MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

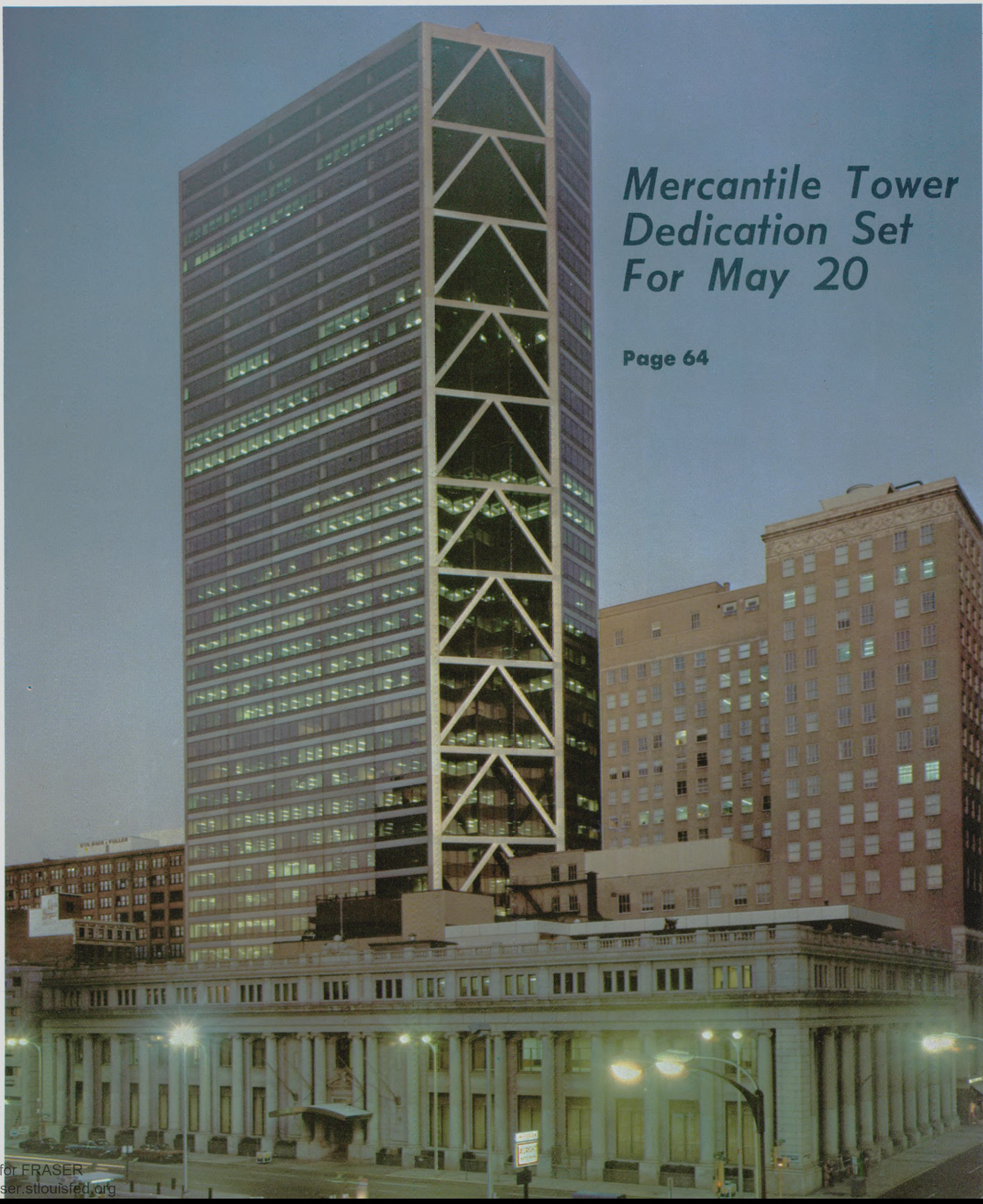
CONVENTION ISSUE

MAY 15, 1976

Mississippi, Tennessee, Illinois, New Mexico, Indiana

Mercantile Tower Dedication Set For May 20

Page 64



Liberty Presents Paul Nadler on Electronic Funds Transfer Service

Paul Nadler Says:

"EFTS developments will end local bank customer geographic restraints. Banks of any size will eventually be able to serve their customers wherever they are. With EFTS, people will be paid automatically through automated clearing houses. They will be able to borrow automatically through 'credit cards' and they will be able to make withdrawals through 'debit cards' at point-of-sale terminals everywhere.

To community banks, this presents good news and bad news. It's good because banks can now follow their customers anywhere in our highly mobile society. But, it will also breed intense competition. Although people will want to remain loyal to their local bank, if it doesn't offer competitive services and rates ...they will say, 'Oh well, we are all Oklahomans or we are all Americans...' and will switch to the bank that offers the same geographic flexibility but better rates and services.

Each bank, then, will have to make sure it is doing its job and doing it well...for geographic protection is sure to fade away."

Liberty Says:

"CHECOKARD...doing more than ending check cashing hassle for your customer... is just the initial step in helping you maintain your competitive posture in a rapidly maturing electronic environment.

Anticipating the 'sharing' provision in the recently passed Oklahoma legislation, CHECOKARD was designed for correspondent bank participation. The system is now in its first evolutionary stage...from verification and guarantee to on-line deposit, withdrawal and transfer of funds transactions at point-of-sale and automatic teller machines.

The CHECOKARD system is operational today in Oklahoma, and it will lead the way into the nationwide ENTRĒE Card system for tomorrow. With Liberty's help, you and your customers can have individual local identity with CHECOKARD's complete range of EFTS on-line capabilities...plus the national capability of ENTRĒE Card.

If you want to maintain your leadership in your community, contact Liberty's Correspondent Department for assistance with all the challenges and opportunities of EFTS."

at your LIBERTY
THE BANK OF MID-AMERICA

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

MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 72, No. 6 **May 15, 1976**

FEATURES

CONVENTIONS

DEPARTMENTS

STATE NEWS

Editors

Ralph B. Cox
Editor & Publisher

Lawrence W. Colbert
Assistant to the Publisher

Rosemary McKelvey
Managing Editor

Jim Fabian
Associate Editor

Daniel H. Clark
Editorial Assistant

Advertising Offices

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

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Commerce Publications: American Agent & Broker, Club Management, Decor, Life Insurance Selling, Mid-Continent Banker, Mid-Western Banker, The Bank Board Letter and Program. **Donald H. Clark,** chairman; **Wesley H. Clark,** president; **Johnson Poor,** executive vice president and secretary; **Ralph B. Cox,** first vice president and treasurer; **Bernard A. Beggan, William M. Humberg, Allan Kent, James T. Poor** and **Don J. Robertson,** vice presidents; **Lawrence W. Colbert,** assistant vice president.

Convention Calendar

May

May 18-22: Alabama Bankers Association Annual Convention, San Juan, P. R., Sheraton Puerto Rico.
May 19-20: ABA Liability/Asset Management Policy Decisions Seminar, Atlanta, Stouffer's Hotel.
May 22-26: Mississippi Bankers Association Annual Convention, Biloxi, Biloxi Hilton/Broadwater Hotel.
May 23-25: Tennessee Bankers Association Annual Convention, Nashville, Hyatt Regency-Nashville.
May 23-25: Illinois Bankers Association Annual Convention, St. Louis, Stouffer's Riverfront Towers.
May 23-26: Robert Morris Associates Financial Statement Analysis Workshop, Chicago, Airport Marriott.
May 23-28: Bank Marketing Association Essentials of Bank Marketing Course, Boulder, Colo., University of Colorado.
May 23-29: ABA National School of Bank Investments, Dallas, Southern Methodist University.
May 23-June 4: Bank Marketing Association School of Bank Marketing, Boulder, Colo., University of Colorado.
May 24-25: ABA National Conference on Urban & Community Economic Development, Washington, D. C., Lowes L'Enfant Plaza Hotel.
May 24-27: Association of Bank Holding Companies Annual Meeting, London, Grosvenor House.
May 26-27: Robert Morris Associates Automated Loan Information Systems Workshop, Houston, Hyatt Regency.
May 26-28: National Association of Bank-Women Inc., Lake/Midwest/North Central Regional Conference, St. Louis, Stouffer's Riverfront Inn.
May 30-June 4: Bank Marketing Association School of Trust Business Development, Boulder, University of Colorado.
May 30-June 11: Illinois Bankers Association Illinois Bankers School, Carbondale, Southern Illinois University.
May 31-June 2: AIB Annual Convention, St. Louis, Chase-Park Plaza Hotel.

June

June 1-2: Robert Morris Associates Loan Policy Workshop, Chicago, Continental Plaza.
June 2-3: ABA Liability/Asset Management Policy Decisions Seminar, Dallas, Fairmont Hotel.
June 6-11: Kentucky Bankers Association Kentucky School of Banking, Lexington, University of Kentucky.
June 6-18: Stonier Graduate School of Banking, New Brunswick, N. J., Rutgers University.
June 7-8: Robert Morris Associates Lending to Banks & Bank HCs Workshop, San Francisco, Hyatt on Union Square.
June 10-12: New Mexico Bankers Association Annual Convention, Las Cruces, Holiday Inn.
June 13-15: Bank Marketing Association Bank Planning Conference, Oakbrook, Ill., Drake Oakbrook.
June 13-16: ABA National Operations & Automation Conference, Washington, D. C., Washington Hilton.
June 15-17: Kansas Bankers Association Bank Management Clinic, Lawrence, University of Kansas.
June 16-17: Indiana Bankers Association Annual Convention, French Lick, French Lick-Sheraton Hotel.
June 16-18: Missouri Bankers Association Young Bankers Seminar, Osage Beach, Mo., Tan-Tar-A Resort.
June 17-18: Robert Morris Associates Secured Lending: Accounts Receivable, Inventory & Equipment Financing Workshop, St. Louis, Stouffer's Riverfront Inn.

July

July 11-16: Kansas, Missouri & Nebraska Bankers Associations Basic Trust School, Lincoln, University of Nebraska.
July 11-23: ABA School for International Banking, Boulder, University of Colorado.
July 18-21: ABA I&PD Risk Management in Banking Seminar, Boulder, University of Colorado.

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more from Mercantile...

Our resources are assets to you.

The point is, at Mercantile, you get all the services you'd expect from one of America's largest correspondent banks. And more.

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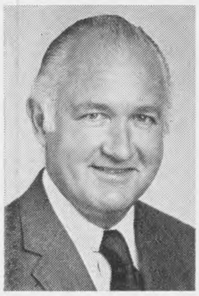
NEWS OF THE

BANKING WORLD


SILLECK


LASATER


HAUGE


ADAMS


SHURLY


SETNESS

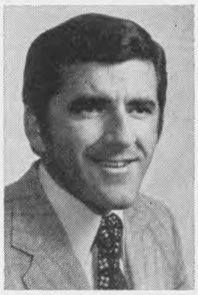
• **Robert B. Silleck** has joined Bradford Computer & Systems, Inc., New York City, as senior vice president. He goes there after a 37-year career with Citibank, New York City, where he most recently was vice president, correspondent banking. Bradford Computer & Systems specializes in financial, clerical, computer and recordkeeping services for financial, industrial and governmental organizations throughout the country.

• **Donald E. Lasater,** chairman and CEO, Mercantile Bancorp., St. Louis, was elected to the HC's board at its annual shareholders' meeting April 22. Mr. Lasater resigned as a director of the HC last year after being indicted for perjury by a federal grand jury in Kansas City. The indictment came after Mr. Lasater testified on certain loan transactions between Mercantile Bancorp's lead bank, Mercantile Trust, St. Louis, and the late J. V. Conran. However, late in 1975, he was found innocent of the perjury charges. Mr. Lasater also is chairman of Mercantile Trust.

• **Gabriel Hauge,** chairman and CEO, Manufacturers Hanover Corp. and Manufacturers Hanover Trust, both of New York City, has been elected president of the Association of Reserve City Bankers. He succeeds Richard P. Cooley, president and CEO, Wells Fargo Bank, San Francisco. Replacing Mr. Hauge as association vice president is T. C. Frost Jr., chairman, Frost National, San Antonio. William G. Ericsson, president, American National, Chicago, succeeds Irving Seaman Jr., former executive committee chairman of National Boulevard Bank, Chicago, as association treasurer. Roger E. Anderson, chairman, Continental Illinois National, Chicago, has been named a director of the association, while Corwith Hamill has retired as executive secretary, to be replaced by Jean E. Smith, who has been with the Reserve City Bankers since 1960.

• **Burt R. Shurly Jr.** has retired as senior vice president and officer in charge of the national division, commercial loan department, of Detroit Bank. He joined the institution in 1951, advancing to senior vice president in 1969.

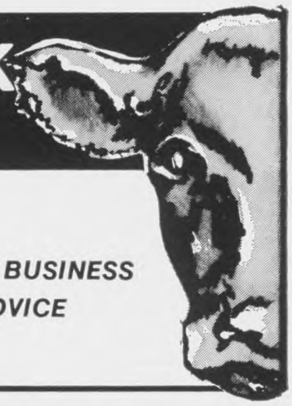
• **Terry Kalp** has been named vice president, Bank of America's Chicago Corporate Service Office, while Tom Goosens and Stephen Setness have been elected assistant vice presidents. Mr. Kalp joined the bank in 1968 and will


KALP


GOOSENS

be administrative assistant to Senior Vice President Gerald H. Thompson, office head. Messrs. Goosens and Setness, who joined Bank of America in 1974, have been serving as corporate finance officers.

• **Eugene H. Adams,** chairman, First National, and First National Bancorp., Inc., both in Denver, has been named 1975 Colorado Businessman of the Year by the Beta chapter of the Alpha Kappa Psi professional business fraternity. Mr. Adams was chosen for his "business leadership and his dedication to civic and community affairs." He began his career with the International Trust in 1934, advancing to president in 1951. He became executive vice president of First of Denver when the two merged in 1958, and was named president one year later.



Musically, Roy Lawrence is strictly a listener...country-style.

But as a Correspondent Banker, he's a virtuoso performer.

For relaxation, Roy Lawrence likes to load up his stereo with a stack of country music records and pretend he's onstage at the Grand Ole Opry.

But on the job as our Vice President/ Computer Applications, Roy sets all fantasy aside to deal realistically with our more than 370 customers' correspondent banking requirements. With 27 years banking experience, Roy can be depended upon to come up with the right answers. . .fast.

Whatever your correspondent banking need or problem, call the Third National representative who serves your area. With home office support from experienced professionals like Roy Lawrence, he'll provide you with the kind of service you've been looking for.

Our Tennessee WATS line is 800-342-8360. In neighboring states, dial 800-251-8516.

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Social-Responsibility Role of Banks Has Improved, Study by Firm Shows

MAJOR BANKS in the U. S. have implemented a number of programs directed at improving their social responsibility role. This was the finding of a study by Booz, Allen & Hamilton, Inc., Chicago-based international management consultants.

The survey, "Study of Social Responsibility of Banks," covered 10 major banks in the United States. It also included attitudes of banks and the public toward social responsibility in Britain and Germany. Three banks in each of those nations were covered by the study.

It was found that the level of criticism against banks in the U. S. on the subject of social responsibility was higher than against banks in the two foreign countries. In America, it was found, major areas of criticism involve minorities and women (primarily in employment), inner-city housing and continuing support of small (primarily minority) businesses. Other areas of criticism covered consumer issues, environment and urban development.

The major criticism against banks in Britain was concentrated on lending practices to industry, profit levels and certain investments in real estate and in South Africa.

Germans found much less to criticize about the social responsibilities of their banks than did citizens of the U. S. and Britain. Criticism there was concentrated on the power of banks and their control over German industry.

A significant aspect of the study was the stress placed on future regulation and legislation of banking in the U. S. A great part of that legislation, it was felt, would be directed toward social responsibility. It also showed that criticism from consumer and special-interest groups would continue and that costs of social responsibility programs probably would increase.

It was seen that, while the situation would continue to intensify in this country, such demands also would increase in England and Germany. The study found that banking was "poorly understood" by the public and that the product/service it provides is relatively intangible.

Banks sometimes are thought of as semi-utilities, the study showed. That is, many people believe banks exist primarily for the public good. The results indicated that many people feel "intimidated" by banks, particularly when asking for a loan.

The Booz, Allen findings showed housing, small business development, community development, youth and education, community health and contribution programs to be the major issues U. S. banks are facing. The study pointed to the need for programs by banks in all three countries to increase public understanding of banking through advertising, speakers' bureaus, educational programs, sponsorship of public events and student and youth programs. The United States and Britain are somewhat more aggressive in such programs than Germany, it was found.

By and large, the study concluded, the number of specific social programs implemented in the banking community appears commensurate with the intensity of the criticism in each country. The key ingredient in the success of such programs, it was added, is the full support of bank CEOs. • •

No 'Buy' Centennial:

Bank Underwrites Book On Cumberland-Area Past

According to officials of First American National, Nashville, the bank wanted to commemorate the nation's bicentennial with something lasting. The celebration, they said, was becoming too much of a "buy" centennial, with various candles, pens and other too-commercial items.

So the bank underwrote the publication of a book, *Early Times in the Cumberland Valley.*

Author James Crutchfield's work spans more than the 200 years of U. S. history. He includes a geologic history of the area and deals with the possibility that Hebrew, Roman and Viking explorers may have walked the area long before the Spanish, French and English.

Net proceeds of the book's sales will go to help support the Tennessee Bicentennial Arts Celebration, which is sponsored by the Junior League of Nashville and the Nashville Section of the National Council of Jewish Women. The celebration will be held in downtown Nashville June 25-27 and will feature Tennessee craftsmen and performing artists.

First American National will turn its lobby into an art gallery for the state's bicentennial collection during the event, while the bank's plaza will be a stage for ongoing entertainment from dawn to dusk.

The book is being sold in the bank's branch offices and also is available by mail.

Looking over copy of *Early Times in the Cumberland Valley*, publication of which was underwritten by First American National, Nashville, are (from l.): James Crutchfield, author; Harriet Bubis of Nashville Section, National Council of Jewish Women; Andrew Benedict, ch.; and Corine Franklin of Junior League of Nashville.

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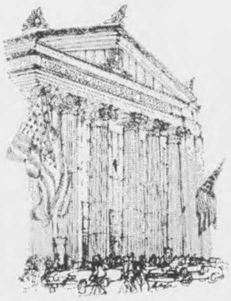
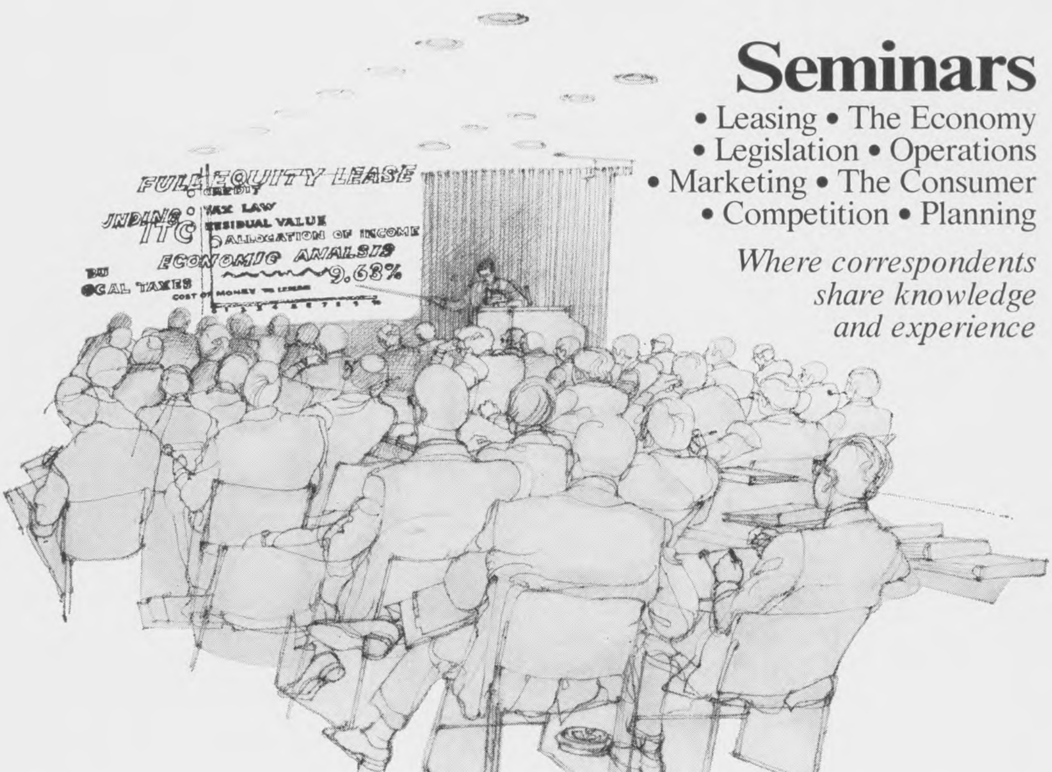
COMMITTED TO MUTUAL GROWTH



The Continental Correspondent Community



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Corporate News Roundup

• **Armento Bank Design, Inc.** Richard J. Cozak, Fidelity Financial Sales, Arlington Heights, Ill., has been appointed midwestern regional sales representative for Armento Bank Design, Inc., Buffalo, N. Y., which specializes in manufacturing electronic lobby traffic distribution systems and related products. Mr. Cozak had 15 years' experience in business management, sales and marketing with electronic instrumentation manufacturers prior to the recent establishment of his own manufacturer's representative organization. His most recent post was national sales/marketing manager, Elec-Tro-teC, Inc., Elk Grove Village, Ill.

• **American Express Co.** Marjorie Greene has been appointed director of EFT strategy for American Express Co., New York City, while Jack M. Moody has been named vice president, product development. Mrs. Greene, who joined the company in March, will be the liaison for George W. Waters, executive vice president, and the President's National Commission on EFT. Mr. Moody is responsible for product development for the company's marketing and sales and Travelers Cheque and money order divisions. He has been with American Express 30 years.

In St. Louis:

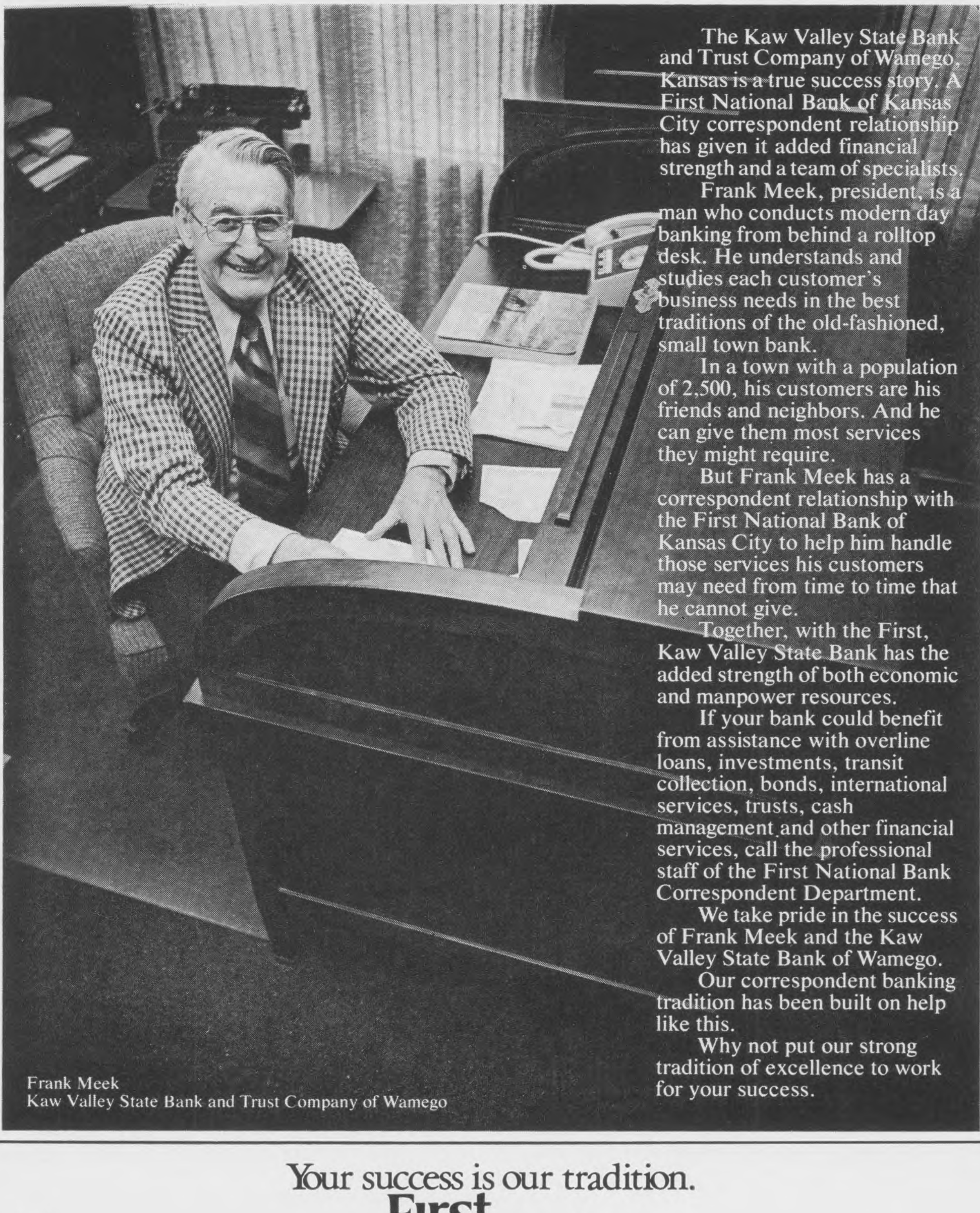
Free McDonald's Dinner Offered to New Accounts

Crestwood (Mo.) Bank, which is located in the St. Louis suburbs, has offered free food from McDonald's restaurants to those opening new savings accounts.

When a customer opened an account, he received a yellow coupon for a hamburger—a "Big Mac." The coupon was redeemable at five participating McDonald's restaurants. A surprise came when the coupon was used. McDonald's handed bank customers another coupon, a bonus good for an additional $2.50 in food!

How well did the cooperative program work? In eight weeks, the bank opened 271 new savings accounts averaging $140 each.

"We can handle most things, but when we can't it's nice to be able to call on the First."



The Kaw Valley State Bank and Trust Company of Wamego, Kansas is a true success story. A First National Bank of Kansas City correspondent relationship has given it added financial strength and a team of specialists.

Frank Meek, president, is a man who conducts modern day banking from behind a rolltop desk. He understands and studies each customer's business needs in the best traditions of the old-fashioned, small town bank.

In a town with a population of 2,500, his customers are his friends and neighbors. And he can give them most services they might require.

But Frank Meek has a correspondent relationship with the First National Bank of Kansas City to help him handle those services his customers may need from time to time that he cannot give.

Together, with the First, Kaw Valley State Bank has the added strength of both economic and manpower resources.

If your bank could benefit from assistance with overline loans, investments, transit collection, bonds, international services, trusts, cash management and other financial services, call the professional staff of the First National Bank Correspondent Department.

We take pride in the success of Frank Meek and the Kaw Valley State Bank of Wamego.

Our correspondent banking tradition has been built on help like this.

Why not put our strong tradition of excellence to work for your success.

Frank Meek
Kaw Valley State Bank and Trust Company of Wamego

Your success is our tradition.

First National Bank of KANSAS CITY, MISSOURI

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News From Around the Nation

IRS Can Demand Bank Records

The Supreme Court has ruled that the Internal Revenue Service has the right to demand the records of a taxpayer from his bank, accountant or attorney.

The court held 7-2 that a taxpayer has no "legitimate expectation of privacy" when he uses a bank and that, in any case, the subpoenaed materials were actually business records of the bank and not the individual's private papers.

"The depositor takes the risk, in revealing his affairs to another, that the information will be conveyed by the person to the government," Justice Lewis F. Powell Jr. wrote for the court.

Bank Card Service Fee Set

Master Charge cardholders at Citibank, New York City, who have not been charged interest on their purchases because they pay their balance in full each month will begin paying a 50¢ monthly service charge in June.

The charge will be applied only in months when the cardholder makes purchases and pays the entire balance. The maximum service charge will be $6 annually.

In a statement to customers, a bank spokesman said, "We feel this small fee is well within reason. The revision is necessary to offset our rising costs and to improve our level of customer service." He said the bank is asking those not paying finance charges to contribute to the cost of providing the Master Charge service.

Burns Comments on Fed Reform

Fed Chairman Arthur Burns has testified before the House Committee on Banking and Currency that the Fed opposes the provision of the Federal Reserve Reform Act of 1976 that calls for presidential appointment and Senate confirmation of reserve bank presidents.

The Fed also opposed the "narrow" criteria for selection of Class C reserve bank directors and the requirement that the Fed provide explicit projections of employment, production, the price level and interest rates.

While other provisions of the act are not objectionable, Dr. Burns said, the Fed sees no clear need for any of the act's provisions.

No Routing Numbers for Branches

The ABA and the Fed are reminding banks that no routing numbers will be assigned as branch designators after July 1.

Certain systems constraints among banks may force some banks to initiate dual systems to operate during the 12-month phaseout period for branch routing numbers that begins July 1, the ABA said.

The policy of reducing the number of endpoints in the payments system and the implementation schedule were published in the 1975 edition of the ABA "Key to Routing Numbers" to allow for a suitable period of time to modify systems and deplete existing check supplies, the ABA said.

Bankers Query FTC on 'Holder' Issue

Bankers have been asking the Federal Trade Commission why they should be responsible for warranties of goods rather than the sellers of the goods. The question was asked in connection with the federal agency's new regulations that alter the holder-in-due-course doctrine, which states that a consumer must honor his obligation to the creditor regardless of any dispute with a merchant.

The Fed has implemented regulations to conform with those of the FTC and the banking industry has been registering strong opposition to the regulations.

The bankers pointed out the difficulty for a lender to be placed in the position of picking and choosing sellers with whom to do business on the basis of potential misconduct by the sellers.

"By excluding not only sellers who are guilty of misconduct but also the vast majority of sellers who are responsible, reputable members of the business community but who do not meet the exemplary standard necessary to induce the lender to act as a warrantor of their goods or services, the consumer's product and credit alternatives are limited severely," the bankers testified.

The Independent Bankers Association of America has told the Fed that its regulations assaulting the holder-in-due-course doctrine are illegal and violate congressional intent.

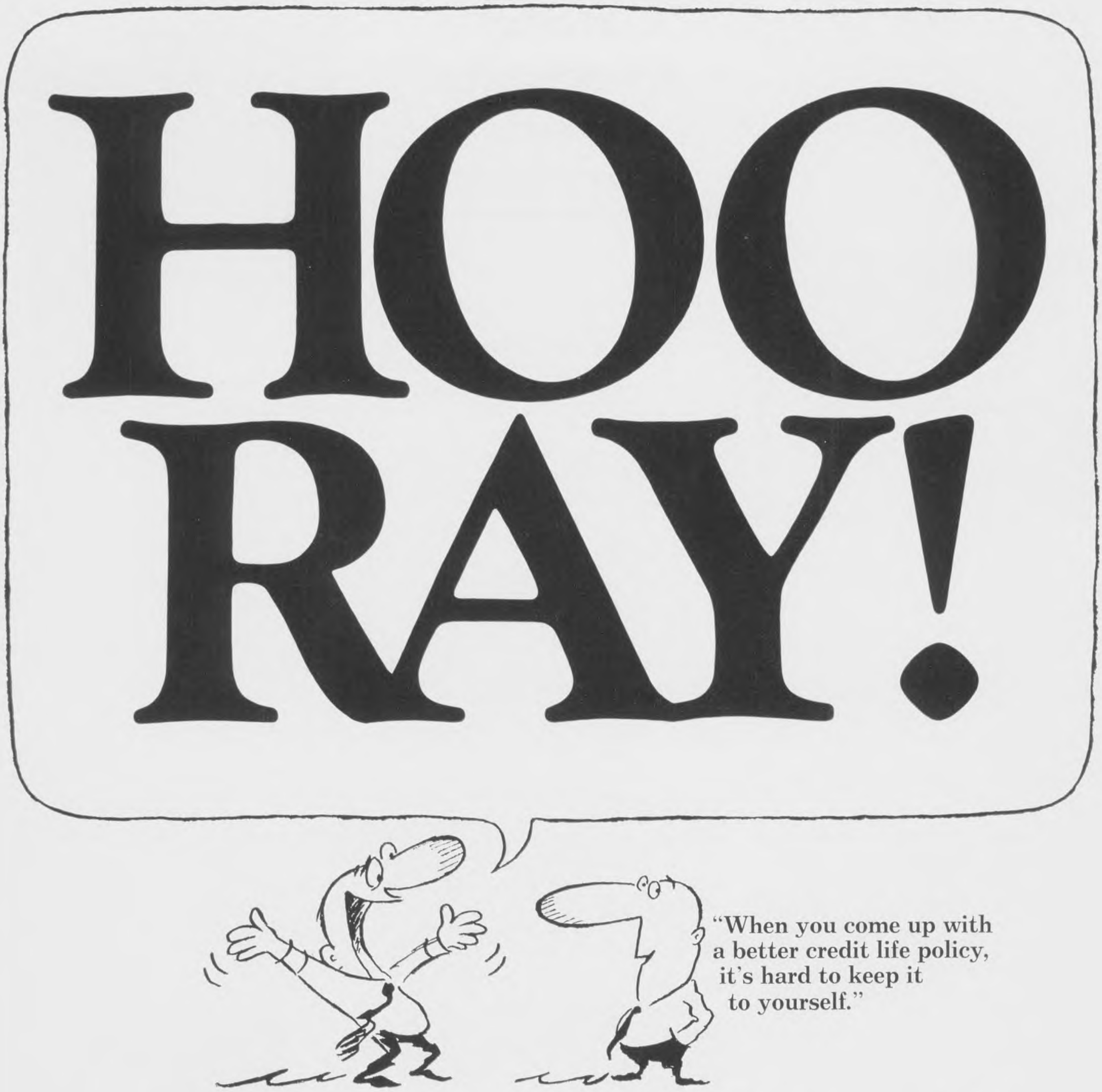
ABA Defends Auto Leasing

The ABA supports the continuation of permitting subsidiaries of HCs to provide auto leasing services.

The association told the Fed that HCs were providing consumers with an "alternative to direct borrowing and an additional competitive source to meet their financing needs."

According to forecasts, auto leasing is expected to become a prevalent alternative to buying. While more than 10% of new cars are leased today, by 1980, some 40% are expected to be leased.

Thirty-one states have specific statutes permitting banks to lease personal property. Many other states permit banks to do so through regulation or interpretation, the ABA said.



Durham Life's new Low 100.

Designed especially for mobile home loans and second mortgages, the fastest growing part of the mortgage loan business.

We call it the Low 100 because premiums are lower for the borrower, but you get 100% protection.

You're paid back the entire unpaid balance net of unearned interest and finance charges, yet you can offer your customers lower monthly payments. We keep the premiums low by fully covering your exposure and no more.

One premium is charged regardless of age. The entire premium is paid at one time, eliminating paper work, collections and policy lapses. And no medical exam is required.

With all this you still get the same attractive commission plan.

The Low 100. One more policy in Durham Life's complete line of credit life. Everything you'll ever need. Call Dan Boney.

Durham Life

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New Products and Services

• **Rand McNally & Co.** To update the manual style coupon system in use since the 1930s, Rand McNally & Co., Skokie, Ill., has introduced new coupon books for manual and on-line Christmas club customers. They feature two coupons to a page and the coupons are progressively longer in size. Compatibility between old and new books also is claimed. The coupon books come

with full-color cover designs and support material and are designed for manual posting to pre-scheduled ledger cards or as source documents for teller terminal on-line entries. The two-to-a-page concept is said to encourage multiple payments and makes them easier to handle, since a teller can handle two payments on one piece of paper. Write: Rand McNally & Co., 8255 North Central Park Avenue, Skokie, IL 60076.

• **Meilink.** Exceptional security and convenience reportedly are the features of the *Nightwatch* combination bag and envelope depository from Meilink, Toledo, O. The unit also is available as a bag drop only and provides 24-hour resistance against "fishing" and "trapping." The *Nightwatch* carries the U/L label and exceeds Bank Protection Act specifications. Features of the unit are side-by-side hoppers, only three

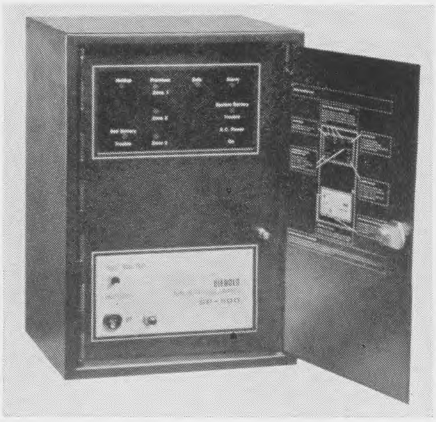
***Nightwatch* depository from Meilink features light weight, few moving parts, unique release mechanism and side-by-side hoppers for flexibility, convenience. Unit exceeds Bank Protection Act specifications and has U/L listing.**

moving parts and a release mechanism that facilitates installation or removal of the deposit hopper. The *Nightwatch's* exterior is of stainless-steel plate and has a recessed and angled door for protection against the elements. Receiving chests come in four standard sizes and custom sizes are available. Write: Meilink Bank Equipment, 3100 Hill Avenue, Toledo, OH 43607.

• **NCR Corp.** A microprocessor-based desktop document encoder has been announced by NCR Corp., Dayton, O. Called the NCR 7740 Utility Encoder, it is said to provide encoding for all fields on documents in either MICR or OCR fonts. A second model, the 7740 Proof Encoder, incorporates a journal printer and four totals including an adding-machine feature. It can be used as a utility encoder or for low-volume proof applications. A key to the encoder's flexibility is said to be the Programmable Read Only Memory, which allows the user to specify formats, type fonts and other variables. The proof encoder verifies debit items for total credits of a transaction, and more. Write: NCR Corp., Dayton, OH 45479.

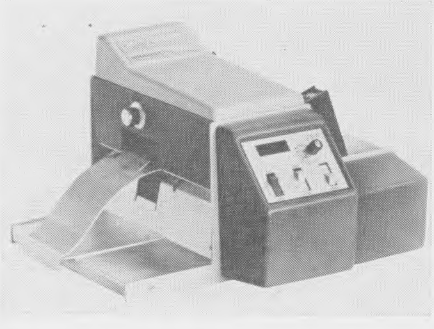
• **Gilbertson Advertising Co.** Two informational packets, the "Home Buyer's Guide" and the "Home Seller's Guide," have been announced by Gilbertson Advertising Co., Minneapolis. The packets may be used with advertising as handouts to home owners or for customers of real-estate brokers and contractors with which the bank works. Information covered in the two packets includes buyer's or seller's inventory checklists, moving tips, building and financial terms, a net-worth statement, what to do at closing, a last-chance check list and more. Write: Gilbertson Advertising Co., 5277 Lochloy Drive, Minneapolis, MN 55436.

• **Diebold, Inc.** The Multi-Guard SP-500, introduced by Diebold, Inc., Canton, O., provides perimeter, space, object and holdup alarm protection. Designed for chest or safe applications, the unit can accommodate a wide range



of other applications by accepting connections of numerous activating devices and sensors and can ennunciate a premises alarm condition in any one of three zones on its control panel. During an alarm situation, the Multi-Guard SP-500 can be programmed to signal police silently, to activate an alarm bell, or both. It also can activate cameras or other supplementary devices. A special application for the SP-500 is the protection of the Diebold Total Automatic Teller System (TABS). Write: Diebold, Inc., Canton, OH 44711.

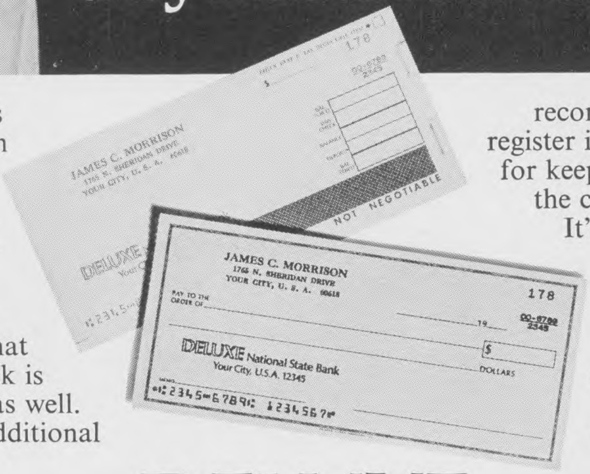
• **Brandt, Inc.** A new compact version of the "Countess®" line of document processing equipment has been introduced by Brandt, Inc., Watertown, Wis. The Countess Jr. Model 809 (pictured) counts currency, food stamps, tickets, checks or any document ranging in size from 2x4 inches to 4x8 inches. It counts at a rate of up to 750



documents per minute, and its digital display allows quick verification. Other features include: one-button control for continuous or batch counting; signal light indicating completion of process; two types of drums for imprinting and endorsing/canceling messages; and factory setting of two to six mils, but may be adjusted to up to 10 mils. Write: Brandt, Inc., Watertown, WI 53094.

The check this proud father is handing his daughter is not an ordinary check. It's a Deluxe Duplicate Check. She gets the original, "Thanks, Dad." And he gets an exact copy of the check for his records.

Here's how it works. Each check is bound with a copy that requires no carbon. As a check is made out . . . a copy is made as well. Your customer then has an additional record-keeping tool. A conventional register is included and can still be used for keeping the balance if preferred . . . the copy just makes it a little easier. It's not for everybody, but it may be just what some of your customers need. Find out what your customers really want. And don't overlook the unforgettable check . . . DeLuxe Duplicate Checks for personal accounts.



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STRATEGICALLY LOCATED PLANTS FROM COAST TO COAST

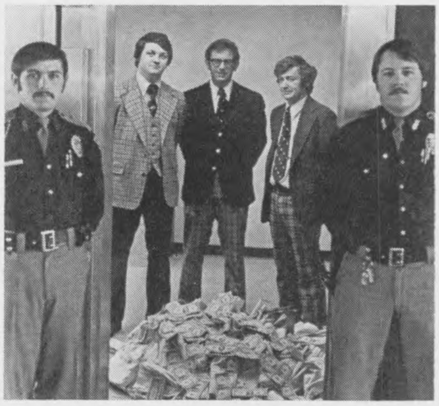
It's Only Money:

Vault Is Short $2,000 After Successful 'Caper'

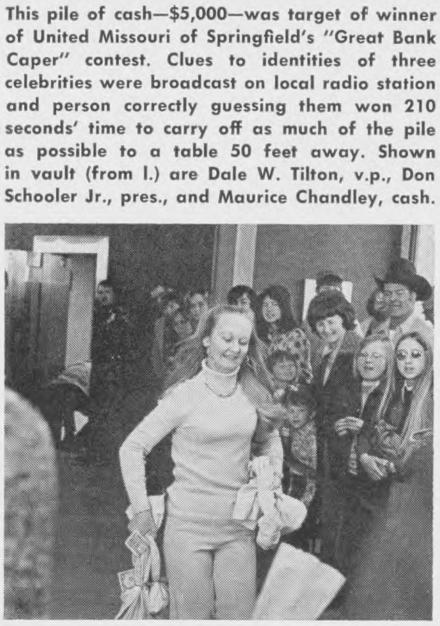
Successful in her "caper" with United Missouri Bank, Springfield, Della Maness walked away with $2,056 from the institution's vault—in full view of a crowd of cheering people!

No, Mrs. Maness wasn't a bank robber. The "caper" was a contest run by the bank and a local radio station entitled the "Great Bank Caper." Its purpose was to draw attention to the recently opened bank headquarters.

To win, Mrs. Maness had to guess the names of three celebrities, one national, one regional and one local, from clues given during radio broadcasts. As the winner, she was alloted 210 seconds to carry as much of $5,000 cash as she could to a table 50 feet from the vault.



This pile of cash—$5,000—was target of winner of United Missouri of Springfield's "Great Bank Caper" contest. Clues to identities of three celebrities were broadcast on local radio station and person correctly guessing them won 210 seconds' time to carry off as much of the pile as possible to a table 50 feet away. Shown in vault (from l.) are Dale W. Tilton, v.p., Don Schooler Jr., pres., and Maurice Chandley, cash.



Della Maness of Cabool, Mo., won United Missouri of Springfield's "Great Bank Caper" contest, was flown to Springfield at bank's expense to collect reward. Mrs. Maness was able to carry away $2,056 in time alloted.

Dressed in a pantsuit and wearing a new pair of sneakers, the winner showed herself to be in better-than-average condition. Her relatives reported that she had marked off a 50-foot course in her back yard and had practiced to get in shape for the event.

Did the conditioning exercises work? Bank officials reported that Mrs. Maness carried over 480 pounds of coins and currency, only showing fatigue in the final 30 seconds of the "caper."

Americana:

Bank Salute to Bicentennial Is Made in Colonial Style

What better way to salute the founding of our nation than to do it in colonial style? That's what the Seventh and Race Office of Central Trust, Cincinnati, is doing until July 4.

Its historical displays are complemented by an atmosphere of the early days which is created by decorations, souvenirs and personnel in colonial costumes.

Exhibits, which are to be shown in the bank at various overlapping intervals, include a collection of historical documents compiled by Charles F. Curro, bank vice president and office manager. There also will be a lobby exhibit of currency and banking history, which will be borrowed from the Cleveland Fed and the Regional Administrator of National Banks.

Foam-and-paper stars in a number of sizes have been suspended from the office ceiling, lending a festive air to the event. Souvenir copies of the stars—called "Ameristars"—are being distributed to customers by tellers on days the employees are in colonial garb.

Parade of Fashions:

Focal Point of Doll Show Is Old-Time Clothing Styles

Detroit Bank has presented a bicentennial parade of fashions through the medium of a showing of antique costumed dolls in its lobby.

The exhibit included a Queen Anne doll dating from the early 18th century and a Shirley Temple doll from the only edition endorsed by the child star of the '30s.

Most of the dolls were dressed in their original costumes or wore exact replicas that had been sewn from textiles woven during the era in which the dolls were made.

Some of the more than 50 dolls on display originally were used as department-store mannequins and are over 40 inches tall. Others were included in the exhibit due to the materials from which they were made—such as the Queen Victoria wax doll or the Dolly Madison china doll. Another rare type was the stockinette mannequin which had been used as a training aid by nurses at the turn of the century.

An added feature of the doll display was a collection of Easter bonnets, which dated from the early 19th century. A "Polk Bonnet," similar to one worn by the wife of U. S. President James K. Polk, was one of those.

The display was open to the public during normal banking hours.

Only the Small Ones:

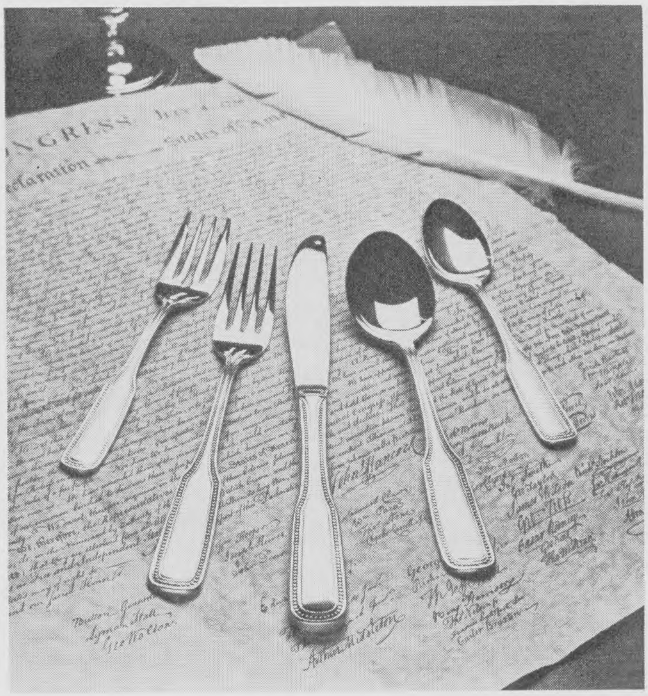
Upper Ave. Nat'l, Chicago, Displays Zoo Inhabitants

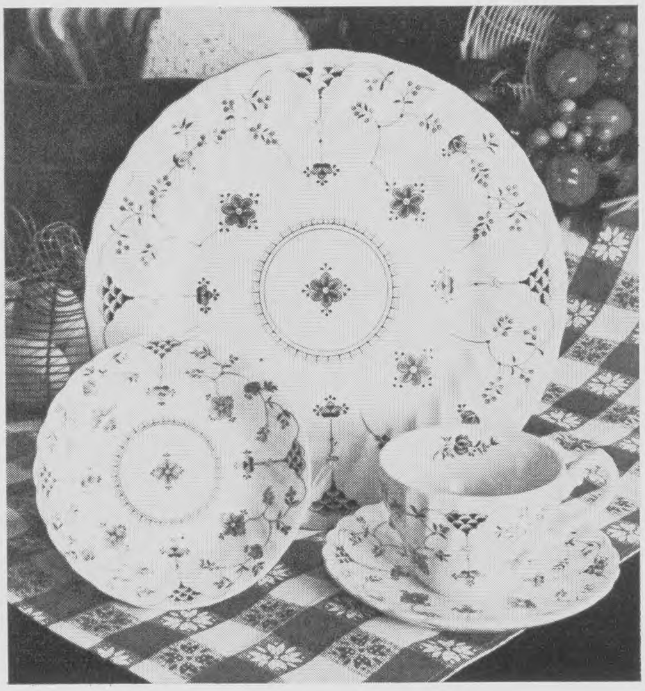
A number of the inhabitants of Chicago's Lincoln Park Zoo have been the guests of Upper Avenue National—the smaller inhabitants, of course.

The event was part of the bank's series of bicentennial salutes to the city's cultural organizations. Complementing the collection of live animals—that honored the zoo—was a display of 100 photographs of domestic and wild animals culled from over 700 that had been entered in a competition.

The Occasion Is '$2 Day'

Wayne E. Firestone (r.), pres., State Bank of Rensselaer, Ind., presents the first two-dollar bills received by the bank to local restaurateurs James and Lois Burris. The framed bills now hang in the Jefferson House Restaurant, which is modeled after Thomas Jefferson's home, Monticello. The Burris' establishment, in commemoration of Jefferson's birthday anniversary and of the bank's presentation, featured a two-dollar luncheon during the week.





BICENTENNIAL ...from Salem

Four very timely Bicentennial promotions from Salem:

- Georgetown Stoneware
- Silverplated Goblets
- 1776 Stainless
- Yorktown Ironstone

. . . so appropriate during our 200th Anniversary celebration. We have co-ordinated for the Bicentennial in product and packaging.

All Salem products are part of complete programs for generating new customers and new deposits. They include a complete support package: displays and advertising materials, direct mail pieces, internal control and report forms, personnel training, market exclusivity, successful track records, and return privilege of unused merchandise.

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SALEM SILVERSMITHS
South Broadway Extension
Salem, Ohio 44460

Better yet, phone **Jay Keller: (216) 332-4655**

Salem®

In Chattanooga:

Centennial Celebrated With Portrait Offer

United American Bank, Chattanooga, recently completed a centennial observance portrait promotion featuring photos by Olan Mills, which is headquartered in Chattanooga.

Anyone—customer or not—who came into the bank could obtain a free 8 x 10-inch color portrait after making an appointment. At the beginning of the promotion, the bank reported that its three-week photo-taking schedule was almost completely booked, representing between 1,200 and 1,500 sittings. In order to take care of all requests, the bank had to extend its offer.

According to Dianne M. Brogden, public relations director, the response was overwhelming. She said that the promotion has generated much goodwill for the bank in the community, even before the portraits were taken.

The bank announced the promotion by direct mail, advertising and statement stuffers. The promotion was advertised as "something very special for our customers, just to show how much we appreciate your support."

'It Ain't Braggin':

Record Growth of Stock Spotlighted in Bank Ad

Dizzy Dean, one of baseball's greatest pitchers, used to say: "If you done it, it ain't braggin'."

Apparently, that's the way Southwest Bank of St. Louis feels about its 23-year record of growth that has increased the market value of a share of its stock from $225 to $2,421—an increase of 1,076%.

The bank took advertising space in one of the city's daily newspapers recently to call the public's attention to its record of growth. Headlined "Southwest Bank Common Stock: A 23-Year History," the ad outlined the record of "splits" and dividends paid over the 23 years. Dividends of $1,538.63 paid on that single share of stock during the years produced an annual yield of 29.73%!

Modestly, the ad closed by saying: "There can, of course, be no assurance of continued appreciation and earnings at these levels."

Well, they "done" it. Braggin' or not, it's a pretty fair record!

Colonial Money Is Exhibited

Looking over part of an exhibit of rare colonial American bank notes are Alan Q. Norwood (r.), v.p. and asst. sec., First United Bancorp., Inc., and Daulton Kelly, v.p., First Nat'l, both of Fort Worth. Eighteen notes issued in 1776 were on display in the bank's lobby for two weeks. The currency was from the collection of Joseph R. Lasser of Cyrus J. Lawrence, Inc., New York City.

Apples & Memorabilia

Bank's Anniversary Features Look at Past

Free red apples and memorabilia were the order of the day when Mid America State, Highland Park, Minn., celebrated its 30th anniversary.

While all visitors to the bank's facilities received an apple, the Main Office lobby featured a collection of photos, newspaper clippings and other memorabilia concerning the institution. Those items from the past were gathered by bank personnel and highlighted the bank and its second quarters, which were in the Highland Shopping Center during the '40s.

The bank originally opened as Highland Park State in 1946 and has occupied three buildings since that time. Its name was changed when it became an affiliate of Mid America Bancorp., Inc., Minneapolis.

Mercy Sakes!

Badges Promote Loans; Earn Rewards for Staff

There have been quite a few surprised, amazed and happy employees at National Bank of Commerce, Memphis, as they received one-dollar bills as rewards for wearing "Mercy Sakes" badges while on the job.

The badges' wording is taken from the "lingo" of citizens-band radio, and serves to promote the bank's current installment loan division campaign for loans on new automobiles and recreational vehicles. Two representatives of the installment loan division indiscriminately distributed dollar bills to the first person seen wearing a badge in every department and branch, and a total of $50 was handed out over a two-week period.

Bank officials are enthusiastic about the campaign and say a good volume of loans has been attributed to the use of the buttons.

Number 13:

HC Spotlights Georgia With Full-Page News Ads

Here's how one HC thanked its customers for their business while celebrating the bicentennial: Trust Co. of Georgia, Atlanta, published a series of full-page newspaper ads depicting the history of Georgia, the nation's 13th state.

While the messages have been used as institutional advertising in the state's daily newspapers, bound portfolios of the documents were distributed to all schools in cities where the HC has affiliates.

The eight-page portfolio contains historical records which are illustrated heavily with maps, sketches, etchings and portraits. Its text consists of eyewitness accounts and observations taken from journals and writings of people who lived during the eras depicted, while a final page predicts what Georgia might become in the next 200 years.

The grand finale of the HC's participation in the bicentennial will come on June 29, when open houses will be held at all affiliate locations throughout the state. Free refreshments will be served.

Charter Bank Flies Its Colors

Ray Ruby (l.), pres., Charter Bank, Jennings, Mo., and Glenn Clemson, mgr., River Roads Office, display one of two dozen bicentennial flags that are flying from the facility's roof in honor of the nation's anniversary. Included in the display are the Betsy Ross flag, the official American flag, the Bennington flag and the bicentennial (ARBA) flag.

'Mrs. Olson' Welcomes Visitors

A hostess of Central Trust, Cincinnati, pours a cup of coffee for a visitor during an open house at the bank's newest office. The 225 East Sixth Street Office, which is a neighbor of Procter & Gamble's new headquarters, featured that company's Folger's coffee and a larger-than-life photo of Mrs. Olson, the Folger's TV spokesman, to welcome one and all during the coffee company's move to the area. Besides free coffee, visitors were invited to take home a free ceramic coffee cup bearing the legend "Have A Cup On Us," and to register for a free Mr. Coffee coffeemaker and a year's supply of Folger's for guessing the correct number of coffee beans in a jar.

Provides Answers:

Four Consumer Booklets Are Released by ABA

Four new consumer booklets have been released to the banking industry by the American Bankers Association's Marketing Division.

Designed to enhance a bank's school, community, consumer or public relations program, "How To Manage Your Money," "Bank Services and You," "A Homebuyer's Guide," and "Trust Services From Your Bank" are updated versions of previous ABA booklets that have sold in the millions.

Issues covered in the booklets include:

- How long does it take for a check to clear?
- What should I do if my bank card is lost or stolen?
- What are conventional, FHA and VA loans?
- How much can I afford to pay for a house?
- How do I figure out my disposable income?
- What should I do if I get into financial trouble?
- What happens to my property when I die?
- How much money should I have to benefit from a trust?

Other booklet topics are women and credit, overdraft checking, individual retirement accounts and Keogh plans, variable-rate mortgages, condominiums and cooperatives and unit pricing.

For more information, contact the Order Processing Department, American Bankers Association, 1120 Connecticut Avenue, N. W., Washington, DC 20036. Single copies of "How To Manage Your Money" sell for 50 cents, while the other three are priced at 45 cents each. Quantity prices are available.

Watercolor Show Draws Crowds

The first public showing of a selection of 64 original watercolors by Kay Smith (l.) served as a drawing card for hundreds of people to the convenience banking facility of American Nat'l, Chicago. Joining Miss Smith in this photo are Berthil W. Iverson (c.), facility mgr., and Richard K. Maguire, bank v.p., retail banking. Subject of the works was historic American sites. The paintings were commissioned by a publisher to illustrate a five-volume series on colonial and revolutionary American history.

What once was plain brick wall of phone company in Neenah, Wis., was transformed into this red, white and blue bicentennial mural by First Nat'l. Wall faces bank, incorporates bank logo at l. center. Enamel design was chosen by phone company and bank.

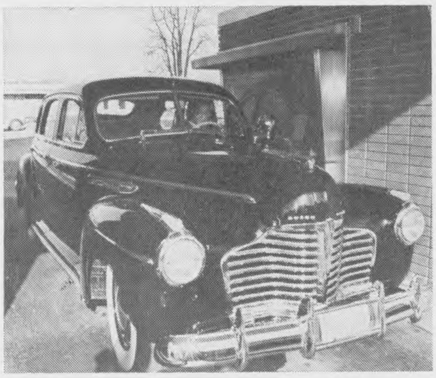
In Neenah, Wis.:

Wall Does Peacock Trick With Bicentennial Mural

First National, Neenah, Wis., had an "ugly duckling" plain brick wall facing its parking lot. However, the bank solved the problem by paying an artist to redo the wall in bicentennial colors.

Before the wall was decorated, it was of plain brick. After two undercoats, the chosen design—a waving flag with stylized American eagle and the bank's logo—was applied in weather-resistant enamels.

First Customer Arrives in Style



George Belanger of Winthrop Harbor, Ill., was the first customer of the drive-up of Zion (Ill.) Bank after expanded hours went into effect. As can be seen, Mr. Belanger arrived in style—a 1941 Buick Special.

Here's to the 200th:

Two-Fold Birthday Salute Is Unveiled in Illinois

As nearly everyone knows, July will mark the 200th anniversary of the United States and to commemorate the event, the Illinois Bankers Association is sponsoring a two-part project.

The first part is called "Your Bank Takes Root in Tomorrow's History." Banks can plant, in groups of 10 trees, a living memorial to recognize and honor community notables, important events and historical sites. The idea behind the planting of the Marshall Seedless Ash or Summit Ash trees is that "the bicentennial isn't something you watch: it's something you do."

Part two of the project is a specially designed display entitled "Illinois and Its Banking Heritage," which contains a collection of documents, original photos of a number of the state's cities and Illinois' most famous sons. It covers the time period from pre-statehood to the turn of the century. Also featured in the display are examples of early Illinois money, banking documents and mortgage notes.

'Front-Door' Loan Service

Union Planters National, Memphis, uses this motor home as a mobile loan office. Manning it are James H. Mathis and S. Floyd Harvey, banking officers. Hours of the 'office' are Monday through Friday evenings and from 10 a.m. to 9 p.m. on Saturdays. Besides accepting installment loan applications, Messrs. Harvey and Mathis consult on direct deposit of social security, retirement accounts and use of ATMs.

EFT Offers Only Short-Term Benefits In Staff, Building Size Areas, Mayes Says

WHAT effect will EFT have on the number and size of bank staffs and buildings in the long run?

Not much, according to experienced bank designer and builder John A. Mayes, president, Financial Facilities Corp., Glen Ellyn, Ill.

MAYES

EFT must be utilized by banks as the technology becomes available, Mr. Mayes said. Some of the smaller banks will take the slower road to EFT because of the uncertainties of EFT's developing technology. Bankers will be reluctant to put large amounts of money into equipment that soon may become obsolete. Actually, they'll be the last ones to invest heavily in EFT, because many banks are content to merely keep up with their competition.

Mr. Mayes said the short-term gains from EFT will be seen in expanded business from services such as overdraft banking. As EFT use increases, incremental profitability will be created from a short-circuiting of credits within the bank. But these benefits will be only temporary.

One important factor in this temporary benefit picture will be the switching of accounts from one bank to another. Roughly 5% of all switched accounts are changed annually because of convenience factors or dissatisfaction with service. But 95% of the switches are made because of change of residence. Bankers should keep these figures in mind when considering an investment in EFT, Mr. Mayes asserted.

There is a question whether sufficient capital is available to finance extensive EFT installations, he noted. Only 25% of the capital in U. S. banks is available for facility expansion and equipment acquisition, Mr. Mayes said. And much of this is in larger banks.

In Illinois, for example, an average of $330,000 in capital is available for construction or extensive acquisition per bank. This won't go very far, and it means that no other money is available for operating equipment, branch construction, etc. Thus, there aren't many dollars available to fund EFT, especially when the $50,000 average cost per automatic teller machine (ATM) is taken into consideration, Mr. Mayes said.

Many banks, mostly the smaller ones, would be hard pressed to install more than one or two ATMs. Perhaps 50% of the intermediate-sized banks could install four to five units without increasing capital, he continued.

One method for examining EFT's impact on a bank's physical plant and the size of its staff would be to take a directory and cross out the names of people whose work will be eliminated as well as departments that will be cut down as a result of an EFT installation, Mr. Mayes said. In so doing, one finds that the real estate and commercial loan departments are little affected. The trust department realizes no change. The computer services department, however, is enlarged.

Cash dispensing is one of the main selling points of EFT, Mr. Mayes said, and reductions in physical plant needs —lobby and teller requirements—would involve more off-premise dispensing of cash through overdraft banking. The use of drive-up ATMs would lessen check cashing. The consumer credit department staff could be reduced because continuing personal interviews are not required with overdraft banking loans.

EFT will enable a bank to realize temporary gains in the reduction of personnel and lobby space, Mr. Mayes concluded, but the gains will be short-lived, for, as business increases, banks will find themselves again bursting at the seams as EFT increases their volume. Eventually, they will be forced to hire more people and construct more buildings, wiping out most of those hypothetical cost savings often cited for moving into EFT. • •

Liberty of Louisville, Credit Union Plan Joint Money Machine Venture

LOUISVILLE—Liberty National and the Kentucky Credit Union League plan a cooperative effort whereby the bank will supply individual credit union members with plastic cards (possibly MONEY cards with CU identification) that will access Liberty Money machines. The Louisville Chapter of the CU league has 109 credit unions, with a combined membership of more than 125,000.

Under the proposed plan, any individual belonging to a CU in the league would be eligible to use the new cards to deposit to or withdraw from their CU accounts at any one of the 18 Money machines located throughout Jefferson County.

Besides having access to the machines, CU members carrying the new cards also will be eligible to use retail point-of-sale (POS) equipment that Liberty National intends to install in the future.

New Automated System Begun At Frost Bank, San Antonio; Magnetic Tape Cassettes Used

SAN ANTONIO—Frost National's automated customer service center has begun implementing a network of proof and encoding systems to capture data automatically on magnetic tape cassettes. The service center handles data processing for 38 Texas banks.

Melvin Johnson, vice president, automated customer services, says the new NCR 775 system speeds balancing and reconciliation procedures and allows the bank to lower its processing charges to all the banks it serves. He also maintains that Frost Bank is the first in the nation to provide its correspondent banks with this system.

Boerne (Tex.) State is Frost's first

C. M. Holekamp (r.), pres., Boerne (Tex.) State, and George L. Klein, cash., watch Rosemary Strube work at her new NCR 775 proof machine with MICR data-capturing ability. Proof and encoding data are recorded on cassette tapes and sent to Frost Bank's automated customer service center in San Antonio for processing.

Correspond with us.

Whitney

NATIONAL BANK OF NEW ORLEANS

Reliability in banking since 1883

By keeping in touch, your bank and the Whitney can successfully work together. Now, as for more than ninety years, the Whitney stands ready to go to work with correspondent banks, small and large, to achieve mutual progress. It's time for us to get to know each other better. Correspond with us!

correspondent bank to take advantage of the service. According to Mr. Johnson, a unique aspect of Boerne State's conversion to automation is that the bank changed from a manual accounting system on demand deposits to an automated accounting system. With the new system, all transactions are recorded on cassettes as a byproduct of normal proof operations.

The cassettes are sent to Frost's automated customer service center in San Antonio, where they are converted to larger magnetic tapes for processing on a central computer. Valuable processing time on the central computer is saved, says Mr. Johnson, by recording the data on a magnetic medium and balancing it at the local bank.

Mr. Johnson points out that an important advantage of using the data-capture feature with the proof system is the ability to update checking accounts with float analysis data from the cassettes.

Frost Bank also plans to use the NCR 775 for processing savings accounts, all bank loans, for posting the general ledger and for float analysis on checking accounts at the Boerne bank.

Officers, Directors Reelected By MAPEX, St. Louis ACH

ST. LOUIS—Officers and directors of Mid-America Payment Exchange (MAPEX), the automated clearing house for the St. Louis zone of the Eighth Federal Reserve District, have been reelected for the coming year.

They are: president, Lawrence R. Chapman, vice president, First National, St. Louis; vice president, William S. Badgley, chairman, First National, Belleville, Ill.; treasurer, Richard J. Gudinas, senior vice president, Boatmen's National, St. Louis; and secretary, Harry J. Krieg, chairman, Cass Bank, St. Louis. Continuing in their capacities are: Donald W. Moriarty Jr., senior vice president and controller, St. Louis Fed; General Counsel R. William Breece Jr. of the law firm of Bryan, Cave, McPheeters & McRoberts; and Ed True, MAPEX executive director.

Also reelected to the MAPEX board were Leigh A. Doxsee, vice president, Mercantile Bancorp., St. Louis; Pat Lea, president and chairman, First National, Sikeston, Mo.; and George M. Ryrie, president, First National, Alton, Ill.

MAPEX directors and advisers are shown at recent meeting. L. to r., they are: R. William Breece Jr., gen'l counsel; Richard J. Gudinas, William S. Badgley, George M. Ryrie, Lawrence R. Chapman, Pat Lea, Leigh A. Doxsee, Harry J. Krieg and MAPEX Executive Director Ed True.

Senator Thomas McIntyre To Speak at EFT Symposium

CHICAGO—U. S. Senator Thomas J. McIntyre (D.,N.H.), who chairs the Subcommittee on Financial Institutions, has been scheduled as a featured speaker of a two-day symposium on EFTS sponsored by Payment Systems, Inc.

Slated for the Hyatt Regency O'Hare May 24-25, the event is titled "EFTS—Be Prepared." Senator McIntyre will address the audience on the Financial Institutions Act as it relates to EFTS.

Another spotlighted speaker will be John Benton, executive director, National Commission on EFT.

Designed to provide information on the full range of EFTS developments, the symposium will address itself to financial institutions and others involved in various stages of planning and implementation. Topics to be aired include: debit-card programs operating through bank-card associations and independents; off-premises banking, including CBCTs, RSUs and ATMs; check-guarantee operations; outstanding social security direct-deposit programs; and pay-by-phone programs.

Also covered will be a review of recent EFTS developments, EFTS-Commission progress and a status report of legal and regulatory issues.

Payment Systems, Inc., is a New York City-based organization of researchers and systems specialists that has served the industry since the early planning days of electronic banking. Its annual EFTS symposiums have been held since 1972.

BMA Publishes Proceedings From Its EFTS Conference

CHICAGO—*Banking on EFT* is a new publication from the Bank Marketing Association that outlines the proceedings of its recent Electronic Funds Transfer Conference.

Included in the 114-page book are edited texts of key presentations, intended to serve as a reference work to bank marketers and finance and operations people interested in current EFT implementation techniques and marketing concepts.

Included are outlines by 16 banking and financial authorities on topics such as planning for EFT, interpreting current legislation and the future, competition for financial services, shared facilities and two points of view on asset cards. Also covered are case histories of CBCTs, current attitudes affecting EFTS and putting your house in order for EFTS.

Banking on EFT is available to BMA members for $20 a copy. Write: Order Department, Bank Marketing Association, 309 West Washington Street, Chicago, IL 60606.

Bank Sets Up Display; Introduces City to ATM

LOMBARD, ILL.—Bank of Yorktown has unveiled a display of its Yorktown Banker/24 machine in the town's major shopping center. Purpose of the display is to illustrate to the public the use of the machine, which will be located at the bank, a short distance from the mall.

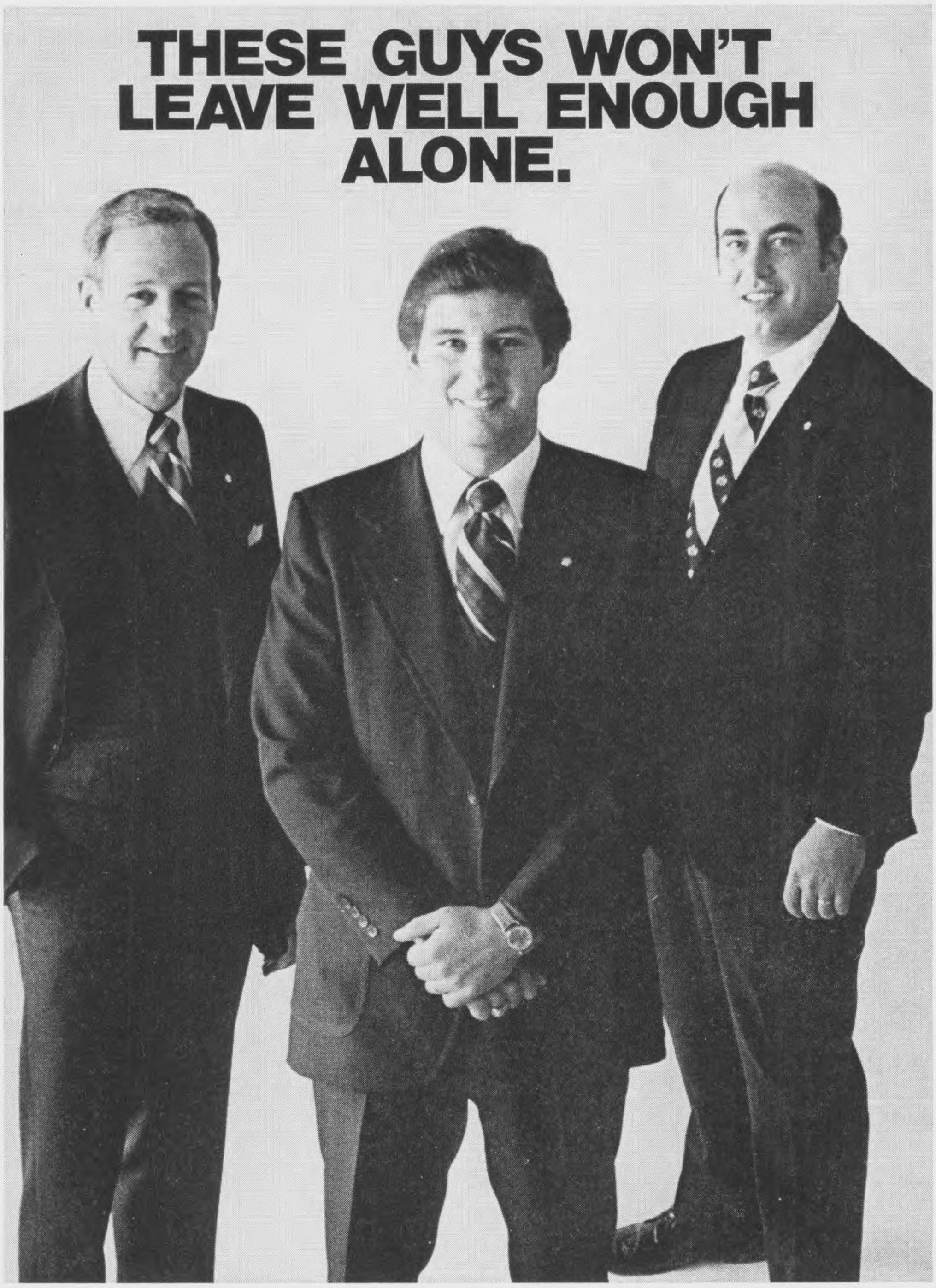
The Banker/24 is manufactured by Diebold, Inc., Canton, O.

This is display of Bank of Yorktown, Lombard, Ill., demonstrating advantages of its new Yorktown Banker/24 machine, which is manufactured by Diebold, Inc., Canton, O. Purpose of display, which doesn't have functioning machine, is to acquaint townsfolk with device prior to its installation in bank sometime in spring.

The display relates many of the machine's benefits and contains informative handout material. "We decided on a display about the Yorktown Banker/24 rather than displaying the machine itself, due to the high cost and physical difficulty of transporting a unit of its size," said Edward J. Shaw, president.

Designed by the marketing firm of Financial Shares Corp., Chicago, the display was opened at the shopping center, while introductory receptions were held at the bank for center merchants and bank employees. The receptions featured the random awarding of a variety of prizes to persons testing the machine.

The public demonstration is slated to end sometime this spring. At that time, the Yorktown Banker/24 will be placed in the bank's outer wall, which is located in the northwest corner of the shopping center.


THESE GUYS WON'T
LEAVE WELL ENOUGH
ALONE.

Views of Comptroller's Office On Losses, Problem Banks, Agency Consolidation

By H. JOE SELBY, First Deputy Comptroller of the Currency, Washington, D. C.

THE TIDAL WAVE of troubles precipitated by recent press accounts seems to have abated, and yet our banking industry continues to search for a calm sea and prosperous voyage. For bankers, the single most worrisome factor in this quest remains, as it has been through the beginning of this decade, the state of our nation's economy.

Several important economic indicators show that the United States is emerging from the most severe economic recession since the Great Depression of the 1930s. Nevertheless, the casualties of the recent economic tempest lay scattered on the landscape. It certainly should not be surprising that the storm of the '70s weakened the foundations of many of the businesses upon which our economy depends. With this in mind, it would be unrealistic to expect that the nation's banks, particularly those larger institutions which are the principal credit sources of regional and national businesses, would not be affected.

Despite these economic problems, the national banking system, which is supervised by the office of the Comptroller of the Currency, is sound and prosperous. Indicative of this strength is the remarkably resilient performance of the 10 largest national banks in 1975. The banks hold about 40% of the assets and deposits of all national banks.

Outstanding loans for these 10 banking companies totaled $152 billion at year-end 1975. Total net loan losses of these banking companies for all of 1975 equaled $1.1 billion—or 0.7% of outstanding loans. Although these losses were above the historic annual figures since World War II, let us ask:

• Did they severely impair capital? No. In fact, capital accounts of these 10 banking companies grew $1.4 billion in 1975.

• Did they exhaust loan loss reserves? No. Loan loss reserves of these banking companies were strengthened in 1975 by some $206 million.

• How were these losses absorbed? Entirely out of current earnings. Recognizing the severity of the recession and the impact it was having on their loan portfolios, the 10 money-market banking companies individually, as well as in the aggregate, covered their entire 1975 loan losses from current earnings. And even after charging off some $1.1 billion in bad loans, these companies earned before-tax income of $2.2 billion.

Mr. Selby's remarks are taken from a speech given at a recent directors' seminar sponsored by the Oklahoma Bankers Association.

Let us broaden the question of bank condition to encompass the full spectrum of national banks. The term "problem banks" has been bandied about so often recently that it must now be considered a household word. The Comptroller's Office considers 28 banks as problem banks. These 28 banks have total assets of $11.5 billion and deposits of $7.6 billion. Out of the 28, only seven exhibit weaknesses of sufficient severity to threaten their immediate liquidity and solvency. The remaining 21 banks have serious problems, which, if not corrected, could lead to insolvency, but there is no immediate danger.

The number of banks in peril of insolvency declined by one on February 16, when Hamilton National, Chattanooga, failed. The bank's insolvency largely was attributable to its involvement in real estate mortgage loans originated in 1973 and 1974 by Hamilton Mortgage Co., a non-bank subsidiary of Hamilton Bancshares.

A study of the origin of the classified loans found in the banking industry would indicate that these loans are not the result of bad decisions made in the past months, or even during the past year. On the contrary, 1975 was a year of marked retrenchment for the

"The needs of the Comptroller's Office now have been identified, and the implementation of change has begun."

banking industry, and we continue to note again and again management's positive steps to strengthen the condition of the banks under our regulatory jurisdiction.

I am further convinced of the soundness and strength of the banking industry when I look back over the past few months. Even though the barrage of adverse press directed at both the regulator and the industry has abated, I note with particular interest the continued confidence in the banking industry.

The adverse press began on January 11, with articles detailing specific data from the reports of examination of two of the largest banks in the world. The second big bomb was dropped on January 22, with an article detailing a problem bank holding company list of the Federal Reserve. Each article attempted to sensationalize and overdramatize problems which could best be defined as past history. The economy in January of 1976 was in the throes of a full-blown recovery.

The main problems confronting the banking industry today are economy-related and the capacity of the system to shoulder the problems is a matter deserving of commendation rather than condemnation. Even though we saw no major reaction from investors or depositors to the news articles, I earnestly hope that our critics are ever mindful of the potential for unwanted repercussions that could result from an overzealous desire to protect the public interest.

The federal regulatory trichotomy, under which the banking system of today operates, is being closely scrutinized. The two banking and one oversight committees in Washington have shown in the last few months a desire to probe every corner of the bank regulatory structure with particular emphasis on some form of consolidation. All of the three principal regulators have been represented at hearings before both branches of Congress.

Ex-chairman of the FDIC, Frank Wille, presented his proposal and justification to the Committee on Banking, Housing and Urban Affairs of the U. S. Senate on December 8, 1975. Ex-Chairman Wille's proposal contained the following points:

1. The Office of the Comptroller of the Currency would be continued with two modifications:

(A) Supervisory authority over a one-bank holding company when the only subsidiary of the holding company is a national bank would reside in the Comptroller of the Currency's office.

(B) Jurisdiction over mergers and similar types of acquisitions where the resulting bank is a national bank would be transferred to the multi-member board described under (3).

2. The bank examination and supervisory powers of the Fed and the FDIC dealing with state-chartered banks would be combined into a new office headed by a single administrator, the Federal Supervisor of State Banks.

3. A five-member Federal Banking Board would be created with three ex-officio members: the Comptroller of the Currency, the Federal Supervisor of State Banks (as described under number 2) and a Fed governor designated for this purpose by the Board of Governors. The two remaining members would be appointed by the President and confirmed by the Senate, one of whom the President would designate as chairman.

4. The Federal Banking Board would have certain powers of oversight in the examination and supervision of insured banks.

5. The Federal Banking Board would maintain close working relationships with the Fed.

6. The Federal Banking Board would pay all costs of examination and supervision incurred by the Comptroller of the Currency and the supervision of state banks and should have authority to defray the expenses of qualified state banking departments which take over, by contract, any of the examination or supervisory functions of the Federal Supervisor of State Banks.

The Fed, under the leadership of Arthur Burns, proposes a type of consolidation with the Fed ultimately gaining the optimum. Chairman Burns, in testimony before the House subcommittee, suggested two possible avenues for consideration.

The first of these calls for the creation of a Federal Bank Examination Council to focus on the most critical need—namely, modernization of bank examinations and vigorous follow-up procedures to cure weaknesses that are uncovered. The examination council would have authority to set standards and procedures that would apply to all federal banking agencies. It would also review significant problem cases, when and as they develop. All three agencies would be represented on the council.

Dr. Burns firmly believes consolidation could—and I quote—"either deliberately or inadvertently frustrate monetary policy and destroy the effectiveness of the Federal Reserve in seeking to achieve the economic goals set by Congress."

Both the Fed and the FDIC have, in the proposals I have outlined, a recurring theme. The theme is that of a need for regulatory change now or in the near future. The office of the Comptroller of the Currency takes a strong position that this, in fact, is not the appropriate time for drastic changes in the federal banking structure. Our position on regulatory consolidation says, "In striving to foster a sound banking system based upon the greatest possible freedom of competition, this office would prefer to witness a comprehensive strengthening of government regulatory authority among the agencies responsible for supervising financial institutions to promote the application of agency discretion on a case-by-case basis in most areas of bank operations."

Our experience in trying to enforce detailed statutes with universal application persuades us that it is most difficult for the government, either through the Congress or the agencies, to design statutes or regulations that work effectively with all financial institutions. Rather, we think more elaborate enforcement powers, accompanied by general congressional policy directives, will lead to a more sensitive and responsive regulatory mechanism.

Congress' answer to the regulatory question appears to be consolidation of the three regulators into a single regulatory agency. If there has been a single, identifiable public objective with respect to government's involvement with banking in this nation over almost two centuries, it has been hostility toward the concentration of financial power, whether in public or private hands. The three-agency structure did not result from sheer accident, but rather from an inherent evolutionary process which has fostered what we consider to be the best mechanism for sound regulatory responsibility. We would prefer to retain the current system, with its built-in capability to change, over scrapping an effective framework of regulatory consciousness.

The office of the Comptroller of the Currency, on March 25, weathered one of two major Congressional votes. On that day, the Government Operations Committee of the House of Representa-

(Continued on page 42)

How Did We Get in This Shape?

EDITOR'S NOTE: In the following article, Mr. Matthews explains how, during the last five years, everyone has been living through a period of enormous economic change. He goes on to show how these changes have resulted in the banking industry's experiencing unusual loan losses—losses considerably above the industry experience of the past 30 years. He closes by giving bankers some advice on how to improve their institutions' earnings.

By WILLIAM M. MATTHEWS JR.
Chairman
Union Planters Corp.
Memphis

HOW CAN WE as bankers protect assets in a period of a rapidly depreciating currency, rapidly rising prices, loss of public confidence in government and consumers' unwillingness or inability to increase spending? These are fundamental issues that have occurred over the past five years.

Critics of the banking industry say we bankers are to blame for allowing businessmen to become overextended. We are being criticized for our credit analyses that led us into many loan situations. Before tackling some of these allegations, I think it would be meaningful to discuss some key economic events over the last decade and explain their impact on the banking industry. In order to cover a vast amount of data, I have had to be overly simplistic in making key points.

We had the longest economic expansion in the history of the United States from 1961 to 1972. The last half of this period was characterized by dollars piling up in the rest of the world as a result of overvalued dollars and, therefore, a relatively cheaper cost of foreign goods. Large trade deficits were common month after month. In "The Mouse on Wall Street," one of the characters says, "In essence, there must be a steady and fixed relationship between production and money, or money becomes of less and less use." . . . This relationship was deteriorating. At the same time, the United States would not agree to change the convertibility rate of U. S. dollars to gold. The United States had promised time and again never to remove the convertibility of dollars into gold at a fixed price. In a speech in December, 1961, President Kennedy stated to the National Association of Manufacturers, "This Administration, therefore, during its term of office—and I repeat this and make it as a flat statement—has no intention of imposing exchange controls, devaluing the dollar, raising trade barriers or choking off our economic recovery."

In "Atlas Shrugged," one of Ayn Rand's characters states, "Your wallet is your statement of hope that somewhere in the world around you there are men who will not default on that moral principle which is the root of money. That you will be able to exchange it for the product of other efforts."

The magnitude of dollars held overseas became a serious problem by June, 1970, and we had the first devaluation since the '30s as a result of this condition. In December, 1971, we had a second devaluation and, simultaneously, did a 180-degree turn on all previous promises by removing convertibility of dollars into gold and agreed to a floating exchange rate of the dollar to other key currencies in the world. At that precise moment, we knew that our rate of inflation would have to equal 20 to 30% over the next two to three years as the trade mechanism worked to increase domestic prices as overseas dollars were spent. Experience proved inflation would be worse than that. To stress the seriousness of the Eurodollar situation, President Nixon imposed a 10% surcharge on all imports in August, 1971, just prior to the second devaluation. This effort to erect superficial economic barriers was short-lived and, of course, was abandoned with the

"Where do we go from here as an industry? Clearly, loan diversification is important. It always has been. It always will be. Banks that were overextended in the real estate area made a mistake. . . . The banking industry has protected its assets in the traditional sense of the term. Loans have been documented and legal steps taken to protect collateral, but in some cases, collateral no longer has the economic value it had when the loans were made because the equation changed."

"As bankers, we must learn how to earn in a period when government cannot provide the stability for the economic system we were used to. We must learn to price our products within this environment to earn a satisfactory return on shareholders' investment. Banks must design themselves to avoid the risk of inflation."

establishment of floating rates.

Milton Freidman wrote in 1963 in the book, "Capitalism and Freedom," that there are four basic alternatives to achieving a balance in foreign trade. They are:

1. Pay off deficit trade balances in gold. This, of course, can only be temporary in nature.
2. Enforce a domestic price deflation by lowering the money supply as trade deficits are experienced.
3. Change exchange rates.
4. Impose tariffs on foreign goods.

We used alternatives three and four. Deflation and resultant unemployment were not politically popular.

The energy crisis was now on the horizon, and in April, 1973, Nixon gave his energy message. The effect of the energy crisis was to be felt that fall in the form of rising prices. In October, 1973, the oil cartel operated to rapidly increase the price of energy. The Federal Reserve was saying at that time that it would expand the money supply from 6% to 8% to offset the cost of energy. By April, 1974, the Fed reversed itself and implemented a policy of decreasing the real money supply. Although this action was taken to slow the rate of inflation, the decrease in the money supply occurred at a time when ownership of a tremendous amount of dollars was changing from U. S. hands to Arab hands. Now two factors were at work to cause high inflation. The first was the tremendous number of dollars which had piled up in foreign hands from 1968 to 1972, and the second was the increase in the price of oil and its subsequent effect on total energy. Not only was money flowing out of the country, but the Fed was reducing total dollars available, which translates into less working capital for U. S. businesses. Can it be any surprise that we had a recession? It was also during this time that Nixon went on national television and declared to U. S. businessmen that there would be no recession.

The impact of the cost of energy affected every businessman and individual in the United States, in effect, lowering the capital worth of the country, its businesses and its families by raising sharply the cost of production and consumption. When the cost of production increases, the currency is further devalued in effect as American goods become more expensive. These actions of the past five years have brought about the highest level of unemployment since the '30s, the highest level of inflation since the '20s and the highest level of deficit spending by any government during any non-war period.

The banking system now is under attack for making loans under loose terms. I would say that if you would trace any real estate project over the last three years, you would have had a loan problem regardless of loan procedures for two major reasons: *first*, price increases during construction as a result of inflation both in hard costs of materials and soft costs in labor and interest rates. *Second*, because of the recession, the project could not be rented, leased or sold at a price necessary to offset cost of construction. Who brought about inflation, unemployment and the recession? It certainly was not solely the banking industry. It is difficult to believe that there were no alternatives to the mismanagement we have seen over the past five years. It is difficult to believe that 9.2% unemployment and 13% inflation were unavoidable if a longer-term perspective had been taken.

The banking industry must anticipate some inflation and its effect on collateral because we have had inflation for years. However, we could not be expected to anticipate double-digit inflation two years in advance. Deficit spending is another factor in depreciating the dollar. Were we as bankers to anticipate fiscal policy and its deficits as they have occurred and their effect on the value of the dollar?

Given the events of the last five years, the banking system is now experiencing problems in its loan portfolio as a result of the cash flow changes of its customers. Also, of major significance is that energy price increases have adjusted collateral values. Collateral that had substantial economic worth using old energy prices now has a reduced worth. In other cases, in the short run the current economics may question the project's economic feasibility. In the short run, the collateral value of real estate and construction has changed dramatically because of these events. The simple answer that the U. S. is overbuilt from a housing point of view is pure hogwash. Any reseach into number of family formation and housing needs clearly shows substantial demand for housing. Energy costs and other inflation have shifted the supply curve, which appears to make demand look soft. It is not a question of a change in demand. It is a question of people not being able to afford housing with the current economic equations.

In the past, it was believed that banks could, more or less, pass on the effect of inflation because we are operating with both short-term liabilities and short-term assets. This works fine except when a large segment of the customer base is experiencing financial problems, such as the real estate area, and extends the maturity of their loans or changes the collateral value.

Where do we go from here as an industry? Clearly, loan diversification is important. It always has been; it always will be. Banks that were overextended in the real estate area made a mistake. It was the same mistake that Chrysler made by producing only large cars. I think the businessman must now recognize that the United States does not have or will not use economic clout in the international arena as it once did. There are not two world powers now, but five, not counting the Arab countries. As businessmen, we must recognize that the sense of government was and is to allow the competitive business system and free-enterprise economics to absorb economic shocks rather than using political muscle to demand fair treatment. As rational American businessmen, we must face the fundamental fact that the government will not and cannot exert counter pressure to the same extent as had been the case in the past. This must be considered in our business judgments. I think American corporations operating in foreign countries have never been more vulnerable than they are today.

As bankers, we must learn how to earn in a period when government cannot provide the stability for the economic system we were used to. We must learn to price our products within this environment to earn a satisfactory return on shareholders' investment. Banks must design themselves to avoid the risk of inflation. Within periods of excessive inflation, the credit risk, as we have understood it in the past, becomes almost secondary. The key question becomes, how will inflation affect my customers' businesses?

We don't have to work harder—we must work smarter. • •

Techniques for Saving Problem Loans That Can Benefit Bank, Customers

By CLAUDE HIGGINBOTHAM
Senior Vice President
Wachovia Bank
Winston-Salem, N. C.

BANKERS must be able to deal effectively with problem credits and workout situations to maintain a satisfactory degree of risk in a loan portfolio. Economic events of the past several years have dramatically reinforced this fact. Problems, workouts and charge-offs have been frequent and much publicized. In this environment, the challenge has been the task of getting "money good" by utilizing principles and techniques that can strengthen a weak loan and protect the bank's assets.

For that reason, let me review some of the methods of strengthening loans as well as some of the factors involved in an effective workout program. Each of the points that will be covered will undoubtedly be familiar to experienced lending officers, who probably have employed most of them at one time or another in either new or existing loan situations. However, it is frequently helpful to re-think several different but related approaches to any subject, if for no other reason than to remind ourselves that alternatives usually are available if one approach is not successful.

Before considering the possible methods of salvaging or protecting a bank's position in a marginal credit, let's look at the statistics on why workout management is necessary in the first place.

The simple facts are that businesses do fail and that banks do lose money. The record of business failures and bank charge-offs in the U. S. gives the statistical evidence on this point. In regard to business failures, Dun & Bradstreet in "The Business Failure Record" has reported that total dollar liabilities of bankrupt firms have risen steadily over the past five years, even though the number of bankrupt firms has declined somewhat. The number of bankrupt firms has declined from 10,748 in 1970 to 9,915 in 1974, while total liabilities have risen from $1.9 billion in 1970 to $3.1 billion in 1974. This represents an average liability failure of $175,638 in 1970, rising to an average failure of $307,931 in 1974. These problems are similarly reflected in the record of net charge-offs by commercial banks. Net charge-offs for Fed-member banks rose from $801 million in 1970 to $1.6 billion in 1974.

These statistics are not given to suggest that bank lending is an overly perilous endeavor. What these figures should convince us of is the importance of sound lending practices, including workout management, not just during economic declines, but in good times as well. Even if boom times and euphoria return, at least some bad credits and workouts will always be with us.

The first step in utilizing effective workout procedures is simply to know that a problem exists and to have some knowledge of the dimensions and causes of the deterioration. There are, no doubt, some borrowers who will voluntarily inform their banker when trouble appears, but most of the time we have to discover the facts ourselves. Doing so requires two things: (1) an organization that systematically reviews the credit strength of all new and existing borrowers, and (2) the ability of that organization to identify and interpret the early warning signals of potential loan problems.

The first requirement, a review system, may be structured in various ways, any of which may be most effective for a particular bank. For the purpose of the present discussion, it is not necessarily important how or by whom loans are reviewed, but it is important that they be reviewed in depth and at regular intervals. If this system is well organized, has a capable staff and is supplied with sufficient information, it should be able to identify those loans that will require more than normal attention.

The symptoms of a problem loan vary, depending upon the situation, but almost no business completely fails without some early signals of distress. These signals may be financial or may take any of several other forms. The important point is that the bank be able to recognize problem symptoms and to identify that loan as one where remedial action is required

Assuming that we have been able to determine that a problem exists and that possibly the bank's loan is in some jeopardy, the first question is then "What do we do now?" Seldom is the answer to this question an obvious one, and in fact, the true dimensions of the problem may not be known at this point. Therefore, if time permits, the first requirement should be to get complete and up-to-date information. This will involve getting new, more current financial information, making a current credit investigation, rechecking the loan documentation and calling on the borrower to get first-hand knowledge of the situation.

In this process, the primary concern should be simply asking ourselves these questions: "Are we safe?" "Are we 'money good'?"

The answer to these questions will determine when and what is done next. Quite possibly, after reappraising the situation, you may decide that even though the problem does exist, you are safe and there is no immediate threat to the goodness of the bank's assets. In that case, you may decide to begin discussing the problem at your next regularly scheduled call and to work along with the borrower in an attempt to find a satisfactory solution.

The real value of a work-out system arises when the answer to those questions is negative (or at least not firmly

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"Do not procrastinate! If the problem exists, it can just as easily get worse while you bury your head in the sand."

positive), and you decide that "No, I'm not really safe." This is when the first principle of handling a work-out comes into play. That principle is simply to avoid both of the most natural reactions, which are usually to either do nothing and hope the problem goes away or to do what may be too much and precipitously call your loan.

Do not procrastinate! If the problem exists, it can just as easily get worse while you bury your head in the sand. So do not procrastinate—move!

However, the other impulsive reaction—to pull the string, to call your loan and demand payment—is not necessarily a good solution, for a number of reasons. From a credit standpoint, precipitous action such as calling your loan could easily cause the borrower's business to fail immediately. Assets sold in forced liquidation seldom bring as much as if disposed of in more orderly circumstances. Also, very real public relations aspects are involved in this type of drastic action. No banker wants the reputation of being a "fair-weather friend," and the fact is that salvaging an existing customer can be just as desirable as attracting a new borrower. This is the time to remember the two instances in your lending practice when you build real loyalty—when your customer is getting started and when he is in trouble.

There are, then, important reasons for not overreacting to a problem credit. In addition to the credit and public relations aspects, another consideration is that these situations present the real test of a good banker. Successfully protecting your bank, getting your money back and salvaging a customer all at the same time are enviable accomplishments that allow a banker to do real service for his customer, his stockholders and his community.

Our goals, therefore, in handling the initial reactions to a problem situation, are to keep from acting too precipitously and from procrastinating. Between these two poles several choices are usually available to us, and the trick is to calm down, think, plan and then take some deliberate action. Furthermore, we should be prepared to make more than one approach to the problem—to have alternative or related solutions to shore up a problem loan. In this regard, as we consider the various possible actions, keep in mind that they are not independent of each other. Often several actions can be taken at the same time. The most important first step depends entirely upon the facts of the particular situation and often you need to be working in consort with good legal counsel.

A common first step for improving your position in a problem loan is to take collateral (or additional collateral). A prime goal here, of course, is to gain effective control of assets whose sale, if that becomes necessary, will repay your loan. Another goal of securing your loan is to create some distinction between yourself and the other creditors in the event the unhappy day arrives when you sit down together at a creditors' meeting.

There are as many forms of collateral as there are assets, and the exact method of getting secured will depend upon several factors, including legal considerations, the other creditors and your relative position. There are, however, certain general points to keep in mind when you begin searching for collateral support.

First, do not overlook anything and do not take anything for granted. For instance, do not always assume that you cannot take inventory because the trade will stop shipments. That is sometimes true, but not always, and you certainly should consider the possibility. Also, in a really serious problem, it is unlikely that you will find any good assets such as listed securities or cash value of life insurance that are not already encumbered, but it is always possible. You should investigate each and every possible asset for collateral strength and require that it be pledged.

Taking inventory requires a UCC filing and that brings up an age-old problem—preference. In addition, you are confronted with the possibility of putting good money after bad. While there is no general rule as to when it is prudent to advance more funds, new loans into a problem credit should obviously be made carefully. At the least, you should be "money good" on any new money and hopefully you will also realistically acquire sufficient benefit to strengthen your earlier advances.

Additions to the effective capital base supporting your loan are another way to strengthen the bank's position in a problem situation. This approach might involve the infusion of additional capital funds into the business. However, this possibility is often difficult to achieve, no matter how easy it is to suggest or even require. Often, therefore, a bank will need to be satisfied with increasing the effective, rather than the actual, capitalization by such devices as endorsements, guaranties and subordination agreements This approach is especially applicable in the case of closely held companies. In some cases, the addition of endorsements or guaranties alone will be sufficient to make the lender's position secure.

Subordination of existing or new advances made to the company by the stockholders or other parties can add to the effective cushion behind your loan. By agreeing not to be paid until after satisfaction of the bank's claims, the subordinated lender can change an extended situation into a balanced one for the bank.

Also, do not overlook the possibility of a trade or equipment supplier subordinating this position to the bank's loan, especially if the supplier has high profit margins. He may be willing to subordinate his claim because of the future profit potential of this sales outlet and his anxiety for the business to have the necessary funds from the bank to continue operations.

So examine all of those "notes payable—stockholders," "due parent" and "due trade" accounts carefully. Do not be reluctant to require that such forms of third-party financing be made junior to your position in return for the bank's willingness to go forward in a marginal situation.

Whether you can secure your loan or get some form of outside support, a common requirement in any workout is to restructure the company's financing package. There are, of course, a number of ways to do this.

Sometimes the most important financing problem may be that of having inappropriate maturities on the existing debts. The borrower simply has too much current debt to be on a sound financial footing—he cannot repay your 90-day note; but he does have sufficient cash flow, and a long-term loan would be a satisfactory risk. Terming what was originally a seasonal working capital loan to a sick company is obviously not in your best interest, but, when the borrower's problems are simply borrowing too short, refinancing into a term loan can help both the company and the bank, especially if you also get a well-structured loan agreement and maybe some collateral in the process.

Restructuring your loan might also include bringing in a really long-term lender. This lender could be an insurance company or perhaps an S&L, especially if the company has desirable real property that can either be mort-

(Continued on page 68)

Getting Out of a Problem Loan Situation Without Losing the Bank's Shirt

EDITOR'S NOTE—This article is based on a talk given by Mr. Sinclair before a meeting of the Southeastern Chapter of Robert Morris Associates, and the speech was reprinted in RMA's official publication, "Journal of Commercial Bank Lending." None of the situations described in the article occurred at Atlantic Bank, which Mr. Sinclair joined early this year.

By ALFORD C. SINCLAIR
President & CEO
Atlantic Bank
Jacksonville, Fla.

HANDLING problem loans, or workouts, is a matter of unusual interest these days because most of us seem to have as many problem loans as we have good loans. During the first 10 or 12 years I spent lending money, it was hard to make a bad loan. The continuing spiral of inflation and "good times" we enjoyed during the '60s made it possible for many businessmen to prosper who really did not have sufficient management ability to succeed.

Now the story is different. Almost every day newspapers report that such and such a bank has added X millions of dollars to its loan-loss reserve. Unfortunately, it appears that things may get worse before they get better. So the subject of problem loans and how to handle them suddenly has taken the spotlight away from bank marketing. Bankers and their advertising consultants are spending an inordinate amount of time writing press releases that explain how everything is still OK in spite of those nasty rumors about big losses yet to come.

Almost three years ago, I learned that the bank I was about to join had just received the preliminary report of an FDIC examination that would shake us to our foundations. In that report, FDIC and state examiners had classified loans totaling *more* than the bank's entire capital structure. Two days later, on a Saturday afternoon, I hit town, went immediately to the bank and began a phase of my banking career that became terribly frustrating and, at the same time, tremendously rewarding. During the next several months, there were times when there were real questions as to whether our bank could survive. Several factors kept us alive:

1. A strong injection of capital to replace part of the $3.5 million special loan-loss reserve we had to set up.
2. An unusually strong and well-known board of directors.
3. Great cooperation from state and federal banking authorities.
4. Tremendously hard work by the bank's management team.
5. Timing (perhaps most important) —our problems came to light six or eight months before the current recession became a recognized fact—four to six months before money became so tight that many businesses could not borrow. Because of this fortunate timing, we were able to get many marginal borrowers to borrow from other banks before the other banks stopped making marginal loans. In a period of one year, through charge-offs, collections or transfers, we shrank our loan portfolio from $68,000,000 to $50,000,000. We shrank our bank's staff from 195 to 164.

As a result of charge-offs, our bank lost $1.5 million, after taxes, in 1973. We were seven months into 1974 before we could establish a consistently profitable operating trend.

Now we get around to the point of this article. What did we learn that might be worth passing on to other bankers? Before I get into loan workouts themselves, let me talk about profits, because earning money for bank

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Alford C. Sinclair, author of the accompanying article, has the following advice for bankers on handling problem loans:

1. Practice the fundamentals of good lending because prevention is the best cure.
2. Catch the bad ones as soon as you can. If you grade your loans on the front end, you can catch a lot of potential trouble and watch the low-quality loans more carefully.
3. Once a loan has turned sour, act quickly and decisively. *A bad loan is always worse than you think it is.* Try to beat the other creditors to what's left of the borrower's assets. Make paying your loan the borrower's No. 1 priority.
4. Get a smart, aggressive, innovative lawyer to help you. If he does his job well, he will pay for himself several times over. But don't leave him to his own devices. Harass him regularly.
5. Don't let bad loans suffer from lack of proper attention from bank personnel. Keep the original officer involved if possible, but let a specialist ride herd over him. Then you ride herd over both of them.

stockholders really is what it's all about.

We learned there are lots of things we can do without. Over the last 40 years, bankers have become spoiled because of the foregone conclusion that *banks make money*. Well-run banks made lots of money, and poorly run banks didn't make quite as much. It was quite a revelation to me to walk into a situation where a bank was losing its shirt and to discover just how difficult it can be to earn a decent profit in today's business world. I suggest that bankers think about that, that they look around and tally up all the nonproductive ways their banks spend money, that they think about the conventions, the entertaining, the contributions, the people they keep on their staffs who aren't producing and never will.

"It's rare that your bad loan is your borrower's only problem. He usually owes at least half a dozen other creditors."

These days we live by the cost/benefit ratio. If an employee or a service or a piece of equipment or an account doesn't earn more than it costs, we get rid of it. It's amazing how hardhearted one can be when his own survival and that of his institution are at stake. That makes it possible for a banker—not easy, but possible—to look one of his officers in the eye and tell him he can't keep him on the payroll.

So much for profits. What did we learn about loans? During those long cold winter months of 1974, a principle crystallized in my mind that I shall never forget. It is this—"A bad loan is *always* worse than you think it is." Think about that. Can any banker think of one bad loan situation in which he was pleasantly surprised? Can he think of one bad loan situation when an endorser or guarantor called him up and said, "Hey, Jack, I just heard that Charlie Smith's loan is past due. I'm putting a check in the mail to you today to pay it off."

During that time also, the bank I was with had our attorney draft a new guaranty form. It turned out to be considerably longer than we had anticipated. We had to add more than a dozen clauses and paragraphs, gained from experiences in a dozen or more cases in which guarantors had taken us into court trying to renege on their promises to pay loans if the original borrowers couldn't. The form looks tough and it is, but it's not nearly as tough as fighting a guarantor through the courts for 18 months.

Loans rarely become losses suddenly. Usually, the bank has some warning, such as the loan becoming past due, or the receipt of information that indicates the borrower is in financial difficulty. A bank might get a financial statement showing a bad year or a declining trend in profits. Or what usually happens is that it *doesn't* get a financial statement *at all* when it's supposed to. When a borrower comes running through the front door waving his financial statement, it's evident he had a good year. When a bank has to extract the statement from him or his accountant by main force, it's equally evident that he had a lousy year and hates to face his loan officer with the bad news.

One of the most important factors in the successful workout of any bad loan is an accurate appraisal of the borrower, his capabilities and his attitude toward his indebtedness. Chances are you don't have quite all the information in your files needed to make that appraisal. Get it quickly—the borrower may be hard to find a week later. Check quickly to make sure you've perfected your liens; move quickly to get more collateral if it's available. This is no time to dillydally. Take whatever you can get while it's still available —a second mortgage on his home, assignment of cash surrender value of life insurance, his wife's endorsement, the endorsement of anyone else who would lend strength. I don't believe in lending money on the basis of an accommodation endorsement, but in an emergency you should take anything that may prevent or limit your loss. Scrutinize the borrower's financial statement for assets that may cut your loss, even a little. Do you know how many good loans it takes to earn enough to fund a $10,000 loss?

You should treat every loan workout with the enthusiasm you would feel if the borrower were trying to keep *your personal money*. If you do, it will give you the mental attitude necessary to do whatever has to be done to recover your loan.

It's rare that your bad loan is your borrower's only problem. He usually owes at least half a dozen other creditors. If you're going to be successful in your loan-recovery efforts, you *must* be that borrower's *biggest* problem. You must be the first thing he thinks about when he wakes up in the morning and the last thing he thinks about before he goes to sleep. The old saying about the squeaking wheel getting the grease was never more true than in loan recovery work. You must make your borrower want to find *some way* to pay you, if he has to steal the money from someone else to do it.

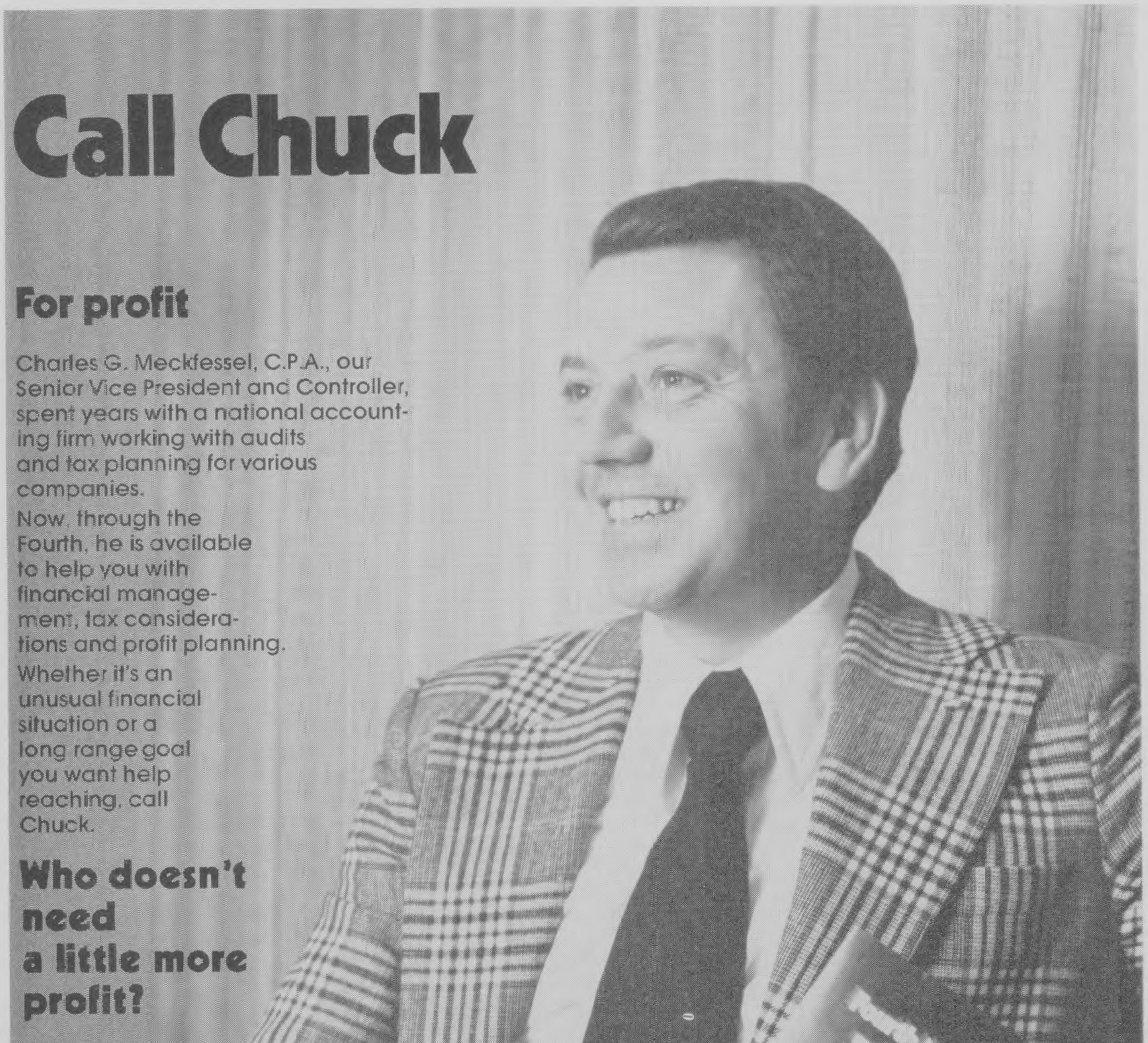
You can't create that kind of feeling in your borrower's mind just by turning the file over to your collection lawyer with instructions to sue. What you must do is work hand in glove with your attorney to use *every legal means* available to force your borrower to pay you. Get an attorney who's imaginative, who's hard working, who's willing to take a personal interest in your loan problems.

Any deadbeat with half a brain can tie you up in court for months, even years. What you need to do to combat these delaying tactics is to dig around and find out *what* the borrower's assets are and *where* they are. Attempt to get a judgment and levy on these assets. If you're prevented legally from attaching his assets, your next step should be to get an injunction against him that will prevent him from disposing of or transferring these assets. Try to tie him up so tightly that he *wants* to get any court suits settled as quickly as possible.

"One of the most important factors in the successful workout of any bad loan is an accurate appraisal of the borrower . . ."

Just because you're in litigation with someone doesn't mean you can afford to cut off communications with him. If you represent a big enough problem in a borrower's mind, he nearly always will be willing to negotiate with you. You *must* be willing to negotiate. Some borrowers have the means to repay you immediately, but the vast majority don't, and you must be willing to settle for a term pay-out. If you're successful in your negotiations, your borrower will assign to you all his assignable assets, will liquidate these assets and use the proceeds to pay you. You can't create in the borrower's mind a feeling of hopelessness. If you do he will give up. What you want to do is create in his mind a feeling that, if he follows your advice and instructions, he can get you off his back sometime in the foreseeable future.

An example of this technique might be one of our several bad loans to stockbrokers. A bank I was with had been overindulgent in lending to stock salesmen to speculate in the market. When the crunch came, these guys were among the first to bite the dust. In one particular case, a broker owed us about $28,000, secured by some cat-and-dog stocks whose value had evaporated. We bought a second mortgage loan on his house from another bank and started foreclosure proceedings, because it was an expensive house and



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we were convinced that there was enough equity in it to get us out. Up to that time, we had been just one of several problems this fellow had. Suddenly we were about to take his house away and that really got his attention. He hustled around, got the house sold, got us paid off and is now living in an apartment, where he should be.

Speaking of buying up a second mortgage brings us to the stickiest problem any loan officer ever faces. When a borrower gets in trouble, do you lend him more money to try to keep his business going, and if you decide to, where do you stop? One transfusion rarely is enough to keep a borrower alive.

Sometimes—some *rare* times, it is good business to lend more money to protect loans already outstanding. But in the great majority of cases, you're simply chasing good money after bad. If you're going to invest more money in a troubled business, for heaven's sake install new management. Bad business loans occur because of bad judgment and bad financial management by principals in the businesses.

If you see a company demonstrating bad financial management, odds are that bad management practices permeate the entire organization. This brings us to another of Sinclair's axioms—"The same management that got a company into a hole can rarely get it out." If you remember nothing else in this article, remember that and think about it. Think about the law of momentum. It takes a lot more muscle to stop something rolling in the wrong direction and start it rolling in the right direction than it does simply to *keep* it rolling. It takes a lot more management skill to rescue a sick company and get it back on the right track. In nearly all cases I've seen, the ones who got a company in trouble just didn't have the horsepower to effect its recovery. So if you're going to invest more money in this company, insist on new management. In many cases, this is beyond your power. If so, secure yourself as well as you can; start liquidating the borrower's assets and hope he can hang on long enough to pay you out.

At about this time, many borrowers begin to contemplate bankruptcy, either of their own volition or at the suggestion of some friendly lawyer who is willing to make his services available to guide this fellow through bankruptcy proceedings. If this happens, your best course of action is to sit down with the borrower and say, "Look, Jack, we're not going to *let* you bankrupt, at least against us. We will find *some* evidence that our loans were obtained fraudulently, and we will *not* let you be discharged."

The great majority of borrowers inflate their personal financial statements and usually include assets that don't really belong to them. When you point out these little examples of attempt to defraud, most borrowers will be brought around to their senses and will begin to concentrate on getting *your* debt paid.

The privilege of having debts discharged through bankruptcy proceedings has been badly abused in this country, both by individuals and by businesses. It seems that bankruptcy is about to become as free of stigma as divorce, and that should not be allowed to happen. Any time a bankruptcy of any size occurs, a lot of people are hurt, and I don't have any compunction about attempting to prevent these bankruptcies if borrowers have engaged in riotous living, so to speak, and are simply trying to skip out on their obligations.

One of the greatest qualities a loan officer can have is the ability to empathize with his customers, to make these customers feel that he *really* wants to help them solve their problems. At the same time, he must let his customers know that he is no easy mark. One of the most frequent shortcomings I have found in officers saddled with collection responsibilities is lack of persistence. In one of his books, Peter Drucker states that to be able to manage, a person needs a *basic competence* and a *will to perform.* Stated another way, the manager must have a certain amount of intelligence and training and after that his success or failure will depend on his determination to get the job done.

Collecting loans is not easy work. It puts you in frequent conflict with borrowers. It is frustrating, because it is rare indeed that you collect a loan easily and quickly. It makes you cynical, because you see people at their worst—people who you thought were honest citizens, but who turn out to have reached their choking points and are trying to welch on their debts. It takes a special kind of persistence to wade into this quagmire day after day and not lose your perspective.

This brings us to the question, "Who should handle loan recoveries? Should a problem loan be left with the officer who made it or should it be reassigned to a special person or department?"

There's no simple answer to that question. What works best in one bank may not work best in another. To compound the problem, with increasing frequency we find that the loan officer who made a particular bad loan has been fired or has moved on, so the loan *has* to be reassigned to someone else.

Without offering a simple solution, let me offer a couple of principles that may help crystallize your thoughts on solving the problem in *your* bank:

1. If possible, the officer who made a bad loan should stay involved. After all, he *should* know more about the borrower than anyone else. He should be able to maintain contact and work closely with the borrower to solve the problem to the mutual satisfaction of the bank and the customer. Furthermore, the lending officer should have greater incentive than anyone else in the bank to get the loan collected.

2. On the other hand, the loan should not be left entirely in the hands of the loan officer. One reason is that he is not at all anxious to admit that this loan represents a *big* problem. He's more likely to be willing to renew or extend the loan in the hope that, somehow, everything will work out all right. Since things seldom work out all right if left to themselves, you need to assign to a recovery specialist the responsibility for seeing that fast and forceful action is taken. This recovery specialist can join the loan officer in his collection efforts and can guide him in using the best techniques applicable to each situation.

If administration of the entire loan portfolio, or at least the bad part of it, is *your* responsibility, then your job is to establish priorities and to make sure everyone concentrates his efforts in the most productive manner possible. To keep your priorities straight and make sure where you are in your collection activities, you need to get regular reports, probably monthly, on the progress of the collection activities on every active loan.

You must make the decision when to curtail collection activity on a given loan. It's almost as tough a decision as whether to lend more money to keep a sick business alive, but it's also a decision that has a marked effect on your bank's profits. There's no use flogging a dead horse, and sometimes it's the better part of wisdom to file your judgments, then put your credit file away and not spend any more money on the collection effort for the time being. Before you do that, though, take a long look at that loan and satisfy yourself that you aren't burying the loan simply to avoid any more embarassment to the officers who made the loan. This is also the time to consider turning it over to a good collection agency on a contingency basis. You aren't risking much because these kinds of loans seldom get paid anyway.

Let me summarize what I've been saying:

First, practice the fundamentals of good lending.

(Continued on page 42)

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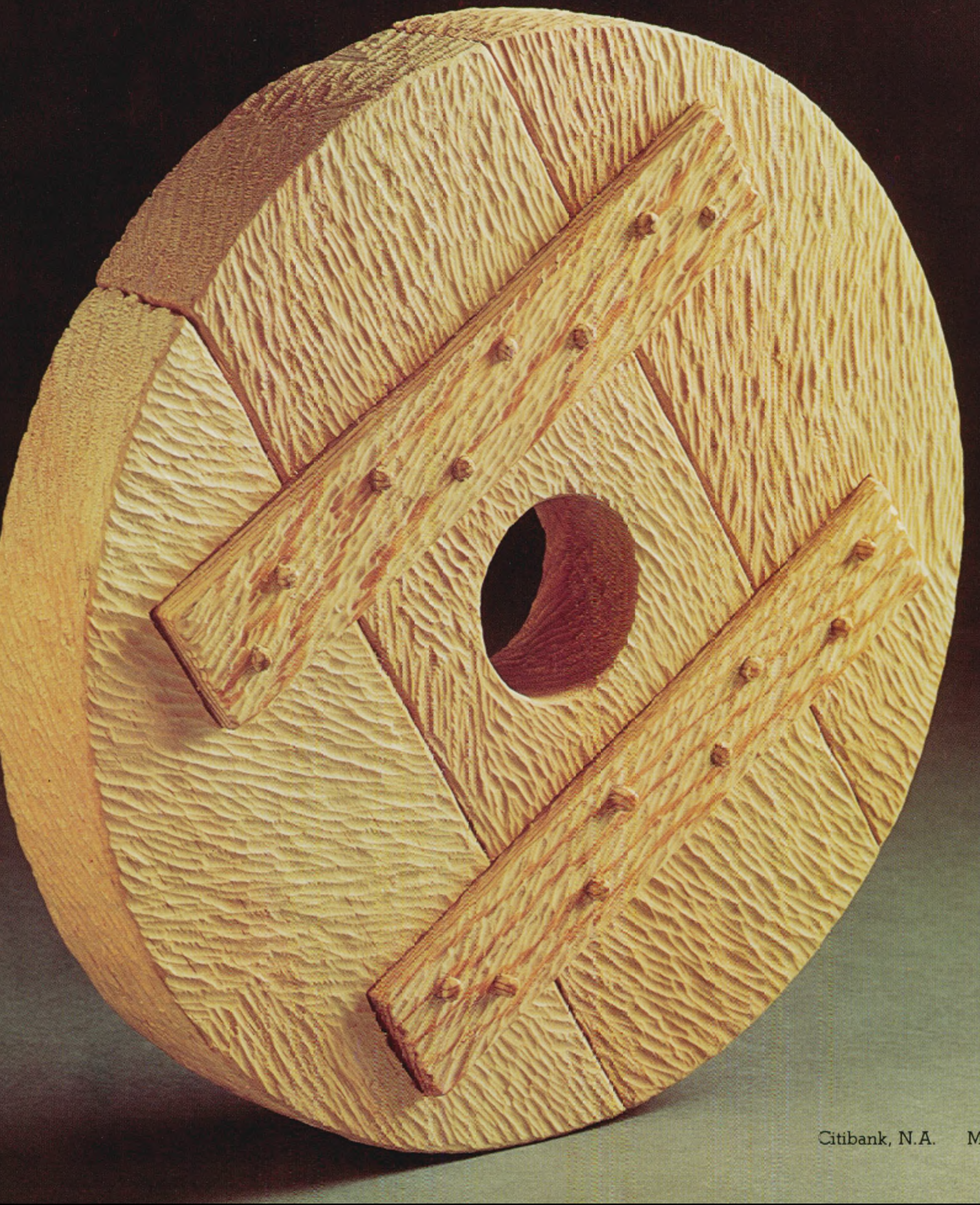

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What Loan Review Officer Should Consider In Determining Quality of Portfolio

LOAN REVIEW is a vital function at every bank, whether it is done by the president, a committee or a loan review officer.

According to Kenneth Brune, vice president and loan-review officer at First National in St. Louis, a loan-review specialist must strive to be practical rather than merely theoretical in his approach to his work. Loan officers, he says, often learn their trade either from textbooks or from other loan officers, and their knowledge sometimes is not entirely in tune with actual conditions.

Thus, it behooves the loan-review officer to attempt to analyze a loan in a slightly different light than did the officer who made the loan, he says. In many cases, signs of deterioration in a loan can be detected early enough to enable the loan-review officer to alert loan officers to take steps to keep potentially weak loans from becoming problems.

Mr. Brune makes a point of looking at the composition of a borrower's debt to determine what portion consists of short-term notes payable relative to other current liabilities. He checks the composition of long-term debt and who holds it. It makes a difference, he says, if the long-term debt is held by the public, by banks or institutions, because this has a bearing on a firm's ability to negotiate should a bad situation develop.

Also, debts remain fixed, whereas some assets are not carried at their current worth. Mr. Brune considers many inventories to be fixed—rather than current—assets because a firm usually cannot liquidate its inventories without replacing them over a period of time.

He also looks for the relationship of cash and receivables to current liabilities after subtracting any notes payable. This is because cash and receivables are sometimes used first to service liabilities other than bank debt; thus, it is important for the bank to know the trend of this relationship, because, if the trend points toward deterioration, the loan quality could also be deteriorating. Mr. Brune advises using the borrower's financial statements to get a fix on the status of working capital.

He says he is suspicious about the carrying value of fixed assets and, consequently, a firm's net worth. Some firms come up with substantial write-downs of fixed assets, which may be a recognition of the impact of conditions that have been going on for a period of years. This throws doubt on the analysis done from earlier financial statements, upon which the loan might have been granted.

Mr. Brune says it's important to know interest rates paid on long-term debt and whether the rates are fixed or floating. Also, total interest paid is used in analyzing the income statement.

If a firm has a good deal of floating-rate debt, higher prime rates could have a major bearing on the firm's debt-paying ability, he says. Also, the rates paid are, in some measure, an indication of the quality of its debt.

To determine a firm's basic earning power—its net income from operations—Mr. Brune likes to determine a profit figure before deducting interest, depreciation, lease expenses and income taxes. This is done because one firm might decide to purchase its equipment and its building, while another firm might decide to lease both items. The firms might produce the same product and sell the same number of units; however, one may have a higher net income from operations than the other.

In determining cash flow, Mr. Brune takes net income after taxes, plus depreciation, minus capital expenditures and dividends. He subtracts capital expenditures because inflation has raised replacement costs and new capital expenditures are often essential to a firm's growth or survival. He deducts dividends because he says they are not as interruptible as people generally believe, since, in some cases, they are necessary to sustain the integrity of a firm's equity securities.

Subordinated debt is not as subordinated as many believe, either, Mr. Brune says. It has, as does any other debt, interest costs and payment of that interest may not really be subordinated—it must be paid in bad as well as good times. Nonpayment of interest on a subordinated debt issue may give the holders the right to take action, thus complicating the life of senior creditors.

At First National, quarterly meetings are held with top management and loan division heads to review loans on the bank's monitor list. At these meetings, various goals may be set for the next quarter. Also, commitments to take remedial action are made by the division heads responsible for the loans. The loan-review officer serves as a diagnostician and assists in recommending treatment, but the loan officer is the surgeon, Mr. Brune says.

According to William Chapman, executive vice president and senior lending officer at First National in St. Louis, as a bank grows larger, it needs a more structured approach to loan review. There are more loan problems today than in former times, due, in part, to pressure for growth.

Another reason for increasing loan problems, he says, is the fact that there is more delegation of authority to less-experienced loan officers today than formerly. Various conditions prevented some banks from creating backlogs of experienced loan officers from which to draw when replacing those who retired.

As banks keep growing, they need more loan officers, Mr. Chapman says. New officers often are given abbreviated training and, when they begin work, are spread thinner than their predecessors, partly because more attention is given to cash management and the investment aspects of account relationships. Since they are all-purpose bank representatives, the loan training period is necessarily shorter, even though more concentrated. But often, banks have to put their new officers into action before they have time to become seasoned.

Thus, the role of the loan-review officer is growing increasingly important to any bank, no matter what its size.

How to Avoid Losses On Home Improvement Loans

By WILLIAM F. SCHUMANN, President, Insured Credit Services, Inc., Chicago

AS A RESULT of what the economy has been through during the crunch of the past two years, lenders have learned some valuable lessons that will be remembered for a long, long time. One of the most important is that a consumer loan portfolio must be both profitable and diversified to be successful. And senior management is increasingly recognizing that home improvement loans—perhaps more so than any other installment lending category—provide both profitability and diversification.

Look at profitability. Compare yields on home improvement loans with other types of consumer paper—auto loans, for example. With the home improvement loan, the lender obtains a higher rate from a more stable borrower and has far less collection expenses than with auto loans. And with insurance, either through the FHA Title I program or a privately operated plan such as that offered by Insured Credit Services, the property improvement loan portfolio can be virtually loss-free. So you have higher yields, lower costs and minimal losses with the home improvement loan—attractive from a profitability standpoint.

On the subject of diversification, I need only to mention the vulnerability of banks top-heavy in auto loans when the bottom fell out of the market at the height of the energy crisis. In many institutions, the runoff of outstandings was 4% or 5% each month. It doesn't take many months like that to result in a loss of a quarter or a third of the portfolio. Either that or the credit standards are relaxed to maintain outstandings, and that creates even worse problems. The property improvement loan provides a clear opportunity for diversification and an attractive alternative to other types of loans with faster runoffs, like auto loans.

In addition to economic factors increasing the general desirability of home improvement loans for lenders, the inflationary aspect of the economy has affected loan size and loan terms. The average property improvement

loan is getting larger, and repayment terms continue to get longer. As long as prices keep rising, that trend will continue.

In just the last 10 years, the size of the average loan at Insured Credit Services has more than doubled. In 1965, the average loan we insured was $1,138, but today, only 10 years later, our average loan is in excess of $2,450. Continuation of the trend is inevitable. Higher sales prices mean larger loans, and larger loans result in longer terms.

How does this trend affect your operation? What does it do to your bottom line? In weighing the situation, there are two areas to consider—costs and risks.

With regard to cost, larger loans and longer terms help the bottom line because fixed acquisition expenses amount to a smaller portion of gross income. It costs a lot more to process five $1,000 loans than it does to process one $5,000 loan. Yet, with comparable maturities and interest rates, the gross income on the five smaller loans is the same as the income on the large loan. So the one large loan results in more bottom-line dollars than the five smaller ones.

The same principle is true for extended terms. With longer terms, fixed acquisition costs are spread over a broader time base and represent a lower proportion of gross income than is the case with short-term loans. So, purely from an expense or a cost standpoint, larger loans and longer terms both tend to increase profits and add to the bottom line.

With regard to risk, however, we have found that losses from large loans tend to be disproportionately high, which reduces profits. Just recently, we conducted an analysis of all the claims we had paid during 1975. Eight per cent of our claims by number involved large loans, and, by and large, I'm referring to original advances of more than $5,000. But the dollars involved on these claims amounted to more than 24% of our total losses. In other words, there was a disproportion of more than three-to-one. Eight per cent of our loans, by number, generated 24% of our losses by dollar amount.

What do these current trends in loan size and repayment terms mean to your bottom line? They can mean greater profitability because of broader spreading of acquisition costs. But this is true only if lending procedures are modified to take these trends into consideration.

Five, seven or 10 years is a long time to be sure a borrower won't lose his job, have marital problems, or become hopelessly over-obligated. Creditworthiness of the borrower must be analyzed much more comprehensively on large loans, and much closer collection follow-up must be made on these loans with earlier personal contact for delinquent payments, if their profitability is to be maintained.

Since I mentioned delinquency follow-up, let me add that if I were asked to name the single greatest weakness in property improvement lending today, my immediate response would be the collection area. An improvement loan is not generally one that can be collected by repossession. The approach must necessarily be one of showing the borrower how loan payments can be made, given his current financial position.

We've read the headlines about the big drop in unemployment rates and inflation rates, but those headlines are deceptive. Even optimistic projections peg the jobless rate at a minimum of

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7% during 1976. At these rates, effective adjustment of a delinquent account requires a real selling job in practically all cases.

There is tremendous profit leakage in delinquency. Yet time and time again, lenders use the collection department—one of the most vital operations in the bank—as little more than a training ground.

Far too often we see adjusters with no experience, completely uninformed as to collection techniques, with practically no training and very little knowledge of over-obligation, marital problems or unemployment and the effect these things have on loan repayment. The adjuster is simply handed a portfolio of delinquent accounts and told to go out and collect them.

The claim survey I referred to earlier shows that overloading or unemployment was the primary reason for default in 61% of all of our losses last year. Further, we found that nearly all of our defaults occurred within the first six payments, regardless of term. Whether the original maturity was 36 months, or 84 months, more than half of our claims developed within the first year of repayment. Undoubtedly, some of these losses could have been avoided by experienced, well-trained adjusters.

With the trend toward even larger loans and even longer terms, now is the time to re-evaluate collection procedures, screen collection personnel and give the collection department the recognition it so well deserves.

I mentioned earlier that in light of the trend toward larger loans and longer terms, closer analysis must be made of the borrower's credit-worthiness. In our claim files, we see a number of characteristics occurring over and over. These trends are particularly noticeable in larger loans.

The first and most frequently found characteristic is that analysis of income and outgo by the credit officer at the time of approval is superficial. The crux of a sound credit decision is an in-depth determination of the borrower's capacity to repay. Far too frequently, we see consideration given only to fixed monthly obligations, with no knowledge of family size, and no analysis of month-to-month living expenses, like automobile maintenance, utility bills or groceries. With loan requests in the $5,000, $7,000 or $10,000 range, a thorough review of the applicant's financial condition is an absolute must!

A second characteristic is location of the improved property in a questionable area, or out of the bank's general trade area, where there is no familiarity with land values or neighborhood conditions. It just doesn't make sense for a lender to extend credit to borrowers residing 50 or 100 miles from the bank. He doesn't know enough about an area that far away, and the loan simply can't be serviced reasonably.

A third characteristic is a lack of background information on the borrower or a case of the lender not taking the time to determine past credit history. Today's situation makes it imperative to obtain an up-to-date picture of pay habits and character. And I can't tell you how many claims we've paid where the credit was bought on the basis of a two- or three-year-old bureau report with no direct checking or even a verification of employment and mortgage data.

Finally, in our large claims, we have recently found a disproportionate number of borrowers employed in less than stable occupations, or occupations subject to economic influence. I'm not advocating that loan requests from these applicants be rejected. All I'm suggesting is that when you have a self-employed borrower, look at his financial statement. When you have a salesman, look into whether he will have an income in good times and bad, or whether he has set aside some type of reserve if demand for his product dries up.

Credit risks frequently can be minimized and losses can be avoided. *Just know your borrower!* Get a complete picture of his financial condition, conduct a thorough investigation and then make a professional analysis of the facts at hand. Information followed by investigation, followed by analysis, will eliminate 90% of the problems in any home improvement loan portfiolio.

Let's take a brief look at current legislative trends. We're all familiar with the consumerist direction that legislation has taken over the last several years. We've had Truth in Lending, Truth in Advertising, Fair Credit Reporting, Fair Collection Practices, Equal Credit Opportunity and a host of others.

All of these laws have had an impact on consumer credit generally. But I'd like to single out two as specifically affecting the home improvement lending field: the National Disaster Protection Act and the proposed FTC regulation eliminating holder-in-due-course.

The National Disaster Protection Act requires on all secured loans that the lender determine whether or not the improved property is located in a flood hazard area, and if so, the borrower must have flood insurance to obtain the loan. Further, any loan, secured or unsecured, which is insured by the government must be in compliance with provisions of the Flood Insurance Act.

To date, this act has not been enforced. But what happens when that time finally comes? Are the examiners going to classify all Title I loans where there isn't evidence of compliance with the Flood Insurance Act, and if default results, will the FHA determine that the claim is ineligible in the event of non-compliance?

This law ultimately will have far-reaching implications in the property improvement lending field.

The proposed FTC regulation abolishing holder-in-due-course is the second major regulatory action affecting property improvement lending and, as of May 14, the watchword for lenders became "know your dealer."

At that point, lenders with indirect programs had better operate with sophistication and with thorough controls, rather than the "seat-of-the-pants" type of operation which may have been acceptable in the past. Because, as of May 14, the borrower can raise the same defenses against the lender as assignee of his home improvement contract that he can raise against the dealer.

After having insured more than a billion dollars in property improvement paper, we've picked up a number of danger signals or "red flags" with regard to dealers and, in view of the added importance of dealer relationships generated by the new regulation, I'd like to run through them.

- Watch out for a dealer who is new in town and has been all over the country, but suddenly decides your area is where he wants to spend the rest of his life. Not only that, he's taken a liking to you personally and he wants to open a $10,000 checking account and give you all of his home improvement paper. Avoid him like the plague. He's setting you up.
- Watch out for the dealer who has floaters for salesmen—here-today-and-gone-tomorrow people who have worked all over the country and are living in motels or furnished apartments.
- Watch our for the dealer who has an inordinate number of complaints or who settles his complaints slowly.
- Watch out for the dealer whose phone-in applications vary significantly from customers' written applications you receive with contracts; where debts are left off or where income is increased; or where the fact that the applicant has seven children is conveniently omitted when the deal is phoned in.
- Watch out for the dealer who gives you a continued stall on updating financial statements, who shows a deterioration in his financial picture, or whose credit rating reflects increasingly slow trade payments.
- Watch out for the dealer who argues unduly on rejects—who just won't take no for an answer.
- Watch out for evidence of any of the other more traditional gimmicks—model homes, referrals, kickbacks, par

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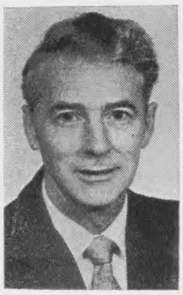

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Abolishment of holder-in-due-course doesn't mean that dealer business should be thrown out the window, but it does mean that greater effort is going to be required to maintain a profitable operation. It will be necessary to watch the financial condition of a dealer.

Occasional visits to a dealer's showroom are a must, and spotchecking of at least a portion of his retail customers is a necessity if you are to stay on top of your dealer operation.

The marketing area is the real key to where property improvement financing will be in the years ahead.

In the past couple of years, practically all lending institutions have concluded that their future success is dependent on cultivating the retail customer. And numerous studies have shown that consumer loyalty is directly proportional to the number of services used at the bank.

No other type of loan has the marketing potential of the home improvement loan, because no other type of borrower can be developed as easily for collateral business. The fact that property improvement borrowers are homeowners makes them the type of customer toward whom the whole retail concept in marketing strategy is directed. When you help an individual in the financing of his home improvements, you are handed a perfect opportunity for cross-selling other services.

Which consumer classification needs all financial services? The homeowner. He needs the savings account and the checking account, and the homeowner is the safe deposit box user and the potential trust customer—and the home owner will be a repeat borrower.

A home improvement loan is a prime method of introducing the customer to your institution, and it gives you a perfect opportunity to lock him into more of your other services.

Timing makes increased home improvement lending activity inevitable. Those born in the post-World War II baby boom are now forming families. Literally millions of people, under different economic circumstances, would be moving from their starter home to a larger one as their family grows; but, with the current mortgage money situation and skyrocketing housing costs, they can't afford to do this. As a result, these people will be expanding their homes and improving the livability of their surroundings.

Everything points to much greater activity in home improvement financing. Certainly, there are problem areas. But the favorable factors in home improvement lending outweigh the unfavorable ones.

The potential of the home improvement loan field is enormous! Timing is perfect and the profitability can't be matched. Success is limited only by a banker's willingness to go after the business. With a strong, active property improvement financing program, the borrower profits, the community profits and the lending institution profits. • •

Problem Loan Situation

(Continued from page 34)

Second, catch the bad ones as soon as you can. If you grade your loans on the front end, you can catch a lot of potential trouble and watch the low-quality loans more carefully.

Third, once a loan has turned sour, act quickly and decisively. *A bad loan is always worse than you think it is.* Try to beat the other creditors to what's left of the borrower's assets. Make paying your loan the borrower's No. 1 priority.

Fourth, get a smart, aggressive, innovative lawyer to help you. If he does his job well, he will pay for himself several times over. But don't leave him to his own devices. Harass him regularly.

Fifth, don't let bad loans suffer from lack of proper attention from bank personnel. Keep the original officer involved if possible, but let a specialist ride herd over him. Then you ride herd over both of them.

All of us in the banking profession are going to emerge from this recession with more wisdom than we had before. Those who gain the most wisdom are, in the long run, going to make more money and achieve more job satisfaction. Those are two *very* worthy objectives. • •

View

(Continued from page 26)

tives failed to muster sufficient votes to issue a subpoena requiring the office to produce documents containing confidential information. The request, if fulfilled, would have required us to furnish the examination reports on the 61 largest banks for the past 10 years, plus any related correspondence. In response to a request for these documents from a subcommittee, we counter-offered with a suggestion which would have allowed the General Accounting Office to conduct a full-scale performance evaluation of our office. The committee refused the offer and pursued the route of subpoena.

The office of the Comptroller of the Currency and the other bank regulatory agencies have recognized the need to modernize procedures, and we in the Comptroller's Office have accepted the mandate with both fervency and zeal. I am sure many bankers are aware of the Comptroller's contract with the firm of Haskins & Sells. He felt that an outside firm could better assess the need for change and oversee its ultimate implementation. The needs of the Comptroller's Office now have been identified, and the implementation of change has begun. • •

Taylor Named to Additional Posts By Comptroller of the Currency

Thomas W. Taylor, director of consumer affairs with the Comptroller of the Currency, has been named to the additional posts of associate deputy comptroller and as the representative to the National Commission on EFTs.

Mr. Taylor replaces Russell C. Browne, adviser for payments systems, in the associate deputy comptroller post. Mr. Browne has indicated he will return to the financial service industry.

Mr. Taylor began his career as an assistant national bank examiner, Region Four (Cleveland), in 1962, and later was named an assistant in trusts. In 1963, he was elected associate in trusts and commissioned a representative in trusts. Mr. Taylor was appointed deputy regional administrator in 1972, and was chosen by the Comptroller to establish and head the Consumer Affairs Division in 1974.

Open to Residents:

Historic Art Contest 'Preserves' Local Sites

Winchester (Ky.) Bank held an historic art contest for all area residents who are members of the Winchester Artists Guild. According to bank officials, the contest was underwritten because it was felt "the historic sites of Winchester should be preserved for future generations."

The works were done with a realistic approach and in oil, watercolor or acrylic, on canvas or paper. Of the winners, 2,000 sets of four prints of each landmark will be produced and 1,000 of those will be distributed by the Clark County Band Boosters, who will receive 50% of the net proceeds. The other half of the proceeds will go to the Winchester/Clark County Heritage Commission.

Winchester Bank will assume the cost of distributing the additional 1,000 sets and all originals will be displayed locally. The prints will be available in late May or early June.

Artists with winning entries received a $250 award for each subject won.

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CONSOLIDATED BALANCE SHEET—March 31, 1976

ASSETS

Cash and Due from Banks (including Foreign Office Time Deposits of $700,243,801)		$1,976,714,552
Money Market Investments:		
Federal Funds Sold		255,600,000
Other Investments		220,754,988
		476,354,988
Trading Account Securities		21,494,253
Investment Securities—At Amortized Cost:		
U.S. Treasury		494,399,133
States and Political Subdivisions		754,122,613
Federal Agencies and Other		33,990,701
		1,282,512,447
Loans:		
Commercial		1,818,590,414
Real Estate Mortgage		810,921,300
Consumer		228,397,107
Foreign Office		439,836,721
		3,297,745,542
Less Reserve for Possible Loan Losses		50,552,042
		3,247,193,500
Bank Premises and Equipment (at cost less accumulated depreciation of $37,912,419)		66,628,124
Other Assets		131,179,742
Total Assets		$7,202,077,606

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits:		
Demand		$1,610,060,648
Certified and Other Official Checks		384,684,091
Individual Savings		1,313,177,974
Individual Time		743,614,763
Certificates of Deposits		700,760,949
Other Savings and Time		163,439,091
Foreign Office		1,028,645,730
		5,944,383,246
Other Liabilities:		
Short-Term Funds Borrowed	$580,387,295	
Capital Notes	100,000,000	
Sundry Liabilities	136,983,340	817,370,635
Total Liabilities		6,761,753,881
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	192,641,068	
Less: Treasury Stock—51,404 Common Shares, at cost	(2,317,343)	440,323,725
Total Liabilities and Shareholders' Equity		$7,202,077,606

Assets carried at approximately $430,000,000 (including U.S. Treasury Securities carried at $51,000,000) were pledged at March 31, 1976, to secure public deposits (including deposits of $131,765,802 of the Treasurer, State of Michigan) and for other purposes required by law.

Outstanding standby letters of credit at March 31, 1976, totaled approximately $19,100,000.

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Commercial Lending:
Putting the Problems in Perspective

By ROBERT A. YOUNG*
President
Robert Morris Associates

THESE ARE, indeed, difficult times in which to be a banker. We find ourselves assailed from all sides. Although we would surely acknowledge that some of the criticisms directed at us are warranted, others just as surely have been contrived for publicity or political purposes.

Robert Morris Associates, as the national association of commercial bank loan and credit officers, is concerned when banking is under attack. Naturally, that concern is heightened when the assaults are directed particularly at commercial lending activities.

Certainly, we must confess that the past three years of economic turmoil not only have been trying, but unpleasant for many bankers, much as they have been for other industries. We all have suffered through an incredible inflation, followed by the worst recession since the 1930s.

Of course, the problems of our customers, individuals, businesses and government have been passed through to us. In the process, we have made some mistakes, and some losses have been sustained.

Much has been made of the problem banks on the now famous—or infamous—"lists" leaked or otherwise published. There are some 14,300 banks in the United States. Perhaps on all lists combined there may be an aggregate of 300 problem banks.

Therefore, one must assume that an overwhelming majority, over 97%, are not only without abnormal loan losses, but also are capably managed. Very little is made of that fact by the sensation seekers.

Clearly, the greatest challenge to the stability of commercial banking today stems not from the poor financial condition and performance of some bank customers, but from misinformation which is, with increasing frequency, being disseminated regarding the financial condition and performance of the banks themselves.

The banking business, and particularly commercial lending, is a risk business. When we extend credit to small business, minority business or large enterprises to increase productive capacity and foster the creation of jobs, we take risks.

When we finance the purchase of consumer goods and finance real estate developments to house our neighbors, we undertake risks. Where there are risks, there certainly are going to be losses.

Last year, bank loan losses totaled an estimated $3 billion or less than 1% of outstanding loans. We might deduce, therefore, that the remaining 99% must be acceptable loans.

Banks must make every effort to maintain sound credit standards. No one would disagree on this point. Nevertheless, we must not be forced to raise our standards so high that only the highest-grade company or the strongest individual or municipal borrower can obtain needed funds.

Understandably, banker morale may be low now because of the assaults we are suffering at the hands of some of the media and some politicians. But the vast bulk of our assets is good, and the great majority of our banks are anything but sick or in problem categories.

Our free enterprise system, which seems to be the principal target of our detractors, has served the people of this country well. We must not only defend it, but must promote the perpetuation of that free economic society.

Our banking industry, too, has served our neighbors, our economy and our country well.

The fundamental strength of our banking system cannot be denied, despite the denigrating rhetoric from Washington. Let us take our case, the facts, to the public. Those facts need exposure; they can stand scrutiny.

Despite the recent problems of some banks, not one penny has been lost by a depositor. Our banking system not only has seen our customers, large and small, through the recession, but it now stands ready to spearhead the recovery.

We must stress the positive with pride in the work we have done. We will continue to discharge our obligations to a free America as we have for 200 years. Our critics shall not intimidate us.

It is my feeling that when historians look back objectively upon the 1970s, they will be impressed by how effectively bank regulators, banks and bankers performed during a period of sharp depression sired by a fiscally induced inflation of unprecedented proportions. • •

**Mr. Young also is president, Northwest National, Vancouver, Wash.*

Rally 'round the men from Commerce Bank

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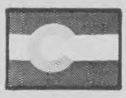
May 2-4 — Texas Bankers Convention, El Paso — P. V. Miller, Jr., Fred N. Coulson, Jr., Tom C. Cannon, John M. McGee

May 16-18 — Arkansas Bankers Convention, Hot Springs — P. V. Miller, Jr., Fred N. Coulson, Jr., Tom C. Cannon, H. C. Bauman

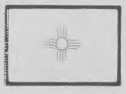
May 11-13 — Oklahoma Bankers Convention, Oklahoma City — P. V. Miller, Jr., Fred N. Coulson, Jr., Tom C. Cannon, H. C. Bauman

May 5-7 — Kansas Bankers Convention, Wichita — P. V. Miller, Jr., Fred N. Coulson, Jr., John C. Messina, Ben F. Caldwell, Frampton T. Rowland Jr., W. Thomas Falls, Jr.

May 16-18 — Missouri Bankers Convention, St. Louis — James M. Kemper, Jr., P. V. Miller, Jr., Fred N. Coulson, Jr., Larry E. Lumpe, John C. Messina, George W. Porter



June 3-5 — Colorado Bankers Convention, Colorado Springs — P. V. Miller, Jr., Fred N. Coulson, Jr., Tom C. Cannon, John M. McGee



June 10-12 — New Mexico Bankers Convention, Las Cruces — Fred N. Coulson, Jr., Tom C. Cannon, John M. McGee

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Despite Problems, U. S. Banking Strong, Say Continental's Anderson, Perkins

THE AMERICAN banking system is alive and well, and while it faces some uncertainties in 1976, the industry as a whole entered the year with the largest capital and reserve positions in recent history.

Roger E. Anderson, chairman, and John H. Perkins, president, Continental Illinois Corp. and Continental Illinois National, Chicago, gave a summary of the state of the industry recently.

"The public is now well aware that some banks have been experiencing problems the past two years," they said. "These problems have been widely reported and discussed, although it is debatable how much public understanding has resulted from this coverage.

"The problems in large part grew out of the worst and most prolonged recession in 40 years. With some time, and with patience on the part of industry observers in and out of government, banks will work out their problems effectively," they said.

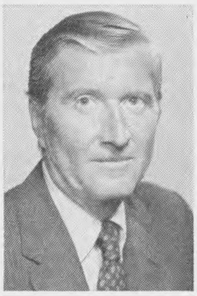
The cases of serious problems have been isolated, Mr. Perkins added. "There are more than 14,000 commercial banks in the U. S., practically all of which are sound, solid and well-managed. Also, many of these banks reported earnings increases for 1975, with some having record margins, and bank earnings over the years have been excellent."

Mr. Anderson noted that in a period of difficult, although improving, economic conditions, Continental Illinois Corp. reported record earnings for 1975, up 24% over those of the previous year—said to be the highest earnings percentage increase among the top 10 bank HCs. Continental also is said to have recorded the highest earnings increase for the first nine months of 1975 among the top 10, up 29% over the same period a year earlier.

Mr. Anderson also pointed out that Continental continued to maintain its "traditionally strong" reserve position, "historically one of the best ratios in the industry." The corporation's current loan valuation reserve of $162 million represents 1.33% of all outstanding loans of the corporation, said to be the highest such proportion among major bank holding companies.

He reported that, compared with preliminary figures on loan losses released by banks, Continental's charge-offs of $68.9 million for the entire year, while sizable, was the second-lowest such amount recorded by the top 10.

ANDERSON



PERKINS

"The confusion and concern about the state of the industry may be the result of misunderstanding of the recent substantial loan loss provisions banks have made and the charge-offs they have incurred," Mr. Anderson said.

"Certainly the large numbers indicating reserves and write-offs might make the unfamiliar observer of the industry concerned, but these numbers must be kept in perspective before people rush to any conclusions," he urged.

Since most banks have been adding to their loan valuation reserves quarter by quarter and year by year, he said, most banks have a substantial reserve against which they charge actual loan losses. All top 10 bank HCs made loan-loss provisions in 1975 that exceeded their highly publicized actual charge-offs.

"At Continental," he added, "it is significant that this reserve, both in total and as a percentage of loans, was higher than at year-end 1974."

Mr. Perkins said that, "all things considered, the performance of the banking system during the severe economic downturn was impressive and encouraging despite all of the adverse attention given to it. This was especially noteworthy considering the fact that this economic downturn came on top of some financial excesses generated by a long period of economic buoyancy."

Mr. Perkins added that the publication of so-called "problem lists" of banks has added to the misunderstanding of the industry's problems and how the system functions. It is noteworthy, however, he said, that in spite of feverish attention given to problems, public confidence has been maintained and no depositors have been hurt.

"All that can be achieved through the publication of such lists is the further impairment of public confidence," he said. "And when such lists are a year or two old, with many statements based on even earlier examinations, the picture becomes even more distorted. The really newsworthy item is that the system has taken hold of its problems and faced them in a forthright and statesmanlike manner, to the benefit of the entire economy.

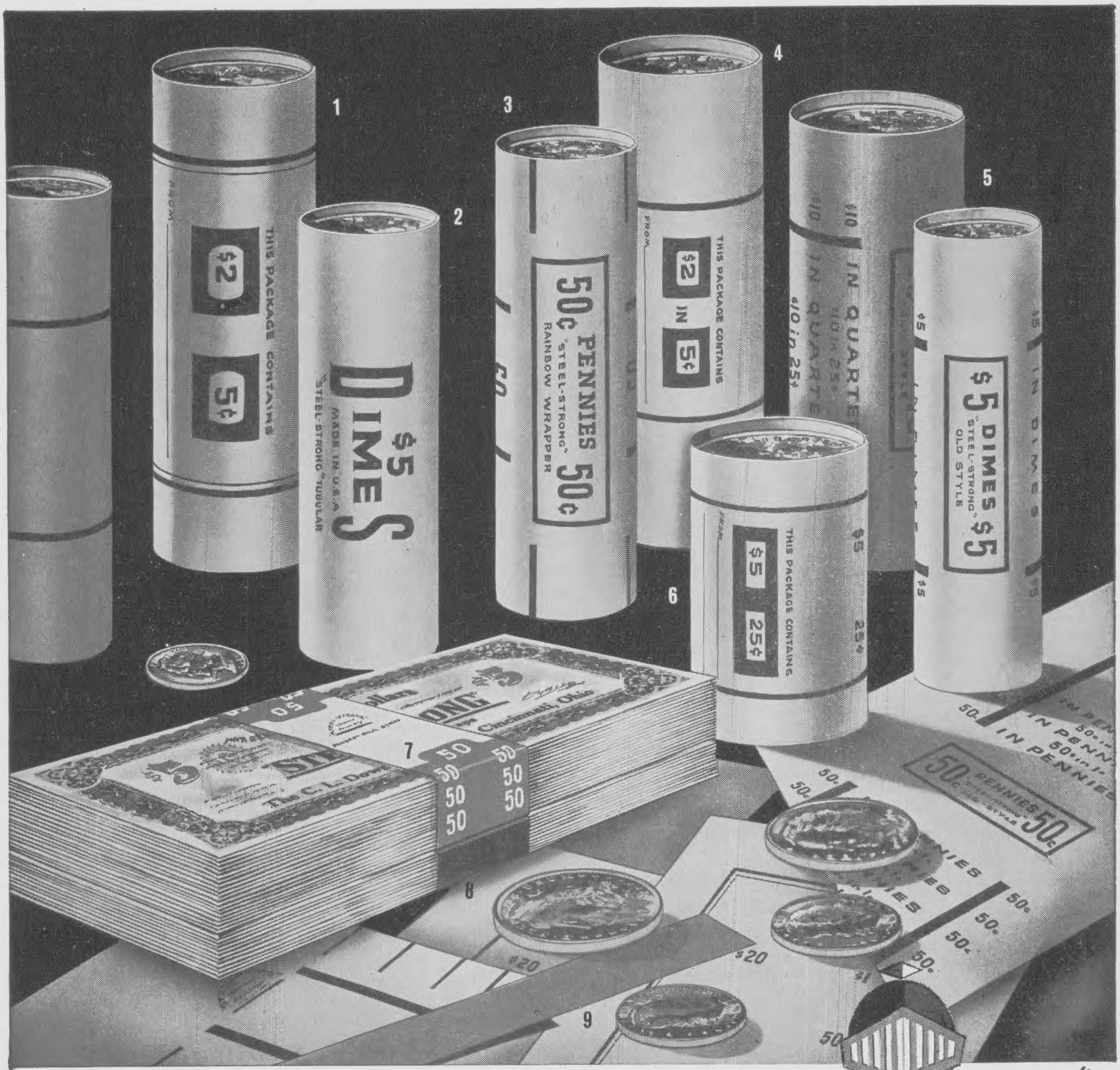
"Instead of widespread panic and forced liquidation, the banking system has maintained credit in difficult situations so that time could be given to work out the problems. Indeed, this is exactly what is happening, and the general situation is showing steady improvement.

The Chicago banker, who is chairman of the ABA's Government Relations Council, said that what is referred to as the classified loan situation—which is the basis of the problem lists—also deserves greater attention.

"Our experience has been that it pays off to stick with classified loans," he continued. "Most of these can be worked out and do not result in losses. We are seeing this now throughout the industry, including the real estate investment trust area. It is this kind of policy—helping businesses work out their problems—that enables customers to work through periods of adversity."

Banks have had problem loans since day one, said Mr. Perkins, and will continue to have them. "This is desirable. The very nature of banking implies a basic risk of recovering funds extended. But it also is banking's responsibility to supply the capital and credit needed for the American economy, and we should continue to follow that principle in good times as well as bad. The only other alternative is to lend only to the very strongest companies, and I hardly think this is what our critics want."

Mr. Perkins said he also is disturbed by the calls for major restructuring of the federal bank regulatory agencies. "Some evolutionary—not revolutionary—modifications in the agencies and laws that govern financial institutions may be desirable, and some are already in progress. The regulators themselves have already done a lot of this. The real danger is some radical move in today's feverish federal legislative area which would lead to impossible legislation in the guise of reform, such as one to a monolithic regulatory agency for banking which has been disastrous in other regulated industries." • •



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The 'Problem-Bank' Situation: How Do We Avoid a Repeat?

FOLLOWING is part two of a series of comments—on loan losses, problem banks and banking problems in general—made by presidents of banking associations in the Mid-Continent area. Part one appeared in the May 1 issue and featured remarks by presidents of the following associations: Louisiana, Missouri, Kansas, Texas, Arkansas and Oklahoma.

HORACE W. BROOM, president, Alabama Bankers Association, and president, Citizens Bank, Hartselle:

ALABAMA has been fortunate in the recent past, because it has not seen the loan losses that many of its neighboring states have experienced. There have been isolated cases and isolated losses, but there have not been sufficient loan losses in any one bank to cause worry. This has been due partially to the fact that Alabama has not suffered as much from the economic setbacks many states have experienced. But I feel Alabama's good fortune was mainly due to good management in its banks.

It would be difficult for federal or state regulators to prevent loan losses in banks. These agencies cannot come into banks and operate them. When they try to regulate with laws, they interfere with the normal flow of business.

There has been a tendency in the past few years for banks to want to grow at any price. Because of this tendency, some banks may have been lax in making loans. They were not as conscious of profits as they should have been. I think the recent economic adjustment has made us more aware of the necessity of the good, sound, substantial growth that will build strong banks.

One of the biggest problems facing banks today is too much control by government. Banks and other financial institutions are being regulated to the point they are told to whom to make loans and to whom not to make loans, with total disregard for the standards of credit. The public is being told that there is no need to deal with sound banks, because the government will take care of the public if their banks fail. Through regulation and too much government control, the prudent, sound, conscientious banker who is interested in his customer and his community is being replaced by Congress.

W. E. HOWARD JR., president, Mississippi Bankers Association, and president and CEO, Commercial National Bank, Laurel:

MOST OF THE problems the banking industry has experienced during the last year and a half have been in connection with the drastic turndown in the nation's economy.

Some of the problems have been caused by poor management decisions, but, still, the economy was the major cause. Losses have been suffered by banks in Mississippi to a higher degree during this period than they would normally have been; however, we have been most fortunate in that few banks have suffered significantly high loan losses during this period.

As for the future, I think bankers will be more analytical in their loan decisions than perhaps some have been in the past. At the same time, however, I believe that most bankers will not overreact to the problems of recent months and be so selective in their credits as to not adequately serve their communities. • •

ARTHUR F. BUSBOOM, president, Illinois Bankers Association, and president, Bank of Rantoul:

HISTORY will show that banking, during the past several months, has gone through one of its most traumatic periods. Failures occurred, loan losses were heavy, capital shortages surfaced and the recession left many other scars.

Solutions to many problems have been found, but other difficulties remain. Our industry will benefit from the lessons learned and the experiences will help it avoid the same mistakes in the future.

Some congressmen, in their attempts to remedy inequities that they indicate exist within the financial industry, have authored proposed legislation that consists of many imbalances and is unacceptable to banking. Banking is not against needed reforms, but bankers insist on playing on a level field. The changes must be fair to all customers of all financial institutions.

The primary reasons why banks in Illinois suffered extraordinary loan losses in the recent past included emphasis on growth and disregard for credit principles; inflation combined with recession; out-of-area loans made to compensate for deposit growth, which was mostly in time money.

In some instances, the desire to pay stockholders continued dividends might have caused management to extend risks on loans. Management made loans that were not of bank quality.

Other reasons included poor credit administration; concentration of credit in one industry, or one type of credit; some lack of director interest as to the quality of loans; and risk diversification principles not always being observed.

Bankers are well aware that the public wants strong financial institutions; therefore, in order to minimize losses in the future they will concentrate on servicing customers in their own areas,

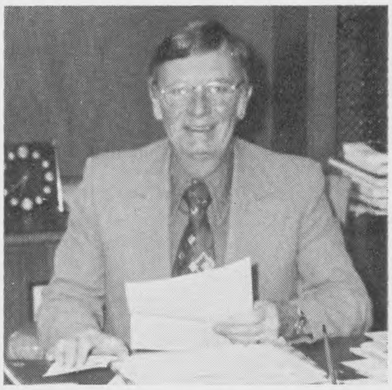
W. E. Howard Jr., pres., Mississippi Bankers Assn., and pres. & CEO, Commercial Nat'l, Laurel.

Jack O. Weatherford, pres., Tennessee Bankers Assn., and ch., Murfreesboro Bank.

Horace W. Broom, pres., Alabama Bankers Assn., and pres., Citizens Bank, Hartselle.

Wayne Stewart, pres., New Mexico Bankers Assn., and pres., First Nat'l, Alamogordo.

Arthur F. Busboom, pres., Illinois Bankers Assn., and pres., Bank of Rantoul.



C. Lloyd Griffis, pres., Indiana Bankers Assn., and pres., Old-First Nat'l, Bluffton.

diversify, make sure their loans are of the highest quality and follow prudent banking and credit principles.

In order to make sure the loan-loss situation does not recur in the future, bankers must return to a policy of asking more questions. They must rely on up-to-date financial information, including profit-and-loss statements and cash flow—and they must diversify credits.

Profits must be retained to establish stronger reserves for bad debts and other contingency reserves to protect against the possibility of future loan losses.

Regulators worked to avoid loan losses by being critical of marginal credits, concentrations and disregard for prudent banking concepts. They demanded corrective attention from directors and active management, along with necessary charge-offs. They also requested new capital when necessary.

Regulators can examine, make recommendations and demand compliance, but they can never make loan judgments. They should be given greater authority for removing incompetent management when the directors fail to perform.

Regulators should concentrate on loan and investment portfolios and examine banks as often as necessary to correct any distressed loan or investment situations as soon as they are detected.

I do not believe the state banking commissioner could have done any more than he did to avoid the loss situation. The commissioner cannot predict a recession or general economic turndown, nor can he substitute his judgment for that of bank management in extending credit. His office does not have a large enough staff to examine a bank's note case every day of the year.

The commissioner's office provides counsel and encourages careful and reasonable credit extensions, but it can never substitute its judgment for that of bank management.

The commissioner can do no more than the federal regulators, unless he is given the authority to immediately remove inactive or incompetent management and directors when a bank's own board refuses to fulfill its responsibility.

Did holding companies have anything to do with loan losses? Holding companies depend on dividends from affiliates for their existence. The demand for dividends is annual and active bank management feels it must meet this demand. In the past two years, inflation caused bank deposits to increase at a much faster pace than was either projected or anticipated. These deposits, for the most part, were placed in either savings or time certificates.

Bankers had to offset the high rate of interest paid for these increased savings by seeking loans, and at the highest return possible. HCs demanded the annual dividend, which forced bank management at times to take marginal loans. Management expected the inflationary boom to continue and anticipated no difficulty with collections. The economic turndown caused the marginal loans to surface, along with other bad loans and investments.

The HC usually had a debt to service, thus it had to demand the annual dividend. The dividend and the loan losses drained needed capital funds and supervisory authorities had no recourse but to ask for new capital.

In summary, I hope that bankers will

heed the warnings that have been sounded and, together with regulators and legislators, will work in harmony to strengthen our industry. Subsequently, our obligations to our customers will be fulfilled. • •

C. LLOYD GRIFFIS, president, Indiana Bankers Association, and president, Old-First National Bank, Bluffton:

IT IS TRUE that banks in Indiana, as well as in the rest of the country, have absorbed more than usual loan losses during the past two years. These losses are primarily the result of an inflation-caused recession, the length and depth of which we have not experienced for 40 years.

We should also take note that, during this period of time, most banks in Indiana, as well as throughout the country, have managed to increase their valuation reserves for loan losses substantially and, at the same time, most banks have shown increases in earnings.

Many people outside banking seem to have forgotten that the lending of money is not a science, but an art. I believe it would have been a discredit to the banking system of this country if banks had not experienced some substantial loan losses during the past recession. The lending of money in and of itself is a risky business and is subject to the business cycle to much the same extent that manufacturers, retailers and other businesses are affected.

I believe that state and federal regulators have done excellent jobs—under the circumstances of the past couple of years—in preventing massive bank failures and the loss of public confidence, which might well have served to topple the financial system of the country. This does not mean that these agencies should have acted to avoid or prevent loan losses.

In my opinion, it is the duty of regulators to protect the interests of the public as far as their deposits in financial institutions are concerned. It is not their function to protect directors or shareholders from poor management, nor is it their function to assure shareholders that it is not possible to lose money on stock, any more than it should have been the responsibility of the Securities & Exchange Commission to guarantee shareholders of Penn Central or W. T. Grant that losses would be avoided.

Many regulators have statistics available regarding the most recent recession that will enable them to better analyze future trends within the economy and within the banking system. These regulators are working to establish early warning systems and data banks that will result in an econometric model that should furnish better insights into the business cycle. This does not mean that the business cycle can be eliminated, or that such information will eliminate loan losses.

Much has been written regarding the role of bank holding companies in recent loan experience. It probably is true that a few HCs became involved in ventures beyond their areas of expertise and paid a price for it.

On balance, though, banking has come through its experiences in good shape and has proved its ability to be a viable part of our free-enterprise system in bad times as well as good. • •

JACK O. WEATHERFORD, president, Tennessee Bankers Association, and chairman, Murfreesboro Bank:

ADVERSE economic conditions and a 10% constitutional interest ceiling were the primary reasons for banks in Tennessee to suffer extraordinary loan losses in the recent past. These conditions caused regional banks to pursue high return investments out-of-state and forced them to assume an overly aggressive posture on state-wide and regional expansion.

To reverse the situation, banks in Tennessee are assuming a more conservative and realistic credit policy.

In order to make the loan-loss situation unlikely to recur in the future, banks should continue a realistic credit posture and generally stay within the field with which they are familiar, i.e., commercial and residential lending within their own market areas. This posture would minimize the REIT-type of investment that has caused so much trouble in the recent past.

In the name of more competitive banking, I feel the Comptroller and the Fed encouraged aggressive expansion without being realistic as to capital structure and management capability in many instances. This was particularly true in state-wide branching objectives as well as regional expansion of HCs.

Regulators should be aware of a need for proper capital structure to support the respective banking markets, and consider bank management capabilities before urging aggressive regional expansion.

Also, as we overplay "consumerism," I feel these regulatory authorities should objectively analyze the needs of and cost to the consumer and approach new services with a proper balance of these needs and costs to consumers. Having experienced several bank failures over the past three years, the banking system has adjusted well without loss to depositors. Now, I feel this banking system is a foundation on which to build, considering the necessity of strength compatible with service. An increased number of banking units, in the name of competition, will not provide this.

I do not believe that the Tennessee state banking commissioner could have helped avoid the loan-loss situation, at least, not with the present structure. The bulk of problems in Tennessee were among national banks that are not subject to the state commissioner of banking. However, I do not feel the problem was in the nature of the charter, but in the posture of credit commitments, most of which were in the national banking system through regional development.

I believe the state banking commissioner can do something now to improve the situation in Tennessee. Through his influence and coordination with other banking agencies, I feel a posture of strength should be developed in the state banking departments by virtue of planned staff training, competitive staff salaries with the banking system and removing political influence from the office of the commissioner of banking, insofar as possible. I do not feel the commissioner's appointment should be concurrent with the term of the governor.

I believe the HC movement had an influence on loan losses. In a competitive effort to aggressively overexpand HCs, unwise acquisitions were made, improper attention was given to the primary purpose of banking and the stance of this fast acquisition resulted in improperly trained staff organizations.

In summary, I feel the banking system is generally able to handle economic growth and I view commercial banking in Tennessee in most instances to be committed to serving its community. The dual banking system is very meaningful in that it provides a system more sensitive to the community needs than would a completely federalized system. The dual banking system should be preserved. • •

WAYNE STEWART, president, New Mexico Bankers Association, and president, First National Bank, Alamogordo:

BANKING in New Mexico has just experienced one of its greatest growth years in history. The composite deposit growth was nearly 13%, with some communities showing increases up to 35%.

New Mexico has great diversity in its economy. Most communities are small with their economic activities determined either by U. S. and state

government spending, or copper, oil and gas, uranium, potash and agriculture. Without exception, the strongest growth was in those areas of the state where energy-related products such as oil, gas and uranium are produced.

Although the demand for many of our products and services is directly related to the national economy, the concentrations of energy-related products and government spending have somewhat isolated New Mexico from the deep depression felt through the nation.

If there were problems in banking in New Mexico, they would have been in those areas with high dependence on agriculture and cattle feeding operations. There is little doubt that in 1974 and 1975 substantial losses were incurred by these banks, as well as their borrowers. Most cattle losses were sustained in 1974 and followed by poor crops and poor prices in 1975. Banks active in this type of lending have established substantial reserves to accommodate these conditions, and historically have done an excellent job in salvaging their customers.

Banking, as an industry, has just passed through the most difficult economic period since the 1930s; however, banking need not be singled out as a problem industry. Nearly all industries related to providing the needs of the consuming public, such as the appliance, automobile, garment and recreation industry sustained tremendous losses during the 1974-75 depression. Bankers have worked with their customers to prevent massive business failures and bankruptcies. Supervisory agencies, such as the comptroller, FDIC and Federal Reserve, "classified" many of these outstanding obligations as "substandard" and, as a result, these loans were charged against the banks' capital in determining capital adequacy as defined by the various regulators.

Had the bankers of the nation panicked in response to these loan classifications, massive business failures would have resulted, compounding our nation's economic problems. Banks kept our industries alive and able to respond to the business recovery which began in the summer and fall of 1975.

Publishing of the now famous list of "problem banks" cast upon the banking industry a shadow which will be difficult to overcome. Public confidence in banks is still strong as reflected by the continued growth in deposits of commercial banks. The greatest concern to banking today is not loss of public confidence, but the clamor of certain politicians for reform even though the problems of banking are more related to the economy of the country, rather than the quality of regulation.

The Comptroller's office and the FDIC, with the responsibility of regulating the majority of the banks in the nation, have been professional in their approach to bank regulation. Each agency has, as it should, protected the interest of the depositor at the expense of the banks. The FDIC has assessed the banks to provide not only the reserves which may be required to protect the depositor against loss, but also to pay the cost of supervising the banks. The Comptroller assesses all national banks a sufficient amount to pay the cost of operating the agency. I know of few other agencies of government which assess those they supervise and operate with little or no cost to the government.

Reform of the regulatory agencies by politicians would not have prevented the recent banking problems, and in fact, could have compounded the problems had banks been forced to liquidate many of their so-called "substandard loans." Improvements in examining procedures being initiated by the Comptroller's office should further improve the quality of bank regulations, but, in my opinion, the establishment of the Federal Banking Commission could set the industry back for many years to come. I do not wish to imply the banking industry is "lily white" and not in need of further regulation in certain areas.

Banks which have permitted uncontrolled transactions with major stockholders, directors and officers have failed. U. S. National in San Diego is a classic example of uncontrolled insider transactions. I do not mean to imply that banks should not loan money to stockholders, directors and officers within the limits allowed by law; in fact, these loans should be of the highest quality in the bank portfolio.

The Comptroller's "statement of interest" required of all directors is a meaningful step forward. Other means of identifying this type of transaction must be implemented with adequate powers to the regulatory agencies to assure prompt and forceful corrective action.

Although insider transactions and self-dealing have been the most significant problems in banking, there are other areas where concern should be expressed.

There seems to have been a desire since 1969 to see which can become the largest bank, or bank holding company, in the state or the nation. Acquisitions were often made at prices far in excess of the fair and reasonable market value of the bank being acquired by the holding company. After adding numerous small banks to the "lead bank," the holding company found itself well represented throughout the state.

Instead of devoting efforts to improving the quality of banking, HCs began to look for diversification, much as conglomerates of general industry had in years gone by. This led them into REITs, a problem area which will take banks and HCs years to overcome.

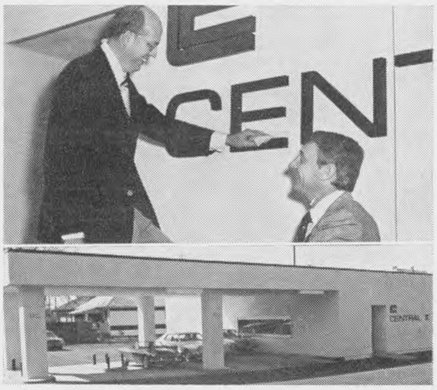
Chartering of banks has been restrictive, yet adequate to assure a competitive environment. If banking as an industry wishes to maintain the respect of the people, the image it has enjoyed in the past, it must not only provide a competitive banking atmosphere, but limit its activities to those directly related to banking.

We must not be negative in our approach to regulatory reform, but aggressively seek means of controlling insider and self-dealing transactions. We must also restrict other activities to those directly related to banking and only after showing expertise, adequacy of capital and a public need should banks be permitted to venture into other commercial activities.

Does all of this relate to banking in New Mexico? I think so. As previously stated, we must encourage and support meaningful changes in our industry. This means strengthening the position of the commissioner of banking, who regulates over half of the banks in New Mexico by assuring an adequate budget to develop a professional staff. We should also continue to oppose massive changes which would eliminate the Comptroller's office, and yet encourage close monitoring of all officer and director activities.

Entry into new ventures should be highly restrictive and closely regulated until the banking industry has had the opportunity to restore its capital position. • •

Central Bank Opens Drive-Up



At top, Dave Baker, v.p., Southwest Federal S&L, Wichita, polishes the name plate of the new Central II drive-up facility of Central Bank, Wichita, while Bank Pres. Robert Langenwalter supervises. The reason for Mr. Baker's interest is that he coined the Central II name. As can be seen in the lower photo, the drive-up is a detached facility with three lanes and parking space. Beryl Camacho serves as its manager.

1776 1976

Two Assemblies for Bank Directors in the Bicentennial Year

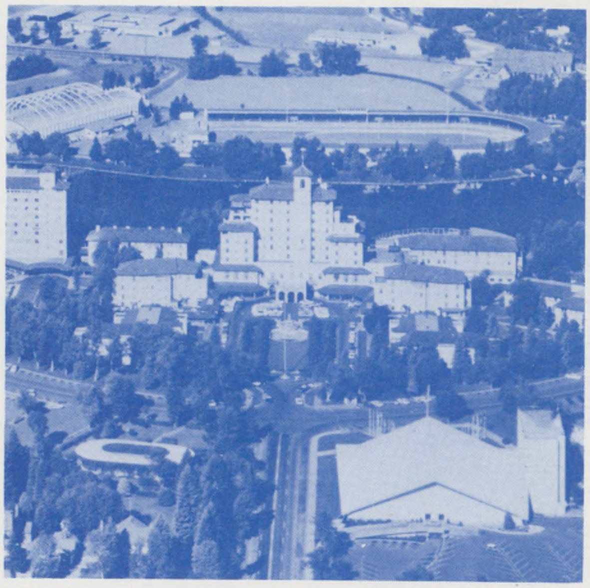
1968
THE ASSEMBLIES FOR BANK DIRECTORS

The 25th at The Broadmoor, September 4-7, 1976
in Colorado Springs, Colorado

The 26th at Pinehurst Hotel and Country Club
in Pinehurst, North Carolina, November 4-7, 1976

Sponsored by

The Foundation of The Southwestern Graduate School of Banking



THE BROADMOOR
COLORADO SPRINGS, COLORADO

Registration

In addition to registering for the Assembly with the Foundation, directors should reserve their accommodations directly with the hotel. The Foundation has reserved rooms for the Assembly.

The $300 director's and $100 spouse's registration fees cover pre and post-Assembly materials, lectures, discussion sessions, tours and receptions. A $25 deposit which is applied toward the total registration fee is required with each registration.

Directors are responsible to the hotel for their accommodations and expenses. Hotel accommodation forms will be sent registrants from the Assembly office, which registrants should return to the hotel.

The Assembly at the Broadmoor will be on the European plan. The Assembly fees will cover the meals indicated in the program.

REGISTRATION FORM
TWENTY-FIFTH ASSEMBLY FOR BANK DIRECTORS

The Broadmoor
Colorado Springs, Colorado
September 4-7, 1976

NAME: ______________________ Name called by: ______________________

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

Profession or Principle Business Interest ______________________ Title ______________________

Home Address: ______________________ Phone ______________________
Zip

Spouse will Attend? ______________________ If yes, spouse's name: ______________________

Bank Directorship held in: ______________________

President: ______________________ Size of Bank? ______________________

Number of Directors on Board: ______________________ Number of years on Board? ______________________

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

Directors Committees on which I have served: ______________________

____

Main Interest: Credit Area ____________ Trust Area ____________ Other ____________

Earlier Assemblies Attended: ______________________

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

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

What is the Assembly?

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

Twenty-three Assemblies were held from 1968 through 1975, and three are scheduled annually, 1976 through 1980. For 1976 and 1977 the programs of the Assemblies have been substantially modified in response to changing conditions in the economy and the banking system, with emphasis placed on director contributions to superior bank performance. During following years each program will be designed in response to changing conditions, and to contribute to further development of directors' abilities to contribute to their banks.

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

Faculty of the Twenty-Fifth Assembly

DIRECTOR

William H. Baughn, Dean, School of Business, University of Colorado, Boulder, Colorado; and Director, Stonier Graduate School of Banking

FACULTY

H. C. Carvill, Executive Manager, Arkansas Bankers Association, Little Rock, Arkansas
Edward B. Close, Jr., Partner, Hughes and Dorsey, Denver, Colorado
Albert H. Cloud, Partner, Peat, Marwick, Mitchell & Company, Dallas, Texas
James H. Denman, President, Citizens State Bank, Nevada, Missouri
Robert Y. Empie, President, Stock Yards Bank, Oklahoma City, Oklahoma
Harry Gatton, Executive Vice President, North Carolina Bankers Association, Raleigh, North Carolina
Joe T. Gilliland, Executive Vice President, Oklahoma Bankers Association, Oklahoma City, Oklahoma
James S. Hall, President, First Arkansas Bankstock Corporation, Little Rock, Arkansas
Roy D. Hartmann, Executive Vice President, Security Pacific National Bank, Los Angeles, California
Thomas E. Hays, Jr., President, First National Bank, Hope, Arkansas
Harold R. Hollister, Senior Vice President, United Missouri Bank of Kansas City, N.A., Kansas City, Missouri
C. C. Hope, Jr., Executive Vice President, First Union National Bank of North Carolina, Charlotte, North Carolina
Denton R. Hudgeons, Executive Vice President, New Mexico Bankers Association, Santa Fe, New Mexico
Richard B. Johnson, President, The Foundation of The Southwestern Graduate School of Banking, Dallas, Texas
Oran H. Kite, Chairman of Loan Policy Committee, Retired, Republic National Bank, Dallas, Texas; and Chairman, Commercial Banking Major, Southwestern Graduate School of Banking
Mike McGowan, President, The National Bank of McAlester, McAlester, Oklahoma
C. O. Maddox, Jr., Chairman of the Board and President, The Peoples Bank, Winder, Georgia
A. A. Milligan, President, Bank of A. Levy, Oxnard, California
John H. Perkins, President, Continental Illinois National Bank and Trust Company, Chicago, Illinois
Frank A. Plummer, Chairman of the Board, First Alabama Bank, N.A., Montgomery, Alabama
James B. Powers, Chairman of the Board and President, Planters National Bank and Trust Company, Rocky Mount, North Carolina
Will Mann Richardson, Senior Vice President and Trust Officer, Citizens First National Bank, Tyler, Texas
J. D. Schiermeyer, President and Chief Executive Officer, National Bank of Commerce, Lincoln, Nebraska
James E. Smith, Administrator of National Banks, Comptroller of the Currency, Washington, D. C.
Gerald R. Sprong, President, American National Bank, St. Joseph, Missouri
C. H. Starks, President, Citizens State Bank, Keenesburg, Colorado
Wilbur Stevens, Partner, Elmer Fox and Company, Denver, Colorado
Eugene L. Swearingen, Chairman of the Board and Chief Executive Officer, Bank of Oklahoma, Tulsa, Oklahoma
Quinton Thompson, Regional Director, Federal Deposit Insurance Corporation, Dallas, Texas
B. Finley Vinson, Chairman of the Board, First National Bank, Little Rock, Arkansas
Norman A. Wiggins, President, Campbell College, Buies Creek, North Carolina

Schedule & Events

TWENTY-FIFTH ASSEMBLY FOR BANK DIRECTORS
The Broadmoor
Colorado Springs, Colorado
September 4-7, 1976

William H. Baughn, Director

DIRECTORS' PROGRAM

TIME	*TOPIC OR ACTIVITY*	*SPEAKER*
Saturday, September 4		
3:30- 5:00 p.m.	Registration	
5:00- 5:15 p.m.	THE FOUNDATION AND THE ASSEMBLY	B. Finley Vinson
5:15- 5:45 p.m.	THE CHANGING FINANCIAL STRUCTURE	John H. Perkins
6:15- 7:15 p.m.	Reception	
7:15- 9:30 p.m.	Banquet and Talk - REGULATION AND BANKING'S FUTURE	James E. Smith
Sunday, September 5		
8:30- 9:00 a.m.	RECENT DEVELOPMENTS IN DIRECTOR LIABILITY	Edward B. Close, Jr.
9:00- 9:30 a.m.	THE ECONOMY AND THE BANKING OUTLOOK	To Be Selected
9:30-10:00 a.m.	CREDIT ADMINISTRATION	Roy D. Hartmann
10:00-10:15 a.m.	Coffee	
10:15-12:15 p.m.	Discussion Groups	
12:30- 2:00 p.m.	Luncheon and Talk - MANAGEMENT	Frank A. Plummer
2:00- 6:30 p.m.	Open	
6:30- 7:30 p.m.	Reception	
Monday, September 6		
8:30- 9:00 a.m.	MANAGING BANK INVESTMENTS	Harold R. Hollister
9:00- 9:30 a.m.	EFTS AND ITS IMPLICATIONS	J. D. Schiermeyer
9:30-10:00 a.m.	CAPITAL NEEDS AND PLANNING	James S. Hall
10:00-10:15 a.m.	Coffee	
10:15-12:15 p.m.	Discussion Groups	
12:15- 6:30 p.m.	Open	
6:30- 9:30 p.m.	Chuck Wagon Outing	
Tuesday, September 7		
8:30- 9:00 a.m.	BOARD FUNCTIONS AND COMMITTEE ORGANIZATION	B. Finley Vinson
9:00- 9:30 a.m.	ANALYZING BANK OPERATIONS	Gerald R. Sprong
9:30-10:00 a.m.	THE DIRECTOR'S ROLE IN BANK AUDITS	Albert H. Cloud
10:00-10:15 a.m.	Coffee	
10:15-12:15 p.m.	General Discussion Groups	
	Special Discussion Groups	
	A. Trusts	Huck, Richardson, Wiggins
	B. New Banks	Denman, Hays, McGowan, Thompson
12:15 p.m.	Conclusion of Assembly	

SPOUSES' PROGRAM

TIME	*TOPIC OR ACTIVITY*	*SPEAKER*
Saturday, September 4		
6:15- 7:15 p.m.	Reception	
7:15- 9:30 p.m.	Banquet and Talk - REGULATION AND BANKING'S FUTURE	James E. Smith
Sunday, September 5		
10:00-10:30 a.m.	WHAT BANKING IS ABOUT	Eugene L. Swearingen
10:30-11:30 a.m.	TRUSTS AND YOU	Will Mann Richardson
11:30-12:00 p.m.	Sherry	
12:30- 2:00 p.m.	Luncheon and Talk - MANAGEMENT	Frank A. Plummer
Monday, September 6		
9:00-11:30 a.m.	Tour and Brunch	
6:30- 9:30 p.m.	Chuck Wagon Outing	

COUNSELORS

H. C. Carvill
James H. Denman
Robert Y. Empie
Harry Gatton
Joe T. Gilliland
Thomas E. Hays, Jr.

C. C. Hope, Jr.
Denton Hudgeons
Oran H. Kite
Mike McGowan

C. O. Maddox, Jr.
A. A. Milligan
James B. Powers
Will Mann Richardson

C. H. Starks
Wilbur Stevens
Eugene L. Swearingen
Quinton Thompson
Norman A. Wiggins

Schedule & Events

TWENTY-SIXTH ASSEMBLY FOR BANK DIRECTORS
Pinehurst Hotel & Country Club
Pinehurst, North Carolina
November 4-7, 1976

C. C. Hope Jr., Director *

DIRECTORS' PROGRAM

TIME	*TOPIC OR ACTIVITY*	*SPEAKER*
Thursday, November 4		
3:30- 5:00 p.m.	Registration	
5:00- 5:15 p.m.	THE FOUNDATION AND THE ASSEMBLY	B. Finley Vinson
5:15- 5:45 p.m.	MARKETING AND THE BANK DIRECTOR	C. C. Cameron
6:00- 7:00 p.m.	Reception	
7:00- 9:00 p.m.	Dinner and Talk - NEW HORIZONS	James E. Smith
Friday, November 5		
8:30- 9:00 a.m.	LEGAL RESPONSIBILITIES OF DIRECTORS	William H. Bowen
9:00- 9:30 a.m.	LOAN PROBLEMS TODAY - WHAT THE DIRECTOR SHOULD KNOW AND DO	John G. Medlin, Jr.
9:30-10:00 a.m.	THE FUNCTIONS AND CONTRIBUTIONS OF REGULATION	Kenneth A. Randall
10:00-10:15 a.m.	Coffee	
10:15-12:00 p.m.	Discussion Groups	
12:00- 2:00 p.m.	Luncheon and Talk - REAL ESTATE PROBLEM LOANS AND THE FUTURE	Richard L. Kattel
6:30- 7:30 p.m.	Reception	
7:30- 9:00 p.m.	Dinner	
Saturday, November 6		
8:30- 9:00 p.m.	WHAT MANAGEMENT EXPECTS FROM A DIRECTOR	To Be Announced
9:00- 9:30 a.m.	WHAT A DIRECTOR SHOULD EXPECT FROM MANAGEMENT	Edwin L. Jones, Jr.
9:30-10:00 a.m.	EVALUATING MANAGEMENT	Frank A. Plummer
10:00-10:15 a.m.	Coffee	
10:15-12:00 p.m.	Discussion Groups	
12:15 p.m.	Informal Discussions and Recreation	
Sunday, November 7		
8:30- 9:00 a.m.	CAPITAL NEEDS IN BANKING	Frederick Deane, Jr.
9:00- 9:30 a.m.	ECONOMIC PROSPECTS AND THE BANKING OUTLOOK	Thomas I. Storrs
9:30-10:00 a.m.	MONETARY POLICY	Robert P. Black
10:00-12:00 p.m. (Coffee served in Meeting Rooms)	General Discussion Groups A. PLANNING, MARKETING AND DIRECTOR-MANAGEMENT RELATIONS - Jones, Plummer, Storrs B. TRUST BUSINESS - Fortescue, McIntyre, Wiggins C. LEGISLATION AND POLICY - Black, Kimbrel, Randall, Smith	

SPOUSES' PROGRAM

TIME	*TOPIC OR ACTIVITY*	*SPEAKER*
Thursday, November 4		
6:00- 7:00 p.m.	Reception	
7:00- 9:00 p.m.	Dinner and Talk - NEW HORIZONS	James E. Smith
Friday, November 5		
10:00-10:30 a.m.	WHAT BANKING IS ABOUT	Frank A. Plummer
10:30-11:30 a.m.	TRUSTS AND YOU	Norman A. Wiggins
11:30- 1:30 p.m.	Sherry and Luncheon	
6:30- 7:30 p.m.	Reception	
7:30- 9:00 p.m.	Dinner	

COUNSELORS

Hugh M. Chapman
Hugh P. Fortescue
Harry Gatton *
Charles W. McCoy

John W. McIntyre
Rex J. Morthland
Clifton A. Poole, Jr.
James B. Powers *

Charles E. Rice
Philip F. Searle
Donald L. Tarleton
B. Finley Vinson
Norman A. Wiggins *

*Also members of the Steering Committee of the 26th Assembly.

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

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

Faculty of the Twenty-Sixth Assembly

DIRECTOR

C. C. Hope, Jr., Executive Vice President, First Union National Bank of North Carolina, Charlotte, North Carolina

FACULTY

Robert P. Black, President, Federal Reserve Bank, Richmond, Virginia
William H. Bowen, President, Commercial National Bank, Little Rock, Arkansas
C. C. Cameron, Chief Executive Officer, First Union National Bank of North Carolina, Charlotte, North Carolina
Hugh M. Chapman, Chairman of the Board, Citizens and Southern National Bank, Columbia, South Carolina
Frederick Deane, Jr., Chairman of the Board, Bank of Virginia, Richmond, Virginia
Hugh P. Fortescue, Corporate Executive Officer-Trust, Virginia National Bank, Richmond, Virginia
Harry Gatton, Executive Vice President, North Carolina Bankers Association, Raleigh, North Carolina
Richard B. Johnson, President, The Foundation of The Southwestern Graduate School of Banking, Dallas, Texas
Edwin L. Jones, Jr., President, J. A. Jones Construction Company, Charlotte, North Carolina
Richard L. Kattel, Chairman of the Board and President, Citizens and Southern National Bank, Atlanta, Georgia
Charles W. McCoy, Chairman of the Board and President, Louisiana National Bank, Baton Rouge, Louisiana
John W. McIntyre, General Vice President-Trust, Citizens and Southern National Bank, Atlanta, Georgia
John G. Medlin, President and Chief Operating Officer, Wachovia Bank and Trust Company N.A., Winston-Salem, North Carolina
Rex J. Morthland, Chairman of the Board and Trust Officer, Peoples Bank and Trust Company, Selma, Alabama
Frank A. Plummer, Chairman of the Board, First Alabama Bank, N.A., Montgomery, Alabama
Clifton A. Poole, Jr., Regional Administrator of National Banks, Fifth National Bank Region, Comptroller of the Currency, Richmond, Virginia
James B. Powers, Chairman of the Board and President, Planters National Bank and Trust Company, Rocky Mount, North Carolina
Kenneth A. Randall, Chairman of the Board and Chief Executive Officer, United Virginia Bankshares, Inc., Richmond, Virginia
Charles E. Rice, President and Chief Executive Officer, Barnett Banks of Florida, Inc., Jacksonville, Florida
Philip F. Searle, Chairman of the Board and Chief Executive Officer, Flagship Banks, Inc., Miami Beach, Florida
James E. Smith, Administrator of National Banks, Comptroller of the Currency, Washington, D. C.
Donald L. Tarleton, Regional Administrator of National Banks, Sixth National Bank Region, Comptroller of the Currency, Atlanta, Georgia
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The Assembly at the Pinehurst will be on the American plan, and the quoted daily rates will include standard breakfasts, luncheons and dinners. The Foundation will pay the hotel an additional amount to provide supplements to all meals.

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ADDRESS CORRECTION REQUESTED

ABA's First 'Conference on Cities' To Feature Representative Reuss

CHAIRMAN Henry S. Reuss (D., Wis.) of the House Banking, Currency and Housing Committee has been scheduled to address the opening session of the ABA's first "Conference on Cities." His topic will be a congressional view of the banking industry and community development.

The conference is slated for the L'Enfant Plaza Hotel in Washington, D. C., May 24-25. Banker registration for the event has been limited to 275 due to available space at the hotel.

Designed for CEOs, the conference is being sponsored by the ABA's Urban and Community Affairs Committee.

Other spotlighted speakers include:

• George H. Dixon, chairman and president, First National, Minneapolis, who will discuss that city's urban redevelopment program. Mr. Dixon has been nominated by President Ford as deputy secretary of the Treasury.

• Mayor Peter Flaherty of Pittsburgh. He will identify selected problem areas and banker involvement in housing, education and business development.

• Richard Netzer, urban economist and dean, Graduate School of Public Administration, New York University, who will head a panel presenting a range of alternatives for financing services to the public.

• James F. Bodine, president and CEO, First Pennsylvania Bank, Philadelphia, who will discuss the relationship between private development and public finance and alternative forms of local government.

• J. C. Baillargeon, chairman and CEO, Seattle Trust, and Thomas J. Stanton Jr., chairman and CEO, First Jersey National, Jersey City, N. J., who jointly will discuss housing, community and business development in downtown areas. Mr. Stanton is chairman, ABA Urban and Community Affairs Committee.

• Benjamin H. Paddock III, president, City National, Detroit. He will consider the topic of human resources development: health services, crime control, local transportation and education.

Conference registration opens at the L'Enfant Plaza Hotel 3 p.m., May 24. A 5 p.m. reception May 25 will conclude the program.

For additional information, contact Thomas I. Ahart, director, Urban and Community Affairs Committee, American Bankers Association, 1120 Connecticut Avenue, N. W., Washington, DC 20036. • •

KC City Hall Final Payment

"Is the city's credit rating OK?" Kansas City Mayor Charles Wheeler (l.) asks Jerome H. Scott Jr., president, United Missouri Bank. The occasion was the final payment by the city on its 29-story city hall, which was built in 1936 at a cost of $8 million. The bank had served as paying agent for the bond issue, and Mr. Scott is seen here receiving the final payment during a bond-burning ceremony.

Bank-Developed ATM System Franchised to Local S&L

ARDMORE, OKLA.—A joint effort between a bank and an S&L in this community has resulted in the installation of remote electronic banking facilities in two shopping centers.

The system was developed by Lincoln Bank, which has operated an ATM on its premises for some time. Due to the anti-branching regulation in Oklahoma, the bank turned over operation of the new system to Lincoln Savings & Loan, which has created Lincoln Money Services to run the remote facilities terminal system under license from the bank.

The system is said to be the first unmanned automated banking system in the state to be on-line, and is considered to be the forerunner of future unmanned terminals. The ATM facilities will complement POS terminals now being installed in stores.

NABW Tri-Regional Conference Set for St. Louis in May

ST. LOUIS—The 1976 Lake, Midwest and North Central Regional Conference of the National Association of Bank-Women Inc., has been set for Stouffer's Riverfront Towers here May 26-28.

Patricia Bartsokas, assistant vice president-marketing, First National, Belleville, Ill., is chairman. Vice chairman is June Darby Ellison, advertising and public relations officer, Mercantile Bancorp., St. Louis. Honorary chairman is Ruth A. Bryant, vice president, Federal Reserve Bank of St. Louis and a former NABW president.

The conference is expected to attract several hundred women bank executives from a 12-state area. Conference theme is "Spirit of '76," and attention will be focused on banking issues facing the industry and the nation. Management- and banking-oriented sessions will be held.

Among the speakers scheduled are W. Liddon McPeters, ABA president-elect, and Congresswoman Leonor Sullivan, first woman elected to Congress from Missouri.

Making plans for NABW Tri-Regional Conference in St. Louis May 26-28 are (from l.) Patricia Bartsokas, ch.; June Darby Ellison, vice ch.; Janet G. Pender, North Central regional vice president (RVP); Marilynn Eschenberg, Lake RVP; Pauline Deines, Midwest RVP; and Ruth Bryant, honorary ch.

LEFT: from l., Ruth Kolpin, Carthage Broadcasting Co.; R. Crosby Kemper, HC ch.; and William Knight, Carthage. CENTER: Edward K. Powell, Hermann Lumber Co.; Robert Phillips, pres., United Missouri Bank, Milan; and Thomas Baird III, Concrete Co., Springfield. RIGHT: Don Schooler Jr., pres., United Missouri Bank, Springfield; Mrs. Schooler; Kathy Clarke, Springfield; Robert L. Hawkins Jr., dir., United Missouri Bank, Jefferson City; Mrs. Hawkins.

Nearly 500 'Bused' to Springfield For United Mo. Bancshares Meeting

By DANIEL H. CLARK
Editorial Assistant

NEARLY 500 investors, business leaders and bank executives boarded chartered buses in Kansas City and Kirkwood, April 21, and began a journey to Springfield for the annual meeting of United Missouri Bancshares.

The meeting was held April 22 at the Howard Johnson's Motor Lodge, but prior to their arrival in Springfield, those on the bus that left United Missouri of Kirkwood stopped in Jefferson City for a tour of the Main Bank and Facility of United Missouri Bank. After the tour, all were invited to the home of Mr. and Mrs. John Kreighbaum, the bank's president, for cocktails and luncheon. Those who took the Kansas City buses visited United Missouri Bank, Carthage, en route. Afterwards, Mr. and Mrs. Gil Roper held a cocktail party and luncheon.

At the meeting in Springfield, HC Chairman R. Crosby Kemper told those in attendance that electronic funds transfer (EFT) software is under development for use in the Kansas City- and St. Joseph-area United Missouri banks. It is hoped, he revealed, that the software will be in use by year-end in affiliate banks.

Mr. Kemper indicated that Umbert, the live bengal tiger that has served as the symbol for the HC and its affiliate banks, will become "friendlier" in the future. The live tiger will be replaced with a cartoon version.

In addition, Mr. Kemper had the following news for those in attendance:

• The HC's earnings for first-quarter 1976 were up 8% over the same period last year. Net income was $2,293,000, a gain of $170,000.

• Total first-quarter assets of the HC reached $1,004,392,000, up 7.3% from a year ago.

• To maintain profits in its trust operations, United Missouri Banschares will limit those operations to its banks in Kirkwood, Kansas City and Carthage.

• United Missouri Bank of Jefferson County, Arnold, has received regulatory approval to install a banking facility in Ziegler's Super Market, which is located on Highway 231 at Lower Tenbrook Road. The facility should be in operation by July 1, Mr. Kemper said.

A luncheon followed the meeting, and three speakers were on hand: Harry M. Cornell Jr., president, Leggett & Platt, Inc., Carthage; Louis Fox, president, Associated Wholesale Grocers, Inc., Kansas City; and Irvine O. Hockaday Jr., president, Kansas City Southern Industries, Inc. • •

LEFT: from l., Howard F. Randall, Friend Tire Service, Monett; O. E. Parscale, dir., Gillioz Bank, Monett; and Jack L. Fox, bank pres. CENTER: John Kramer, pres., United Missouri Bancshares; Don Wessel, Springfield; and Jerome H. Scott Jr., pres., United Missouri Bank, Kansas City, and HC dir. RIGHT: Copper Stinson; Wade R. Stinson, pres. & CEO, United Missouri Bank, St. Louis; Clare Genovese; and Peter J. Genovese, pres. & CEO, United Missouri Bank, Ferguson.

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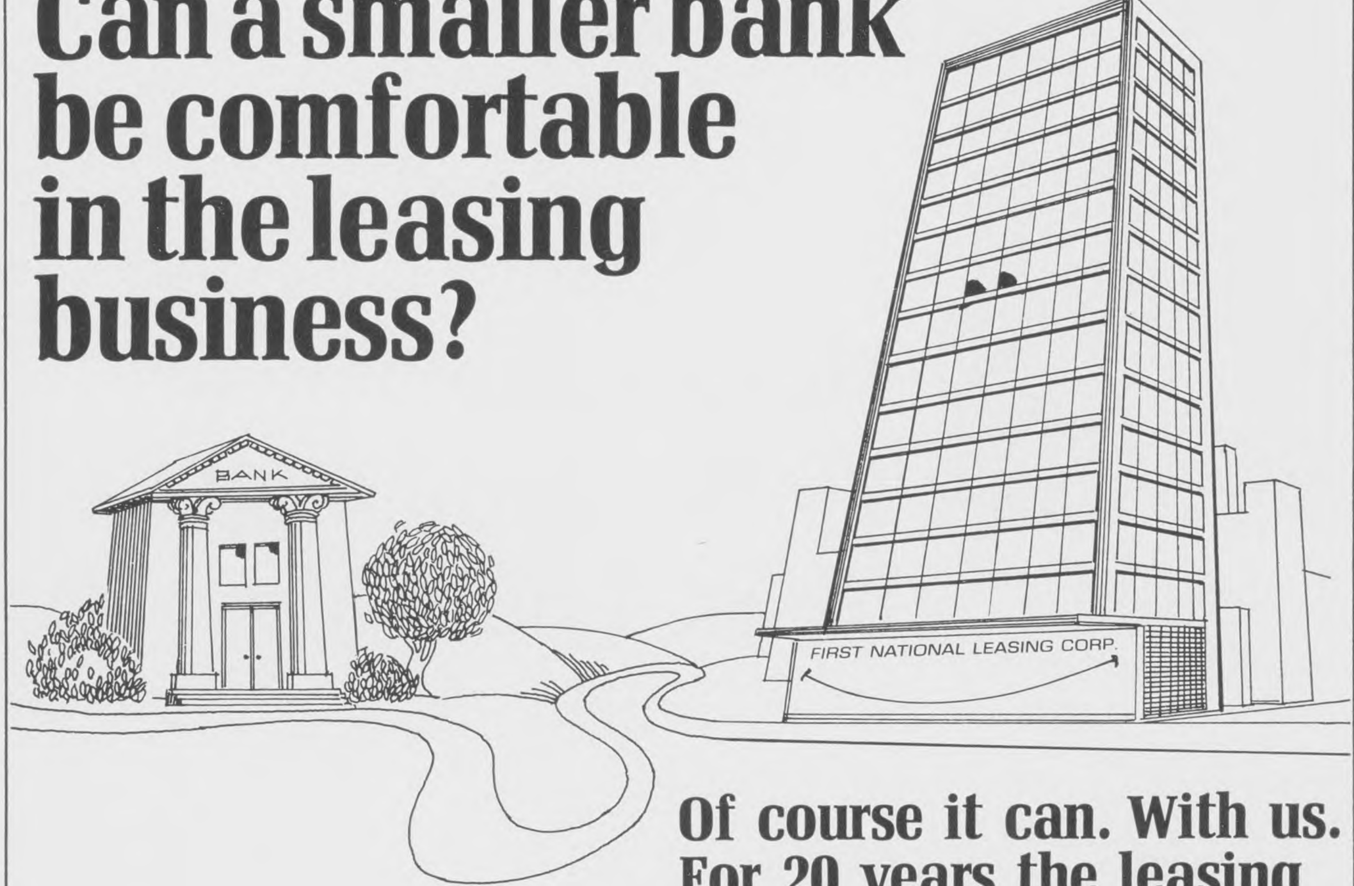

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On the Cover

Dramatic dusk-view of Mercantile Trust's banking headquarters (in foreground) and new Mercantile Tower, 35-story steel and glass office structure to be dedicated May 20. Tower, which houses departments of bank, Mercantile Mortgage Co., offices of parent HC Mercantile Bancorp. and tenant space, features unusual design, providing as many as 16 corner offices per floor instead of usual four. In addition to corner articulation, structural frame provides bold design that brings wind-resistant capability to corners of building, rather than weaving it through elevator shafts and other services in building's core.

Mercantile Tower To Be Dedicated In St. Louis May 20

DEDICATION ceremonies for Mercantile Tower in downtown St. Louis will be held on May 20. The 35-story steel and glass building is the first unit of Mercantile Center, which, when completed, will cover a six-block area and will include a hotel, shops and three more high-rise commercial towers.

The $30-million Tower houses various departments of Mercantile Trust that previously were located in several buildings in the downtown area. The Tower also domiciles the offices of Mercantile Bancorp. and affiliate firms, such as Mercantile Mortgage Co.

The Tower is adjacent to Mercantile Trust's banking operation, which remains in the doric-columned building at the corner of Eighth and Locust streets. The bank and Tower buildings are connected by a pedestrian walkway on the second and third levels. Also adjacent to both structures, and connected by a walkway, is the recently opened Mercantile parking garage, which has a capacity of 385 vehicles.

Mercantile Tower stands 455 feet tall and is topped by a 30-foot penthouse containing servicing equipment. The Tower rests on eight piers, each driven 53 feet into the ground. Some 6,200 tons of structural steel went into the building, along with 220,000 square feet of glass and almost 100 tons of travertine marble imported from Italy.

Plans for Mercantile Center were announced in October, 1972, and construction of the Tower began in the spring of 1973. Initial occupancy of the Tower began last September and all departments were in their new quarters by early 1976.

Mercantile Trust and Mercantile Bancorp. occupy floors three through 19, with the remaining space leased to tenants.

Main entrance to the 760,000-square-foot tower is on Seventh Street. The street floor includes a large vestibule leading to banks of elevators, a restaurant and shops. The podium (mezzanine) level is reached by escalators and gives access to a large open area suitable for displays. The podium was the site of an exhibit entitled "The Art of the Japanese Package" staged in cooperation with the St. Louis Art Museum last February. Also on the podium level is a "Fingertip Banking" automatic teller machine operated by Mercantile Trust.

Executive offices are located on the 14th floor, as is a unique multi-media/presentation room that is equipped with audio-visual facilities.

Mercantile Center is expected to be developed over a 10-year period within a six-block area bounded by Washington Avenue, Locust Street, Broadway and Eighth Street. The 800-room hotel is planned for the eastern portion of the property, with the three highrise towers (24, 27 and 51 stories) planned for the middle portion of the site. These buildings, plus retail stores, shops and landscaped open spaces, will be connected by enclosed walkways that will form a pedestrian level above street grades.

Developer of the Center is Mercantile Center Redevelopment Corp., which was formed under Missouri statutes as a joint venture by the bank and Crow, Pope & Land Enterprises of St. Louis. Each firm holds a 50% share in the venture.

At the time of the announcement of plans for the Center, Donald E. Lasater, chairman of both Mercantile Trust and Mercantile Bancorp. and a director of Mercantile Center Redevelopment Corp., noted that the Center would have a rejuvenating effect on the entire downtown area of St. Louis in terms of increased employment, property values and general business activity.

He said that one of the fundamental purposes of the project was to go beyond the essential requirement of providing the community with a needed forward economic thrust.

"It is, therefore," he said, "also our goal that the practical imagination expressed by the size, scope and physical and visual impact of the Center will stimulate all citizens toward a more aggressive and positive attitude on behalf of St. Louis.

"We want everyone to take a bit of community pride in this project," he said, "as well as benefit from its development. In addition, we want the nation to know this Center exists in St. Louis."

Sverdrup & Parcel & Associates, Inc., St. Louis, are supervising and coordinating architects and engineers for Mercantile Center. Thompson, Ventulett & Stainback, Inc., Atlanta, are the project's master plan and design architects.

TOP: Office of Mercantile Trust President Harrison F. Coerver on 14th floor of Mercantile Tower has view windows on three sides, kelly green rug. View includes Mississippi River, locks. SECOND FROM TOP: A unique feature of the executive floor of Mercantile Tower is this presentation room with walls of red oak. Motorized front panels are open to reveal rear-projector screen and chalkboard. SECOND FROM BOTTOM: Headquarters office of Mercantile Bancorp., HC with 26 affiliates, anchored by Mercantile Trust, St. Louis. BOTTOM: Podium level of Tower is used for special displays and is reached from street level by escalator. In center is Mercantile Trust "Fingertrip Banking" ATM.

Applying Marketing Techniques To Debt-Instrument Sales

By Frederick Deane Jr., Chairman & CEO, Bank of Virginia Co., Richmond

Bank of Virginia Co., a Richmond-based multibank holding company with 13 Virginia banking affiliates and 136 statewide offices, registered with the SEC last March for a $10-million self-sale of capital notes. If the sale is approved, plans call for a duplication of a 1975 sale as respects marketing strategy and note characteristics.

TODAY, as a rapidly changing and increasingly more competitive financial environment unfolds, our planning procedures certainly must involve use of more extensive and innovative methods of generating equity and debt capital.

The reasons are clear.

Equity and debt capital in greater amounts is required to support the credit expansion necessary to the nation's economic growth and social well-being. Indeed, it's anticipated that we will be hard pressed to keep pace with the projected credit and investment capital needs of both the private and public sectors. Notwithstanding, banking will require additional capital to support adequately our own growth and development as an aggressive, full-service competitor in an emerging environment characterized, as we all recognize, by new rules of the road.

Most especially, banking will need larger amounts of equity and non-equity capital to facilitate:

- Continued growth of existing bank-related affiliates in their capacity as specialized lenders.
- Additional geographic expansion and product diversification, both in the bank and bank-related areas.
- Funding of the potentially staggering costs associated with a transition to an electronic banking age.

In looking ahead, therefore, it seems clear that our need for capital—whether debt or equity—should intensify. So will the competition for this precious commodity, with the result that it may prove more costly to acquire. Most certainly, banks and bank holding companies will be disclosing more information about our operations to obtain capital.

Finally, the capital acquisition game will be made harder by our industry's collective performance over the past two or three years. Simply said, the "bloom is off the rose" with respect to the holding company movement. We no longer are the darlings of the marketplace. Winners in the chancy game of capital acquisition will be those institutions with proved, solid and consistently excellent performance.

Consequently, our response—as individual banks and as an industry—will be to heighten efforts to acquire traditional sources of capital funds that, first, provide flexibility as regards timing, and, second, provide optimum cost stability. No less, our response will be to:

- Seek capital outside traditional money centers, particularly in our own markets where we have the advantage of being well known or at least better known.
- Experiment with new methods of attracting equity or debt capital.
- Accordingly, push for necessary legislative and regulatory changes that facilitate innovation.

The purpose of this article is to discuss the generating of new sources of non-equity capital. In particular, it is to discuss Bank of Virginia Co.'s experience with the self-sale of capital notes as an innovative method of raising non-equity capital.

Innovation, of course, implies something new. Actually, neither capital notes nor the self-sale concept is new. Both approaches have been around for some time.

What is innovative, however, may be the demonstration that subordinated debt can be marketed successfully to consumers as investors in a regional holding company's own back yard. The key word here is *marketed*. Our successful experience can be traced to a decision—*an innovation in philosophy*—to apply marketing techniques to the sale of debt instruments. We treated them as a *product*, just as in a savings account or an auto loan campaign.

Our first experience with the self-sale of capital notes occurred in 1970. We selected the self-sale route because we believed it would be less expensive both in terms of interest paid and actual sales expense.

We offered $6 million with three maturities (five, 10 and 15 years) at rates ranging between 7½%-8%. The greatest response (75% of sales) was in the five-year maturity. Our 1970 sale, which was completed within six weeks, was

Mr. Deane joined Bank of Virginia-Central in Richmond, flagship bank of Bank of Virginia Co., in 1953. At 39—in 1965—he was elected pres. and chief administrative officer of the parent firm. In 1973, Mr. Deane assumed his current posts of ch. & CEO of the HC and also ch., Bank of Virginia-Central.

marketed through direct mail, newspaper advertising and bank-office lobby sales involving personal solicitations by 100 bank officers.

During the third week of this sale, the Comptroller of the Currency ordered the two national bank affiliates in our statewide multibank holding company to stop selling since it violated the Glass-Stegall Act. The basis for the alleged violation was the use of *bank* officers to sell parent company notes.

The Federal Reserve Board, which exercised authority over our parent company and our "flagship bank," remained silent until the final day of our 1970 sale. We then were told we could not do what we had done, though what we had done need not be altered.

What we had done, of course, was to *easily* sell $6 million in capital notes through our affiliate banks within our *principal marketplace*—and by *ourselves,* not through a broker.

With modifications, we repeated this performance in mid-1975. Accordingly, we:

• Registered with the Securities & Exchange Commission for a $15-million sale, with the expectation of marketing at least $10 million. The leeway was desired in case the sale went over exceptionally well.

• Offered the capital notes at 9% in consumer denomination multiples of $500 with a seven-year maturity. We also included a repurchase agreement allowing noteholders, under certain conditions, to sell back part or all of their holdings at specific periods over the seven years.

• Licensed six HC officers to sell the notes in Virginia. Certain members of this group also were licensed as salesmen in other states.

• Utilized direct mail and newspaper advertising heavily. Most important, we avoided customary "tombstone advertising" and promoted our note issue with easily understood copy employing good graphics. Our promotional material—in a very positive manner—highlighted the note issue's 9% rate. We satisfied fully all SEC disclosure requirements, including the necessity of differentiating between subordinated debt and a deposit account insured by the FDIC. *But we marketed the rate, and the ad did not look like a legal notice.*

Our licensed salesmen were just that —*salesmen.* They contacted old (1970) noteholders and asked them to exchange their maturing debt issues for the new ones. They responded by telephone to Virginia and surrounding state prospects making inquiries as a result of newspaper advertisements. And they called on prospects targeted through preparation of researched customer lists—what bank marketers call "segmented marketing."

The 1975 note sale was started in late May and closed out in early November. Proceeds totaled $12.6 million. Some 75% of the sales were to Virginians, and we were surprised at the large number of substantial sales to consumers.

Prior to the sale, a question was raised concerning the ethics of selling a capital instrument without the assistance of underwriters to a presumably uninformed public. Let me respond to this point.

First, the note issue was aimed at a specific market—the small individual saver-investor—as indicated by the following features:

• The offering of monthly or semiannual interest payments.

• The fact that the issue was offered in low-denomination multiples ($500).

• The rate was set well above the rate available to investors at thrift institutions, the primary competing form of investment.

• The repurchase option, at par, and with no loss of principal or interest. Indeed, if noteholders so desire, we must redeem up to 10% of the original issue per year *minimum.*

Second, we complied with all relevant disclosure requirements and proceeded in the sale with no complaint from federal or state regulatory authorities.

Third, our own well-informed officers explained the prospectus to the public.

Here, then, is our experience over the past five years with two parent company capital note issues aimed at consumer investors. To summarize, the lessons we learned were:

1. A cost-stable source of funds is available to be tapped locally (regionally).

2. Self-sale is a relatively inexpensive method of attracting these funds.

3. The key to success is selling—that is, applying marketing techniques and offering a competitive rate.

Self-sale of capital notes is one method of raising non-equity capital. It is one method of dealing with our need to generate more equity and debt capital for the future needs of our industry and the many publics we serve. While it merits your attention as a program that was successful in our market, and perhaps meriting imitation, it more importantly should earn your consideration as but one in a number of new methods by which needed capital can be acquired. • •

Techniques

(Continued from page 30)

gaged or refinanced. However, do not expect such lenders to take on a problem—they're interested only to the extent you would be if you were making that maturity loan.

If refinancing is not appropriate, either by yourself or others, then you might consider retrenching. This solution is often used in a declining sales and earnings situation where you have been unsuccessful in getting management to do anything about its basic problem. The company is going downhill, and your goal is simply to get out long before it reaches bottom. In this instance, you reduce your exposure at appropriate intervals until you are paid —of course, before management finds it necessary to close shop. You simply require systematic reductions in your loan, whether or not you actually term or schedule your notes.

Another possibility is to bring in a commercial finance firm. This method is most appropriate in the case where a company's business is basically sound but the current debts are too heavy and neither you nor anyone else feels that a term loan is appropriate at this time. The object here is to continue lending, secured by the company's current assets so that, if further problems develop, the loan will be self-liquidated as such assets run down. To do so, however, you need the direct control and expertise that a commercial finance company or factor is better able to provide. After setting up a receivables or inventory loan, you often participate with the commercial finance company.

Another possibility to be considered is another bank. The ethics of interbank inquiries should always be observed, but banks do sometimes disagree on what is an acceptable risk. And, remember, losing business is sometimes the best job you can do for your bank. No banker wants anyone else's problems, and certainly not a potential charge-off, but the fact is that banking is a competitive business and your aggressive competitor may sometimes step in just when you want out. Also, if asked, don't hesitate to give your borrower the address of your competitor!

One additional approach should be mentioned. Quite often, the borrower just does not listen to your suggestions, much less become cooperative, and your efforts are not accomplishing anything. One way to get his attention is to "turn the value," so to speak, by bumping your rate on other fees. This not only gets his attention, but it serves your bank properly in that the company seldom qualifies for the lower rate extended earlier. You are taking more risk and should be paid accordingly.

This approach may also have one of two other laudable aspects. It may make the borrower more eager to take those steps which will return him to a more acceptable credit and thus qualify him for the former charges. Second, it might make him more sensitive to the overtures of another lender to replace you, which may be the solution you want.

Oftentimes, it is not enough or not appropriate to restructure the company's debts; what is really needed is to restructure the company itself. This is particularly true when you are convinced that the basic problem is management.

In this case, a useful step might be to suggest that management bring in an outsider—a consultant. A good professional consultant will not only give the company management assistance but, more importantly, can provide a new, objective view of the situation and, hopefully, would feel free to express a considered opinion of what the problem is. Even if you have correctly identified the problem as being managerial in nature, it is not always as easy for the banker to communicate that fact as it is for an outsider, especially for long-time customers.

The key to suggesting the use of an outsider is in identifying the right consultant for the particular situation. If you can suggest the right firm or individual for your customer, many times the consultant will be able to provide the assistance necessary to turn the situation around.

Another solution is to suggest the disposal of assets. In this instance, your intention is, not only to help the company in putting itself on a more sound footing, but also to get your loan reduced from all or part of the proceeds. This method can range from selling specific assets to a planned, partial liquidation of the business. Specific assets that can be sold may include excess inventory, surplus land, etc.

A further step might be the disposal of entire operating units, including wholly or partially owned subsidiaries and, in this instance, the logical candidates are those that either are not really essential to the main thrust of the business or that threaten to bring down the rest of an otherwise good company. Again, this solution might have two distinct benefits—it can help channel the company's efforts in a more productive direction and it can help raise some much-needed cash that can be applied to your loan.

Another method of restructuring your problem credit is to promote a merger, sale or even a final, full liquidation of the business. If you can help find the right partner for a merger or sale, it is often the best way out for everyone concerned. It can be a quick, relatively painless way to solve the basic problem but still continue the business. Although this solution can be quite difficult to accomplish, especially when the economy is in poor shape, there are times when the perfect solution is to arrange a marriage with a strong, expansion-minded partner.

There are also times when the best solution is to quit trying—to liquidate the business entirely. The problem may be so fundamental that all other solutions are not promising, and no one would be interested in the business as a whole. Then the answer might be to convince the company to liquidate, to sell the assets in as orderly a fashion as possible, pay the debts and let the stockholders use remaining capital in a more productive way.

Most of the methods of working out a problem deal with the various means of supporting or protecting your loan to get "money good" while you and the company try to reach solutions leading to a satisfactory continuation of the business. You should not forget, however, that one other much more direct method exists—your right of offset. It is time to offset when the situation is hopeless and you can see no possibilities of salvaging the customer. Your primary concern is to get your money back and to preserve the assets of your bank. This situation may arise after you have tried all other approaches or it may arise because of some catastrophic or fraudulent event suddenly becoming evident. In either event, if it is the only way to rescue even part of your loan, then do not hesitate—offset.

All good bankers are aware that there are public relations aspects to handling problem loans. At the same time, however, your No. 1 priority must be the preservation of your bank's assets. If offset is necessary to accomplish this, then use it.

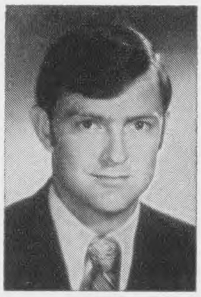
If adequate review systems exist, and appropriate actions are taken along the lines suggested, then the incidence of bankruptcy, formal and informal creditor agreements and arrangements will be minimized.

The necessity for handling problem loans and workouts is a fact of life in banking, and not just during times such as we are experiencing now. We do ourselves, our stockholders and our customers a good service by being prepared to deal with problems as they arise. The first step in being prepared is to be aware of the options available to us in formulating the most effective means of attacking an individual problem. Even though several different approaches for working on problem loans have been discussed here, it is actually fairly rare that a single solution will completely solve a problem. However, it is also rare when some combination of loan protection and salvage techniques will not materially improve the bank's position.

Workouts are usually possible, even in some fairly advanced cases of business decline, when the banker knows his borrower, has an effective plan to suggest and deals fairly but forcefully with the critical aspects of the marginal credit.

When taking intelligent risks, therefore, a good lending officer will identify potential problem situations and know those loans in depth. When problems first appear, such an officer will avoid impulsive reactions and will neither procrastinate nor overreact. Instead, he or she will calm down, review the situation in depth, plan the solution and any possible alternatives, and then act—to protect the bank's position and to salvage the customer's business. Successfully handling problem loans and getting "money good"—these are the most skillful parts of the lending game—they make bankers out of loan officers. • •

Mo. Young Bankers Conf. To Use 'Lending' as Theme



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OSAGE BEACH—"Lending" will be the theme of the 12th annual seminar of the Missouri Young Bankers. They will meet June 16-18 at Tan-Tar-A Resort here.

Keynoting the first day of the seminar, June 16, will be Economist Morgan Maxfield, president, Great Midwestern Corp., Kansas City.

On June 17, James D. Baker, senior vice president and economist, Fidelity Bank, Oklahoma City, will take a look at "Bank Management and the Role of the Lending Function." Later in the day, he will moderate a panel discussion on that topic. Panel members will include John W. Rogers, deputy regional administrator of national banks, 10th National Bank Region, and Darrell Meyer, president, Butler State.

That evening, there will be a cocktail party followed by a banquet. Scheduled as the after-dinner speaker is Larry Wilson of the St. Louis Football Cardinals.

The seminar's final day will spotlight Robert J. McCoy, senior vice president of First National, Joplin. He will conduct a "Cash Flow Case Study," while Kermit Hansen, chairman, U. S. National of Omaha, will be the event's final speaker.

The Young Bankers chairman is John W. McClure, assistant vice president, Mercantile Trust, St. Louis, which he joined in 1971. He began in personal loans and was transferred to the central group of the banking department one year later. In 1974 Mr. McClure was elevated to his present position. In the central group, he heads division B, which covers correspondent banks and corporate accounts in Missouri and Kansas.

Kenneth R. Tiemeyer is vice chairman of the Young Bankers. He entered banking in 1968 at Colonial Bank, Des Peres, as a new business representative. One year later, he was promoted to assistant vice president-installment loans, and in 1974, was named vice president-commercial loans, his present position.

AIB's 76th Convention Will Meet in St. Louis Over Memorial Day

ST. LOUIS—More than 1,500 bankers are expected to attend the 76th AIB convention, to be held here May 30-June 2. Site will be the Chase-Park Plaza Hotel, according to General Chairman Clarence C. Barksdale, chairman and CEO, First National, St. Louis.

Tentative program plans include a fellowship gathering, a national public speaking contest, a midway and reception on Sunday, May 30. The first general business session will be held the following morning. Keynote speaker will be Larry Wilson, chairman, Wilson Learning Corp., Minneapolis.

Other events planned for Monday, May 31, include concurrent sessions led by professional educators and administrators from large AIB chapters and an evening cruise on the Mississippi River.

Tuesday's events include a leadership session, various luncheons, AIB management simulation and district meetings.

The final day's events will include a session on AIB trends, opportunities and priorities in the morning and a second general business session in the afternoon, which will include installation of officers and a bicentennial salute. The president's ball will be held that evening.

Assisting Mr. Barksdale with general arrangements are the following vice chairmen: Merle M. Sanguinet, chairman and president, St. Louis County National, Clayton, Mo.; Charles L. Daily, chairman, Edgemont Bank, East St. Louis, Ill.; and Arthur G. Zinselmeyer, president, Hampton Bank, St. Louis. Convention secretary is Ruth A. Bryant, vice president, Federal Reserve Bank of St. Louis, and treasurer is Henry G. Stahl, senior vice president, Boatmen's National, St. Louis.

Vice chairmen of AIB convention committees pose with Ch. Clarence C. Barksdale (c.), ch. & CEO, First Nat'l, St. Louis. They are (from l.): Merle M. Sanguinet, ch. & pres., St. Louis County Nat'l, Clayton, Mo.; Arthur G. Zinselmeyer, pres., Hampton Bank, St. Louis; Mr. Barksdale; Charles L. Daily, ch., Edgemont Bank, East St. Louis, Ill.; and Richard L. Johannesman, s.v.p., Mercantile Trust, St. Louis.

Principals assisting in planning of AIB convention in St. Louis include (back row, from l.) George T. Guernsey III, e.v.p., Manchester Bank, St. Louis; Joe H. Steele, exec. dir., St. Louis AIB Chapter; John Polson, v.p., Granite City (Ill.) Trust; Norman J. Tice, pres., City Bank, St. Louis; Wilson T. Bell, pres., Big Bend Bank, Webster Groves, Mo. Front row: Edward C. Berra, e.v.p., Southwest Bank, St. Louis; Henry G. Stahl, s.v.p., Boatmen's Nat'l, St. Louis (convention treas.); Eileen Younggren, Cass Bank, St. Louis; Ruth A. Bryant, v.p., St. Louis Fed (convention sec.); Harry J. Kreig, ch., Cass Bank, St. Louis.

Theses by Four Area Bankers Added to ABA Library

Theses from the National Graduate Trust School of the American Bankers Association have been added to the ABA Library and the library of Northwestern University, Evanston, Ill.

The additions raise to 46 the number of theses available on loan to ABA members and present and former National Trust School/National Graduate Trust School students.

Theses by Mid-Continent-area bankers chosen by the ABA are: "Forced Heirship and Community Property in Louisiana Estate Planning," Walter E. Busby, assistant vice president and trust officer, Capital Bank, Baton Rouge; "The Uniform Probate Code: Is It for Oklahoma?" by Betty H. Dalrymple, vice president and trust officer, First National, Bartlesville, Okla.; "Automation of the Federal Estate Tax Return and Allied Documents," Charles L. Yager, assistant trust officer, Mercantile Trust, St. Louis; and "Analysis of Bank Holding Company Act Provisions Relating to the Fiduciary," John E. Yorke, examiner, Kansas City Fed.

A thesis is required for graduation from the National Graduate Trust School. The school's library thesis committee makes selections for permanent inclusion in the libraries based on adequacy of research, organization, readability, grammatical form and soundness of conclusions.

The theses will be available at both libraries in mid-summer.

LEFT: Bicentennial records were used to create goodwill and garner checking accounts at First Nat'l, Woodstock, Ill. From l., Anne Pooler, Daniel E. Stegmaier and Jean Griffin display three records offered as premiums. Mr. Stegmaier is cash.; Mrs. Griffin is v.p. RIGHT: Bank of Lisle, Ill., donated "America Sings" record premiums to local public library. Shown at presentation are (from l.) Leonard P. Ponte, bank e.v.p.; Librarian Jane Shaw; and Banker Shari Stadwiser.

'America Sings' Bicentennial Records Offered by Financial Institutions

SINGING stars such as Kate Smith, Robert Goulet and the New Christy Minstrels have been attracting new accounts and deposits for banks.

The stars appear on a series of bicentennial-related "America Sings" records being offered as premiums by financial institutions. The record promotion is packaged by Prestige Buyers, Aurora, Ill.

First American Bank, Aurora, Ill., offered customers a choice of one of three official bicentennial commemorative records for only $1.76 when they opened new accounts or added $17.76 to existing accounts. Anyone buying a CD received a free record.

The bank, which had never made much use of premiums, has taken a second look at the value such a promotion can bring, according to President Richard Peabody and Senior Vice President Robert LaVoy. The two agree that the record promotion constituted an appropriate way of observing the bicentennial and gaining new business for the bank.

"Our radio spots included musical bits from the records and many of the 100,000 people in our trading area were exposed to our commercials," said Jean Carney, assistant vice president. "We were especially pleased with the customer comments."

In Woodstock, Ill., the marketing team at First National wanted new checking account customers and used the bicentennial records to help get them.

As a part of its promotion, the bank offered the records for $1.76 each to senior citizens and music students with no qualifying deposits. This was done as a community service, according to Daniel Stegmaier, cashier. "We think it is important that our customers know we want to be part of the community," he said.

Each of the bank's 60 employees was given a free recording to make them familiar with the records and stimulate interest in boosting the promotion.

As a community service, Bank of Lisle, Ill., presented the public library with several sets of the records. In addition, announcement of the records' availability was made in the bank's direct mail program.

According to Len Ponte, executive vice president, the results of the record promotion indicate that "people of all ages and social groups in the bank's trade area are inspired by good music and the results of our promotion indicate that America is singing for its 200th birthday."

Prestige Buyers' promotion package includes statement inserts, counter cards and advertising layouts. The three bicentennial-related records are manufactured by a division of Columbia Records. • •

Key Role in EFT Is Seen For Installment Bankers By Interbank President

Installment bankers can play a key role in electronic funds transfer services offered by banks, John J. Reynolds told the ABA's National Installment Credit Conference last month. Mr. Reynolds is president and CEO, Interbank Card Association, New York City. He explained that sound business principles and practices on the part of all retail bankers are essential to development of workable EFT services.

"EFT can create new sources of revenue and reduce operational costs for banks," he continued. "The merchant will benefit from more efficient and more cost-effective business procedures, and the consumer will find shopping and banking faster and more convenient."

In listing specific benefits to installment lending departments, Mr. Reynolds said that electronic banking can enhance the profitability of small-ticket installment loans. He believes this will be possible because the one-time applications required for debit-card accounts will reduce loan start-up costs. He added that by introducing EFT services, banks will be better able to compete with other banks and nonbank financial institutions for retail and commercial banking customers.

He listed reduction of paper as one potential savings with EFT and pointed to the growing number of personal checks by saying that, by conservative estimates, commercial banks will be processing 40 billion checks a year, within the next five years, at a cost of more than 20¢ each.

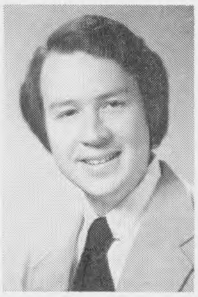
Mr. Reynolds suggested that installment bankers can help develop EFT services in areas such as pricing and advised them to charge the proper price for the proper product.

Another way to help create a positive environment for the growth of EFT, according to Mr. Reynolds, is to maintain trouble-free customer services, such as accurate statements.

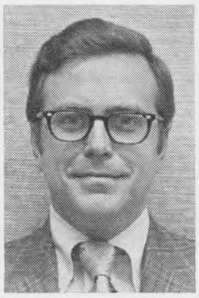
Mr. Reynolds turned to existing EFT services—automated teller and cash dispensing machines, automated clearing houses and local bank debit cards. He noted that a national EFT interchange system known as Signet is being developed by Interbank, licensor of the Master Charge card to more than 7,300 banks. The system will be accessed through debit cards bearing the Signet logotype.

As Mr. Reynolds explained, an initial application of the Signet program will be to provide check guarantees at participating merchant locations. Signet will enable member financial institutions to provide consumers with 24-hour-a-day, nationwide access to their funds on deposit in banks, with other services to follow as local needs expand to a national interchange level.

■ STERLING EMENS JR. has joined Industrial State, Houston, as executive vice president. He entered banking as a janitor at First National, Lubbock, in 1948, advancing to senior vice president before he left there in 1968 to become president, First Metropolitan Bank of Jefferson Parish, Gretna, La. In 1970, Mr. Emens helped organize and build Greensgate Bank, Houston, where he served as president and CEO until going to Industrial State.


MARTIN


PANEYKO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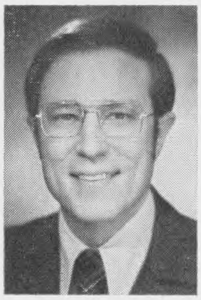
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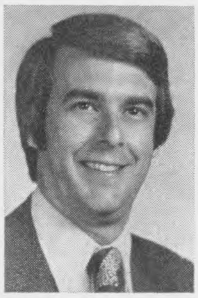
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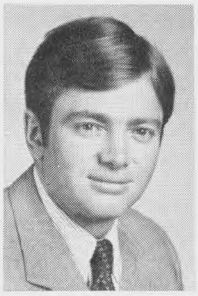

LOCKE

Convention 'First-Timers'

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

Mississippi Convention

• **Larry Martin** joined First National, Memphis, in 1969 and joined the correspondent bank division last January. He has served in the branch system, the consumer credit area and the retail credit division.

• **Stephen H. Paneyko** is an assistant vice president at Citibank, New York City. He joined the bank six years ago, coming from Philadelphia National. He travels in eight states.

• **David A. Dierks** is an assistant vice president at First National, St. Louis. He joined the bank in 1969, coming from Ralston Purina Co., Pittsburgh, where he served as operations manager.

• **James J. Rau** joined First National, St. Louis, in 1967, serving in the EDP department. He transferred to the correspondent banks department in 1972 and is now an assistant vice president.

• **James W. Crawford Jr.** is an assistant vice president in the correspondent bank department at Deposit Guaranty National, Jackson. He joined the bank in 1971 in the auditing department.

Tennessee Convention

• **David A. Dierks** joined First National, St. Louis, in 1969. He is now an assistant vice president in the correspondent banks department. He will also attend the Mississippi convention.

• **Peter Locke** is an assistant vice president at Citibank, New York City, which he joined in 1971. He has served as a corporate lending officer in addition to his present position.

• **Mike Fowler** is an assistant cashier in the regional division at Citizens Fidelity, Louisville. He joined the bank in 1973, coming from Citizens & Southern National, Atlanta. No photo available.

• **Michael J. Walz** joined Citizens Fidelity, Louisville, in 1966 as a computer operator. He currently is a vice president in the correspondent banking division.

• **Frank O. Kenner** joined Citizens Fidelity, Louisville, in 1974 as a vice president in the international department. He is presently senior loan officer in the regional division. No photo available.

• **Ken S. Reinhardt Jr.** joined Citizens Fidelity, Louisville, in 1967 as a control clerk in the data center. He presently is an assistant vice president in the correspondent banking division.

• **Bill Shurtleff** joined First National, Memphis, in 1970 and has served in the branch system, bond department and as coordinator of "First Association" bank club. He joined the correspondent department last June.

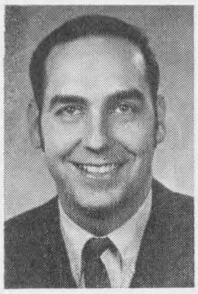
Illinois Convention

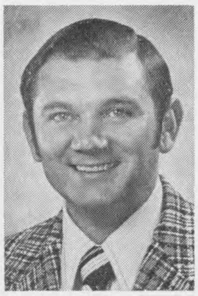
• **Albert J. Ackermann** is a correspondent bank officer at Boatman's National, St. Louis. He joined the bank in 1973 and has served in the trust division and banking department.

• **Stephen R. Green** joined the credit department of Mercantile Trust, St. Louis, last year and was assigned to division A of the central group, banking department, last July.

• **Robert J. Mathias** joined Mercantile Trust, St. Louis, in 1974, as a member of the operations improvement program. Last year he joined the central group of the banking department, assigned to division A.

(Continued on next page)


WALZ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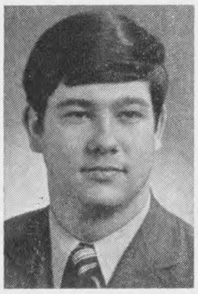
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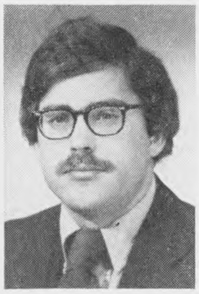
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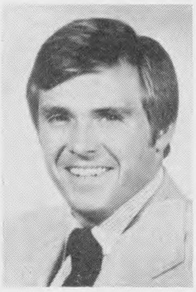
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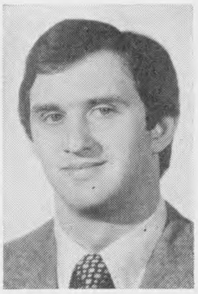
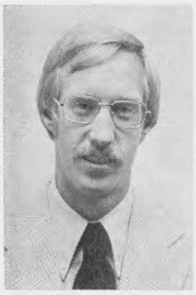

MATHIAS

Indiana Convention

• **Richard Zahn** joined Continental Illinois National, Chicago, in 1974 and was assigned to the midwestern division of correspondent banking in 1975.



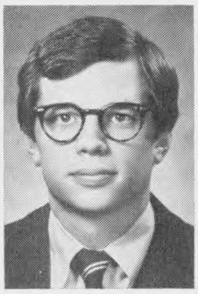
ZAHN

COOPER

• **John Cooper** is an associate regional banking officer at First National, Louisville. He joined the bank as a trainee in 1969. He handles credit analysis and is active in AIB activities.

• **Constantine F. Boas** is a vice president at Citibank, New York City, which he joined in 1958. He has held various positions in the retail/wholesale trade department, spending eight years in Venezuela and Jamaica.

BOAS



NICHOLS

• **W. Barrett Nichols** joined Citizens Fidelity, Louisville, in 1974. He is an assistant cashier in the regional division. He was formerly with First National, Louisville.

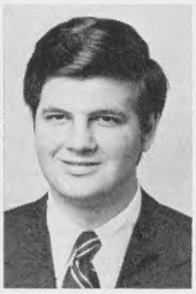
• **James Wakeman** joined the correspondent department at Citizens Fidelity, Louisville, early this year. He was formerly in the BankAmericard department. He joined the bank in 1967.

Alabama Convention

• **Bill Shurtleff** joined First National, Memphis, in 1970 and has served in the correspondent area since last June. He is a graduate of the University of Tennessee, Knoxville.

• **Stephen H. Paneyko** is an assistant vice president at Citibank, New York City, which he joined in 1970. At present, he represents the states of Alabama, Arkansas, Colorado, Louisiana, Mississippi, New Mexico, Oklahoma and Texas as a unit head.

WAKEMAN

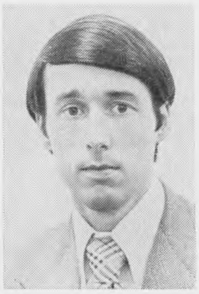


JOHNSON

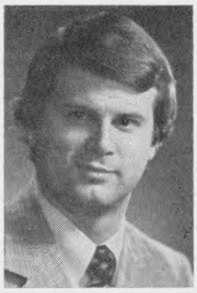
New Mexico Convention

• **Bradford M. Johnson** is an account officer at Citibank, New York City. He joined the bank four years ago and serves in the South and Southwest district, representing Oklahoma, New Mexico and Texas.

• **Stephen H. Paneyko** joined Citibank, New York City, in 1970. He has held positions in the forest products department-NBG, Gulf/Southwest district-division I, western district-division I.



JONES

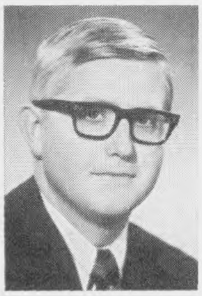


PORTER

• **G. Jeffrey Jones** is an assistant vice president at First National, St. Louis, which he joined in 1974 as a cash management officer. He was transferred to the West Coast Regional Office last September.

• **George William Porter** is a correspondent banking officer for Commerce Bank, Kansas City, which he joined in 1973 as a management trainee. He serves in northern Missouri.

McGEE



TAUBENHEIM

• **John Marshall McGee** serves the correspondent division of Commerce Bank, Kansas City, as a correspondent banking rep with responsibilities in Texas and New Mexico.

• **Robert E. Taubenheim** is an assistant vice president in the western territory for First National, Chicago. He serves New Mexico and seven other western states.

'Freedom Collection':

Historic Document Copies Are Donated to Schools

Bound copies of "The Freedom Collection," a number of replicas of famous historic American documents, have been donated to area schools by Sugar Creek (Mo.) National.

The collection is comprised of documents such as the Constitution, the Gettysburg Address and the Bill of Rights. All area students in the fifth, sixth and seventh grades received the books.

In addition, anyone opening a new account at Sugar Creek National received a copy of the collection.

M. J. Kuklenski (l.), pres. Sugar Creek (Mo.) Nat'l, presents copies of "The Freedom Collection," compilation of replicas of famous American historical documents, to students from area schools, while Frank Orndoff (r.), principal, Sugar Creek School and Carlisle School, looks on. Bank donated copies of collection to each 7th, 8th and 9th grader in area, also to anyone opening new account at bank.

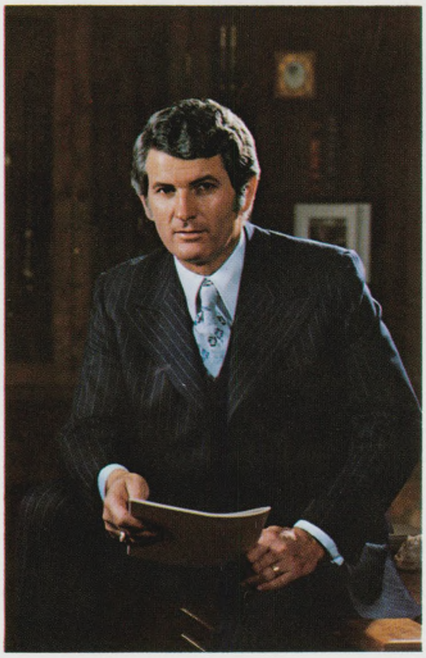
Virgil H. Disney Dies

PARK RIDGE, ILL.—Virgil H. Disney, 62, director of special research studies, Bank Administration Institute, died April 18 (Easter Sunday) after a short illness.

Mr. Disney joined the BAI in 1970. After graduating from the University of Missouri-Columbia with a degree in electrical engineering, he worked as a test engineer for General Electric Co., was with several midwestern engineering firms, where he helped develop guided missles, aircraft and aircraft-control equipment, and with the Illinois Institute of Technology Research Institute.

we came in 248th

and that's not bad out of 14,000!*



Jake F. Butcher
Chairman and Chief Executive Officer

Of all the banks in the nation, United American Bank is the 248th largest. We're proud of that for more reasons than one.

- We're the only Knoxville bank to be ranked in the nation's top 300.
- We're the only independent bank in Tennessee to make the list.
- We're the only bank in Tennessee to jump 38 places in growth in just one year.

Eight other banks in Tennessee are listed among the nation's 300 largest. Five of them dropped in the ratings last year. One maintained its previous standing. The other two moved up one place each. We jumped 38 places! No wonder we're proud we came in 248th.

Thanks to you we're growing bigger and better every day to meet the needs of tomorrow.

UNITED AMERICAN BANK, N.A.

Knoxville, Tennessee / Member FDIC

the bank of tomorrow with the spirit of the past.

*According to the AMERICAN BANKER ranking by deposits, December 31, 1975.

Tennessee Convention

President

WEATHERFORD

Chairman

MITCHELL

TBA Pres. Jack O. Weatherford is ch. & CEO, Murfreesboro Bank, which he joined in 1949. He advanced to his present position in 1970. He is a former ch., TBA State Division.

TBA ch. is W. W. Mitchell, ch. & CEO, First Nat'l, Memphis, which he joined in 1935. He is a former pres., Robert Morris Associates, and is a dir., Memphis Branch of the St. Louis Fed.

Exec. Vice Pres.

GILLIAM

President-Elect

WILLSON

Robert M. Gilliam is TBA e.v.p. and treas. He is a past pres., Southern Conference of Banking Association Executives.

Hugh M. Willson, TBA pres.-elect, is pres., Citizens Nat'l, Athens, and a dir., Monroe County Bank, Sweetwater. He is a former dir., Nashville Branch, Atlanta Fed.

1st Vice President

BULLINER

2nd Vice Pres.

FILLEBROWN

TBA 1st V.P. Jack R. Bulliner is pres, First State, Henderson, which he joined in 1948. He was pres., Young Bankers Div., 1963.

Serving as TBA 2nd v.p. is T. Scott Fillebrown Jr., v. ch., First American Nat'l, Nashville, which he joined in 1950. He serves on the TBA Federal Legislative Comm.

Nashville, May 23-25

Headquarters—HYATT REGENCY HOTEL

PROGRAM

MONDAY, MAY 24

9:30 a.m.—Joint Meetings, State and National Bank divisions.

Noon—Men's Luncheon.

2 p.m.—Board of Directors meetings.

TUESDAY, MAY 25

7:45 a.m.—Independent Bankers Division Breakfast.

BUSINESS SESSION, 9:15 a.m.

Call to Order—JACK O. WEATHERFORD, president, Tennessee Bankers Association, and chairman and CEO, Murfreesboro Bank.

Welcome—RICHARD FULTON, mayor of Nashville.

Report of the ABA Vice President for Tennessee—W. E. NEWELL, ABA vice president for Tennessee, and chairman, First National of Sullivan County, Kingsport.

President's Message—JACK O. WEATHERFORD.

Address—"The Scene This Morning"—WILLIS W. ALEXANDER, executive vice president, American Bankers Association.

Address—STEPHEN GARDNER, vice chairman, Federal Reserve System, Washington, D. C.

Report of the Board of Directors—W. W. MITCHELL, chairman, Tennessee Bankers Association, and chairman and CEO, First National, Memphis.

Election of Officers.

Adjournment.

12:30 p.m.—Board of Directors Luncheon.

6 p.m.—Reception.

7 p.m.—Banquet.

Convention Speakers

GARDNER

ALEXANDER

Division and Board Meetings To Feature Noted Speakers

The TBA State Bank Division will meet concurrently with the National Bank Division on Monday morning, May 24, at 9:30 in Regency III. Harlan Matthews, treasurer for the state of Tennessee and member of the State Board of Equalization, will address the joint session.

At 10:15 a.m., the joint meeting will be adjourned and the State Bank Division will convene its business session, which will feature addresses by Tennessee Commissioner of Banking Joe Hemphill and Roy E. Jackson, FDIC regional director. Presiding will be Ben S. Kimbrough, State Bank Division chairman, and president, First Trust, Clarksville.

The National Bank Division will be addressed by Jeffrey J. Wells, vice president and manager, Nashville Branch of the Atlanta Fed, and Virgil H. Moore, chairman of the division, and president, First Farmers & Merchants National, Columbia.

The Independent Bankers Division breakfast will be held at 7:45, May 25, in Regency IV. Charles O. Maddox Jr., president of the Independent Bankers Association of America, and president, Peoples Bank, Winder, Ga., will speak at the breakfast. Presiding will be Division Chairman C. G. Williams, president, Bank of Commerce, Morristown.

Two Board of Directors meetings are planned during the convention. The first will be on May 24 at 2 p.m. in Suite 4-A and the second will be the next day at 12:30 p.m. at the same location. Luncheon will be served during the latter meeting. Newly elected members of the board and new division chairman are urged to attend the luncheon.

Convention Headquarters

New 25-story Hyatt Regency Nashville is located in heart of downtown financial district, adjacent to state Capitol. Hotel, with 500 rooms, is said to offer city's largest convention facilities. Grand ballroom holds 1,500 for meetings, 1,100 for banquets. Every room in hotel has view of city as well as indoor garden court lobby. Revolving lounge is at top of hotel, which observes its first anniversary this month.

Golf and Tennis

The golf and tennis tournaments will be held Monday, May 24, at the Belle Meade Country Club. Golf Tournament sponsor will be the Appalachian National Life Insurance Co. Arrangements for golf should be made with one of that company's representatives. Those wishing to participate in the tennis tourney should check at the registration desk for information.

■ DAVID RODDEY has been elected executive vice president at Commerce Union Bank, Memphis, while Forrest N. Jenkins has been named vice president, and Bruce Smith has been elevated to assistant vice president.

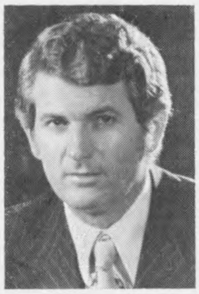
Butcher, Morris and Wilson To Retire From TBA Board

Three directors of the Tennessee Bankers Association will retire this year: Jake F. Butcher, Dewey Morris and Charles P. Wilson.

Mr. Butcher is CEO and executive committee chairman, United American Bank, Knoxville. He founded and operates an Amoco Oil distributorship that serves nine counties in Tennessee and is a co-founder of the C&C Banking Group. Mr. Butcher also sits on the board of the Roane-Anderson Economic Council.

Mr. Morris entered banking in 1954 at his present institution, First National, Clarksville, advancing to president in 1972. He is a past president of the Bank Administration Institute's Nashville Chapter and a member of the Montgomery County Industrial Board.

Mr. Wilson joined his bank, Commercial Bank, Paris, in 1964 as assistant vice president and was named its president in 1973. Prior to that, he had served Commerce Union Bank, Nashville, 1960-64, and advanced to assistant cashier. A lawyer, Mr. Wilson has taught business law courses in Paris.



BUTCHER

MORRIS

WILSON

■ ROBERT L. HUFFMAN has been named senior vice president, C & I Bank, Memphis. Also promoted at the bank were Jack Bray, to vice president and cashier; Sarah Burchfield, to assistant vice president, personnel division; and Twila Wood, to assistant cashier and branch operations manager.

■ RICEVILLE BANK plans to move its Main Office from Main Street to Highway 11.

■ EAST RIDGE CITY BANK has received FDIC approval to open a branch at 3616 Ringgold Road.

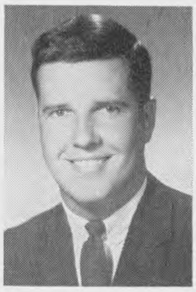
Nashville Brass, Opry Show To Be Banquet Features

Danny Davis and the Nashville Brass are slated as the featured entertainment for the banquet to be held the evening of Monday, May 24. After dinner, the band will perform in concert, followed by a dance. Costumes depicting any period from the Revolutionary War era to the "fabulous '50s" are suggested for that evening.

Tuesday evening's banquet will be held at Opryland U. S. A. After the reception and banquet, there will be a brief ceremony for new officers and directors of the TBA, followed by a special performance of Opryland's "Liberty Show," a bicentennial presentation featuring a cast of more than 40. Buses will begin departing the Hyatt Regency for Opryland at 4:30 p.m.

■ WILLIAM McWILLIAMS has joined United American Bank, Knoxville, as executive vice president, corporate group, which includes the national account and correspondent bank divisions. Mr. McWilliams formerly was with Bank of Virginia, Richmond, where he was vice president in charge of correspondent banks and regional accounts and then senior vice president with responsibility for the corporate banking division. He also once was assistant vice president, Wachovia Bank, Asheville, N. C., where he spent more than five years in corporate accounts and correspondent banking. Mr. McWilliams is a graduate of the School of Law at Washington & Lee University, Lexington, Va.

McWILLIAMS



CASEY

■ FIRST AMERICAN NATIONAL, Nashville, has announced the following promotions: James DeBow Casey and James A. Jackson, to vice presidents; Larry E. Brown and E. Earl Scott, to assistant vice presidents; Wynn W. Dixon Jr., to administrative officer; Daniel L. Billingsley, Martha Ann Marshall and Walter Spencer, to banking officers; Barbara Whitaker Brake and Bobby R. Carpenter, to marketing officers; and Joyce W. Brewington, to administrative assistant.

Women's Entertainment

A number of women's activities have been planned for this year's Tennessee Bankers Association convention.

Buses will leave the Hyatt Regency at 10 a.m. May 24 for a tour to The Hermitage and Tulip Grove. A special luncheon will be given at the Cabin by the Spring at the Hermitage and buses will return at about 3 p.m.

On Tuesday morning, May 25, at 9:30, the women will meet in the Davidson Room of the Hyatt Regency for coffee and sweet rolls. A presentation, "The Civil War Ladies of Nashville," then will be given by Mrs. William Coke of the Junior League of Nashville, Inc., in cooperation with the Metropolitan Historical Commission.

At 12:30 p.m. May 25, buses will begin leaving for a brief tour of the governor's mansion.

Registration Hours

The TBA convention registration desk will be open as follows:

Sunday, May 23—1-6 p.m.
Monday, May 24—8.30 a.m.-4 p.m.
Tuesday, May 25—8:30 a.m.-3 p.m.

■ FIRST CITIZENS BANK, Cleveland, is opening a branch at 423 North Ocoee Street.

■ PIONEER BANK, Chattanooga, has received the Greater Chattanooga Area Chamber of Commerce's first Arthur T. Vieth Memorial Award for its pro-free enterprise advertising program. The award is named after the long-time University of Tennessee at Chattanooga professor who was a Hamilton County councilman and who taught the C. of C.'s "Understanding Economics" course for many years. At the award presentation, a chamber spokesman pointed out that, through the bank's excellent ad campaign, Pioneer has helped dispel many myths about the private enterprise system.

Pictured at presentation of first Arthur T. Vieth Memorial Award to Pioneer Bank, Chattanooga, are (l. to r.): George M. Clark, ch.; Grady E. Gant, Chattanooga C. of C.: Richard W. Cardin, C. of C. pres.; and Mrs. Arthur T. Vieth.

Tennessee Young Bankers Pick Officers, Directors

During their 15th annual convention April 13-14 in Nashville, the Young Bankers Division of the Tennessee Bankers Association elected Lee Beeman as president. He is president, Liberty Bank of Tennessee, Athens.

Robert J. Williams, cashier, First National, Savannah, the immediate past president, was elevated to chairman of the division, and the following were elected as officers: Tom Holland, vice president and cashier, Union National, Fayetteville—president-elect; and Jim Henry, president, Oakland Deposit Bank—vice president.

The following were named as new directors of the Tennessee Young Bankers: John McGuffin, vice president and cashier, Greene County Bank, Greeneville—Group 1; Jake Cantrell, executive vice president, Dayton Bank—Group 3; Barry Taylor, vice president and cashier, First State, Kenton—Group 5; and Jim Caperton, assistant cashier, First National, Shelbyville—Group 7.

New officers of Young Bankers Division of Tenn. BA meet after their election at division's 15th annual convention in Nashville (from l.): Jim Henry, pres., Oakland Deposit Bank—v.p.; Robert J. Williams, cash., First Nat'l, Savannah —ch.; Tom Holland, v.p. & cash., Union Nat'l, Fayetteville—pres.-elect; and Lee Beeman, pres., Liberty Bank of Tennessee, Athens—pres.

These are newly elected directors of Young Bankers Division of Tenn. BA (from l.): John McGuffin, v.p. & cash., Greene County Bank, Greeneville—Group 1; Jake Cantrell, e.v.p., Dayton Bank—Group 3; Jim Caperton, a.c., First Nat'l, Shelbyville—Group 7; and Barry Taylor, v.p. & cash., First State, Kenton—Group 5.

Mississippi
A Great Place To Live

A friendly smile is still a familiar sight to see in Mississippi. And with good reason. The people of Mississippi have plenty to smile about. They're proud of their State's natural beauty and abundant resources like timber, minerals and clean water. They know the best is yet to come for Mississippi and its people. And the people at First National Bank stand ready to help Mississippi reach its potential. After all, First National has been helping Mississippians put money to work in their State since 1889. We think Mississippi is a great place to live. If you want to find out more about Mississippi, its people and its resources, First National is the best place to get the story.

First National Bank
Jackson, Mississippi Member FDIC

BRANCHES: Amite County Bank, Gloster/Liberty; Commercial National Bank, Greenville/Leland; First National Bank, McComb; The Bank of Greenwood, Greenwood; Tylertown Bank, Tylertown

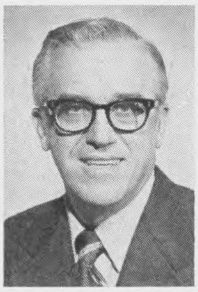
Mississippi Convention

President

HOWARD

W. E. Howard Jr., MBA pres., is pres. & CEO, Commercial Nat'l, Laurel, which he joined as a dir. in 1954. He was named v.p., 1959, and pres., 1965. Mr. Howard is a graduate of the School of Banking of the South and a past member of the MBA exec. comm.

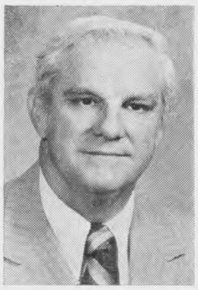
Vice President



MITCHELL

Serving as v.p. of the MBA is John H. Mitchell Jr., v. ch. & CEO, Nat'l Bank of Commerce, Starkville. He entered banking at Grenada Bank in 1950, going to his present bank 10 years later as e.v.p. He advanced to pres. in 1964. Mr. Mitchell is a former Young Bankers pres.

Treasurer



SMITH

MBA treas. is Ray K. Smith, pres. & CEO, First Nat'l, Greenville, which he joined in 1957. He was elected to his present bank post in 1972 and has chaired the following MBA committees: Uniform Consumer Credit Code, Installment Credit and Bank Management.

Biloxi, May 22-26

Headquarters—Biloxi Hilton & Broadwater Hotels

PROGRAM

FIRST SESSION, 9:15 a.m., May 24

Call to Order and Invocation.
Executive Committee Report—W. E. HOWARD JR., president, Mississippi Bankers Association, and president and CEO, Commercial National, Laurel.
Resolutions—O'DELL A. SANDERS, committee chairman, and president and CEO, Tunica County Bank, Tunica.
Financial Report—RAY K. SMITH, Mississippi Bankers Association treasurer, and president and CEO, First National, Greenville.
Chair of Banking Report—DR. HARVEY S. LEWIS, head of chair of banking, University of Mississippi.
Young Bankers Section Report—CECIL R. BURNHAM, president, Young Bankers Section, and executive vice president, Truckers Exchange Bank, Crystal Springs.
Standing Committee Reports.

SECOND SESSION, 9:30 a.m., May 25

President's Address—W. E. HOWARD JR.
Report on School of Banking of the South—ORRIN H. SWAYZE, Jackson, director emeritus, School of Banking of the South.
Meeting of Mississippi Members of American Bankers Association—LEO W. SEAL JR., American Bankers Association vice president for Mississippi, and president and CEO, Hancock Bank, Gulfport.
Discussion—J. C. WHITEHEAD, member, American Bankers Association Governing Council, and chairman, president and CEO, Bank of Mississippi, Tupelo.
Presentation of 50-Year Club Certificates.
Address—W. LIDDON McPETERS, American Bankers Association president-elect, and president, Security Bank, Corinth.
Necrology Committee Report—ORRICK METCALFE, committee chairman, and chairman, Britton & Koontz First National, Natchez.
Resolutions Committee Report—O'DELL A. SANDERS, committee chairman.
Report of Nominating Committee.
Election of Officers.

Convention Speakers

McPETERS

SEAL

WHITEHEAD

For the first time in 30 years, the Mississippi Bankers Association convention will be held in a new location in Biloxi. To handle the large attendance, space has been reserved at two adjacent hotels, the Biloxi Hilton (l.) and the Broadwater Beach (r.). All 300 rooms of the Hilton and 260 rooms at the Broadwater Beach are reserved for bankers. Center photo shows pool area at Hilton. Meetings and entertainment are expected to be fairly evenly balanced between the two hotels.

Miss. BA Convention In Biloxi, May 22-26 Features McPeters' Talk

BILOXI—The Mississippi Bankers Association's 88th annual convention—"Bicentennial Bankers' Bash"—is scheduled for May 22-26, with the Biloxi Hilton and Broadwater Beach hotels slated to share duties as headquarters for the event.

A featured speaker during the convention will be W. Liddon McPeters, American Bankers Association president-elect, and president, Security Bank, Corinth. On hand to address the annual banquet will be Governor Cliff Finch.

The MBA tennis tournament will begin at 9 a.m. Saturday, May 22, and will be held at the Broadwater and Hilton courts. A women's doubles will be held if registration warrants. The golf tournament is set to begin at noon that day at the Broadwater Golf Course, and a shotgun start will be used this year.

At 2 p.m., registration for the convention will open in the Hilton Lobby and continue throughout the afternoon. Topping off the day's events will be a party in the Hilton Ballroom sponsored by First Mississippi National, Hattiesburg. Party time is 6-8 p.m.

Registration will open at 9 a.m. Sunday, May 23, in the Hilton Lobby. At noon, the finals of the tennis tournament will be held at the Hilton tennis courts, followed at 3 o'clock by the Central Bank of Birmingham party on the second floor of the Hilton.

At 5:30 Sunday afternoon, the Deposit Guaranty National of Jackson party is scheduled for poolside at the Broadwater. The executive committee/past presidents' dinner is slated for 8 p.m. in the Broadwater Coronet Room, while from 10-12 midnight in the Hilton Ballroom, the National Bank of Commerce of Memphis party will be held.

Monday, May 24, will begin when the registration desk opens at 9 a.m. in the Hilton Lobby. Fifteen minutes later, the first general business session is scheduled to begin in the Hilton Grand Casino.

A party sponsored by First National of Jackson will be kicked off at 11 a.m. in the Hilton Ballroom. Hancock Bank, Gulfport, will open its oyster bar on the second floor of the Hilton at 4 p.m. From 6:30-7:30 that evening, the MBA will hold its cocktail party in the Hilton Ballroom, followed by "Billy's Bicentennial Bash" at 7:30 in the Hilton Grand Casino, the "Bash" will be a "seafood spectacular" featuring entertainment by the "America, Let's Celebrate" musical show.

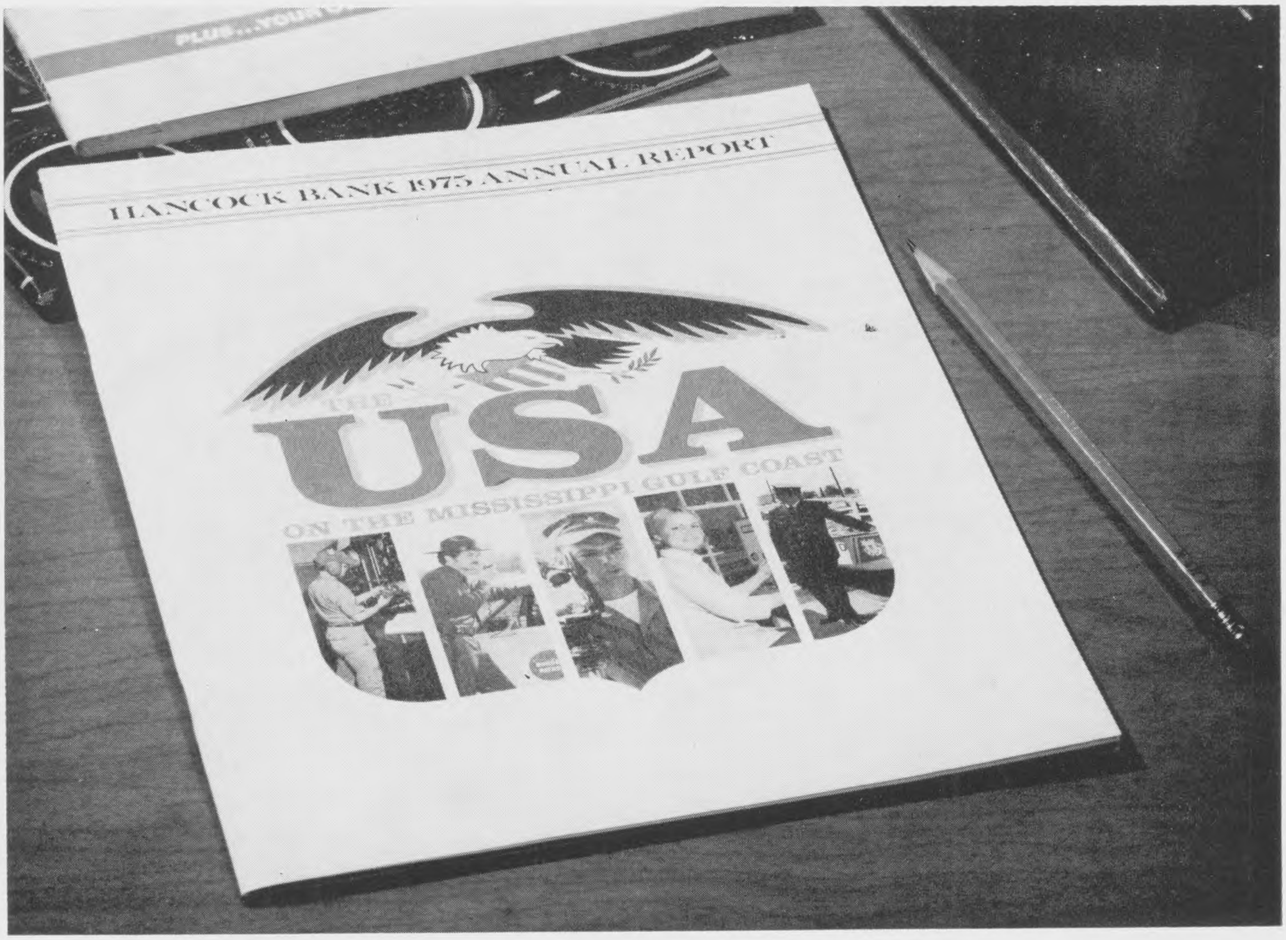
Tuesday, May 25, will start with an 8 o'clock breakfast for graduates of the School of Banking of the South in the Broadwater Crown Room A. Presiding will be Leon C. Williamson, SBS executive trustee, and president and CEO, Southwest Mississippi Bank, Magnolia.

Convention registration opens at 9 a.m. in the Hilton Lobby on May 25, followed at 9:30 by the second general business session in the Broadwater Coronet Room. The women's social hour and luncheon is slated for an 11:30 start in the Hilton Ballroom and will feature a show by the Gulf Coast Craft Guild.

From 11:30 a.m. to 1:30 p.m. there will be a stag luncheon, courtesy of Union Planters National, Memphis. It will be held in the Broadwater Crown Room.

The May 25 evening's events are set to start at 4 p.m. with the oyster bar of Hancock Bank, Gulfport, in the Broadwater Coronet Room. At 7:30 will be the annual banquet in the Broadwater Crown Room. Names of winners of the golf and tennis tournaments will be announced, and Governor Cliff Finch will address the convention. In addition, officers will be introduced and installed, followed by adjournment of the convention.

The executive committee breakfast will be held at 8:30 May 26 in the Hilton Dunes Room. It will be followed by an executive committee meeting.



Our Annual Report for the Year 1975...

salutes the Bicentennial Year, and is dedicated to the various agencies of the Federal Government that maintain staffs, offices and facilities in our South Mississippi region. We would be pleased to send you a copy. Just write our president, Leo W. Seal, Jr., P.O. Box 4019, Gulfport, Mississippi 39501.

Hancock Bank
New Light on Modern Banking Member FDIC

Their credit life teacher is the best.

Bank of Mississippi Observes Centennial, Plans New Building

TUPELO—A bank that began March 31, 1876, as Raymond, Trice & Co. in nearby Verona today is observing its centennial as Bank of Mississippi, with headquarters here.

The move from one city to another in 1886 was occasioned by the laying of railroad tracks in Tupelo and was facilitated because of the bank's perpetual charter. Before the move, the bank changed its name to Bank of Lee County to reflect more properly the bank's role in its county. The name was changed again, in 1899, to Bank of Tupelo when its administrative offices were constructed in Tupelo's central business district.

As early as 1904, Bank of Tupelo began acquiring community banks through purchases or mergers and, during its first 100 years, has grown into a $200-million-asset bank, serving 14 northern Mississippi communities with 26 banking locations.

Breaking ground for new Bank of Mississippi building are its board and senior management (l. to r.): John W. Rial, e.v.p. and dir. and project coordinator; E. L. Joyner, dir.; J. E. Staub, dir. emeritus; J. C. Whitehead, ch. & CEO; Chauncey Godwin, board bldg. comm. ch.; James W. Collins, pres. & dir.; and Frank Riley, dir.

Although Bank of Mississippi, headquartered in Tupelo, is 100 years old, its thoroughly modern outlook is evidenced by this artist's sketch of its future home. Multistory building, to cost $7 million, will be completed in early 1978.

Bank of Mississippi's centennial cake is cut by Mrs. J. C. Whitehead, assisted by Mr. Whitehead, bank's ch. Looking on are: Mrs. Lena Betts (l.), Mrs. N. B. McGaughy (c.), Mrs. Fred Johnson (3rd from r.), J. W. Collins, pres., and Mrs. Iris Robinson. Latter is 30-year retired employee while Mrs. Betts, Mrs. McGaughy and Mrs. Johnson are widows of former bank chairmen. Mr. Whitehead and Mr. Collins sport beards grown for bank's 100th-anniversary celebration.

The latest name change, to its present form of Bank of Mississippi, took place in 1966, along with the same change for all banks in its system. A new symbol was adopted—a Tupelo gum tree encased in the outline of the state of Mississippi.

At its centennial celebration March 31, the bank had assets of $201 million and deposits of $179.5 million. It has eight banking offices in Tupelo and serves 13 additional northern Mississippi cities—Booneville, Bruce, Ecru, Fulton, Grenada, Houlka, Houston, Mantachie, Nettleton, Olive Branch, Sherman, Vardaman and West Point.

At the celebration, widows of former bank chairmen joined Mrs. J. C. Whitehead, wife of the present chairman, and Mr. Whitehead and President James W. Collins in cutting a three-tiered cake in Tupelo. Similar cake cuttings were held in each of the bank's community banking centers.

Another highlight of the centennial observance was a ceremonial groundbreaking for the bank's planned seven-story administrative headquarters. The $7-million, multistory administration building is scheduled to be completed early in 1978.

Mr. Collins took over the presidency of the Bank of Mississippi system last January 29, advancing from executive vice president. He joined the bank in 1966, coming from Union Planters National, Memphis, where he worked in branch administration and commercial credits.

Mr. Whitehead had been president since 1961 and chairman since 1974. He retains the latter post as well as that of CEO.

These three Bank of Mississippi employees were judged "best dressed" in costumes of 100 years ago at bank's centennial party. Women staff members picked out patterns and bought material to create their costumes.

■ H. L. RANKIN SR. has retired as president, Citizens Bank, Columbia, and has been named chairman. Succeeding him as president is Ben M. Rawls. Mr. Rankin had been the bank's president since 1950, while Mr. Rawls, who is an attorney, was named a bank director in 1958 and was elected vice president in 1961. He advanced to executive vice president in 1975.

ALLEN

COOPER

Allen, Cooper & Kahlmus To Leave Exec. Committee

Three bankers are retiring this year from the Mississippi Bankers Association executive committee. They are Max T. Allen Jr., president, Mississippi Bank, Jackson; P. G. Cooper, president (retired), First National, Picayune; and M. F. Kahlmus, president, Merchants & Farmers Bank, Meridian.

Mr. Allen began his banking career with a bank in Jackson in 1950. He joined Mississippi Bank in 1954 as vice president, advancing to president in 1959. Mr. Allen attended the Stonier Graduate School of Banking at Rutgers University, New Brunswick, N. J.

Mr. Cooper joined Gulf National, Gulfport, in 1926, going to the old Pearl River County Bank as bookkeeper in 1929. He transferred to Bank of Picayune in 1930 as bookkeeper and assistant cashier, joining First National, Picayune, in 1947 as cashier. Mr. Cooper advanced to president in 1963, remaining in that post until his retirement 10 years later.

Information about Mr. Kahlmus wasn't available at press time.

Bicentennial Book Is Displayed

M. D. Ellis (holding book at r.), pres., First United Bank of Mississippi, Meridian, introduces a bicentennial book which will be on display to the public throughout 1976. To be used in conjunction with a display of a replica of the Liberty Bell, the book is for residents to sign, then it will be sealed and donated to the Meridian Public Library.

Lauded for Beautification

Deposit Guaranty Plaza, site of Deposit Guaranty Nat'l, Jackson, has received the March beautification award from Keep Jackson Beautiful, Inc. J. H. Hines (r.), bank ch., admires the award, which was presented to the bank by H. J. Massey (l.) of Keep Jackson Beautiful's executive board.

■ JASPER COUNTY BANK, Bay Springs, has received FDIC approval to open a branch just west of Heidelberg.

■ FLORA J. RIMMER has been elected senior vice president and trust officer of Canton Exchange Bank. She has been with the bank since 1950 and currently serves as membership chairman, National Association of Bank-Women, South Mississippi Group.

RIMMER

Colorado, North Carolina Are Assemblies Sites

The 25th and 26th Assemblies for Bank Directors will be held in Colorado and North Carolina in September and November, respectively, according to the Foundation of the Southwestern Graduate School of Banking at Southern Methodist University, Dallas.

The 25th Assembly will be at the Broadmoor in Colorado Springs September 4-7. It will be directed by William H. Baughn, dean, School of Business, University of Colorado-Boulder, and director, Stonier Graduate School of Banking at Rutgers University, New Brunswick, N. J. The 26th Assembly, which will be at the Pinehurst (N. C.) Hotel & Country Club, November 4-7, will be directed by C. C. Hope Jr., executive vice president, First Union National of North Carolina, Charlotte.

Alabama Bankers to Ponder Number Of Issues at Puerto Rico Convention

WOODROW

BROOM

SNELL

LeMAISTRE

AN ENJOYABLE and informative program is planned for the Alabama Bankers Association convention, which will be held May 18-22 at the Puerto Rico Sheraton Hotel in San Juan.

A number of guest speakers from the financial field are slated to be on hand: James E. Vance, senior vice president, First National, Birmingham, will give a savings bond report and Ronald E. Barnes, president, Transitions, Inc., will address the convention, as will George A. LeMaistre, FDIC director, Washington, D. C.

Douglas Mims, Alabama superintendent of banks, Ross Byrd, Ala.BA EFTS specialist, and Senator Wendall Mitchel of Luverne will speak during the second day's activities. Scheduled speakers for the event's final day will be Monroe Kimbrel, president of the Atlanta Fed, and W. Liddon McPeters, ABA president-elect, and president and CEO, Security Bank, Corinth, Miss. Mr. Kimbrel is a past president of the American Bankers Association.

On hand to welcome the conventioneers during the first business session May 19 will be Julio A. Torres, president of the Puerto Rico BA. An address by Salvador Casellas, treasurer of Puerto Rico, also is planned for that session.

A highlight of the convention activities will be the May 18 pre-convention tour to St. Thomas, which is a free port. A post-convention tour to St. Thomas also is planned.

On the evening of May 18, a buffet dinner of Puerto Rican dishes will be held at 8 p.m. in the Sheraton. Dinner music will be by a steel band, followed by an after-dinner stage show with limbo dancers and King Voodoo, who handles fire and dances on broken glass. Dancing for convention delegates, "until the wee hours," will follow.

The women's luncheon will begin at 12:30 May 19 in El Convento Hotel, which is situated in Old San Juan. The hotel takes its name from a convent for which the building was erected over 200 years ago. After lunch, the women will be able to tour the streets and shops of the district.

The correspondent bankers will host cocktails at the Sheraton's pool from 7-8 p.m. Wednesday and Thursday evenings. No banquets have been planned so that conventioneers may sample the wares of the area restaurants.

Friday evening, May 21, cocktails will be served at 7 o'clock, followed by a sitdown dinner. After-dinner entertainment will be provided by the Areyto dance group, a ballet folklorico featuring colorful costumes and exciting choreography stemming from traditional Puerto Rican themes. Dancing during and after dinner will be to the music of the Jimmy Stevens Orchestra.

Presiding during convention business sessions will be Ala.BA President Horace W. Broom, president, Citizens Bank, Hartselle. He joined his bank in 1950 and advanced to president in 1969. Prior to that, he worked at Citizens Bank during summers while attending college. He is a past chairman of groups I and II of the Ala.BA.

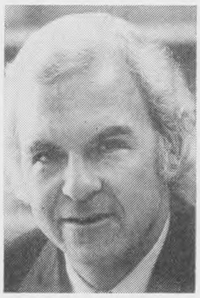
Expected to succeed Mr. Broom as association president during the convention is Robert H. Woodrow Jr., chairman and CEO, First National, Birmingham, the current Ala.BA first

Alabama bankers will be meeting at the Puerto Rico Sheraton Hotel, situated on the Atlantic Ocean. It is expected that the hotel will be large enough to house all delegates.

vice president. He joined his bank's trust department in 1947 and was named assistant trust officer and corporate trust head three years later. Mr. Woodrow was elected bank chairman and CEO in 1972. In addition, he has attended the Stonier Graduate School of Banking, Rutgers University, New Brunswick, N. J., and is a director of Alabama Bancorp., Birmingham.

Current second vice president of the association is Charles S. Snell, president, Citizens National, Shawmut. He is a graduate of Auburn University and served in the Alabama public school system for 11 years prior to joining his bank. Mr. Snell also has served two terms as a member of the Alabama House of Representatives. • •

VANCE



BARNES

BYRD

McPETERS

Transaction Telephones Allow Banks in Atlanta To Offer Check Program

ATLANTA—By taking advantage of American Telephone & Telegraph technology, a number of banks here have announced plans to offer a low-cost check-guarantee system. Using existing bank cards, the system is said to eliminate problems for merchants and consumers in purchases made by personal check.

The AT&T Transaction Telephone is the heart of the system. Merchants will be able to lease the telephone system from Southern Bell and can use the devices as normal telephones or for transmissions of electronic data.

"Buy Line," as the program is called, will guarantee personal checks presented to merchants and reportedly will offer rapid, verbal authorization of purchases made with bank charge cards.

Citizens & Southern National, Fulton National and Trust Co. Bank have signed up as initial participants in the "Buy Line" program. Each bank will establish individual relationships with merchants wishing to be equipped with Transaction telephones, and merchants won't have to administer applications from consumers. Shop owners also will maintain full discretionary control over the system's use.

The Transaction telephones use electronically encoded "dialing cards" to establish direct contact with bank computers, which have 100-word vocabularies. When the computer responds to a merchant inquiry, verbally authorizing or denying a transaction, the computer is programmed to give the transaction an identifying code number, which the merchant records on the check or credit-card charge slip. The complete process is said to take less than 30 seconds.

There will be no charge to customers for membership in the program, and customers will be able to use "Buy Line" without applying for an additional card, if they have a checking-account access card with a participating bank.

Illinois Convention

President

BUSBOOM

IBA Pres. Arthur F. Busboom is pres., Bank of Rantoul, and ch., Gifford State. He is past pres., Champaign County Bankers Federation, IBA's Group Seven and East Central Illinois Chapter, Bank Administration Institute.

1st Vice Pres.

LIVASY

Ray G. Livasy, IBA 1st v.p., is pres., Millikin Nat'l, Decatur, which he joined in 1965 as e.v.p. He advanced to pres., 1966. Previously he had been with Illinois Bell Telephone, Peoria, and Bank of Illinois, Decatur, 1958-1965. He also is ch., Millikin Mortgage Co., Decatur.

2nd Vice Pres.

MONTGOMERY

Serving as IBA 2nd v.p. is John R. Montgomery III, pres., Lakeside Bank, Chicago, which he joined in 1966. Prior to that, he had served Northern Trust, Chicago, 1952-65. He is state v.p., ABA, and has attended the IBA Trust Development School.

St. Louis, May 23-25

Headquarters—STOUFFER'S RIVERFRONT INN

TENTATIVE PROGRAM

FIRST SESSION, 9:30 a.m., May 24

Presiding—ARTHUR F. BUSBOOM, president, Illinois Bankers Association, and president, Bank of Rantoul.

Presentation of Colors.

Invocation—THE REVEREND DANIEL C. O'CONNELL, president, St. Louis University.

Welcome—JOHN H. POELKER, mayor of St. Louis.

Address—JOHN B. ANDERSON, Republican congressman from Illinois.

Address—PIERRE RENFRET of Boston Associates, Inc.

Presentation—WILLIAM A. GLASSFORD, director, Banking Profession Political Action Committee (BancPac), Washington, D. C.

American Bankers Association Annual Meeting and Elections—JOHN R. MONTGOMERY III, American Bankers Association state vice president, IBA second vice president and president, Lakeside Bank, Chicago.

Report of Nominating Committee—DONALD R. LOVETT, chairman, president and CEO, Dixon National.

Door Prize Drawing.

Adjournment.

SECOND SESSION, 9:30 a.m., May 25

Presiding—ARTHUR F. BUSBOOM.

Panel Discussion—Report on IBA EFTS Feasibility Study—DANIEL N. QUIGLEY, vice president, National Boulevard Bank, Chicago, moderating.

Address—"Energy Alternatives and the Nuclear Option"—WILLIAM C. GERSTNER, executive vice president, Illinois Power Co., Decatur.

Door Prize Drawing.

Adjournment.

THIRD SESSION, 2 p.m., May 25

Presiding—ARTHUR F. BUSBOOM.

IBA Annual Meeting and Business Session.

Election of Officers.

Constitutional Amendment on Change of Election of Officers.

Adoption of Proposed Resolutions.

Annual Reports—ARTHUR F. BUSBOOM and ROBERT C. SCHRIMPLE, executive vice president, Illinois Bankers Association, Chicago.

Adjournment.

Stan Kenton, View of Energy Situation Are on 1976 IBA Convention Schedule

A VARIETY of social and business events, from Stan Kenton's Orchestra to a view of the energy situation by William C. Gerstner of the Illinois Power Co., Decatur, have been scheduled for this year's Illinois Bankers Association convention. Dates for the event are May 23-25 at Stouffer's Riverfront Inn, St. Louis.

Convention registration and exhibits will open in Stouffer's North Exhibit Hall at noon May 23. During that afternoon, a 1:30 executive committee meeting is tentatively scheduled for the President's Suite, while, at 3 o'clock, a Council of Administration meeting is planned for the Daniel Boone Room.

Final event of the day will be the past presidents' and past treasurers' dinner at 6 p.m. in the Eugene Field Room.

First on the agenda for Monday, May 24, is the Graduate School of Banking breakfast at 8 a.m. in the Daniel Boone Room, followed at 8:30 by the opening of the registration desk and exhibit hall.

The convention's first general session will begin at 9:30 a.m. and will feature a presentation of colors by the Scott Air Force Base Color Guard and an invocation by the Reverend Daniel C. O'Connell, president, St. Louis University. Providing the convention welcome will be John H. Poelker, mayor of St. Louis. There will be speeches by Congressman John B. Anderson (R.,Ill.) and Pierre Renfret of Boston Associates, Inc., and a BancPac presentation (Banking Profession Political Action Committee) by its director, William A. Glassford of Washington, D. C.

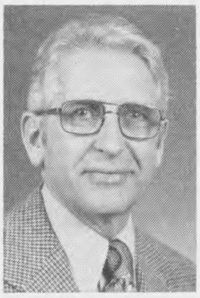
The 50-Year Club luncheon is scheduled for noon May 24 in the Daniel Boone Room, while a women's luncheon will be held from 11 a.m. to 4 p.m. at another site.

Registration and exhibits will open at 8:30 the morning of Tuesday, May 25, and the second general session will start one hour later in the Mississippi and Illinois rooms. That session will feature a panel discussion and report on the IBA EFTS Feasibility Study, with Daniel Quigley, vice president, National Boulevard Bank, Chicago, as moderator. A representative of Peat, Marwick, Mitchell, the firm that conducted the study, also will be on hand. An address will be given by William C. Gerstner, executive vice president, Illinois Power Co., Decatur. Mr. Gerstner's topic will be "Energy Alternatives and the Nuclear Option."

A speaker's table reception is slated for 11:30 a.m. in the Lewis and Clark Room, followed at noon by the convention luncheon in the Missouri and Meramec rooms. Guest luncheon speaker will be William Colby, former CIA director. The third general session will begin at 2 o'clock that afternoon.

At 6 p.m. May 25, a speakers' table reception will be held in the Lewis and Clark Room, while a reception will begin in the west assembly area. The convention banquet will start at 7 o'clock in the Grand Ballroom and Stan Kenton's Orchestra will provide the entertainment. • •

Rich Completes His Year As Treasurer of IBA



G. Wallace Rich is completing his year as IBA treasurer.

He entered banking at his present institution, First National, Cobden, in 1950, advancing to CEO six years later. Mr. Rich has been active in the IBA for a number of years, having served as president of Group 10 and on the IBA's Agriculture and Bank Management committees.

Backlund, Lemmerman To Run for IBA Offices

The Illinois Bankers Association's official nominees for second vice president and treasurer, respectively, for 1976-77 are B. F. Backlund and Jack D. Lemmerman.

Mr. Backlund entered banking as head examiner, South Central District, Nebraska Banking Department, in 1955. He joined Dunlap (Ill.) State, 1957, as CEO, going to Glasford State as CEO in 1965. In 1970, Mr. Backlund joined his present bank, Bartonville Bank, as president. He also is a director of State Street Bank, Quincy, and Wyoming Bank.

Mr. Lemmerman, the IBA treasurer nominee, has been with National Bank of Monmouth 29 years and has been president since 1966. He is a past president, Warren-Henderson County Bankers Federation, and of IBA Group Six. He has chaired the IBA Committee on Bank Management and is on the association's Council of Administration and its Executive Committee. Mr. Lemmerman is a director of the Bank Administration Institute's Western Illinois Chapter.

LEMMERMAN

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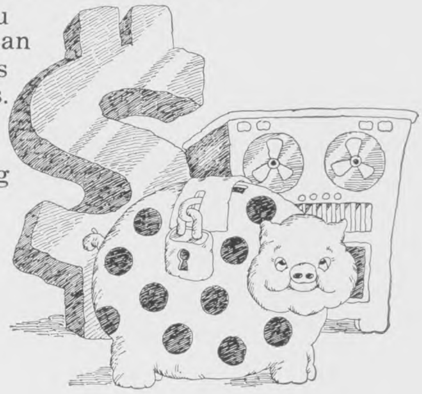

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Indiana Convention

President

GRIFFIS

C. Lloyd Griffis, assn. pres., is pres. & CEO, Old-First Nat'l, Bluffton, which he joined in 1963. He is a former IBA treas. and v.p. and is a past ch. of the legislative committee and a past pres., Region One.

Vice President

FARRELL

IBA v.p. is William C. Farrell Jr., pres. & CEO, Elston Bank, Crawfordsville. A banker since 1947, he headed corporate banking div. (including corres. banks div.) at American Fletcher, Indianapolis, when he joined Elston Bank in 1969.

Treasurer

FIRESTONE

Wayne E. Firestone, pres. & t.o., State Bank, Rensselaer, serves as IBA treas. He entered banking in 1952 and is a past pres., IBA Region Two, BAI Tippecanoe Conf., and Independent Bankers of Ind. Mr. Firestone attended the School of Banking, University of Wisconsin, Madison.

FRENCH LICK, June 16-17

Headquarters—FRENCH LICK-SHERATON HOTEL

PROGRAM

FIRST SESSION, 9:30 a.m., June 16

Call to Order and President's Message—C. LLOYD GRIFFIS, president, Indiana Bankers Association, and president and CEO, Old-First National, Bluffton.

Report of Nominating Committee.

Election of Officers.

Treasurer's Report—WAYNE E. FIRESTONE, treasurer, Indiana Bankers Association, and president and trust officer, State Bank, Rensselaer.

Address—"Abraham Lincoln"—RICHARD BLAKE.

Address—OTIS R. BOWEN, governor of Indiana.

Address—LARRY O'BRIEN, executive director, INDEX Automated Clearing House, Indianapolis.

Adjournment.

SECOND SESSION, 9:30 a.m., June 17

Call to Order—C. LLOYD GRIFFIS.

Meeting of Members of American Bankers Association.

Address—"Banking—What Now"—GEORGE WHYEL, Governing Council chairman, American Bankers Association, and vice chairman, Genesee Bank, Flint, Mich.

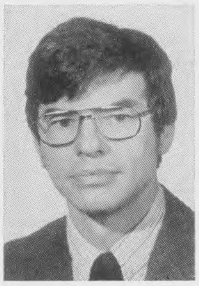
Address—"The Economy/American Style"—EUGENE A. LEONARD, first vice president, St. Louis Fed.

Address—"Practical Ideas for Competing With S&Ls and Credit Unions" —JAMES J. HUBBARD, Hubbard & Associates, Wheaton, Ill.

Adjournment.

Convention Speakers

WHYEL



LEONARD

HUBBARD

IBA French Lick Convention June 16-17 Has 'Banking/American Style' Theme

WHEN THE INDIANA BANKERS Association convention is held at the French Lick-Sheraton Hotel June 16-17, "Banking/American Style" will be its theme.

Kicking off the first business session will be a speaker who knows a lot about America, Abraham Lincoln, as portrayed by Richard Blake. He also will present his address, "A Look at Lincoln," to the women's luncheon June 17 at noon.

Other speakers slated for the first business session, which will begin at 9:30 a.m. June 16, will be Otis R. Bowen, the governor of Indiana, followed by Larry O'Brien, executive director of the INDEX automated clearing house, which is headquartered in Indianapolis and serves banks in the Seventh Federal Reserve District.

On hand to address the second business session at 9:30 the morning of June 17 will be George Whyel, ABA Governing Council chairman and vice chairman, Genesee Bank, Flint, Mich. Eugene A. Leonard, first vice president, St. Louis Fed, will speak on the economy, while James J. Hubbard of Hubbard & Associates, Wheaton, Ill., will present some "Practical Ideas for Competing with S&Ls and Credit Unions."

The convention banquet will take place on the evening of June 16 and will feature an after-dinner speech by J. Lewis Powell, management consultant, lecturer and writer from Alexandria, Va. His topic will be "The Price Tag of Freedom."

On Thursday evening, the festivities will begin with a garden party on the lawn of the Sheraton. Entertainment will be by the Jasper High School Band, which will perform patriotic songs. After dinner, the University of Indiana's Belles of Indiana will sing.

The men's golf tournament will take place Wednesday at the Hill Country Club and the Valley Country Club. The women's golf tourney is slated for the following day at the Valley course. A putting contest will be held Thursday for the non-golfers, and a tennis tournament is scheduled for both days of the convention.

Chairman of the convention program committee this year is William F. Stose, president and CEO, Salem Bank, Goshen. Serving on the committee are the following:

Robert S. Dunevant, president and CEO, Farmers & Merchants State, Oldenburg; Edward J. Bennett, Jr., executive vice president and cashier, Merchants National, Indianapolis; Gordon E. Smith, chairman, president and CEO, Shipshewana State; Marion R. Klipsch, president, trust officer and CEO, Citizens State, Petersburg; George A. Cox, president and CEO, Bargersville State; Rex Stoops, president and CEO, Hamilton County Bank, Cicero; and Arch C. Voris Jr., president and CEO, Citizens National, Bedford.

Chairman of the women's entertainment committee is Mrs. Howard Brenner of Tell City. Committee members include Mrs. Paul Shaffer, Fort Wayne; Mrs. James G. Riddle, Linton; Mrs. Gerald S. Simo, Mrs. Robert C. Laue and Mrs. Robert C. Nelson, all of Indianapolis; Mrs. William King, Richmond; Mrs. C. Lloyd Griffis, Bluffton; and Mrs. Kent Simpson, Salem. • •

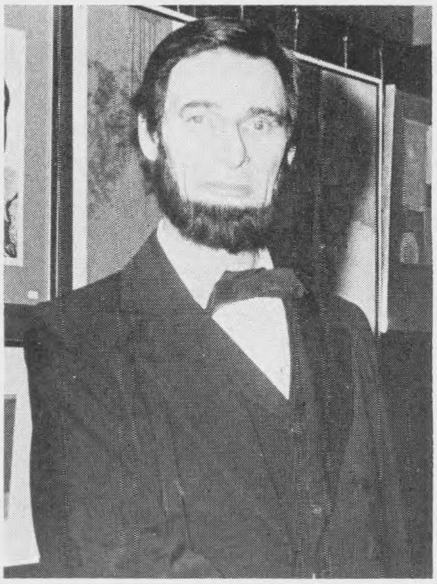
Voss, King Run for IBA Posts, Directors-at-Large Nominated

The IBA nominating committee has made the following selections for IBA officer positions for 1976-77:

William C. Farrell Jr., president, Elston Bank, Crawfordsville—IBA president; Tom G. Voss, president and CEO, Seymour National—IBA vice president; William H. King, president, Second National, Richmond—IBA treasurer.

Nominated for directors-at-large are Lyle Brighton, executive vice president, assistant trust officer and CEO, Owen County State, Spencer; William R. Irwin, executive vice president, Farmers Bank, Frankfort; and Robert E. Price, president, trust officer and CEO, Central State, Connersville.

Special Convention Speaker



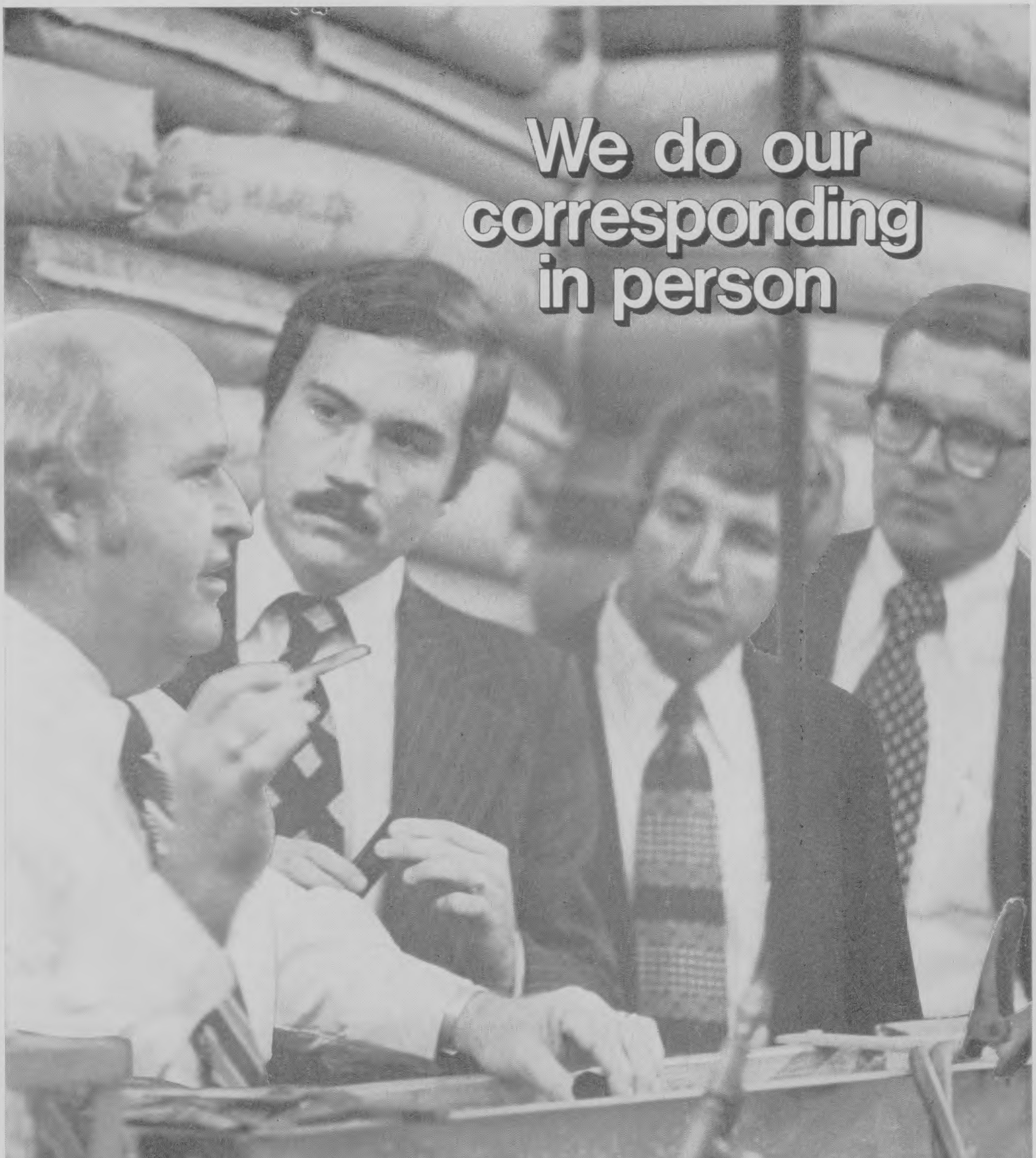
Since the Indiana convention will have the theme of "Banking, American Style," Abraham Lincoln will be on hand to address the first business session June 16 and the women's luncheon the same day. Lincoln is portrayed by Richard Blake.

■ DENNIS J. WITHEM has been elected president, First National, Monticello, succeeding Gerald Lowring, who resigned. Prior to his appointment, Mr. Withem was vice president, Dulaney National, Marshall, Ill.

■ CITIZENS BANK, Jeffersonville, has named Wanda Bolton, Marcia Meredith and Joy Reif assistant cashiers; Vivian Raisor, manager, Wall Street Drive-In; and Marie Bennett, Pat Hazard and Bea Worch, assistant managers, respectively, of Hallmark, Greentree and Allison Lane Banking centers.

Convention Program Committee

Members of the IBA convention program committee met in Indianapolis to discuss plans for the convention (seated, from l.): Robert C. Nelson, IBA e.v.p.; IBA Pres. C. Lloyd Griffis, pres., Old-First Nat'l, Bluffton; Committee Ch. William F. Stose, pres., Salem Bank, Goshen; Rex Stoops, pres., Hamilton County Bank, Cicero; and Arch C. Voris Jr., pres., Citizens Nat'l, Bedford. Standing, from l., are Gerald S. Simo, IBA admin. asst.; Jan N. Zigler, IBA sec.; George A. Cox, pres., Bargersville State; Marion R. Klipsch, pres., Citizens State, Petersburg; Gordon E. Smith, ch., pres. & CEO, Shipshewana State; Edward J. Bennett, e.v.p., Merchants Nat'l, Indianapolis; and Robert S. Dunevant, pres., Farmers & Merchants State, Oldenburg.



J. Roy Shoffner, President of Dura-Line Corporation explains production processes to Jim McKenzie, Asst. Cashier Liberty Bank; Bobby Jenkins, Vice President of Middlesboro's National Bank; and Murphy Brock, Liberty Vice President.

Liberty National Bank

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New Mexico Convention

President

STEWART

NMBA pres. is Wayne Stewart, pres. & CEO, First Nat'l, Alamogordo. He began his banking career in 1950 at Panhandle State, Borger, Tex., going to his present bank in 1956. Mr. Stewart has been a dir., El Paso Branch, Dallas Fed, since 1972.

President-Elect

NICKS

Serving as NMBA pres.-elect is W. R. Nicks, pres. & CEO, Citizens State, Springer. Mr. Nicks entered banking in 1941 at Fort Worth Nat'l, going to Citizens Nat'l, Lubbock, Tex., 1949, and to his present bank in 1962. He has been a registered NMBA lobbyist for several years.

Treasurer

PETTY

Ralph F. Petty Jr., pres., Bank of Santa Fe, is assn. treas. He began his banking career in 1970 at Security Bank, Ruidoso, where he attained the position of v.p. cash. Mr. Petty joined his present bank in 1972, advancing to e.v.p. in 1973.

Las Cruces, June 10-12

Headquarters Hotel—Holiday Inn

PROGRAM

FIRST SESSION, 10 a.m., June 11

Call to Order—WAYNE STEWART, president, New Mexico Bankers Association, and president and CEO, First National, Alamogordo.
National Anthem—DR. GARY STORY, Las Cruces.
Invocation—THE REVEREND CARL G. AMUNDSON, pastor, Holy Trinity Lutheran Church, Las Cruces.
Address of Welcome—ALBERT JOHNSON, mayor, Las Cruces.
Response—W. R. NICKS, president-elect, New Mexico Bankers Association, and president and CEO, Citizens State, Springer.
Address—JERRY APODACA, governor of New Mexico.
Address—"EFTS—A Businessman's Perspective"—H. R. LIVELY, director of public affairs, general credit office, Sears, Roebuck & Co., Chicago.

SECOND SESSION, 9 a.m., June 12

Call to Order—WAYNE STEWART.
American Bankers Association Meeting—CHARLES K. JOHNSON, ABA state vice president; New Mexico member, ABA governing council, and president, First National, Artesia.
Report of the Executive Vice President—DENTON R. HUDGEONS.
Recognition of 25- and 50-Year Club Members—WAYNE STEWART.
Address—"A View From the Comptroller"—Comptroller of the Currency JAMES E. SMITH, Washington, D. C.
Report of the Audit Committee—ROY E. HUDDLE JR., committee chairman, and vice president and cashier, First National of Rio Arriba, Espanola.
Report of the Resolutions Committee—DALLAS A. JOHNSON, resolutions committee chairman, and president, Farmers & Merchants Bank, Las Cruces.
President's Annual Report—WAYNE STEWART.
Report of the Nominating Committee—HENRY JARAMILLO JR., nominating committee chairman, and president, Ranchers State, Belen.
Election of Officers.
Presentation of Past President's Pin and Certificate.
Remarks by New President—W. R. NICKS.
Selection of 1978 Convention City.
Announcements.
Adjournment.

Principal Convention Speakers

APODACA

LIVELY

SMITH

Principal speakers on the program for the NMBA convention include Jerry Apodaca, gov. of New Mexico; H. R. Lively, dir. of public affairs, general credit office, Sears, Roebuck & Co., Chicago, and Comptroller of the Currency James E. Smith.

Business, Sports & Fun Are Scheduled June 10-12 For Las Cruces Convention

LAS CRUCES—A combination of business, sports and fun events are on the schedule for the 65th annual convention of the New Mexico Bankers Association June 10-12. Headquarters is the Holiday Inn.

Speakers on hand for the event will include Governor Jerry Apodaca and Las Cruces Mayor Albert Johnson, who will provide the local view. The national scene will be covered by Comptroller of the Currency James E. Smith; Robert L. Hanzlik, president, American Physical Fitness Foundation, Palo Alto, Calif.; Will Mann Richardson, senior vice president and trust officer, Citizens National, Tyler, Tex.; and H. R. Lively, director of public affiairs, general credit office, Sears Roebuck & Co., Chicago.

The convention committees' dinner will be held in the Holiday Inn's Dona Ana Room at 6:30 p.m. June 9. Entertainment will be by The Duo.

Registration for the convention will open at 8 a.m. Thursday, June 10, in the Holiday Inn Lobby. Those wishing to enter the men's golf tournament may tee off between 8 a.m. and 1 p.m. at the Las Cruces Country Club. Lunch will be served at the country club and tournament winners will be able to claim their prizes at the convention registration desk.

The past presidents' luncheon is slated for the Dona Ana Room of the Holiday Inn at noon, with entertainment by Guy Webb. The reception the evening of June 10 will begin at 6 o'clock on the Patio. Providing the entertainment will be the Twilight Trio.

Activities on Friday, June 11, will begin with the 8 a.m. prayer breakfast in the Rio Grande Ballroom.

Entertainment prior to the business sessions will be provided by David Hogue of Las Cruces on the organ.

The women's golf tournament is slated to begin at 8:30 a.m. June 11 at the Las Cruces Country Club. Preceding the tourney will be a continental breakfast. From 8:30-10:30 in the morning, the women's tennis tournament will be held at New Mexico State University. It also will feature an 8 a.m. continental breakfast.

The Rio Grande Ballroom of the Holiday Inn will be the site for the women's luncheon, which will begin with a social period at 11:30 Friday, June 11. Will Mann Richardson will give the luncheon address, and winners of the women's golf and tennis tournaments will be awarded. Entertainment will be by the Sweet Adelines of Las Cruces.

Special Convention Speakers

HANZLIK

RICHARDSON

Giving the address at the June 11 prayer breakfast during the NMBA convention will be Robert L. Hanzlik, pres., American Physical Fitness Foundation, Palo Alto, Calif. Will Mann Richardson, s.v.p. & t.o., Citizens Nat'l, Tyler, Tex., is scheduled to address the women's luncheon June 11.

The president's luncheon is slated for noon Friday in the Aggie Hall of the Howard Johnson's Motor Lodge, and the Bicentennial Barbershoppers will entertain. Those invited to the president's luncheon are the executive council, committee and group chairmen, trust division officers, ABA-New Mexico officers, convention speakers and other invited guests.

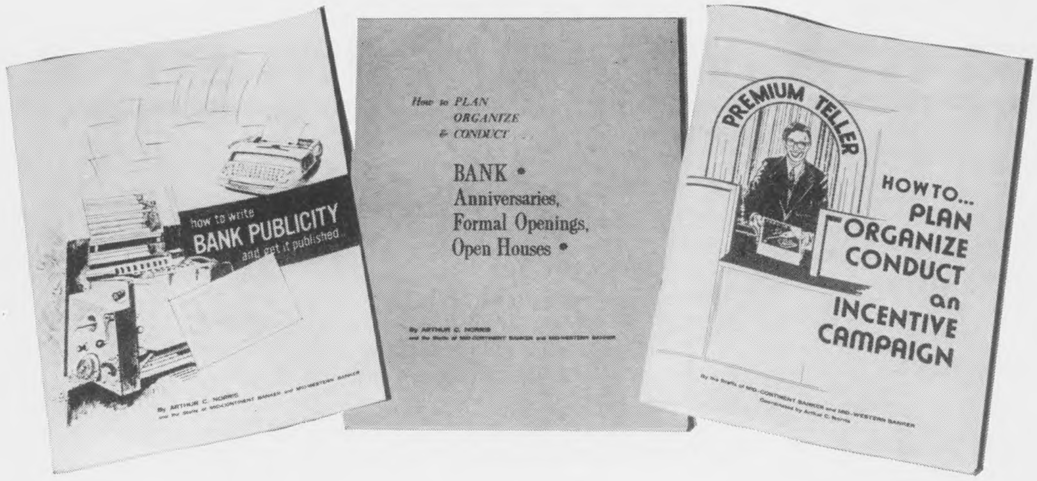
The men's tennis tournament is set to begin at noon at the Lions Park Tennis Courts, with prizes awarded at the tourney's end, while the women's bridge tournament is scheduled for 2:15-4:30 p.m. in Aggie Hall, Howard Johnson's Motor Lodge.

Kicking off the social events of the evening of June 11 will be a cocktail party on the Holiday Inn Patio from 6-7:30 p.m., courtesy of State National, El Paso. Following that will be a buffet supper in the Rio Grande Ballroom, with dancing to the music of the Butterfield Stage Band.

Saturday, June 12, will begin with a buffet breakfast from 7-8:30 a.m. in the Rio Grande Ballroom. Sponsoring the breakfast will be Citizens Bank, Farmers & Merchants Bank and First National of Dona Ana County, all of Las Cruces.

The final business of the convention will be the meeting of the executive council at 2 p.m. Saturday in Room 175 of the Holiday Inn.

Saturday evening's social events will begin with a 5 o'clock cocktail party on the Patio, sponsored by El Paso National. The banquet is set to start two hours later in the Rio Grande Ballroom, with an invocation by the Reverend Carl G. Amundson, pastor, Holy Trinity Lutheran Church, Las Cruces.



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NEWS
From the Mid-Continent Area

Alabama

■ FIRST NATIONAL, Birmingham, has announced the promotions of John F. Abele to assistant cashier and assistant manager, Vestavia Hills Branch, and of Raymond J. Reinhardsen Jr. to assistant cashier, construction loan department.

■ BANK OF HUNTSVILLE has elected the following directors: William T. Hedden, owner and manager, Farmers Tractor Co., and C. M. Russell, owner, Star Market.

■ MOBILE DATA CENTER, INC., has reached an agreement to become a wholly owned subsidiary of First National, Mobile. Regulatory approval is pending. Mobile Data Center is an Alabama corporation providing customized computer services to businesses and professions. Its president and founder, Enoch L. Brantley, will remain in his position there and the center will continue to operate as in the past.

■ AUBREY CARMACK has been elected senior vice president, First Alabama Bank, Montgomery, while William E. Epperson and M. Ernest Richardson Jr. have been named vice presidents. Jerry Thompson has been appointed an assistant branch manager. First Alabama Bank has been named runner-up for the Marketing Firm of the Year award, which is presented by the Birmingham Chapter of the American Marketing Association.

Arkansas

■ GARY H. KELL has been named senior vice president, L. E. Lay & Co., a wholly owned subsidiary of First Arkansas Bankstock Corp. (FABCO), Little Rock. Lay presently services more than $130 million of mortgage loans, has offices in Little Rock and North Little Rock and plans to open one in Hot Springs soon. Mr. Kell was with Lomas & Nettleton Co., where he was vice president and Arkansas branch manager the past seven years.

■ GORDON CHAPMAN has joined Union National, Little Rock, as senior vice president and branch administrator. He is responsible for all branch office operations, the UNB auto bank and all teller activities in the Main Office. Mr. Chapman formerly was senior vice president, manager, administrative group, and cashier, Commercial & Industrial Bank, Memphis. Before that, he was associated with First National, Memphis.

CHAPMAN

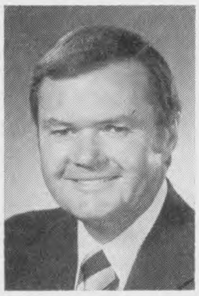
■ CHARLES STEWART, assistant vice president and urban affairs officer of First National, Little Rock, has been named as recipient of the "Mrs. David D. Terry Award" of the Arkansas Conference on Social Welfare and the Arkansas Chapter of the National Association of Social Workers. The award, which was established by Mrs. Terry, is presented annually to a person who makes "outstanding efforts on behalf of the people of Arkansas in achieving the goals of social welfare." Mr. Stewart, whose present job relates bank resources to social problems encountered in an urban environment, serves as liaison between business and other community-based organizations.

■ WORTHEN BANK, Little Rock, has agreed with Integrated Resources, Inc., New York City, to sell its headquarters, the Fabco Building, to the firm and lease back the building for 25 years. Consummation of the sale is planned for June 1.

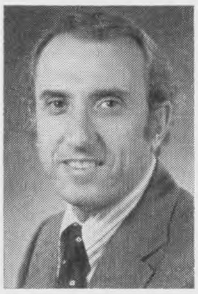
Illinois

■ DANIEL N. QUIGLEY has been promoted to executive vice president at National Boulevard Bank, Chicago. Kenneth A. Lindstrom has been named senior vice president, cashier and secretary, while Marshall A. Warshauer has been elevated to senior vice president and trust officer. Mr. Quigley joined the bank in 1974 and heads the personal bank, operations and consumer credit departments. Mr. Lindstrom, who has responsibility for the bank services and comptroller's departments, joined National Boulevard Bank in 1966 and Mr. Warshauer, who joined the bank in 1957, heads the trust department.

LINDSTROM



QUIGLEY



WARSHAUER

■ OWNERSHIP of Lake View Bank, Chicago, has been transferred to William N. Lane, chairman, General Binding Corp. Mr. Lane also owns the following Chicago banks: Northwest National Bank of Chicago, Pioneer Bank and Northbrook Trust. Lake View Bank previously was owned by N L Industries Inc., but changes in the Bank Holding Company Act of 1970 required the company to divest itself of the bank.

■ TIMOTHY O. DUFFY has been elected president, Bank of Winfield. He formerly was executive vice president. Prior to joining the bank in November, Mr. Duffy was with Bank of Northfield, an affiliate bank, as senior vice president.

Latin America in Chicago

Taking part in ribbon-cutting ceremony during opening of Chicago Representative Office of Banco do Brasil are (from l.) Luiz Carlos do Nascimento Silva, office head; Luiz Benjamin de Almeida Cunha, Brazilian consul in Chicago; and Angelo Calmon de Sa, bank pres.

■ CHARLOTTE H. BURZLAFF has been named vice president and cashier of Plum Grove Bank, Rolling Meadows. She goes there from American National, Chicago, where she had served since 1949.

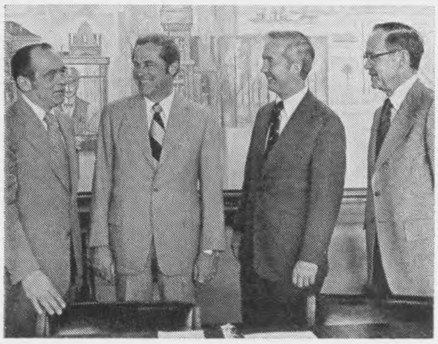
■ ROY C. PETERSON has been elevated to senior vice president in charge of the data processing division of Lincoln National, Chicago. He formerly was vice president and cashier.

■ ROLAND F. PORTER, vice president and trust officer, Drovers National, Chicago, has been advanced to senior vice president and trust officer, while Joesph P. Valenti has been promoted from vice president to senior vice president. Richard P. Griffith, correspondent representative, has been named an assistant cashier. Messrs. Porter and Griffith joined the bank in 1974, while Mr. Valenti joined Drovers National last year.

■ ROBERT VERHEYEN, executive vice president, Bartonville Bank, has been elected president of the Illinois Bankers Association's Marketing & Public Relations Division. Other division officers are Ernest A. Malone, assistant vice president, Millikin National, Decatur—first vice president; G. Thomas Andes, vice president and cashier, First National, Belleville—second vice president; and Karen Reeves DeLee, Illinois Bankers Association, Chicago—secretary.

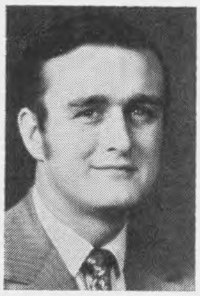
■ MARTIN J. NOLL has joined Capitol Bank, Chicago, as executive vice president, with overall responsibilities for operating and administering the bank. He comes from Chicago's American National, where he was second vice president in the correspondent banking division. He joined that bank in 1968.

McDivitt, Arquilla Named Dirs.



R. L. Maes (l.), v. ch., Heritage/Pullman Bank, Chicago, and Walter Ehrmann (r.), bank ch., congratulate two new bank dirs., George Arquilla Jr. (2nd from l.), pres., Burnside Construction Co., and James Alton McDivitt, former astronaut who now is pres., Pullman Standard.

■ AMERICAN NATIONAL, Chicago, has expanded its correspondent department. Ted C. Axton has been named second vice president and Benson R. Culver has been appointed correspondent banking representative. Mr. Axton, who joined the bank in 1968, will have responsibilities in Illinois, while Mr. Culver will work in Indiana. He joined the bank in 1974. The following have been promoted to second vice presidents: Ronald Bean, G. Lawrence Bliss, Berthil W. Ivarson, Richard G. Rand, Edwin S. Lacy and Fredrik C. C. Schokking. Named business services officers were Kevin J. Caulfield and Timothy J. Pettit; Ronald A. Gold and Ronald M. Hem, trust officers; and Adam Robins has been elected a loan officer.



AXTON

CULVER

■ NORMAN W. ARNOS JR. has joined Michigan Avenue National, Chicago, as vice president, commercial loan department. He previously was vice president, commercial banking, Main Bank, Chicago, and prior to that, had been assistant vice president with Union Commerce Bank, Cleveland.

■ FIRST NATIONAL, Pekin, has moved into its new multi-level building. The new quarters feature a children's window with an electronic lift that brings youngsters up to eye level with the teller, a "drive-under teller" area with eight stations and an after-hours bank. First National also has a new logo that features a reproduction of the Liberty Bell.

Kansas

■ ROELAND PARK STATE, Shawnee Mission, has changed its name to MidAmerican Bank & Trust Co.

■ UNION NATIONAL, Wichita, has named Robbin G. Brown credit officer. He has six years' loan office experience.

■ JOHN S. FIELDS, senior vice president, Southgate Bank, Prairie Village, has been named head of the newly created corporate, correspondent banking and national accounts division. He has been with the bank 10 years and formerly had charge of the installment loan division. The latter now is headed by Senior Vice President Harry F. Harrison Jr., who goes there from Westport Bank, Kansas City, Mo. He had been at that bank 18 years and was a vice president.

FIELDS

■ CAPITAL of Haven State has been increased from $75,000 to $100,000 by a stock dividend.

Fourth Center Wins Award

A. Dwight Button (l.), ch., Fourth Nat'l, Wichita, looks on as Jordan L. Haines (2nd from l.), pres.; Jack N. Allen (2nd from r.), v.p.; and Robert W. Asmann, s.v.p., admire the "Architectural Award of Excellence" which the bank received from the American Institute of Steel Construction for the bank's headquarters, Fourth Financial Center.

■ VERMILLION BANKSHARES, INC., has received Fed approval to become a one-bank HC through acquisition of Vermillion State. In a related action, the Fed approved the HC's application to acquire the assets of Vermillion Valley Insurance Agency in Vermillion and, thereby, to engage directly in general insurance agency activities. Fed permission was granted because Vermillion has less than 5,000 population.

Bank Has 'Golden Touch'

Glenn Irick, e.v.p. & dir., data processing, First Nat'l, Great Bend, presents the bank's first Golden Touch electronic funds transfer card to Dale Weller, ch. These cards, encoded with customers' names and special numbers, enable card holders to deposit to or withdraw from their First Nat'l checking or savings accounts electronically at any of the bank's computer terminals located in participating retail stores. According to Mr. Weller, the Golden Touch system will be offered to other merchants and financial institutions in Kansas.

Kentucky

■ FIRST NATIONAL, Louisville, has named Leslie H. London and Holman R. Wilson vice presidents. Mr. London, who is in charge of planning and development of consumer banking services, joined the bank in 1965. Mr. Wilson joined First National in 1970. He heads office space planning, Headquarters Office.

■ CITIZENS FIDELITY BANK, Louisville, has named Selden "Buck" Harris, manager, BankAmericard, and Craig Stanley, correspondent division, vice presidents. Bobby Campbell, Old Third Street Road Office manager, Phil Line, Rolling Hills Office manager, and Susan Nichols, Riverfront Office manager, have been elected assistant cashiers.

■ CALVERT BANK, Calvert City, is moving its Main Office from 128 Main Street to Fifth and Cedar streets and is opening a branch at the old location.

■ FIRST NATIONAL, Henderson, has elected George E. Warren president and CEO. He formerly was executive vice president. Mr. Warren also is executive vice president of Sebree Deposit Bank.

■ MICHAEL A. CONNER has been named president of Hebron Deposit Bank, succeeding Vaughn Hempfling, who has been elected chairman. Mr. Conner, formerly executive vice president, has been with the bank since 1964. In other appointments at the bank, Robert Ruebel, vice president and cashier, has been named board secretary, and Ruby Reed has been elevated to vice president.

■ THOMAS R. BRUMLEY has succeeded L. B. Nofsinger as president and CEO of First State, Greenville, after Mr. Nofsinger requested that he be relieved of some duties. He will continue as vice chairman and trust officer. Mr. Brumley formerly was president, American Bank, New Albany, Ind.

■ MYRON R. MANN has been named executive vice president-administration at Second National, Ashland. He has served with the Cleveland Fed as assistant vice president and, most recently, as vice president of operations, systems and branch administration with Financial Computer Services.

■ DAVID ROSS has been elected president of Bank of McCreary County, Whitley City, succeeding C. C. Shepherd, who has retired. Mr. Ross joined the bank 15 years ago as a teller, while Mr. Shepherd had been with the bank since 1947. He has opened an insurance agency.

Louisiana

■ WILLIAM W. DELONEY has been named assistant vice president, national accounts, at First National Bank of Commerce, New Orleans, and Robert L. Browning has been elected an international banking officer. Patricia Kerth has been elevated to banking officer, while Larry L. Schupbach has been appointed petroleum engineering officer. In other promotions at the bank, James E. Wallace has been advanced to data services officer and Chester A. Wood, to bond investment officer.

■ VERNON BANK, Leesville, has received FDIC approval to open a branch at 100 South Third Street.

■ PLAQUEMINE BANK is moving its Main Office from 419 Church Street to the corner of Fort and Eden streets.

■ CENTRAL LOUISIANA BANK, Marksville, plans to open a branch in Effie.

■ GILBERT L. PARKS has been appointed personnel director of Bank of New Orleans. He has 10 years' personnel experience.

Died: Charles A. Henricks Jr., president, Guaranty Bank, Gretna, at his home. He joined the bank at its 1951 founding as vice president and cashier. Two years later he was named president. He began his banking career with Whitney National, New Orleans.

Missouri

New Mark Twain National Opens April 2 in Ladue

LADUE—Mark Twain National, newest subsidiary of Mark Twain Bancshares, opened here April 2 with capital and surplus of $400,000 each and undivided profits of $200,000. It's the only national bank here.

This is lobby of new Mark Twain Nat'l, Ladue. Note unusual use of plants and trees and modern art works hanging on walls.

Ribbon-cutting to open new Mark Twain Nat'l, Ladue, is done officially by Robert C. Butler (6th from l.), pres. Pictured, l. to r., are: Robert Renz, v.p; John P. Dubinsky, pres., Mark Twain Bancshares; Harlan Steinbaum, pres., Medicare-Glaser Corp.; Edwin G. Hudspeth, v.p.; John O'Shaughnessy, admin. asst. to pres.; Mr. Butler; Sanford J. Spitzer, v.p.; Alvin J. Siteman, pres., Siteman Organization, and ch. of bank's advisory board; Joseph Forshaw III, pres., Forshaw of St. Louis; Stanley Lopata, pres., Carbonline Co.; Adam Aronson, ch., Mark Twain Bancshares; Gerald T. Dunne, professor of law, St. Louis University; Albert G. Watkins, divisional sales mgr., Time magazine; John Ross, e.v.p., Porta Fab, division of Keene Corp.; and Jerald Hinton, cash. Mr. Dunne formerly was gen'l counsel and v.p., Federal Reserve, St. Louis.

Robert C. Butler is president and continues as director and executive committee member of the parent company. Mr. Butler has been a St. Louis-area banker 20 years and with the Mark Twain Group since 1969.

Other officers are: vice presidents, Edwin G. Hudspeth, Sanford J. Spitzer and Robert J. Renz; and cashier-secretary, Jerald B. Hinton.

The bank and HC are located on the first floor of a three-story building, which has been renamed the Mark Twain Building. The unusual lobby has trees, plants and flowers from the Missouri Botanical gardens, which have featured Mark Twain National as an outstanding example of practical utilization of such plantings.

The bank featured the term "time" in its opening promotion, saying, "Mark Twain bank in Ladue has more *time* for you" and backed up this statement by offering all kinds of timepieces at reduced prices to those opening accounts.

■ FLORISSANT BANK has promoted two officers and named a new assistant cashier. Roy F. Laramie, assistant vice president, was named vice president. Carl W. Peters, assistant cashier, was named assistant vice president, and Mrs. Mary A. Hook was named an assistant cashier.

■ G. L. THOMAS has been named president and a director, Laurel Bank, Kansas City, succeeding Clark G. McCorkle, who continues as chairman. Mr. Thomas joined Laurel Bank in 1971, advancing to executive vice president in 1973.

■ EARL HALDEMAN III has joined First National, St. Louis, as commercial banking officer, regional banking division. He will work in the areas of agriculture and agribusiness. Prior to joining First National, Mr. Haldeman was assistant vice president-agriculture, First National, St. Joseph. First in St. Louis also has announced the election to its board of John Peters MacCarthy, president and chief operating officer of St. Louis Union Trust, an affiliate. Mr. MacCarthy has been named an advisory director, while August A. Busch III, president and CEO, Anheuser-Busch, Inc., has been elected a director.

HALDEMAN

MacCARTHY

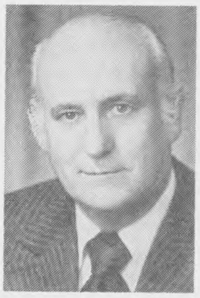
BUSCH

■ FIRST NATIONAL, St. Peters, is seeking regulatory approval to build a new headquarters building.

Brown to Chair Mayor's Ball

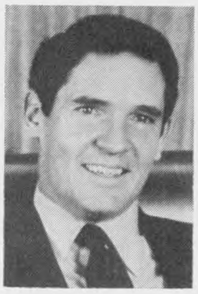
James E. Brown (c.), pres., Mercantile Bancorp., Inc., St. Louis, receives congratulations from St. Louis Mayor John H. Poelker (r.) and Donald R. Morris, pres., St. Louis Ambassadors. The occasion was Mr. Brown's installation as hon. ch. of the Mayor's Bicentennial Ambassadors Ball on May 7. Mercantile Trust, the HC's lead bank, was host to a special cocktail reception preceding the ball.

■ FIRST UNION, INC., St. Louis, has named the following directors: Charles F. Knight, chairman and CEO, Emerson Electric Co.; David E. Babcock, chairman, May Department Stores Co.; Darryl R. Francis, president (retired), St. Louis Fed; and Virgil V. Grant, executive vice president, Caterpillar Tractor Co., Peoria, Ill.



BABCOCK

FRANCIS



KNIGHT

GRANT

■ COMMERCE BANCSHARES, INC., Kansas City, has received Fed approval to affiliate with Commerce Bank of Grandview. The HC also has one charter pending, Commerce Bank of New Mark.

■ AARON E. PHILLIPS, bookkeeping department manager, First Northwest Bank, St. Ann, has been elected assistant treasurer, and Bert A. Raia, installment loan department, has been named assistant vice president. Mr. Phillips formerly was with First State, Wellston, affiliate bank, while Mr. Raia formerly was manager, C.I.T. Financial Services, Inc., St. Charles Branch. In addition, James P. Davis, president, Community Title Co., has been named a director of First Northwest Bank.

■ TERRY R. POST has been advanced to vice president and personal trust officer at United Missouri Bank, Kansas City. Myron L. Wheeler has been named personal trust officer, while the following have been named assistant personal trust officers: Stephen J. Campbell, Gary L. Sloan and Norris E. Greer. David L. Roberts has been elected estate planning officer. At the affiliate HC, United Missouri Bancshares, Inc., Kansas City, Jerry Rice has been promoted to assistant comptroller.

W. H. NAUNHEIM

A. R. NAUNHEIM

■ ALFRED R. "BO" NAUNHEIM has been elected president of Charter Bank of Overland, succeeding his brother, Webe H. Naunheim, who continues as chairman and is the new president of Bank of Ladue. "Bo" Naunheim also serves as chairman of Charter Bank of Jennings and will continue in that capacity. A former Missouri Bankers Association president, "Bo" Naunheim also is executive vice president of First National Charter Corp., Kansas City, affiliate HC for the three banks.

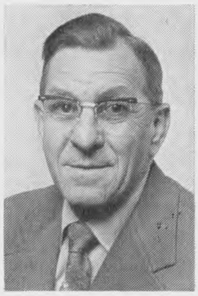
■ WEBE H. NAUNHEIM has been elected president and a director, Bank of Ladue. He succeeds John Fox, president since 1974. Mr. Fox has been elected chairman, succeeding Howard Baer, who retired from the post last year, but remains on the board. Mr. Naunheim remains chairman, Charter Bank of Overland, and is a director, First National Charter Corp., Kansas City-based bank HC that acquired Bank of Ladue April 7. Mr. Fox retired in 1970 from St. Louis' Mercantile Trust, where he was CEO.

Big Bend Bank Opens Facility

Webster Groves Mayor Jack Cooper wields the scissors to officially open Big Bend Bank's new drive-up/walk-up banking facility. Holding the ribbon are Wilson T. Bell (r.), pres., and Earl E. Walker, dir., while other directors (from l.) look on: Robert E. Chapman, Andrew E. Sheahan, Donald B. Gerber, William H. Chapman and Paul Schattgen. The new building features four drive-up stations and two inside tellers windows.

■ DANIEL E. SINGER has been named vice president at Boatman's National, St. Louis. Elected assistant trust officers were William Goessling and Michael P. McDonough, while John H. Matthews has been elevated to installment loan officer and Robert L. Seper, to assistant cashier. Mr. Singer joined the bank in 1972; Mr. Goessling, in 1975; Mr. McDonough, in February; and Messrs. Matthews and Seper, in 1973.

SINGER



NIEHOFF

■ CYRIL A. NIEHOFF, executive vice president and cashier of Florissant Bank, has been appointed to a two-year term as the Bank Administration Institute's state director for Missouri. Mr. Niehoff has been with the bank over 40 years. In the BAI post, he is responsible for promoting activities and serving as liaison officer among BAI chapters, district directors, national headquarters and other banking organizations.

■ FIRST NATIONAL, Kansas City, has announced the promotions of Craig Bouise to deputy controller; Fred Adams, to data processing officer; Les Wainright, to assistant cashier; and Steve Pohle, to assistant trust officer.

■ GEORGE H. CLAY, retired president of the Kansas City Fed, has been elected a director of Ameribanc, Inc., St. Joseph. He joined the Fed in 1958, advancing to president in 1961. Prior to that, he had been vice president of administrative services and a director of Trans World Airlines.

Oklahoma

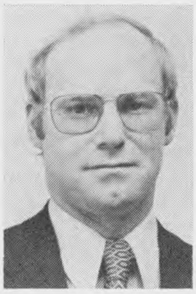
■ FIDELITY BANK, Oklahoma City, has named Larry Fenity and Tim Potts assistant cashiers. Both have been with the bank since 1975.

■ ROBERT LAND has been appointed vice president and data processing manager at Bank of Oklahoma, Tulsa. He has been in the data processing field since 1955 and previously was with National Bank of Detroit and University Computing Co. In addition, Bank of Oklahoma has named Stanley Lybarger assistant vice president.

■ ROGERS COUNTY BANK, Claremore, has opened its new quarters. The building has brick parapet walls, a bronze finished metal fascia and solar bronze windows. A walk-up is located in its vestibule, but motor banking services will continue in the refurbished existing location. A highlight of the bank's interior is a number of paintings of local scenes by a bank employee, Betty Knott. The building design, construction management and furnishings were by Bunce Corp., St. Louis.

Texas

■ WILLIAM F. WATT has joined Bank of the Southwest, Houston, as senior vice president and marketing division manager. He formerly was vice president and marketing, corporate planning and deposit management division head at Citizens Bank, Flint, Mich., and before that was marketing officer in charge of product management at National Bank of Detroit. Michael E. Patrick has been named vice president at Bank of the Southwest. He manages the credit department.



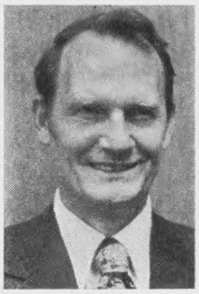
PATRICK

WATT

■ PAUL J. LOGAN, vice president, retail banking division, First City National, El Paso, has been named auditor, while R. E. "Ed" Lain, senior vice president of the bank's HC affiliate, First City Bancorp. of Texas, Inc., Houston, has been elected a bank director. Elevated to assistant cashiers at First City National were James F. McDermott, BankAmericard, and Larry W. Goodman, installment loan collections.

■ W. C. MAHALEY JR. has been promoted to vice president, factoring and commercial finance division, First National, Dallas. The following have been named assistant vice presidents: Dennis H. Alberts and Eugene McElvaney III, correspondent banking; Steve C. Beckham, L. Scott Luff and Wayne A. Tenney, north Texas metroplex; Ruben M. Trevino and Charles C. L. Boortz, real estate; Donald M. Johnston and Kim A. Uhlemann, special industries; Leland C. Clemons, national; Jack S. Correro, factoring and commercial finance; J. Rodney Smith, credit; Jerry D. Branum, personnel; Herbert Muse Jr., controller's; Terry M. Boone, municipal bonds; M. Scott Turrentine, operations; Gerard Roussel, Paris Branch; and Ernest E. Sheppard, corporate and correspondent department, America's area, international services.

■ FRANK D. PHILLIPS has been named president and chief operating officer, Capital National, Austin. He also has been elected a director. Mr. Phillips most recently has been with a major Austin bank. He began his career with CIT Financial Corp. and also has worked for the Ford Motor Credit Co. in its Michigan headquarters and in Dallas.



PHILLIPS

SNYDER

■ WILLIAM E. SNYDER, correspondent banking section head at Amarillo National, has been promoted to vice president. He joined the bank as data processing manager in 1968 and transferred to the marketing department in 1970.

■ RICHARD AGHAMALIAN has been appointed assistant vice president at Fort Worth National. Prior to joining the bank, Mr. Aghamalian was vice president, Arlington Savings, and loan officer, Southern Trust, Arlington.

■ CHARLES J. KOPYCINSKI JR. has been promoted from assistant cashier to auditor of Cullen Center Bank, Houston, while Mike Brummerhop, credit department head, and Robert Nelson have been named assistant cashiers.

Bank's Deposits Assumed

HOUSTON—The deposit liabilities of South Texas Bank have been assumed by the newly chartered South Loop National, which has opened in the failed bank's former quarters.

South Texas Bank was closed by the state banking commissioner February 25 and the FDIC was named as receiver.

In addition to assuming $7,108,100 in deposits, South Loop National has agreed to pay a purchase premium of $120,000. Heading the purchasing group is William T. Keenan, a Houston banker who served in January as a temporary employee of the Franklin Bank receivership, which was conducted by the FDIC here.

■ KENNETH E. OLDHAM has been named president, Highlands State, while Marvin Gillespie has been elected chairman. Don Lang, the former chairman, has resigned and will remain as a director. Mr. Oldham, formerly first vice president, joined the bank in 1962, and Mr. Gillespie had been president of the institution since joining it in 1968.

■ JIM FLORES has been promoted from vice president and assistant trust officer, First National, Odessa, to vice president and trust officer. In other advancements at the bank, Bill Ward, auditor, has been named comptroller; Oscar Juarez, assistant cashier, to auditor; Frank Deaderick and Dan Thompson, assistant trust officers, to trust officers; and Troy Barrientes has been named assistant cashier.

■ TEXAS AMERICAN BANCSHARES, INC., Fort Worth, has received Fed approval to acquire Galleria Bank, Houston.

■ JOHN ELLIOTT has been elevated to trust officer at Lubbock National, while Don G. Furr and Joe R. Horkey have been named directors. Mr. Furr is chairman and CEO, Furr's Cafeterias, Inc., and Mr. Horkey is president, Horkey Oil Co., Horkey LP Gas Co., Inc., and Plains Gas.

FURR HORKEY ELLIOTT

■ LESLIE C. LEWIS has been advanced to senior vice president and trust officer of Texas Commerce Bank, Houston, while David C. Shannon has been named vice president. Promoted to assistant vice presidents were Melvin C. Payne, chemical; John M. Bondur, personnel; Thomas R. Cox, metropolitan; Claude E. Conrad, data services; and J. Mark Schultz, item processing. At the bank's affiliate HC, Texas Commerce Bancshares, Inc., Houston, a merger agreement has been reached with Bexar County National, San Antonio. Approval is pending.

■ W. B. DWIRE JR. has been elected executive vice president of Allied Citizens Bank, Kilgore. He formerly was vice president, First National, Henderson. J. Wilson Horn has been elected vice president at Allied Citizens Bank and will head the installment lending department. He previously was manager of the Baytown Office of Beneficial Finance. Len J. Pyeatt, formerly of East End State, Houston, has joined Allied Citizens Bank as assistant vice president.

■ HOUSTON NATIONAL has announced the following appointments: W. Kyler Craven, to senior vice president and international banking head; Kenneth H. Kennedy, to trust officer, personal trust; Carlos M. Leach Jr., to assistant vice president, commercial banking group, metropolitan department; and Anne V. Mrok, to marketing officer/advertising manager.

■ ANGUS M. ANDERSON has been named assistant vice president-commercial and real estate loans, Fair Park National, Dallas. He has over four years' experience in the banking and mortgage industries.

■ TEMPLE P. BOWEN, vice president in charge of time deposits at Continental National, Fort Worth, has retired. He joined the bank in 1929 and will continue as consulting vice president. Mr. Bowen headed time deposits for the past 10 years.

■ J. STEPHEN WINSTON has been elected assistant vice president at Houston Citizens Bank, while Jerry Dillingham and William R. Williams have been named administrative officers.

■ THE FED has approved a move by Republic of Texas Corp., Dallas, to acquire First Bank, Lufkin; First National, Henderson; and First Bank, Groveton. The HC also has agreed in principle to acquire First National, Brownwood, flagship bank of U. S. Bancshares, Inc. Approval for that move is pending.

■ GREGORY I. KRAMER has been named vice president and cashier of Cypress Bank, Houston. He will be in charge of the bank's basic operations. Patsy Emory has been elected assistant vice president and will be in charge of purchasing, advertising and CDs.

■ NATIONAL BANCSHARES CORP. of Texas, San Antonio, has received permission from the Comptroller of the Currency to relocate its subsidiary, Churchill National, San Antonio, to the corner of Ramsey Road and San Pedro Avenue. The bank will continue operations at its present location until the new building is completed, sometime in early 1977.

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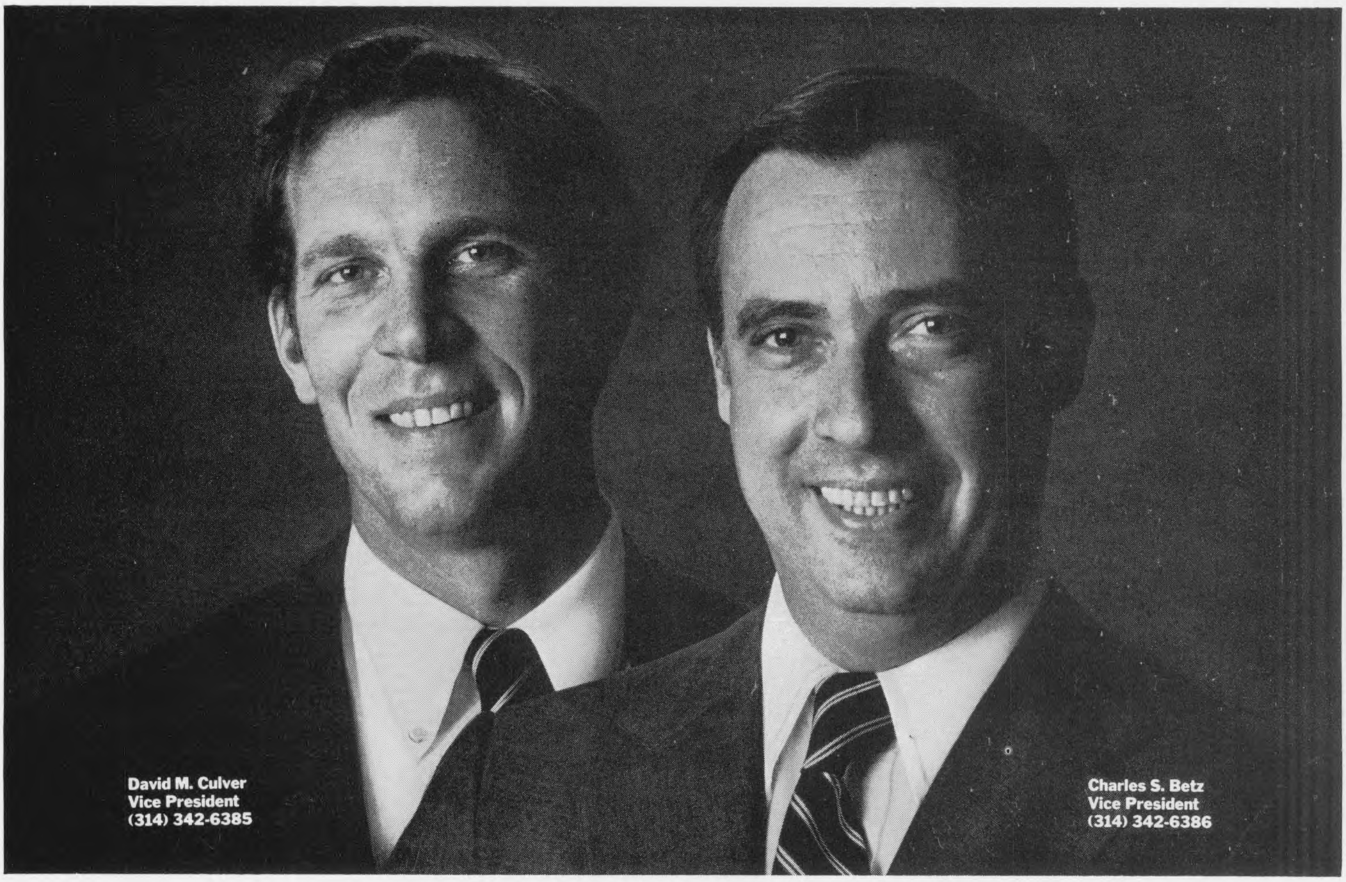

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