MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

AUGUST, 1976

How Big-City Correspondent Banks Assist Downstream Customers In Three Important Areas:

(Page 23)

International Banking

Agribusiness

Industrial Development

LIBERTY PRESENTS PAUL NADLER AND JACK PATTEN ON PROFIT PLANNING.

Paul Nadler says . . .

The old adage "if you don't know where you're going, any road will take you there" has special application to the banking industry.

You know, the number one concern of every bank executive . . . their shareholders . . . and now the regulators is 'maximum long range earning power'.

But the velocity of change of a growing number of factors which influence earnings is almost breathtaking. So, responsible management today can no longer trust impulsive 'seat of the pants' decision making. Rather, it must use every possible means of shortening its response time when external factors change and mid-course corrections are needed. In short, automated earnings management is the 'name of the game'.

Jack Patten says:

Planning and management . . . they are synonymous with us and Security National of Norman uses Liberty's Management Reporting System to help us set goals and plan for consistent profit growth. You know, these days community banks face the same decisions that the giant banks face because we basically are competing with them in the marketplace. And, EFTS is going to bring the whole banking system together in the same marketplace for sure. So . . . we just simply have to know what is going on and how it impacts the bottom line. And that means all my key officers must be involved. But MRS has helped us in many ways: One of the most important is that it has helped us 'manage the spread' . . . and what profits your bank makes really has a lot to do with this. Now we identify trends earlier and consider the 'mid-course' corrections necessary to make our planned profit performance. We simply couldn't have gotten there in the first place without the basic information we get from our MRS System.

Liberty says:

Helping bankers plan for profits, measure results to control those profit levels . . . and acting rather than reacting . . . that's what the MRS can do. It is asset and liability management for profit planning . . . response time . . . awareness . . . knowledge . . . simplified reporting . . . management and increased regulatory confidence . . . that's what the MRS is all about. In short, "the name of the game" is automated earnings management.

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ASSETS	*June 30, 1976*
Cash and Due From Banks	$107,113,818
Investment Securities:	
U.S. Government Obligations	97,941,920
Obligations of States and Political Subdivisions	136,429,137
Other Securities	2,015,369
Total Securities	236,386,426
Loans (Net of Unearned Discount of $20,183,231 in 1976 and $17,679,086 in 1975)	418,584,619
Less Valuation Reserve for Possible Loan Losses	6,162,322
	412,422,297
Funds Loaned	33,550,000
Banking Premises and Equipment	8,896,859
Income Earned—Not Collected	7,685,734
Other Assets	7,267,538
Total Assets	$813,322,672
LIABILITIES	
Deposits:	
Demand	$285,028,935
Savings	205,103,590
Time	182,720,833
Total Deposits	672,853,358
Funds Borrowed	31,300,000
Securities Sold Under Agreement To Repurchase	8,245,000
Dividend Payable	971,052
Accrued Taxes, Interest and Expenses and Other Liabilities	23,735,175
Total Liabilities	737,104,585
CAPITAL ACCOUNTS	
Capital Stock (1,215,265 shares)	12,152,650
Surplus	42,847,350
Undivided Profits	21,218,087
Total Capital Accounts	76,218,087
Total Liabilities and Capital Accounts	$813,322,672

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MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 72, No. 9 *August, 1976*

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Convention Calendar

September

Sept. 4-7: Assembly for Bank Directors, Colorado Springs, Colo., The Broadmoor.
Sept. 12-14: Kentucky Bankers Association Annual Convention, Louisville, Galt House.
Sept. 12-14: Bank Marketing Association, EFTS Conference, Toronto, Can., Hotel Toronto.
Sept. 12-15: ABA Bank Card Annual Convention, San Francisco, Hyatt Embarcadero.
Sept. 12-17: Robert Morris Associates, Loan Management Seminar, Bloomington, Ind., Indiana University.
Sept. 12-17: Kansas, Missouri & Nebraska Bankers Associations, School of Basic Banking, Lincoln, Neb., University of Nebraska.
Sept. 15-17: ABA Southern Regional Operations/Automation Workshop, San Antonio, Tex., Hilton Palacio del Rio.
Sept. 19-21: Bank Marketing Association, Public Relations Conference, Chicago, Chicago Marriott Hotel.
Sept. 19-22: ABA National Personnel Conference, San Francisco, Fairmont Hotel.
Sept. 20-21: Mortgage Bankers Association, President's Conference, New Orleans, Hyatt Regency Hotel.
Sept. 26-29: National Association of Bank Women, Inc., Annual Convention, New York, Waldorf Astoria.
Sept. 27-28: Robert Morris Associates, Lending to Banks & Bank Holding Companies Workshop, Chicago, Hyatt Regency O'Hare.

October

Oct. 2-6: ABA Annual Convention, Washington, D. C.
Oct. 6-8: National Association of Real Estate Investment Trusts, Annual Conference, Chicago, Hyatt Regency, Chicago.
Oct. 13-17: Consumer Bankers Association, Annual Convention, White Sulphur Springs, W. Va., The Greenbrier.
Oct. 17-20: Robert Morris Associates, Annual Fall Conference, Chicago, Hyatt Regency.
Oct. 17-20: Bank Administration Institute, Annual Convention, Philadelphia.
Oct. 24-27: Bank Marketing Association, Annual Convention, Miami Beach, Fontainebleau Hotel.
Oct. 24-29: Kansas, Missouri & Nebraska Bankers Associations, Intermediate School of Banking, Lincoln, Neb., University of Nebraska.
Oct. 25-27: Mortgage Bankers Association, Annual Convention, San Francisco, San Francisco Hilton.
Oct. 27-29: ABA Midwestern Regional Operations/Automation Workshop, St. Louis, Chase Park Plaza.
Oct. 31-Nov. 5: Kansas, Missouri & Nebraska Bankers Associations, Advanced School of Banking, Lincoln, Neb., University of Nebraska.

November

Nov. 3-5: ABA International Foreign Exchange Conference, New York City, Waldorf Astoria Hotel.
Nov. 3-5: Bank Administration Institute Financial Accounting & Reporting Seminar, Dallas, Marriott Hotel.
Nov. 4-7: Assembly for Bank Directors, Pinehurst, N. C., Pinehurst Hotel & Country Club.
Nov. 7-10: ABA Correspondent Banking Conference, Dallas, Fairmont Hotel.
Nov. 7-10: Independent Bankers Association of America Bank Ownership Seminar/Workshop, Phoenix, Ariz., Biltmore Hotel.
Nov. 7-12: ABA National Personnel School, Memphis, Hyatt Regency Hotel.
Nov. 7-19: ABA National Commercial Lending School, Norman, Okla., University of Oklahoma.
Nov. 8-10: Bank Administration Institute Determining EDP Job Costs, Boston, Colonnade Hotel.
Nov. 10-12: ABA Mid-Continent Trust Conference, Cincinnati, Stouffer's Cincinnati Inn.
Nov. 10-12: Bank Administration Institute Bank HC Administration Seminar, Park Ridge, Ill., BAI Headquarters.
Nov. 10-12: Association of Bank HCs Fall Meeting, Carefree, Ariz., Carefree Inn.
Nov. 13-17: Bank Administration Institute Forum for Presidents of Not-So-Small Community Banks, Phoenix, Ariz., Biltmore Hotel.
Nov. 14-17: ABA National Agricultural & Rural Affairs Conference, New Orleans, New Orleans Marriott.

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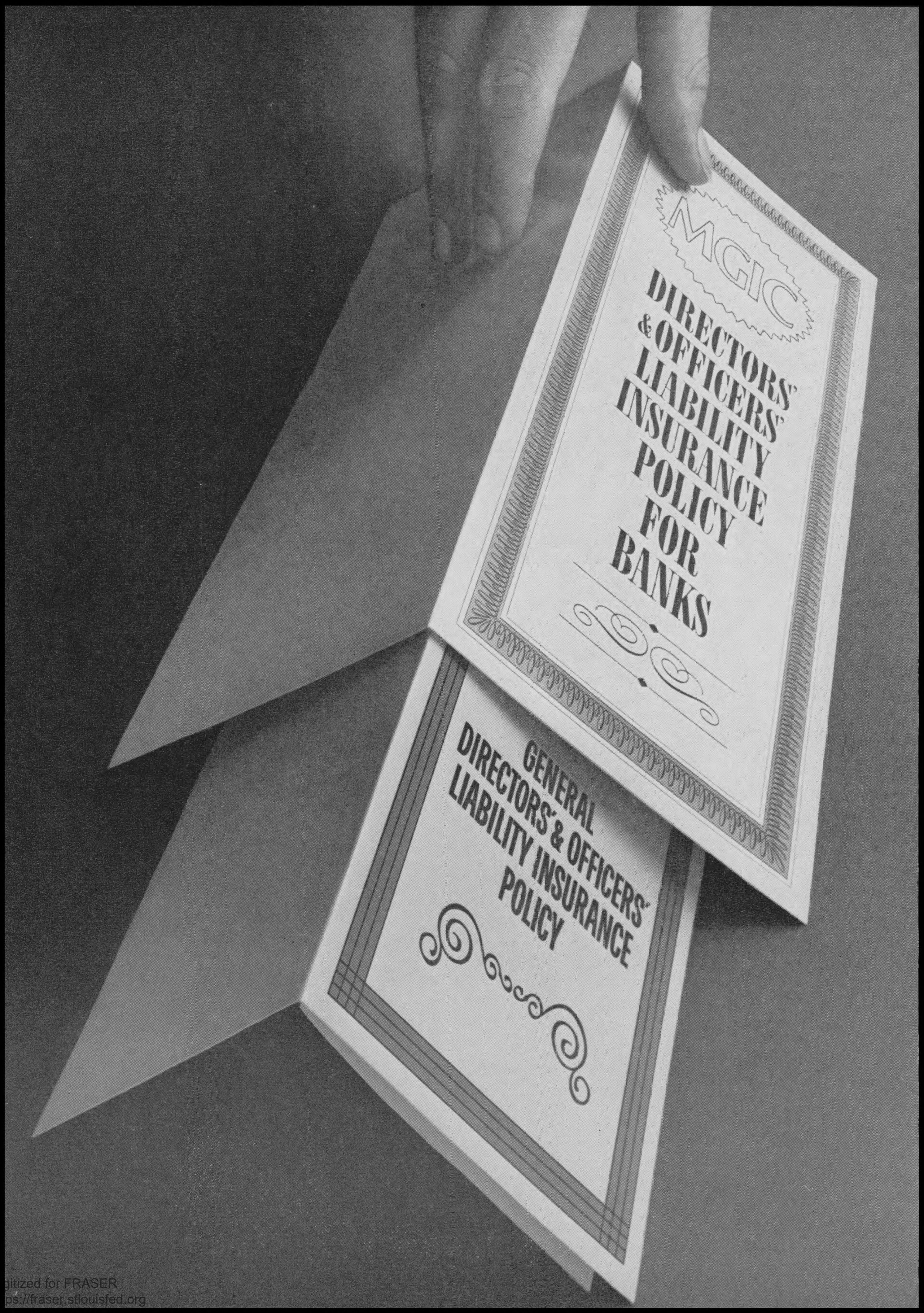

MGIC
DIRECTORS' & OFFICERS' LIABILITY INSURANCE POLICY FOR BANKS
GENERAL DIRECTORS' & OFFICERS' LIABILITY INSURANCE POLICY

By Dr. Lewis E. Davids

Hill Professor of Bank Management,
University of Missouri, Columbia

Is Credit Scoring Fully Understood?

COMPUTERS simplify credit scoring through the use of statistical analyses. Today, many individuals are, paradoxically, alienated by the concept.

Groups that favor implementation of credit scoring typically are bankers and others concerned with repayments of debts. They hold that credit scoring is in the public interest. On the other hand, a number of people, along with many regulators, contend that the concept and implementation of credit scoring would be discriminatory.

"Through . . . statistical procedure, one can adjust the risk of nonpayment to the terms of the probable cost of capital and the interest rate . . . A lender, extending the degree of risk he is willing to accept, could make more loans . . ."

Don't misunderstand. The concept of credit scoring is something many bankers haven't used formally. Basically, it involves taking the type of information legally available to a lender from the borrower's application and, by assigning different weights of credits to various parts of that application, the lender is able to "score" the probability of the loan being repaid.

To illustrate, it's accepted that a person who has owned a house and has worked for the same employer for a number of years is a better risk than an individual whose history shows that he has lived in furnished rooms and has had many jobs or layoffs in a short time.

Credit scoring, in effect, could apply all the "Cs" of credit in an objective way.

Similarly, an insurance company credit scores when issuing a life insurance policy: There are mortality differences among applicants based on age; mortality differences based on gender; and there also appears to be a mortality difference based on race, though this is a complex and frequently misunderstood area.

For example, women—on the average—live longer than men. Women are a better risk than men for life insurance policies, but they are poorer risks than men where annuities are concerned. Thus, the concept of adverse selection occurs if there was no legitimate discrimination by gender in issuing a life insurance policy or an annuity; women as a class would be favored when purchasing annuities if premiums were charged on the same bases for both sexes of the same age, but women would pay excessively high rates if they paid the same amounts for life insurance policies as did men, under similar conditions.

Of course, in life and business all things rarely are equal, and life insurance companies and firms writing annuities consider other aspects on applications. For example, a subject's health record. An insurance company, legitimately, doesn't like to insure a person who has had 10 strokes and uses a pacemaker. People engaged in hazardous occupations—workers on high-rise buildings for example—obviously have greater exposure to accident than, say, a clerk in a bank.

For many years, a major university has made periodic studies of credit ratings by occupation. People in certain occupations, it was found, consistently were rated higher than others as having a good probability of paying their debts. Some of this may be due to the "natural selection" of the individual. One personality type may choose to be an actor, while another may become an engineer.

There are certain industries which, by their nature, are seasonal or highly cyclical. Migratory workers don't have the stability of income that postal workers do.

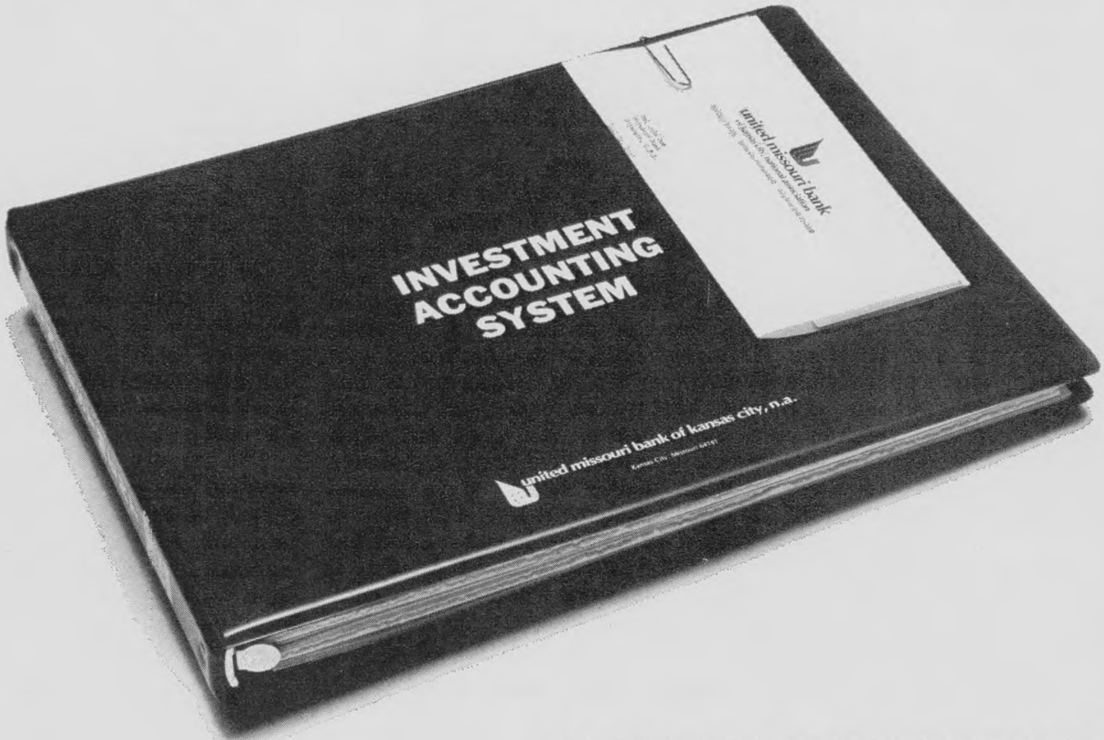
An interesting empirical feature of credit scoring is the ownership of a telephone. To an observer, a phone might not be considered a significant indicator of creditworthiness, but one of the biggest credit-granting and -collecting agencies is the telephone company! If a person hasn't paid a phone bill in one locality and moves to another, it's likely that "Ma Bell" wouldn't grant that person the use of another phone. Credit scoring is doubly weighted where the telephone becomes a criterion in the scoring arrangement.

"The president of the Philadelphia Fed has noted that (equal credit) regulations meant an estimated expense to surveyed small- and medium-sized banks of from 1-2% in net income in 1975. Those costs are the equivalent of at least one additional worker on the staff of a small bank . . ."

When both a husband's and wife's name are on a credit, there is a better chance of collecting than if there is but one name. Carrying that a step further, the old adage that "two can live more cheaply than one" has a great deal of merit for credit purposes. If less is spent for housing by a married couple than by two individuals living separately, more funds would be available to pay debts.

(Continued on page 68)

HOW TO AVOID SLEEPLESS NIGHTS IN THE BOND MARKET.



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Off-Premise EFT Bill Is Passed in Chicago; Results in Lawsuits

CHICAGO—A new spate of lawsuits resulted from the July 8 passage by the Chicago City Council of the Chicago Financial Services Ordinance. The ordinance permits banks and S&Ls to operate six community offices apiece and an unlimited number of off-premise banking machines within city limits.

Almost as soon as passage of the ordinance became known, Continental Bank filed suit in Cook County Circuit Court, asking that the ordinance be declared constitutional. The bank hoped to forestall any litigation testing its constitutionality. The suit also asks the court to issue a permanent injunction prohibiting State Banking Commissioner Richard K. Lignoul and his office from interfering in any manner with "the lawful activities of Continental Bank as permitted by the ordinance." First National filed a similar suit, also on July 8, and included Illinois Attorney General William J. Scott among the defendants.

The following day, the Illinois Bankers Association filed suit in U. S. District Court to have the new law declared unconstitutional, but that court sent the IBA to a lower (Circuit) court. As of press time, the association had not filed suit in the latter court.

Despite passage of the new ordinance, both Continental Bank and First National have indicated they don't plan to expand their off-premise banking terminals. The ATMs they already have installed will continue in operation because of a decision last December by U. S. District Court Judge Herbert L. Will. He ruled that as long as the machines perform only the following three services, they could not be called branches: accepting deposit from present customers; making cash withdrawals and accepting payments on present loans.

Last May, a three-judge panel of the Seventh U. S. Court of Appeals reversed Judge Will by ruling that off-premise banking terminals in Illinois constitute branching and are, therefore, illegal. The two banks have appealed this decision to the U. S. Supreme Court, which is in summer recess until October 4. It's only conjecture at this time whether the High Court will even hear the case or, if it does, just when it will be heard. If it does, it probably will be another two or three months after this hearing before a decision is handed down. The Supreme Court has stayed the ban on the ATMs until it decides whether it will rule on the case.

EFT Network Plans Proceed

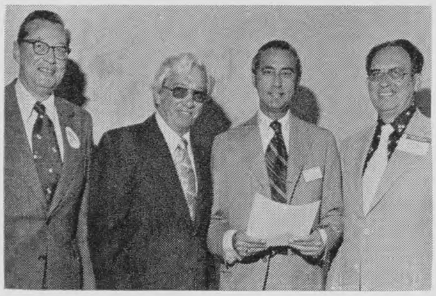
CHICAGO—Although the Illinois Bankers Association is trying to block enforcement of the newly enacted Chicago Financial Services Ordinance (see adjacent story), the IBA is going ahead with plans for an EFT network, as announced at its annual convention in St. Louis last May. This network will be a nonprofit corporation operating on a cooperative basis, with member banks called patrons. It will be open to all Illinois commercial banks.

According to IBA Assistant Secretary Donald X. Murray, an EFTS steering committee has been chosen, and a sign-up campaign for members is set to start this month. As Mr. Murray put it, the first objective is to find out whether the public will buy the EFT idea; then the steering committee must make a study of the hardware needed for EFTS and what kind of enabling legislation will have to be passed to make EFT a reality in Illinois.

Bank's ATMs Ruled Branches, Must Be Closed, Says Court

ST. LOUIS—Lawyers for First National have not decided what further action to take following the ruling July 20 by the U. S. Court of Appeals for the Eighth Circuit that the bank's off-premise automated teller machines are branches. Thus, the ATMs are said to violate Missouri's branch-banking law and must be shut down.

First National installed the ATMs at two suburban locations—Emerson Electric Co. and a food store—after the Comptroller of the Currency, in December, 1974, ruled that such devices were not branches and could be installed by nationally chartered banks. However, State Banking Commissioner William Kostman filed suit charging that the ATMs are branches and do violate state law. U. S. District Judge James Meredith ruled last November that they are branches and must be discontinued. The bank then filed an appeal from this decision, and last month's ruling came as a result of this appeal.



Discussing developments in EFT and automated central information file systems during "User Seminar" of American Nat'l, Chattanooga, are (from l.) Phil Harvey, v.p., nat'l corr. div.; Ned Bender, ch. & pres., Nat'l Bank, Boaz, Ala.; Jim Goodner, e.v.p., host bank admin. div.; and Ben Purser, pres., Dayton (Tenn.) Trust.

Bank Reps See Services In EFT 'User Seminar'

CHATTANOOGA—Area bank management personnel were able to get first-hand looks at many new services provided by EFT and automated central information file systems during a "User Seminar" sponsored by American National.

The seminar was one of a series of meetings designed to evaluate the usefulness of automated bank operational programs for customers of American National's data operation center. On hand were representatives of 18 banks in southeast Tennessee, north Alabama and north Georgia.

'Grad School of EFTS' Slated For Atlanta August 15-20

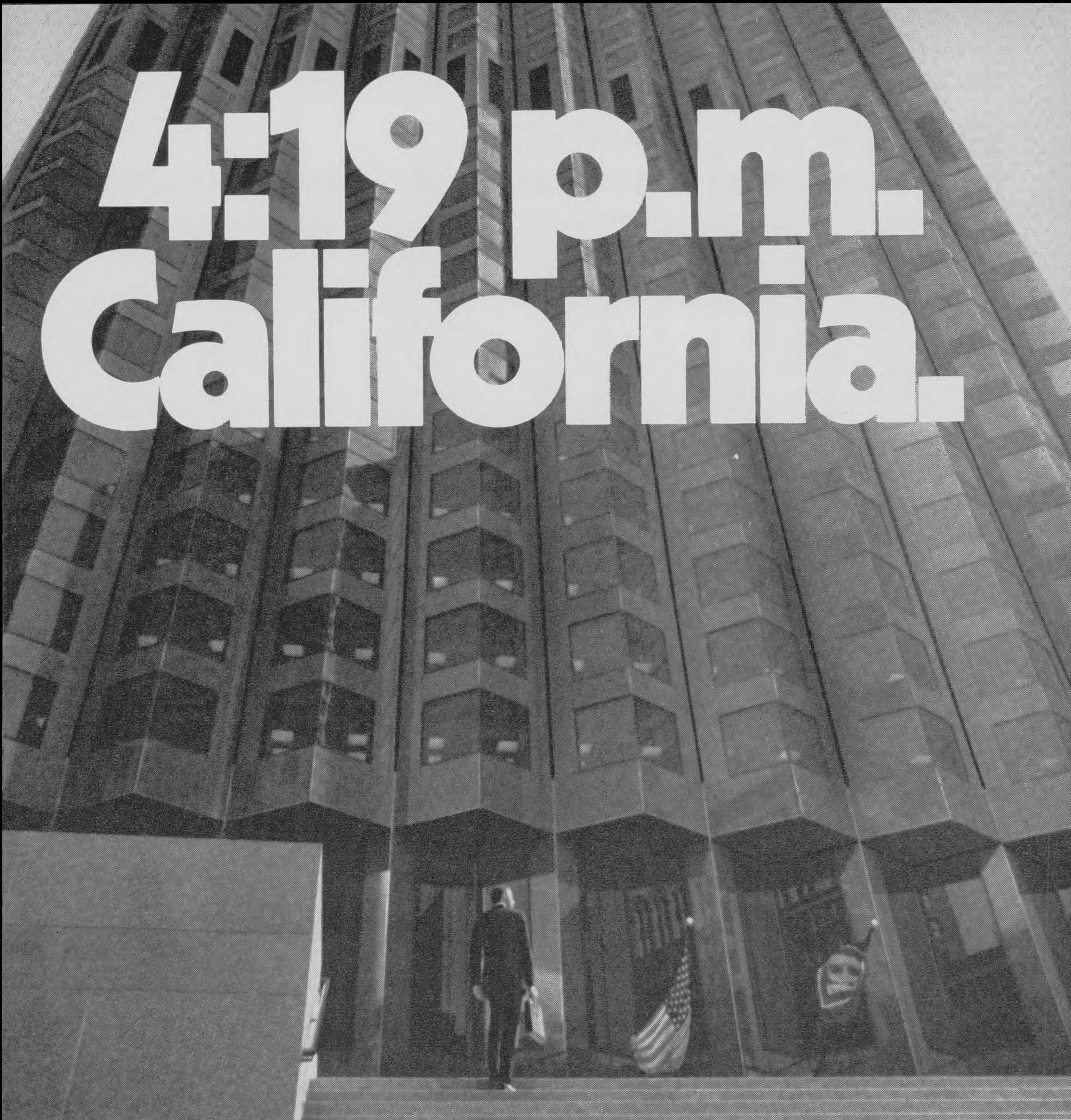
ATLANTA—The "Graduate School of EFTS" will be held here August 15-20.

The five-day curriculum devoted to developments in EFTS will be sponsored by Payment Systems, Inc. (PSI), which is headquartered in New York City, and by Georgia State University.

The school is designed to broaden the understanding of financial institution executives and managers on EFT concepts and issues. Courses will cover ATMs, ACH developments, POS systems, EFTS laws and regulations, marketing EFTS services and EFTS technology and economics.

On hand will be experts on the topic from the PSI staff and Georgia State. Authorities on various aspects of EFTS activity also will speak.

Formal classroom presentations, question-and-answer sessions for faculty and students and small group interactive sessions focusing on EFTS problem-solving will be used. Enrollment has been limited to 60 participants.



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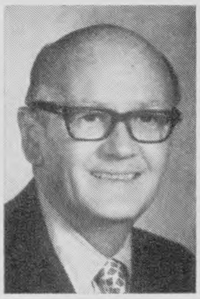
SNEED


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WEST

• **William J. Thomas,** president, National Stock Yards National, National City, Ill., observed his 50th anniversary with the bank July 28. He began his career as a mail boy, progressed through every operating department and advanced to the correspondent division, where he was a traveling officer. A director of the bank since 1951, Mr. Thomas became president in 1961.

• **Charles M. Bliss** was elected president, Harris Trust, Chicago, last month, succeeding Chalkley J. Hambleton, who was made vice chairman. Mr. Hambleton remains president, Harris Bankcorp., Inc., HC of Harris Trust. In other action at the bank, Senior Vice President B. Kenneth West was named head of the banking department, succeeding Mr. Bliss. Mr. West formerly was group executive, international banking group, a post to which Senior Vice President Edward K. Banker has been named. Mr. Banker was deputy executive of that group. William F. Murray continues as chairman and CEO of both the HC and bank.

• **William H. Bowen,** president and CEO, Commercial National, Little Rock, has received the Distinguished Alumni Citation of the University of Arkansas. In addition, Mr. Bowen has taught what reportedly was the first course on banking ethics in the history of the Stonier Graduate School of Banking, Rutgers University, New Brunswick, N. J. His speech, "The Watergate Bank, N. A.," presented specific facts involving insider dealings and payoffs on the part of bank officers. Also examined were instances of excessive entertainment and/or bribes in the pursuit of bank business.


SWEARINGEN


STRICKLAND

• **Donald C. Miller** has been elected vice chairman of Continental Illinois Corp. and its principal subsidiary, Continental Illinois National, both of Chicago. This action follows Mr. Miller's promotion to the HC's corporate office, where he joined Chairman Roger E. Anderson and President John H. Perkins in the senior management group. In his new posts, Mr. Miller will have increased general management responsibility for the bank and HC. He formerly held the title of executive vice president and continues as the HC's chief financial officer and treasurer. He joined Continental Illinois National in 1958.

• **Gerard V. Carey,** chairman and president, First Pennsylvania Bank and First Pennsylvania Corp., both of Philadelphia, has been elected chairman, Bank Administration Institute, which is headquartered in Park Ridge, Ill. He succeeds George W. Dennis, senior vice president, Manufacturers Hanover Trust, New York City, who continues for one year on the BAI board as immediate past chairman. In his new post, Mr. Carey will guide BAI policy-making decisions, serving as the group's spokesman in the financial community. He previously was chairman, BAI Bank HC Commission, and vice chairman of the board. He joined his bank in 1965.

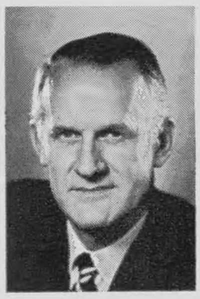
• **Earl Sneed,** president, Liberty National Corp., Oklahoma City, was selected as a business representative from the Midwest to meet in San Francisco July 1 with Japanese Prime Minister Takeo Miki. Also chosen was Kenneth E. Johnson, chairman, Kansas State, Wichita. The group spent an hour visiting with the prime minister about opportunities for increased trade and investments between Japan and the represented states.

• **Eugene L. Swearingen,** chairman and CEO, Bank of Oklahoma, Tulsa, has been appointed dean for bankers, Southwestern Graduate School of Banking (SWIGSBIE), Southern Methodist University, Dallas. As dean for bankers, Mr. Swearingen will serve a three-year term. During that time, he also will be chairman of the SWIGSBIE board and an executive committee member. He joined his bank as president in 1968.

• **Robert Strickland** was elected president, Trust Co. of Georgia, Atlanta-based bank HC, last month. Mr. Strickland continues as chairman, Trust Co. Bank, Atlanta, lead bank in the state-wide banking organization. A. H. Sterne, formerly chairman and president of the HC, continues as chairman. Mr. Strickland has been with the group since 1948.

• **BankAmerica Corp.,** San Francisco, has applied to list its common shares on the Pacific and Midwest Stock exchanges. The company's stock was approved for listing on the New York Stock Exchange June 15.


CAREY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Lynn Edwards, Asst. Vice President; Ron Murray, Sr. Vice President

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Through the International Department of The First you can provide your customers with the services they want and need wherever they go. We can purchase checks which are payable in foreign currencies at a competitive buying rate as well as issue foreign drafts, mail or cable transfers to most parts of the world. We will purchase foreign currency at our current buying rate and, in most cases, credit your account that day. We maintain an inventory of the most popular currencies and can obtain practically any currency that you may need. In addition, we can provide a letter of credit wherever needed.

Wherever in the world you need banking services, call us, Lynn Edwards, International Department, (405) 272-4287 or Ron Murray in The First's Correspondent Bank Department, (405) 272-4093.

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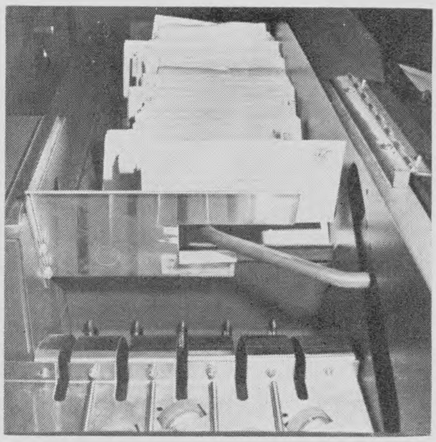
THE FIRST
NATIONAL BANK AND TRUST COMPANY
OF OKLAHOMA CITY

OVER $85,000,000 CAPITAL STRUCTURE/MEMBER F.D.I.C.
A SUBSIDIARY OF FIRST OKLAHOMA BANCORPORATION, INC.

Operations



LEFT: Larry Brown (l.) takes first step in operating Encore 3000 LM mail-opening equipment by loading magazine jogger. Looking on are Charles E. Benkert (c.), operations officer, and Walter L. Scaggs, a.v.p. Envelope contents are settled to bottom by jogging action of magazine, and envelopes then are moved individually into system. CENTER: This is close-up view of magazine jogger with tubelike "arm" that pulls each envelope along. RIGHT: After envelopes are opened, they are indexed by tray conveyer to operator stations, where contents are processed. Lights mounted on overhead table at center illuminate tray conveyor. Processed envelopes, with contents removed, are moved to end of system and disposed of automatically by Encore 3000 LM trash conveyor.

In Bank's Lock Box System:

Operating, Personnel Costs Can Be Cut With Automated Mail-Opening System

THE TIGHT MONEY MARKET of the last 10 or 15 years has caused corporate treasurers to become increasingly interested in "cash acceleration," that is, in getting funds due their firms into their bank accounts and available for use as working capital as quickly as possible. That is why the lock box system is an important service for banks' commercial customers.

The lock box system works like this: A firm will contract with a bank for the latter to go to the post office and pick up payments mailed to it, then open this mail and credit the funds directly to the firm's account at the bank. After processing the checks, the bank will send those drawn on other banks to the appropriate banks. The bank will make mail pickups at scheduled times around the clock—even between midnight and dawn—so that there is a constant flow of money into a lock box customer's account. Under this program, a firm has use of its customer's payments by at least a day, and sometimes several days, earlier than if it waited for delivery by the conventional mail system.

Sometimes a firm with offices in more than one city or with branches across the U. S. will have lock box service at banks in various sections of the country. For instance, a company headquartered in New Jersey may have its midwestern customers make their payments to a bank in the Midwest via a lock box number. The bank can process these payments and make the funds available to the New Jersey firm much earlier than if the payments were mailed from the Midwest to New Jersey.

Banks that offer lock box service require special staffing. They must have messengers to go to the post office around the clock, employees to staff their lock box departments for three shifts seven days a week and equipment that will stand up under constant usage with a minimum amount of down time.

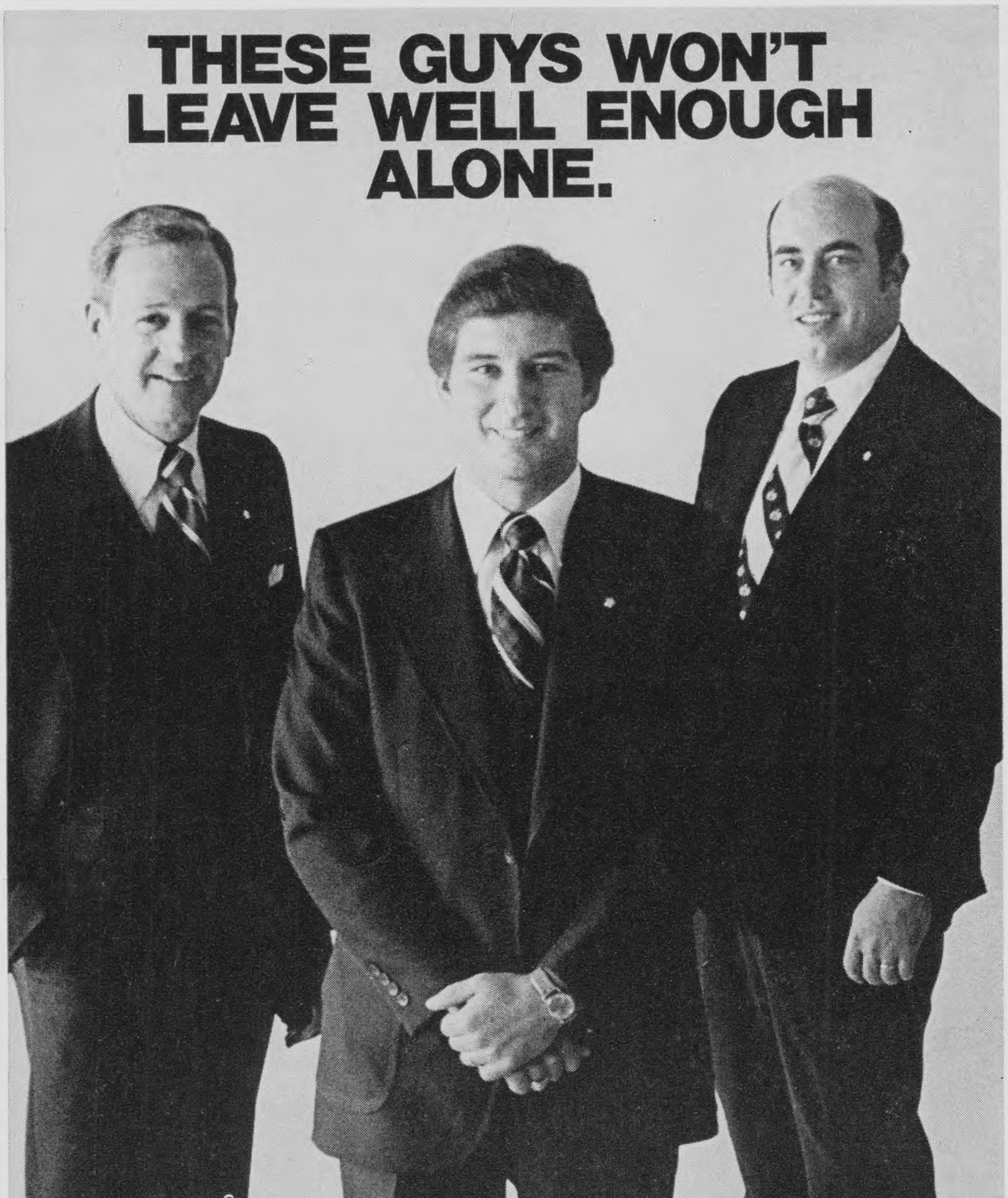
Mercantile Trust in St. Louis (the lead bank of Mercantile Bancorp.) has what is described as one of the largest lock box systems west of the Mississippi River. Assistant Vice President Walter L. Scaggs states that they will process approximately eight million pieces of mail this year for over 300 lock box customers located nationwide. This volume is handled so efficiently that it requires a permanent staff of only 55 employees. During peak work loads, qualified temporary help is obtained on an as-needed basis.

The Mercantile lock box department is in operation 24 hours a day, seven days a week every day of the year except Christmas.

Pickups are made at St. Louis' Main Post Office 16 times on Monday, 18 times daily Tuesday through Friday,

(Continued on page 80)

Encore 3000 LM mail-opening system installed early this year at St. Louis' Mercantile Trust is shown in operation. In background are Charles E. Benkert (l.), operations officer, and Walter L. Scaggs (r.), a.v.p. New equipment is product of Stephens Industries, Inc., Lenexa, Kan.



Joe Blank, Mike Miller and Ron Deal. It seems they have a couple of key phrases that work consistently well. For us, and our correspondent banking friends.

They go like this: What if? Why don't we? Why not try this? (and) I wonder why nobody else thought of that?

We didn't get to be the largest bank in the state by offering you the same tired solutions over and over again. We keep it loose. Because every bank, and every banking problem, are unique. And we're flexible enough to find the best solution for you. Because we've got people who won't leave well enough alone. Call us toll free. In Tennessee, 1-800-342-8240. In other states, 1-800-251-8514.

First American

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NEWS ROUNDUP

News From Around the Nation

Window Borrowing Eased?

The Fed has proposed liberalizing its borrowing regulations to help banks, particularly smaller ones, weather large seasonal loan demand or deposit fluctuations.

Among the proposed changes is one governing borrowing at the 12 Fed regional banks, which would allow member banks to be eligible for seasonal credit even when they maintain a portion of their liquid assets in Fed funds, so long as such holdings conform to the bank's normal operating experiences.

Previously, the Fed's discount window was not available to such banks if they chose to hold Fed funds.

The proposal also would implement other liberalizations of seasonal borrowing regulations.

Under current rules, a bank qualifies for seasonal borrowing assistance if its need for funds in the peak season exceeds 5% of average total deposits in the preceding year. The new proposal lowers this to 4% of the first $100 million of deposits; 7% of the second $100 million and 10% of any deposits over $200 million.

Also, in computing eligibility for seasonal assistance, the Fed proposal would reduce to four from eight weeks the minimum period during which the seasonal need must be evident.

Consumer Credit Guard Bill Backed

The ABA has gone on record supporting legislation that would restore states' powers to protect consumers' rights in credit purchases and remove much of the confusion besetting businesses and banks.

The legislation would reverse a recent FTC ruling that resulted in abolition of the holder-in-due-course doctrine, making banks and other consumer finance organizations equally liable with dealers and merchants for ensuring purchasers' satisfaction with their merchandise.

ABA has noted that, as a result of the FTC's ruling, some banks have had to cut back on buying credit contracts from businesses.

The Consumer Loan Contracts Act of 1976 is sponsored by Senators Jake Garn (R.,Utah), Robert Morgan (D.,N.C.), John Sparkman (D.,Ala.) and John Tower (R.,Tex.).

Consumer Leasing Rules Proposed

Regulations to implement the Consumer Leasing Act of 1976 have been proposed by the Fed. The act requires disclosure of leasing costs to consumers.

The disclosures required should make it possible for the consumer to compare the total cost of leasing a property with the total cost of buying the item. It would also let customers know whether they will owe anything additional at the end of the lease term.

Most of the amendments proposed are technical and merely implement statutory language. Comments can be made through August 16.

The regulations require, in open-end leases, a statement of certain limitations placed on the liability of the lessee at the end of the lease term, and notice that the consumer may have the leased property appraised as part of the process of determining final liability.

The leasing act established a rebuttable presumption that the liability could not exceed three monthly payments. The presumption can be overturned only by a successful lawsuit, in which case the consumer would have to pay the lessee's attorney fees, according to the Fed.

Variable Rate CD Gets Support

About three-fourths of the comments received by the FDIC on instituting a variable rate time certificate for savers have been favorable, the agency has reported.

Some opposition was voiced by smaller banks that fear the higher cost of money the plan would entail during tight money periods. Some consumers and individuals suggested higher minimum interest rates and lower maturities on the certificates.

The variable certificate would permit banks and thrifts to offer savers a fluctuating interest rate certificate that could be used to stem deposit runoffs during high interest rate periods.

The proposal would set a minimum interest rate of 4½% on the note. Interest rate increases would be based on fluctuations in the coupon issue equivalent of three-month Treasury bills.

FDIC economists say the variable certificates would probably be cheaper for financial institutions over an interest rate cycle than fixed rate four- and six-year certificates now being offered.

Accounting Committee Set Up

Six banking organizations have announced the formation of the Inter-Association Committee on Bank Accounting, reflecting an industrywide concern over the growing number and complexity of proposed changes in bank accounting and reporting procedures.

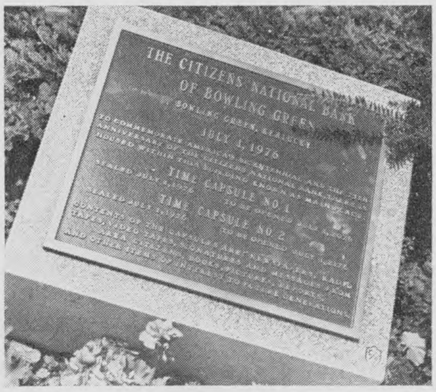
Purpose of the committee is to analyze proposals issued by the Financial Accounting Standards Board, American Institute of CPAs, the SEC and federal bank supervisors; to provide each group's membership with information on new accounting concepts affecting banks and HCs in the long term; to coordinate the efforts of the participating organizations to ensure that individual responses are based on current technical data and reflect broad industry objectives; and maintain communications with other interested parties.

Representatives on the committee are ABA, BAI, Association of Bank HCs, Association of Reserve City Bankers, Robert Morris Associates and the New York CHA.

Time Capsules for 2076 and 2176 Sealed To Celebrate Bank's 75th Anniversary

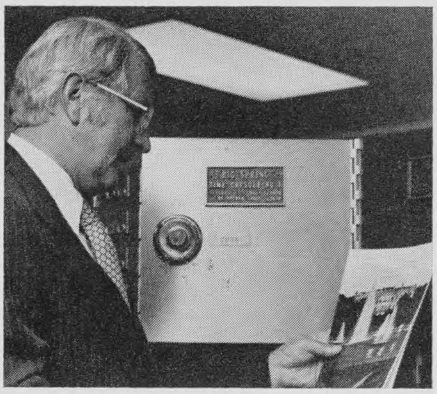
WHEN Citizens National, Bowling Green, Ky., observed its 75th anniversary last month, it held a unique celebration that will be recalled even two centuries from now. Why? Because the bank chose a time-capsule-sealing ceremony to commemorate the event. The bank also tied in the nation's bicentennial with the celebration.

About six months before the July 1st anniversary, Citizens National began asking area residents to sign papers that would be placed in two time capsules—one to be opened July 1, 2076, and the other July 1, 2176. In addition, the bank gathered messages and contributions from around the country, including a booklet from the White House in Washington, D. C., about the White House. National publications such as *Life*, *Fortune* and *Time* sent their bicentennial issues. Also represented were *Sports Illustrated* and *People*. Commentator Paul Harvey submitted a book, "Our Lives, Our Fortunes, Our Sacred Honor," and included a picture and handwritten note to the people of 2076.



Two time capsules were sealed on grounds of Citizens Nat'l, Bowling Green, and are guarded by this stone.

Bank officers prepare capsules for sealing in Main Office lobby of Citizens Nat'l, Bowling Green, Ky. In foreground are visitors who watched these activities.



Citizens Nat'l President John Hines looks at booklet contributed by White House for sealing in time capsules. Sealing was climax of bank's 75th-anniversary celebration.

Barry Bingham Jr., editor and publisher, Louisville *Courier-Journal* and Louisville *Times*, created special letters for both time capsules. Harold H. Helm, chairman, directors advisory committee, Chemical Bank, New York City, also sent a special letter. The Park City *Daily News* supplied special editions, as did *Advertising Age*. MID-CONTINENT BANKER was honored to contribute a special bicentennial plans edition and an outlook issue.

U. S. Senator Wendell H. Ford made special tapes for the capsules, and Congressman Bill Natcher furnished a pictorial history of the capitol, a letter, a copy of the *Congressional Record* of April 27, 1976, and other items. The Bowling Green Chamber of Commerce also was represented. A tape of the Kentucky Derby and samples of TV and radio programs were placed in the capsules.

Finally, what may be the longest-term trust agreement was placed in them. This agreement names Citizens National as trustee and the First Baptist Church of Bowling Green as beneficiary of an irrevocable trust agreement for 2076 and 2176.

At the big bicentennial-anniversary celebration July 1, the bank sponsored a program that included appearances by the Bowling Green mayor and other dignitaries, followed by the blessing and sealing of the capsules and the breaking of the keys to them.

The success of this unusual program can be summed up in the remark of an enthusiastic 17-year-old boy whose signature was in the capsules: "Hey, I'm a part of history 200 years from now!"

A 'Hit':

'Mobile' Mobile Customers Like Late Banking Hours

Mobile citizens of Mobile, Ala., like the night-time hours of First National. The bank keeps two of its 14 locations open until midnight Monday through Friday for drive-up customers.

First National's Springdale Mall Branch is open five nights weekly until 8:30.

The bank's Skyline Branch is equipped with Mosler Pneu Vista 800s in a head-on configuration, serving four lanes of traffic. At the Office Park Branch, six lanes are in operation.

At the Springdale Plaza location, three tellers operate five of the Pneu Vista 800 units.

According to the bank's vice president, James E. Pollard, response to the night hours has been great. "The two branches we have open until midnight are located so they conveniently serve Mobile drive-up traffic, while the mall location has proved popular with shoppers as well as drivers," he said.

Texas Nat'l Celebrates 90th Year

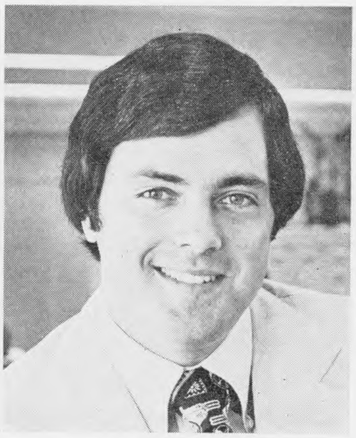
Texas Nat'l, Waco, held a birthday party in its lobby to mark its 90th year. Taking part in the event were three bank customers who were as old as the institution: Kathrine Oliver (l.), I. T. Jones (2nd from r.) and Eva Coston (r.). Acting as hosts were Marlene Springer (2nd from l.), Pres. Herman Coleman (rear) and Louise Spoede (3rd from r.).

Know how. And plenty of it.

Lee R. Seifert
Executive Vice President

Archie W. Luckie
Vice President

John P. Tetzelli
Vice President



Tony Van Aken
International Officer

When it comes to doing business abroad, a lot depends on who you know. And how much they know.

These First National Bankers are part of one of the most experienced international banking teams in the entire Southeast.

After all, First National has been involved in banking on a worldwide basis since 1866. That's longer than anyone else in the South.

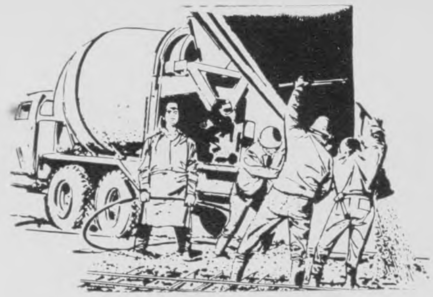
So get to know them. And you'll have all the financial know how you need behind you.

Cable Address: "Firstbank," Telex 505400 or call Toll Free 1-800-672-6709. Or write Post Office Drawer 1467,36621.

International Department
First National Bank of Mobile

Established 1866 A First Bancgroup—Alabama, Inc. Affiliate. Member FDIC.





How Big-City Correspondent Banks Assist Downstream Customers In Three Important Areas

Assistance Cements Relationships; Benefits All Concerned

Agriculture

HUNDREDS of downstream correspondent banks are calling on their big-city counterparts for assistance in financing the inflation-ridden farm economy. This assistance comes in many forms and it is responsible for the efficient and productive rural enterprises that provide the nation—and the world—with foodstuffs and related products.

The importance of these correspondent relationships is being emphasized by bankers. Ray Miltz, vice president for regional banking at First National, Tulsa, puts it this way: "Banking without correspondent banking relationships would be like putting our financial community and economy back in the horse and buggy days."

How are big-city correspondent banks assisting their downstream customers? Following is a brief description of correspondent activities in the ag area:

• **First National, Amarillo, Tex.** Vice President Don Beasley reports that the bank might be advised by a seasoned correspondent banker that he has a customer whose credit requirements are in excess of the amount his bank can provide. Subsequent discussion would center around the credibili-

(Continued on page 30)

International

DOWNSTREAM correspondents are finding that they no longer have to shun international banking business because they now can usually call on their regular big-city correspondent for assistance. Time was when they would have had to contact a bank in a coastal city for assistance.

Regional big-city correspondents are initiating or beefing up their international departments because of the surge of banking activity in that area.

Following are presentations by numerous banks, many of which cite examples of how they are assisting downstream correspondents in this fast-growing area.

• **Citizens & Southern National, Atlanta,** is called upon to provide international expertise, as the following instance illustrates:

A Louisiana firm was requested to supply winches to a Norwegian company that was building a vessel in Yugoslavia. The Norwegian firm was unknown to the winch supplier, whose prior sales had all been within the U. S. In addition, the company from Norway asked for two-year repayment terms and wanted the winches shipped directly to Yugoslavia.

The local firm wanted the sale and

(Continued on page 38)

Development

PRIMARY aim of big-city banks offering industrial development assistance to downstream correspondents is to help the correspondents and their communities grow in size and vitality, thereby enriching the economic climate of the area and the state.

What do the regional banks get out of this service? Strengthened ties with correspondents, more participations with correspondents and the servicing of major accounts on a national basis.

In the following paragraphs, various big-city banks report on the scope of their industrial development activities.

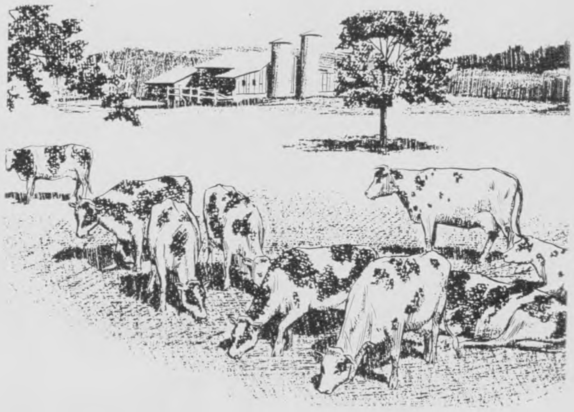
• **Central Bancshares of the South,** HC headquartered in Birmingham, Ala., has implemented a Community Assistance Program (CAP) designed to help communities match available federal grants with their needs. The service is offered through HC affiliate banks in Alabama and correspondent banks located in adjacent states.

CAP will also help develop research data, push applications through bureaucratic and political channels and allocate costs to maximize federal funding.

According to Len B. Shannon, senior vice president in charge of marketing for the HC, every year billions of dol-

(Continued on page 60)

Incorporation:



Is It the Solution To Farmers' Estate-Tax Problems?

Recent articles in the popular press have given the impression that the solution to farmers' estate-tax problems is to incorporate the family farm. While the corporate form of ownership often is used as a means of simplifying transfer of the farm from one generation to the next, incorporation alone will not reduce potential estate taxes. In fact, corporate ownership can result in higher income taxes in some situations. Thus, changing a farm's business organization from a sole proprietorship or partnership to a corporation should be approached only after serious consideration, and never without the advice of legal counsel. Incorporation should be recognized for what it is: one of several tools useful in the management of the farm business and a form of ownership conducive to easy transfer of assets to sons and daughters.

The following excerpts from Estate Planning for Farmers, *by J. W. Looney, describe some of the ways incorporation of the farm can aid in estate planning.**

BY FAR, the greatest number of American farms are operated solely by the owner. In many cases, the owner will employ additional help, either on a full-time or part-time basis, but the business operation itself continues to be under the exclusive control and management of the owner. The sole owner obtains all the profits of the business and must bear any losses that may occur. For many farm families, this is the ideal type of business arrangement. Other families are finding it's advantageous to operate either under a partnership or a corporate structure or to use a leasing arrangement to assist younger family members in becoming involved in the business.

Use of the corporate form of ownership by farmers has increased in recent years. Although the corporate structure has long been used in other businesses, incorporation of the family farm is a relatively new development. The primary reason for its adaptation to the farm scene is increased awareness among farmers of the consequences of federal estate taxes.

The federal estate tax is a tax imposed on the transfer of property at death. It is payable from assets of the deceased's estate and is levied on the fair market value of all property considered to be in the deceased's estate at the time of death. The tax is progressive and graduated, currently ranging from 3%, if the net estate after all deductions and exemptions is less than \$5,000, up to a rate of 77% on that portion of the estate that exceeds \$10,000,000.

Federal estate tax legislation was first enacted for two purposes: 1. To raise additional revenue for the federal government. 2. To limit the wealth that any one family could accumulate. Accomplishment of these purposes is doubtful. While the total dollar figure raised in revenue from estate taxation is substantial, it is small compared with other forms of tax revenue, and the tax has not been very successful in accomplishing the goals of those with a philosophy toward limiting accumulation of wealth. In fact, the wealthy have been most astute in using tax-planning techniques to reduce the impact of this legislation. In today's society, the tax has a much greater effect on those considered middle income—particularly farmers—because the tax can easily be imposed on land holdings.

When the federal estate tax was enacted, it applied only to the wealthy. Present rates and present exemptions have been in effect since 1942. At that time, farmland had only a fraction of its present value. Since land makes up a major portion of the estates of most farmers, there were very few farmers who were faced with estate-planning problems due to taxation in the early years.

Today the situation is much different. Farmland value has skyrocketed because of demand for land and because of inflation. This means that farm estates that would not have been large enough to qualify for estate taxation a few years ago may now be subject to a considerable amount of tax at the time of the owner's death.

Often, farmers who bought their land when it was relatively inexpensive or inherited it from their parents 30 or 40 years ago will say, "I don't have to worry about estate taxes because my land didn't cost me anything." This is not the case because the federal tax rates are applied to *current* fair market value, not to what the land originally cost or to the value it had at some prior time. The fair market value today is likely to be considerably higher than it was 10, 20 or 30 years ago.

In the 10-year period between March, 1967, and February, 1976, dol-

At press-time, both the United States Senate and House of Representatives are considering proposed amendments in the Federal Estate Tax and Gift Tax laws. If passed, these amendments would raise the current \$60,000 estate-tax exemption, match gift-tax rates with estate-tax rates and increase the marital deduction.

* Excerpted from *Estate Planning for Farmers* by J. W. Looney, published by Doane Agricultural Service, Inc., 275 pages, \$7.95. Copyright 1976 Doane Agricultural Service, Inc., 8900 Manchester Road, St. Louis, MO 63144.

"In many estates, the real effect of the . . . federal estate tax comes, not at the death of the first spouse, but at the death of the survivor."

lar value of farmland in the United States increased 244%.

The average value of farmland in Illinois as of February 1, 1976, was $1,184; Iowa, Indiana and Ohio weren't far behind. That places the value of an average 640-acre Corn Belt farm in the neighborhood of three-quarters of a million dollars! Some quick arithmetic using the adjoining federal estate tax table gives a rough approximation of the tax bill when the landowner dies.

Even assuming the best use of the marital deduction, which would reduce the estate by one-half if that amount or more passed to a surviving spouse, and deducting costs of probate and funeral, and applying the current $60,000 exemption, federal estate taxes would be in the neighborhood of $75,000. Probate expenses, state inheritance or estate taxes and other expenses would place the sum close to $100,000! Most farmers don't have that kind of liquidity.

In many estates, the real effect of the imposition of the federal estate tax comes, not at the death of the first spouse, but at the death of the survivor. In the situation where all the property is transferred from one spouse to the surviving spouse, the total effect of the tax can be devastating. The marital deduction is not available on the death of the surviving spouse to help reduce the size of the taxable estate—and the progressive estate tax rate takes an even bigger bite.

Estate Reduction. The potential effect of federal estate taxes (as well as probate and other expenses of dying) is the principal reason why farmers and others with substantial assets choose to place these assets in the hands of their potential heirs by making gifts during lifetime. Property passed by will, joint tenancy, life insurance proceeds (if the deceased owned or had certain incidence of ownership regardless of the beneficiary) or other means is all included as a taxable part of a deceased person's estate. With the exception of those gifts made "in contemplation of death," property transferred by gift before death is not considered part of the deceased's estate, thus escapes estate taxation.

FEDERAL ESTATE TAX RATES

If taxable estate (after deducting $60,000 exemption) is more than:	but not over:	estate tax is:		of excess over:
0	$5,000	0	+ 3%	0
$5,000	10,000	$150	+ 7%	$5,000
10,000	20,000	500	+11%	10,000
20,000	30,000	1,600	+14%	20,000
30,000	40,000	3,000	+18%	30,000
40,000	50,000	4,800	+22%	40,000
50,000	60,000	7,000	+25%	50,000
60,000	100,000	9,500	+28%	60,000
100,000	250,000	20,700	+30%	100,000
250,000	500,000	65,700	+32%	250,000
500,000	750,000	145,700	+35%	500,000
750,000	1,000,000	233,200	+37%	750,000
1,000,000	1,250,000	325,700	+39%	1,000,000
1,250,000	1,500,000	423,200	+42%	1,250,000
1,500,000	2,000,000	528,200	+45%	1,500,000
2,000,000	2,500,000	753,200	+49%	2,000,000
2,500,000	3,000,000	998,200	+53%	2,500,000
3,000,000	3,500,000	1,263,200	+56%	3,000,000
3,500,000	4,000,000	1,543,200	+59%	3,500,000
4,000,000	5,000,000	1,838,200	+63%	4,000,000
5,000,000	6,000,000	2,468,200	+67%	5,000,000
6,000,000	7,000,000	3,138,200	+70%	6,000,000
7,000,000	8,000,000	3,838,200	+73%	7,000,000
8,000,000	10,000,000	4,568,200	+76%	8,000,000
10,000,000	-----	6,088,200	+77%	10,000,000

The federal gift tax was designed to prevent a person from avoiding tax liability completely in an inter-generational transfer of property. Federal gift tax rates are lower than federal estate tax rates. In addition, amounts transferred by gift may reduce the size of the estate, and this reduction occurs on the "top end" of the estate since the estate tax is graduated. These same amounts as gifts are taxed nearer the "bottom end" of the gift tax scale.

Gifts can be made to any number of people, and the gift tax is computed only on that amount in excess of $3,000 annually *for each donee.* In addition, each person has a lifetime gift exemption of $30,000. It may be used all in one year, or it may be spread over a number of years. It may be used for gifts to one individual or to any number of people. As in the case of the annual $3,000 exclusion, if a husband and wife join in making the gifts, the combined lifetime exemption is doubled.

Gifts greater than the exemption are subject to taxation at federal gift tax rates shown on page 26. However, with a modest amount of planning, a gift program spread over several years can reduce the size of the estate to the point that federal estate taxes are of no consequence while the annual gift package is small enough that no gift tax is due.

Lifetime Gift Program. Use of gifts in estate planning can be a useful technique. Not only can it result in overall tax savings, but gifts can be used as a

TRANSFER PLAN IN A FAMILY CORPORATION

Year	Value of Parents' Interest	% Parents Own	Value of Son A's Interest	% Son A Owns	Value of Son B's Interest	% Son B Owns
1976	300,000	100	0	0	0	0
1977	228,000	76	36,000	12	36,000	12
1978	216,000	72	42,000	14	42,000	14
1979	204,000	68	48,000	16	48,000	16
1980	192,000	64	54,000	18	54,000	18
1981	180,000	60	60,000	20	60,000	20
1982	168,000	56	66,000	22	66,000	22
1983	156,000	52	72,000	24	72,000	24

FEDERAL GIFT TAX RATES

(A) Amount of taxable gifts equal to or more than—	(B) Amount of taxable gifts less than—	(C) Tax on amount in column (A)	(D) Rate of tax on excess over amount in column (A)
			Percent
	$ 5,000		2¼
$ 5,000	10,000	$ 112.50	5¼
10,000	20,000	375.00	8¼
20,000	30,000	1,200.00	10½
30,000	40,000	2,250.00	13½
40,000	50,000	3,600.00	16½
50,000	60,000	5,250.00	18¾
60,000	100,000	7,125.00	21
100,000	250,000	15,525.00	22½
250,000	500,000	49,275.00	24
500,000	750,000	109,275.00	26¼
750,000	1,000,000	174,900.00	27¾
1,000,000	1,250,000	244,275.00	29¼
1,250,000	1,500,000	317,400.00	31½
1,500,000	2,000,000	396,150.00	33¾
2,000,000	2,500,000	564,900.00	36¾
2,500,000	3,000,000	748,650,00	39¾
3,000,000	3,500,000	947,400.00	42
3,500,000	4,000,000	1,157,400.00	44¼
4,000,000	5,000,000	1,378,650.00	47¼
5,000,000	6,000,000	1,851,150,00	50¼
6,000,000	7,000,000	2,353,650.00	52½
7,000,000	8,000,000	2,878,650.00	54¾
8,000,000	10,000,000	3,426,150.00	57
10,000,000	----	4,566,150.00	57¾

means of providing incentive to the younger family members who have an interest in the business.

Because the farm business often is difficult to divide in such a way so that gifts can easily be made, many families have turned to the use of the corporation as a means of simplifying gift procedures. The corporation will allow the entire business to be kept together as a single operating unit. Fractional interests may be transferred by gifts of shares of stock. This simple procedure allows the business to continue without interruption.

One of the unique features of the corporation is that the person who owns over 50% of the shares still retains control of the operation. Thus, a parent can retain control of a family farm corporation even after a substantial portion of the business has been transferred to others within the family. For example, assume a farm family has assets of $300,000 which they include in a corporation organized with 300 shares of stock valued at $1,000 per share. If the parents follow a pattern of gifts to two sons utilizing their $3,000 annual exclusion per donee and $30,000 lifetime exemption (which can be doubled since both parents can join in making the gifts), after seven years they can reduce the size of their estate to $156,000 and still own 52% of the business and, therefore, be in complete control of the operation. The table on page 25 illustrates how this might be accomplished.

Planned use of gifts combined with operation under a corporate structure not only allows the parents to reduce the size of their estate, but also gives added inducement to younger family members to become involved in the business. They may acquire an ownership interest in the business through gifts, and they also may be given the opportunity to purchase additional shares. Sale of shares of stock can be a means of providing retirement income for the retiring parents.

The corporate structure may be designed to permit heirs most interested in the farm business eventually to acquire the entire business by the purchase of shares from family members not interested in the business. Without such provisions, ownership of the business may become so dispersed among heirs not interested in farming that an unmanageable situation results.

To facilitate this objective, corporate bylaws should provide that shareholders who wish to sell their shares must offer them first to the corporation itself or to the other family members who are already shareholders. While this provision does not alleviate the problem of dispersal of ownership among a number of heirs if they do not wish to sell, it reduces the possibility of their selling to parties outside the family.

"Buy-sell" or "option" agreements often are used to encourage purchase of shares of minority shareholders by those involved in the actual operation of the business. These agreements may include installment payment provisions with or without interest. Another possibility is to allow the off-the-farm, minority shareholders to exchange their stock for notes, debentures or other types of debt securities issued by the corporation. This will assure them of some continuing income, but will allow the on-the-farm shareholders to operate the business without interruption and with complete management control.

Corporate Taxation. Closely held family corporations have two options available under the federal tax code. They may be taxed as regular corporations under provisions of Sub-Chapter C of the Internal Revenue Code or they may elect tax-option status under the provisions of Sub-Chapter S of the code.

Sub-Chapter S Corporations. This section provides that a small corporation, one having 10 or fewer shareholders, is qualified to be taxed in a manner similar to that of a partnership rather than as a regular corporation. For some corporations this tax option will result in income tax advantages. Under this section, the business remains structured as a corporation for all purposes except taxation. For the purpose of taxation, each shareholder's portion of long-term capital gains, operating losses and undistributed taxable income is passed through in a manner similar to that of partners operating under a partnership agreement. In this way, individual shareholders pay tax on any income generated by the corporation as part of their individual income.

To qualify for Sub-Chapter S treatment, a corporation must be a small business corporation with 10 or fewer shareholders, and all shareholders must

(Continued on page 70)

Ag/Leasing Can Play Important Role In Financing Farm Equipment

By DONALD L. DETERS
Vice President
First National Bank
St. Louis

THE AGRICULTURAL industry touches our lives more often, and with greater impact, than any other sector of the economy. Only energy and its related elements dare to compare to agriculture's upward spiral of influence on our daily lives.

In order to meet the demands of the future, industry must continue to replace existing plants as well as expand its physical assets. The agricultural industry is no exception. Plant and physical assets mean machinery and equipment.

To illustrate: Non-real estate assets have risen an estimated 17% since January 1, 1975. This translates to approximately $20 billion. There are no indications that we will realize a reversal in these trends in the foreseeable future.

Keep in mind that these figures relate only to farm assets and do not include dollars being invested in agri-related activities, such as fertilizer production, storage facilities, transportation and various other farm co-op operations.

As bankers, we should be keenly aware of, and interested in, this growth of non-real estate assets. Even more, an awareness as lessors or potential lessors is imperative, because this growth represents the sole source for future portfolios in agri-related equipment.

In light of these introductory remarks, let's examine leasing and its opportunities as it pertains to agribusiness.

How is leasing used and how can it be applied to the agricultural industry?

First, a word of warning on the nomenclature of leasing. Lease terminology is generally confusing and subject to frequent misuse. It is rare that two different authors or leasing experts use a given term in precisely the same way. In addition, participants of a leasing arrangement place different priorities on its many facets.

For example:

- The lessor—his interest is in the yield and its components.
- The lessee—his interest is centered in rental expense and his rights and obligations under the lease.
- The tax practitioner—his interest is concerned only with who is entitled to depreciation and investment tax credit (ITC).
- The accountant—his interest is in the capitalization of equipment and any related debt.

Keep in mind that some of these terms are intended to describe leases functionally, others are intended to describe leases in terms of the consequences they give rise to and still others are intended to describe leases in terms of what they achieve for the lessor or the lessee. There is obviously much overlap among the various terms.

Allow me to confine this discussion to true leasing, and exclude those transactions containing provisions that tend to make the arrangement a hybrid financing vehicle. I will touch on these and their various ramifications later. I will be discussing direct equipment lease financing, and I emphasize the word "direct," to make the most concise differentiation between leasing and the practice of banks which—in a third-party role—lend, discount or advance lines of credit to finance lease contracts. Basic to and inherent in the mode of direct lease financing is the fact that the bank is the owner and lessor of the equipment.

I would like to touch on three specific leasing-oriented points:

- The concept of leasing—what is a lease and what are the elements of leasing?
- Lease pricing and profitability—the cost of leasing to our customers and the elements of pricing and profitability to us as lessors.
- Involvement in leasing—should we be involved, and why?

Conceptually, leasing is a financial transaction involving an owner who is the lessor, and a user who is the lessee. The always-present item that brings the two together is the need for use of equipment by the user/lessee and the willingness of the owner/lessor to rent that equipment.

The equipment involved in a lease—preferably new and revenue-producing equipment—serves as the functional equivalent to collateral for the duration of the lease contract, an intermediate term of from three to 10 years. Generally speaking, the implicit rate in the transaction is fixed over the term of the lease. And, of course, depending upon the terms of the contract, the user/lessee has the right to acquire some future use of the equipment at the end of the basic lease term by exercising purchase or renewal options.

Those, then, are the basic elements contained in a lease arrangement. And while I have changed a few words and substituted some leasing buzz-words here and there, the thing to realize is

Author Receives Promotion

Mr. Deters was recently elevated from assistant vice president to vice president at First National in St. Louis. Mr. Deters joined the bank as a trainee in 1968, joined the credit department in 1969, was named a business development rep in 1970, commercial banking officer in late 1970, head of the leasing department in 1973 and assistant vice president in 1974.

that I have really just described a secured-term loan. This, in itself, should serve to show that the concept of leasing is not some off-base mode of financing, but rather, a logical extension of proved lending methods, given the applicable situation. A lease arrangement, like all other lending arrangements, requires a credit decision wherein all information and risks must be recognized and properly evaluated.

Aside from some legal technicalities, the real difference between conventional loans and leasing lies in the cost/pricing and profitability of a lease. Let's look at these in more detail.

The true cost of leasing to our customers can be shown in this simple equation:

Implicit interest cost + loss of accelerated depreciation + loss of ITC + purchase option cost or loss of equipment use = cost of leasing.

Conversely, the pricing of a lease and the elements of its profitability to the lessor can be shown through simple addition also.

Implicit interest rate + use of tax shelter (depreciation) + use of ITC + receipt of residual value = rate of return.

Because there are multiple components contributing to or detracting from lease yields, it is vital that we get a breakdown of their relative weights before accepting a lease arrangement.

For example, Revenue Procedure 75-21, dated May, 1975, is intended to ". . . set forth guidelines that the Internal Revenue Service will use for advance ruling purposes in determining whether certain transactions purporting to leases of property are, in fact, leases for federal income tax purposes."

The hard and fast rules we must follow in this revenue procedure in order to enjoy the tax shelter and ITC frequently forces small equipment lessors to look solely to rate and residuals to obtain desired yields.

It may be, therefore, that a significant portion of the yield is illusory, but these illusions can clearly be seen if we approach a lease situation as we approach any lending situation—carefully and completely.

At any rate, leasing yields should exceed loan yields primarily because there are greater risks involved. But again, this is nothing new to lending.

Here are some of the risks involved that are unique to leasing:

- Intermediate terms.
- Fixed-rate feature.
- 100% financing.
- Possible loss of tax benefits.
- Limitations to recovery if lessee becomes bankrupt.
- No default covenants other than delinquency.

With all this in mind, should bankers be involved in leasing?

Without question, I would say definitely yes. At least, we should be attuned to leasing's benefits to banks and to the consumer and be able to offer it as another financial service as the situation warrants. I say definitely yes because a lease is:

- A financial transaction in which risks can be identified and evaluated. And, therefore, a lease can become an acceptable earning asset.
- Profitable—with yields that should be higher (and more profitable) than conventional loan yields.
- A lending alternative that allows greater flexibility by offering potential preferential tax treatment, a solution to balance limitations and other problem areas, such as conservation of working capital.
- A tool for management of taxable income.

Further, I say yes, be involved, because there also are market considerations:

- Customer demand for leasing services continues to grow rapidly. There is a growing interest and need for lease financing, and, as a result, lease portfolios are growing. This raises the second market consideration.
- The defensive measure consideration: Are lease portfolios being held in your markets or are those earnings going outside to a large regional or national competitor? As farming expands further in your market area, the large leasing firms will move quickly to compete for a share of the credit demands in those markets. In many instances, they've already made their moves and are currently financing our customers while realizing premium yields. We in St. Louis have, and are, experiencing this competition first hand. In retrospect, it would have been better for us to act rather than react. What does it take to get involved?

Like any new service, any new idea, any new plan, leasing requires commitments—a commitment to operate within the general concept, a commitment of man-hours and a commitment of allocated earning assets.

How then, does all this relate to your activities in the ag market? Obviously, leasing bears specifically on that side of the market involving the financing of new machinery and equipment, and for most of us, leases are limited to such assets.

Certainly, we do not intend to eliminate the conventional term loan, the chattel mortgage or the conditional sale contract in that these lending vehicles have their place and will continue to serve a purpose in providing installment/term financing.

Rather, it is our intent to identify the true lease as an alternative form of financing. Because of the pricing elements of ITC and depreciation, it becomes a highly specialized financing form. Not specialized to the extent that very few can do it, but—more to the point—that certain circumstances and conditions must be met.

Generally speaking, these conditions prevail when both potential lessor and potential lessee are tuned in to managing their tax positions and the various provisions of the code affecting them.

Consider, for example, the successful farm operation that has been following a program of updating equipment on a timely basis, employing accelerated depreciation and utilizing available ITC. In addition, the farm manager is employing the practice of timely bulk purchases of feed and fertilizers.

It must be assumed that, following these and other allowable practices, the farm has accumulated tax-loss carry-forwards.

Being in this tax-loss carry-forward position, any additional deductions, such as accelerated depreciation and ITC, have a greatly diminished value, because they will either have to be deferred until future periods or be lost entirely.

However, let's consider the leasing alternative at this point, and make the following assumptions:

- A new piece of machinery is needed and placed on order for June 1 delivery.
- The new equipment has a cost of $50,000.
- There is a 10% ITC available, and the potential lessor can use this credit against his own taxes over the remain-

Ag Bankers to Meet

NEW ORLEANS—The 25th annual ABA National Agricultural Bankers Conference will be held here November 14-17. The conference is expected to attract more than 1,000 bankers. It will be sponsored by the ABA Agricultural Bankers Division.

Theme of the conference will be "Agriculture and Banking—Serving America." Keynote speaker will be W. Liddon McPeters, president, Security Bank, Corinth, Miss., who will become ABA President following his election in October.

Conference chairman is T. Excell Hankins, vice president, Bank of Dixie, Lake Providence, La.

Bankers desiring to receive the registration mailing in September should write to the ABA Agricultural Bankers Division, 1120 Connecticut Ave., N. W., Washington, DC 20036.


Call John
And talk to the man whose job it is to know everything about our bank.
As President of Fourth National Bank, John D. Izard supervises, on a day to day basis, the basic lending operations of the bank. He is particularly knowledgeable in correspondent banking, having served with major Oklahoma banks over 25 years.
Think of a way we might be able to offer you more. Then call John, he'll know what we can do.
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Tulsa, Oklahoma
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ing quarters in the tax year.

• The equipment is eligible for accelerated depreciation over eight years as provided for in the asset depreciation range guidelines.

• The farm has been borrowing at a 10% rate on its equipment contracts.

With these simple assumptions, we will construct an eight-year lease, calling for a commencement date of June 1 and 16 semiannual rents due on December 1 and June 1. Further, we'll assume that the lessor is seeking a yield that is equal to the bank's equipment-lending rate.

Using a standard lease-analysis approach, the semiannual rental equals $3,607, and the total of the rentals is $57,712. If analyzed closely, it is apparent that the interest rate implied in this contract is 3.5%.

Therefore, through the process of blending a true lease into his financing structure, the farm manager has placed this new equipment in service, with no cash outlay until 12 months after order date, and has traded tax benefits for a reduction of 6.5% in his equipment financing rate.

There are two key lessons inherent in this example:

• To show the ideal circumstances that provide the ideal climate for a lease instrument.

• To illustrate the value of tax benefits in interest-rate terms.

Typically, as I stated earlier, the lessor would be looking for a higher yield than the loan rate, so it's unlikely that a lessor would give dollar-for-dollar treatment of the tax benefits on the lease rate.

In a related area, farm co-ops have been employing the lease instrument in their overall financial structure. Our current tax laws provide that the co-op is taxable only on that portion of earnings not paid out in the form of patronage refunds. This means that any farm co-op, investing heavily in capital assets, generally has a limited amount of taxable income against which to charge the deductions and credits.

The result has been that many of the co-ops, principally those involved in fertilizer production and distribution, as well as transportation, have turned to the lease and away from the more traditional forms of financing.

Lastly, the lease instrument carries with it the potential of increasing yields far beyond conventional loans. This is made possible through the inclusion of tax benefits and residual potential in a transaction that also implies a standard interest rate charge. When a banker is faced with an investment decision concerning the allocation of a bank's available investable funds, he finds that the lease, and its potential higher comparative yields, is an inducement to put the money back on the farm. Too often, the equipment loan and its interest rate restriction are passed over in favor of other investments having a better risk/reward ratio.

But, herein also lies a danger that I alluded to earlier, with regard to non-true leases. Great care must be exercised in using the lease instrument to realize yields in excess of regulated interest-rate ceilings. Utilizing the true lease approach is well within our rights. However, as we move further away from the guidelines of a true lease (for example, nominal purchase options), the lease becomes suspect and trouble could be forthcoming. Following the provision supplied in Revenue Procedure 75-21 is more than adequate safeguard against these dangers.

More and more, leasing as a mode of equipment financing will be seeping to the primary producer level. When it gets there in full force, the banking community should be in the position to best service this market. • •

Agriculture

(Continued from page 23)

ty of the customer, the extent of the accommodation needed, documentation requirements and, perhaps, general credit policies relative to the type of credit in question.

It might be possible to make a decision on the acceptability of the credit prior to termination of the initial discussion, Mr. Beasley says.

Generally speaking, the assistance given is through the avenue of loan participation. Usually, he says, the downstream bank completes a participation certificate and submits it in conjunction with copies of financial information, resolutions, notes and other collateral instruments that are pertinent.

Proceeds of note participations are credited to the correspondent's account. Servicing of the credit is the responsibility of the originating bank. Correspondents are expected to carry their legal lending limits and allow First of Amarillo's participations to be on a last-in, first-out basis.

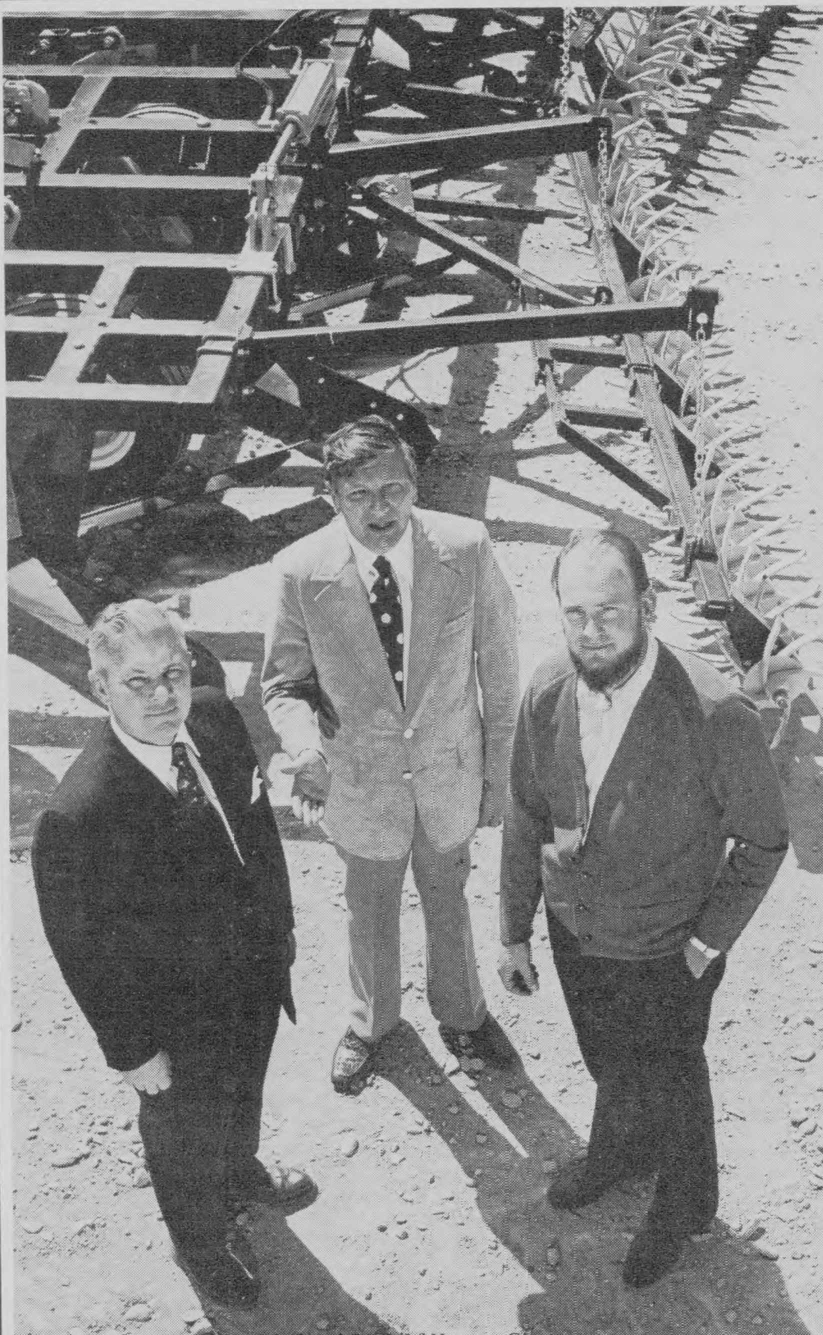
Generally, the participation is priced at ½% below that charged to the correspondent's customer or a fixed percentage minimum, whichever is greater. The minimum rate is necessary in order to preclude handling participations at an unrealistic rate, Mr. Beasley says. He expects the originating bank to maintain compensating balances equal to 20% of the total participations outstanding.

• **Citizens & Southern National, Atlanta,** recently leased an irrigation unit to the customer of a downstream correspondent.

The conventional way of handling such a situation would have been to finance the equipment over a period of three to seven years. However, because of certain tax advantages for the customer, the bank was requested to lease the irrigation unit.

According to Fred W. Greer Jr., vice president and director of agribusiness for C&S, the system was purchased by C&S and it is being leased to the cor-

"With the First as a partner, we've succeeded as we've helped Jim Boone's farm implement business succeed."



George Dudley, First National Bank of Kansas City
Robert Bugbee, First National Bank of Quinter
Jim Boone, Ideal Industries

The First National Bank of Quinter, Kansas is a true success story. A correspondent bank relationship has helped it develop and grow with an important new customer.

In 1965, Robert Bugbee, president of the bank, called upon the First National Bank of Kansas City to participate in a major line of credit for Mr. Jim Boone, founder of Ideal Industries in Quinter, manufacturer and distributor of specialized farm equipment.

The First National Bank of Kansas City extended credit used for seasonal working capital and in recent years for major business expansion and distribution of Jim Boone's own invention, the Flex-King stubble mulch plow.

Credit assistance and the additional help of business expertise of the people in our Correspondent Department like George Dudley have been important in the success of First National Bank of Quinter.

And as Jim Boone's small husband-and-wife company has expanded to a thriving corporation, First National Bank of Quinter has grown with important new business.

Call the professional staff of the Correspondent Department of the First National Bank of Kansas City. We can help your bank with the development of new business.

Our correspondent tradition has been built on helping banks like the First National of Quinter.

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

Your success is our tradition.

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respondent's customer with intention to sell it at the end of the five-year lease.

• **Continental Illinois National, Chicago,** reports that, in every way except numbers of farms and workers, agriculture is the most important growth industry. According to J. Michael Baird, commercial banking associate, the use of purchased inputs (such as machinery, fertilizer, herbicide and hybrid seed) has caused the demand for credit to increase dramatically, exceeding the capacity of many rural banks.

Mr. Baird reported that a greater emphasis than usual is being placed on developing more agricultural credit this year on the part of downstream correspondents as a result of the increase in demand for all kinds of ag and agribusiness loans on an overline basis.

In the bank's annual management seminars, the importance placed on Continental Bank's ability to work with correspondents by participating in larger agricultural credits has been stressed. According to Mr. Baird, the bulk of this paper represents loans to livestock and grain producers and to grain elevators.

A considerable amount of time and money has been spent by Continental Bank's personnel in assisting correspondents in providing their ag customers with sound financial management techniques, Mr. Baird said. Encompassed within this program is the preparation of the financial information necessary to process an ag credit, which includes cash flow information, a history of the borrower, the collateral to support the loan and written understanding as to the source and provisions for repayment.

Continental Bank's management feels it is important that, once a bank makes a commitment to be active in the ag lending field, it continues to stay in the business. Correspondents are sometimes frustrated in dealing with a city correspondent one year only to find that the city bank is not equally cooperative in extending credit the next year.

• **United Bank, Denver,** maintains an ag department ranking among the 20 largest in the nation, according to Robert H. Dressel, vice president in the correspondent department. The bank also has a wholly owned leasing subsidiary with an ag specialist on its staff.

"A significant percent of our correspondent portfolio is in the form of ag-related overlines and liquidity participations." Mr. Dressel stated. "In working with agribusiness correspondents, we counsel in credit structure and financial planning and, on a more personal level, we can offer a full range of trust and estate planning services to individuals."

With ag specialists located in several different areas of the bank, teamwork is essential, according to Dennis Dexter, leasing officer. He explained how many areas can work together with a single customer.

Inspecting leased center-pivot sprinkler systems in a neighboring state, Mr. Dexter also called on irrigation equipment dealers who frequently were a source of interface to larger local farmers with operating capital needs.

"In one case, it was the dealer himself who faced a serious financial need," Mr. Dexter said. "His goal was to move from an equal partnership to complete ownership and the credit necessary was beyond the capability of his local bank. Through our correspondent relationship, the financing was made possible and a good friend now also is a good customer."

• **Commerce Bank, Kansas City,** participates with correspondents in large ag lines utilizing a maximum amount note, according to Fred N. Coulson Jr., senior vice president. Assistance is offered with the preparation of the necessary financial statements, including the cash flow, to permit the establishment of a line of credit for a specified time, and a note for the maximum amount of the loan is executed.

A certificate of participation for the maximum amount of the overline is forwarded to Commerce Bank, accompanied by copies of all supporting documents. Advances and repayments are handled with a minimum of paper work, since instructions to charge or credit a correspondent's account are usually received by phone.

The customer is not required to come to the bank to sign a new note each time he requires funds, Mr. Coulson said. Livestock, equipment and other large purchases can be made with a bill-of-sale draft, which provides proof of purchase.

Through the proper use of these participations, Commerce Bank has been able to provide its correspondents the flexibility of allowing their customers to enlarge ag operations and sometimes bring their children into a family partnership or corporation and retain the family farm, Mr. Coulson said.

• **United Missouri Bank, Kansas City,** has accepted ag overlines from downstream correspondents on numerous occasions, according to Joseph D. Henderson, vice president.

He said the bank recently accepted $110,000 of a $175,000 loan to a young Missouri cattleman-farmer whose needs were more than his local bank's limits.

"We worked with the borrower and the local bank in analyzing past history, present and future needs and repayment capacity," he said. "The loan was summarized on the local bank's documentation and photo copies of financial data and loan documents were forwarded to us with a simple certificate of participations.

"By this simple process, the local bank acquired a new depositing and borrowing customer and an excellent probability of receiving additional business from others of this respected local family.

"It seems obvious to us that overlining, plus the use of portfolio adjustments when a country bank is heavily loaned, are simple low-cost methods of moving additional funds to rural areas," Mr. Henderson said.

• **American National, St. Joseph, Mo.,** participates with correspondents in holding meetings for farmers about estate tax planning. Vernon E. Whisler, senior vice president, and James Bocell, senior trust officer, explain to farmers how farms are managed once they have been placed in trust.

According to Mr. Whisler, these meetings are usually held in the winter months and they attract a large number of farmers. Attendance has been known to top 1,000, although the average attendance is about 200.

Farmers are told that American National is interested primarily in carrying out the wishes of the benefactor when a farm is placed in trust. This policy, Mr. Whisler said, is quite different from that of commercial farm management firms. The complexities of placing a farm in trust are explained and the point is made that each trust is individually tailored to the needs of the benefactor and his heirs.

Mr. Whisler said that many farmers appreciate the trust option because it gives them an opportunity to leave explicit instructions for the operation of the farm after the benefactor is no longer present.

• **Bank of Oklahoma, Tulsa,** is active in providing ag assistance to downstream correspondents.

Charles A. McNamara, assistant vice president, reported a case involving a commercial wholesale nursery in eastern Oklahoma. The nursery requested quite a large line of credit and, after investigating the situation, Mr. McNamara introduced its management to a long-term ag lender who arranged a loan on the nursery's real estate with terms matched to the nursery's cash

flow.

Bank of Oklahoma then participated with the local bank in the nursery's seasonal needs, extending a line of credit, the proceeds of which were used to fund expenses associated with the harvesting of plants, the packing and shipping of the plants and the funding of accounts receivable until paid, Mr. McNamara said.

• **First National, Tulsa,** has developed working relationships with 265 banks, most of which are located within a 300-mile radius of Tulsa, according to Ray Miltz, vice president for regional banking.

"It's not our desire to go into an area and develop a direct customer-bank relationship," Mr. Miltz said, "but, if a potential customer is brought to our attention, we will assist the local bank in any way possible by assisting in the structuring of the credit and/or taking the overline. Occasionally, the local bank prefers that we make the loan and then sell the local bank the portion that it wants. The area banks are in a much better position to serve customers in their areas. They know the people and know how to work with them."

Mr. Miltz sees big things in the future of Oklahoma and the surrounding region. "With the firming of the cattle market, the good wheat crop relative to other areas, and the diversification in Oklahoma, the state is better off than 99% of the rest of the nation," he said.

Particularly in ag, the future will bring increased demands on the correspondent banking system, he said. "In this particular geographic area, the increased need for capitalization in ag has put greater demands on banks like First of Tulsa to serve their co-bank customers. They need this assistance in handling larger ag and commercial credits."

When a single tractor can cost the farmer $40,000, it isn't long before the local bank can have limit problems, he said. A relatively small ag need can be considerable in dollar amount from the small bank's point of view. With growth in the economy, the small farmer is becoming less and less a factor in agribusiness. There's growth in corporate farming and corporate family farming and the less successful have fallen by the wayside.

Mr. Miltz said the ag environment of the last few years hasn't changed the bank's attitude on farm loans. "We still look at a man's track record, at how he's handled himself in these recent economically depressed times." But bankers aren't prone to do any forecasting on the health of ag-business in the near future, he said, "We don't have a crystal ball."

Opportunities for First of Tulsa's co-bank customers range from involvement in the Port of Catoosa transportation system to such auxiliary enterprises as financing grain elevators, Mr. Miltz said. He added that the expansion of irrigation in western Oklahoma and south central and southwest Kansas will make the area even more important to the world's food supply.

• **American National, Chicago,** operates a comprehensive program assisting correspondents in concentrated agricultural areas, according to Benson R. Culver, correspondent representative.

One way American National helps correspondents is by structuring participation agreements under which American National purchases up to 40% of eligible loans in specially categorized pools of secured ag loans. This greatly decreases the administrative cost of participating in specific or single loans and increases a correspondent's flexibility in making loan commitments to its customers, Mr. Culver said. • •

■ JAMES C. BERRY, president, Air Terminal Parking Co., has been elected a director of United Bank, Chattanooga. He also is president, Hospital Parking Management Co.

Project Business:

Junior Achievement Group Begins Program at Bank

Project Business is the title of a program that has been launched by a Junior Achievement group at National Bank, North Kansas City.

A total of 102 ninth-grade students have taken part in Project Business. The group had regular meetings with local business consultants, one of whom was H. Virgil Bower, vice president of the bank. When the Junior Achievement group met with a consultant, three units were examined: dialogue, action and career exploration.

Field trips were an integral part of the program and a highlight was a tour of the bank, guided by Mr. Bower. The students were able to get a look at the bank's vault, accounting, tellers section, loan department and Bank-24, National Bank's 24-hour ATM.

H. Virgil Bower (seated at desk), v.p., Nat'l Bank, North Kansas City, explains banking procedures to group of students from local junior high school. Students were part of 102-member Junior Achievement program called Project Business. The ninth-graders met with various area businessmen, learned about a number of careers, were given tour of bank by Mr. Bower.

■ THOMAS W. STOKES has been promoted from assistant vice president to vice president, installment loan department, Michigan Avenue National, Chicago, while Frank J. Bonfiglio and Janice A. Barrett have been named assistant cashiers.

International Banking News

A roundup of recent events in the international banking arena

First of Chicago Clearing Center Begun for Eurodollar CD Market

First National, Chicago, has established in London a clearing center for worldwide participants in the London Eurodollar CD market.

Purpose of the new service is to centralize the settlement of trades and to provide custody of CDs for primary and secondary markets. This, a bank spokesman said, eliminates the need among participants to make individual settlements or deliver and receive CDs.

The center also provides assurance of payment on the settlement day, reportedly eliminating uncertainty that may arise among traders in different time zones.

Participants may instruct the center to transfer CDs between custody accounts, between cash accounts or receive funds from and make payments to a non-participant. U. S. participants may relay instructions through First Chicago International Banking Corp., a New York-based bank subsidiary.

According to the First of Chicago spokesman, establishment of the clearing system and its special convenience to traders should contribute to the growth of the London CD market. He foresaw a market rise from the present figure of $30 billion annually to $50 billion by the end of the center's first year of operation.

Mysteries of Foreign Exchange Unraveled in New ABA Book

The American Bankers Association has announced the first definitive book on foreign exchange trading, *Foreign Exchange Trading and Techniques.*

According to its editor, Donald Madich, executive vice president, Detroit Bank, and chairman, ABA International Banking Division, "The book unravels the mysteries of foreign exchange trading which, until recently, were known only by a handful of experts."

Foreign Exchange Trading and Techniques has been sponsored by Mr. Madich's bank and includes a list of authors that reads like a "Who's Who" of foreign exchange. One of those authors is from the Mid-Continent area, Talat M. Othman, vice president, Harris Trust, Chicago. His topic: "How Foreign Exchange Markets Work."

Also in the book are an appendix explaining an actual trade and a glossary of terms applicable to foreign exchange trading.

Slowdown in Earnings Growth Predicted by Salomon Report

A substantial slowdown in international earnings growth of the major U. S. multinational banking companies has been predicted by a Salomon Brothers study. Salomon Brothers is headquartered in New York City.

"United States Multinational Banking: Current and Prospective Strategies," written by Thomas H. Hanley of Salomon Brothers bank stock department, notes that over the longer term, U. S. multinational banks will have to change their basic strategies abroad. While the year's results don't represent a trend toward markedly lower growth in international earnings, the report says, the projected moderate increase in 1976 reflects a narrowing in interest margins due to more limited opportunities for funding profits.

Among other predictions made in the report are:

- A 6-12% increase in international earnings this year, compared with a 35.6% increase last year.
- A secular rate of international asset and earnings growth of about 15-20% yearly after 1976, depending on adoption of new market penetration, productivity and pricing strategies.
- A diminution in previously rapid borrowings from banks by U. S. multinational corporations will be offset by sizable future foreign development projects.
- A 15% increase in Eurocurrency lending and a substantial reduction in profitability of local currency lending. Local currency lending is expected to grow only 5-7%, compared with increases of 35-40% in recent years.

The Salomon Brothers study also covers profitability by geographic area, foreign exchange trading, lending to less developed countries and tanker financings.

Internat'l Lending Discussed

A clear and concise discussion of commercial banks' international lending strategies can be found in an article in the *Columbia Journal of World Business,* winter, 1975, issue. The author is Francis A. Lees, director, Business Research Institute, St. John's University, New York City. Mr. Lees recently completed a study of foreign banking in the U. S.

The article examines the needs and objectives of commercial banks in the field of foreign lending, the ingredients of a lending strategy, how to control risk, structuring and diversification of these loans and coordination of funding and asset management.

Also included are tables on international loans and credits of U. S. commercial banks, short-term claims of U. S. banks on foreigners, medium-term Eurocurrency claims of London banks and changes in the index of liquidity in the London Eurocurrency market, 1973-75.

For information on reprints, write: Reprint Department, University Microfilms, 300 North Zeeb Road, Ann Arbor, MI 48106.

Readjustments of Currencies Pegged as Exchange Problem

Quieter times are ahead in the foreign exchange market, according to Talat M. Othman, vice president, international money management division, Harris Bank, Chicago.

Noting that the dollar has stabilized against European currencies, Mr. Othman indicated that the big problem so far this year has been the adjustments of European currencies against themselves.

He pegged the major shocks in the market as the realignment of the Italian lira and England's pound sterling. Given the slow growth patterns and greater inflation problems of the two countries, he said, depreciation of their currencies has been long overdue.

"The adjustment process has swung perhaps too far," Mr. Othman said. "Both the Italian and United Kingdom currencies may have seen their nadir with a potential firming of both occur-

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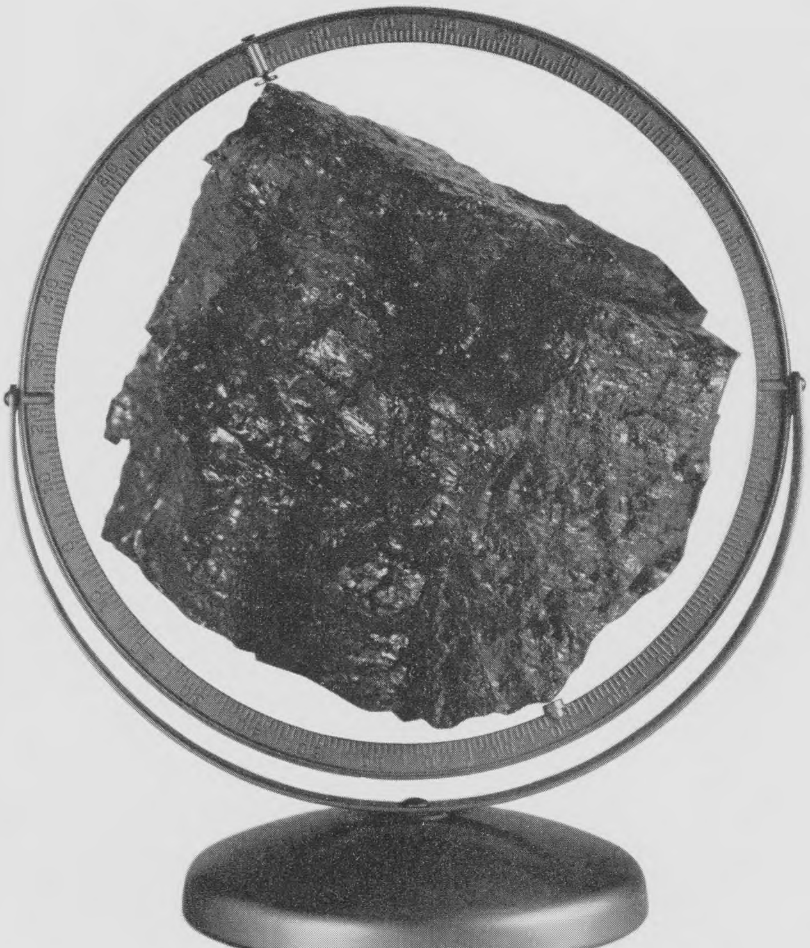

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ring during the rest of 1976."

The long-range outlook for Britain is rather negative, he said, but added that for the short term, the inflation rate will continue to abate until year end.

D&B Develops Marketing Service

XS.1, a new marketing service for U. S. exporters, has been announced by Dun & Bradstreet International, New York City.

The service is designed to help exporters find new agents or distributors in foreign locations and will bring exporters together with agents and distributors for product discussions. It also will solicit direct expressions of interest from overseas businessmen.

Through XS.1, D&B reports, an exporter can learn marketing facts such as executive contacts for potential agents and similar lines of business and products the distributor may carry. The service also provides information concerning languages and cable and telex addresses in countries designated by the client as potential markets.

International

(Continued from page 23)

approached its bank for assistance. The bank agreed to provide construction financing for the winches, but it had little international experience with which to evaluate the Norwegian firm and its bank or to handle the technicalities involved in getting the goods to Yugoslavia.

C&S International Bank, New Orleans, was asked by the local correspondent to assist with the arrangements. According to Quay W. (Pete) Parrott Jr., vice president and manager of the office, C&S was able to provide the international expertise necessary to fully transact the sale of the winches for both the Louisiana supplier and the Norwegian firm.

C&S agreed to lend purchase funds to the Norwegian firm on two-year repayment terms without recourse to the seller, thus allowing the seller immediate payment upon delivery of the winches. C&S accepted a foreign bank guarantee from the Norwegian bank and also handled all international documentation involved. This included control of the shipment to Yugoslavia while payment and guarantee were coming from Norway.

"The transactions were a one-time arrangement," Mr. Parrott stated, "and were profitable for all parties involved."

• **First National of Atlanta's** approach to providing international banking services to downstream correspondents has been to identify the specific correspondent or specific area where international services are required and to work together with the local correspondent to supply the service. So said Robert W. Chamberlin, group vice president in the international banking department.

A case in point has been the development of a series of seminars on international banking for correspondents and their customers. The seminars are conducted throughout the state with correspondents acting as hosts for a select number of their customers.

First of Atlanta provides a team of experts to explain international documentary practices, letters of credit, Export-Import Bank financing, Foreign Credit Insurance Association (FCIA) financing and direct lending, Mr. Chamberlin said. Not only does First of Atlanta provide its own personnel, it arranges for representatives of the Exim Bank and other agencies to be on hand.

A typical seminar on international lending took place recently in Dalton, Ga., the carpet industry capital of the world, Mr. Chamberlin said. "Our correspondent bank hosted a group of 14 officials of 10 companies. Some of the attendees followed up the seminar by visiting with our international operations staff in Atlanta to see what really occurred in practice."

The seminars encourage a comfortable and efficient working arrangement between the correspondent and its customer. First National does not sell itself at the seminars, but offers advice on how to best take advantage of international business opportunities. First National provides expertise and participates with correspondents only when requested to do so.

The correspondent becomes more confident in international dealings by means of the seminars, which feature "how to" lessons in practical international instruments provided by First National as well as through the gradual development of contacts.

First National also provides foreign exchange and direct lending services to its downstream correspondents and their customers.

• **Continental Illinois National, Chicago,** provides services to enable its downstream correspondents to open up international markets to their customers, according to J. Michael Baird, commercial banking associate.

Using the services available at Continental Bank, correspondents can offer their customers virtually the same services, along with the expertise in handling international transactions, that are available to direct customers of Continental, Mr. Baird said.

For example, a good customer of a correspondent had an opportunity to make a sale to a Brazilian firm. However, the bank's customer, a medium-sized manufacturing firm, was considering turning down the sale and the opportunity to develop a new market because of inadequate knowledge of the Brazilian buyer.

The correspondent banker explained various ways of protecting foreign shipments, but also agreed that knowing one's customer is the most important factor. He then phoned Continental's international credit department. An inquiry was dispatched to Continental's representative in Sao Paulo, who, in a short time, was able to provide information on the Brazilian firm.

After the correspondent received a favorable report on the Brazilian firm, it advised the customer that he could safely sell on a "documents-against-payment" basis. Following shipment of the goods, the customer delivered the invoices and the steamship bill of lading to the correspondent, which passed them to Continental for collection.

Continental subsequently forwarded the documents to its Brazilian correspondent. The Brazilian firm made payment to the bank before the ship arrived and used the bill of lading to obtain the goods.

Continental Bank is involved in similar situations in which the downstream correspondent bank, through Continental's international department, is able to help its customers develop overseas markets through the use of various international credit instruments, Mr. Baird said.

For instance, an engineering firm that was a good customer of one of Continental's correspondents required Australian dollars for staff expenses while in Australia, with a further need

Bank Opens London Office

First National in St. Louis has opened a London representative office.

Although First National has had correspondent relationships with major European banks for a number of years, the new office provides it with direct representation in the European market for the first time.

Richard A. Murray, assistant vice president in the bank's international department, has been named head of the London Office.


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to reconvert the foreign money into U. S. dollars after the contract was paid. Through Continental's correspondent, the firm arranged to purchase from Continental the Australian dollars required for various expenses at the "spot" or current day's rate. At the same time, the firm agreed to sell the payment in Australian dollars back to Continental six months later, at a predetermined rate under a forward or "futures" contract.

• **Harris Trust, Chicago,** reports that firms transacting business overseas in different national currencies are increasingly facing the risks of exchange rate fluctuations.

Harris Bank started in foreign exchange services on a limited basis in 1962, said Brace Pattou, public relations officer. It became more active through customer and correspondent demand by 1966, and volume has been mushrooming ever since.

Providing service to correspondents in this area is a major activity of Harris' International Currency Management Division. Sometimes such services as the following are furnished, Mr. Pattou said:

Recently, a Midwest correspondent bank was contacted by one of its corporate customers seeking to make a capital investment in an African state. The bank turned to Harris for help in obtaining 500 million CFA francs, a relatively little-traded currency with historic ties to France. After a series of complex transactions by the Harris division, delivery of the CFA francs was made in a short period without exchange risk to the correspondent.

• **Republic National, Dallas,** began major expansion overseas seven years ago with the goal of establishing a network which, ultimately, would also benefit its correspondents in the U. S., said Barry Mason, executive vice president.

In 1972, the bank's international department established a special group for export financing under Eximbank/FDIC programs for bank corporate customers. By 1975, this group started actively promoting Republic's international services to correspondents.

Republic provides all regular international services, said Mr. Mason, and it has been known to offer additional services, such as providing assistance to customers of correspondents in preparation of sales contracts and agreements, identifying new markets, arranging introductions to banking contacts overseas and handling credit inquiries.

A number of leads for export financing come through correspondents, Mr. Mason said. Republic's international department shares attractive transactions that develop with the correspondent that provided the lead, making the relationship a two-way street.

Republic also provides trouble-shooting services for customers of its correspondents who are traveling abroad. Recently, Republic located a correspondent's customer who was stranded in Spain and arranged immediate transfer of emergency cash by phone.

• **United Bank, Denver,** recognizes the importance of giving smaller businesses the same quality service as the largest international enterprise, according to Robert H. Dressel, vice president in correspondent banking.

"The uses of our services by correspondents are as varied as their customers' needs," Jack M. Carter, vice president in international banking, said. "Currency and travelers checks are common personal needs. A common service to a corporation might be the issuance of an import letter of credit.

"A tea and spice company, the customer of a small suburban correspondent, recently needed this kind of help in obtaining some of its more exotic ingredients. Our bank's readily accepted letter was guaranteed by the correspondent in this case, but we also are able to assume the risk directly where appropriate," Mr. Carter said.

• **Deposit Guaranty National, Jackson, Miss.,** has an international department that periodically has negotiated export letters of credit for customers of correspondents on such items as telephones and equipment going to the Philippines, cotton to Japan, electronic equipment to the Dominican Republic, lumber products to Holland, ironing boards to Venezuela, electrical equipment to Indonesia, material handling equipment to South Africa and Iran, egg products to England and Japan and frozen poultry to Iraq.

In the import area, the bank has issued letters of credit on furniture from Yugoslavia, fireworks from Hong Kong, fluid mechanics and tile from Italy, wood products from Malaysia, machinery from Germany, clock parts from Germany and Switzerland, flower bulbs from Holland and small motors from Spain.

• **Commerce Bank, Kansas City,** seeks to promote increased import and export opportunities for the customers of its correspondents, said Fred N. Coulson Jr., senior vice president. The bank has a network of more than 475 foreign correspondent bank relationships throughout the world.

The Foreign Credit Insurance Association (FCIA) has issued a short-term policy in the name of Commerce Bank that enables the bank to provide export insurance and short-term financing for the export sales of correspondent customers.

Commerce Bank is said to have the only full-time foreign exchange trading operation in its area, which enables it to assist correspondents in all phases of foreign exchange, including foreign drafts and foreign exchange trading, Mr. Coulson said. The bank can directly issue foreign drafts and handle other foreign exchange requirements for correspondents.

Mr. Coulson said a particular concern for correspondents in the Kansas City region is the collection of foreign checks deposited with local banks. Commerce Bank has developed an international cash letter form for use by its correspondents. More than 150 Midwest correspondents are using the service, he said, which features immediate credit to the correspondent's account with Commerce for all foreign checks sent to the Commerce Bank international department for collection. No service charge is made for handling these items.

International department business development officers, in addition to making regular trips overseas, also call regularly on Midwest correspondents to provide first-hand assistance and attention to their international banking needs, Mr. Coulson said.

• **Mercantile Bank, Kansas City,** has an international department that helps south central Kansas banks develop international business, according to Jack L. Sutherland, senior vice president.

The realization of exploring a global marketing scheme is sometimes made more difficult by the location of the manufacturer, Mr. Sutherland said. If the company is located in a smaller community, adequate research and advisory services may not be available. As one means of providing the necessary technical knowledge and assistance, Mercantile Bank devises tailor-made packages of international services for its correspondents and their needs.

A specific example involves a medium-size bank in a fast-growing city in Kansas. Mercantile's correspondent relationship with this bank was established specifically to assist the bank in establishing a responsive international banking service through a local bank.

The package of services included joint business development calls on existing customers of the bank and prospects. Some time was spent evaluating firms in the area to narrow the prospect list to the most likely candidates needing international services. Mercantile Bank agreed to hold seminars or work sessions on a periodic basis in the community to explain the advantages of expanded global markets and answer specific questions.

An unexpected result of this service downstream has been the referral of direct lending overseas leads upstream to Mercantile, Mr. Sutherland said. When these specific cases are finalized, both banks will participate in the funding of the loan, he added.

Mercantile Bank of Kansas City is an affiliate of Mercantile Bancorp., St. Louis.

• **Merchants National, Mobile, Ala.,** has provided assistance to firms seeking import opportunities, according to Peter M. Kenyon, vice president.

In the late 1960s, Mr. Kenyon said, a firm domiciled in the northern part of Alabama was actively seeking additional sources of firecrackers for import into the U. S. Traditionally, it had been importing from Hong Kong and Japan and was utilizing an upstream correspondent of its local bank, located in New York.

Because the cargoes were being discharged in Mobile and because of stringent regulations governing the removal of explosives from dockside within a maximum of 48 hours, the importer was constantly having problems obtaining bills of lading from banking channels. In several instances, the bills of lading had not been received by the local bank from the New York correspondent prior to the arrival of the merchandise, and, in order to meet U. S. customs regulations, guarantees had to be issued by Merchants National as an accommodation to the local bank.

Mr. Kenyon said he saw an opportunity to be of direct assistance to this importer and he approached the importer's local bank to offer Merchant's services. Both the bank and the importer were convinced that Merchants could handle the documentation in a more efficient manner. But, because of Merchant's location, the bank could find no justification for establishing a direct correspondent relationship.

Nevertheless, Mr. Kenyon said, as the activities of the importer increased, Merchants was able to justify the relationship and to expand it.

Later, the importer began placing orders with Chinese suppliers and Merchants was called upon by the correspondent to again assist with the establishment of letters of credit that were arranged through a third country bank domiciled in the U. S. that traded freely with China.

This case shows how a bank can work with a downstream correspondent or non-correspondent, either to sustain established relationships or to develop them.

• **First National, Mobile, Ala.,** established its international department in 1865. It is said to be the oldest international department in continuous operation in the South.

The bank can assist in the development of the full potential of a foreign market for a correspondent's customer through writing letters of introduction and setting up appointments with potential buyers. The department can also obtain information regarding possible exchange or customs regulations.

Archie Luckie, vice president, said a correspondent's customer in a neighboring city imports German clock movements regularly and pays for them in German marks. First National purchases the marks and is reimbursed by the correspondent. The bank also provides letters of credit applications for customers importing items from overseas, eliminating all need for the correspondent to handle the items. All the correspondent does is sign a guarantee agreement, which enables First National to deal directly with the correspondent's customer.

The bank has been active in seeking markets in several overseas areas, including Africa and South America.

• **Commerce Union Bank, Nashville,** reports that one of its correspondents in Alabama found it was missing new accounts and losing business because it had no international department, nor did it have access to international expertise through an affiliate.

According to Jerre Haskew, executive vice president at Commerce Union, the situation intensified when a foreign firm set up shop in the correspondent's city and another local bank got the account. The other local bank didn't have an international department either, but one of its affiliates did.

Commerce Union's disappointed correspondent authorized the Nashville institution to develop a system to enable it to use Commerce Union's international services to develop its customer base.

Commerce Union trained one of the correspondent's people in how to identify an international prospect. He was taught to set up a communication system on how to handle foreign business when it developed.

To effectively introduce the correspondent's new capabilities to potential customers, Commerce Union co-sponsored an international trade seminar in the correspondent's city. About 30 potential customers attended. Commerce Union people helped the correspondent follow up by making joint calls on the prospects.

Now the bank in Alabama is actively going after international business, using Commerce Union's foreign correspondent network to offer transfer services to foreign firms considering locations in Alabama.

When one of the correspondent's largest depositors landed a large contract to sell its product to the government of Korea under letter of credit, Commerce Union's relationship with the correspondent issuing the letter of credit enabled the firm to receive payment in its account with the Alabama correspondent on the day it presented documents to Commerce Union. This eliminated the possibility that the firm might open an account with another bank to handle foreign receivables, Mr. Haskew said.

• **Manufacturers Hanover Trust, New York City,** provides a wide range of international banking services to its domestic correspondents, according to Martin Skala, senior staff writer.

The international division has assets of more than $8 billion and contributes approximately 50% of the bank's total operating earnings. Its overseas correspondent network extends to more than 1,500 banks in 112 countries.

In working with domestic correspondents, Manufacturers Hanover issues export and import letters of credit, provides foreign credit information and handles foreign remittances and collections.

In the foreign exchange area, the bank can arrange for the hedging of foreign exchange risks. In addition, the foreign exchange advisory unit analyzes currency relationships and engages in short-term foreign exchange forecasts.

Through its branches, representatives and correspondents abroad, the international division provides letters of introduction and other assistance for important customers of domestic correspondents.

• **Fidelity Bank, Oklahoma City,** has designed its international services to provide customers of correspondents with a bank that is able to provide the many services required to compete in the international market.

David J. Montgomery, vice president, said Fidelity's international department will assist customers of correspondents with credit terms that are required to make sales overseas. The department works with the Export-Import Bank and the FCIA to assist on export loans that can expand a firm's overseas sales.

Mr. Montgomery is president of the Oklahoma City International Trade Club and works in cooperation with the Oklahoma City University World Trade Data Center, the Tulsa World Trade Association, the International Business Coordinator of the Oklahoma Industrial Development Department and the U. S. Department of Commerce to provide customers with information that will assist in locating new markets.

In addition, the bank provides assistance in obtaining credit information on foreign firms and attempts to locate markets through foreign correspondents.

• **Liberty National, Oklahoma City,** illustrates how its international department assists customers of downstream correspondents by citing the case of the correspondent that had a customer who wished to make a five-year loan in Mexico for acquisition purposes. Several options were available to the customer insofar as the type currency to be used was concerned, according to Willis J. Wheat, senior vice president.

Currently, he said, the U. S. corporate customer borrowing in Eurodollars from a U. S. offshore branch bank must absorb an additional ½% over the cost of funds to compensate for the lending bank's 4% reserve requirement. The same borrower is permitted, however, to borrow direct from a foreign bank without reserve penalty and thereby lower the borrowing cost. In this instance, the borrower sacrifices local bank loan servicing and takes on the risks inherent in a future borrowing relationship.

Alternatively, a borrowing in Mexican pesos for the acquisition would be subject to the erratic movement of the forward peso and subsequent difficulty in covering the forward exchange. Or a direct U. S. dollar loan would entail normal balance requirements and could have adverse effects on the bank's liquidity position during periods of tight money.

After considering the alternatives, Mr. Wheat said, the borrower decided on a U. S. dollar loan, based on floating prime for the Mexican acquisition. The loan agreement also provided an option for funding in selected foreign currencies as well as Eurodollars. The multi-currency option would be consistent with favorable rate structures, availability of funds and existing U. S. government regulations, he said.

• **Bank of Oklahoma, Tulsa,** reports that a downstream correspondent bank having total assets of approximately $30 million was requested by its customer to issue a letter of credit in its favor to be used for importing approximately $100,000 worth of electronics parts from Japan. Due to its size, the letter of credit was not acceptable to the exporter's Japanese bank.

Accordingly, Bank of Oklahoma entered into a facility agreement, issuing its letter of credit, which in turn was supported by the correspondent's letter of credit, to the satisfaction of the Japanese bank.

• **United American Bank, Knoxville, Tenn.,** is establishing an international department under the direction of Michael B. Leader, who came to the bank from Citibank (South Africa) Ltd., Johannesburg.

The department's personnel are involved in introducing the bank's complete international services to downstream correspondents at present. During the introductory meetings with correspondents, Mr. Leader will explain the bank's international services and will offer to participate in seminars for customers of correspondents.

One of the services being offered is for customers of correspondents who find themselves stranded in foreign countries. Correspondents are being asked to inform their overseas-bound customers to simply Telex United American should they experience difficulty and ask United American to transfer funds to a nearby foreign bank that will enable the customer to return to the U. S. All the customer must provide in the way of information is his passport number. Upon receipt of such a call, United American would contact the traveler's bank to request the funds, or it would debit the correspondent's account. The only charge to the customer would be for use of the Telex.

• **First City National, El Paso, Tex.,** is in a unique position to clear peso items due to its strategic location on the Mexican border, according to Martin Nesbitt, vice president.

Most firms clearing pesos through banks are charged exchange rates and fees for each item, Mr. Nesbitt said, but things are different at First City National.

Checks for clearance funnel in to the bank from stores throughout the U. S. They are processed at the bank and cleared at par with no fees. The swift service provided by the bank eliminates exchange charges. So, it's worthwhile for correspondents to send their collection items to the bank, Mr. Nesbitt said. Rather than the normal three-to-four-day clearance procedure, First City National clears peso checks in one day.

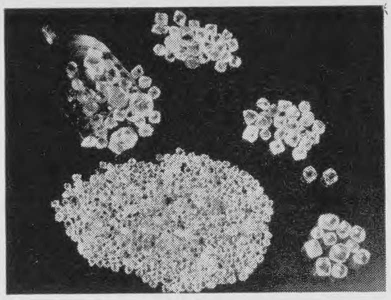
When a correspondent has a customer with a need to set up a firm in Mexico to produce goods with economical Mexican labor, First City National can show the customer around in Juarez, which is right across the border from El Paso. The bank provides cost figures and time variables to enable the correspondent's customers to come to a decision regarding the plant without having to do research on their own.

• **First National, Birmingham, Ala.,** has an international department that works under the premise that a strong foreign correspondent banking network can be established only when there is commercial activity, existing or developing, between businesses in Alabama and firms in foreign countries. The bank has initiated a calling program on industry and other businesses throughout the state to introduce them to international markets. These calls are generally made in conjunction with affiliates or correspondents, and customers are advised to coordinate their overseas transactions through those banks as well as through First National.

The bank assists local businesses by helping them locate foreign markets through overseas correspondents and the Department of Commerce Agency/Distributor program. It also assists in obtaining credit information through foreign banks and World Trade Directory Reports. The bank conducts seminars to instruct customers how to quote, ship and collect when serving overseas customers. The bank has supplied a director for two overseas trade missions sponsored by the Department of Commerce.

• **American National, Chicago,** offers the same international service to correspondents that it does to its commercial customers, according to Benson R. Culver, correspondent representative.

In addition to the usual assistance in the international area, American National can help in unusual ways, Mr. Culver said. For example, banks in the upper Midwest that were sending their Canadian items directly to Canada for collection can send them to American National, where the bank's check processing system handles the items virtually as it would a check drawn on a U. S. bank. The system can provide correspondents with two-day availability of funds instead of the several weeks involved when the items are sent directly to Canada for collection. This system also reduces mail costs and exchange rate fluctuations, Mr. Culver said. • •



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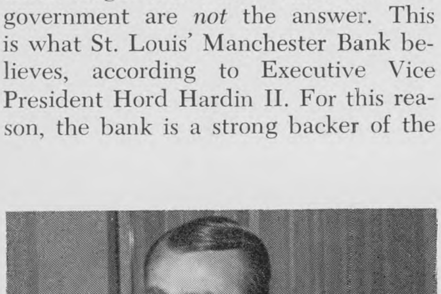
This aerial view of St. Louis shows Manchester/Chouteau Industrial Redevelopment Corp. (MCIRC) area outlined in center. Major expressways and streets run through or near area, which is anchored by Manchester Bank. St. Louis's downtown and riverfront are at top of map, and Forest Park, a municipally owned park, is at bottom.

Bank Puts 'Its Money Where Its Mouth Is' By Financing Redevelopment Project

By ROSEMARY McKELVEY
Managing Editor

PRIVATE CORPORATIONS and individuals are the key to curing many of the social ills and stopping the decay prevelant in many major U. S. cities. Legislation and various levels of government are *not* the answer. This is what St. Louis' Manchester Bank believes, according to Executive Vice President Hord Hardin II. For this reason, the bank is a strong backer of the Manchester/Chouteau Industrial Redevelopment Corp. (MCIRC).



Hord Hardin II, e.v.p., Manchester Bank, St. Louis, is active force behind Manchester/Chouteau Industrial Redevelopment Corp.

The $150-million bank is located west of downtown St. Louis in a heavily industrialized section. What housing is there is mostly substandard and not salvageable. The area encompasses Highway 40, a main artery linking St. Louis from the downtown riverfront all the way through the western part of St. Louis County, finally connecting with Interstate 70. In addition, it has rail facilities and is close to Interstate 44, which goes through southwestern St. Louis County and on to Tulsa, Oklahoma City and beyond.

Despite these advantages, the Manchester Bank area—like so many in large cities across the country—was deteriorating steadily, losing firms and businesses to newly developed industrial parks in St. Louis County, which is a separate political entity from St. Louis city and is an aggressive competitor for firms and factories.

Fortunately, there was a group called the Manchester-Chouteau Businessmen's Association, which always met at the bank. This association decided, in 1973, that positive action had to be taken and taken quickly to reverse this decay. As a result, ten corporations in the area formed the MCIRC, with Joe Roddy, a former city alderman and circuit court clerk, instrumental in the formation. The group set the objective of making building sites available and attracting the interest of industries and other developers in building new plants and expanding existing properties in the Vandeventer, Manchester and Chouteau area. Manchester Bank's Mr. Hardin has become the driving force behind the corporation. Besides doing his job at the bank, he spends a lot of time on MCIRC work.

The MCIRC took its idea to St. Louis' City Hall, and, eventually, the aldermen approved a redevelopment plan, which gave the corporation the power of eminent domain and the power to pass tax benefits on to redevelopers under Missouri Redevelopment Law 353, usually referred to only as "353." This ordinance permits a redeveloper to redevelop property in such a manner that existing taxes on

These four buildings, all located within Manchester/Chouteau Industrial Redevelopment Corp. boundaries, illustrate how industrial area can still be attractive. TOP LEFT: U. S. Steel Supply Co. TOP RIGHT: Crescent Electric Supply Co. BOTTOM LEFT: Tom Boy, Inc. BOTTOM RIGHT: Perfection Manufacturing Co.

that property aren't changed for 10 years, no matter what's built on the land. For instance, if taxes on a piece of property were $500 before it was redeveloped, they still would be $500 after being redeveloped under "353." Then for 15 years after the first 10 years, taxes are assessed at 50% of the normal rate. In other words, "353" offers a 25-year tax incentive.

The MCIRC has an added advantage: It can offer tax savings not only through "353," but also under the Planned Industrial Expansion Authority (PIE) of St. Louis. In fact, at present the MCIRC is the only redevelopment corporation in the state operating under "353" and/or PIE. Working under PIE helped the corporation bring a new plating business—Finclair Redevelopment Corp.—into the area. Manchester Bank bought the entire $1.3-million industrial revenue bond issue that financed Finclair.

The MCIRC started operations early in 1974, with Manchester Bank providing the financing. In fact, one alderman indicated that the corporation would not have been approved if Manchester Bank had not been behind it and willing to make money available, said Mr. Hardin.

The corporation is less than two years old, but already has produced more than $5 million in new construction, which has stabilized the area. This amount doesn't include the $1.3-million plating firm project or two proposed redevelopment plans that will total $500,000. These projects will complement those already completed by Pepsi-Cola, Tom Boy, Inc., Clements Welding, St. Louis Metalizing Co., the *Daily Record* (a legal newspaper), Crescent Electric Supply Co., Finclair Redevelopment Corp. and Manchester Bank. It should be pointed out that the bank improved its property, including the laying out of a small parklike area, without the help of the MCIRC, and Pepsi-Cola completed its expansion program before the corporation was formed. In addition, the MCIRC has acquired other building sites and demolished numerous eyesores.

The MCIRC has a problem, according to Mr. Hardin, but it's a *good* problem: The corporation has done such a successful job of redeveloping its land that it has run out of sites that are two or more acres in size. It's this size and larger that's much in demand, he continued. Therefore, the corporation, sometime in the future, plans to ask the aldermen to widen the boundaries so that it can put together larger sites.

These old buildings in MCIRC area were redeveloped into attractive townhouses by A. J. Cervantes Jr., son of former St. Louis mayor.

Here's how the MCIRC program works: The MCIRC submits to the St. Louis Board of Aldermen a redevelopment plan for a certain area. If the aldermen approve this plan, they declare the area blighted, which makes it eligible to be redeveloped under "353." The MCIRC acts as an "umbrella" corporation by working directly with each developer, thereby saving the developer the need to go through City Hall. As Mr. Hardin pointed out, this elimination of red tape is another reason—besides the tax-abatement incentive—to locate in the MCIRC redevelopment area. The MCIRC has helped developers acquire property, and it also acquires property for inventory purposes.

By having the authority to approve or disapprove a redevelopment plan, the MCIRC can prevent any property being put to what it calls "incompatible uses." Such uses, as described by Mr. Hardin, include a junk yard, outside storage tanks, packing house or used car lot.

The MCIRC also is empowered to require every business in its area to keep its property up to at least the minimum standards of the city's building code. If someone doesn't comply, the corporation can notify the proper city authority about the violation. As Mr. Hardin emphasized, it wouldn't be fair to other businesses in the area that are maintaining their property to find themselves adjacent to or across the street from a person who lets his property deteriorate.

Since the MCIRC began operations, Manchester Bank has loaned more than $1 million to area businesses to finance their expansion programs. In addition, the bank has established in favor of the MCIRC a $300,000 unsecured revolving credit on an interest-free basis to finance acquisitions of redevelopment sites.

The redevelopment corporation has incurred operating losses of approximately $30,000 since its inception, but Mr. Hardin believes that losses will be recovered in the near future. Even though the bank would take a small loss on its loan to the MCIRC if operations were to cease at this time, he said this money was well spent because the area has been stabilized and, in fact, is beginning to recover.

Although the MCIRC program is focused on promoting industrial development, Mr. Hardin believes that to be viable, an industrial area must have decent housing around it because people want to live close to their jobs. In this regard, the MCIRC is fortunate to be located near several redevelopment projects, including a mammoth one to the west being sponsored by the Washington University Medical Center and which will include rehabilitation of

NATIONAL DETROIT CORPORATION

Parent Company of NATIONAL BANK OF DETROIT

CONSOLIDATED BALANCE SHEET—June 30, 1976

ASSETS

Cash and Due from Banks (including Foreign Office Time Deposits of $764,877,825)		$2,136,543,112
Money Market Investments:		
Federal Funds Sold		495,375,000
Other Investments		8,903,754
		504,278,754
Trading Account Securities—At Lower of Cost or Market		5,628,955
Investment Securities—At Amortized Cost:		
U.S. Treasury		470,624,830
States and Political Subdivisions		799,336,504
Federal Agencies and Other		32,467,567
		1,302,428,901
Loans:		
Commercial		1,702,579,185
Real Estate Mortgage		796,997,096
Consumer		239,054,081
Foreign Office		428,999,089
		3,167,629,451
Less Reserve for Possible Loan Losses		52,194,064
		3,115,435,387
Bank Premises and Equipment (at cost less accumulated depreciation of $39,229,540)		66,514,222
Other Assets		155,962,916
Total Assets		$7,286,792,247

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits:		
Demand		$1,873,962,579
Certified and Other Official Checks		350,041,741
Individual Savings		1,339,793,151
Individual Time		763,649,697
Certificates of Deposits		551,308,878
Other Savings and Time		122,426,929
Foreign Office		1,036,722,179
		6,037,905,154
Other Liabilities:		
Short-Term Funds Borrowed	$ 536,404,769	
Capital Notes	100,000,000	
Sundry Liabilities	164,806,413	801,211,182
Total Liabilities		6,839,116,336
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	199,993,254	
Less: Treasury Stock—51,404 Common Shares, at cost	(2,317,343)	447,675,911
Total Liabilities and Shareholders' Equity		$7,286,792,247

Assets carried at approximately $419,000,000 (including U.S. Treasury Securities carried at $58,000,000) were pledged at June 30, 1976, to secure public deposits (including deposits of $126,924,007 of the Treasurer, State of Michigan) and for other purposes required by law.

Outstanding standby letters of credit at June 30, 1976, totaled approximately $19,800,000.

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houses and multiple-family dwellings. Going up nearby is a new Blue Cross-Blue Shield headquarters building. St. Louis University, to the east, has announced a redevelopment program, which also will include housing. Mill Creek Valley, also close to the MCIRC area, was developed successfully several years ago and includes moderate-priced apartments. In fact, Robert Saunders, who put the Mill Creek program together and managed its day-to-day affairs, is serving as part-time consultant to the MCIRC.

Manchester Bank, Mr. Hardin pointed out, is a strong MCIRC supporter because it believes in being a good citizen and in sharing civic responsibility. The bank applauds the support that downtown St. Louis banks are giving projects in their area—the Convention Center, Laclede's Landing on the riverfront and LaSalle Park on the near south side. However, Manchester Bank also believes St. Louis cannot survive in the long run if only the area east of 12th Street is redeveloped. This is where the smaller banks come in—by giving financial support to redevelopment of other areas within the city, all of which eventually can be tied together and produce beneficial impacts on one another. Mr. Hardin believes that Manchester Bank is the recognized leader of this latter group. Following its pioneering efforts, at least four other mid-town St. Louis-area banks began sponsorship of redevelopment corporations. • •

Deteriorating City Returns to Life Through Efforts of Local Banker

James O. Holton Jr. (l.) pres., Citizens Nat'l, Maplewood, Mo., toasts future of city with town's mayor, Josef Hammes. Through Mr. Holton's efforts, 900-car parking garage was built adjacent to bank, resulting in construction of K-Mart store and renewed interest in area, which once was major shopping district for citizens of St. Louis area.

By DANIEL H. CLARK
Editorial Assistant

MAPLEWOOD, MO., is located on the western edge of St. Louis. Once a major shopping area, Maplewood began to experience the onslaught of blight and the suburban migration to western St. Louis County. It was, for all intents and purposes, dead, rapidly deteriorating into a slum area.

But, thanks to the foresight and perseverance of James O. Holton Jr., president of Citizens National, Maplewood, the city's outlook is rosy. There now are K-Mart and Venture stores there, with more to come.

Located on Manchester Road, which, since the early 1800s, had been the main road between St. Louis and Jefferson City, Missouri's capital, Maplewood had attracted shoppers from all over the St. Louis area. But by the late 1950s, many of the shops and homes in the area had become run down. In 1965, when Golde's, the area's major department store, burned down, no one would build on the site. Said Mr. Holton, "All I had to do to a prospective new business was mention 'Maplewood' and it was like the kiss of death. No one wanted anything to do with the town."

But Mr. Holton believed in Maplewood. Its central business district is within two minutes of two major highways, and 350,000 people with a spending capacity of $10 million live within five miles—or 10 minutes—of the area. Mr. Holton tried to sell the spot left by Golde's to all of the St. Louis area's major retailers, but in vain.

A talk with officials of the S. S. Kresge Co. led Mr. Holton to believe that if parking in Maplewood were available, K-Mart, which is Kresge's discount operation, would be interested in locating there. The town's voters passed a bond issue to tear down the burned-out department store and on its site build a $3-million, 900-car parking garage. Sales taxes from the K-Mart would pay for the garage.

"Due to the garage and K-Mart," Mr. Holton said, "Venture came in, and with the Venture store came a new park." Since the May Co., Venture's parent, built the store on the site of the old Legion Park, part of the agreement was that the company would build a new park for the city.

Another major stumbling block has been overcome, due partly to the continued efforts of Mr. Holton. Under Missouri Redevelopment Law 353—known as "353"—individuals may set up a redevelopment corporation, and the corporation then gets rights of eminent domain. Also part of "353" is a 25-year tax incentive, wherein the land to be developed is taxed at pre-development rates for the first 10 years and at 50% for the next 15 years. The catch was that in order to qualify for "353," a city had to have a population of at least 20,000. Maplewood has 12,000 residents. An amendment lowering the qualifying figure to 4,000 soon will be on the books.

Plans are for a giant, campus-style shopping center, one of a size that would rival St. Louis' Northwest Plaza—said to be the world's largest shopping center.

The business situation in Maplewood has turned around. "The Maplewood project is a 'people generator,'" Mr. Holton noted. "There has been a trend for people to move away from the suburbs and to rebuild in the inner cities, and that's just what's begun to happen here. An increasing number of people have begun to buy homes and apartments in Maplewood and renovate them.

"As bankers who read MID-CONTINENT BANKER will agree," Mr. Holton continued, "banking is becoming a 'people' business more and more every day. And the redevelopment of Maplewood has meant much new business for Citizens National."

In one six-week period, he noted, new accounts at the bank totaled 223—122 checking and 101 savings. "Of those," he said, "147 new accounts came from St. Louis County residents and only 76 from people living in St. Louis. That trend has continued, too. Most of the bank's new accounts are opened by people under 30; we are experiencing a return of young clients."

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J. Wayne Williard, Jr., Vice-President

INTEGON®

Mercantile Bank, St. Louis, Backs Renovation of Once-Popular West-End Area

By DANIEL H. CLARK
Editorial Assistant

THE DeBALIVIERE "strip" in St. Louis' west end once was a popular restaurant and residential section of the city, but over the years blight set in, driving away customers, businesses and residents.

Where restaurants and shops once operated on DeBaliviere Avenue, the only "attraction" today is a seedy burlesque house. The once-stately turn-of-the-century residences have been allowed to deteriorate and—accompanying that deterioration—came crime and drug trafficking. But through the efforts of Leon Strauss and his firm, Pantheon Corp., along with the backing of Mercantile Bank, the area's future is promising.

The 106-acre tract is bordered by Forest Park and is easily accessible from the Forest Park Parkway, a major artery linking St. Louis County and the downtown area. The DeBaliviere area is 15 minutes from St. Louis' central business district and five minutes from Clayton, a major business section in the county. Bounding the DeBaliviere area are hospitals and two major schools, Washington University and St. Louis University. Many desirable single-family residences surround the project, and parochial and private schools are nearby.

According to Donald B. Wehrmann, Mercantile senior vice president, the plan began about four years ago, when Mr. Strauss acquired development rights from two groups that originally had hired him as contractor for their projects in the area. "The trouble with the two projects," Mr. Wehrmann indicated, "was that they were like islands in the middle of a large slum—people would have balked at living there or at rehabilitating buildings there." "I became leery of their possibilities for success," Mr. Strauss added, "since they didn't control the entire area. I began to think of a project involving the whole tract, bought out their stock and got development rights."

Part of those rights is the Missouri Redevelopment Law 353, known simply as "353." It gives the developer control over the subject area so building owners won't allow blight to set in and so an incompatible business—such as a junk yard—won't be allowed to operate in an area. "Pantheon Corp. has the authority to enforce minimum property standards," Mr. Strauss said. "It can condemn and buy blighted or substandard property—and Pantheon fully intends to use that right."

What's more, "353" offers a 25-year tax incentive to the developer: For the first 10 years, taxes remain at pre-development levels; for the remaining 15 years, the tax rate is 50% on the improvements. In addition, Pantheon Corp. can grant rights of tax abatement to building owners who wish to renovate, but owners must sign an agreement to get those rights.

"Front money" for the venture came from Mercantile Bank. The bank loaned $3 million, while Mr. Strauss had to come up with $1 million. Of that $1 million, General American Life agreed to provide up to $400,000 in equity, while friends, family and acquaintances of Mr. Strauss so far have contributed another $350-360,000 in subordinated debentures.

"The problem with the area is that the valuation of the real estate is questionable," Mr. Strauss noted. "No one wanted the land and its value will have to be created. The city's aldermen already had declared it blighted and, of 200-or-so families living there, only about 10% were owners, so obtaining development rights was no real problem."

No renovation will begin in the area, Mr. Strauss said, until after the city—through a $1.5-million Community Development Agency grant—has redone DeBaliviere Avenue. The present eight-lane street will be changed to four lanes, with widened sidewalks and a planted median.

"Once that's done—which should be sometime after spring of 1977—people will be able to see what can be done with the area," Mr. Strauss revealed.

What is in store for the DeBaliviere area after that? A number of mini parks and off-street parking areas are planned. Besides the "new" street itself, about 70 multi-family buildings containing 864 dwelling units will be rehabilitated and marketed for rent and for sale. The character of the buildings' exterior architecture will be retained. In addition, on the west side of DeBaliviere, where whole city blocks have been cleared through city demolition of deteriorated and dangerous buildings, 250-300 single-family attached townhouses will be constructed. Service-oriented businesses also will dot the area: "pub"-type bars, restaurants, hardware, furniture and food stores. "In fact," said Mr. Strauss, "the layout of one building would be perfect for a bank facility or S&L branch.

"Plans also have been made for our own area schools," he continued. "Schools can be financed from earnings and an ad valorem tax on the dwelling units. We want to provide services that St. Louis finds it difficult to provide: schools, recreation and security." • •

Urban Study Grant

ST. LOUIS—Mercantile Bancorp., Inc., parent HC of Mercantile Bank, has made an $80,000 grant to Washington University to study how to help America's shrinking cities.

The school's Institute of Urban and Regional Studies, recipient of the grant, will hold a national symposium on human, private and public investment opportunities in metropolitan areas.

The symposium has been slated for June, 1977, and will commission 10-12 leading authorities on urban economics and development policy to present papers on metropolitan development without population growths.

According to Charles L. Leven, director of the institute and chairman of Washington University's department of economics, the symposium will:

- Review factors leading to population declines and the possibilities of those factors continuing as future influences.
- Investigate strategies for determining the best opportunities for metropolitan development under current conditions.
- Explore possibilities of beneficial cooperative relationships among the segments of a stable metropolitan community.
- Draw a broad view of the quality of life, the role played by neighborhoods and suburbs, economic activities and the role of local government in the metropolis that is emerging.

• **A. W. Clausen**, president, Bank of America, and president and CEO, BankAmerica Corp., both of San Francisco, has been installed as president, International Monetary Conference (IMC). Anthony Favill Tuke, chairman, Barclays Bank, London, has been named IMC vice president. The IMC is administrated by the ABA and comprises 58 U. S. and 58 non-U. S. banks.

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Statement of Condition as of June 30, 1976

Assets	
Cash and due from banks	$ 87,147,827.50
Investment securities:	
U.S. Government obligations	21,496,075.71
Obligations of states and political subdivisions	53,018,395.54
Trading account and other securities	28,871,925.90
Federal funds sold	15,300,000.00
Securities purchased under agreements to resell	16,500,000.00
Loans	234,773,153.56
Bank premises and equipment	26,800,024.02
Other assets	6,433,707.41
	$490,341,109.64
Liabilities and Stockholders' Equity	
Deposits:	
Demand	$198,221,281.67
Time	173,431,917.97
Total deposits	371,653,199.64
Federal funds purchased	27,350,000.00
Securities sold under agreements to repurchase	36,475,255.39
Other liabilities	4,901,176.76
Subordinated capital note, due 1981	10,000,000.00
Total liabilities	450,379,631.79
Stockholders' equity	39,961,477.85
	$490,341,109.64

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IV

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Bank Offers Space for Doctor's Office So Community Can Have Its Own M.D.

ACCORDING to the most recent census, the population of Puxico, Mo., is under 800. Yet the residents of that community in the southeastern portion of the state are joining hands with Puxico State Bank in an expensive undertaking to remedy a situation that has plagued the community for several years—the lack of a physician.

Residents needing medical assistance have had to travel to places like Poplar Bluff since Puxico has been without a physician. The situation has been especially trying on the community's elder citizens, who have been forced to secure transportation every time they visit a doctor.

The town's mayor, Eddie Sifford, who is now a director of Puxico State Bank, made up his mind to secure a resident physician for the community. He found one who was willing to make the move, but there were complications that posed a formidable challenge to the citizens of Puxico.

The doctor was operating in a Poplar Bluff hospital. Thus, he had no equipment of his own. In addition, he required an office of approximately 1,800 square feet and no such accommodations existed in Puxico that were suitable.

Estimated cost of the equipment was $25,000. Mayor Sifford and other community leaders banded together to form the Puxico Development Corp. to raise funds for the equipment. At the first meeting of the corporation—to which all residents were invited—$6,000 was pledged toward the equipment's cost.

About that time, Puxico State President M. Gene Shain made an offer to the community that couldn't be refused—the bank would include space for the doctor's office in plans for its new building, which was to be constructed this summer and completed by October.

Moreover, the 1,800-square-foot office would be offered to the doctor rent-free, providing the city of Puxico deposited $50,000 in interest-free certificates at the bank. Mr. Shain says the deposit is strictly a gentlemen's agreement—the funds can be withdrawn at any time.

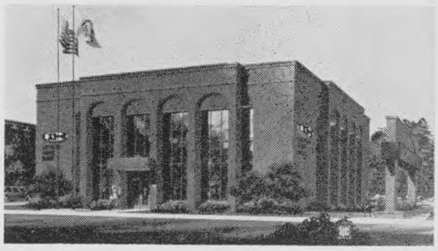
The bank has not contributed to the equipment fund, but two of its directors have made sizable donations. As the money comes in, it is being expended on equipment to be installed in the new office.

Puxico's new resident physician, Dr. John Hunt, is in family practice and is an eye, ear, nose and throat specialist. He and his wife will reside in Puxico.

Ground was broken for the new bank/doctor's office building on May 21, the 20th anniversary of the bank's opening. The new building will contain approximately 5,700 square feet of space, with the bank occupying 3,900 square feet. • •

Puxico's new resident M.D., Dr. John Hunt, wields shovel at groundbreaking of Puxico (Mo.) State Bank. Building will include 1,800-square-foot doctor's office, enabling community to have a resident physician. Others in photo are (from l.) Donald Denny, O. O. Menees, Mrs. M. S. Shain, all Puxico State directors; M. S. Shain, ch.; Larry Buttry, contractor: Eddie Sifford, mayor; David S. Shain, bank v.p.; and M. Gene Shain, pres.

Bank Leads Reconstruction



Construction of the new Main Office of Canton (Ill.) State has been authorized. The building will be the first to be constructed under a master rebuilding plan sponsored by the community to replace structures destroyed by a tornado in 1975. The two-story building will be of brick and will feature solar bronze glass panels in arched settings. Planning, design and construction are being handled by Bunce Corp., St. Louis. The bank has been operating out of temporary quarters since the tornado, utilizing the vault of its former building, which survived the disaster.

Bank in Dallas Honored For Improvement Loans

Lakewood Bank, Dallas, has been cited for its significant contribution to the revitalization and environmental improvement of the East Dallas area by the Dallas Chapter of the American Institute of Architects.

The bank and its president, Don Wright, were lauded for personal and corporate efforts that "can be measured in terms of rising property values, new construction, historic restoration, influx of new families and, above all, increased community pride."

The bank has invested some $4 million in loans to upgrade and improve homes in the East Dallas area. The investments came about because of concern about the condition of housing in the once-fashionable area.

Of the $4 million, $1 million was made available for purchase of older homes in Dallas' first historic district, $1 million for purchase of homes in the surrounding area and $2 million for home improvement loans. The bank's lead has been followed by a few other lenders.

"Revitalization and preservation of older areas and bringing in more young people is economic good sense," Mr. Wright has said. "We're not after the loan. What we're after is improvements in the area. If the neighborhood goes down, we go with it."

Mr. Wright has also committed the bank to make loans at favorable interest rates to remodel commercial buildings in the shopping center at which the bank is located.

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Renovation in 'Gay '90s' Style Ensures Good Future for Town

THE CENTURY-OLD town square in Harrisonville, Mo., nearly died a few years ago. Today it bustles with activity.

Located 35 miles south of Kansas City, the square, with the Cass County Courthouse at its core, is a newly revived retail/services center, one that sports the architectural look of an earlier America.

The change has come swiftly, producing tangible results and a ground swell of community pride and commitment. "Business had been declining for a number of reasons," said Jordan Lindsey, president of the town's Allen Bank. "There was a possibility that the square would cease to exist as a commercial hub."

Today, despite competition from modern, massive shopping centers 18-30 miles away, Harrisonville's historic square holds its own as both shopping area and focal point for community life. People from as far away as 25 miles shop it daily; merchants report 1975 as one of their best business years.

But five years ago the square was deteriorating. Blight was evident, several stores were vacant, some buildings were badly in need of repair and the courthouse itself was grimy with neglect. There was little inside the shops to attract customers. Merchandise was second- and third-quality, poorly displayed, poorly lighted and clerks were few and not always trained.

What the area *did* attract were

Cass County Courthouse is at center of square in Harrisonville, Mo. Erected in 1897, building dominates area, was renovated in 1975 at cost of $42,000 as part of town square restoration.

groups of hippie types who covered the square—as one resident put it—"like grasshoppers," lounging against storefronts and on the courthouse steps, roaming the streets, smoking, drinking and generally making nuisances of themselves.

"We suspect they picked the square as a campground for drug trafficking," said Mr. Lindsey. "We are close enough to Kansas City as a source, yet far enough from its police jurisdiction.

"The hippies began showing up in the late '60s and early '70s," Mr. Lindsey noted. "Some of our residents were hostile to them, others afraid of them. The effect was harmful to business; fewer and fewer people shopped the square."

In April, 1972, tragedy struck. A young transient went berserk and shot up the square, killing three people and wounding several others before committing suicide.

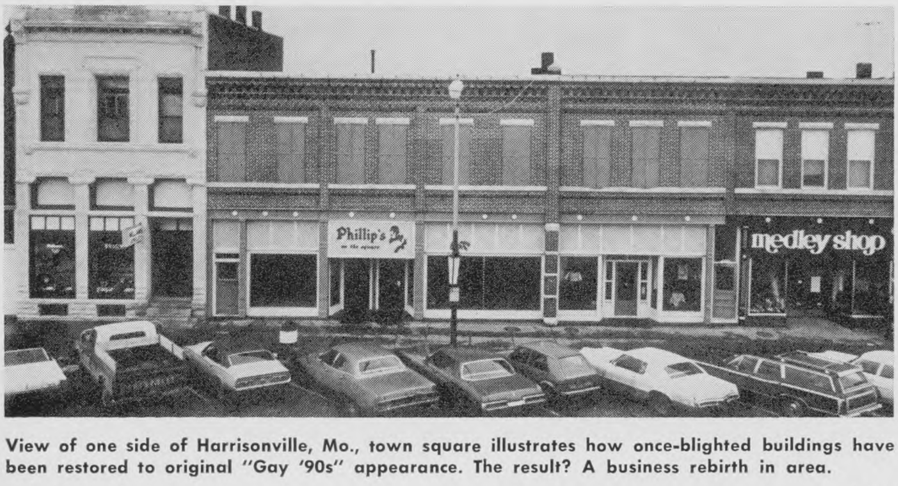
Outraged, local citizens drove out the hippies.

But it was too late. Shoppers avoided the square and business dropped abruptly.

Something had to be done quickly or the town square would cease to exist as a place of business and community activity. Three months after the shootings, a meeting was held at Allen Bank to try to improve the situation. The Square Center Merchants Association (SCMA) was formed and a committee elected to make recommendations for improvements.

"The SCMA told us we had three options," Mr. Lindsey recalled, "one, modernize the exteriors of the stores to attract shoppers, hopefully encouraging interior renovations; two, restore building exteriors to their original conditions, creating a kind of Victorian-American shopping center; or, three, do nothing and hope for the best."

Then, United Telephone Co., the local supplier, called the SCMA's attention to Albia, Ia., a former mining town that also had faced deterioration and loss of business in its central district. Albia had restored its commercial buildings, resulting in tourists and resi-



View of one side of Harrisonville, Mo., town square illustrates how once-blighted buildings have been restored to original "Gay '90s" appearance. The result? A business rebirth in area.

Interior shot of Harrisonville, Mo., store after restoration exemplifies how old is combined with new: carpeting, metal ceilings, modern display fixtures, antique decorations.

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CONDENSED STATEMENT OF CONDITION

AS OF JUNE 30, 1976

RESOURCES

Cash and Due from Banks	$ 168,358,541.64
U. S. Treasury Securities	360,281,987.72
U. S. Government Guaranteed Securities	60,009,428.01
Obligations of States and Political Subdivisions	55,360,334.35
Stock in Federal Reserve Bank	1,500,000.00
Federal Funds Sold and Securities Purchased Under Agreements to Resell	20,400,000.00
Loans	550,822,562.88
Less: Valuation Portion of the Reserve For Possible Loan Losses	6,632,097.12
	544,190,465.76
Bank Premises and Equipment	9,128,779.37
Other Real Estate	48,512.46
Customers' Acceptance Liability	72,505.82
Accrued Income Receivable	11,859,871.83
Other Assets	8,059,963.03
TOTAL	$ 1,239,270,389.99

LIABILITIES

Deposits	$ 1,012,747,938.16
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	103,740,000.00
Acceptances Outstanding	72,505.82
Dividend Payable July 1, 1976	1,345,172.50
Special Dividends Payable	3,001,647.94
Accrued Taxes, Interest and Expenses	11,986,090.54
Deferred Income Tax Portion of the Reserve For Possible Loan Losses	2,100,027.20
TOTAL LIABILITIES	$ 1,134,993,382.16

CAPITAL ACCOUNTS

Capital Stock	2,800,000.00
Surplus	47,200,000.00
Undivided Profits	51,139,885.59
Capital Portion of Loan Loss and Securities Reserves	3,137,122.24
TOTAL CAPITAL ACCOUNTS	$ 104,277,007.83
TOTAL	$ 1,239,270,389.99

dents flocking in to shop, eat and observe what the town once had looked like. Today, it is a thriving community.

Four SCMA members flew to Albia to see what had been accomplished and were convinced that restoration of Harrisonville's buildings was the route to take. Modernization, it was felt, would mean direct competition with the giant shopping centers nearby, and Harrisonville's little shops, averaging 1,500 square feet of space each, couldn't compete. Restoration also would mean a distinct identity and, coupled with merchants' friendliness and personal acquaintances with many customers, would tend to bring shoppers back, the SCMA reasoned.

Allen Bank let it be known that it would support financing for the program, but no one stepped forward immediately. "No one wanted to be stuck making the investment in restoration only to find that few others in the square were interested," said Mr. Lindsey.

But in early 1974, one store's owner signed a commitment. A few others soon followed suit.

A Des Moines, Ia., restoration expert, who had done much of the work in Albia, was called in and, by mid-1974, the restoration had begun to capture notice. Merchants on all sides of Harrisonville's square began asking how they could get started. One building owner who lived out-of-state reportedly went to Harrisonville, saw what her tenant-merchant had done to restore the front of the building and agreed to pay for restoration of the sides and back of the structure.

By year-end 1975, 16 buildings on the square had restored exteriors. Costs had ranged from $1,000-$10,000.

As expected, exterior improvements underscored the drabness of many stores' interiors, so merchants began the job of modernizing: repainting in brighter colors, repapering, putting in new display cabinets and other fixtures and installing better lighting. Some stores retained elements of the community's past, using old covered-wagon wheels for decoration, or a plow on which to hang merchandise. One boutique fashioned dressing-room cubicles from old barn siding.

Meanwhile, efforts were being made to get the courthouse restored, since it is the square's most conspicuous structure. Built in 1897 and a classic example of public-works architecture of the period, the imposing building was dilapidated and grimy with age.

Finally, $42,000 was appropriated and used to paint, seal, sandblast, tuckpoint and rebuild portions of the courthouse's exterior.

By mid-1975, most of the building restorations around the square either were complete or ongoing and work on the courthouse was nearing completion. The change was so evident and appealing that word spread and shoppers began to flock to Harrisonville in great numbers, a spokesman said.

"They first came because we were different, unlike the giant, gleaming shopping centers," explained one of the project's leaders, "but they've returned time and again because they like the slower pace, the friendlier atmosphere. Merchants like doing business here but also like to sit and 'rap' a spell."

Uptown Harrisonville's "Square Center"—as it's called—improvement has led to other developments:

- The new municipal government works more closely with various community groups to improve Harrisonville. One of the first things it did was to hire a city administrator to run municipal services more efficiently.
- The city furnished time and labor at reduced cost to help build a section of street for the loading and unloading of school buses. Responding to a second request from the local school board, Harrisonville now is working on plans to eliminate the need for youngsters to cross a busy highway. Local citizens are participating by donating labor and funds.
- Operating its own utilities system (electrical, water and sewage), the city has encouraged private housing construction in the area by offering to supply electricity for heating. Earlier, the local gas company had brought housing construction to a standstill by refusing to provide new hookups.
- An FM radio station offering news, interviews, music, weather reports and considerable local-interest programing began broadcasting in 1974, its owner convinced that the community would offer strong growth opportunity.
- Residents in and around Harrisonville, responding to a radio telethon, contributed $9,600 last year to enable the community to obtain a $450,000 FHA loan. Its purpose? Construction of 36 housing units for senior citizens. The community's share originally had been set at $6,000.
- A "Log Cabin Festival" was held, featuring local arts and crafts and calling attention to the restoration work. It attracted more than 10,000 persons over three days. The festival will be an annual event, officials say.
- Plans are underway to build a 4,000-foot runway for use by small aircraft.

Those and other developments, along with the restoration of the square, have created new interest and excitement in Harrisonville, and, say community spokesmen, the outlook is for better things ahead. • •

Central Missouri Bank Active in Development

The industrial development department of Central Trust, Jefferson City, Mo., has been active in bringing new firms to Missouri's capital city.

Thomas J. Brown, vice president for business development, reported that, within the past year, the bank has secured a firm that makes industrial pumps that will result in 500 new jobs. A year-long construction project has resulted in local purchases that have stimulated the local construction industry. The project involves $7 million.

Mr. Brown also assisted in securing a five-acre site for a firm constructing truck body assemblies that employs 10 people.

Central Trust is working now with a firm that will employ 25 people at a plant to be opened soon in an adjacent community. In addition, two 60,000-square-foot distribution centers are being built in the area for firms being brought to Missouri by Central Trust.

Oppenheimer Slated as Speaker At Banks' 20th 'Market Day'

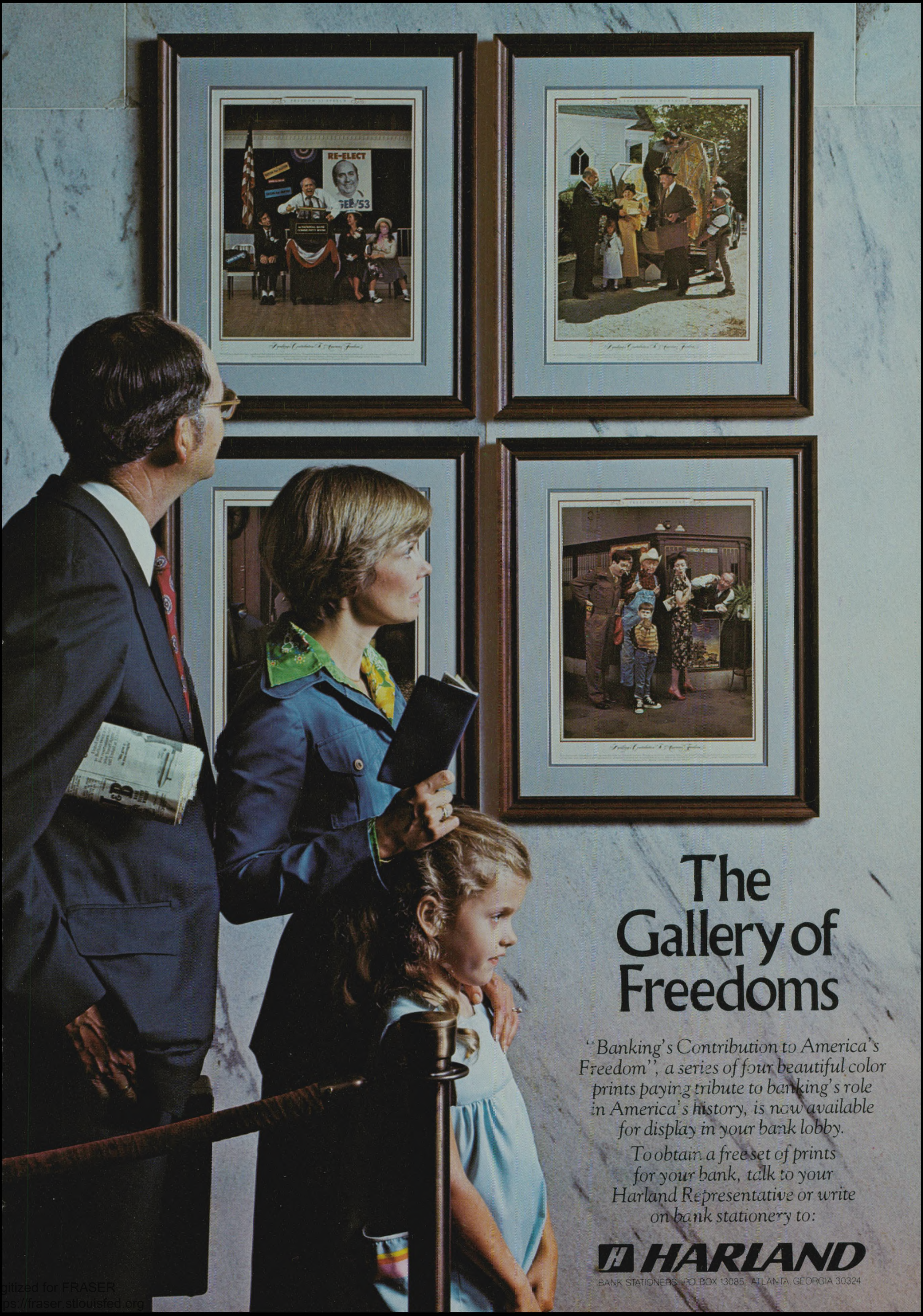
ST. JOSEPH, MO.—Brig. Gen. Harold L. Oppenheimer, chairman, Oppenheimer Industries, Inc., Kansas City, has been slated as the featured speaker during the 20th annual Market Day September 8, sponsored by First National and First Stock Yards Bank.

The activities of Market Day will begin with registration at 9 a.m. in the lobby of First Stock Yards Bank. Following will be a tour of the Blueside Co.

After the tour, a luncheon will be served at the Feeder Pig Auction Center, during which a report of the current day's market will be given.

The afternoon session will start at 2 o'clock at the St. Joseph Country Club, where General Oppenheimer will discuss "Update—Overseas Agricultural Investment Inflow." Following his talk will be a panel discussion of present and future trends in livestock and grain marketing.

The event will draw to a close with a social hour beginning at 4:30 and a steak dinner at 6 o'clock.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Banks Participate in Alternate Forms of Business-Development Financing

BANKS seeking financing assistance for their customers can get it, not only from correspondents, but from business development corporations and commercial lending firms. Following are instances of the type of cooperation available from non-correspondent sources.

A firm in Oklahoma that manufactured manhole covers and drainage grates for the construction industry was faced with being closed by regulatory agencies because its foundry was emitting noxious gases and could not meet the clean air standards as required by the health department.

In order to bring the plant into compliance, $538,000 was needed. Since the firm could not find a lender for the entire amount, the Oklahoma Business Development Corp. (OBDC), Oklahoma City, was contacted. OBDC was able to assist the company in obtaining almost $400,000 from a local bank, with the Small Business Administration (SBA) participating as a guarantor. The majority of the balance was obtained from the Oklahoma Industrial Finance Authority, a state lending agency which was willing to take a second mortgage. OBDC provided the balance of the financing and took as collateral to its loan the personal assets of the foundry's principals.

According to Stanley B. Funderburg, OBDC executive vice president, the important role that OBDC played in this case was one of packager. OBDC worked closely with the two government agencies as well as the industrial foundation in the plant's area.

As a result of cooperation by these organizations and other groups of people, Mr. Funderburg said, it was possible to save 60 jobs and an annual payroll of half a million dollars for the small Oklahoma community in which the plant was located.

A company located in Iowa had experienced tremendous expansion in recent years. In 1973, the firm had sales of $18 million and by 1975 sales had shot up to $67 million. Net worth had risen from $250,000 to $5.5 million.

The firm, which is in the agricultural industry, has seasonable build-ups of inventory and accounts receivable as well as seasonal demands to meet its trade obligations. The needs of the company in 1976 were anticipated to require a $20 million extension of credit, which was substantially more than the previous year. The local bank that has been involved in the financing of this firm throughout the years and that acted as agent with other banks, called in Associates Commercial Corp. (ACC), Chicago, for assistance.

A $20 million line of credit secured by accounts receivable and inventory was arranged with the bank participating for about half of the sum. ACC handled the loan and the collateral control which entailed daily maintenance of the accounts receivable, 90-day audits, weekly movement of inventory, etc.

The bank was kept advised by ACC of all transactions and the bank, in turn, kept ACC advised of any developments.

A firm in the fabric industry incurred monumental losses during 1974 and 1975 due to some ill-conceived expansion plans. At the time, the firm had a line of credit with two banks that totalled about $11 million. By the end of 1975, the banks had caused the firm to perform the necessary surgery and it was anticipated that during 1976, the company would return to profitability.

The banks, however, had another problem; the examiners were skeptical and wanted the loans classified. ACC was called in, examined the collateral, the losses, the projections and satisfied itself of the feasibility of the situation.

Although the banks had been previously unsecured, they had the right to call for collateral at any time. ACC then made the loan, secured by accounts receivable, inventory and fixed assets. The loan went to pay the existing bank loans and the banks in turn came back in on a 50% participation. This solved the problem with the bank examiner as the loans were brought down by 50% and were now secured, with a specialist handling the collateral.

The banks now expect to stay involved with the credit and watch the expected turnaround. At such time as the company is completely turned around and recoups a substantial portion of its losses, the banks will fund the entire loan.

A revenue bond issue of $1,125,000 was passed by an Arkansas city recently, the purpose being to construct a building to house a manufacturing concern that was expanding its operations in Arkansas, with headquarters maintained in another state.

According to George H. Eagen, vice president, First Arkansas Development Finance Corp. (FADFC), Little Rock, the bonds were issued in two series, one guaranteed by a state agency, the other not guaranteed. FADFC purchased the second series with participation by a local bank, with the bank being allowed to take the earlier maturities.

The arrangements made by FADFC enabled the firm to complete its expansion, create new jobs in the community and benefit the state's economy.

Among the projects arranged by First Missouri Development Finance Corp. (FMDFC), Jefferson City, was one involving a producer of country-cured and fresh meats. FMDFC first advanced the firm $100,000 for expansion and later it participated with the SMA in advancing funds to construct a new retail office and processing facility.

According to Jerry Stegall, executive vice president at FMDFC, the agency will probably be requested to assist the firm with a working capital line now provided by a Kansas City bank.

The firm sells its product nationally, bringing increased business to Missouri. FMDFC's participation has enabled local banks to concentrate on short-term lending, with FMDFC and SMA handling the long-term loans.

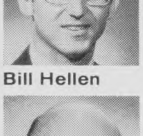
The Business Development Corp. of Kentucky (BDCK), Louisville, has

Charles McNamara, a banker's banker.

Correspondent Bankers

Bill Hellen

Lee Daniel



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participated with banks in financing projects in various areas.

A firm in a small town with under 3,000 population needed $200,000 working capital, according to J. C. Dixon Jr., BDCK executive vice president.

There was a $250,000 debt on the company real estate in which the SBA was involved. Due to its interest rate structure, BDCK could not participate with the SBA. The property was appraised in excess of $600,000, so BDCK retired the existing mortgage and loaned the company $450,000, secured by a first mortgage on the real estate.

In a larger community, a project costing $1.5 million was handled through participations by a bank, which took a first mortgage of almost $800,000, and BDCK and the Kentucky Industrial Development Finance Authority, which took co-second mortgages of $300,000 each. The balance was taken care of with company equity.

Bank, SBA Team Up to Provide Loans, Helping Area's Small Businesses Grow

AT LEAST TWO small businesses in Fort Worth are thriving today, thanks to loans by Fort Worth National and the U. S. Small Business Administration (SBA).

Leon Bargas, an experienced machinist, had been operating a machine-shop business—which began as a hobby—from his garage for seven years. About a year ago, deciding to expand into a full-time shop, Mr. Bargas began his search for financing.

The American GI Forum's Local Business Development Organization (LBDO) assisted the entrepreneur in putting a presentation package together for the SBA, which agreed to finance the mortgage for a new building on land already owned by Mr. Bargas.

In getting interim financing, he was turned down by the institution where he had done most of his banking. But N. David Moore, assistant vice president in the real estate loan department of Fort Worth National, agreed to interim financing.

Currently, Bargas Manufacturing Co., which includes Mr. Bargas and two other machinists, are producing shafts for turbines used in building roof fans. Said Mr. Bargas, "Right now we are so overloaded with this project we can't do anything else, since the shop is geared to produce 12,000 shafts weekly."

For Billy G. Winston, owner of Billy Gee's Air Conditioning Co., it was a hard-fought four years before his firm was profitable.

In 1970, he opened for business in "The Bottom," a low-income, predominantly black neighborhood near downtown Fort Worth. A retired Air Force sergeant, Mr. Winston obtained a $12,000 SBA loan, but building costs of $11,500 left him little working capital. Air Force retirement pay helped Mr. Winston meet living expenses.

"That was the worst of our first year," Mr. Winston recalled. "The best of that year was when I met T. J.

Leon Bargas (l.) demonstrates equipment in his new machine shop, which was financed by Ft. Worth Nat'l and Small Business Admin. loans. Looking on are David Moore (c.), bank a.v.p., and Woody Woods (r.), city councilman.

Vance." Mr. Vance is vice president, Fort Worth National's commercial loan department.

"It was a 24-hour-a-day fight to keep our doors open," Mr. Winston continued, "but short-term money and good advice from the bank really helped. Mr. Vance has counseled me throughout and Fort Worth National handles my payroll."

Billy Gee's Air Conditioning Co. presently employs nine people and finished its fourth year with a profit of $4,000 after losing $5,000 each of its first three years.

Mr. Winston also has initiated a savings plan at Fort Worth National for his employees. "It may be hard to realize," Mr. Winston said, "but the people I employ have been borrowing money all their lives just to exist. Now they are saving some money." • •

• **Nortrust Corp.,** parent HC of Northern Trust, both of Chicago, has applied to the Comptroller of the Currency for permission to establish Security Trust Co. of Sarasota, Fla., a nationally chartered trust company. Security Trust will be a Nortrust subsidiary and is expected to be in operation by year's end.

Development

(Continued from page 23)

lars of federal grant money budgeted for local government use are left untouched. More local governments don't make use of the grant funds "because the federal aid system is a complicated conglomeration of politics, economics, research and hard work tied together by a massive bureaucratic network."

The assistance service of CAP includes a computerized grants search procedure that matches current grants guidelines with individual community needs, a continual reporting program to keep administrators abreast of changes in grant legislation and a Washington-based governmental communications effort.

• **Continental Illinois National, Chicago,** offers area development/consulting services to its correspondents, usually at no charge. The service was organized 12 years ago and is headed by Charles Willson, vice president.

Since local banks are often the prime movers in community development, Mr. Willson said, banks frequently contact Continental for assistance.

Mr. Willson said that Continental is involved in working with correspondents that are seeking to foster community growth and development by attracting new industry. Staff members are sharply aware of their responsibility to the bank, the community and the company interested in a "marriage" with the community to assure all parties involved that any arrangement will be mutually beneficial, he said.

After parties are brought together, there is often the problem of financing construction projects. Continental's area development people offer counsel on the best way to finance a project, including the use of industrial revenue bonds. Continental often participates with correspondents in purchasing local municipal issues.

Recently, one of Continental's correspondents received a request from a customer to provide interim financing on a low-cost housing project to be financed ultimately by the Farmers Home Administration (FHA). Since

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FIRST CITY NATIONAL BANK OF HOUSTON

Continental had not previously participated in this type of interim financing, Mr. Willson said, it developed background on the FHA's programs and helped the correspondent evaluate the risk of such a loan.

• **Republic National, Dallas,** maintains a full-time area development department to assist in the attraction and orderly assimilation of profit-oriented growth firms in cooperation with downstream correspondents.

According to Robert B. Seal, vice president in the industrial services division, one of the most important charges to a major metropolitan bank is to keep the business climate strong, both in the nucleus trade area and throughout the state.

"Republic's industrial division is called on to work with chamber of commerce committees in smaller towns, address banquets on the subject of industrial development and provide direct leads on prospects considering the area. This includes consultant services and start-up programs, such as industrial foundations, and the structuring of new business development or chamber of commerce-type activities. This is in addition to the typical correspondent bank department services."

Industry locates where the "bottom line" results produce an optimum profit condition, Mr. Seal said. "While we all rejoice when a new firm locates on Main Street, Dallas, there is reason for celebration when a manufacturing facility locates a hundred miles away. Such was the case when a large aircraft supply firm located in one of our correspondent's cities. The resultant payroll not only stimulated the community's economy, but strengthened a long-standing correspondent friendship."

• **United Bank, Denver,** states that its area development activities put the bank "in the business of helping our correspondent communities grow in size and vitality, rather than in the business of pirating companies away from other regions."

According to Robert H. Dressel, vice president, correspondent banking, specialists in United Bank's economic development department draw on the resources of United and its 18 affiliates throughout Colorado to keep current economic data available.

The bank publishes detailed profiles of 20 Colorado communities each year and a monthly economic development newsletter is published that offers updating of trends in the state's economy. "Colorado confidential" is the title of a packet of information available to correspondents that includes fact sheets on site and building referral services, economic information, special studies, a briefing center and labor relations.

Mr. Dressel said the bank's annual economic overview has been widely used by chambers of commerce in Colorado communities to attract new business. Officials in Lamar, Colo., for example, feel the bank's service played a part in bringing in a major retail chain. They have also used the service in a search of additional medical specialists and to support applications for funding a new hospital.

• **Deposit Guaranty National, Jackson, Miss.,** thinks of its industrial development department as a catalyst to growth, according to H. A. (Beau) Whittington Jr., director of the department.

The goal of the department is to develop more and better jobs for Mississippians. To do this, the department works closely with correspondents, offering services from site recommendation to locating new and expanded markets. This includes site data, transportation and economic studies, labor force statistics, training programs, construction, equipment and inventory financing, travel service and expansion programs, Mr. Whittington said.

• **Commerce Bank, Kansas City,** has an industrial development department that contacts corporations throughout the U. S. and foreign countries to develop potential customers for the establishment of plant sites in both Kansas City and out-state communities, according to Fred N. Coulson Jr., senior vice president.

The bank is active in participating in overline requests with correspondents to provide construction financing and permanent loans.

One of the services Commerce offers correspondents in developing new business is a series of industrial site information sheets and profiles that zero in on specific Missouri communities. The first sheet is useful in determining the needs of industries interested in locating in Missouri; the second sheet is useful in informing industries of the assets of Missouri communities. Commerce Bank can serve as a clearing house for this information, brokering "marriages" that are beneficial to correspondents and local and state economies.

• **United American Bank, Knoxville,** offers to do the "legwork" for firms interested in locating in eastern Tennessee. It does this by providing plant location questionnaires that enable the bank to determine the needs of a prospective industry. The needs are matched with what is available in eastern Tennessee communities, with information provided by correspondents.

According to George Hunter, a new realization of the industrial potential of eastern Tennessee is emerging. The area is considered to be the energy capital of the U. S., due to the Atomic Energy Commission installation at Oak Ridge. An international energy exposition is on the drawing boards for Knoxville in 1982.

Mr. Hunter said the vigorous efforts of United American on behalf of its correspondents are expected to result in substantial industrial growth for the area.

• **Merchants National, Mobile,** has used its industrial development department to broaden the relationships with downstream correspondents and has opened another avenue of service that might be provided to result in stronger ties and increased business activity, according to Sheldon L. Morgan, senior vice president.

Through the department's nationwide advertising effort, a firm contacted Merchants, seeking a source for natural gas in connection with an industrial project. Merchants located the source and introduced the firm to the local bank, community officials and the local industrial development agency. A site was developed and Merchants packaged the financing through an industrial revenue bond issue. It brought in several correspondent banks to develop a syndicate to purchase the bonds.

The firm wanted to develop a secondary operation involving the preconditioning of materials imported from Japan. Merchants and one of its correspondents worked together on a project to construct a plant and arrange for the international banking services that were required. The operation resulted in 50 jobs in a town of 3,000.

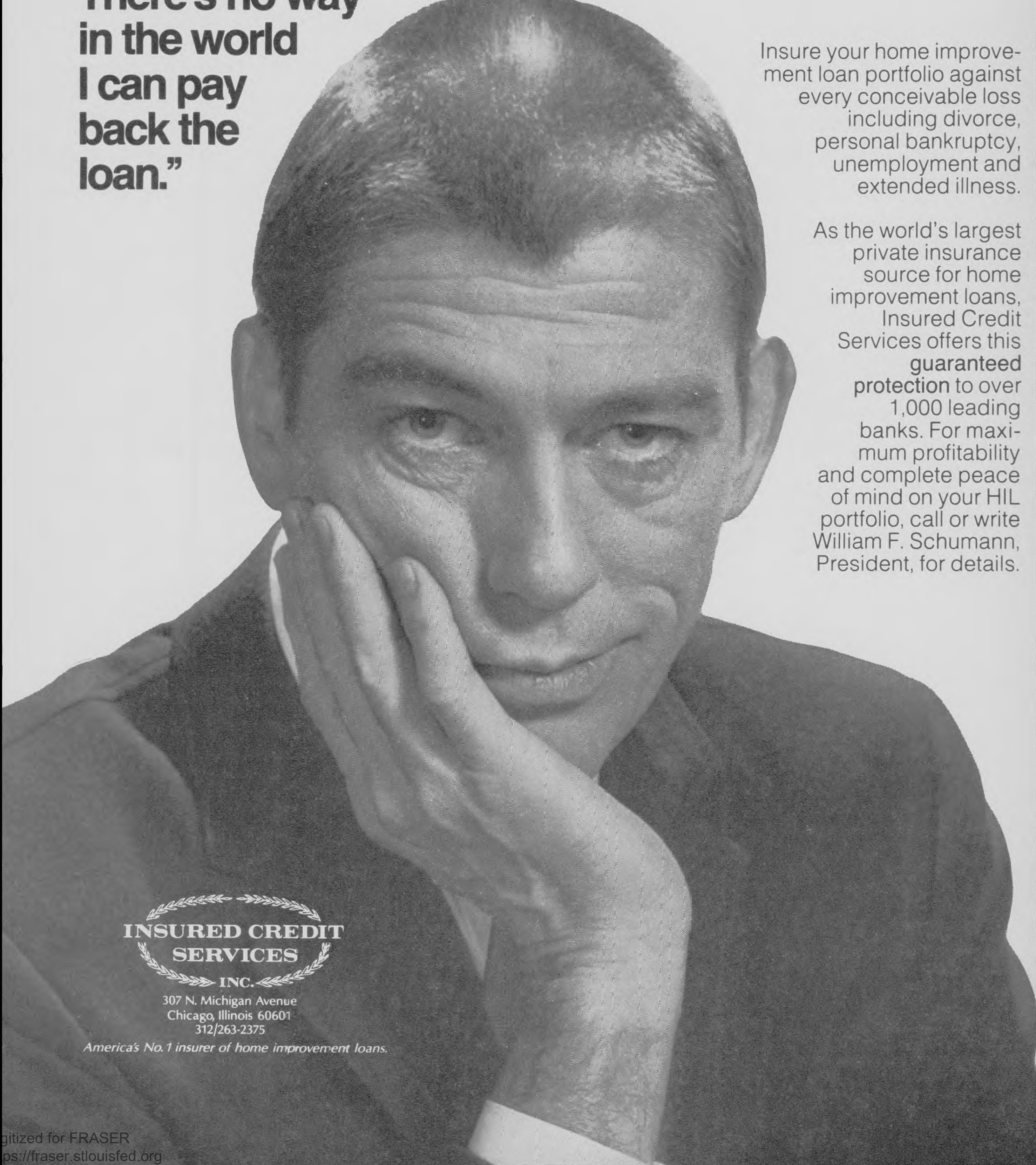
• **First American National, Nashville,** has an industrial development department that is active in helping solve problems in the development area, according to William A. Blair, banking officer.

Recently, representatives of the bank received a call from a downstream correspondent requesting aid in the disposition of a building and the property on which the building stood. The correspondent had acquired the parcel as a result of a foreclosure. Total liability of the correspondent amounted to more than $700,000.

The efforts of First American's industrial development department resulted in the locating of a financially strong firm that was willing to purchase the building for use as a manufactur-

"Look, I just got a divorce. The judge gave the house to my wife and the payments on the new kitchen to me.

There's no way in the world I can pay back the loan."



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ing facility. The firm wanted to expand the building.

The purchase and expansion were handled through an industrial revenue bond issue totaling $4.3 million that was handled by First American. The bank was named paying agent and trustee for the bond, which meant it could charge a fee for servicing the bond issue.

First American helped its correspondent by paying off the $700,000 note and arranged for the operating and payroll accounts of the firm to be placed with the correspondent.

• **Commerce Union, Nashville,** has assisted its correspondents for many years in obtaining new accounts through the marketing efforts of its correspondent and industrial development departments, according to Charles M. Ozier Jr., vice president.

Recently, Commerce Union combined the special services of its merger/acquisition and industrial development departments to direct new commercial and personal accounts to a correspondent located in a small middle Tennessee community.

Commerce Union's industrial development officer learned from one of the state's industrial representatives that a firm in the Midwest was seeking an available building in which to locate a new metal working plant, preferably in a community of less than 10,000 population.

The state's industrial representative indicated there was little time to submit additional building recommendations, as the firm's plant location team had given high priority to an available facility in an adjoining state.

Commerce Union's people compiled a list of suitable buildings, selected one that was suitable and compiled a brochure and forwarded it to the company for consideration. In addition, data on the advantages of locating in Tennessee and the specific community in which the building was located were submitted. After several weeks of negotiations, in which both Commerce Union and the local correspondent bank participated, the firm announced plans to purchase the building.

In addition to a profitable payroll and general fund account, the correspondent obtained a majority of the personal accounts of management and staff of the new plant. The firm is now considering a Tennessee location for a second plant.

• **Third National, Nashville,** has been active in working with correspondents in locating new industry in Tennessee.

One of its projects involved a Chicago automotive products manufacturer that was looking for a site for its computer headquarters, employing more than 200 people. Third National helped locate a site in Nashville and provided mortgage loans to about half of the 65 families relocated from the Chicago area.

The firm was so satisfied with its new location that it enlisted the aid of Third National to find additional sites for plants. A site was located in the western portion of Tennessee in cooperation with a correspondent that resulted in a plant employing 800 people, with the correspondent getting the plant payroll.

Third National helped a firm expand its plant in another part of the state. The firm now employs 1,300 people, and its management payroll is with a local correspondent.

Thomas B. Green, vice president and director of Third National's regional development department, said his department always makes sure borrowers have the expertise to make a go of new ventures. Thorough investigation of prospective borrowers has resulted in minimal losses in the industrial development sector, Mr. Green said.

• **Manufacturers Hanover Trust, New York,** is active in financing the construction of commercial real estate through its real estate department and affiliated mortgage financing arm, Citizens Mortgage Co.

The bank has participated with correspondent banks in financing shopping centers, warehouses and office buildings throughout the Mississippi Valley and the Southwest. Among the larger projects in which the bank has been involved are City Center Square, Kansas City; North Riverside Park Shopping Center, Cook County, Ill.; and Kellogg Mall, Wichita.

• **Liberty National, Oklahoma City,** organized its industrial development department in 1970. The department's program has evolved into three main activities, according to Willis J. Wheat, senior vice president.

Community development—At the request of a correspondent, Liberty will survey a community to point out the strengths and deficiencies, provide guidelines for correcting the deficiencies and assist leaders in developing a program to achieve economic development.

Industrial development—Liberty has developed an inventory of prospective plant sites throughout the state and has made more than 500 presentations over the past five years to prospective new industries. Many of the prospects are now located in Oklahoma.

Industrial finance—All sources of available industrial finance are maintained by Liberty and are available to correspondents.

Liberty's industrial development department maintains direct contact with facility planning personnel on a nationwide basis, providing a link between correspondents and various official and semiofficial industrial and community development groups, Mr. Wheat said.

Much of the department's time is devoted to redevelopment of central cities in Oklahoma. It is engaged in planning for and seeking redevelopment funds, negotiating with redevelopers and major users of redevelopment projects.

• **Bank of Oklahoma, Tulsa,** assists correspondents in the industrial development area, according to Charles A. McNamara, assistant vice president.

He reported that a local correspondent came to the bank desirous of putting together a tax-free industrial authority loan in the amount of approximately five times the correspondent's loan limit. Bank of Oklahoma was able to assist the correspondent. • •

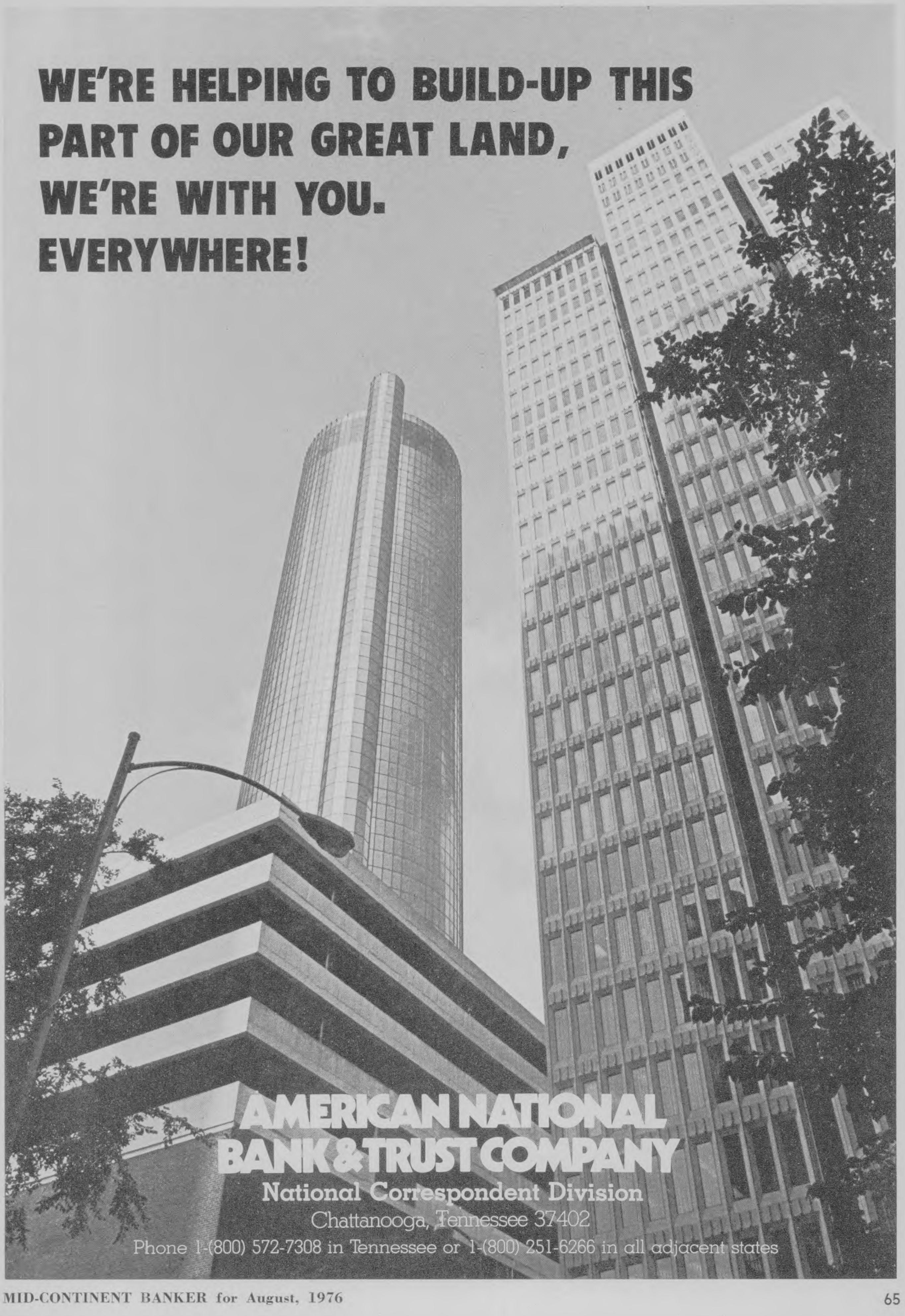
Funds-Switching Network Begun by S&L Group

DAYTON, O.—Nine area S&Ls—with about 185,000 customers—have formed SLATE (Savings & Loan Automated Teller Exchange) to implement one of the nation's first electronic funds-switching networks.

The new service, which will begin this September, will transfer financial transactions in supermarkets to S&Ls and will be called Cash Plus. S&L customers will be issued Cash Plus cards and will be able to make withdrawals, loan payments or have checks guaranteed.

NCR 279 financial terminals will be operated by supermarket personnel and will be linked with an NCR Century computer at a data center here. It will identify the S&L involved in a transaction and switch the data to one of three computer processing bureaus. SLATE plans to extend the service to the Columbus and Cincinnati areas by 1977.

The Cash Plus program originated in Milwaukee, where it presently is used by customers of more than 20 S&Ls in about 30 supermarkets and retail locations. The Dayton program, however, will use more than one computer, whereas the Milwaukee system utilizes only one; hence, the need for a switching computer in Ohio.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Disposition of Credit Life Insurance Income Proposed by Comptroller in New Regulation

A PROPOSED REGULATION governing disposition of income from the sale by national banks of credit life, health and accident insurance was sent July 19 to the Federal Register by James E. Smith, outgoing Comptroller of the Currency.

The new regulation, designated 12 C.F.R. 2, sets forth several ways of selling credit life insurance. A national bank may choose any one of the methods listed, but may not distribute the resulting income to its officers, directors, principal shareholders or their interests. The regulation declares that distribution of credit life insurance income to parties other than the bank or its operating subsidiary is an unsafe and unsound banking practice. The only exception to this rule pertains to arrangements where the bank and the entity to which the insurance income is transferred have common shareholders. For example, a bank wholly owned by a holding company would be permitted to transfer credit life insurance income to an insurance agency affiliate, provided the affiliate also is wholly owned by the HC. Similarly, a bank could transfer the income to a trust for all stockholders.

In releasing the regulation for comment, Mr. Smith expresses concern about the large sums derived from the sale of credit life insurance now being diverted to individuals or entities other than the bank. He refers to the numerous lawsuits now pending against boards of directors of S&Ls alleging a diversion of insurance income and notes that in all cases decided to date, the directors had been held personally liable. The Comptroller also points out that regardless of the outcome of a particular lawsuit, the publicity it generates would not reflect favorably on the bank or its management.

The Comptroller has held the view for many years that national banks may sell credit life, health and accident insurance either by having the bank or one of its employees act as agent or by securing a group policy yielding experience refunds on the basis of the underwriter's loss experience. For example, in the 1960 edition of the Comptroller's *Digest of Opinions*, the Comptroller said that in No. 9420, national banks "wherever located" may provide individual or group credit life coverage and charge their loan customers accordingly. Additionally, the Comptroller's Office has stated that since credit life insurance now is widely used by lenders as a form of security in lieu of requiring guarantors or comakers on the note, acting as agent for its sale is within that certain power granted national banks in 12 U.S.C. 24(7) "to exercise . . . all such incidental powers as shall be necessary to carry on the business of banking . . . *by loaning money on personal security.*" (Emphasis added.) The Comptroller's conclusion in this regard also was influenced by the widespread availability of credit life and A&H insurance at commercial banks throughout the U. S. and by the fact that credit life insurance generally isn't obtainable elsewhere.

Several methods of selling credit life insurance are used in the commercial banking industry, the Comptroller points out. Under one procedure, the bank or its employee obtains an insurance agent's license, which permits the sale of individual policies of credit life insurance. Under the proposed regulation, all commissions derived from this arrangement must be turned over to the bank and credited to the bank's income account for the benefit of all stockholders. If the commissions are received initially by the employee holding the agent's license, they must be transferred to the bank directly or pursuant to a contract between the employee and the bank by which the employee agrees to reimburse the bank to the extent of his commissions for use of bank premises, employees and good will.

Another arrangement described by the Comptroller calls for the bank to secure a group policy. Under this method, loan customers are sold certificates of participation in a group credit life insurance policy, and the underwriter periodically remits to the policyholder (the bank) a dividend (sometimes called an experience refund or retrospective rate credit) based on the underwriter's loss experience. This procedure has been approved by the Comptroller for many years for all national banks and is widely used in the banking industry for the sale of credit life and A&H insurance.

Under still other arrangements, a national bank can sell credit life insurance at no profit pursuant to an arrangement with the underwriter calling for the bank to be reimbursed for its administrative expenses in collecting and disbursing the premiums, furnishing the underwriter a monthly statement, etc. Alternatively, a national bank may provide group credit life insurance coverage at its own expense. Finally, a national bank may refund to its borrowers any commissions or experience refunds it receives.

The bank's directors are solely responsible for the choice of the arrangement by which credit life insurance is sold, the Comptroller emphasizes. His proposed regulation expresses his further opinion that under no circumstances may the board select a method of selling this insurance that confers a personal benefit on an officer, director or principal stockholder.

Unsafe and Unsound Practices. For several reasons, the Comptroller believes that any arrangement allowing parties or entities other than the bank to receive and retain income earned from the sale of insurance in connection with bank loans is an unsafe and unsound banking practice.

First, he says, analysis of the purposes of 12 U.S.C. 73 and 12 U.S.C. 93, as well as common law fiduciary principles suggest that directors may be held personally liable for allowing insurance income to be retained by parties other than the bank. Historically, according to the Comptroller, the

Comments Solicited

Comments on the Comptroller's proposed regulation on the sale of credit life and accident and health insurance (described in the accompanying article) are requested within 60 days of publication July 19 of the proposal in the Federal Register. These comments should be addressed to: C. Westbrook Murphy, Deputy Comptroller for Law and Chief Counsel, Comptroller of the Currency, Washington, DC 20219.

HARRIS BANK®

Consolidated Statement of Condition

ASSETS	June 30, 1976
Cash and Due from Banks	$ 722,988,521
Time Deposits in Other Banks	427,250,043
Federal Funds Sold and Securities Purchased under Agreement to Resell	181,050,000
Investment Securities:	
U.S. Treasury Securities	591,008,034
State and Municipal Securities	419,218,032
Other Securities	6,358,310
Trading Account Securities	175,235,849
Loans, net of Unearned Discount	1,625,777,077
Less: Reserve for Possible Loan Losses	(26,211,991)
Direct Lease Financing	55,260,235
Customers Acceptance Liability	54,424,090
Bank Premises and Equipment	89,559,048
Other Assets	74,819,063
Total Assets	$4,396,736,311
LIABILITIES	
Demand Deposits	$1,232,110,575
Savings Deposits and Certificates	715,712,848
Other Time Deposits	748,178,049
Deposits in Foreign Offices	452,297,265
Total Deposits	$3,148,298,737
Federal Funds Purchased and Other Short Term Borrowings	803,088,153
Acceptances Outstanding	54,424,090
Accrued Interest, Taxes and Other Expenses	52,982,685
Mortgage Payable	3,428,271
Other Liabilities	56,547,876
Total Liabilities	$4,118,769,812
EQUITY CAPITAL	
Capital Stock ($16 Par Value) Authorized and Outstanding 3,137,815 shares	$ 50,205,040
Surplus	91,302,760
Surplus Arising from Assumption of Convertible Capital Notes by Parent Company	16,677,100
Undivided Profits	119,781,599
Equity Capital	$ 277,966,499
Total Liabilities and Equity Capital	$4,396,736,311

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Vice Chairman of the Board

CHALKLEY J. HAMBLETON
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Marshall Field & Company

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LONDON BRANCH: 48/54 Moorgate, London, EC2P 2DH, England

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ORGANIZED AS N.W. HARRIS & CO.,1882 • MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION, FEDERAL RESERVE SYSTEM courts have never tolerated practices that allow management or controlling stockholders to profit personally from corporate activities in a manner detrimental to other shareholders' interests. The Comptroller believes the courts will have even less sympathy when such practices are carried on in a bank, whose management and directors owe not only the usual fiduciary duties to the bank and all its shareholders, but also a duty to depositors to conduct the bank's operations in a safe and sound manner.

Mr. Smith says there are substantial risks of suits against national bank directors for diverting insurance income to their own interests. He adds that at last count, about 36 suits against S&L directors were pending in Cook County (Chicago) alone, and in the two litigated cases on record, directors were held fully or partially liable. In the only case involving a national bank, says the Comptroller, the court found the directors personally liable for all credit life insurance income diverted in the preceding three years.

Second, says Mr. Smith, payment of income earned on bank premises to some shareholders constitutes an unauthorized preferential dividend. Such payments may be made, he warns, only after the income has been credited on the bank's books and included in the fund from which dividends to all stockholders are paid under provisions of 12 U.S.C. 60. Distribution of this income by any other means reduces the sum available for dividends to all shareholders and accords an unwarranted preference to a few, he adds.

Third, failure to credit insurance income on the bank's books deprives the bank of earnings and, therefore, makes the bank less profitable.

Fourth, acquisition of a bank or a chain of banks by investors who rely on the credit life insurance income to service their bank stock loans is inherently unsafe and unsound, according to the Comptroller, because it decreases the investor's concern for and interest in running a profitable bank. If investors are allowed to depend on an uninterrupted flow of credit life insurance income transmitted in the form of something other than a dividend, their incentive to assure a profitable, dividend-paying operation is reduced. On the other hand, says the Comptroller, where investors must rely solely on dividends other than on extraneous sources of income to service their bank stock loans, their interest in the bank's overall profitability is likely to increase.

Finally, arrangements that permit an officer, director or controlling stockholder to engage in business for his own profit while using the premises, personnel, good will and customers of a national bank are inimical to the trust and confidence placed by depositors in financial institutions. Because banks survive primarily on public trust, the Comptroller points out, conduct that may be permissible for similarly situated persons in a nonbanking corporation cannot be condoned in a bank.

The proposed regulation is intended to reaffirm and clarify the Comptroller's long-standing policy against diversion of credit life insurance income to parties other than the bank or its operating subsidiary. The Comptroller believes adoption of this regulation will consolidate previous communications on this subject, thereby providing bankers and examiners with a convenient means of reference to applicable principles.

Credit Scoring

(Continued from page 10)

Credit lenders have developed their techniques through a post-mortem procedure. By taking one group of credits —those that were paid on time—and taking another group of credits—those in which the lender had difficulty in collecting—and then tabulating the two, lenders are able to establish a profile of "desirable debtor" characteristics. By statistically weighing those factors and using regression analysis and other statistical procedures, analysis of the variants is possible.

So, it's possible to divide into two large categories those people that are likely to pay and those that aren't. Through additional statistical procedure, one can adjust the risk of nonpayment to the terms of the probable cost of capital and the interest rate that is in effect. A lender, extending the degree of risk he is willing to accept, could make more loans, so at some point, the maximum profitability of the lender is achieved.

Perhaps that "point" is an oversimplification because it would vary with the cost of capital. A lender whose cost of capital is low can afford to assume a higher risk in lending than when capital costs are high. With a lower cost of lending, it's possible to accept additional risk by adjusting the interest cost to the risk indicated by the credit-scoring technique.

A number of regulatory developments affect credit extensions. No one can fault the ideal of having truth-in-lending or equal opportunity for credit. Simple decency necessitates acceptance of such socially desirable goals.

But my experience is that the people these acts have been written to protect are the ones who haven't benefited from them: They haven't become more informed of truth-in-lending or of equal credit opportunities.

Studies indicate that more highly educated people are less informed on the topic today than a decade ago. The modest benefits that have resulted from credit-oriented legislation have been at a cost greatly overlooked by regulators, legislators and society as a whole. The president of the Philadelphia Fed has noted that such regulations meant an estimated expense to surveyed small- and medium-sized banks of from 1-2% of net income in 1975. Those costs are the equivalent of at least one additional worker on the staff of a small bank, and the in-house cost to banks of complying with such regulations is estimated to increase 10-20% yearly.

There are other costs, including a bank's increased exposure to liability suits. In credit scoring, there's the danger of having regulations which effectively defy the empirical statistical findings of the lenders.

I feel that, if a lender can statistically prove there is a significant correlation between any of the items he wishes to score, this shouldn't prevent him from using the advantages that come with a good statistical procedure. Yet, the government indiction of Regulation B precludes the use of certain data which would improve statistical measurements.

Other dangers should be considered. As one's judgment concerning a loan is restricted to fewer considerations, the less reliable—and more risky—will be the lending arrangement. Similarly, more and more lenders will insist on more collateralization in extentions of personal credit. The weight placed on a loan application will, increasingly, favor nondiscriminatory collateral.

More thought should be given by regulators and lawmakers to such well-intended, but faulty, lending acts and regulations! • •

Area Bankers Chair BAI Councils

PARK RIDGE, ILL.—The Bank Administration Institute has announced the appointments of V. Joseph Perez III, treasurer, New Orleans Bancshares, Inc., and Albert E. Radcliffe, president, Bloomingdale (Ill.) State, as council chairmen.

Mr. Perez chairs the Holding Company Council, while Mr. Radcliffe directs BAI's Community Bank Council. They also serve on BAI's 31-member board, functioning as policy makers in their respective areas of expertise.

The appointments, which became effective July 1, will run through June 30, 1977.

450 REASONS WHY INTERNATIONAL BANKING ISN'T FOREIGN TO COMMERCE.

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Incorporation

(Continued from page 26)

be individuals or estates of individuals. No shareholders can be nonresident aliens, nor can there be more than one class of stock outstanding. In addition, all shareholders must consent to the election, and the election applies only if more than 80% of the corporation's gross receipts come from actual operation of the business.

In those cases where there are shareholders involved in the corporation who render no services, there may be some advantage to distributing income to all shareholders by use of this technique since salaries could not be paid to those shareholders who do not render services to the corporation. Other corporations may find it to their advantage to forego the election as a Sub-Chapter S corporation and continue to be taxed as a regular corporation.

One problem sometimes encountered by the family who elects to use the corporate structure occurs after the property has passed from the older generation to the younger members. In order to transfer as much of the estate as possible during life by use of lifetime gifts, many families transfer stock to the children, grandchildren and other chosen family members. While this poses no immediate problems so long as the operating members remain in control, it may result in dispersal of shares to a large number of people. Not only may this result in management problems, but it also can affect the eligibility of the corporation to elect to be taxed under provisions of Sub-Chapter S of the Internal Revenue Code.

Sub-Chapter C Corporations. Under provisions regulating taxation of a regular corporation ("Sub-Chapter C"), any income generated by the corporation in excess of all allowable business deductions is taxed to the corporation. If distributions are made to shareholders in the form of dividends, these dividends again are subject to taxation as income to individual shareholders. This results in the so-called "double taxation" and in some cases may increase tax liability for owners of the business.

Paying out most of the earnings as salaries may eliminate much or all of this disadvantage. Since the salaries qualify as a business deduction to the corporation, shareholders who render services to the corporation are eligible to receive salaries taxed at the ordinary individual tax rate, even if no taxable income results at the corporate level. All salaries, reasonable bonuses, interests, rent and other business expenses are deductible at the corporate level; therefore, a large portion of the total income of any farm corporation can be paid out in expenses.

These provisions allow some splitting of income between the individual and the corporation at certain levels of farm income. This is done by paying out part of the corporate income as salaries and retaining the balance in the corporation.

Other tax regulations provide that some accumulations may be made of earnings and profits without imposition of tax. Prior to 1975, the amount of accumulated earnings and profits was limited to $100,000 for any corporation. Under the 1975 Tax Reduction Act, the exemption was raised to $150,000 for all years after 1974. Beyond that level, the tax rate for accumulated earnings is 27½% to 38½%. Naturally, accumulations can be made if it can be shown that they are justified by the

RMA Holds Secured Lending Workshop

About 70 bank lending officers were in attendance at a recent secured lending workshop in St. Louis, sponsored by Robert Morris Associates. The workshop was the last of three held throughout the country this year. Photo at r. shows faculty, with Moderator P. Anthony Yasiello, s.v.p., Lloyds Bank California, Los Angeles, standing at podium.

reasonable needs of the business. Obviously, if money retained in the corporation for business purposes later is paid out to shareholders, it then will be taxed to them as individuals either in the form of salary or as a taxable dividend.

The regular corporation reports its own gains and losses. Long-term gains are taxed at a maximum federal income tax rate of 30%. An operating loss of a regular corporation cannot be used by shareholders to offset ordinary income from other sources. In one sense, operating losses become locked in under this form of tax structure.

At the time the corporation is organized, shareholders may transfer assets to the corporation in an exchange for stock, usually without any federal income tax gain or loss to shareholders or the corporation. The corporation takes over the shareholders' depreciation schedule and tax basis. No gain or loss is recognized on the exchange if the transfer is solely in exchange for stock or securities in the corporation and if shareholders making the transfer of property to the corporation in exchange for stock or securities are in control of the corporation, as a group, immediately after the exchange. This means that they must end up with at least 80% of the voting power of all classes of voting stock and at least 80% of the total number of shares. If these requirements are not met, gain or loss may be computed and taxed to individuals contributing the property to the corporation. With a family owned corporation, this is usually no problem because the people who make the transfer of property to the corporation will be the same people who receive shares of stock and control of the corporation.

Other Advantages. Since the farmer usually becomes an employee of the corporation once it is established as a separate business entity, some changes will occur involving the social security tax. This may result in added annual cost to the business and to the individual owners because the rates for a self-employed individual are slightly lower than the combined rate that must be paid by the employee and the employer-corporation.

This disadvantage may be more than offset by some of the flexibility allowed when an individual is reporting social security as an employee rather than as a self-employed individual. For example, since self-employment income often fluctuates, there will be some years in which a farmer's income will be below the maximum covered amount. When this happens, future retirement benefits may be reduced. Since in many farm corporations the employees receive a fixed annual income as a salary plus allowable bonuses, arrangements may be made whereby future social security benefits can be assured.

In addition, use of the corporate structure will allow an employee-owner to continue to qualify for social security benefits while being paid a part-time salary from the corporation after retirement. The corporate structure also allows greater advantage to be taken of fringe-benefit programs for employees. In the small family farm corporation, stockholders also are directors, officers and employees. For this reason, various types of employee-benefit plans may be established that not only permit some retirement security for the employee-owner, but also may offer tax advantages. For example, retirement plans are available which, if qualified under Internal Revenue Service rules, allow current payments to the plan to be deductible by the corporation as a business expense. Employees are taxed on the income after retirement—at the time the income is received. This type of fringe benefit may be in the form of a pension plan or in a profit-sharing plan, but in either case tax benefits may result to the employee-owner.

Other fringe benefits also are available, such as tax-free medical benefits and sick pay, group life insurance plans or deferred compensation plans. The IRS may allow the employer-corporation to deduct insurance premiums as ordinary and necessary business expenses assuming the payments are reasonable when considered in light of the employee's other compensation. Many of these fringe-benefit plans are more easily established under a regular corporation than the Sub-Chapter S corporation because of certain restrictions in the Internal Revenue Code. In many cases, fringe-benefit programs are more advantageous if there are a number of shareholder-employees. Some benefits may not be available if there are only one or two shareholders who are also employees.

Corporation Financing. Some people have the mistaken idea that operation under the corporate structure will make financing easier to obtain. Actually, most lenders will evaluate the people behind the corporation and their individual management ability, along with prospects of repayment, regardless of the structure involved. It is quite likely that most lenders will require the individual shareholders, at least the majority shareholders, to co-sign for the debts of the corporation. Thus, the individuals become responsible for the debt should the corporation fail to generate the necessary income to satisfy the obligation. While one of the often-cited advantages of the corporate structure is to provide limited liability for individual shareholders, if the individual shareholders co-sign or assume responsibility for corporate obligations, this advantage is lost.

Under the corporate structure, one may find there are certain restrictions placed on loans obtained through government agencies. For example, the Farmers Home Administration cannot make loans, either operating loans or real estate loans, to farm corporations. Federal Land Bank and Production Credit Association loans are available to farmers who operate under the corporate structure if the corporation meets certain requirements. It must be a business in which: More than 50% of its income originates from the production of agricultural products; more than 50% of the value of its assets is related to the production of agricultural products or more than 50% of the value or the number of shares is owned by individuals who actually conduct the farming or agricultural production operation. These restrictions should be considered carefully in making a determination whether to operate under a corporate structure.

Role of the Corporation. In spite of the occasional disadvantages of operating the farm business as a corporation, it does have its place in retirement and estate planning. But incorporation alone is not the whole story. Incorporation of the business must be accompanied by a detailed plan for the future business operation. The real usefulness of a family corporation is in combination with other retirement and estate-planning techniques. To be used as an effective estate-planning tool in combination with gifts, a definite plan of giving should be established and followed faithfully. To do otherwise is to encounter possible problems in the case of unexpected death.

The corporate structure offers a real advantage to those families who wish to begin a series of gifts to their children while the children are still minors. Under the Uniform Gifts to Minors Act or similar legislation in effect in all states, gifts of corporate stock and other similar securities can be made by transfer to minors. (The procedure actually involves transfer to someone acting on or in behalf of the minor child until the child reaches majority.) Transfers of other types of property are not covered by this legislation and problems could result from such transfers.

Because the corporate structure is more formal, it may encourage some families to operate in a more businesslike and efficient manner. But the corporation should not be viewed as an answer to financial problems of the business. If the business has not been able to generate enough income to support the persons involved, incorporation will not help. The corporation is only a tool that can be used. Success of its use depends on the individuals involved. No amount of structural planning can substitute for the personal planning and personal commitments of the family members involved in the business. • •

Broadmoor, Pinehurst Hotels Set as Assemblies Sites

At press time, registrations still were being accepted for the 25th and 26th Assemblies for Bank Directors, sponsored by the Foundation of the Southwestern Graduate School of Banking, Southern Methodist University, Dallas. Sites for the Assemblies have been set as The Broadmoor in Colorado Springs and the Pinehurst Hotel and Country Club, Pinehurst, N. C.

The 25th Assembly is set for September 4-7, while the 26th is slated for November 4-7. Director of the former will be William H. Baughn, dean, School of Business, University of Colorado-Boulder, while C. C. Hope Jr.,

executive vice president, First Union National of North Carolina, Charlotte, will direct the latter.

A number of Mid-Continent-area bankers will be on hand as speakers during the two events. Slated for the 25th Assembly are John H. Perkins, president, Continental Illinois National, Chicago; Frank A. Plummer, chairman, First Alabama Bank, Montgomery; Harold R. Hollister, senior vice president, United Missouri Bank of Kansas City; James S. Hall, president, First Arkansas Bankstock Corp., Little Rock; B. Finley Vinson, chairman, First National, Little Rock; Gerald R. Sprong, president, American National, St. Joseph, Mo.; Will Mann Richardson, senior vice president and trust officer, Citizens First National, Tyler, Tex.; and Eugene L. Swearingen, chairman, Bank of Oklahoma, Tulsa.

On hand for the Pinehurst Assembly will be William H. Bowen, president, Commercial National, Little Rock; Kenneth L. Roberts, president, First American National, Nashville; and Frank A. Plummer, chairman, First Alabama Bank, Montgomery.

Although 225-275 bank directors and their spouses normally attend an Assembly, the 25th and 26th will be limited to 200 to ensure ample opportunity for discussion among assemblymen and faculty. For more information, write: Dr. Richard B. Johnson, President, Foundation of the Southwestern Graduate School of Banking, SMU Box 1319, Dallas, TX 75275.

Mitchell Named RMA President; Is Pres., Old Nat'l, Evansville

PHILADELPHIA—Robert Morris Associates has announced the election of Dan W. Mitchell, president, Old National, Evansville, Ind., as president.

MITCHELL

Named association first vice president was Willis F. Rich Jr., executive vice president, Northwestern National, Minneapolis, while Edwin A. Schoenborn, executive vice president, Irving Trust, New York City, has been selected as RMA second vice president.

They will take office on September 1.

Mr. Mitchell, who has been associated with RMA since 1956, entered banking at his institution in 1950. He advanced to president in 1973.

Consumerists Want Benefits Of Present System Continued In 'EFT World,' Report Says

ATLANTA—Consumer groups want future EFT systems to provide consumers with the same or comparable benefits enjoyed presently: liability limitations, stop-payment privileges, proofs of payment and float.

Those were the findings of Payment Systems Research Program, a subscription research program of Payment Systems, Inc. (PSI), in its 200-page report, "Consumerism and EFTS."

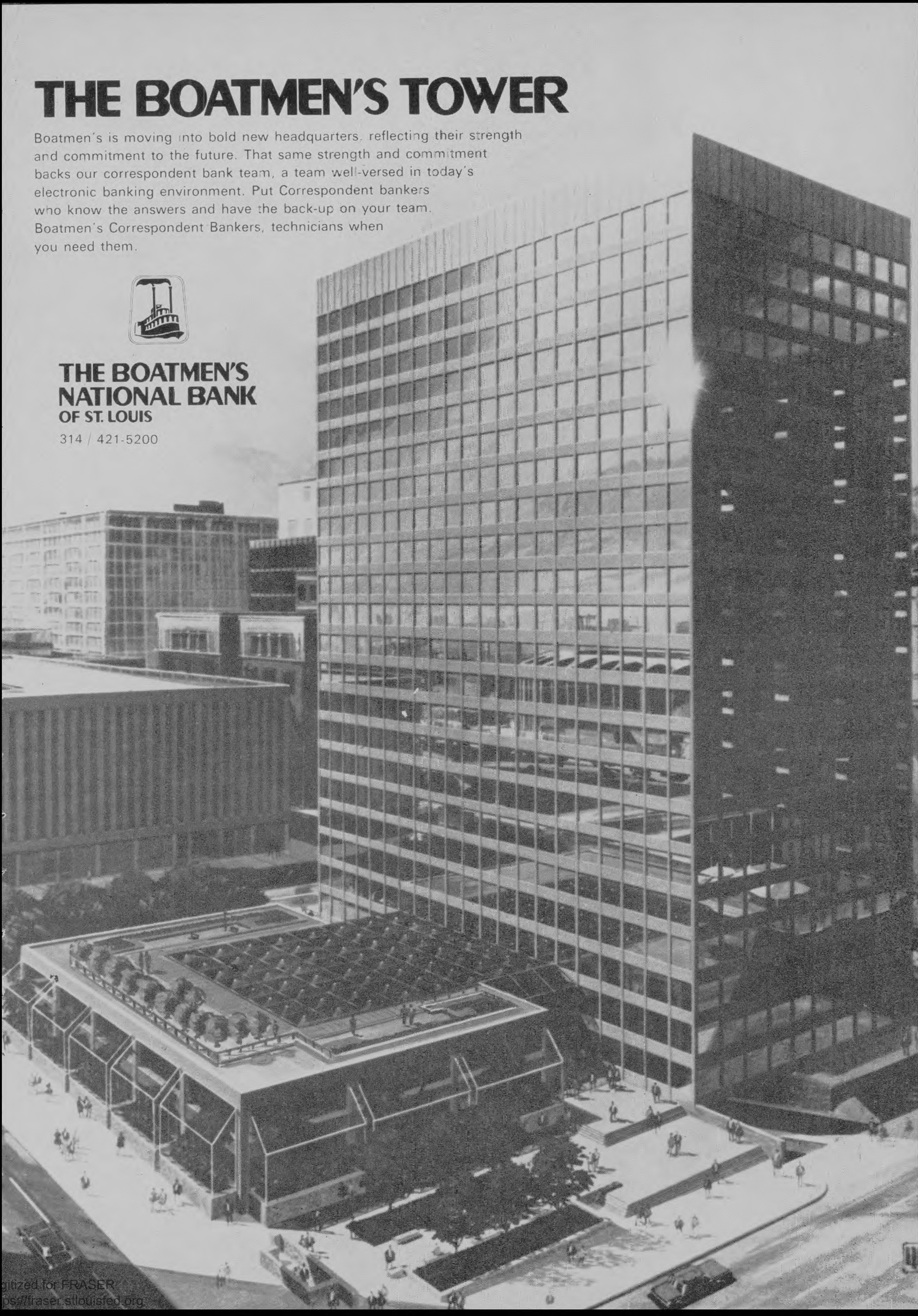
Written by William Adcock, the report is based on interviews with representatives of major consumer organizations, a review of published material and a survey of senior marketing officers of the 1,000 largest financial service institutions in the U.S. Information also was supplied by the National Public Interest Research Group (part of Ralph Nader's organization), the Consumers Union and the Consumer Federation of America.

Privacy is the main concern of consumer groups, the report shows. Such groups fear that information gathered by an EFT system would enable the government to monitor movements of citizens as well as their financial transactions. Recent court rulings opening bank records to subpoena are the bases for those fears, the study says.

Legislation is not seen by consumer groups as offering a complete solution to the problem of privacy invasion, the report indicates, because it is government intervention that is feared. "Consumerism and EFTS" points out, however, that future legislation on privacy probably will occur after 1977. That is when the Privacy Protection Study Commission and the EFT Commission will complete their studies.

Security of an EFT system is another major worry of consumer groups, the PSI report shows. The groups are skeptical about the willingness of financial service institutions to devote resources to improve security.

Marketing officers interviewed in the study revealed that they are aware of the consumer movement and, in general, accept its validity. Marketing officers may, however, underestimate the seriousness of some consumer concerns —privacy, in particular—the report shows.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FDIC's Barnett and ABA's McPeters To Speak at Kentucky Convention


PAGE


DORTON


SULLENGER

LOUISVILLE—Robert E. Barnett, who became FDIC chairman last spring, will be one of the speakers at the Kentucky Bankers Association's annual convention at the Galt House here September 12-14. Mr. Barnett succeeded Frank Wille after having served as his deputy.

W. Liddon McPeters, ABA president-elect, and a Small Business Administration official from Washington, D. C., also will be on the program. Mr. McPeters is president, Security Bank, Corinth, Miss.

A program of remembrance is scheduled for the morning of September 14, and it will be conducted by the Reverend Dr. William Slider, pastor, Christ United Methodist Church, Louisville. The annual banquet will be held that night.

Registration will be held Sunday afternoon and Monday and Tuesday mornings.

KBA Officers. Leon Page, president, Franklin Bank, is KBA president. He joined his bank as cashier when it was chartered in 1958 and became president in 1965. He is a past president of KBA's Group Four. Before going to the bank, Mr. Page was on the research staff of the Kentucky Department of Revenue.


McPETERS


BARNETT

The association's president-elect is O. T. "Trigg" Dorton, president, Citizens National, Paintsville. He is a graduate of the Stonier Graduate School of Banking, Rutgers University, New Brunswick, N. J., and is a past president, Kentucky Chamber of Commerce. His son, Dennis Dorton, is cashier of Citizens National.

H. D. Sullenger, president, cashier, and trust officer, Farmers Bank, Marion, is the KBA's treasurer. He entered banking at this bank in 1946. He advanced through several posts before being named executive vice president, cashier and trust officer in 1961 and president in 1970. Mr. Sullenger was elected a bank director in 1958. • •

Security Corp. Golf Tourney Slated for The Greenbrier

WHITE SULPHUR SPRINGS, W. VA.—Security Corp., Irvine, Calif., based marketer of banking equipment and services, has announced its 7th Annual Security Invitational Golf Tournament.

The Old White course at The Greenbrier has been slated as the site for the tourney September 30 and October 1.

The event will precede the American Bankers Association Washington, D. C., convention by one day.

Invited guests for the Security tourney will vie for more than $15,000 in prizes, which include a 1977 Cadillac as the hole-in-one trophy. The tournament's grand prize is a two-week vacation in Europe.

Besides the golf, a welcoming cocktail party, an invitational breakfast, an awards banquet and a women's tennis tournament and luncheon have been planned.

Not Socialistic:

Banks 'Feed' Customers With Food-Coupon Offer

Two Green Bay, Wis., banks are "feeding" their customers. No, the customers aren't indigents; the banks are offering coupons for food as premiums.

The banks, West Bank and East Bank, which are affiliates, have begun the promotion in conjunction with the local Sure Way supermarket chain. Each coupon is worth a 7% discount from the first $25 in groceries at any of the chain's eight stores.

A customer opening an account for $100 at either of the banks receives four Foodsaver coupons. Anyone adding to a savings account of 90-day maturity or longer is entitled to three coupons for $100-$250; four for $250-$500; five for $500-$1,000; six for $1,000-$5,000; and 12 for any deposit above $5,000.

The offer is advertised regularly; local media are used.

How well has the promotion worked? A spokesman for the banks says people remember the Foodsaver program when it appears in the newspaper and that it has helped the banks' image. What's more, the premium offer has been responsible for more than 3,000 transactions in the first four months of its operation!

Lack of Enabling Legislation Causes BankMate Postponement

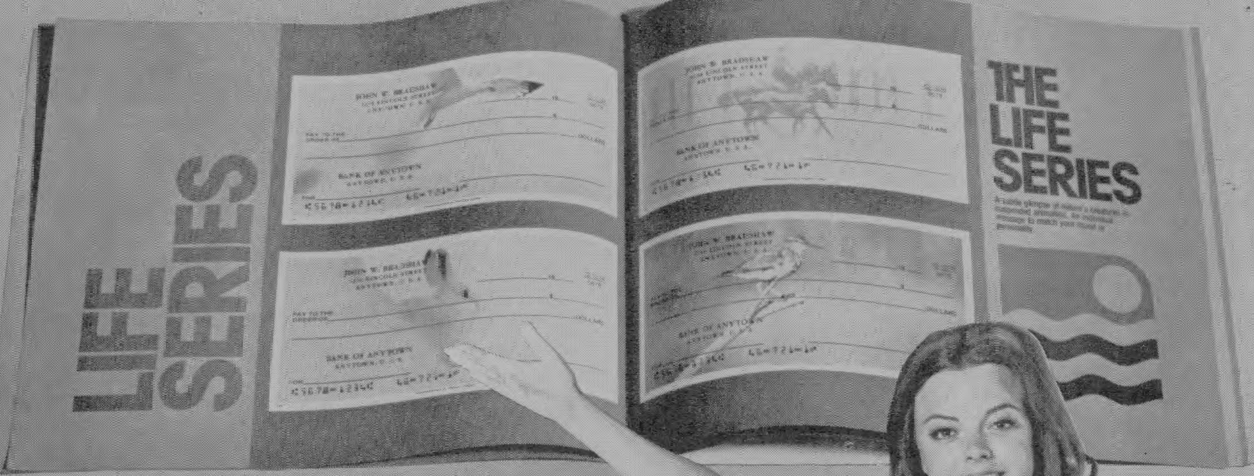
ST. LOUIS—Financial Communication Services Corp. (FCS) has announced a postponement of implementation of the BankMate full-scale EFT system. The FCS board voted not to proceed with the full system because the Missouri legislature in its 1976 session failed to pass enabling legislation.

The system is designed for banks in a five-state midwestern area. Passage of the needed legislation would have enabled broad-scale EFT services from remote locations.

An FCS spokesman predicted that the necessary bill would be reintroduced in the 1977 Missouri legislative session, which begins next January.

The FCS spokesman pointed out that the design for the BankMate system had been completed and that the full system could be implemented as soon as the legislation is approved. He added that the firm is exploring alternative methods of providing the service under existing law.

FCS, a not-for-profit corporation, was formed last year to introduce the system of shared electronic facilities for consumer banking in Missouri, Kansas, Illinois, western Kentucky and Iowa.



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Continental Reorganizes Two Units, Forms New Multinational Group

CONTINENTAL BANK, Chicago, has set a goal of positioning itself among the country's top three banks for corporate customers within five years. The bank is implementing this plan by embarking on a major reorganization of its lending departments to improve delivery of services to business customers.

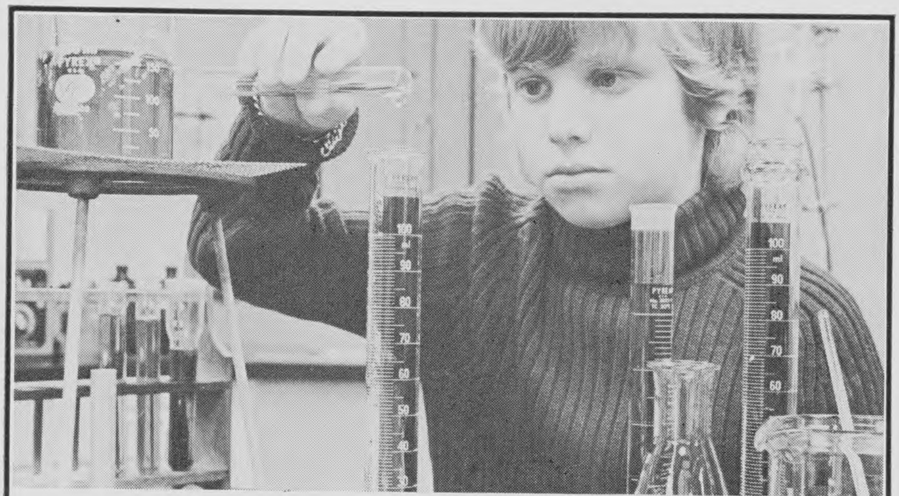
Chairman Roger E. Anderson, speaking to newsmen in Chicago at Continental's headquarters, said the bank will form a new multinational banking services department, which, along with its commercial and international departments, will constitute a general banking services group. It will be under the direction of Executive Vice President George R. Baker.

Mr. Baker outlined the three functions that will make up the general banking services group:

- *Commercial banking service*, headed by Executive Vice President Eugene Holland Jr., will service corporate customers with headquarters in the U. S. with limited or no international activities.
- *International banking services*, headed by Executive Vice President Alfred F. Miossi, will serve foreign-based customers with limited or no international activities.
- *Multinational banking services*, under Executive Vice President Edward M. Cummings, will serve major corporate customers who have extensive worldwide operations.

According to Mr. Baker, the new multinational unit will involve establishing a worldwide relationship process for customers, consisting of a global account officer who will have total credit and account responsibilities for a customer and who will be supported by a worldwide team of officers and an information system that will be coordinated to serve a customer's total needs.

The new management structure—planned over the past year—will be completed in about six months, with initial implementation scheduled for early 1977. • •



Look Into the Future:

Year-2000 Customers Spotlighted in Bank Lobby

Visitors to Boatmen's Bank of North County, Florissant, Mo., probably were quite surprised at the lobby display that greeted them upon entering the institution. Customers from the year 2000 were on display.

The "future customers" are the children of present customers of the bank. Boatmen's mounted more than 60 individual color snapshots—which were taken in the bank—of the pre-schoolers on a large sign to greet those who come in to do their banking business.

For Executives:

Financial-Counsel Venture Is Begun by Bank, Firm

First National, Fort Worth, has entered into an agreement with Kanaly Co., Houston, to provide personal financial counseling to executive and professional people in the Dallas-Fort Worth area.

Under the agreement, personal financial planning counsel is offered through the bank's trust and investment services division by Kanaly Co.

The service involves an initial audit of a client's current financial affairs and planning, development of specific short- and long-term recommendations and assistance in carrying out those recommendations. The program also includes periodic reassessments of the recommendations' effectiveness.

Areas covered by the counseling are income, investments, tax strategies insurance and estate planning.

Trust Management Service Offered by Bank in Texas

HOUSTON—Cullen Center Bank has announced Trust-Aid, reportedly the first such reporting system of its kind in the state. The system gives instantaneous reports on trust accounts and is fully automated.

Trust-Aid calculates, posts, summarizes and analyzes on demand and produces checks, account reviews, statements and management reports relating to trust accounts. The entire process is said to take moments to complete.

According to a Cullen Center spokesman, the Trust-Aid system offers total control of all department operations. If, for instance, a customer unexpectedly wants an account review, it would be available in "an instant," rather than in a few hours or days, as with the previous, manual system.

For Retired Men and Women:

Desire for Income, Not Capital Gains, Makes Savings Accounts Attractive

By LOUIS C. FINK

I AM RETIRED after almost 45 years in banking. Compliments of my employer, social security and a few investments of my own, I have an adequate—although fixed—income. I have not been pushed too hard to meet the rising cost of living.

But recently, the rent on my apartment went up $20 a month—$240 a year—and it began to hurt. I looked around at my assets, found almost $10,000 in a 5% bank savings account and switched to a six-year certificate paying 7½%. Presto! I had an extra $250 to meet the rent increase.

I had carefully nursed the $10,000 in a savings account for an emergency, possibly even to make a deposit on a home. But if the emergency arises, I can borrow against the certificate, and the loss will be small.

I cite my own case only to make a point: that retired people may have no great desire to increase their capital. In many cases, they don't want to increase the size of their estates. What they want—what I want and need—is

"I suggest that more and more money will be placed in bank savings accounts by retired men and women who are looking for income and not for capital gains."

income to make retirement pleasant. Someone is always suggesting a flier in options, in common stock, in real estate. "You'll get rich; you can't go wrong." But I don't want to get rich in the sense of appreciating capital; I'd like more income, without risk.

So a bank savings account looks good. Years ago, a leading investment banker told me I was silly to keep that $10,000 on deposit at 5%. "Anybody can pick stocks on the Big Board," he told me, "and see the price go up more than 5% a year. You're not even keeping up with inflation."

I chose a few stocks in my mind, and they are all worth less today than when I got the advice. My $10,000 is still in the bank, even if the interest did not keep up with inflation.

Young people—looking forward to expensive college for the kids or their own eventual retirement—may well look for an investment that will appreciate in a few years. I did it myself.

But now that I'm retired, with my obligations to the children discharged and only my wife to provide for, I need income. Apparently, a lot of other retired persons feel the same way, and the proportion of older people in the population goes up every year. This may be one of the unnoticed reasons for the current interest in savings deposits. Here in North Carolina where I write, the switch to savings is pronounced—whatever the reason. At the end of 1963, our banks held deposits of $1.64 billion, of which only 38% was drawing interest (this from a story in the Raleigh *News and Observer*).

On March 31, 1976, our banks had deposits of $4.05 billion, and 63% was earning interest. That's up 2% over the previous quarter, and the trend isn't slowing.

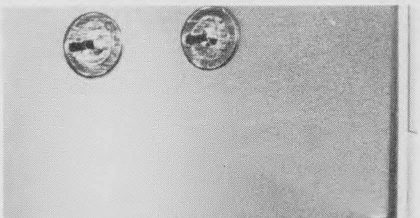
People are learning that money makes money. Of course, a lot of that

". . . retired people may have no great desire to increase their capital. In many cases, they don't want to increase the size of their estates. What they want . . . is income to make retirement pleasant."

money is owned by corporations, which learned a long time ago that they could whittle their demand deposits to the bone.

But the banks have learned that the good-paying savings deposits can be attractive to customers (if the banks can be smart enough to make good loans and investments to cover the interest payments). Here in the Old North State, many banks deliberately have made it easy for individuals to keep minimum checking accounts—and put the rest in savings. They have automatic overdraft plans, which sound more and more like the ancient British system. If your checking account is overdrawn, the Carolina banks will apply "Ready Reserve," "Check Credit," "The Advantage" or "Cash Reserve." A loan is made automatically to cover the overdraft.

In reverse, some banks long have had plans for regular transfer of funds from



checking to savings accounts. The depositor has another tool for keeping his checking account at a minimum and his savings at a maximum.

Because my memory goes back almost 50 years, I can remember working for two banks that didn't accept savings accounts at all—except in special cases for important customers.

How the world has changed!

It may be that the mass of depositors has become more knowledgeable about investing money, just as corporations have. Yet they are not all sophisticated enough to fuss with short-term governments or tax-exempt municipals or some other high-paying investments.

I suggest that more and more money will be placed in bank savings accounts by retired men and women who are looking for income and not for capital gains. A bank does not guarantee a return on savings forever, but six years look fairly long to an investor who is 65 or more. • •

Mail-Opening System

(Continued from page 16)

seven times on Saturday and four times on Sundays and holidays. The greatest volume of mail is picked up between 6:30 a.m. and 1:15 p.m., and the smallest volume in the afternoon, when the post office is busy processing outgoing mail. St. Louis is fortunate in having one of the best post offices in the country.

Mercantile is able to handle this tremendous workload because of the equipment the bank has installed in its lock box department, particularly because of the automated mail-opening system that went into operation there early this year. Called Encore 3000 LM, it is manufactured by Stephens Industries, Inc., Lenexa, Kan. (a Kansas City, Mo., suburb). The equipment is designed to handle large-volume incoming mail *in mixed sizes* ranging from 3½ inches to 6½ inches in height and from five inches to 10¼ inches in length. Mercantile's equipment has an adjustable operating speed of 900 to 3,000 envelopes per hour.

Here is how the Encore 3000 LM works:

STEP NO. 1—Incoming envelopes are received and loaded continuously into the magazine jogger. Envelope contents then are settled to the bottom by the jogging action of the magazine, which has a capacity of about 800 envelopes. After settling the contents of the envelopes, the mechanism moves the individual envelopes into the system.

STEP NO. 2—Quickly, without damage to the contents, the mechanism opens the top and two sides of the envelopes and then spreads the two sides open, exposing the contents.

STEP NO. 3—The exposed contents of the envelopes are indexed by tray conveyor to the operator stations, where the contents are processed. Lights mounted on the overhead table illuminate the tray conveyor.

STEP NO. 4—The processed envelopes, with the contents removed, are moved to the end of the system. Disposal is accomplished automatically by the Encore 3000 LM trash conveyor.

Mr. Scaggs points out that the new equipment has several advantages: Because it takes mixed sizes of envelopes,

First of Denver Plaza Dedicated

The official dedication of First of Denver Plaza was held recently and was highlighted by the placing of a time capsule, containing more than 50 items, near the cornerstone of the First of Denver Plaza Building. Capsule is to be opened in 2076. LEFT: Theodore D. Brown (l.), pres., First of Denver, and Denver Mayor William H. McNichols help First of Denver Ch. Eugene H. Adams (r.) display Colorado centennial flag before placing it in capsule (seen on sidewalk). RIGHT: Dedication ceremonies for 16,500 square-foot plaza featured talk by Mayor McNichols and poetry reading by Thomas Hornsby Ferrill. $26-million plaza complex is home for First of Denver and First National Bancorp., HC controlling bank.

less sorting and setup time is needed to prepare the envelopes for the machinery. During the first month it was used, an analyst determined, on the basis of the standard-hour concept, that the output on the Encore 3000 LM was three times more than would have been done by opening the envelopes manually, and with much less effort. During the first three weeks of its operation, a study showed that on a departmental average, 563 items were processed by each employee using the new equipment, compared with only 248 per hour if processed manually. After employees became more familiar with the Encore 3000 LM, the number of envelopes processed per hour per employee went up to 725, about three times as much as could be processed manually.

On a median basis, each Mercantile lock box employee can process 604 envelopes per hour on the new machinery, but previously, when done by hand, this number was only 216, or a ratio of 3-to-1.

During the first five weeks after the equipment was installed, the lock box department processed 300,000 pieces of mail on the Encore 3000 LM, with a minimum of mechanical problems, according to Mr. Scaggs. He added that the employees are happy with the system.

Charles E. Benkert, operations officer at Mercantile, says the Encore 3000 LM has helped the bank smooth operational peaks and valleys. He describes the monthly activity in the lock box department as "highly cyclical," with four to five times as much mail being received around the first of the month as is received around the third week of the month. With the number of mail pieces being processed growing at an annual 10% rate, he continues, the new equipment has helped the department through the increased workload without having to add employees.

With the addition of the Encore 3000 LM, however, according to Mr. Benkert, he has been able to reduce the need for temporary employees in the department. He adds that there has been a slight increase in the permanent staff, but not nearly as much as would have been necessary, because of the continuously increasing workload, had the bank not installed the Encore 3000 LM. Without Encore, says Mr. Benkert, the bank would have had to spend more money on tempoarry help. With Encore, he adds, the department is providing better services for its customers and handling more items. In addition, he says, the turnaround time on receving and processing items has been cut in half.

Mr. Benkert now finds it easier to

put together an employee work schedule because he knows, with the Encore, how many employees are needed to turn out a certain number of items, and there are no bottlenecks. Thus, it is an effective management tool for the bank.

The Encore is described by Mr. Scaggs as a cash-management tool for lock box cutsomers because it reduces float and gets customers' money into their accounts faster than if the items were processed by hand. In fact, a Mercantile lock box customer is advised daily, and sometimes more than once a day, as to the amounts credited to his account.

Mercantile's lock box operation works like this: After the mail is picked up at the post office and delivered to the department, it is opened, the contents removed and the checks processed are accumulated. Checks received and included in the deposits are batched or divided into groups of 100 each and proofed while being MICR encoded on NCR encoders. Credits (invoices, key-punched slips, etc.) also are proofed. When the two totals agree, that particular group of checks (or partial deposit) is complete. The credits then are sent to the various companies by mail, by computer printouts or by on-line ties with their computer services so these firms can bring their ledgers up-to-date. Of course, checks drawn on other banks are sent to those banks after being processed.

All checks passing through the lock box department are microfilmed for permanent records, as are the deposit slips.

Written complaints, requests for envelopes, address changes and other messages that accompany payments are forwarded to the proper firms for answering.

Just as in other banking operations, the world of electronic transfers has become a part of the lock box operation. As Mr. Scaggs points out, information gathered in Mercantile's lock box department can be put on magnetic tape and transmitted over telephone lines to a corporate customer's computer; it can be transmitted via telephone, or it can be sent over TELEX or TWX equipment via five- and eight-channel tape.

In less than 25 years, since Mercantile began offering lock box service in the early '50s, the bank has seen accounts in that department grow from an original 10 to approximately 300 today. Therefore, equipment such as the Encore 3000 LM, with its capability of reducing operating and personnel costs, but increasing the amount of work processed, is an important part of its lock box system. • •

Fireplug Painting:

'Happy Hydrant' Hoopla Is Donation to Bicentennial

Fireplugs in Freeport, Ill., have taken on a happier look, thanks to a bicentennial program of State Bank.

The institution invited local citizens to join in its "Happy Birthday to America, Happy Hydrants to Freeport" event, wherein people painted fireplugs with original designs. The program had three categories: bicentennial, local history and contemporary.

The event was cosponsored by the Freeport Water & Sewer Commission and the local True Value Hardware Store. It has been endorsed by the Stephenson County Bicentennial Commission and certificates of recognition were awarded to all participants.

Local community college art students painted a select group of fireplugs in the downtown Freeport area prior to the program's introduction to the public. Those hydrants were painted to resemble such well-known characters as Johnny Appleseed, Pocahontas, Lucy Van Pelt of the "Peanuts" gang, the Statue of Liberty and that famous firefighter, Smokey the Bear.

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NEWS
From the Mid-Continent Area

Alabama

■ JESSE "JIM" LANCASTER JR. has been named auditor of First National, Mobile, succeeding I. Ray Gockley, who has been elected assistant vice president, commercial loan department.

■ ROSAMOND B. CROWDER has been elected vice president and trust officer, First Alabama Bank, Montgomery. Named assistant vice president was Bernadean S. Clark. Clinton C. Berry Jr., Thomas E. Head III, Mildred O. Markwell and Allen I. Rushing have advanced to trust officers.

■ JAMES H. MATHIS has joined Commercial Guaranty Bank, Mobile, as a member of the marketing department. He formerly was with Union Planters National, Memphis.

■ JAMES R. CALLOWAY has been named senior vice president, Exchange National, Montgomery. He formerly was CEO, Bank of the South, Enterprise.

■ WILLIAM H. REIMERS has joined First National, Mobile, as vice president and will be responsible for the personnel department. He formerly was with Flagship Banks, Inc., Miami.

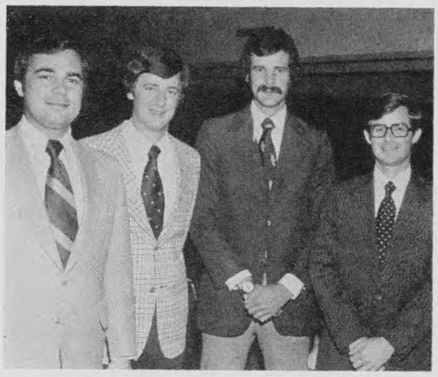
Merchants Nat'l of Mobile Is 75

Ernest F. Ladd Jr. (r.), ch., Merchants Nat'l, Mobile, examines the bank's 1902 ledger with Carroll Rubira during the week of Merchants' 75th anniversary. Mr. Rubira still maintains savings account No. 1, which was opened by his uncle, Luther Fry (in photo on wall), a founding dir. and first pres. of the bank. All accounts in the ledger were hand written by Ernest F. Ladd Sr., former ch. In addition to the ledger, a collection of other memorabilia was displayed in the bank's lobby during the anniversary week.

Arkansas

■ WORTHEN BANK and First Mortgage Co., both of Little Rock, have agreed in principal for the bank to acquire First Mortgage. Subject to regulatory approval, the resultant company would operate as Worthen First Mortgage Co., a wholly owned subsidiary of the bank. In addition, Worthen Bank and First National, Hot Springs, have sought regulatory approval to form the jointly owned firm, First Arkansas Small Business Investment Corp., which would be headquartered in Little Rock. Both banks are subsidiaries of First Arkansas Bankstock Corp., Little Rock.

Junior Bankers Pick Officers

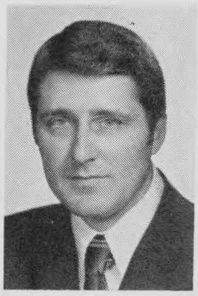


The newly elected officers of the Junior Banker Section of the Ark.BA get together for a photo at the Junior Bankers' Educational Conference (from l.): Bart Lindsey, mktg. off., First Nat'l of Phillips County, Helena—pres.; Bruce Loftin, a.c., First Nat'l, Fayetteville—v.p.; Jim Kelly III, dir. of mktg., First American Nat'l, North Little Rock—sec.; and James E. Stobaugh, a.v.p., Nat'l Bank of Commerce, Pine Bluff—treas.

Ark. Banking School Officers

Terry Young (r.) has been elected pres., Basic/Intermediate Class, Ark. Banking School, which was held in Little Rock June 20-25. Mr. Young is consumer ln. off., Simmons First Nat'l, Pine Bluff. Other class officers are (from l.) treas.—Joe Earp, a.v.p., Citizens Bank, Booneville; sec.—Judy Sligh, admin. off., Citizens First Nat'l, Arkadelphia; and v.p.—Delores Lafferty, op. off., Security Bank, Harrison.

■ WILLIAM DOUGLAS GLOVER has joined Worthen Bank, Little Rock, as vice president for commercial loans. Mr. Glover formerly was president, Guarantee Bank, Atlantic City, N. J.



GLOVER

Banking Students Honored

Honored as the top students in the Basic/Intermediate class, Ark. Banking School, were (from l.) Michael Flynn, cash., American State, Charleston; Joe Wood, a.c., State First Nat'l, Texarkana; and Steve McFerron, ln. off., Mercantile Bank, Jonesboro. The Ark. Banking School is sponsored by the Ark.BA and was held recently in Little Rock.

Illinois

■ HARRIS BANK, Chicago, has named the following vice presidents: Mary B. Bowman, section manager, personal banking; Hans J. Eigner, charge card division head; Mark C. Ubelhart, corporate financial services; and Thomas A. Wick, investment analyst and management sciences director.

■ FREDERICK C. MEYERS, vice president, Central National, Chicago, has been elected a director of the bank's parent HC, Central National Chicago Corp.

■ CONTINENTAL ILLINOIS NATIONAL, Chicago, has elected the following vice presidents: Michael T. Conroy, Joseph W. Murray, Thomas J. O'Bryant, William A. Page, Daniel C. Rohr, Daniel T. Zapton, Darold D. Hoops, V. Edward Kuhl, Thomas A. Dean, Robert G. Schiewe and George H. Conrad.

■ DONALD J. KLEIN has joined United Bank of Ogle County, Oregon, as vice president. He formerly was with United Financial Services Corp. as auditor.

■ FIRST BANK OF Oak Park has announced that Tom Wilson and Harris Mammen have been elected vice presidents. Mr. Wilson will direct the installment loan division, while Mr. Mammen will head the credit department, commercial loan area.

Donald H. Myers Dies

Donald H. Myers, 41, s.v.p., Continental Illinois Nat'l, Chicago, died July 4 at a local hospital. Head of the planning, research and development division, operations and management services dept., Mr. Myers joined Continental Bank in 1958 and was elected s.v.p. in 1972. He was appointed head of his division in June.

■ GERALD R. JAREMA has been elected president of Heritage Bank of Country Club Hills. He entered banking in 1956 at Pullman Bank, Chicago, an affiliate. Prior to his election, Mr. Jarema was vice president and industrial banking department manager, Heritage/County Bank, Blue Island, another affiliate.

JAREMA

■ PHILLIP C. WISE has been elected president, CEO and a director of South Shores National, Decatur, replacing William Barnes III, who resigned. Mr. Wise, who is senior vice president and cashier, Citizens National, Decatur, has been closely associated with South Shores National in an advisory capacity for the past 10 years.

■ KENNETH HAMAGUCHI has been appointed assistant cashier, Drexel National, Chicago. He has been there since 1972.

■ ANTHONY W. SCHAUMLEFFEL has joined Archer National, Chicago, as assistant cashier. He previously served Moline National and Bank of Ravenswood, Chicago.

Indiana

■ HARRIET BROWN, president, Springs Valley National, French Lick, has been in banking 50 years. Miss Brown entered banking at West Baden National, West Baden Springs, in 1926, advancing to vice president in 1950. The bank subsequently merged with French Lick State, becoming Springs Valley National. Miss Brown was named president in 1971.

■ ROBERT A. MORROW, president, Lincoln Financial Corp. and Lincoln National, both of Fort Wayne, has been elected to the additional posts of chairman of both firms, succeeding the late Willard Shambaugh. Named executive vice president and chief operating officer was Carl A. Gunkler, while John L. Hoffer has been appointed vice president and senior trust officer in charge of the bank's trust department. Mr. Morrow joined the bank in 1973, going from Union Bank, Kokomo, and Mr. Gunkler has been with the bank since 1939. Mr. Hoffer most recently served Kanawha Valley Bank, Charleston, W. Va.

■ HERBERT C. PEPMEIER, executive vice president and assistant trust officer, has retired from Security Bank, Vincennes, after 30 years. He will remain as a director. Mr. Pepmeier joined the bank in 1946 as a bookkeeper, advancing to his latest position last year.

Kansas

■ COLEEN CARTER has been appointed marketing representative, First National, Olathe. She has been with the bank one year.

■ GEORGE N. VANDERBILT has been named vice president in charge of data processing at Mission State. Prior to joining Mission State, he served 17 years with Commerce Bank of Springfield, Mo.

■ ROBERT G. WALL has joined Boulevard State, Wichita, as vice president-commercial loans, going from Union National, Wichita.

New Bank Commissioner

TOPEKA—Emery E. Fager, pres., Commerce State here, has been named state bank commissioner, succeeding Arthur Gabriel. Mr. Gabriel, pres., De Soto State, resigned July 1 because of ill health.

Mr. Fager, a banker since 1936, helped found Commerce State in 1959.

■ RON HELLER has joined Fourth National, Wichita, as marketing representative. He formerly was on the basketball staff of Wichita State University.


HELLER

■ FRED N. BOSILEVAC JR. has been elected assistant trust officer, Security National, Kansas City. He formerly had a private law practice. In addition, Mike Kilderry, the bank's former supervisor of collections, has advanced to assistant loan officer.

Kentucky

■ CITIZENS FIDELITY BANK, Louisville, has promoted the following to assistant vice presidents: Charles J. Foster Jr., manager, central information services; David Bryant and Jerry L. Skidmore, automated customer services; and J. Stephen Rogers, manager, Hikes Point Banking Center. Jerry M. Weaks has been elected trust officer; and Roger Skidmore, manager, Fifteenth and Hill Office, has been named assistant cashier and manager.

■ FIRST NATIONAL, Louisville, has elected the following vice presidents: Craig D. England, James M. Farson, Lawrence F. Hysinger and Charles E. Scott Jr.

FDIC Announces Payoff

The FDIC has announced that it will commence payment of insured deposits in the Mt. Zion Deposit Bank at the bank's office.

The bank was found to be insolvent pursuant to a circuit court order and on petition of the state commissioner of banking and securities, with the FDIC appointed receiver June 25. The corporation estimates the bank has 420 depositors with deposits totaling about $500,000. All deposits are covered by the FDIC.

The FDIC's decision to commence the payoff reportedly was reached after efforts to arrange a deposit assumption transaction with FDIC financial assistance had proved unsuccessful.


DOYLE

■ VANN I. DOYLE, formerly vice president-correspondent department, Louisville Trust, has joined Winchester Bank as vice president in charge of marketing and advertising.

Louisiana

Clebert C. Smith Dies

Clebert C. Smith, 74, Louisiana state commissioner of financial institutions, has died. He entered banking in 1916 in Mansura, serving with two banks there until 1930, when he entered the state banking dept. Leaving the department in 1951, Mr. Smith joined Nat'l Bank of Commerce, New Orleans, as s.v.p. He retired as e.v.p in 1968 and was appointed state commissioner in 1972.

■ GUARANTY BANK, Alexandria, has named Harold L. Hayes and Lynn Bordelon accounting officers. Mr. Hayes joined the bank in 1971 and Mr. Bordelon, in 1974.

■ MICHAEL A. FLICK, vice president, First National Bank of Commerce, New Orleans, has advanced to senior vice president. He heads the special industries and loan administration divisions. Named assistant vice presidents were Michael W. Alston and James W. Webre III. Mr. Alston also was elected manager, Lake Forest Office, while Mr. Webre was appointed Main Office operations manager. W. Dale Martin has been elected marketing officer and manager, First Advertising.

Mississippi

■ JERRY H. SWETLAND has been named executive vice president, Southern National of Hattiesburg, Biloxi. He helped open and served as vice president and senior loan officer, Fidelity National, West Memphis, Ark., prior to joining Southern National.

■ THE BOARDS of Mississippi Bank, Jackson, and Truckers Exchange Bank, Crystal Springs, have agreed to a merger. Final ratification and regulatory approval are pending.

■ BROOKHAVEN BANK has announced the promotions of Pauline H. Jones to vice president, administration; Elsie H. Nettles, to vice president and cashier; and Sue Laird, to manager, Brookhaven Drive-Up Branch.

■ HANCOCK BANK, Gulfport, has opened its new Bay St. Louis Office. Located on Highway 90 West, the building is of colonial architecture and has 4,000 square feet of space. Three covered pneumatic-tube drive-up stations now are in service and two more will be added in the near future. Manager of the office is James Ginn, assistant vice president.

Missouri

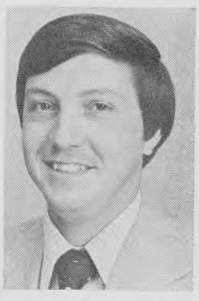
■ WILLIAM LeGRANDE RIVES has joined First National in St. Louis as vice president. He has responsibility for electronic data processing systems and programming and formerly was a principal with Lifson, Wilson, Ferguson & Winick, Inc., Dallas.

■ UNITED MISSOURI BANK of Kansas City has announced a number of promotions: Gilbert H. Bledsoe Jr., Keith O'Rourke and James C. "Pat" Thompson Jr., to senior vice presidents, bond department; Barbara Carlson and Larry V. Parman, to vice presidents, bond department; Benjamin C. Adams and Thomas J. Wood III, to vice presi-


WOOD


ADAMS


RIVES


BLACKBURN

dents, correspondent department; Stephan P. Blackburn, to assistant vice president, correspondent department; and J. R. "Ron" Hybarger, to assistant vice president, bond department.

■ VERMAN C. BACHMAN has joined Mercantile Trust, St. Louis, as agricultural officer. He formerly was with the U. S. Small Business Administration. William Clark Adreon Jr. has been named assistant vice president at Mercantile Trust, while Michael T. Normile has been elected accounting officer. Mr. Adreon formerly was with United Missouri Bank, St. Louis, and Mr. Normile formerly was with the Ernst & Ernst accounting firm.

EDWARDS

BACHMAN

■ WILLIAM L. EDWARDS JR., chairman and CEO, Interco, Inc., has been elected a director of Boatmen's Bancshares, Inc., St. Louis. He has served as a director of the HC's lead institution, Boatmen's National, St. Louis, since 1972.

■ WALTER L. SAVIO JR. has been promoted from cashier to vice president at Laurel Bank, Kansas City. Succeeding him as cashier is Roy C. McCallop, who previously was assistant credit manager, Milgram Food Stores, Inc. Robert L. Maddern has been elevated from assistant cashier to assistant vice president at the bank.

Young Bankers Choose Leaders

Named 1976-77 ch. and v. ch., respectively, of the Missouri Young Bankers were Kenneth R. Tiemeyer (l.), v.p., Colonial Bank, Des Peres, and Richard Adams, v.p., Bank of Sikeston. The election was held during the Young Bankers Seminar at Tan-Tar-A resort at the Lake of the Ozarks.

St. Louis Clearing House Cited

James E. Brown (r.), pres., Mercantile Bancorp., Inc., St Louis, accepts an award on behalf of the St. Louis Clearing House from Robert N. Fridley, exec. dir., Deaconess Foundation. The award was presented by the foundation in appreciation of the continuing support of St. Louis' Deaconess Hospital by the clearing house.

Legislation, EFTS Are Topics Scheduled for MBA Regionals

Legislation, particularly on the federal level, and electronic funds transfer systems will be discussed during the Missouri Bankers Association's regional meetings this fall. The business sessions will be lengthened by an hour so that there will be enough time to cover all the topics scheduled.

Legislative subjects on the program will include holder-in-due-course, RESPA and fair credit reporting.

The dinner speaker at each meeting will be J. N. "Chris" Christianson, described as a "motivator."

The meeting schedule is as follows:

September 13—Region One—Moberly
September 14—Region Two—Trenton
September 15—Region Three—St. Joseph
September 16—Region Four—Kansas City
October 18—Region Five—Washington
October 19—Region Six—Cape Girardeau
October 20—Region Seven—Springfield
October 21—Region Eight—Jefferson City.

■ BOATMEN'S BANK of West County, Ballwin, has celebrated the opening of its remodeled building, which is of brick and glass and has more than 6,500 square feet of added space. Additions include three lobby teller stations and two drive-up stations. The focal point of the bank's new personal service banking center is plants and a 225-gallon aquarium with more than 200 varieties of tropical fish. The lobby of the building contains hundreds of exotic plants arranged in specific displays and the structure's exterior has been landscaped with planter boxes and a horseshoe-shaped garden. Consultant for the project was Bank Building Corp., St. Louis.

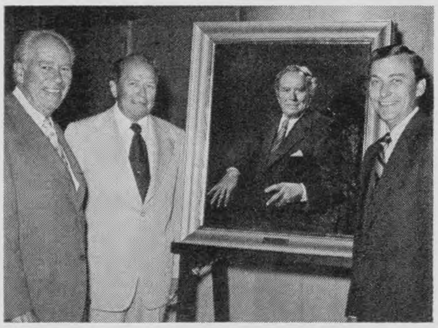
■ NORMAN D. HOLST has been elected assistant vice president, real estate, Commerce Bancshares, Inc., Kansas City, while Carl B. Short has been named marketing officer and sales promotion manager.

■ PETER C. BAERVELDT, president, Brentwood Bank, has been elected president of the St. Louis Chapter of Robert Morris Associates for 1976-77. Other chapter officers for 1976-77 are Robert L. Trautman, executive vice president, Southern Commercial Bank, St. Louis—vice president; and Hord Hardin II, executive vice president, Manchester Bank, St. Louis—secretary-treasurer.

■ JAMES W. McLAUGHLIN has joined Plaza First National of West Port, St. Louis County, as assistant vice president and trust officer. He is in charge of the trust department.

■ PROMOTIONS have been announced by Ameribanc, Inc., St. Joseph, in two of its subsidiary banks. At American National, St. Joseph, Garold L. Grable has been named assistant vice president, installment loan department, and Layton E. Voorhees has been elected consumer loan officer. At Belt National, St. Joseph, Robert A. Swymeler has been promoted to consumer loan officer.

Clay Honored by KC Fed



Flanking a portrait of George H. Clay, retired pres., Kansas City Fed, are Robert T. Person (l.), ch., Mr. Clay and Roger Guffey (r.) pres. Mr. Clay, who retired February 27, was honored by the portrait for his leadership and commitment to the objectives of the Federal Reserve System. The portrait will hang in the Fed's board room.

New Mexico

■ FRANCES C de BACA, assistant cashier, trust department, First National, Santa Fe, has been elected president, Northern New Mexico Chapter, American Institute of Banking. Other chapter officers are James Bailey, vice president, First National of Rio Arriba, Española—first vice president; Richard Grimes, assistant vice president, Santa Fe National—second vice president; John Rodriguez, assistant vice president, El Pueblo State, Española—treasurer; and Truttie Hester, Capital Bank, Santa Fe—secretary.

■ CHARLES RITZ has been named vice president and comptroller of First National, Albuquerque, while James Scanlon and John Kelley have been elected assistant vice presidents.

■ GARY CRANDALL has been promoted to assistant vice president and assistant branch manager, Main Office, Bank of New Mexico, Albuquerque.

■ RONN HAGAR has been elected vice president and loan review officer, First National of Lea County, Hobbs. He joined the bank in 1973.

■ RUDY BARELA has been elected vice president, Farmers & Merchants Bank, Las Cruces. He has been with the bank since 1965.

■ GORDON J. CHARLTON has been elected a director of First National, Las Vegas.

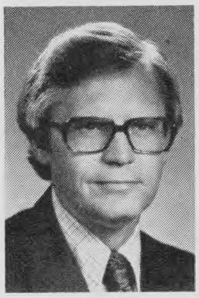
■ SAN JUAN NATIONAL, Farmington, has filed an application with the Comptroller of the Currency to relocate its main office from 2020 San Juan Boulevard to 300 West Arrington.

■ BILL GRAYE has resigned as president, Valley Bank, Farmington, and returned to his previous post of senior vice president, Citizens Bank, Farmington. Succeeding him at Valley Bank is Charles "Ken" Campbell, formerly vice president and commercial loan officer, Albuquerque National. In other changes at Citizens, Martin Pierce, president, has accepted additional responsibilities as chairman, succeeding John Anderson, who has retired due to poor health. Dennis Peterson, vice president and cashier, has advanced to executive vice president.

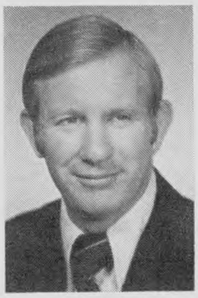
■ MICHAEL J. LEVENSON has been elected president, Carlsbad National, succeeding Richard Moore, who has accepted a position in Austin, Tex. Mr. Levenson has been with Carlsbad National four years.

Oklahoma

■ THOMAS S. SISSON has rejoined Bank of Oklahoma, Tulsa, as vice president, personal banking. He originally joined the bank in 1950, leaving in 1972 to become president, City Bank, Tulsa. At Bank of Oklahoma, Mr. Sisson manages the new building lobby.



SISSON



HALL

■ BERNARD P. HALL has been elected vice president, First National, Oklahoma City, while D. Harry Adams, Gary F. Glasgow and Raymond F. Kolker have been named trust officers.

■ MAY AVENUE BANK, Oklahoma City, has announced the following elections: Mary Pherigo, to assistant vice president, and Ann Pitzer, Karol Luekenga and Bill Marshall, to assistant cashiers. Allie Reynolds, president, Atlas Mud Co., and former pitcher with the New York Yankees, has been named a director.

■ DAVID WANTLAND, senior vice president, United Bank, Tulsa, has been elected to the bank's board.

■ GLENN BONNER has been named assistant vice president, First National, Bartlesville, while William B. Davis and Steve Warwick have been elected assistant cashiers.

■ CARL BALCER has been promoted to vice president, Security Bank, Ponca City. He heads the bank's public relations and business development departments and has been named coordinator of Security Bank's new EFT system.

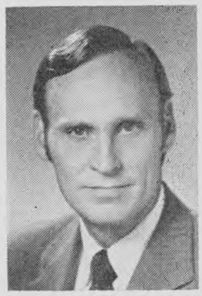
■ RICHARD E. MINSHALL, senior vice president and trust officer, Fourth National, Tulsa, has been named a member of the Energy Advocates, a group of Tulsans that presents to interested parties alternative decisions on energy and oil that confront the nation. The group consists of Tulsans who are prominent in the energy industry. Mr. Minshall, the only banker of the 16 Energy Advocates, has a background in banking, oil, law and investments.

Tennessee

■ F. G. "MOE" CAVIN has been elected executive vice president, First American National, Nashville. Named senior vice presidents were Robert G. Lamons, Mack S. Linebaugh Jr. and C. E. Scheuerman, while C. Richard Bobo has been elected senior vice president and controller. At the bank's parent HC, First Amtenn Corp., Nashville, Miller F. Cheek has been named executive vice president. Neil L. Cunningham, state economic development official, has joined the bank as vice president and director of public affairs.

■ WILLIAM A. DICK, formerly executive vice president, Union Planters National, Memphis, has joined Commercial & Industrial Bank, Memphis,

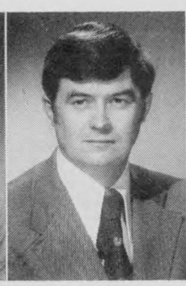
DICK



as president and CEO. Charles R. Sherman will continue as executive committee chairman. He had served as CEO since the 1975 resignation as president of Mark Vorder Brugge.

■ JAMES R. SARTOR JR., vice president, Third National, Nashville, has been named finance department manager, succeeding the late James F.

LINEBAUGH



LAMONS

BOBO

CAVIN

CHEEK

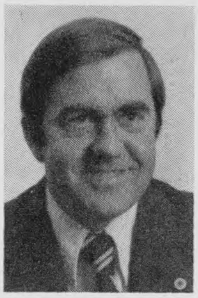
Duncan. Elected a bank director was John C. Lobb, chairman and president, Northern Telecom, Inc., also of Nashville. Mr. Sartor has been with Third National since 1968.

■ FIRST NATIONAL, Lawrenceburg, has announced plans to construct a new, three-story Main Office. Construction should be complete by June, 1977. The building will have a steel frame and will occupy the former site of the Lawrenceburg Hotel, across the square from the bank's present headquarters. The new building will have 9,728 square feet of space on each floor and on-site customer parking. The structure's exterior will be brick trimmed with white cast stone.

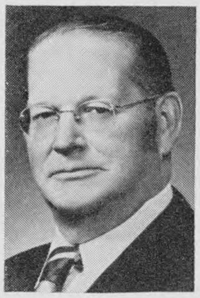
Texas

■ A. M. PATE JR., president, chairman and CEO, Texas Refinery Corp., has been elected a director of First National, Fort Worth.

■ HERBERT E. POUNDS JR. has been elected vice president, commercial lending, Frost National, San Antonio. Named assistant vice presidents were Tom R. Garcia, corporate trust, and



POUNDS



PATE

W. A. "Rusty" Hayes II and Sherrie L. Mangold, credit.

■ GRETCHEN E. FORD has been promoted from auditing officer to assistant auditor at Fort Worth National. Named assistant vice presidents were Bradley N. Rife, formerly credit officer, and William A. Schneider, formerly loan recovery officer.

■ FIRST NATIONAL, Dallas, has announced the following promotions: to vice presidents, Michael C. Barr, international, and David P. Zent, operations. Named assistant vice presidents were Ralph G. Blackman, David E. Hairston and John D. Lybrand, correspondent banking; James A. Lindsey and James B. Stubbs, controller's division; Ashburn H. Bywaters Jr., national; Donald W. Fullrich, retail banking; Frederick D. Waldkoetter, energy division; Richard N. Eldred, operations group; Merle E. Karnes, international services; and Charles W. Powers, auditing.

■ EDWIN N. LETZERICH has been elected vice president, retail banking department, First City National, Houston, while Thomas G. Macrini has been named assistant vice president and trust investment officer. Johnnie A. Janicki has been appointed trust operations officer. In addition, First City National has established a women's services department with Hazel McKee as manager.

■ FORREST S. WARREN has been elected chairman and CEO of Southwest Bancshares, Inc., Houston. Hubert Gentry Jr., formerly executive vice president, has been named president and chief operating officer. Mr. Warren most recently was vice president, marketing, Houston Oil & Minerals Corp., and has been a director of the HC and its lead institution, Bank of the Southwest, Houston, since 1975.

■ KARL T. BUTZ JR. has joined Mercantile National, Dallas, as president. He formerly was president, First National, Fort Worth. In other changes at Mercantile National, Gene H. Bishop has been elected chairman and CEO. He has been named to similar posts at the parent HC, Mercantile Texas Corp., Dallas. Lewis F. Lyne has been appointed HC president and a bank vice chairman, while James B. Gardner has been named executive committee chairman and advisory director of the bank. Frank V. Wolfe continues as a bank vice chairman. Charles M. Fugitt, former senior vice president, First National, Fort Worth, has joined Mercantile National as executive vice president of corporate relations.

■ E. WAYNE CLARK, formerly vice president, First City Bank, Houston, has been elected president, First City Bank of Clear Lake, also in Houston. Both banks are affiliates of First City Bancorp. of Texas, Houston. At First City of Clear Lake, Norma Parker has advanced from vice president and cashier to senior vice president, with responsibility for commercial and consumer loans and operations. Ray D. Bradshaw has been named vice president in charge of installment loans and Anne Baerd has been elected assistant vice president. She supervises the note department.

■ JAMES E. SAXTON JR. has been named executive vice president, Capital National, Austin, while John "Bo" Stahler and Barry Rodriguez have been

elected personal loan officers. Mr. Saxton, a former senior vice president in charge of personal banking services, will manage general banking services.

■ SOUTHERN NATIONAL, Houston, has elected Rockleigh S. Dawson Jr. and Charles L. Williams senior vice presidents. In addition, Bruce Callender has been named international banking officer and assistant cashier, while Thomas S. Schoettlin has advanced to installment loan officer and assistant cashier.

■ STEPHEN L. STILLMAN has been elected banking officer and credit department manager at Continental National, Fort Worth. He joined the bank in 1974.

■ HECTOR M. ORTIZ has been promoted to senior vice president, commercial loan department, Frost National, San Antonio. He has been with the bank 34 years.

■ RONNIE WARD has been elected assistant cashier and installment loan officer, National Bank of Odessa. He formerly managed the Odessa Office, Universal CIT.

■ ARTHUR A. DUCK has been named vice president, First State, Houston, while Edward F. Burke has been promoted to assistant vice president and Stephen R. Brossett has been elected assistant cashier.

■ FIRST NATIONAL, Amarillo, has announced the following elections: Jim Brewer, to assistant vice president and security officer; Jack Hall, to assistant vice president and accounting department manager; James C. Stephens, to assistant vice president in charge of the loan and discount functions, commercial loan department; and Dennis Kellogg and Paula Procopio, to assistant cashiers.

■ L. CARL STOCKHOLM III, formerly vice president and loan officer, Gulf Coast National, Houston, has joined Town & Country Bank, Houston, as vice president.

■ WANDA HENSLEY has been named assistant cashier, Main Bank, Houston. She has been with the bank since 1969.

■ FIRST BANK, Richardson, has announced these changes: Russell Koym, to comptroller; Earl S. Holland, vice president, to head of the trust and leasing departments; and Pat Sheehan, to assistant cashier in charge of the credit department.

Bank in Houston Closed

HOUSTON—Northeast Bank was closed June 3 by the Texas banking commissioner and the FDIC named receiver. Its deposit liabilities were assumed by the new First City Bank-Northeast, highest bidder among five groups. First City Bank-Northeast opened June 9 in the closed bank's former quarters, with initial capital of $1,250,000.

The new bank was organized by five individuals, all of whom have been associated with First City Bancorp. of Texas, a Houston-based bank HC. Its lead bank is First City National, Houston. It's anticipated that once the necessary legal requirements have been met and necessary supervisory approvals obtained, the new bank will be acquired by First City Bancorp.

Northeast Bank was not a member of the FDIC.

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