation of a "grantor trust," in which the investor bank becomes the beneficiary of the trust for tax purposes, while the trust is the actual owner. "Money-on-money" leases are often handled through an outside leasing entity that becomes the actual lessor, assigning the lease on a non-recourse basis, with a non-recourse note to the bank secured by the lease itself. The lease becomes a term loan as far as the bank is concerned, with the income treated as income would be on any other loan.

We recommend filing UCCs in cases of all leases, and normally we insert a phrase in the equipment portion noting that the equipment is owned by the secured party and leased to the debtor.

To summarize, there is absolutely no reason to fear leasing as opposed to more common financing methods. With due consideration of the credit worthiness of the lessee and the condition of the equipment, being owner of the leased equipment, rather than simply a secured party, can place the banker and the bank in a very comfortable position. • •

Banking Scene

(Continued from page 8)

• "Audits and Examinations" examined objectives and conduction of supervisory examinations and of internal and external audits. The director's responsibility in examinations and audits and the role of the audit committee were reviewed.

• "Compensation and Benefit Programs" was a review of the components of a good compensation and benefit program and of techniques for evaluating existing programs. Methods for upgrading a deficient program or establishing a new program were reviewed.

• "Insurance" included a presentation of characteristics of the various insurance programs available to a bank. An insurance specialist presented an overview of bank policies, including director's liability insurance. A frank discussion of risk-versus-cost was included.

• "Problem Prevention and Detection" was a discussion of internal controls usually employed by a bank and of the importance of those controls to the director. Computer operations and the exposures associated with this form of processing were discussed and signals implying improper operations were reviewed.

• "The Director's Role in His Bank's Future" looked into the director's role with management in investigating banking trends, industry direction and in setting a course for the bank.

The Bank Directors Seminar, coordinated by PMM, is most innovative in its staffing and size, as well as its geographic composition. It emphasizes the outside director's relationship, yet a modest number of inside directors do accompany their outside directors to the seminars. No time is allocated to tours or recreation, so more subject matter can be covered.

Perhaps the most attractive facet of the seminar program is that by limiting the number of directors in attendance to a few dozen, each is provided with an atmosphere conducive to full and frank discussion of points at issue. Any point raised receives an immediate response from any and, at times, all the faculty: bank regulators, operating officers, management consultants, CPAs, academic authorities and peers in the audience.

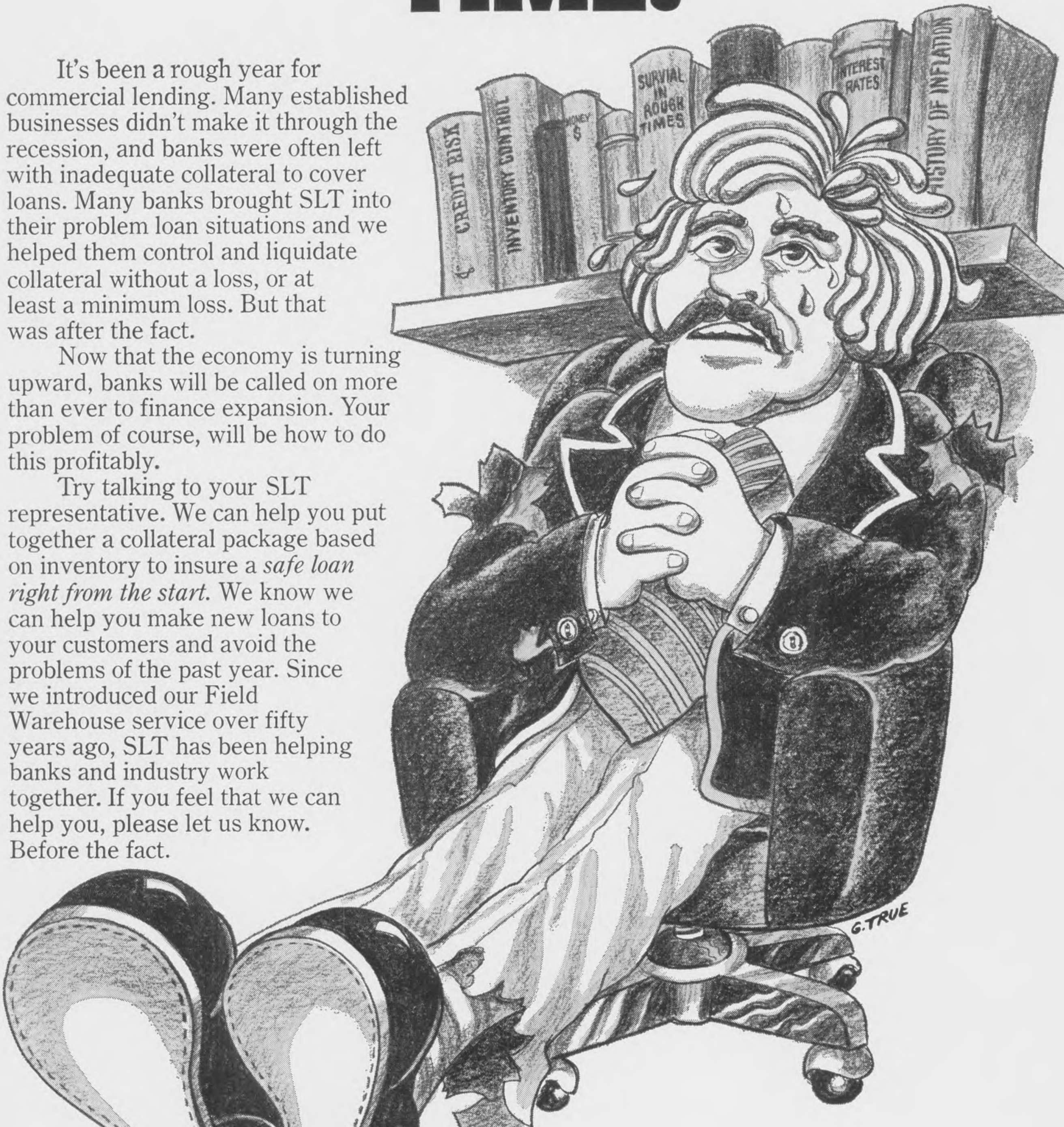
Education is accomplished best by involvement and participation. If you have the opportunity to attend a Bank Directors Seminar in the days ahead, be prepared to become involved. It isn't a one-way learning situation. It's a vital and most enjoyable educational experience. • •

YOU'VE HAD A ROUGH TIME!

It's been a rough year for commercial lending. Many established businesses didn't make it through the recession, and banks were often left with inadequate collateral to cover loans. Many banks brought SLT into their problem loan situations and we helped them control and liquidate collateral without a loss, or at least a minimum loss. But that was after the fact.

Now that the economy is turning upward, banks will be called on more than ever to finance expansion. Your problem of course, will be how to do this profitably.

Try talking to your SLT representative. We can help you put together a collateral package based on inventory to insure a *safe loan right from the start.* We know we can help you make new loans to your customers and avoid the problems of the past year. Since we introduced our Field Warehouse service over fifty years ago, SLT has been helping banks and industry work together. If you feel that we can help you, please let us know. Before the fact.



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NATIONWIDE COLLATERAL CONTROL SERVICES

William F. Stites (l.) and William G. Earley, v.p.s at First Nat'l, Louisville, service growing but volatile Kentucky coal industry.

Leveraged Leasing Program Provides Equipment To Enable Coal Mines to Increase Output

THE DIN of a nation's demand for energy in the face of rising prices and shrinking supplies of oil and natural gas have aroused a slumbering economic giant in Kentucky—the coal industry.

In calendar-1975, the rugged mountains of eastern Kentucky and the rolling hills of western Kentucky yielded 140 million tons of this precious energy source—the equivalent of two tons for every American household. Kentucky is the leading coal producing state.

Immense capital needs are being generated as coal—almost overnight—emerges as a billion-dollar Kentucky industry. New mining operations are coming on-stream and existing operations are modernizing and expanding to improve production and efficiency.

Because of its preparedness *before* the boom, a Louisville bank has found itself well positioned to provide financial services attuned to the special needs of this volatile industry. This preparedness came about through two separate developments.

Four years ago, a representative of First National, Louisville, called on a major international petroleum company which had a substantial stake in Kentucky coalfields. The company was considering its biggest single mining venture: An eastern Kentucky operation capable of producing four million tons of coal a year.

The petroleum company wanted to lease the expensive and sophisticated equipment needed for this operation—nearly $12 million worth. The bank worked out a complex leveraged leasing program, which was phased in as the new mine developed.

Shortly thereafter, a merchant banker in London, England, called First National to inquire about the bank's interest in participating in the financing of the proposed acquisition of an eastern Kentucky coal company.

Because of previous experience with the coal industry, First National Vice President William G. Earley was tapped to assess this prospective piece of business. His assessment included a trip to an isolated mountain coal town in eastern Kentucky.

"We tromped all through those hills looking over the operation," Mr. Earley recalled.

It was a fruitless tromp. The prospective buyer failed to meet financial qualifications.

"But the experience reminded us once again that coal, even in the depressed market of 1972, was a very big industry in our own back yard," Mr. Earley said.

It is a back yard full of pitfalls for a financial institution. Coal has been a notoriously cyclical industry, particularly in Kentucky. Only the most experienced operators have survived the bust years. The boom years have drawn speculators reminiscent of the gold rushes of a century ago.

"If a bank is going to provide financing for the coal industry, it had better know what the industry is all about," First National Vice President William F. Stites warns.

Mr. Stites directed the complicated leasing arrangements which equipped the petroleum company's large coal mining subsidiary. The exceptional financial stability of both the petroleum company and its coal mining subsidiary precluded the need for extraordinary caution on the bank's part.

The total investment in the mine, which now is in operation, exceeds $20 million.

More than half of that investment is in the equipment which the bank leases to the mine operating company. The complex documents covering these leases are as thick as an unabridged dictionary. They involve nine separate companies which are associated in some way with the mine's ownership, operation or real estate.

Here's how the leasing arrangement was worked out:

The bank invested 22% of total necessary capital in the equipment. The remainder was borrowed on the coal operating company's credit rating, with that company assuming full liability for the loan.

As owner of the equipment, First National realizes tax benefits on its

full value although the bank invested only about one-fifth of the purchase price. In acknowledgement of these tax-timing advantages, the bank discounted net financing costs to the petroleum company.

"This arrangement works to everyone's satisfaction when the lessee can't profit from the tax benefits," Mr. Stites explained. "Oil companies, railroads and multi-national companies often have tax carryforwards or foreign tax credits which deny them these additional tax benefits."

While the bank participates in several leasing programs involving hundreds of millions of dollars, the coal company represents its largest single transaction as sole lessor.

First National also extends lines of credit—ranging up to $5 million—to coal operators and to brokers who serve coal operators. But the bank is careful about the criteria for coal industry credit lines.

"We primarily are involved in financing coal after it is out of the ground," Mr. Earley said. "There is value in coal reserves in the ground, but the greatest risk is in extracting it. Once that risk has been taken, we can recognize the true value of the product."

For the coal operator with tremendous operating expenses, this can mean converting today's production into needed cash—*if* the product is committed to a buyer.

"We're not interested in financing stockpiled coal," Mr. Earley said.

He noted that increased production and decreased demand which followed record coal prices in 1974 have produced higher inventories in the coalfields. Prices have moderated substantially, and coal simply isn't moving at last year's pace.

The coal broker also can get into a capital crunch—and the more successful and active he is, the more likely he may be to run short of money.

Mr. Earley explained why: "Brokers often have mines under contract, with provisions that they pay the operator for the coal more quickly than they are being paid by the ultimate buyer," he said.

"When the coal hits the bottom of that railroad hopper car, it belongs to the buyer. A trainload of coal may be worth a half million dollars, and six weeks may pass from the time that coal is mined to the time the buyer pays for it."

That time span could be dramatically longer if the coal is destined for a foreign buyer.

The bank exercises care in its business relationships with coal brokers.

"An experienced, knowledgeable broker provides a great service to coal operators," Earley said. "Selling coal requires a lot of travel and sophisticated negotiation. Coal operators usually are experts at engineering the extraction of coal. They have to stay close to their operations. They don't have the time or background for the sales end of it."

But the recent coal boom has attracted coal sales opportunists who have neither the training nor the contacts to properly serve the coal operator; another reason why the bank screens proposed coal industry relationships with great care.

"We have learned a great deal about the peculiar financial needs of this industry," Mr. Earley said. "We know the circumstances which require a bank to be particularly careful to protect its investment."

This knowledge has helped the bank not only in direct relationships within the coal industry, but in relationships shared with correspondent banks.

"Most of the banks in the coalfields are of relatively modest size," Mr. Stites said. "Prudence dictates that they diversify their lending activity to protect themselves against the cyclic nature of the coal industry. We can help them do that."

Kentucky's coal industry is expected to play a major role in fulfilling ever-increasing energy needs. First National expects to continue to play a prominent role in serving Kentucky's coal industry.

Spirits of Jefferson and Bicentennial Aid in Building's Return From Ashes

FIRST NATIONAL, Monticello, Ind., was one of the major casualties of a tornado that struck in April, 1974. All that was left of the bank, which was beginning its 25th-anniversary celebration, was the vault.

Stockholders then set about the task of resurrecting the building. Rather than the remodeled supermarket in which it had been housed, they wanted something different that would reflect the spirit of the nation's bicentennial and of Thomas Jefferson's home, Monticello, for which the Indiana town is named.

Although the resultant building isn't an exact duplicate of the original Monticello, it follows the Greek and Roman styles of architecture popularized by Jefferson. He had turned to those styles, encouraging others in the New World to do so, in order to diminish British influence after the Revolution.

First National has a dome similar to Jefferson's design. Other similarities include the fan window in the gables above the bank's entrance, as well as the exterior bricks' style and color and the exterior balustrade above the eaves around the building's perimeter.

Inside the bank, painstaking care has been taken to carry out the colonial theme. Draperies, furnishings, carpeting and wood trim were inspired by historic Williamsburg, Va. One of the building's focal points is the board room—the Jefferson Room—which contains a Chippendale style antique table that was purchased from a colonial southern mansion.

Nina Conner, a local artist, was commissioned to do a portrait of Thomas Jefferson, which hangs in the board room. She also executed paintings of Washington, Hamilton, Jackson and Lincoln, which hang in special display areas behind the tellers counters.

Needless to say, it was with a great deal of pride that officials opened the doors to the new Jeffersonian bank building, having done business from two mobile banking units for 21 months.

New home of First Nat'l, Monticello, Ind., was built in spirit of bicentennial, following design of Thomas Jefferson's home, from which town takes name. Following Greek and Roman architectural styles Jefferson popularized to help end British influence, First Nat'l's new building was begun after old one was destroyed by tornado.

St. Louis Philharmonic Plays in Bank Lobby

Music lovers in St. Louis were given a treat in the form of a week of noon-hour concerts by members of the Philharmonic Orchestra, who performed in the lobby of Mercantile Bank.

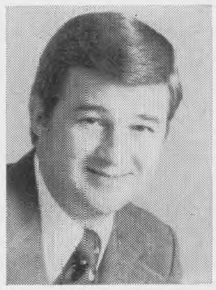
The programs featured music by Bizet, Haydn, Mozart, Milhaud and Ibert. Members of the orchestra included a string quartet, a brass quintet, woodwinds quintet and harp trio.

Art Krebs
Arkansas-Louisiana

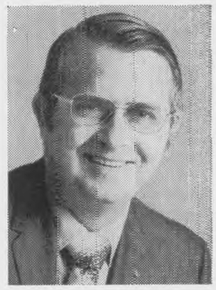
Ben Adams
Missouri

Jack House
Iowa

Duncan Kincheloe
Texas-Oklahoma



Paul Libbert
Missouri

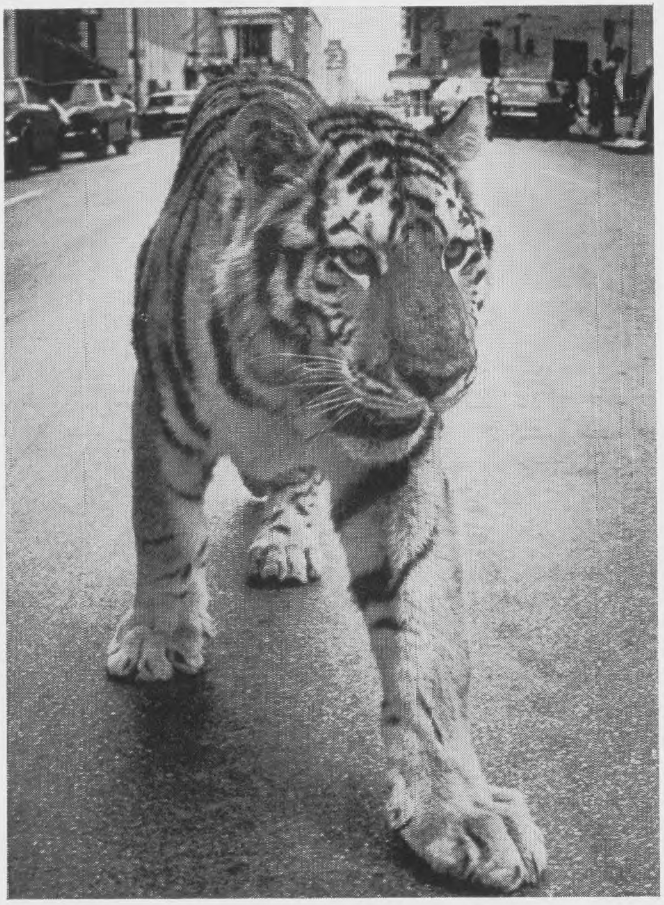


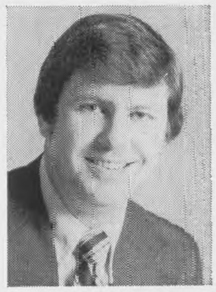
Verne Schweder
Kansas City Metropolitan

Jack Beets
Kansas

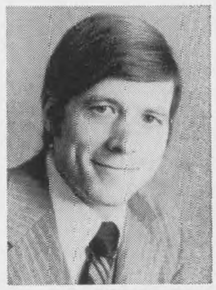
E. L. Burch
Vice President

Don Thomason
Senior Vice President



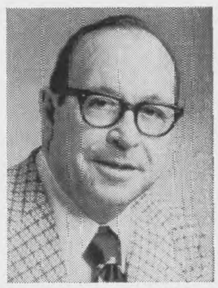


Phil Straight
Nebraska-Colorado



Tom Wood
Kansas

Bob Widlund
Oklahoma



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Brightening Mobile Home Sales Picture Demands Re-evaluation of Financing Posture

By ROBERT L. BERNER
Vice President
First National City Bank
New York

THE FINANCIAL community has an obligation to assist in solving the country's housing problems. Accordingly, it must re-evaluate its lending practices in what will probably become the fastest growing segment of the industry—manufactured housing.

How is it going to be done?

Simply by studying and evaluating the current favorable conditions within the manufactured-housing industry, adopting innovative, but prudent, mortgage practices and tailoring them to today's mobile or modular home buyer. That means fulfilling the lender's role in providing adequate, but affordable, housing for many American families.

Many changes are taking place which affect the desirability and quality of mobile and modular homes. While some of the changes are nothing short of revolutionary, most are evolutionary and have been going on for more than a decade within the manufactured housing industry.

According to the 1970 U. S. Census of Housing, about 50% of the mobile homes built in pre-1949 days were still in use over 20 years later. How then can we account for the generally held notion, especially among lending institutions, that the mobile home is not durable, that it loses its value and therefore is inappropriate as a basis for long-term loans?

Perhaps the most important reason is that durability and value have been measured by standards which attribute a depreciation rate to mobile homes not unlike that applied to automobiles. Unfortunately, this fails to take into account most of the major factors that contribute to the on-site value of a home, such as location, maintenance, landscaping and other amenities.

Considering the present rate of inflation, a well-kept mobile home may not depreciate at all. If a mobile home is located on its own property, it should, if anything, appreciate in value.

Apart from its on-site characteristics, today's mobile home is being built to increasingly higher standards of construction that contribute to its durability and usefulness as permanent housing.

More than 99% of the mobile homes built today are being sold in states that require conformance to the HUD-American National Standards Institute's Standard A 119.1 for Mobile Homes—a code that covers everything from structural design to plumbing and electrical system installation.

Since the code is continually reviewed, the latest construction materials and techniques can be incorporated. In many cases, this means requirements for increased insulation, smoke detection devices, emergency exit windows and maximum flame-spread ratings for interior paneling. Without a doubt, the standard equals or exceeds similar requirements in other forms of shelter.

Presently, 46 states require conformance with this standard and prohibit the sale of any home not built accordingly. Furthermore, within the next few months, Title VI of the Housing and Community Development Act of 1974 will be implemented. Mobile homes will then become the only form of permanent housing built to meet a national standard of safety and construction.

If durability means the time a structure, item or material serves before it needs replacement or extensive repair, then manufactured housing is extremely durable. The continued presence and use as primary shelter of mobile homes built 20 or 30 years ago testifies to their durability.

Obviously homes built since 1970 have not been around for that time span, but there is every reason to believe they will be even more durable than those of earlier decades. More stringent construction standards and expanding use of better materials should ensure the continued production of high-quality and long-lasting homes.

For those leery of providing long-term 15 to 18-year loans for mobile and modular homes because of an alleged lack of durability or short product life, the picture is changing. This doesn't mean that mobile home mortgages should be written as simple interest, 30-year home loans. It does suggest that a continuous upgrading of manufactured housing has produced an extremely durable product that does not depreciate nearly as rapidly as had been thought.

As with any financial transaction, the lender who acquires mobile home paper is largely interested in the security of his loan. The durability of the product, its location and its daily condition help determine the collateral value. This means nothing if the borrower hauls it away in the dark of night. Unfortunately, too many in the financial community still worry about just this kind of thing on mobile home loans. While we consciously talk about making loans on manufactured housing, we subconsciously fear that we are taking risks on mobile homes. In

NATIONAL DETROIT CORPORATION

Parent Company of
NATIONAL BANK OF DETROIT

CONSOLIDATED BALANCE SHEET—December 31, 1975

ASSETS

Cash and Due from Banks (including Foreign Office Time Deposits of $720,911,039)		$1,894,464,281
Money Market Investments:		
Federal Funds Sold		62,900,000
Other Investments		362,224,863
		425,124,863
Trading Account Securities—At Lower of Cost or Market		5,341,591
Investment Securities—At Amortized Cost:		
U.S. Treasury		501,462,720
States and Political Subdivisions		722,158,459
Federal Agencies and Other		52,708,871
		1,276,330,050
Loans:		
Commercial		2,075,762,218
Real Estate Mortgage		830,829,096
Consumer		234,351,189
Foreign Office		464,690,531
		3,605,633,034
Less Reserve for Possible Loan Losses		49,350,089
		3,556,282,945
Bank Premises and Equipment (at cost less accumulated depreciation of $36,297,227)		66,701,103
Other Assets		122,976,649
Total Assets		$7,347,221,482
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Demand		$1,733,011,315
Certified and Other Official Checks		495,579,129
Individual Savings		1,179,439,718
Individual Time		716,388,299
Certificates of Deposits		723,232,812
Other Savings and Time		67,654,730
Foreign Office		1,029,522,572
		5,944,828,575
Other Liabilities:		
Short-Term Funds Borrowed	$738,782,769	
Capital Notes	100,000,000	
Sundry Liabilities	132,387,145	971,169,914
Total Liabilities		6,915,998,489
Shareholders' Equity:		
Preferred Stock—No Par Value	—	
No. of Shares		
Authorized 1,000,000		
Issued —		
Common Stock—Par Value $12.50	75,000,000	
No. of Shares		
Authorized 10,000,000		
Issued 6,000,000		
Capital Surplus	175,000,000	
Retained Earnings	183,540,336	
Less: Treasury Stock—51,404 Common Shares, at cost	(2,317,343)	431,222,993
Total Liabilities and Shareholders' Equity		$7,347,221,482

Assets carried at approximately $488,000,000 (including U.S. Treasury Securities carried at $57,000,000) were pledged at December 31, 1975, to secure public deposits (including deposits of $113,342,981 of the Treasurer, State of Michigan) and for other purposes required by law.

Outstanding standby letters of credit at December 31, 1975 totaled approximately $13,400,000.

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fact, today's mobile home is too big for the owner to move with his own car—he can't slip away.

The phrase "mobile home" remains a deceptive term today. It refers to the capability of movement of the home from the factory to its site. Once installed, the site is probably permanent. It is more appropriate to call today's manufactured housing the "immobile home."

Again, this is an evolving aspect of the manufactured-housing industry.

Risk is being reduced while loan security is being upgraded. Along with the permanent nature of this type of housing goes the potential for appreciating collateral value and a similar potential for increased credit stability or borrower equity value. If we do not flinch at 30-year financing on site-built homes because of their permanence, we should not balk at longer terms for mobile home loans for precisely the same reason.

There have been numerous changes in manufactured housing the last few years, but none with quite the implications as the growth of new marketing concepts involving a fee simple or leasehold interest in the land on which a mobile home is located.

These ideas have recently been given added impetus by rising conventional housing costs, increasing rental park management costs and a dwindling supply of affordable, single-family residences. More traditional forces—the desire for home ownership with land, for example—have also caused the manufactured housing industry to consider innovative marketing ideas such as the mobile home subdivision, planned unit development or long-term leasehold. For the financial community, these new trends warrant considerable attention, for they should produce a highly attractive loan portfolio of low-risk, high-yield loans.

Of chief concern to lenders is that interest in the loan collateral will outlast the life of the loan and that we have an entity with a utility value which will exceed the principal balance for the life of the loan.

Meeting this requirement has not always been easy for the manufactured housing industry or the mobile home buyer, but added permanence from combining the home with land should help alleviate the problem. The financial community has a responsibility to investigate these changing conditions in the manufactured housing industry and, where appropriate, change its own practices and methods.

The yield a lender derives from any given loan depends on the capability of the borrower. Certainly, the nature of the collateral is an element of risk taken on a loan, just as it determines the amount of security a lender has at any given time during the life of the loan. But the soundness of a loan, and therefore its profitability or yield, will stand or fall on the ability of the borrower to continue to make payments on the principal and interest.

If we have looked askance at the mobile home buyer in the past because we were leery of his ability to handle even a short-term, add-on loan, it is time to re-evaluate our position, particularly as the manufactured housing market expands rapidly and the profile of the potential mobile home borrower changes accordingly.

Traditionally, mobile homes have served the lower-cost housing market. The average price of a mobile home in 1974 was just over $9,760. The market consisted primarily of those consumers whose median annual income was between $6,000 and $9,000. Because conventional housing costs have skyrocketed, the site-built home is now beyond the financial reach of more and more Americans.

In an industry review of residential building, the brokerage firm of Paine, Webber, Jackson & Curtis acknowledged that "there is a basic dislocation between owned shelter costs and the ability of the market to pay."

The report suggests that increased housing costs, coupled with high interest rates, could all but disqualify a family earning less than $15,000 annually from conventional home ownership. In terms of the average consumer, the report states that "it is doubtful that more than 15% of all U. S. families currently even qualify to purchase single-family homes in the U. S."

Yet the need and demand for housing and home ownership will continue to grow. As a result, an entirely new market is opening up for the manufactured housing industry—a market in which the average consumer will have a median annual income between $9,000 and $15,000 and will look for a larger, higher quality mobile home in the $13,000 to $23,000 price range.

What does this changing market mean for the lender?

It means that today's mobile home borrower will probably be a very secure risk, particularly if he is offered a simple-interest, long-term homeowner's loan and encouraged to obtain a quality manufactured home tied to land. It means that a great deal of very good business with low risk and high security value may pass us by unless we reconsider our loan practices on mobile home paper.

In terms of loan profitability or yield, it means that we could be in an excellent position to attract highly capable borrowers in whom we can make a good, sound investment with very reasonable returns. • •

Banker Sees Opportunities in Mobile Home Financing

SOME 97% of all the single-family homes sold in the U. S. for $20,000 or less in 1975 were mobile homes. That's an increase from 94% of the market in 1974.

According to William T. Gwennap, vice president, Pittsburgh National, these figures prove there is opportunity for banks in the financing of mobile homes.

The reasons for the increasing market share being taken by mobile homes reflects wider acceptance of the homes, higher costs for conventional construction, problems in the mortgage market and land costs.

Mr. Gwennap heads the retail loan department at Pittsburgh National, not the mortgage department, which says something about the financing of mobile homes.

For example: Mobile home loans are installment loans, not mortgages; the mortgage loan rules do not apply, but neither do the restrictions. Interest rates are governed by consumer finance rules, not mortgage rules. So, too, are downpayments, which may go as high as 25% or as low as 5%. As to terms, the industry norm is 10 years.

However, Mr. Gwennap noted, there are risks that prospective lenders should recognize, such as the following:

Along with the residential business generally in the past couple of years, mobile home business has slumped. Unit sales declined from 624,000 in 1973 to about 400,000 in 1974.

And there are many manufacturers, more than 300 at last count, so the quality of mobile home construction varies. There are industry standards as well as state standards in most states, but some mobile homes are poorly built and thus are poor collateral.

A bank's best protection, according to Mr. Gwennap, is to know the manufacturerer and the dealer. If a dealer will not back up what he sells with service, or is a marginal operator to begin with, the reputation of the manufacturer won't be of much help. Many dealers tend to be underfinanced for the amount of business they handle.

But the mobile home buyer isn't much of a risk, according to Mr. Gwennap. At Pittsburgh National, the mortgage portfolio averages 1% delinquent while the mobile home portfolio averages only 0.56%.

"And the mobile home trade would have you know that mobile home people—manufacturers, dealers or buyers —are as God-fearing, church-going, bill-paying and respectable as any customer of the bank," he said.

Nonetheless, the bank applies the same restrictions to applicants for mobile home loans as it does to applicants for conventional home mortgages. "In fact," Mr. Gwennap said, "you might have to use a few more restrictions. We are much more strict in our credit standards and evaluation of the individual. We expect better performance from our mobile home owners, and we get it."

Consumer loan business was off in 1975, and that includes mobile home financing. Unemployment and the economic downturn contributed to this situation. This resulted in some service companies that handled mobile home paper for some banks going out of business. Cases of fraud have turned up and banks that permitted outsiders to handle their portfolios, including repossessions, the solicitation of new dealers and even buying retail paper, have mostly fared poorly.

Mr. Gwennap offered this suggestion for avoiding such problems:

"Stay in your own trading area, just as you do with conventional mortgage financing. Stay at home where you can get to know the product as well as other local factors.

"And a warning: Legislatures are looking at the mobile home business and asking why rates on mobile home loans should differ from mortgage rates. They see only housing—low-cost housing for the less affluent."

Mr. Gwennap predicted that mobile homes will be increasingly financed under mortgage regulations, not chattel paper.

Despite recent setbacks, he said, mobile home financing is a big and still growing market. "The astute lender who gets to know the market—and how to avoid the pitfalls that do exist —can do a profitable business in mobile home paper." • •

Student Loan Programs Can Be Successful: Ask the People at Cordell (Okla.) Nat'l!

THE government's 10-year-old student loan program, now under a cloud of criticism for alleged irregularities, has perhaps its best defense in Cordell, Okla., where a small farm-community bank has—through careful evaluation of applicants—produced an outstanding record with it.

The bank, Cordell National (assets: \$23.4 million), has helped more than 1,500 college and graduate students since 1966 with 3,500 loans totaling more than \$2.1 million. Yet its default-delinquency ratio on that total is a minimal of 1.193.

The bank has, in fact, the largest student loan portfolio in the state, currently \$1.4 million, and a reputation among educators, counselors and students for expertise in the program and quality implementation. Its student-customers presently attend schools in Oklahoma and 14 other states, plus Mexico.

"Like many other banks, we got into the student loan program as a community service—to help young people finance their educations," says Frank G. Kliewer Jr., president and chairman of the bank. "But we also hoped that by tapping a youthful market we might ultimately acquire some long-term benefits.

"That, I'm happy to report, is what has happened. Many former students, now living in the area or beyond, even outside the state, continue to do business with us. Our latest survey shows that 75% of them have at least one connection with us—in the form of a savings or checking account or through some type of consumer loan. Sixty-five per cent have two connections with us, and 50% have three or more.

"Our average customer age, moreover, has dropped from 52 to 42 in the last 10 years."

And the bank's assets have quadrupled in the same period, owing, no doubt, in no small degree, to the student loan program.

That program, nationwide, came into being with the Higher Education Act of 1965. Under it banks, S&Ls and other lenders were encouraged to make loans to worthy students in need of financial assistance. Not only would the federal government compensate lenders for making and handling such loans (currently that "special compensation" ranges between 0.25% and 3%; which is in addition to the interest, now 7%, which a student pays for his loan), it would also fully guarantee every loan against default.

Student applicants could, moreover, as undergraduates, borrow up to \$2,500 per year, or \$7,500 maximum, under the federal program, and they had, depending on how long they remained in school, from six to 10 years to repay.

In addition, the 1965 Act allowed state governments to tie in with student loan programs of their own. Oklahoma is one of 26 states that do. Thus, an Oklahoma resident attending or planning to attend an Oklahoma college must seek loan guarantee under the state program. Oklahoma's maximum is \$1,000 per year (\$1,500 for graduate students).

In any case, many lenders moved to establish student loan departments after the act became law. Some did it mainly for reasons of new business, others as a service to young people in their communities. Today, a decade later, many if not most have closed shop on student loans. Paperwork, defaults, misunderstandings with applicants, friction with bureaucrats, etc., have led many lenders to conclude that the student loan program is simply not

Byron "Lynn" Dromgoole (l.), a.v.p. in charge of student loans at Cordell Nat'l, interviews applicant, a pharmacy major at nearby Southwestern State University.

Edna Mayfield (r.), whose life was changed with the help of a student loan from Cordell Nat'l, chats with Frank Kliewer Jr., (c.), ch. & pres. of bank and architect of its student loan program. At l. is Jimmie McMahan, v.p. & cash. A former beautician, Mrs. Mayfield returned to school to earn a degree in elementary education with aid of student loan from bank.

When your drive-up system isn't working, it really works against you. Customers become annoyed, get behind schedule or are just plain inconvenienced. And you're going to hear about it.

Of course, a system that's down too often may drive customers away altogether. Like over to your friendly competition.

At Security, we eliminate the inherent hold-ups in drive-up banking with our RTS II, the system that took two years to perfect. It's the most reliable system on the market. But reliability is just the beginning.

With its rugged, single tube delivery system, customers make transactions quickly and simply. And true-to-life voice communications let both customer and teller speak simultaneously. It's easy. It's fast. And it works.

But the bottom line is where it all comes together. The RTS II is priced down with the lowest cost systems—none of which even come close to offering the reliability and features found in the RTS II. Once you order, you'll get the fastest delivery available; usually less than 30 days. In fact, your system is in one of our regional warehouses right now.

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worth the bother.

But at Cordell National, it's been another story.

There, in the beginning, Mr. Kliewer (president of the bank since 1956) was himself involved.

"I was the loan officer for this new program, and initially our applicants were sons and daughters of bank customers," he recalls. "They told their friends, and their friends began coming in. We soon had a steady flow of applicants. We also got calls from deans and counselors of nearby colleges who recommended needy students to us.

"We had our share of good experiences and not so good, as with any new program," Mr. Kliewer said.

After about two years of personal contact with students—from uncertain freshmen to self-assured graduate students—Mr. Kliewer decided it was time to turn the program over to younger staffers.

"It was the volatile late-'60s when student behavior and appearance were anyone's guess," he observes. "I felt it was difficult enough for an older person like myself to try to understand all this, let alone try to counsel and communicate with these youngsters. So we selected a loan officer who, in terms of age and interests, was closer to the students."

Currently he is Byron L. (Lynn) Dromgoole, 25, an assistant vice president who has been with the bank since 1968. He has been student loan officer since 1971. Two other staffers assist him.

"It was a growing program when I moved in, in terms of applicants, but in terms of bank procedures, what we would or wouldn't allow, we were still evolving," he recalls. "Today, we're a bit more experienced, a bit more informed, a bit more choosy."

Today, according to Mr. Dromgoole, the bank requires the following:

- The applicant must be in his or her junior or senior year of college or a graduate student. ("Occasionally we grant a loan to a freshman or sophomore. But we go with upperclassmen because, as a group, they have demonstrated a commitment to study.")
- All applicants must appear in person. ("We will not make first loans by mail. We will not wholesale this program.")
- Each applicant must complete a personal loan form listing the amount he seeks and other data. The application is then sent by the bank to a local credit bureau for review of the applicant's credit history. ("Many students have no credit history. We understand this, and we don't hold it against them. We see it as an opportunity to educate them in handling credit.")
- Each applicant must also fill out a federal or Oklahoma application form which requests a guarantee of the loan from either the U. S. Office of Education in Dallas or the Oklahoma Regents Office in Oklahoma City.
- Each applicant must submit two character references.
- Each applicant must provide a transcript of his last two semesters. ("We want to be satisfied that a 2.5 or C+ average, at the very least, is being maintained. Anything less would not be favorable in our eyes.")

All applicants are interviewed at the bank at least once. "This is important because it provides us with further insight into the student's character and motivation," says Mr. Dromgoole. "Sometimes it's been the deciding factor."

For his part, the student obtains a good deal of firsthand information from the interview—including when he is obliged to start repaying the loan (usually nine months after graduation) and in what amount each month.

"The amount will vary with each student, depending on how many loans he makes, how long he remains in school and what his financial situation is when it comes time to repay, "Mr. Kliewer points out. "The legal minimum is $30 a month."

Satisfied on all accounts, the bank will then establish a charge-free checking account (with personalized checks) for the applicant with the amount of the loan he seeks deposited in the account. The student can then draw against it as expenses are incurred. The account is monitored from time to time to assure proper use of funds.

Each loan is for a one-year period, so a junior, for example, if he requires assistance in his senior year, must reapply for another loan (submitting again a transcript of his latest academic performance). The same is true if he goes on to graduate school.

Says Mr. Dromgoole: "Once a loan is approved, we try to establish a relationship that puts the student at ease —that makes him feel he can come in at any time and talk to us. We want him to succeed, to accomplish what he has already halfway completed. If a sudden problem intervenes that might cause him to leave school, we want him to tell us. We know we can help, we have helped many times before."

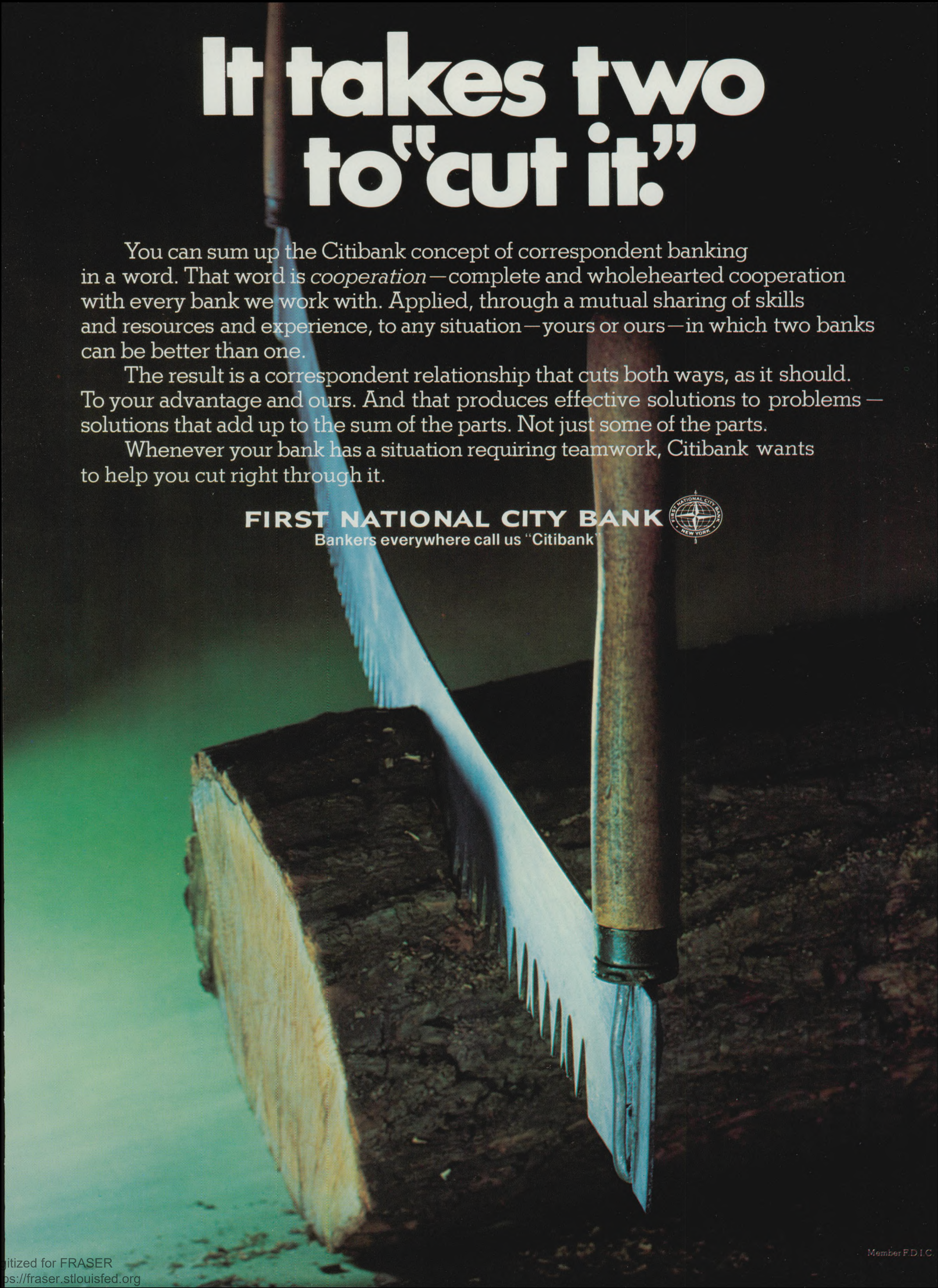
Elsewhere around the country, the student loan program has not fared so well, and has, in fact, spawned criticism. So the question arises: Why has the program done so well in Cordell?

"The bank there takes a personal interest in the students, not only in their grades but in how well they are able to cope with everyday concerns," says Warren Wilson, director of financial aid at Southwestern State. "And it's Frank Kliewer who sets the style.

"I can tell you a number of stories about him. One I remember especially concerned a student whose wife had had a miscarriage. The student was going to drop out, to go to work to pay the medical bills. He told Frank and Frank told him, nothing doing. He loaned him the money to cover the bills. The student stayed in school and got his degree."

"With regard to the student loan program, we keep three things in mind," Mr. Kliewer says. "One, no student should be denied the fruits of an education if he has the ability but lacks money. Two, this country does a poor job of educating its young people in basic economics—budgeting, the priority of needs, things like that. That's why we find quite a few of our students needing all the financial advice they can get.

"And three, it's obligatory on lenders like ourselves to run a sound program. We are dealing with young people, and we are dealing with future customers, and if we don't do a good job now, we don't deserve their business or their trust later." • •


It takes two to "cut it."
You can sum up the Citibank concept of correspondent banking in a word. That word is *cooperation*—complete and wholehearted cooperation with every bank we work with. Applied, through a mutual sharing of skills and resources and experience, to any situation—yours or ours—in which two banks can be better than one.
The result is a correspondent relationship that cuts both ways, as it should. To your advantage and ours. And that produces effective solutions to problems—solutions that add up to the sum of the parts. Not just some of the parts.
Whenever your bank has a situation requiring teamwork, Citibank wants to help you cut right through it.
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Bankers everywhere call us "Citibank"
Member F.D.I.C.

Independent Bankers Set Up Political Action Fund

A POLITICAL fund-raising arm has been established by the Independent Bankers Association of America (IBAA) to channel contributions to members of Congress.

Purpose of the fund is to give the IBAA a means of achieving more recognition on Capitol Hill through modest contributions, limited to $300, made to congressmen.

Goal of the political action committee is the raising of $10,000 for the political fund chest, which, in the words of IBAA President Kenneth J. Benda, will serve to "open doors—many of which are now only open to those whose views differ from ours. It is imperative that IBAA have the same set of legislative keys." Mr. Benda is president, Hartwick (Ia.) State.

Contributions to the PAC are limited to $10 per banker and must be conveyed by personal check. Families, friends, associates and employees of bankers are invited to contribute and their maximum contribution each year also cannot exceed $10.

"Contributions to lawmakers will be on a bipartisan basis with preferential treatment being given to members of the Senate and House Banking and Agriculture committees," Mr. Benda said.

Mr. Benda has gone on record as stating that the IBAA PAC is not designed to compete with BANKPAC of Arlington, Va., which was set up in 1970 by the banking industry as a political action committee.

Mr. Benda said that lobbying by the IBAA in Congress has been a costly proposition and "it requires IBAA representatives to participate in fund-raisers and debt-burners.

"The only legal way to do this is through a properly organized PAC," he continued. "True, attending these functions does not assure votes, but it does open doors."

To insure legality, IBAA officials said that the PAC proposal was reviewed by the association's counsel in Washington and by a law firm that specializes in legal aspects of establishment of PACs.

The PAC proposal was approved by the IBAA's executive council in September and by the administrative committee in November.

Funds will be disbursed only on request from lawmakers or their campaign committees. IBAA officials said money would be distributed to members of Congress whether they voted for or against IBAA legislative positions, although friends of the association would probably get preference.

According to IBAA Secretary Gene Moore, response to the PAC funding request has been good. • •

Independent Bankers Assn. Convention to Draw 2,000 To Honolulu March 14-18

About 2,000 bankers and spouses are expected to attend the 46th annual convention of the Independent Bankers Association of America March 14-18 in Honolulu. Headquarters will be the Sheraton Waikiki Hotel.

BENDA

Presided over by Kenneth J. Benda, IBAA president, and president, Hartwick (Ia.) State, the convention will feature a workshop on ways for smaller independent banks to adapt their operations to the new EFT and data processing technology.

Among convention speakers will be Dr. John Bowyer, professor of finance, Washington University Graduate School of Business Administration, St. Louis; Richard H. Plunkett, first vice president, Independent Bankers Association of Minnesota, who will speak on the new Independent State Bank of Minnesota, a bank for bankers; and James D. McQuigg, director of the Center for Climatic and Environmental Assessment, Department of Commerce, Washington, D. C., who will speak on the effect of global weather patterns on food-grain yields.

Heading the social calendar will be a luau with entertainment, a buffet breakfast, twin luncheons for men and women and the traditional banquet.

General sessions will be held on the mornings of March 15 and 16 and exhibits will be open daily throughout the meeting.

The IBAA administrative and resolutions committees will meet the day before the convention opens (Saturday, March 13) and the following committees will meet on Sunday, March 14: agriculture-rural America, bank study, competing financial institutions, federal legislative, government fiscal policy and resolutions.

Monday's events begin with an all-convention breakfast, followed by an executive council meeting and a resolutions committee meeting. In the evening a reception at the Royal Hawaiian Coconut Grove will be followed by a dinner-dance-show.

Tuesday's events will include the first general session, followed by men's and women's luncheons. In the evening, the past presidents reception and dinner will be held.

Wednesday's schedule includes the second general session in the morning and a reception and banquet in the evening, which will close the convention.

Seventeen International Bankers To Represent U. S. at School

MELBOURNE, AUST.—The ABA has named 17 U. S. international banking officers as representatives to the 29th International Banking Summer School, February 8-21, here.

In all, 200 bankers will participate in the school, which is hosted by a different nation each year.

According to the ABA, U. S. applicants must be "bank officers of managerial status, domiciled in the U. S., between 30 and 45 years of age, who are considered likely soon to obtain high positions and who have the capacity both to benefit from the opportunities offered by the school and to make adequate contribution based on their substantial banking experience in the country they represent."

U. S. delegates from the Mid-Continent area are Andrew B. Albert, vice president and manager, American National, and Sibrand S. Jurriaans, international banking officer, Northern Trust, both of Chicago; Nigel Richard Lindsay Hudson, vice president and general manager, First National, and Ronald P. Lo, assistant vice president, international division, Republic National, both of Dallas.

Board Room News

Promotions • Elections • Appointments • Retirements

Third National Bank, HC Announce Exec. Realignments, Top Officer Promotions

NASHVILLE—Senior executive realignments have been announced by Third National Bank and Third National Corp., HC controlling the bank.

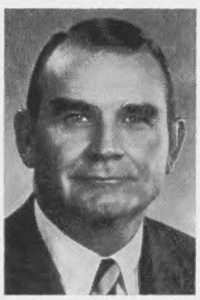
Charles J. Kane, bank president, has been given the additional duties of chairman and CEO of both firms.

Warren P. Gray has been named president and chief operating officer of the HC and continues as vice chairman of the bank.

John W. Clay continues as senior chairman of both firms and D. Roscoe Buttrey has been named vice chairman of both firms, but will devote most of his time to the HC.

Bank promotions include: Clifford J. Harrison Jr., executive vice president, given general administrative responsibilities; J. Eugene Southwood to executive vice president and head of commercial banking; Charles W. Cook Jr. to executive vice president and head of the money management and planning division; P. Bruce Overfield Jr. to first vice president and head of the administrative division; and John O. Ellis to first vice president and head of the trust division.

CLAY



KANE

GRAY

BUTTREY

FILLEBROWN

ROBERTS

Roberts Named President, CEO At First American, Nashville

NASHVILLE—Kenneth L. Roberts has been elected president and CEO of First American National and vice chairman and a director of First Amtenn Corp., HC controlling the bank. Mr. Roberts was formerly president and CEO, Central National Bank and Central National Corp., Richmond, Va. Earlier service was with Commerce Union, Nashville.

T. Scott Fillebrown Jr. has been named vice chairman of the bank, but will be devoting his attention principally to the HC, which he serves as president.

Andrew Benedict and William F. Greenwood, chairman and vice chairman, respectively, of both organizations, will continue in their posts.

First National, Chicago, Promotes 15 Officers

CHICAGO—First National has elected Robert D. McEvers senior executive vice president. He has headed the trust department since 1974, having rejoined the bank as senior vice president in 1973. He also was with the bank from 1958-1961.

Elected executive vice presidents were James S. Dailey, real estate department; William J. McDonough, international banking; Charles H. Montgomery, comptroller; Rudolph E. Palluck, corporate banking; and Donald J. Yellon, general counsel.

Elected senior vice presidents were James A. Cassin, personal banking; Marion C. English, general auditor; James Y. Robertson and Thomas R. Williams, corporate banking; and Wallace R. Anker, Ziad H. Idilby, Gordon J. Sapstead, D. John Stavropoulos and Harrison F. Tempest, international banking.

R. L. Paul Is President Of Louisville Trust

LOUISVILLE—Richard L. Paul has been elected president of Louisville Trust, succeeding Leonard B. Marshall, who remains as chairman and CEO. Mr. Marshall also is chairman, president and CEO of the bank's HC, United Kentucky, Inc., headquartered here.

Mr. Paul joined the bank in 1973 as senior vice president in charge of the banking group. He was named to his most recent position, executive vice president, in 1974. Mr. Paul was elected a director last March.

Prior to joining Louisville Trust, he had been vice president in charge of the banking division of Winters National, Dayton, O., and before that, was vice president, metropolitan department, American Fletcher National, Indianapolis.

PAUL

ZIPF

Zipf, 40-Yr. Veteran, To Retire From BofA

SAN FRANCISCO—A. R. Zipf, executive vice president and senior administrative officer of Bank of America, has opted for early retirement after 40 years.

He joined the bank at the age of 18 and will begin retirement on March 1. He will continue as a special consultant and management advisory council member. In addition, Mr. Zipf will continue as a director, BA Cheque Corp., Decimus Corp. and Continental Service Co., subsidiaries of the bank or of BankAmerica Corp.

Mr. Zipf, who was a pioneer in the application of electronics to banking, joined Bank of America, Los Angeles, in 1935. He worked there 16 years, then went to school on a Giannini

THE FORT WORTH NATIONAL BANK

MEMBER TEXAS AMERICAN BANCSHARES INC.

Statement of Condition

	December 31 1975	December 31 1974
Assets		
Cash and due from banks	$127,203,415	$190,261,426
Investment securities:		
United States Government	61,538,177	71,249,571
State, county and municipal	134,562,005	106,677,317
Other investment securities	1,610,000	1,400,000
Trading account securities	2,383,323	4,839,906
Federal funds sold	78,100,000	45,700,000
Loans and discounts	475,371,826	442,858,961
Land, buildings and equipment—net	35,344,882	36,073,452
Customers' liability under acceptances and letters of credit	19,799,807	16,145,855
Income receivable and other assets	8,883,836	11,029,801
	$944,797,271	$926,236,289
Liabilities and Capital Funds		
Demand deposits	$344,510,793	$306,811,744
Time deposits	360,244,665	377,408,038
TOTAL DEPOSITS	704,755,458	684,219,782
Federal funds purchased and securities sold under repurchase agreements	104,928,268	116,792,311
Acceptances and letters of credit	19,862,807	16,145,855
Unearned income and other liabilities	40,044,611	39,381,358
TOTAL LIABILITIES	869,591,144	856,539,306
Reserve for loan losses	8,161,885	7,675,938
Capital funds:		
5⅝% Capital Notes due 1992	8,500,000	8,875,000
Stockholder's equity:		
Common Stock, par value $10 a share, 1,800,000 shares authorized and outstanding	18,000,000	18,000,000
Capital surplus	27,000,000	20,000,000
Retained earnings	13,544,242	15,146,045
TOTAL STOCKHOLDER'S EQUITY	58,544,242	53,146,045
TOTAL CAPITAL FUNDS	67,044,242	62,021,045
	$944,797,271	$926,236,289

Member FDIC

Fort Worth, Texas

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SID R. BASS
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I. JON BRUMLEY
President and Chief Executive Officer, Southland Royalty Company

LESTER CLARK
Chairman of the Board, Petroleum Corporation of Texas

WILLIAM C. CONNER
Chairman of the Board, Alcon Laboratories, Inc.

CULLEN DAVIS
President, Stratoflex, Inc.

BAYARD H. FRIEDMAN
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JACK W. MELCHER
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J. C. PACE, JR.
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L. F. PETERSON
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W. A. SCHMID, JR.
Chairman, Executive Committee, American Quasar Petroleum Company

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President, Texas American Bancshares Inc.

SAM P. WOODSON, JR.
President, Fort Worth Coca-Cola Bottling Company

GEORGE M. YOUNG
Independent Producer of Oil and Gas

DIRECTORS EMERITI

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Chairman of the Executive Committee, Mrs. Baird's Bakeries, Inc.

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Investments

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Investments

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Honorary Chairman of the Board

RAYMOND C. GEE
Advisory Chairman of the Board

JOE B. HOGSETT
Investments

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President, Maddox Properties

W. H. PETERSON
Executive Vice President, Retired

GUY PRICE
Ranching

GLEN TURBEVILLE
Chairman of the Board, Morrison Supply Company

*Advisory Director

Grant, returning in 1953 as director, systems and equipment research.

In 1965, Mr. Zipf was named executive vice president and managing committee member. He was appointed senior administrative officer in 1973.

S. Edgar Lauther Retires; Appointments, Promotions Made At American Fletcher HC, Bank

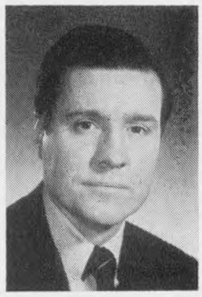
INDIANAPOLIS—S. Edgar Lauther has retired as chairman of the executive committees of both American Fletcher Corp. (AFC) and American Fletcher National, concluding a 42-year banking career, the last seven-and-a-half with American Fletcher. He continues as a director, member of the executive committee and consultant to the HC. His successor is Frank E. McKinney Jr., chairman and CEO of the HC.

In other action, the HC has named J. Albert Smith Jr., senior vice president, to head the AFC corporate group; A. L. LePere, senior vice president, to head the AFC consumer group; Larry T. Kennedy, vice president, to head the newly formed U. S. banking group; and James O. Kneisley, vice president, to head the new loan policy and operations group.

The bank has announced that David L. Biddinger, vice president, is the new head of the national division and Peter B. Skelton is head of the metropolitan division. Thomas G. Andrew Jr., vice president, continues as head of the Indiana division. All are part of the U. S. banking group.

James P. Devlin has been named vice president and auditor, I. Richard Horen and Clifford A. Stevens were promoted to vice presidents and deputy auditors, E. Lynn Plaster was elected vice president and senior trust officer and James F. Paulsen was promoted to vice president and trust officer. Other new vice presidents include C. F. Roesener, Gary L. Hoover, Dennis L. Lemen, Eugene R. Schnyder, H. Everett Smith Jr., William M. Stowring, Robert L. Zeunik and Thomas E. Ertl.

LAUTHER



McKINNEY

DETROITBANK CORPORATION

ASSETS

Cash and Due from Banks	$ 265,452,000
Time Deposits with Other Banks	237,568,000
U. S. Treasury Securities	197,679,000
U. S. Government Agency Securities	43,264,000
State and Municipal Securities	521,225,000
Other Investment Securities	11,747,000
Trading Securities	13,667,000
Total Securities	787,582,000
Federal Funds Sold and Securities Purchased Under Agreements to Resell	9,200,000
Commercial Loans	992,373,000
Real Estate Mortgage Loans	641,072,000
Consumer Installment Loans	181,694,000
Total Loans	1,815,139,000
Less Valuation Portion of Reserve for Loan Losses	19,562,000
Loans—Net	1,795,577,000
Premises and Equipment	32,541,000
Customers' Liability on Acceptances	9,944,000
Other Assets	52,064,000
TOTAL	$3,189,928,000

LIABILITIES

Demand Deposits	$ 760,650,000
Personal Savings and Time Deposits	1,492,539,000
Other Time Deposits	305,365,000
Deposits in Foreign Offices	103,547,000
Total Deposits	2,662,101,000
Federal Funds Borrowed and Securities Sold Under Agreements to Repurchase	184,365,000
Commercial Paper Outstanding and Other Borrowed Funds	45,160,000
Acceptances Outstanding	9,944,000
Other Liabilities	69,858,000
Total Liabilities	2,971,428,000

SHAREHOLDERS' EQUITY

Preferred Stock—No par value; 500,000 shares authorized and unissued	—
Common Stock—$10 par value; 4,500,000 shares authorized; 3,370,483 shares issued	33,705,000
Surplus	125,000,000
Retained Earnings	66,403,000
Total	225,108,000
Less: Treasury Stock 182,282 shares	6,608,000
Total Shareholders' Equity	218,500,000
TOTAL	$3,189,928,000

BOARD OF DIRECTORS

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

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

Rodkey Craighead
President

Louis A. Fisher
Director

Walter B. Ford II
Chairman of the Board—
Ford & Earl Design Associates, Inc.

Edward J. Giblin
President—Ex-Cell-O Corporation

Jason L. Honigman
Partner—Honigman, Miller, Schwartz and Cohn

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General Motors Corporation

Donald R. Mandich
Executive Vice President—
The Detroit Bank & Trust Company

James McMillan
Director

Paul S. Mirabito
President—Burroughs Corporation

E. Joseph Moore
President—
The Detroit Ball Bearing Company of Michigan

Paul W. O'Malley
President and Chairman—
Essex International, Inc.

Raymond T. Perring
Retired Chairman

H. Lynn Pierson
Chairman of the Executive Committee—Dura Corporation

Robert F. Roelofs
President—
Macomb County Community College

W. Warren Shelden
Director

C. Boyd Stockmeyer
Chairman

Arbie O. Thalacker
Chairman of the Board—
Detrex Chemical Industries, Inc.

Cleveland Thurber
Counsel—
Miller, Canfield, Paddock and Stone

Herbert B. Trix
Director—
The Standard Products Company

William R. Yaw
President—Wabeek Corporation

Consolidated Balance Sheet December 31, 1975

On December 31, 1975, securities having a par value of $155,220,000 were pledged where permitted or required by law to secure liabilities and public and other deposits totaling $93,571,000, including deposits of the State of Michigan of $47,090,000. Standby letters of credit amounted to $11,067,000 as of the same date.

James Newman, "Gus" Morris Elected To Memphis Bank Correspondent Posts

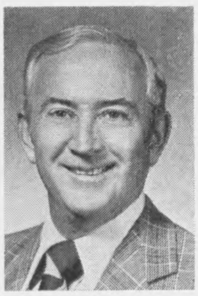
MEMPHIS—James M. Newman Jr. and C. G. "Gus" Morris have joined Memphis Bank & Trust Co. as vice presidents and are working with Vice President Lynn Hobson in the correspondent bank department. Mr. Newman and Mr. Morris formerly were vice presidents in the correspondent bank department at Union Planters National here.

Mr. Newman went to Union Planters in 1946, became assistant manager, Highland Heights Branch, in 1951, joined the correspondent bank department in 1953, was named assistant cashier in 1954, assistant vice president in 1957, vice president in 1960 and correspondent bank department head in 1968. He is a graduate of the School of Banking of the South, Louisiana State University, Baton Rouge.

Mr. Morris joined Union Planters in 1947 and worked in various departments before going to the correspondent bank department in 1957. He was promoted to assistant cashier in 1958, to assistant vice president in 1961 and to vice president in 1966. Mr. Morris was manager of UP's correspondent bank department from 1972 to November, 1975. He also is a graduate of the School of Banking of the South.

Memphis Bank President Earl H. Triplett said that Messrs. Newman and Morris, together with Mr. Hobson, will be attending the forthcoming bank conventions in the various southern states.

MORRIS



NEWMAN

Amarillo Nat'l Promotes 13

AMARILLO—Amarillo National has named the following vice presidents: Will Bain, David Ellis, Dennis W. Falk, Stanley W. Harrison and Mark Sims. Everett P. Gray was named vice president and controller.

Promoted to assistant vice presidents were Monte Brogdin, Dorris Evans, Lou Ella Knox and Joan Veazey.

In the trust division, Donald R. Pullen was elected vice president and senior trust officer and Herb Hutchins and Mike Montgomery were named vice presidents and trust officers.

MASSIE KEMPER MILLER CASPARI SKATTUM

Five Are Named V.P.s At Bank of St. Louis

ST. LOUIS—Bank of St. Louis has promoted the following to vice presidents: Marcy E. Massie, director of marketing at the bank and advertising and marketing director for the HC affiliate, General Bancshares Corp.; Roger L. Skattum, director of personnel; Thomas F. Caspari, commercial loan department; William G. Kemper, mortgage & construction department; and Oren F. Miller, credit and loan servicing department.

Catherine L. Barbeau has been named an assistant vice president in the personnel department, while Kenneth R. Downs, credit and loan servicing department, and Lucille H. Saucier, teller department, have been named assistant cashiers.

R. Kossick Is E.V.P. At Bank of Southwest

HOUSTON—Robert M. Kossick has been elected executive vice president and an advisory director of Bank of the Southwest. He will be responsible for the bank's operations, personal banking, administrative service and marketing divisions.

William B. Hudson, former vice president and national department manager, and Dan Dupar, who was vice president and metropolitan department manager, have been named senior vice presidents. Both remain managers of their respective departments.

Mr. Kossick joined Southwest Bancshares, Inc., here, the HC of which Bank of the Southwest is the lead bank, last April. He went there from Citicorp,



KOSSICK HUDSON DUPAR

New York City, where he had served most recently as president of Citibank Financial Trust in the United Kingdom, a Citicorp subsidiary.

Mr. Hudson joined the bank's credit department in 1966 and was named vice president and senior loan officer three years later. He previously was with Chase Manhattan Bank, New York City.

Mr. Dupar joined Bank of the Southwest in 1973 as vice president and senior loan officer after having served First Western Bank, San Francisco. He was promoted to department manager at Bank of the Southwest in 1974.

Top-Level Changes Announced At Valley Nat'l of Arizona; Ostlund Takes Retirement

PHOENIX—Valley National of Arizona has announced the election of Gilbert F. Bradley as CEO to succeed James B. Mayer, who continues as board and executive committee chairman. Mr. Bradley also remains president and chief administrative officer.

In other action, John C. Baldwin, senior vice president, has been named head of the bank's newly formed industrial and corporate development department, and W. D. Kennedy and John J. Scott have been elected vice presidents.

Dow Ostlund, executive vice president in charge of VNB's funds management group, took early retirement February 1 for "reasons of health and for the opportunity to direct more time to personal activities." Mr. Ostlund was a banker more than 30 years and headed Robert Morris Associates in 1971.

Mr. Bradley joined VNB 38 years ago and became president in 1973. Mr. Mayer, a director since 1956, was elected chairman in 1972 and CEO in 1973. Mr. Baldwin, with the bank 35 years, now is responsible for acquisition of new industrial and corporate accounts, both local and national. Mr.

BRADLEY

MAYER

OSTLUND

BALDWIN

Kennedy, national accounts, joined VNB in 1965. Mr. Scott, operation services, went there in 1955. Both formerly were assistant vice presidents.

Maltsberger, S.V.P., Retires From NBC, San Antonio

SAN ANTONIO—Leslie D. Maltsberger, senior vice president, National Bank of Commerce, has retired. He joined the bank in 1942.

Beginning with the institution as a bookkeeper, he worked in a number of departments and was named senior vice president in 1969.

Harry Smith, credit department manager, has been promoted to vice president and senior credit officer, while Raymond Miller Jr., Richard Petitt and James Wright were advanced to vice presidents. Elevated to cashier was Pat R. Stewart.

Mr. Smith joined the bank in 1961; Mr. Miller, in 1946; Messrs. Pettit and Wright, in 1968; and Mr. Stewart, in 1970.

Named assistant vice presidents were Wilma Bielefeldt, Larry Harris, Joan McIntyre, Gordon Schmidt, Ron Echols, Homer de los Santos, Robert Perrotta and Emma Vidal.

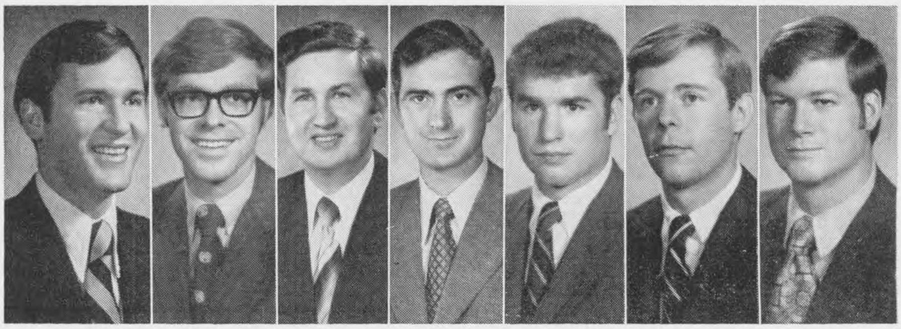
Ft. Worth Nat'l Raises 12; Witt, Scarborough Retire

FORT WORTH—Fort Worth National has elected J. C. Brown an executive vice president. He has headed the commercial banking division since 1973 and is a former manager of the commercial loan department. He joined the bank in 1950.

Named vice presidents were Paul A. Clinkscales, W. James Conrad, Jack L. Gregory, Thad M. Keenan, John R. McGuire, N. David Moore and Jerry C. Thomas.

New assistant vice presidents are Jack H. Gallagher, Robert F. Jones, James M. Luttrell and Mrs. Ann Quinn.

Orville L. Witt and Gordon Scarborough retired last December 31. Their combined years with the bank total nearly 90. They both joined the bank in 1929.



PEYTON WALKER KINNISON MONARCH BOWEN BIRNSTEEL SMITH

Seven New Vice Presidents Named at Liberty National

LOUISVILLE—C. Barret Birnsteel, Sam H. Monarch and Joseph W. Smith have been promoted to vice presidents and trust officers at Liberty National. All three formerly were trust officers.

Named vice presidents were David S. Bowen, mortgage loan group, formerly assistant vice president; William R. Kinnison, trust division, formerly trust officer; and Sanford L. Peyton and J. Page Walker Jr., formerly assistant vice presidents, corporate group.

Barnes, Edwards, Sappenfield Lead 4th of Tulsa Promotions

TULSA—Juanita Barnes, Ronald P. Edwards and Phin Sappenfield have been promoted to vice presidents at Fourth National.

Mrs. Barnes, customer service department manager, has been with the bank 25 years. Mr. Edwards, a commercial loan officer, joined the institution in 1974, while Mr. Sappenfield, also a commercial loan officer, joined Fourth National in 1972.

Larry C. Choate, installment loan division, has been named an assistant vice president, while William T. Sperry has been advanced to trust officer.

Uthoff Is Named S.V.P. Of St. Louis Fed

ST. LOUIS—Harold E. Uthoff has been named a senior vice president of the St. Louis Fed. He joined the bank in 1956 as assistant examiner, rose through the ranks and was named to his previous position, vice president, in 1970.

As senior vice president, Mr. Uthoff will be in charge of two departments: bank supervision and regulation and credit-discount.

In other Fed promotions, Edgar H. Crist and Delmer D. Weisz have been elevated to vice presidents, advancing from assistant vice presidents. Mr. Crist joined the bank in 1942 and is in the bank supervision and regulation department, while Mr. Weisz, who is in the same department, joined the St. Louis Fed in 1960.

Three Vice Presidents Elected At Bank of Southwest, Houston

HOUSTON—Bank of the Southwest has named Raymond R. Brown, Carl W. Pitschmann Jr. and Norman R. Smart vice presidents and promoted Berry L. Allen and W. Don Parnell to assistant vice presidents.

BROWN SMART PITSCHMANN

Mr. Brown joined the bank in 1969 and Mr. Pitschmann in 1951. Both are in the trust department. Mr. Smart has been with the bank since 1972 and serves as a personal banking officer.

GREGORY BROWN CONRAD KEENAN MOORE McGUIRE THOMAS CLINKSCALES

ST. LOUIS COUNTY NATIONAL BANK

CLAYTON, MISSOURI

Statement of Condition

DECEMBER 31, 1975

ASSETS

Cash and due from banks	$ 28,810,512
Due from banks—interest bearing	13,204,873
Investment securities	
United States Government	20,504,159
States and political subdivisions	40,806,993
Other securities	450,000
Total investment securities	61,761,152
Federal funds sold	15,300,000
Loans (net of unearned discount of $919,284 and reserve for possible loan losses of $1,108,416)	122,959,937
Bank premises and equipment	1,486,094
Other assets	5,973,480
	$249,496,048

LIABILITIES AND STOCKHOLDERS' EQUITY

Demand deposits	$ 97,534,385
Savings and time deposits	122,579,728
Total deposits	220,114,113
Federal funds purchased and securities sold under agreements to repurchase and other borrowed funds	7,445,000
Other liabilities	2,417,550
Total liabilities	229,976,663
Stockholders' equity	
Common stock	5,000,000
Capital surplus	10,000,000
Retained earnings	4,519,385
Total stockholders' equity	19,519,385
	$249,496,048

OFFICERS

MERLE M. SANGUINET
Chairman of the Board, President and Chief Executive Officer

ROBERT C. WOLFORD
Executive Vice President

EDWARD H. SCHMIDT
Chairman of the Executive Committee

COMMERCIAL BANKING

RODNEY F. HILL
Senior Vice President

C. U. IMBODEN
Vice President

LESTER O. WAGNER
Assistant Vice President

DONALD A. WIBBENMEYER
Assistant Vice President

MARTHA R. SHEERIN
Assistant Vice President

INSTALLMENT CREDIT AND LEASING

KENNETH W. BEAN
Assistant Vice President

THERESA S. KRONER
Installment Credit Officer

DENNIS L. HASSLER
Installment Credit Officer

JERRY L. PATTON
Installment Credit Officer

MORTGAGE LOANS

THOMAS M. NOONAN
Vice President

PATRICK H. STEVENSON
Mortgage Loan Officer

OPERATIONS

RAYMOND N. GRELLNER
Senior Vice President

SYDNEY Y. PENDLETON
Vice President

WALTER E. BECKER
Assistant Vice President

GILBERT E. FARRELL
Assistant Vice President

PAUL L. GIBBONS
Cashier

RICHARD A. MATT
Assistant Cashier

GERALD P. FAGIN
Data Processing Officer

MARGIE M. KING
Personnel Officer

CUSTOMER SERVICES

JERRY E. STAMM
Vice President

RAYMOND F. ERKER, JR.
Assistant Vice President

RICHARD H. THOMAS
Assistant Vice President

WILLIAM E. CARROLL
Assistant Cashier

NORINNE HOBBS
Assistant Cashier

PAULINE MITSCHELE
Assistant Cashier

THELMA SCHLOBOHM
Assistant Cashier

HARRIS E. WILLIAMS
Assistant Cashier

MARKETING AND ADVERTISING

CURTIS L. GILES
Assistant Vice President

JOSEPH M. WILSON
Marketing Officer

COMPTROLLER

LAWRENCE D. ABELN
Comptroller

DAVID EVANGELOFF
Assistant Comptroller

AUDITING

MATTHEW S. TOCZYLOWSKI
Auditor

CORPORATE SERVICES

JERRY DEMPSEY
Vice President

TERRY COWEE
Assistant Vice President

TRUST DEPARTMENT

GEORGE REICHMAN
Vice President and Trust Officer

RICHARD J. KEMPLAND
Vice President and Trust Officer

JAC E. GRISWOLD
Trust Officer

WILLIAM L. HOEMAN
Trust Officer

WILSON F. HUNT
Trust Officer

CARL ENLOE
Trust Investment Officer

JAMES R. ALBACH
Assistant Trust Investment Officer

GERALD L. WEDEMEIER
Assistant Trust Officer

OTWAY RASH, IV
Assistant Trust Officer

BOARD OF DIRECTORS

DAVID D. CHOMEAU
President
Reliable Life Insurance Co.

J. GORDON FORSYTH
Vice President
Forsyth Carterville Coal Co.

JACK R. HENNESSEY
President
Hennessey-Forrestal Machinery Company

LEE HUNTER
Chairman of the Board
Hunter Engineering Co.

JAMES C. LAFLIN
Vice President
Southern Comfort Corporation

JOHN K. LILLY
International Sales Manager of Plasticizers, Monsanto Co.

BEN PECK
President
Wohl Shoe Company

DOYLE E. ROGERS
Vice President—Revenues and Public Affairs, Southwestern Bell Telephone Company

MERLE M. SANGUINET
Chairman of the Board and President

EDWARD H. SCHMIDT
Chairman of the Executive Committee

L. EDWARD SMART
President
Imperial Refineries Corporation

JULES Q. STRONG
Attorney

MAHLON B. WALLACE, III
President
Wallace Pencil Company

CONFIDENCE COMES WITH COUNTY NATIONAL

ST. LOUIS **COUNTY NATIONAL** BANK

CLAYTON, MO.

MAIN BANK: 8000 FORSYTH
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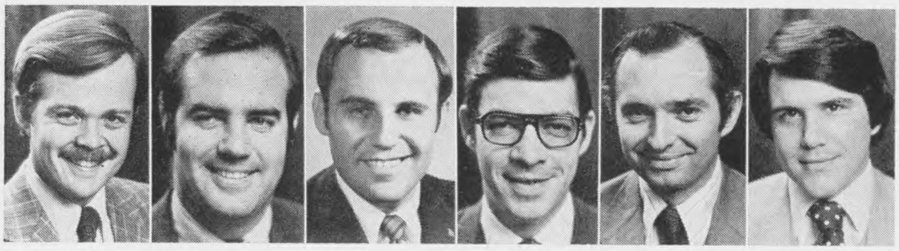


AKIN HAYWOOD CELLINI KELLER REUSS CROFT

4 VPs, 2 Corres. Officers Elected at American Nat'l

CHICAGO—American National has elected four new vice presidents, including Robert C. Cellini, Marshall Haywood III, David L. Keller and John F. Reuss. Named second vice presidents were David A. Kettwig and Bruce Rademacher.

Richard E. Akin and Douglas A. Croft were elected correspondent banking officers. They joined the bank in 1969 and 1972, respectively.

William S. Dillon, senior vice president in the trust department, has been given the additional responsibility and title of trust counsel.

J. Mack Retires From Traders; Succeeded by Thomas Palmer

KANSAS CITY—James F. Mack, senior vice president and correspondent department head at Traders National, has retired. He has been succeeded as correspondent head by Thomas L. Palmer, vice president.

Mr. Mack, a former Missouri Bankers Association president, joined Traders National in 1961 as a vice president. In 1963, he was promoted to senior vice president. Prior to his employment at Traders National, Mr. Mack worked for Commerce Trust, Plaza Bank, Baltimore Bank and City National, all of Kansas City.

Mr. Palmer joined Traders National's correspondent department last July, going there from Bank of St. Louis, where he had been vice president and assistant manager of the correspondent department.

Manker, Hudspeth and Wilson Are S.V.P.s at 1st, Dallas

DALLAS—Myron W. Manker, head of First National's correspondent banking division, J. Robert Hudspeth, Singapore Branch manager and head of the bank's Asia-Pacific area operations, and John H. Wilson III, corporate finance division head, have been advanced to senior vice presidents.

An engineer, Mr. Manker worked on the Apollo-Saturn space project for two years prior to joining the bank in 1970. He advanced through the credit department and served in the national division before entering the correspondent division in 1974.

Mr. Hudspeth joined First National in 1973. Before that, he had been with First National City Bank, New York City, for seven years.

Mr. Wilson joined the bank in 1965 and took charge of the corporate finance division last year.

VP, AVP Promotions Made At First Nat'l, Jackson

JACKSON, MISS.—First National has named seven vice presidents, including James L. Alford, Tally L. Berry, Billy L. Fisher, Andrew B. Holmes, Kerry J. Ressler, Harold Weess and Charlton A. Alexander.

Mr. Alford is in the correspondent bank department and Mr. Alexander is also a trust officer.

Promoted to assistant vice presidents were Miss Miriam Jones, Mrs. Anna Jones, Harvey C. Lewis, James W. Robbins and Mike D. Smith. Michael S. Miller was promoted to assistant vice president and assistant auditor.

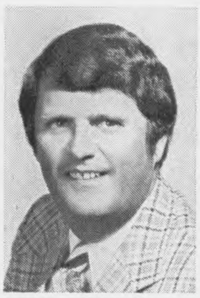
George Clark Named CEO At 1st Nat'l, Albuquerque

ALBUQUERQUE—George L. Clark, president, First National, has been given the additional title of CEO. He was elected president last August.

Recent promotions include Robert Flynn and Nadine Martin to assistant vice presidents, Margie Slate to advertising manager, Ray Loch to assistant trust officer, and Tonita Kirkpatrick and Mickey Slaughter to assistant cashiers.

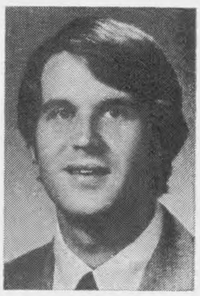
Carleta Evans, assistant cashier at the bank's Winrock Office, has been named manager of the Lomas Office.

MACK



PALMER

MANKER



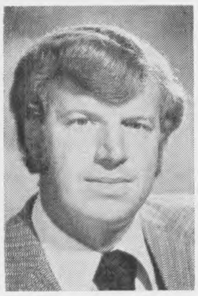
ALFORD

Hammonds, Wilde Promoted At First Nat'l, Ft. Worth

FORT WORTH—First National has promoted Lonnie Hammonds and Melvin B. Wilde to vice presidents and Bruce Correll, Louis Harris and John Wessler to assistant vice presidents.

Messrs. Hammond and Wilde are assigned to the correspondent banking department. They joined the bank in 1964 and 1960, respectively.

HAMMONDS



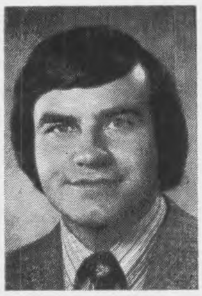
WILDE

Correspondent Dept. Changes Made At Citizens Fidelity, Louisville

LOUISVILLE—Citizens Fidelity has transferred James Wakeman from the BankAmericard to the correspondent department. He joined the bank in 1967.

Darrell Thore, assistant cashier, has left the correspondent department to undergo training for a position in the branch system. He had been manager of the correspondent department for 18 months.

WAKEMAN



THORE

Ritchie Is Named Internat'l Mgr. At First National of Memphis

MEMPHIS—Stephen M. Ritchie has been named vice president at First National. He also has been appointed international division manager, succeeding Preston Haag, who has been elected executive vice president and CEO at Fountain City Bank, Knoxville.

Both banks are affiliates of First Tennessee National Corp., Memphis.

Mr. Ritchie joined First National's international division in 1974 and was named manager of its European area in 1975. Mr. Haag joined the bank in 1958.

Charlton to Hubbard & Assoc.

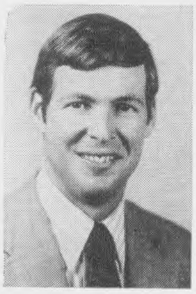
CHICAGO—C. Fredrick Charlton has resigned as vice president at First National and will join Hubbard & Associates, a financial institution consulting firm headquartered here.

Prior to joining the bank as vice president-director of advertising and promotion, Mr. Charlton was vice president and management supervisor for J. Walter Thompson Co.

American Nat'l, Chattanooga, Names Cope, Miller VPs

CHATTANOOGA—American National has promoted Andrew G. Cope to vice president and senior trust investment officer and Norman R. Miller to vice president.

Named assistant vice presidents were Mrs. Sallie Ann Berger, John F. Currence and Paul W. Head, all branch managers.



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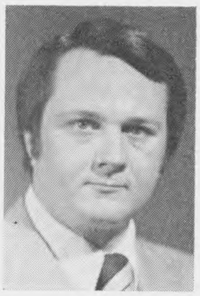


MILLER

Rakestraw of Fidelity Retires; Is Succeeded by Brixey

OKLAHOMA CITY—Bryan L. Rakestraw, vice president and Express Bank Facility manager, Fidelity Bank, has retired. Succeeding him as facility manager is Robert L. Brixey, assistant vice president and former facility assistant manager.

Joan Allen has been appointed assistant manager there.

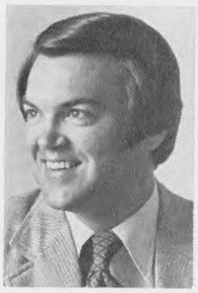
Mr. Rakestraw had been with the bank 10 years and had managed the Express Bank Facility since its 1967 opening. Prior to joining the bank, he served with the Judge Advocate's Department of the Air Force.

Mr. Brixey joined the bank in 1963 and was elected an officer in 1970.

Barksdale, Thompson Named VPs At Commercial Nat'l, Little Rock

LITTLE ROCK—Commercial National has named Hubert Barksdale and Robert Thompson vice presidents for correspondent services. They joined the bank in 1969 and 1973, respectively.

Billy B. May has joined the bank's money management department as investment marketing officer. He was formerly with a stockbrokerage firm.



BARKSDALE

THOMPSON

New Mercantile Bank Posts Given Harrop and Wegener

KANSAS CITY—David W. Harrop has been elected vice president at Mercantile Bank, while Harold R. Wegener has moved from the affiliate HC, Mercantile Bancorp., St. Louis, as controller of the bank.

Dorothy L. Smith, Max M. Gilliland and Roger D. McPeek have been elevated to assistant vice presidents and Carol Bray, who recently joined the bank, has been named assistant vice president and personnel director.

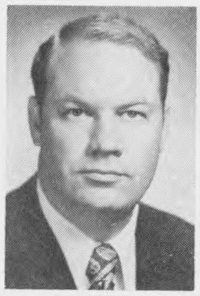
Fidelity Bank, Oklahoma City, Announces Two Promotions

OKLAHOMA CITY—Fidelity Bank has promoted Donald G. Copeland to vice president and Bill Pendleton to assistant vice president. Mr. Copeland joined the bank in 1962 and is assistant director, commercial credit and collateral department. Mr. Pendleton has been with the bank since 1971 and is in the investment division.

B. C. Clark Jr., jeweler, has been elected to the board of Fidelity Corp. of Oklahoma, parent HC of the bank.

Waidelich Named Vice President

ATLANTA—Citizens & Southern National has elected William R. Waidelich Jr. vice president. He is division manager in correspondent banking and joined C&S in 1969. His prior experience with the bank was in branch banking, the credit department, financial and engineering and corporate accounts.



SPENCE

WAIDELICH

Spence Joins La. Bank as V.P.; Named Marketing, PR Head

SHREVEPORT, LA.—A. Hartie Spence, formerly vice president, First National, has joined Louisiana Bank as vice president in charge of the marketing, advertising and public relations department.

As vice president of the bank, Mr. Spence is in charge of correspondent banking, business development and national accounts divisions, all phases of the marketing department, advertising, internal bank communications and customer and community relations.

A past president of the Louisiana Bankers Association's Junior Bankers, he presently is vice chairman of the LBA's Northwestern Group.

American National, Mobile, Announces Nine Promotions

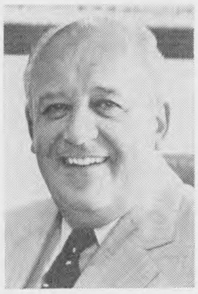
MOBILE—American National has named H. Harrell Galloway an executive vice president, Vincent P. Schiavoni senior vice president and cashier and Charles E. Luchte senior vice president and controller.

Named vice presidents were J. B. Horst, John H. Laing, Willard C. Lowery, Gary E. Nelson and W. Charles Prater. Lee E. Moncrief has been named vice president and trust officer.

Louisville Trust Alters Name

LOUISVILLE—Louisville Trust Co. has changed its name to Louisville Trust Bank and has become a wholly owned subsidiary of United Kentucky, Inc., newly formed HC. No personnel changes are anticipated.

BLANK



STAUFFACHER

EGAN

LEWIS

First American Nat'l, Nashville, Promotes Officers to VPs, AVPs

NASHVILLE—First American National has promoted Joseph J. Blank and Carl E. Scheuerman to vice presidents and James W. Burton, William T. Ivie, William B. Mullins and Dianne C. Porter to assistant vice presidents.

Mr. Blank is a correspondent bank officer and joined the bank in 1968. Mr. Scheuerman is loan review manager and has been with the bank since 1967.

Merchants Nat'l Surplus Change

TOPEKA—Merchants National has transferred $250,000 from undivided profits to surplus, increasing it to $4,750,000. Capital stands at $5 million, with total capital funds, including reserves, exceeding $16 million.

Nat'l Boulevard Elects Director

CHICAGO—National Boulevard has elected Charles B. Stauffacher a director. He is president, CEO and chairman of the executive committee of Field Enterprises, Inc. Prior to that he was vice chairman, Continental Can Co.

First American, Knoxville, Announces Officer Raises

KNOXVILLE—First American has made seven promotions, including Billie P. Eversole to vice president, Clara B. Morton and Frederick W. Johnson to assistant vice presidents, and Claudia McCorkle, Heiskell Howard, Kenneth K. Altom Sr. and Thomas C. Parker to assistant cashiers.

Egan Named Public Affairs Head At Continental Bank, Chicago

CHICAGO—Continental Bank has named John V. Egan Jr., vice president, director of its public affairs division. He joined the bank in 1960 and has been in the public affairs division since August.

William L. Staples and Leonard W. Busse, vice presidents, have been named managers of the midwestern and central divisions, respectively, of the bank's commercial banking department.

Bank of New Orleans Ups Lewis

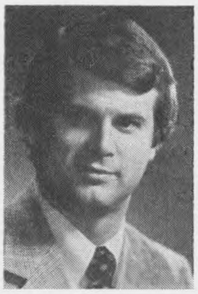
NEW ORLEANS—Bank of New Orleans has promoted John Hampden Lewis to vice president-credit administration; Arthur R. Hamburger Jr. and Michael A. Harmon to assistant vice presidents in the credit department; and Eunice Allen and R. Glenn Miller to assistant cashiers in the branch system.

Irving Trust Promotes Hollasch

NEW YORK—Irving Trust has promoted Raymond G. Hollasch to senior vice president. He had been vice president and auditor since 1969 and joined the bank's comptroller's division in 1965.

ODOM

STONE



PORTER

Stone, Odom Named Senior VPs At Cullen Center Bank, Houston

HOUSTON—Cullen Center Bank has promoted Stephen C. Stone and F. A. "Andy" Odom to senior vice presidents. Mr. Stone is in the bond department and Mr. Odom is in the commercial loan department. Mr. Stone joined the bank in 1972, Mr. Odom the following year.

Porter to Travel in Mo.

KANSAS CITY—George William Porter, correspondent banking officer at Commerce Bank, has assumed responsibilities for northern Missouri. He was formerly responsible for New Mexico and Texas. He joined the bank in 1973.

Louisiana National, Baton Rouge, Promotes Seven Officers

BATON ROUGE—Louisiana National has promoted seven officers, three to vice presidents and four to assistant vice presidents.

Pauline C. Hogan, Albert J. Ellis and Terry A. Tregre were promoted to vice presidents and Barry W. Braucht, Joseph P. Dileo, W. Virginia Hall and Michael J. Hosemann were named assistant vice presidents.

Edwards Joins FNB, Birmingham

BIRMINGHAM—First National has elected James U. Edwards III assistant vice president and international business development officer. He was previously with Wachovia Bank, Charlotte, N. C.

Fidelity National, Baton Rouge, Elects Three Vice Presidents

BATON ROUGE—Fidelity National has elected John D. Bogan and Roderick F. Byrne vice presidents and Lawrence C. Paddock vice president and trust officer. Mr. Bogan is in charge of checking accounts services, Mr. Byrne supervises marketing research and development and Mr. Paddock is responsible for trust investments.

Central National, Chicago, Promotes Four Officers

CHICAGO—Central National has elected Christopher W. Roberts executive vice president and Ronald K. Vetterick and James P. Morrow senior vice presidents. Denis R. Chevaleau was elected vice president and manager of the international department.

Bank of New Mexico Promotes 3

ALBUQUERQUE—Bank of New Mexico has promoted John McHugh Jr. to assistant vice president and named him security officer and service department manager.

Donna Hammonds and Ron Vodian were elected assistant trust officers.

Sloan Joins 1st Tenn. Nat'l

NASHVILLE—John E. Sloan Jr. has joined First Tennessee National as executive vice president. He was formerly president, Harpeth National, Franklin, and has also served with First American National, Nashville. First Tennessee National is a member of First Tennessee National Corp., Memphis-based HC.

Scott, List Join First of Tulsa

TULSA—William H. Scott has been named assistant vice president in the First Person Banking Center of First National. He went there from Sand Springs State, where he was a vice president.

Robert E. List has joined First National as corporate banking officer. Prior to that, he was in the Air Force.

Columbia Union Promotes Four

KANSAS CITY—Four former vice presidents have been elevated to senior vice presidents at Columbia Union National. They are Warren Schnell, who also is cashier; Chester W. Haines Jr., manager of the secured lending division; Joseph M. Crowe, bond department manager; and Gerald E. Karlin, metropolitan lending division manager.

Spears Joins Merchants Nat'l

INDIANAPOLIS—Merchants National has elected Clifford B. Spears vice president, personnel. As director of personnel, he will be responsible for recruiting, hiring, training and administrating personnel policies and practices.

First NBC Promotes Two

NEW ORLEANS—First National Bank of Commerce has promoted Tim High and Austin Landry to assistant vice presidents. Mr. High joined the bank in 1973 and was formerly a retail banking officer. Mr. Landry has been with the bank since 1971 and was formerly a banking officer.

Ala. Bancorp. Names 3 VPs

BIRMINGHAM—Alabama Bancorp. has elected William T. Cothran Jr. vice president and industrial development officer. He was also elected a vice president of First National, Birmingham.

Fred W. Sellers was promoted to vice president in charge of operations support and Mack D. McCollum was promoted to vice president in charge of the systems department.

GILES

ENLOE

Giles, Enloe Are Named V.P.s At St. Louis County Nat'l

CLAYTON, MO.—Curtis L. Giles, marketing, and Carl Enloe, investment division head of St. Louis County National's trust department, have been promoted to vice presidents.

Mr. Giles, who formerly was an assistant vice president, joined the bank six years ago, going there from Continental Illinois National, Chicago. He also has been named vice president and director of marketing at St. Louis County National's affiliate HC, County National Bancorp., headquartered here. In addition, Mr. Giles is vice president of the Missouri-Illinois Chapter of the Bank Marketing Association.

Mr. Enloe, prior to his promotion, was trust investment officer at the bank, a title he still holds. He joined the bank in 1971 after 13 years' investment experience.

Nat'l Boulevard Reports Income

CHICAGO—National Boulevard reported that 1975 produced its second-highest income in the bank's history. Net income was $1.9 million, or $9.77 per share. This compares with 1974's record figure of $2.1 million, or $10.39 a share. Total 1975 year-end deposits were $340.5 million.

Among new records established during 1975 were daily average deposits of $316.5 million, compared with $300.2 million in 1974, and an all-time high in passbook savings last December 31 of $46.7 million.

Higher Income Reported

JACKSON, MISS.—Net income after security transactions for 1975 at First Capital Corp. was $7.8 million, or $4.64 per share, compared with $6.9 million, or $4.13 per share, for 1974. First Capital's principal subsidiary is First National.

The bank's total year-end deposits were $619.5 million, up from the year-end 1974 figure of $608.1 million.

Tulsa HC Sets Records

TULSA—BancOklahoma Corp., HC for Bank of Oklahoma, has announced record totals for deposits and income. Earnings exceeded $6 million for the first time, going up $600,000 to $6.2 million last year. Net income per share rose 11.1% from $2.52 in 1974 to $2.80 in 1975. Total assets also reached a first—going over $7 million to $716 million.

Year-end 1975 deposits totaled $604 million. Demand deposits went up 12.8% and time deposits, 10.9%, yielding an 11.8% boost in total deposits.

Harris Reports Earnings

CHICAGO—Harris Bankcorp's 1975 net income was $30.2 million, or $4.96 a share, compared with $27.4 million, or $4.51 a share, the previous year. This was a 10% increase.

Total 1975 year-end deposits were $3.2 billion. Average domestic demand deposits were up 6%, and savings deposits rose 14%. However—reflecting lower domestic loan demand, a 1% decrease in large time CD sales and a 30% reduction in average foreign deposits—total deposits last year averaged $2.9 billion, down 1% from 1974.

First Union Sets Record

ST. LOUIS—First Union, Inc., has announced that its consolidated net operating income for 1975 rose to a record total of $18.7 million, or $6.10 a share, compared with $16.3 million, or $5.38 a share, the previous year. This is a 13.4% increase.

Net income last year, after investment securities gains and losses, was $17.9 million, or $5.86 a share, 14.2% higher than the 1974 figure of $15.5 million, or $5.13 a share.

First Union's lead bank, First National in St. Louis, reported 1975 year-end deposits of $1.9 billion, compared with $1.8 billion the previous year-end.

DETROITBANK Sets Record

DETROIT—DETROITBANK Corp., parent company of Detroit Bank and six other bank and bank-related firms, has reported record consolidated earnings before securities gains or losses of $27.9 million, or $8.78 a share, for 1975. The 1974 figure was $26.2 million, or $8.10 a share.

Net income last year rose 4% to $26.9 million ($8.45 a share) from $25.8 million ($7.97 a share) the previous year. Total year-end 1975 deposits, $2.7 billion, showed a 7% boost over the $2.5 billion reported at year-end 1974.

HC's Earnings Up 18.75%

KANSAS CITY—Commerce Bancshares, Inc., has reported preliminary unaudited consolidated net income of $14.5 million for 1975, compared with $12.2 million the previous year. This resulted in per-share income of $3.04 for last year, compared with $2.56 in 1974, an increase of 18.75%.

Deposits went from $1.2 billion at year-end 1974 to $1.3 billion last year-end.

Fourth Financial Reports N.O.E.

WICHITA—Fourth National Corp. has reported N.O.E. for 1975 of $4.1 million, or $1.76 a share. Deposits of the HC's principal subsidiary, Fourth National, went up from $366 million at year-end 1974 to $386.7 million last year-end.

■ THE OKLAHOMA CITY BRANCH of the Kansas City Fed has named J. A. Maurer, chairman, Security National, Duncan, as a director. He succeeded W. H. McDonald, vice chairman, First National, Oklahoma City.

■ BARBARA SCOTT has been elected assistant vice president, Bank of Commerce, Tulsa. She joined the bank in 1969 and was named cashier in 1971.

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It takes people who know banking like your bankers from Boatmen's. They are trained to give you the assistance you need. Naturally, some situations arise that require special technology. Your banker from the Boatmen's will draw on the knowledge of a marketing specialist, bond specialist or a computer technician, whatever is necessary.

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THE BOATMEN'S NATIONAL BANK
OF ST. LOUIS

Economy to Perform Below Seers' Forecasts According to Deposit Guaranty Symposium

By JIM FABIAN
Associate Editor

A LARGE group of Mississippi businessmen were told that they should be suspicious of economic forecasts for 1976 because almost all major forecasters agree in their outlooks—an unusual situation. So said Gordon Williams, senior editor, *Business Week* magazine, at last month's economic symposium sponsored by Deposit Guaranty National, Jackson, Miss., in the spanking new Holiday Inn Convention Center, adjacent to Deposit Guaranty Plaza.

Mr. Williams stated that economists predict a 6% real-growth GNP and a 6% inflation rate for 1976, whereas he predicts a 4% real-growth GNP and a 7% inflation rate.

"We are getting off to a slower start in 1976 than I think we must in order to hit that 6% growth rate target," he said. "Real growth shot to an incredible 13% annual rate in the third quarter of 1975 and then sagged to 6% or less in the fourth quarter. It will be no higher than 5% in the first quarter of 1976, meaning that we are going to have to pick up a good deal of speed later this year if we are to reach 6% real growth. At the same time, we have entered 1976 with inflation at a higher rate—still well over 8%—than it should be if we are to bring inflation for the full year down to 6%."

He said that, even if his more pessimistic figures are correct, 1976 will still be a better year than its two predecessors. However, he added, there is a danger that, should the economy seem to be falling short of the rate predicted by economists, stimulation might be recommended by politicians in an attempt to boost the economic picture prior to election day.

Featured symposium speaker Gordon Williams (c.), senior editor, *Business Week*, is flanked by Deposit Guaranty Corp. Pres. John P. Maloney (l.) and ABA V.P. W. Liddon McPeters (r.), pres., Security Bank, Corinth, Miss.

"To the extent that economic growth shows signs of falling much below 6% in 1976," he said, "the pressure on economic policymakers will be enormous to apply additional stimulation in the form of further tax reductions, bigger spending programs and easier money. And that sort of stimulation could get us into trouble quicker than anything I know."

Even though such stimulation would help the economy in 1976, he said, it would almost certainly cause major problems in 1977.

"If inflation does stay significantly higher than 6% in 1976, it is all but certain that the Fed will have to intervene, making credit tighter," he said. "And that would pretty much guarantee still another recession—and another inflationary recession at that—in 1977."

Floyd W. Lewis, president, Middle South Utilities, Inc., told the group that there definitely is an energy crisis, although he assured everyone that the crisis lies in the future and can only be eliminated by careful planning for growth and adoption of a progressive legislative stance on the part of Congress.

He called for a reasoned, coherent national policy on energy that weighs the alternatives in the national interest and charts a course which is calculated to meet energy requirements at the least cost balanced with adequate protection of the environment.

"It should be the policy of the U. S. to have the capability of energy self sufficiency by 1985," he said. "This requires both conservation and increased energy supplies."

He said it should be the policy of the U. S. to increase the efficiency with which energy is used so as to reduce the rate of growth and total energy demand below the 4% rate of the past.

It should also be the policy of the U. S. to develop new supplies of domestic resources and to encourage, wherever possible, the use of coal and nuclear energy instead of oil or gas, he said.

He called for a move forward to open coal leasing on federal lands and accelerate offshore oil and gas exploration, particularly in regions that are energy-short. He called for modification of the Clean Air Act to permit utilization of coal when practicable.

He said the Energy Policy and Conservation Act recently passed by Congress appears to result in just the opposite of what is needed because it will most likely reduce new discovery of oil and gas and increase consumption of fuel as a result of rolling back the price of energy in this election year. He said it would result in an increased dependence upon foreign oil, which could be dangerous.

The developing nations around the world have a gap of 25 million tons of feed grains between their needs and their production, said Fred Adams, president, Cal-Maine Foods, Inc., in his outlook for agriculture.

"These developing nations now have 35% more land in grain production than the developed nations and produce 20% less," he said. Some of the reasons for poor production in the developing

J. H. Hines, ch. & CEO, Deposit Guaranty National Bank and Deposit Guaranty Corp., presides at economic symposium held in Jackson last month.

The Federal Land Bank of Wichita

Statement of Condition

DECEMBER 31, 1975

ASSETS		
Mortgage loans and contracts (unmatured principal)	$1,714,137,365.78	
Delinquent installments, etc.	3,154,560.81	
Loans in process of closing	3,797,203.10	
Accrued interest receivable on mortgage loans and contracts	59,696,724.04	
Loans in process of foreclosure, judgements, etc.	2,228,384.82	
Total	$1,783,014,238.55	
Less Provision for losses	13,317,197.00	$1,769,697,041.55
Cash		3,508,562.76
Investments in Securities and Federal Funds:		
U.S. Government (par $10,843,000)	$ 10,785,624.88	
Federal Funds	7,900,000.00	
Other	5,000,000.00	23,685,624.88
Notes receivable		15,498,144.70
Accounts receivable		3,392.71
Acquired property		467,248.31
Investment in Farm Credit Buildings	$ 2,054,138.88	
Less accumulated depreciation	135,527.24	1,918,611.64
Furniture, fixtures and equipment	312,689.49	
Less accumulated depreciation	124,855.07	187,834.42
Other assets		3,653,239.14
TOTAL ASSETS		$1,818,619,700.11
LIABILITIES		
Unmatured consolidated Land Bank bonds outstanding	$1,610,170,000.00	
Less bonds owned	20,000,000.00	$1,590,170,000.00
Notes payable:		
Federal Land Bank Associations		7,321,110.54
Accrued interest payable		42,878,036.07
Future payment funds from borrowers		16,136,158.03
Trust accounts		6,846,145.61
Other liabilities and deferred income		3,378,441.26
Capital stock owned by Federal Land Bank Associations		95,135,935.00
Participation certificates owned by Federal Land Bank Associations		933,500.00
Legal reserve		31,346,420.00
Surplus reserve		13,590,000.00
Earned surplus		10,883,953.60
TOTAL LIABILITIES		$1,818,619,700.11

NOTES:

Of the mortgage loans $1,684,548,878.39 are assigned as collateral for unmatured consolidated Federal Land Bank bonds.

The $1,610,170,000.00 represents this bank's participation in consolidated Land Bank bonds outstanding in the total amount of $14,999,565,000.00 for which the twelve land banks in the System are jointly and severally responsible.

This bank has no participation in consolidated system wide notes outstanding of which the total amount is $405,550,000.00 for which the thirty-seven Farm Credit banks in the System are jointly and severally responsible.

Over $1.7 billion in loans outstanding says the Wichita Land Bank is confident about the future of agriculture

Each year, it costs more to manage each acre of land. But as important as the dollars-per-acre investment is, it is not as important as the skills farmers and ranchers bring to the industry. The real strength of American agriculture is found, not only in better machines and better methods, but in the man.

Providing capital of this quality and quantity means that the Federal Land Bank is helping not only the farmers and ranchers who own it, but all sectors of the economy throughout **Kansas, Oklahoma, Colorado** and **New Mexico.**

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Vice President and Secretary

J.K. PERRY
Vice President and Treasurer

HAROLD B. WOLFE
Vice President-Credit

MAX H. FOSSEY
Vice President-Field Services

DARWIN E. ASPER
Assistant Vice President-Field

MICHAEL BONE
Assistant Treasurer and Director of Data Processing

JAMES D. CANNON
Assistant Vice President-Appraisal

PAUL R. CLAYTON
Assistant Vice President-Field

DARYL W. FILBERT
Assistant Vice President-Field

JEROLD L. HARRIS
Assistant Vice President-Field

FRED D. HARVEY
Assistant Treasurer and Chief Accountant

ELVIS C. HOWELL
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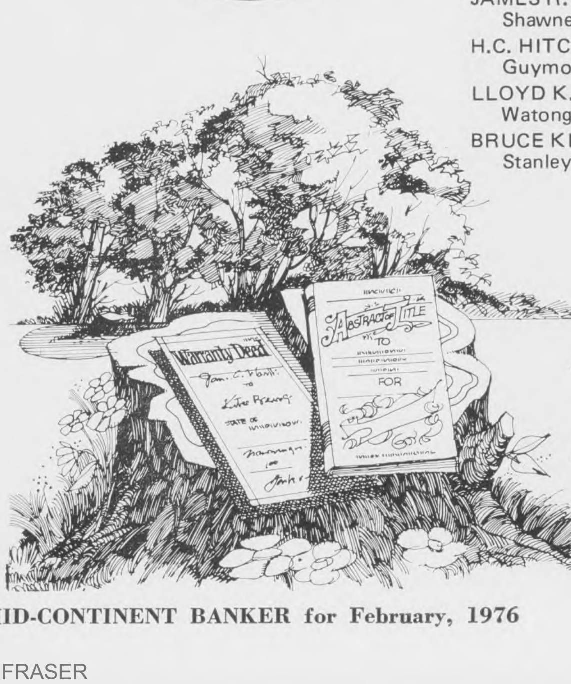

The Land . . . our everlasting heritage
Let us preserve and replenish it.

countries are poor land quality, lack of know-how, lack of financing and lack of incentive.

While U. S. agricultural policy is for maximum production, he said, there are limits to how fast this production can be increased. Capital cost for agriculture is one of the biggest factors. Farmland, machinery, seed, fertilizer and chemicals have had tremendous increases in price in the last few years and it takes a big incentive to justify the increased investment and risks that agriculture must make and take.

"Today," he said, "it takes more capital investment to create a job in agriculture than in industry."

He said the stage is set at some point for a world food shortage that will make the energy shortage of the 1970s look mild. He said this food shortage will likely place the U. S. in a position similar to that which the OPEC nations enjoy today in regard to the oil situation.

The closing speaker for the symposium was Governor-Elect Cliff Finch, who gave a forecast of developments he hoped to bring about during his term of office, which began last month.

Banker Comment Stirred By Conversion of S&L To National Bank Status

THE NEWS IN JACKSON, Miss., that has caught the attention of many of the nation's bankers is the conversion of the White System S&L to Consumer National Bank.

Such a conversion is a rare occurrence, according to the Regional Administrator of National Banks in Memphis, John W. Shaffer, who recalled the last incident of this kind. Nearly 15 years ago, he said, Euclid (O.) National converted from an S&L.

How was the White/Consumer National conversion accomplished? Palmer C. Hamilton, chief-new bank chartering, Comptroller of the Currency's Office, reported that the S&L had converted to a stock corporation under the laws of Mississippi. Prior to the change, White System solicited and received deposits, paid interest on funds deposited, made real estate, personal and collateral loans, cashed checks and conducted "other banking activities," he said.

"Under these circumstances," Mr. Hamilton noted, "White System was a 'bank' within the meaning of 12 U.S.C. 35, and eligible for conversion into a national bank."

Mr. Hamilton said the procedure the S&L/bank followed was the same as for any state bank, which is described in 12 C.F.R. Sec. 4.3.

Regarding the conversion of a mutual S&L or savings bank, he noted, ". . . such an institution would qualify as a 'bank' for purposes of the statute. It would be necessary, though, to develop a successful formula for determining which depositors were entitled to the accumulated benefits of the institution and how such ownership would be evidenced by shares of stock."

Officials of the new Consumer National declined to comment, but said that as a national bank it could offer more services to its customers.

One Jackson banker contacted by MID-CONTINENT BANKER felt the city didn't need any more banks, but hastened to add that his institution didn't object to the conversion because his bank doesn't fear competition and generally doesn't oppose such matters.

He does feel, he said, that the housing industry—largely financed by S&Ls—might suffer if more conversions of this type occurred. This, the Jackson banker indicated, also might cause many communities to be over-banked, a situation detrimental to the industry and depositors.

He added that ground rules are needed to put all financial institutions on equal footing concerning reserve requirements, branching, taxation and interest rates. The banker felt that many S&Ls are watching the Consumer National development closely, holding their final decisions on conversion until legislation following the proposed Financial Institutions and the National Economy study is enacted by Congress.

New Highs in Houston

HOUSTON—Southwest Bancshares, Inc., reached new highs in assets and deposits as of last December 31. Assets exceeded $2 billion, and total deposits were more than $1.75 billion.

Late last December, the HC announced it was revising its 1974 income results downward in the amount of $2.6 million, or 43¢ a share. Net income for 1975 was $14.6 million, or $2.40 per share, compared with the revised $11.9 million, or $1.96 per share.

■ DANNYE SUE BROWN, branch manager, American National, Chattanooga, has been named winner of the 1975 National Association of Bank-Women Scholarship, the NABW's top scholastic honor. Miss Brown plans to attend the School of Banking of the South, Louisiana State University. She has been with the bank nine years and is vice chairman, NABW's East Tennessee Group.

Banker Alertness Foils Extortion Attempts

Law enforcement agencies stress value of pre-planning

CONTINUED extortion and kidnapping attempts point up the value of bankers adopting plans to be put into action to thwart such attempts. Law enforcement specialists emphasize that a banker who is familiar with the tactics of extortionists and the ways of combatting extortion attempts can often take evasive action that can not only thwart the attempt but lead to apprehension of the criminal.

Of primary importance is the ability to remain as calm as possible when facing an extortion attempt. This often enables those involved to provide law enforcement agencies with valuable leads that usually lead to apprehension.

No two attempts seem to be alike, but the use of bombs strapped to the bodies of victims as assurance of compliance with extortioners' instructions is becoming popular with criminals.

A recent instance involved a St. Louis bank president, who was selected by an extortionist seeking $150,000 from the bank. The extortionist's plan was to have two men accost the banker as he left his home for work. The two men were to outfit the banker with a belt containing explosives that could be detonated at will by the extortionist. The men were to give the banker a two-way radio that would have been used by the extortionist to convey instructions to the banker regarding delivery of the money.

The FBI received advance word of the plot and its agents developed a plan of action that included the acting out of the accosting of the banker, with FBI men playing the roles of both banker and accosters. The role-playing apparently convinced the extortionist that his plans were being carried out, because he later provided instructions that led agents to the drop-off point. Although the extortionist was not apprehended immediately, he was in custody within a few hours after the incident.

The FBI has long urged bankers to establish procedures to thwart attempts to kidnap or extort. Bank officers should not establish regular daily routines that can be observed by criminals. They shouldn't arrive at the bank at the same time every morning or park in the same spot. They should not unlock the safe at the same time each day. They shouldn't ignore a strange car in the vicinity of the bank or their home. And they shouldn't fail to report any suspicious situations to the police and FBI.

Banks should encourage officers and employees to take security precautions against kidnapping in their homes. Precautions bankers can use to protect themselves and their families while away from the bank include installation of protective devices in the home, such as burglary or fire alarms; installation of second-key locks on all outside doors; installation of deadlocks on outside doors with glass windows; installation of viewers in all solid outside doors; installation of chain locks on sliding patio doors; instructions to family members to keep all outside doors locked; to have a watchdog at home; and to install anti-tampering devices in autos.

Banker's Wife Murdered

An unemployed shipyard worker has been charged with murder in the kidnapping and death of Mrs. Edwina Marter, wife of Charles W. Marter, senior vice president, Gulf National, Gulfport, Miss.

The banker is said to have paid $25,000 in ransom in a futile attempt to save his wife's life.

Mrs. Marter was kidnapped from her home last month and Mr. Marter received telephone calls demanding ransom and giving directions for dropping the money off. The first two delivery efforts were aborted and were thought to have been ploys by the kidnapper to make sure police were not watching.

The package of money was dropped off at a prearranged spot but the recipient eluded police. The kidnapper was apprehended when police spotted him in a cab that was stopped by a roadblock.

Since the telephone is usually involved in a kidnap/extortion plot, the following hints as to how to handle such calls are given by law enforcement agencies:

- Keep calm. Keep in mind that the caller is depending on his victim to panic so he won't be able to think clearly and thwart the criminal's intent.
- Request proof that the caller actually is doing what he claims if he says he is holding someone captive.
- Delay the caller as long as possible by asking questions. The longer the caller remains on the phone, the more valuable information can be obtained. During the call, try to get someone else at the bank to get the telephone company to trace the call.
- Questions that can be asked to delay the caller include: Who's calling? Where are you calling from? Is this a prank? How do I know it is not? May I talk to my wife (or the person said to be held for ransom)? What do you want? How do you want the money? How shall it be wrapped or packaged? Where should the money be delivered? How will I recognize the person to whom to give the money? Exactly where and when must the money be delivered? How will I know my wife (or other person) is all right?
- If the caller hesitates, ask another question immediately.
- After receiving the call, note the exact time, try to write down the exact words of the threat, note the tone of

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NATIONAL BANK OF NEW ORLEANS

CONDENSED STATEMENT OF CONDITION

AS OF DECEMBER 31, 1975

RESOURCES

Cash and Due from Banks	$ 139,224,170.49
U. S. Treasury Securities	231,441,901.32
U. S. Government Guaranteed Securities	83,512,449.69
Obligations of States and Political Subdivisions	66,898,620.73
Stock in Federal Reserve Bank	1,500,000.00
Federal Funds Sold and Securities Purchased Under Agreements to Resell	133,100,000.00
Loans	589,094,632.41
Less: Valuation Portion of the Reserve For Possible Loan Losses	6,632,097.12
	582,462,535.29
Bank Premises and Equipment	9,308,765.20
Other Real Estate	49,563.74
Customers' Acceptance Liability	62,070.98
Accrued Income Receivable	8,312,668.38
Other Assets	6,005,134.19
TOTAL	$ 1,261,877,880.01

LIABILITIES

Deposits	$ 1,010,710,900.27
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	130,015,000.00
Acceptances Outstanding	66,905.56
Dividend Payable January 2, 1976	1,079,133.00
Special Dividends Payable	3,346,264.94
Accrued Taxes, Interest and Expenses	14,897,689.10
Deferred Income Tax Portion of the Reserve For Possible Loan Losses	2,100,027.20
TOTAL LIABILITIES	$ 1,162,215,920.07

CAPITAL ACCOUNTS

Capital Stock	$ 2,800,000.00
Surplus	47,200,000.00
Undivided Profits	46,525,511.10
Capital Portion of Loan Loss and Securities Reserves	3,136,448.84
TOTAL CAPITAL ACCOUNTS	$ 99,661,959.94
TOTAL	$ 1,261,877,880.01

the caller's voice, the caller's sex and any identifiable background noises.

- Attempt to verify the validity of the threat by trying to locate the would-be hostage.
- Notify another bank officer of the threat and of your intention to deliver the money.
- Notify the FBI immediately and give as much information as possible. Any delay in reporting the incident puts the FBI at a disadvantage.
- In packaging any money, make sure that bait money is included.

> **How to Thwart Extortions**
>
> A study outlining security precautions to take at the bank and at the banker's home is available from The BANK BOARD Letter, monthly newsletter for bank directors. The study contains a sample "alert" system and offers advice from law enforcement agencies on action to take during and after a kidnap/extortion threat.
>
> Write for "How to Prepare for Kidnap/Extortion Threats" from The BANK BOARD Letter, 408 Olive St., St. Louis, MO 63102. Price: Three copies for $1.

One person should be in charge of giving details of the incident to the press. The bank should not release names, addresses or photos of employees or families, amount of money taken or the fact that bait money was used.

An important precaution that can be taken in the event a top bank officer is held hostage would be for the bank to have a list of all officers' autos—descriptions and license numbers—so a verification can be made when a kidnapper says he has an officer as a hostage. Such a list saves valuable time during an actual threat and makes information readily available to the FBI.

Last, but not least, the bank and its personnel should be protected with kidnap/extortion insurance coverage and personnel should constantly be on the alert to detect and abort kidnap/extortion attempts. • •

Bank Facility Is Opened In Kansas Discount Store

First State, Salina, Kan., has found a way to serve its customers from 8:30 a.m. to 7 p.m. Monday through Saturday by opening a facility in a discount store. It's called First Place-Weeks (the latter is the name of the store).

This facility of First State, Salina, Kan., is located in produce department of discount store and provides bank service extended hours six days a week. Square opening above bank sign is one-way mirror through which anyone in bank's employee lounge on second floor can observe traffic at facility.

The two tellers windows open into the produce department, and bank customers using these windows must exit through the store's checkout lanes. However, there's a bullet-resistant tellers window in the common entrance lobby shared by the bank and the store, and anyone using this window doesn't have to enter the store. In addition, there's a drive-up window at the location. The store's second floor houses a bank employee lounge, which has a one-way mirror through which anyone in the lounge can observe the traffic at the tellers windows below.

The facility is on a direct phone line

to the Main Bank, but not on line to a computer. However, plans are to accomplish the latter this year.

President R. H. Zimmerman expresses great satisfaction with the facility because it allows the bank to extend its service and hours to six days a week without having the expense of keeping the Main Bank open the longer hours. In addition, the store is located in the center of Salina's population and is readily accessible. Mr. Zimmerman reports that bank customers like the facility because of this accessibility, and the long hours and because it's fully staffed at all times.

Bankers Characterized As Honest, but Dense, By Author Martin Mayer

"The Bankers," by Martin Mayer, Weybright & Talley, New York, $15.

Textbooks on economics are seldom as readable as Martin Mayer's latest, an excursion into the banking world. This book is written for the lay reader, yet it can be valuable to bankers as a tool to permit them to see themselves from the viewpoint of a noted business writer who isn't timid about calling the shots as he sees them.

The author draws heavily on a small number of mostly prominent bankers for his information and the bulk of the book is concerned with how the banking system works.

For instance: Mr. Mayer doggedly traces the route one of his personal checks takes as it finds its way back to his bank. He stays up all night riding with couriers and watching operations personnel as they process his (and millions of other peoples') checks.

He presents the attempts trust departments make to deal with the commercial side at arm's length, discusses the role of the Fed and other regulatory agencies, dissects the intricacies of international banking and presents a generous amount of general information about many phases of banking.

Bankers would probably be most interested in the concluding chapter, entitled "Living on the Edge of an Abyss," which is Mr. Mayer's view of banking's present situation. He is for more public control of the industry, but concedes that some members of Congress are not savvy enough to come up with beneficial legislation.

Throughout the book, Mr. Mayer pokes fun at bankers. His primary jab —and one he alludes to often—is that bankers as a whole are usually honest but not very bright. The book concludes with a lament that banker technology has outrun management's capabilities. J.F.

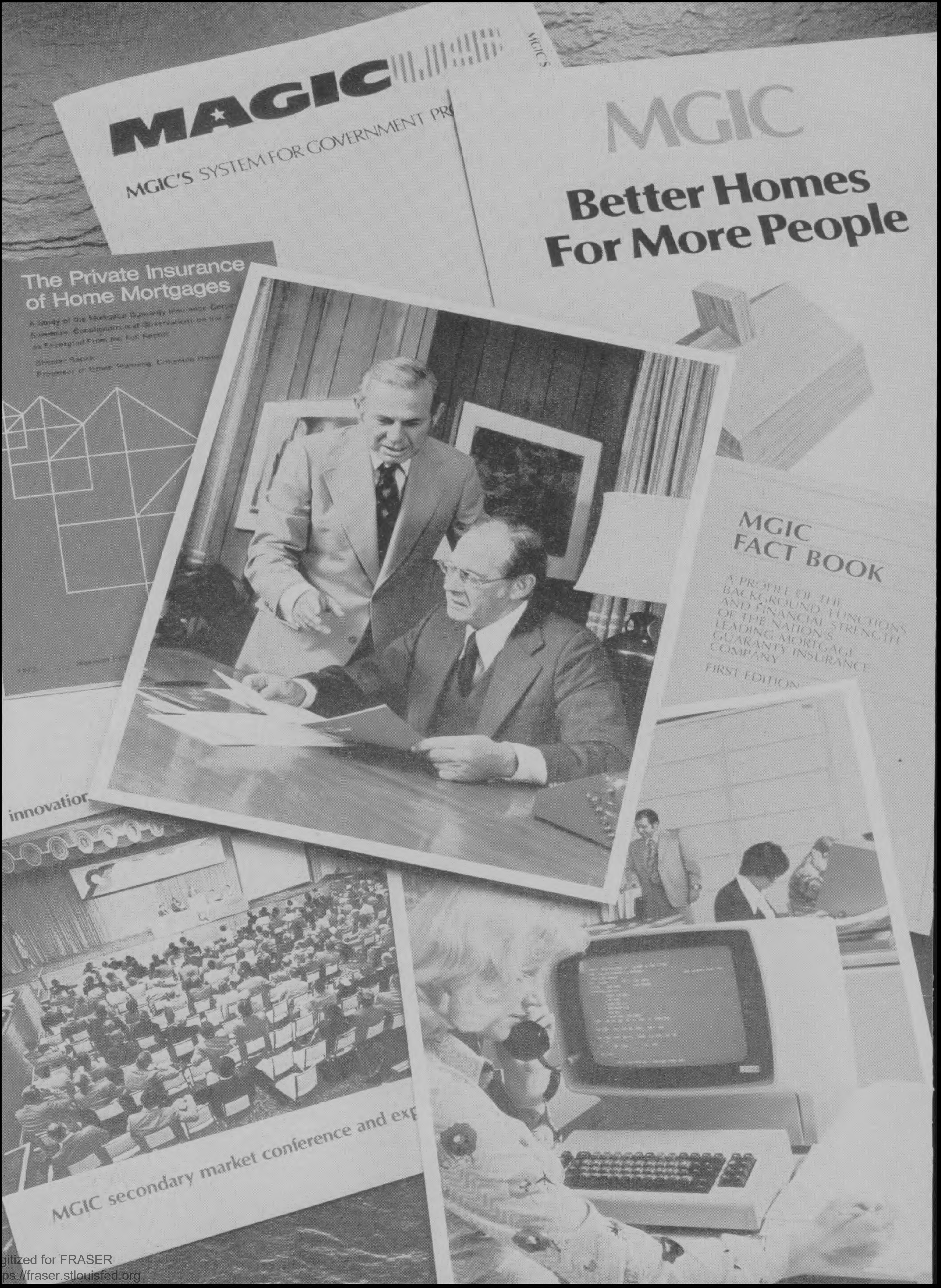
Size 50 Shoes?

Bank Has 'Metric' Promo; Only Money's the Same

The promotional poster spoke of a basketball player who is 218 centimeters tall, weighs 108 kilograms and wears size 50 sneakers. European sports data? No, it was part of a public-information program of Lincoln National, Fort Wayne, Ind., to help educate people in the use of the metric system.

In conjunction with school officials in the Fort Wayne area, a "Metric Week" was declared and 17,000 metric rulers and associated print materials were delivered to all 5th, 6th and 7th graders in the county by the bank. In addition, local newspaper and other media coverage served to help increase public awareness of the system of measurement the U. S. has begun to adopt.

According to a bank spokesman, the program was carried out at a "modest" cost, while tying the bank's name to future events involving metrics in the area. He went on to say that, besides educating many people in the use of the metric system, the promotion provided new avenues of approach to noncustomers while strengthening bank contacts with government and school officials.


MAGIC
MGIC'S SYSTEM FOR GOVERNMENT PR
MGIC
Better Homes
For More People
The Private Insurance
of Home Mortgages
MGIC
FACT BOOK
A PROFILE OF THE
BACKGROUND, FUNCTIONS
AND FINANCIAL STRENGTH
OF THE NATION'S
LEADING MORTGAGE
GUARANTY INSURANCE
COMPANY
FIRST EDITION
innovation
MGIC secondary market conference and exp

Rise in RV Sales Predicted

RECREATION vehicle unit shipments are expected to rise 10% in 1976 to at least 535,000 units, according to Douglas W. Toms, president, Recreation Vehicle Industry Association. Shipments for 1975 were approximately 491,000 units.

"The industry is doing quite well," Mr. Toms said, "and there is no doubt that it is well on its way to recovery from the energy crisis of 1974."

The largest expected growth, according to Mr. Toms, will be in travel trailers, type C (mini) motor homes and pickup covers.

"Travel trailer and mini-motor home sales forged to the front during 1975," he said, "and it appears they will maintain their popularity through 1976."

An increase of 12,000 units is expected in travel trailers, from 127,000 in 1975 to 139,000 in 1976.

Pickup cover sales are expected to increase by 10,000, from 195,000 in 1975 to 205,000 in 1976.

Type C motor home sales will jump by 8,000 units in 1976, from 36,000 to 44,000.

"In looking to the future we're most optimistic," Mr. Toms said. "The picture for the industry is by far the brightest since the energy crisis struck two years ago."

Mr. Toms said the expected sales increases in 1976 are based on trends during the last several months, the condition of the general economy and advanced dealer orders for the 1976 selling season. • •

Nationwide Financial Services Announces RV Financing Plan

ST. LOUIS—Nationwide Financial Services Corp. has announced a financial services program for recreation vehicle dealers and manufacturers. The service will be available through the firm's branch offices in 14 states, including Alabama, Louisiana, Missouri, New Mexico, Oklahoma and Texas.

A company spokesman said travel trailers, motor homes, tent campers and truck-mount campers are all eligible for financing under the program.

Nationwide is the St. Louis-based consumer finance subsidiary of Citicorp, financial services organization.

Cut in Chronic Bad Checks Is Expected in San Antonio With 'NAPS' System

SAN ANTONIO—In an effort to combat the problem of chronic bad checks, the San Antonio Clearing House Association has begun a "New Account Procedure System" (NAPS).

The program is designed to help spot bad accounts before they are opened at an area bank. Participating banks that closed a checking account because of bad checks, or that receive checks after an account is closed, report that information to NAPS. The information then is coded in a master file and is available by telephone to any participating bank.

The file includes bank transaction reports only and, a NAPS official emphasized, isn't an investigative credit reporting system.

NAPS is used by banks in screening prospective depositors and involves no delays for customers, the official said, and it will comply with the Fair Credit Reporting Act. Under that act, NAPS is responsible for instituting procedures to assure that current, accurate information is provided to authorized parties only, for specified, legitimate purposes.

According to the NAPS spokesman, the system will help restore integrity to the personal check and reward the good customer through better merchant acceptance. It will, he said, help keep "checks out of the hands of those who have demonstrated irresponsibility . . . one of the best forms of prevention."

'Paths of Rebellion':

Bank-Sponsored Series Traces Revolutionary Past

As its major bicentennial project, Manufacturers Hanover Trust, New York City, has underwritten production of a series of four original half-hour films tracing the revolutionary history of New York State.

Entitled "Paths of Rebellion: New York in the Revolution," the series will be produced by the educational TV network, WNET. It will be broadcast in prime time and during school hours for classroom viewing and will be offered for national distribution by the Public Broadcasting Service.

To be photographed on location at various historical sites, "Paths of Rebellion" also will document accounts of history buffs and descendents of Revolutionary figures and local citizens.

BNO
ANNUAL STATEMENT
YEAR 1975

THE BANK OF NEW ORLEANS AND TRUST COMPANY
AND SUBSIDIARY

Consolidated Statement of Condition

	December 31, 1975	1974
ASSETS		
Cash and Due from Banks	$ 44,391,007	$ 55,535,985
U. S. Treasury Securities	22,282,915	15,017,441
Securities of Other U. S. Government Agencies	24,877,042	20,647,496
Obligations of States and Political Subdivsions	40,881,154	44,740,353
Other Securities	780,000	780,000
Federal Funds Sold	32,300,000	30,700,000
Securities Purchased under Agreements to Resell	-0-	22,748,000
Loans Outstanding	215,296,830	217,032,172
Bank Premises and Equipment	2,963,512	3,064,776
Interest Earned but Not Collected	3,493,045	4,039,179
Customers' Liability on Acceptances	212,280	163,200
Other Assets	2,362,267	2,293,741
TOTAL ASSETS	$389,840,052	$416,762,343
LIABILITIES		
Demand Deposits	$123,331,880	$139,455,766
Savings Deposits	43,424,486	37,495,497
Time Deposits	144,741,301	138,262,808
TOTAL DEPOSITS	$311,497,667	$315,214,071
Federal Funds Purchased	37,005,000	36,835,000
Securities Sold under Agreements to Repurchase	2,225,000	25,433,652
Accrued Taxes and Interest	4,811,951	5,083,879
Unearned Discount	4,635,468	5,309,447
Quarterly Dividend Payable	141,430	141,430
Liability on Acceptances	212,280	163,200
Other Liabilities	145,818	716,737
TOTAL LIABILITIES	$360,674,614	$388,897,416
RESERVE		
Reserve for Possible Loan Losses	$ 3,475,000	$ 3,475,000
CAPITAL		
Capital Notes	$ 4,250,000	$ 4,250,000
Common Stock, $12.50 Par Value, 400,000 Shares Authorized, 250,000 Shares Issued and Outstanding	3,125,000	3,125,000
Surplus	12,875,000	12,875,000
Undivided Profits	5,440,438	4,139,927
TOTAL SHAREHOLDERS' EQUITY	$ 21,440,438	$ 20,139,927
TOTAL CAPITAL	$ 25,690,438	$ 24,389,927
TOTAL LIABILITIES, RESERVE AND CAPITAL	$389,840,052	$416,762,343

Contingent Liability on Letters of Credit Issued but Not Drawn Against . 12/31/75—$ 7,057,597
12/31/74—$10,745,644

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Saint Bernard Dog Has Cat as Banker; And It's Been a Friendly Relationship

DOGS and cats do get along sometimes. Witness the case of Bourbon, the Saint Bernard dog that banks twice daily at United Missouri of Blue Valley, Kansas City.

Where does the cat come in? The corporate symbol of United Missouri Bancshares, Kansas City, owner of the bank, is a Bengal tiger.

The six-year-old, 160-pound dog lumbers 200 yards down a grassy knoll from her master's service station, carrying a zipper bag with cash receipts to the bank. She is let in the back door at United Missouri and waits while tellers count the money and prepare a deposit receipt. During her wait, Bourbon relaxes on the floor or eats candy given her by bank personnel.

With the bag back in her mouth, the large dog returns to her master.

Although she's never been hostile, a bank spokesman states, Bourbon does cause many customers to do a double take in disbelief.

The Saint Bernard's master reports having a clear view of her entire route to and from the bank, and that she's never strayed from it or lost any money.

"She doesn't drink whiskey or carry brandy," her master said, grinning, "but she does enjoy a sip of beer from time to time." • •

"Listen, America":

Bank-Financed Broadcasts Voice Patriots' Thoughts

Looking for a way to help pull people out of the "blue funk" caused by economic conditions, government scandals, etc., and at the same time make friends for your bank?

A number of financial institutions are using a series of radio spots called "Listen, America," which feature voices representing historic Americans such as Patrick Henry and Thomas Jefferson expressing thoughts about liberty, limited government and moral values. "Listen, America" is marketed by B&H Productions, Oklahoma City.

A typical spot, which is preceded and followed by the bank's message, goes like this: "I believe that the safest place to put the ultimate powers of society is in the hand of that society's people. I believed it; that's why I said it. My name—Thomas Jefferson."

The package also includes newspaper ads and "Wit & Wisdom" folders—containing all 100 ideas expressed in the series—for use as a traffic builder, while the company's vehicle for selling pride in the state is a record, offered on a non-competitive basis as a self-liquidator. In production are "This Is an Oklahoman" and "I Am a Texan." Productions for other states reportedly will follow as interest warrants.

Information, Please:

Bank's Business Seminar Covers Tax, Finance

A small business seminar is a surefire way to help your bank's customers and keep the institution's name in their minds. Those were the results of one such event, according to officials of Sugar Creek (Mo.) National, which held a seminar for about 100 persons.

Topics on the program, which was co-sponsored by Touche Ross & Co., included current tax changes, tax planning tips, financial management suggestions and basics of finance and accounting.

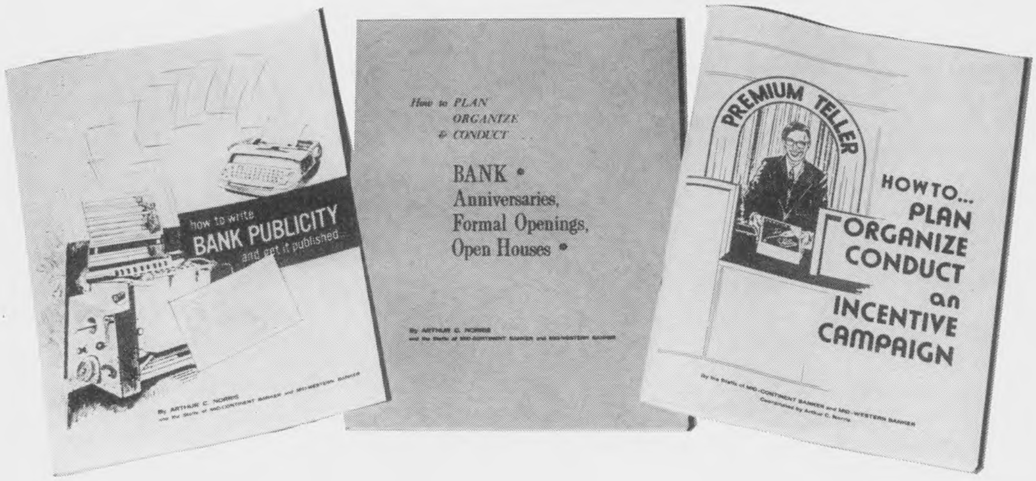
Mike Kuklenski (l.), pres., Sugar Creek (Mo.) Nat'l, and Mike Kruse, partner, Touche Ross & Co., confer prior to small business seminar cosponsored by bank and firm. Bank officials said about 100 bank customers, area merchants and civic leaders attended.

Ides of April:

Banks and H&R Block To Offer Tax Service

A group of affiliated banks in Oklahoma City have announced an in-bank tax preparation service by H&R Block in 1976.

Participating banks are First State, May Avenue Bank, Southwestern Bank, Stock Yards Bank and Will Rogers Bank. Offices manned by Block tax preparers will be open in each bank from January 12-April 16, during regular banking hours.



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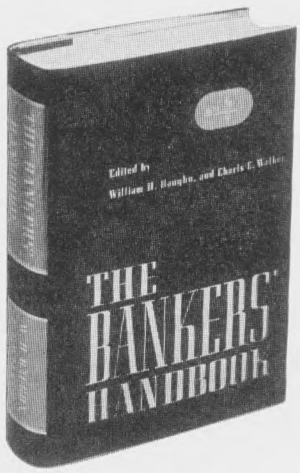

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NEWS
From the Mid-Continent Area

Alabama

■ GEORGE C. PIERCE has been elected vice president, First National, Opp. He joined the bank in 1966 and was assistant vice president.

Alabama Banking School Set

The Alabama Bankers Association has announced formation of the Alabama Banking School, with the first annual session slated for August 22-28 at the University of South Alabama, Mobile.

The school's three-year curriculum will emphasize skills in management, credit, operations and such miscellaneous skills as marketing, law and knowledge of regulatory authority. Each annual one-week session will be comprised of 36 classroom hours.

Chairman of the board of trustees and school director is William P. Walker, chairman and president, City National, Dothan.

Subject to approval of the trustees, the school's administrative staff will be: Paul Pietri Jr., University of South Alabama—educational director; Ed Bunnell, University of South Alabama—university coordinator; and Ross L. Byrd, Alabama Bankers Association, Montgomery—registrar.

■ W. GUY WARREN has been named president and CEO, Central Bank of Mobile. He formerly was vice president-manager, real estate department, Central Bank, Birmingham, affiliate bank.

■ N. MITCHELL DOWLING JR., formerly vice president, has been elected chairman and CEO, Bank of Abbeville. Glenn Jenkins, also a former vice president, has been named president, succeeding J. B. Long, who has been elected vice chairman. Chris Mathison has been elevated to assistant vice president. Mr. Dowling has been with the bank since 1973; Mr. Jenkins, since 1964; Mr. Long, since 1956; and Mr. Mathison, since 1974.

Arkansas

■ AN HONORARY ADVISORY BOARD has been created for the Bryant Branch of Union Bank, Benton. Filling the board positions are Dr. Phillip Guthrie, a dentist, and Ronald Harris and Roger Urrey, businessmen. Purpose of the board is to work with the branch's manager and personnel in implementing policies established by the bank's board, to meet periodically with the Union Bank board and to meet with the branch's staff to help them stay in tune with the needs and events of the Bryant community.

■ GENE HANCOCK has been promoted to assistant vice president and director of marketing, Mercantile Bank, Jonesboro. He previously was business development officer.

■ THE LITTLE ROCK BRANCH of the St. Louis Fed has reappointed T. G. Vinson, vice president, Citizens Bank, Batesville, and Field Wasson, president, First National, Siloam Springs, as board members for three-year terms.

Illinois

■ JUDY BRADLEY has been elevated to assistant cashier, First National, Alton, and Eugene L. Frizzo has been promoted to commercial loan officer.

■ FRANK J. REICHARDT, executive vice president, Rock Falls National, has retired. He had been with the bank since its opening 30 years ago and made the announcement during its celebration of that event. Mr. Reichardt also serves as president, IBA 50-year Club. Succeeding him as executive vice president at the bank is Gil Moothart, who has been there since 1959. Pauline Howe has been advanced to vice president; Pearl Johnson, to cashier; Gordon Monn, to assistant vice president; Lila Maynard, Dolores Glenn and Minerva Swanson, to assistant cashiers; and Rodney Brooks, to consumer loan officer.

■ CHARLES T. GOODRICH, executive vice president, Uptown National, Chicago, has been elected president, succeeding Emil C. Tamm, who has retired. Mr. Goodrich joined the bank

National Boulevard Bank of Chicago and Subsidiary Consolidated Statement of Condition December 31, 1975.

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ASSETS

Cash and Due from Banks	$ 28,581,958
Securities:	
United States Treasury Securities	41,871,292
State and Municipal Securities	57,714,027
Other Securities	14,913,870
Total Securities	114,499,189
Loans:	
Commercial Loans	101,366,131
Consumer Credit Loans	40,778,783
Real Estate Loans	67,403,517
Total Loans	209,548,431
Federal Funds Sold	43,500,000
Bank Premises and Equipment	952,273
Customers' Acceptance Liability	181,855
Other Assets	6,016,369
	$403,280,075

LIABILITIES AND CAPITAL ACCOUNTS

Demand Deposits	$158,602,313
Time and Savings Deposits	181,862,142
Total Deposits	340,464,455
Federal Funds Purchased and Other Borrowed Funds	26,215,090
Acceptances Outstanding	181,855
Other Liabilities	6,205,047
Total Liabilities	373,066,447
Reserve for Possible Loan Losses	3,727,886
8¼% Capital Notes (Subordinated)	7,500,000
Shareholders' Equity:	
Capital Stock (200,000 shares, par value $20.00)	4,000,000
Surplus	8,500,000
Undivided Profits	6,485,742
Total Shareholders' Equity	18,985,742
	$403,280,075

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in 1934. In other promotions at the bank, Richard K. Ostrom has been named executive vice president and cashier, while Bruce A. Keesal has been elevated to assistant vice president. Mr. Ostrom joined the bank in 1963, and Mr. Keesal, in 1960.

■ IRMA MECKFESSEL, vice president and trust officer, First National, O'Fallon, has been elected to the board. She is the bank's first woman director. Mrs. Meckfessel joined First National 52 years ago.

Consumer Credit Is Topic Of AMBI Conference

ST. LOUIS—Stouffer's Riverfront Towers will host AMBI's third annual consumer credit conference here, February 18-20. Banking experts from Illinois and the U. S. will be on hand.


HOLT

Conference chairman is B. J. Holt, executive vice president and cashier, Edgemont Bank, East St. Louis. He has been a banker 18 years and with that bank since 1961 and manages its installment loan department.

The conference will feature three panel discussions focusing on services to consumers:

"Electronic Banking (Debit Cards)," with moderator James E. Brown, president, Mercantile Bancorp., St. Louis; Sean Millin, vice president, Interbank Card Association, New York City; Larry D. Wright, vice president, retail banking division, First National, Galesburg; and Joel Crabtree, vice president, Continental Illinois National, Chicago.

Providing an update on consumer laws affecting today's business will be William Savory (moderator), vice president, Bank of Illinois, Normal; Paul Pfeilsticker, vice president, Continental Illinois National, Chicago; and Ann H. Spiotto, an attorney with the law division of First National, Chicago.

Mr. Savory then will report on state consumer legislation, while Harley E. Hart, vice president, Commercial National, Peoria, will present the federal situation.

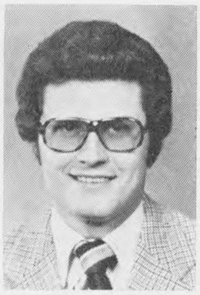
Discussion sessions slated for the third annual conference are "Mobile Homes—Past, Present and Future"; "Collections"; "Direct vs. Indirect Financing"; "Leasing and Equipment Finance"; "Student Loans"; and "Simple Interest."

Also scheduled to appear at the conference are Eugene A. Birnbaum, vice president and chief economist, First National, Chicago, who will take "A Look at the Consumer," and Bob Hardy, director of special events at St. Louis radio station KMOX. His topic will be "Always Making Better Inroads."

New AMBI Directors

The Association for Modern Banking in Illinois (AMBI) has announced the elections of the following people as directors: Walter Ehrmann, vice chairman, Heritage/Pullman Bank, Chicago; John A. Andersen, executive vice president, First National, Lake Forest; Gordon E. Sears, executive vice president and assistant trust officer, Citizens First National, Princeton; and Howard Lee Payne, president and CEO, Bank of Benton.

CLAUSEN



■ L. DEAN CLAUSEN, assistant cashier-manager, correspondent banking department, Millikin National, Decatur, and David Martin, assistant cashier and manager, account services department, have been named assistant vice presidents. Mr. Clausen joined the bank in 1971, while Mr. Martin joined in 1967.

■ DENNIS G. NOWACZYK has been named president, First Bank, Park Forest South. He began his banking career with Heritage/County Bank, Blue Island, affiliate bank.

■ CHARLES J. CSAR has been appointed vice president, Commercial National, Chicago. He was assistant vice president.

■ HAZEL M. WEST has retired from Du Quoin State. Since she joined the bank, she has served for 14 years as assistant cashier and for 23 years as discount clerk and head of files and bookkeeping in the loan department. John Barber has been elected to the board after a one-year absence, while Du Quoin State reports a deposit increase of $3,800,000 for 1975.

Indiana

■ JAY R. POWELL has been elected president and CEO, Anthony Wayne Bank, Fort Wayne, succeeding the late Paul G. Gronauer. Mr. Powell joined the bank in 1965 and was named to his previous position, senior vice president, administrative officer and assistant to the president, in 1973.

■ TOM G. VOSS, president, Seymour National, has been reappointed to a three-year term on the board of the St. Louis Fed's Louisville Branch.

■ TERRE HAUTE FIRST NATIONAL has announced the following promotions: Morris Crumrin, Ronald W. Reagan, Jerri Redman and Jane L. Washburn, to assistant vice presidents and branch managers; Marc Beeson, to assistant vice president, bank services; William H. Jeffries, to assistant vice president, bookkeeping services; Winnie Jo Cochran, to assistant controller; and Pete Piazza, Ronald B. Weaver and Charles W. Pride, to assistant cashiers.

■ BENTON M. WAKEFIELD JR. has been named chairman and CEO, First Bank, South Bend. Succeeding him as president is Benjamin F. Cope Jr., former executive vice president. In addition, Michael F. Boehm, commercial banking department, Edward A. Mangone, personal banking division, and Deane E. Planeaux, marketing division, have been elevated from vice presidents to senior vice presidents.

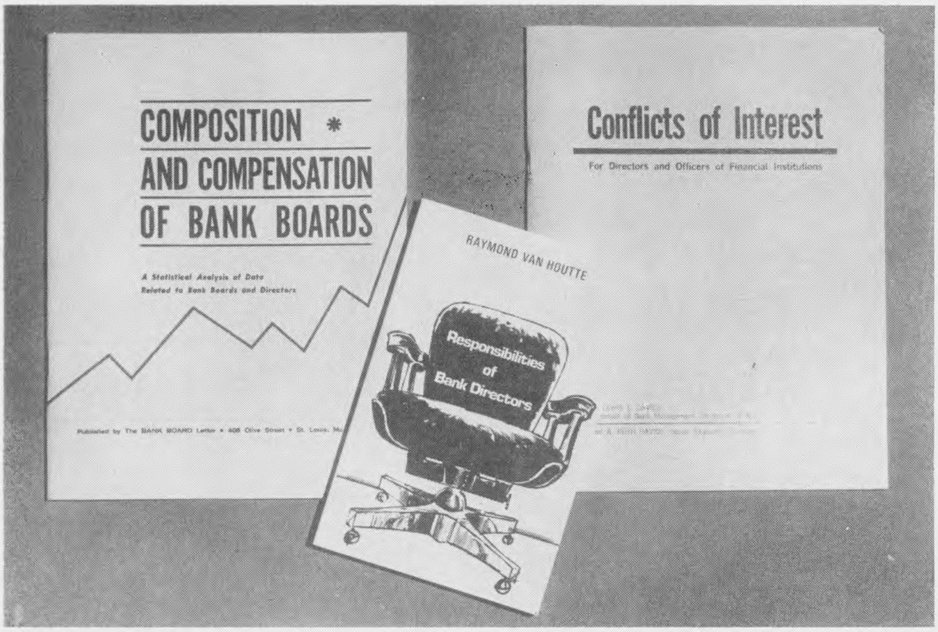
Died: James Watkins Chester Sr., 64, chairman, Northern Indiana Bank, Valparaiso, at his home after a long illness. A lawyer, he also was senior partner, Chester, Clifford, Hoeppner and Houran law firm, until last July, when he and his son, James Jr., established their own law firm.

Kansas

■ EDWARD S. GARBER has been elected president, Westgate State, Kansas City, succeeding William B. Martin, who has retired. Mr. Garber formerly was chairman and president, Mercantile National of Clay County, Mo. Prior to that, he was with Linwood State, Kansas City, Mo. Mr. Martin had been president of Westgate State 12 years. In other news at the bank, Clarence Wilson, chairman, and other principal stockholders have contracted to purchase the Sunset Plaza Shopping Center—the bank's location—in order to have additional space for expansion of the institution. Four drive-up lanes

Every Director and Officer Needs a Copy of . . .
These Three Board-Related Books

(QUANTITY PRICES LISTED BELOW)



Composition and Compensation of Bank Boards
$4.00

Responsibilities of Bank Directors
$4.75

Conflicts of Interest
$5.95

(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.

QUANTITY PRICES

2-5	$3.75 ea.	11-25	$3.25 ea.
6-10	$3.50 ea.	over 25	$3.00 ea.

(2) **RESPONSIBILITIES OF BANK DIRECTORS $4.75** . . . Written by Raymond Van Houtte, president & CEO of Tompkins County (New York) Trust Co., this book is "right" for today's problems. Due to the economic influence banks have on their communities, the rapid growth of holding companies and the ever-growing "consumer" movement, directors must know what is expected of them and the bank they serve in terms of responsibilities to depositors, shareholders and the public. *Responsibilities* examines recent court decisions, investment return, continuity of management, long-range planning, effects of structural changes —HCs, branching, mergers—on competition, and more.

QUANTITY PRICES

2-5	$4.40 ea.	11-25	$4.10 ea.
6-10	$4.25 ea.	over 25	$4.00 ea.

(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.

QUANTITY PRICES

2-5	$5.25 ea.	11-15	$4.75 ea.
6-10	$5.00 ea.	16-25	$4.60 ea.
	over 25	$4.50 ea.	

THE BANK BOARD LETTER
408 Olive St., St. Louis, Mo. 63102
Send These Books:

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.... copies, Responsibilities of Bank Directors $..................
.... copies, Conflicts of Interest $..................
Total enclosed $..................

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and new bookkeeping offices will be added, as well as an expanded consumer loan department. The bank's building and stores in the shopping center will receive new exteriors, and the plaza's name will be changed to Westgate Center.

Jennings Bank Closed

JENNINGS—First State was closed Saturday, December 27, by the state banking commissioner, but the newly chartered Jennings National opened Monday morning, December 29, after assuming the closed bank's liabilities.

The transaction avoided the necessity for a statutory payoff of First State's 1,350 depositors and prevented financial loss and delay to the owners of $143,000 of deposits that exceed the statutory insurance limit of $40,000.

According to Kansas' banking commissioner, First State was closed because of "mismanagement and bad out-of-state loans."

Besides taking over $2.7 million in deposits, Jennings National agreed to pay a purchase premium of $70,100, the highest premium bid submitted in a competitive bidding procedure in which four groups participated. The FDIC advanced cash amounting to $1,574,559 and retained assets with a book value of $1.9 million.

YBOK's Mid-Winter Conference To Be Held Feb. 12-16 in Colo.

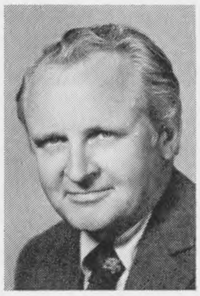
DILLON, COLO.—The Orofino Condominiums will provide the lodging and the Ramada Inn will provide the meeting place for the Mid-Winter Conference of the Young Bank Officers of Kansas here February 12-16.

Intended to coincide with the Washington's Birthday weekend, the conference will feature Morris E. Massey, associate dean, College of Business and Administration, University of Colorado-Boulder. He will speak about "What You Are Is Where You Were When," a sweep through the "value-programming" experiences of age groups that will provide insights into the understanding of human behavior.

Also featured will be Henry Deutsch of Colorado State University-Greeley, whose topic will be "The Present and Future Effects of Our Natural Resources in the United States."

Of course, plenty of skiing activity is planned for the conference, as well as social and business meetings.


GLASS


FLOWERS

■ MICHAEL G. GLASS has been elected president, Wichita State. He goes there from Southwest National, Wichita, where he had served as vice president and cashier since 1967. Mr. Glass has held office in many local and national banking organizations and served as Young Bank Officers of Kansas president, 1974-75.

■ UNITED AMERICAN BANK, Wichita, has received regulatory approval to construct a detached banking facility. The building will have 3,200 square feet of space, as many as 1,500 safety deposit boxes and four drive-up windows. The opening is planned for next summer.

Kentucky

■ J. WILLIAM FLOWERS has been named president, Planters Bank, Hopkinsville, succeeding William G. Deatherage, who continues as CEO and has been elected chairman. Phil E. Chappell, the former chairman, has been named honorary chairman. In addition, W. Aston Covington has resigned as executive vice president in order to attend to his interests in Mississippi. Mr. Flowers went to the bank from Union Planters National, Memphis, where he was senior vice president and corporate division manager. He had been there 24 years. Mr. Deatherage joined Planters Bank in 1950 and Mr. Chappel, in 1924.

■ WILBUR T. DUGGINS, a local businessman, has been elected a director of Fort Knox National, filling an existing vacancy.

■ FRED B. ONEY, president, First National, Carrollton, has been appointed to a three-year term on the St. Louis Fed's Louisville Branch board.

■ MOUNT STERLING NATIONAL has announced the following promotions: Elaine Razor, to administrative assistant; Dorothy Greenwade, to cashier; Bobby Ballard, Whitt Criswell and Eula Pickup, to assistant vice presidents; and Terry Ensor, Janrose Agee and Jean Walters, to assistant cashiers.

■ BILL REYNOLDS has been promoted from assistant cashier to assistant vice president at Citizens National, Bowling Green. He is head teller and supervisor of teller personnel, Main Office, and joined the bank in 1966. He left Citizens National in 1969 and returned in 1972.

■ RICHARD B. CONGER has been named senior vice president and trust officer, Central Bank, Lexington. He went there from Metropolitan Bank, Lima, O., where he was vice president and trust officer.

Louisiana

■ FIRST NATIONAL BANK OF COMMERCE, New Orleans, has opened its drive-up offices at Carrollton Avenue and at Lake Forest. Both feature extended hours. The latter has five lanes, while the former has six.

■ GUARANTY BANK, Alexandria, has announced the promotions of William Bryant, William Milner and Sherry Woodard to assistant vice presidents. John D. Walker Jr. has been named loan officer; Christopher Brice, loan administration officer; and Ronald Bazar, collection officer.

SOUND, STRONG and still MOVING FOURTH

These figures are a measure of the progress shown by The Fourth during 1975, a year of solid accomplishment and profitable growth. But this is just one measure of a bank's strength. Others include capital adequacy, liquidity, and quality of management.

In a recent FDIC survey The Fourth appears in the upper 10% of all commercial banks in the United States in the relationship of total capital to total assets. Liquidity is measured by our 60% loan to deposit ratio. Both of these criteria provide strong protection for our depositors' funds and stockholders' investment.

A measure of the quality of management is its ability to provide new and useful services for the bank's customers, particularly other banks.

For 1976 we are deeply involved in establishing an electronic terminal network which will provide our customers with an unparalleled opportunity to do their banking wherever and whenever they choose. We have already invited our banker friends to participate in the building of this network for their customers as well.

By every measure we continue to Move Fourth as Kansas' largest bank. While size alone is not the most important criteria for choosing a bank we sincerely believe that our capital strength is most important for you to consider in choosing where your bank does its banking business.

STATEMENT OF CONDITION

ASSETS	DECEMBER 31 1975	1974
Cash and due from banks	$101,948,249.86	$ 96,790,532.14
Investment securities:		
U. S. Government obligations	20,794,748.09	22,181,387.74
Obligations of states and political subdivisions	48,178,285.61	42,615,558.05
Trading account and other securities	10,174,958.96	9,355,440.52
Federal funds sold	13,750,000.00	35,800,000.00
Securities purchased under agreements to resell	31,000,000.00	33,000,000.00
Loans	227,771,125.86	199,135,947.65
Bank premises and equipment	27,266,680.52	29,321,281.36
Other assets	6,169.413.89	5,352,769.54
	$487,053,462.79	$473,552.917.00
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits	$386,692,575.17	$366,046,159.83
Federal funds purchased	21,900,000.00	23,150,000.00
Securities sold under agreements to repurchase	24,989,680.00	34,688,123.32
Other liabilities	4,685,194.82	3.187,427.43
Total liabilities	438,267,449.99	427,071,710.58
Subordinated capital note, due 1981	10,000,000.00	10,000,000.00
Stockholders' equity	38,786,012.80	36,481,206.42
	$487,053,462.79	$473,552,917.00

TheFourth

IV

FOURTH NATIONAL BANK
& TRUST CO. / WICHITA, KANSAS
MEMBER FDIC

BNO's New Banking Center

Making a final inspection of Bank of New Orleans' new Poydras Banking Center prior to its opening are (from l.) Ronald Rizzo, mgr.; Lawrence A. Merrigan, BNO pres.; and F. Chris Dohmann, asst. mgr. The new branch, which occupies the ground floor of the office tower at Poydras and St. Charles, features 10 paying and receiving tellers and vault and night depository. It has 6,000 sq. ft. of space and is decorated with oak contemporary furniture, a waffle-design ceiling and embossed vinyl wall covering.

Mississippi

■ CANTON EXCHANGE BANK has promoted Mmes. Elwyn S. Latimer and Zella D. Buntyn to assistant cashiers.

■ F. F. BECKER II, chairman, Brookhaven Bank, has retired after 40 years with the institution. He had been chairman since 1969.

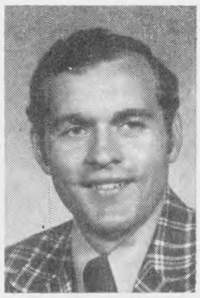
■ MISSISSIPPI BANK, Jackson, has announced the beginning of construction of its Lakeland Drive Branch. Completion is slated for spring.

■ JERRY M. HALL has succeeded Earl B. Hinton as president, Amite County Bank, Gloster and Liberty, branch of First National, Jackson. Mr. Hinton, who retired December 31, remains on the advisory board, of which Mr. Hall has become a member.

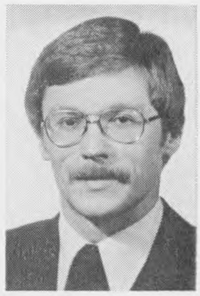
■ R. TALMADGE ANDERSON JR. has been named vice president and cashier, Britton & Koontz First National, Natchez, succeeding Marion E. Hickson, who has retired. Richard A. Jones has been promoted to assistant cashier and manager, Liberty Branch. Mr. Anderson, who joined the bank in 1964, most recently served as assistant vice president and assistant manager and accountant, Fatherland Branch. Mr. Hickson has been in banking 40 years, the past 29 with Britton & Koontz First National, while Mr. Jones joined the bank in 1974.

■ THOMAS C. SHELLNUT has been named vice president, investment department, Hancock Bank, Gulfport. He went there from First National Bank of Commerce, New Orleans, where he headed First Investors Management Corp., the bank's subsidiary, and was vice president and investment officer of First NBC's trust department.

Missouri

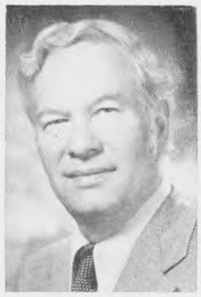


MORROW



SMITH

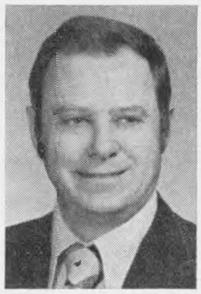
HICKEY



GADDY

PLETZ

SPEER



FOLKS

COE

■ RONALD C. SMITH has been elected executive vice president and a director of Mercantile Commerce Trust, St. Louis. He joined the bank in 1974 and was senior vice president prior to his promotion.

■ AMERICAN NATIONAL, St. Joseph, has named Henry M. Wiezorek of the Plaza Bank Office and Francis W. Esely, agricultural department, as vice presidents. Mr. Wiezorek joined the bank in 1928, and Mr. Esely, in 1969. Larry A. Morrow of the correspondent bank department has been elevated from assistant cashier to assistant vice president. He joined American National in 1971. Edwin B. McWilliams, assistant vice president, has been assigned the additional title of assistant division director, data processing, while Jerry Reeves and Sharon Evers, formerly assistant trust officers, have been elected trust officer and trust investment officer, respectively. Mr. McWilliams joined the bank in 1973; Mr. Reeves, in 1965; and Mrs. Evers, in 1969.

■ ROBERT J. GADDY has been elected president, American National, St. Louis, succeeding Edward W. Krite, who has retired after 51 years. Prior to his election, Mr. Gaddy had been president and chairman, Tower Grove Bank, St. Louis. He had been with that bank 17 years and is a past president, Missouri Bankers Association. Mr. Krite had been president of American National since 1972. He joined it in 1924, four months after its founding.

■ HOWARD E. HICKEY, formerly vice president, commercial lending, Bank of St. Louis, has been named president and CEO, Jefferson Gravois Bank, St. Louis. He succeeds George Speer, who has been named chairman there and at Northwestern Bank, St. Louis, where he remains as CEO. Succeeding Mr. Speer as Northwestern Bank president is Harold W. Pletz, who had been executive vice president and secretary since January, 1975. All three banks are affiliates of General Bancshares Corp., St. Louis.

■ DONALD D. FOLKS has been elected chairman, Marceline State. Succeeding him as president is Glenn Bellamy, a former vice president. Mr. Folks, also is senior vice president, American National, St. Joseph, which, like Marceline State, is an affiliate of Ameribanc, Inc., HC of St. Joseph. He had been president at Marceline State since the retirement of Dorothy Furino. Mr. Bellamy joined the bank in 1974.

■ ERNEST A. COE has been named executive vice president and a director, Pioneer Bank, Maplewood. He formerly was senior vice president, Clayton Bank.

■ WARREN B. WIETHAUPT, vice president-marketing director, First National in St. Louis, has been elected a director, Financial Communication Services Corp., St. Louis. FCS is a not-

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

☐ Check Cashing ☐ Savings ☐ Checking ☐ Money Orders ☐ Drive-Up Banking ☐ Auto Loans ☐ Personal Loans

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

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

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

Which means that by paying more attention to your money order sales, you can increase your share of a $37 billion market and take advantage of great opportunities for cross-selling more bank services.

Cost per item? . . .

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

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

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

How?

FIMO was made for banks.

The answer is the American Express Company Financial Institution Money Order Program (FIMO®) created to make life easier – and more profitable – for banks.

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

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

We do all the work.

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

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

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

A double-duty document for you.

AMERICAN EXPRESS MONEY ORDERS
UP TO $1,000

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

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

Double assurance for your customers.

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

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

Call it value added.

The American Express Company Financial Institution Money Order Program doesn't take your own personalized money orders or cashier's checks away from you. It just makes them stronger.

We must be doing it right.

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

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

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for-profit firm that will introduce "BankMate," an EFT system for all banks in Missouri, Kansas, Iowa, Illinois and western Kentucky, later this year.

■ FARMERS BANK, Stover, has named Marsha Boeschen and Rita Barron assistant cashiers.

■ EDITH D. WRIGHT has been elected a director, Boone County National, Columbia. She is vice president in charge of the trust department and joined the bank in 1969 as trust officer.

■ CURTISS ANDERSON, president, Fidelity State, Kansas City, Kan., has purchased controlling interest in Bollinger County Bank, Lutesville. He succeeds Wallace R. Knight as president and chairman and plans to be active in the daily management of the bank. Mr. Knight, who sold the controlling interest, plans to devote his time to business interests. Mr. Anderson's financial career began in 1951, when he accepted a position with Prudential Insurance in its mortgage loan and real estate investment department.

■ BOATMEN'S NATIONAL OF NORTH ST. LOUIS COUNTY, Florissant, has named James M. Karr vice president, loan operations, and William E. Ryan vice president, operations.

New Quarters Are Opened

This is the new home of Mercantile Bank of St. Charles County, St. Charles. Bank Building Corp., St. Louis, was the consultant and construction manager for the project.

■ THE AFFILIATION of Excelsior Trust, Excelsior Springs, and First National Charter Corp., Kansas City, has been completed. First National, Kansas City, is the anchor bank for the HC.

■ MANUFACTURERS BANK, St. Louis, has announced the promotions of Gregory G. Heckenkamp, former assistant treasurer, and George A. Meyer to assistant vice presidents. Named assistant treasurers were David Brian Aldrich, Larry Dalton and Rosella Choc, while A. William Hager, president and CEO, Hager Hinge Co., has been elected a bank director.

Bill Affects Nat'l Banks

JEFFERSON CITY—A bill under tentative proposal by the Missouri General Assembly—House Bill No. 1236—is intended as a means of ensuring that national banks in this state operate under the same restrictions as state-chartered institutions.

Federally chartered banks not in compliance with the regulations couldn't receive state deposits, but, according to the man who introduced the bill, Representative Fred E. (Gene) Copeland (D.,New Madrid), head of the House Banking Committee, the law wouldn't penalize any banks if passed at this time.

House Bill No. 1236 says: "Notwithstanding any other provision of law, no national banking association incorporated under the laws of the United States shall be acceptable as a depository of public funds of any kind or nature unless such association operates in accordance with all laws, rules and regulations which apply to banks organized under the laws of this state."

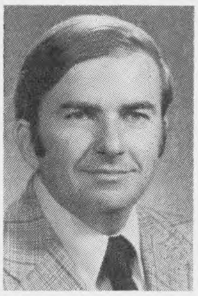
The proposed legislation is designed to stop a recurrence of such past practices by national banks as charging higher interest rates on loans, since those banks now don't have to comply with state interest ceilings, Mr. Copeland said. Furthermore, he added, it could discourage further installations of EFT terminals until a court challenge over their legality in Missouri is settled.

■ COUNTY NATIONAL BANCORP., Clayton, has received Fed approval to acquire County Bank, Chesterfield, a new bank. President of the bank is R. B. Clark III, who formerly was senior vice president, Big Bend Bank, Webster Groves, another HC subsidiary. County Bank will be headquartered in a colonial-style building with 5,800 square feet of space. Its first floor will house the customer service departments, while most of the bank's operations will be in the lower level. County Bank will have four drive-up lanes and a 45-car parking lot.

■ MARVIN L. KIRKPATRICK has been named executive vice president, Bank of Gainesville. Succeeding him as cashier is Lovice Wallace, former assistant cashier. Patrick A. Funk, formerly loan officer, has been named assistant cashier, as has Judy Allen.

■ ROBERT R. THOMPSON, executive vice president, First State, Rolla, has been elected a director, filling the

vacancy created by the retirement of William H. Tandy, an attorney. Also retiring from the bank is Wallace W. Tucker, assistant cashier and manager, Seventh and Park Street Facility.



THOMAS

■ G. WAYNE THOMAS has been promoted from vice president to executive vice president at Boatmen's Bank of West County, Ballwin. He also was elected a director. Mr. Thomas, who joined the bank last May, is past chairman, Missouri Young Bankers Association.

New Mexico

■ BLAKE H. WEST has been named senior vice president-commercial lending at First National, Santa Fe. He joined the bank last year as vice president and has 17 years' banking experience. Woodrow R. Galloway has been elevated to vice president and is data processing operations manager. He joined First National last July. Angelina Romero has been elected assistant vice president and remains branch manager of the Alameda Motor Bank. She joined the bank in 1959.

■ GEORGE M. "CORKY" FERNANDEZ has been named agricultural representative, Security National, Roswell. Prior to that, he was assistant county agent in the Roswell area.

■ THE GATEWAY BRANCH of Ruidoso State has opened. Jeff Lynn, assistant cashier, serves as branch manager.

■ FRED SPUHLER JR. has been named vice president in charge of the Eubank Branch, First National, Albuquerque.

Oklahoma

■ LARRY LANIE, executive vice president, Guaranty Bank, Tulsa, has been given the added duties of chief operating officer and cashier. Alma Barnes, vice president and administrative services manager, and Pat Murray, vice president and commercial and real estate loan department manager, have been elevated to senior vice presidents. Named vice presidents were Tom Askew and Jim Calk, while Michael Davis has been appointed assistant vice president. The bank also announced the planned addition of six new drive-up windows, one commercial window and an operations building, to be completed sometime this spring.

■ BETTY DALRYMPLE has been promoted to vice president and trust officer, First National, Bartlesville. Robert C. Beard and E. Lynn Caswell have been named vice presidents and Dennis O. Cubbage Jr. has been elevated to cashier. Mrs. Dalrymple joined the bank in 1970 and had been a trust officer since 1973; Messrs. Beard and Cubbage joined First National in 1968; and Mr. Caswell, in 1970.

■ DR. LESTER L. MOLINE of Hollis has purchased controlling interest in First State, Foss, from Bernice Hoover and the estate of Rex B. Hoover. Dr. Moline will serve as executive vice president and chairman. Robby L. Olmstead, formerly executive vice president, Southwest State, Sentinel, has been elected First State's president and CEO, while Patsy Eggleston remains as cashier.

■ THOMAS L. LEGAN has been named president and CEO, Village Bank, Oklahoma City, succeeding Jay Walderich, who has accepted a management position with First National, Oklahoma City. Mr. Legan went to Village Bank from Huntington Bank of Wood County, Bowling Green, O., where he had held a similar position since 1969.

Tennessee

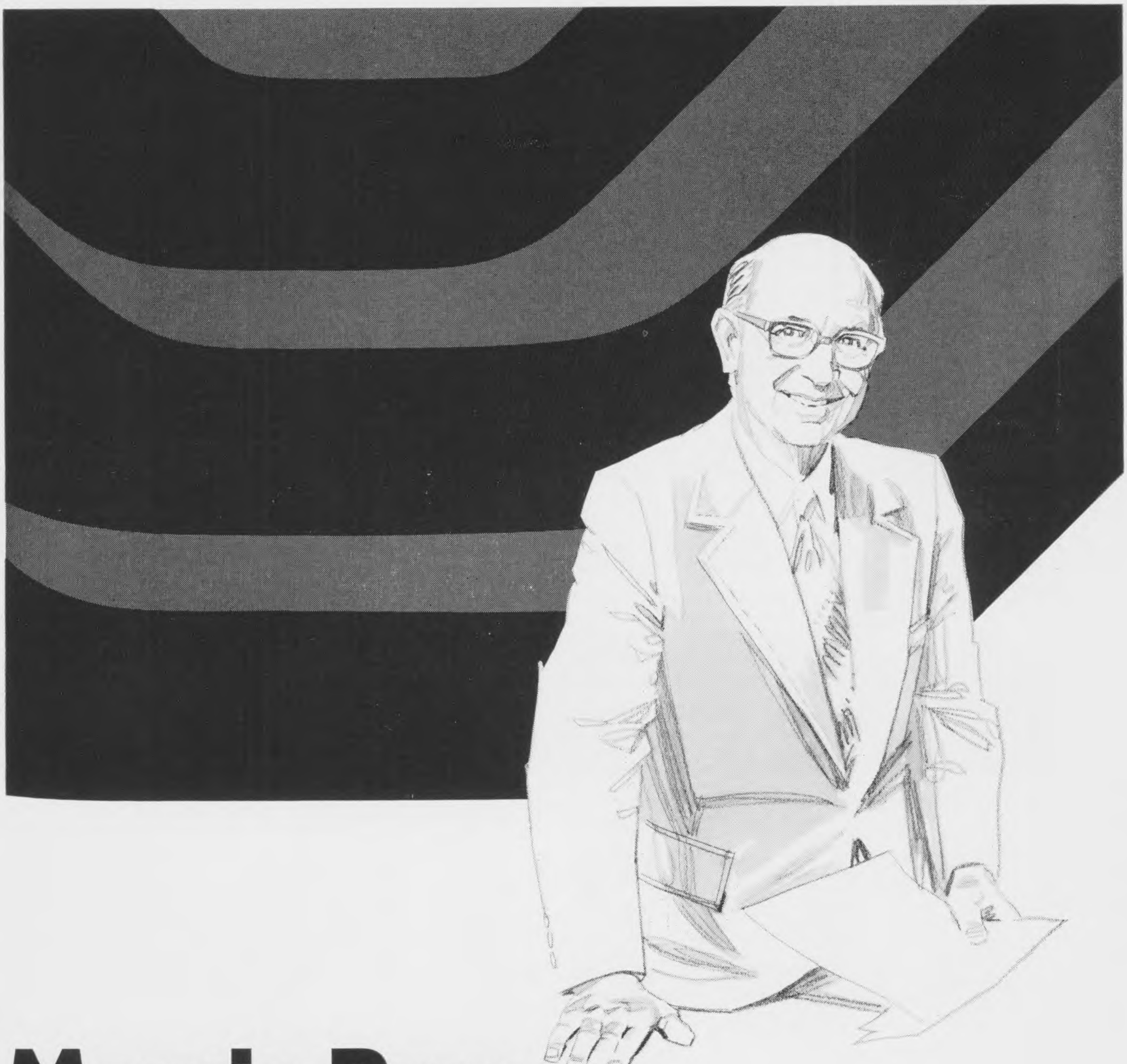
■ THE ST. LOUIS FED'S Memphis Branch has announced the reappointment of William Wooten Mitchell, chairman, First National, Memphis, and the appointment of Stallings Lipford, president, First-Citizens National, Dyersburg, to three-year board terms.

TBA Trust Div. Officers

Brannon Huddleston, vice president and trust officer, First American National, Nashville, has been elected president, TBA trust division. He has been with his bank since 1948.

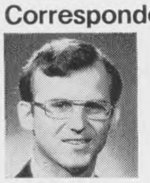
Other division officers are James F. Springfield, executive vice president-trust, Union Planters National, Memphis—first vice president; Robert R. Neyland Jr., vice president and trust officer, First National of Sullivan County, Kingsport—second vice president; Ken C. Coker, vice president and trust officer, Third National, Nashville—secretary; and E. Kelton Morris, vice president and trust officer, First National, Memphis—treasurer.

J. Ralston Wells, executive vice president-trust, American National, Chattanooga, is the TBA trust division's immediate past president.

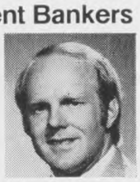


Marvin Bray, a banker's banker.

Correspondent Bankers



Bill Hellen



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Edward Potter Jr. Dies

Edward Potter Jr., 79, founder and ch., Commerce Union Bank, Nashville, died last month. His banking career began in 1913 at Broadway Nat'l, Nashville, which he left in 1916 to organize German American Bank, which later became Farmers & Merchants and then Commerce Union. Also dir. and exec. comm. ch. of the bank's HC, Tennessee Valley Bancorp, Nashville, Mr. Potter reportedly established in the bank the city's first auto-finance dept. It was the first institution in the state to open a dept. for consumer appliance loans.

■ UNITED AMERICAN BANK is the new name of Hamilton National, Knoxville.

Texas

■ DAVID COLLIER, formerly senior vice president, has been elevated to executive vice president and elected a director at Lubbock National. He is in the commercial loan division. Named senior vice presidents were Carlos Thornton and Walter Taylor. Mr. Thornton heads the real estate division, while Mr. Taylor, an attorney and senior trust officer, is in trust management. William F. Goodwin, personnel head; Harriette R. Halsey, customer service division; Fred H. Timberlake, commercial loan division; and J. B. Potts, who recently joined the bank and is in the commercial loan division, have been appointed vice presidents.

■ FIRST STATE, Abilene, has announced the promotions of Robert E. Milstead and Donald M. Neill to vice presidents and Judson Shields to assistant vice president and Master Charge department manager. A. V. Jones Jr., a local businessman, has been elected a director. Mr. Milstead joins the bank after having retired from the Air Force, while Mr. Neill went there from First Bank, Bryan, where he was assistant vice president. Mr. Shields has been with the bank since 1971.

■ FIRST CITY BANCORP. of Texas, Inc., Houston, has announced that its 12 Houston-area member banks have undergone name changes to incorporate the words "First City Bank." Old and new names of the institutions are Almeda-Genoa Bank (First City Bank-Almeda Genoa), Gulfgate State (First City Bank-Gulfgate), La Porte State (First City Bank of La Porte), Northline State (First City Bank of Northline), Executive National (First City Bank-Executive Plaza), Southwood Bank (First City Bank-Fondren South), First Professional Bank (First City Bank-Medical Center), First Clear Lake Bank (First City Bank of Clear Lake), Humble State (First City Bank of Humble), Suburban National (First City Bank-Inwood Forest), Highland Village Bank (First City Bank of Highland Village) and Wallis State (First City Bank of Wallis).

■ WALTER M. STOOPS has been promoted to executive vice president, Parkdale State, Corpus Christi, while Charles S. Dreymala has been named senior vice president. Jim L. Parker has been elevated to vice president and cashier and Ruth M. Pharis has been appointed vice president. Mr. Stoops has been with the bank since it was organized in 1957; Mr. Dreymala, since July; Mr. Parker, since 1973; and Miss Pharis, since 1958.

■ CLIFTON BANK is the new name of Farmers State, marking its move to a new building. Chartered in 1906 as Clifton State, it became Farmers Guarantee State in 1911 and Farmers State, 1925. An early-1976 grand opening celebration is planned.

• Index to Advertisers •

The Young Executive Glut: Is It a Problem at Banks?

By JIM FABIAN
Associate Editor

A MAJOR portion of American business firms report that the depressed economic climate of the past 18-24 months has resulted in a glut of junior executives on their payrolls, according to leading business publications.

According to the Department of Labor, the situation could well be compounded in the coming five years, since it is predicted that, by 1980, one quarter of the U. S. work force will be between the ages of 25 and 34.

Firms that are experiencing an overabundance of young executives due to aggressive recruiting programs in the early 1970s find that they must bite the bullet by discouraging recruiting activities to stem the flow of new talent; by deferring promotions and salary increases; and, in cases where promotion is possible, doing it laterally more often than vertically.

A survey of members of the American Society for Personnel Administration, conducted by the Bureau of National Affairs, revealed that 63% of non-manufacturing firms (which include banks) replying to the survey have acted to restructure or reduce their staffs. Firms report they are combining or eliminating positions at several levels of their organizational ladders in order to make personnel expenditures more cost-effective.

Changes in compensation practices were reported by 42% of the non-manufacturing firms, which included pay freezes, reductions or cutbacks in merit increases, reduction or elimination of bonuses and deferred salary increases.

The survey also disclosed that inflation has caused some employers to provide extra compensation, such as cost-of-living adjustments, for key producers.

In an effort to determine if there is a young executive glut in major banks in the Mid-Continent area, MID-CONTINENT BANKER conducted a spot survey of 11 major banks in key cities in nine states. These banks were asked if they were experiencing a glut of young executives, a shortage of this type of person or a "just right" situation. The banks were also asked to comment on what steps were being taken to alleviate their problems in this area.

Surprisingly, in view of the overall business picture, only two of the respondents said they had too many young executives, while six replied that their young executive mix was "just right" and three complained that they were experiencing a shortage of junior officer material.

Both banks in the first category said their efforts to control the abundance of young officers on their payrolls were only fairly successful. Reasons for the glut included overhiring of college graduates, insufficient growth to accommodate vertical mobility, lack of well-organized training and development programs and a combination of lack of turnover and shortage of qualified people at lower levels who could be promoted to fill higher level vacancies. The latter situation had resulted in one bank hiring qualified newcomers to fill high-level openings, leaving junior officer candidates who didn't quite measure up to "die on the vine," thereby clogging the promotion pipeline.

The two banks experiencing young executive glut differed on the effect the Equal Opportunity Employment Act (EOEA) has had in creating the situation. One bank said the EOEA had no effect, the other reported that the law had created pressures to hire more people.

Both banks reported they have developed career development programs to promote alternative careers for employees who are "trapped" at the junior executive level. It is possible, they said, to detect management potential with such programs, which could ultimately result in some "passed over" junior executives being promoted.

Both banks are increasing lateral transfers for young executives in ways that were not done previously. For instance, people are being transferred from marketing to operations and from operations to correspondent banking positions.

Neither bank is encouraging early retirement at this time in an effort to make room for young executives at higher levels. Nor are the banks formally educating young executives to the realities of the promotion situation. For the most part, they report, these realities (that chances of promotion are slim and salary increases are likely to be deferred) are readily perceived by those involved.

Recruitment of college graduates is being done on a more selective basis by one of the banks, while the other does not have a formal recruitment policy, but maintains "relations" at colleges and universities.

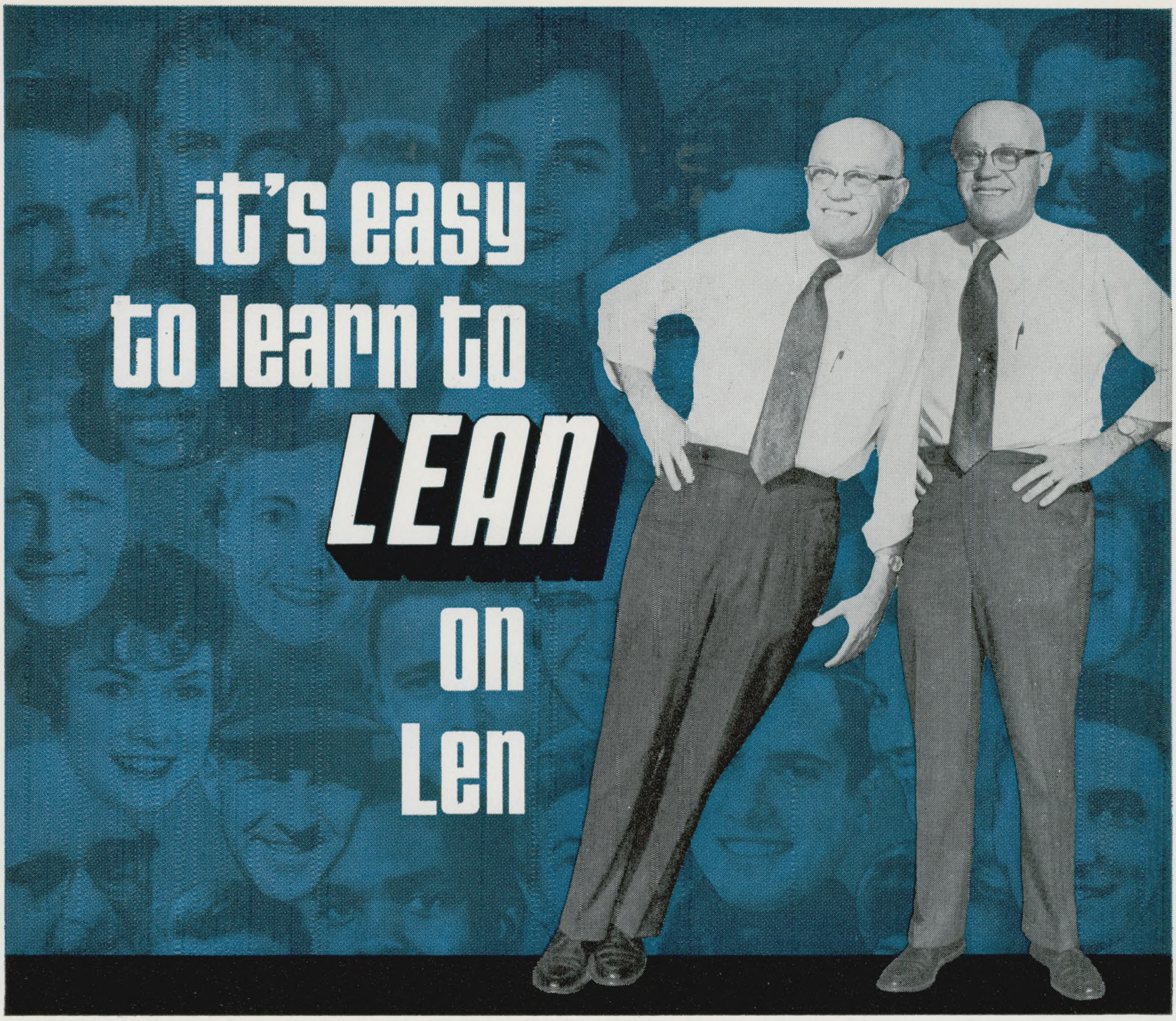
One of the banks is giving talented young executives task force assignments and special projects in an effort to keep them motivated, while the other bank reports it more or less leaves motivation up to the individual, as its policy is to promote only those who demonstrate self-motivation.

Banks reporting that their young executive staffs are "just right" state that the reason for their good fortune was anticipation of the economic slowdown sufficiently early to adjust recruiting procedures accordingly. They also stated that, even though they might temporarily have more young executives than they need, no adjustment will be necessary because the improving economic climate will take care of the situation.

Of the three banks reporting a lack of young executive talent, reasons stated included good growth record, loss of personnel to other banks and insufficient emphasis on campus recruitment. All of the banks are in southern states.

Each of the banks is developing training and recruitment programs in attempts to bring in more and better qualified talent.

In summary, the problem of an excess of young executives is not a major one in the banks responding to MID-CONTINENT BANKER's survey. Bankers have, on the whole, been keeping abreast of the personnel needs of their institutions far better than the majority of other types of business firms. • •



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