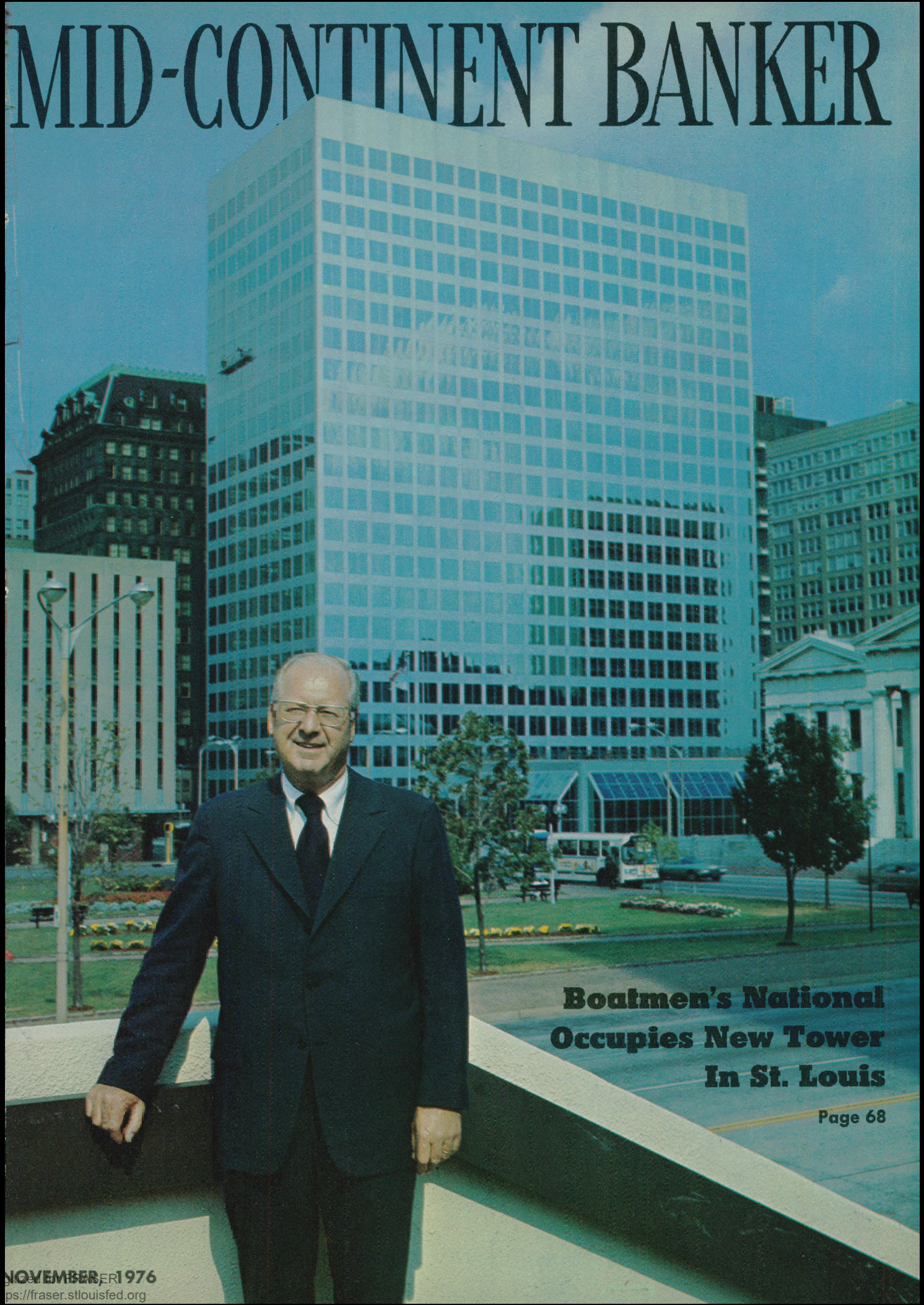


# MID-CONTINENT BANKER



**Boatmen's National  
Occupies New Tower  
In St. Louis**

Page 68



There's a

**CHECOKARD**  
T.M.

# Banking Center

inside this store

for the convenience of participating banks' customers



In fact, there's a ChecOKard Banking Center inside  
13 Anthony's in the Oklahoma City area.

A neighborhood ChecOKard Banking Center gives  
customers of participating ChecOKard banks more  
freedom to handle their everyday banking needs —  
The freedom to make

- |  |   |
|--|---|
| <input type="checkbox"/> Checking Account Deposits and Withdrawals | <input type="checkbox"/> Transfers Between Checking and Savings |
| <input type="checkbox"/> Savings Account Deposits and Withdrawals  | <input type="checkbox"/> Pay for Anthony's Purchases            |

all electronically with their ChecOKard. And, it can all be done in the evenings and on Sunday, when participating banks are closed.

Participating ChecOKard banks and Anthony's — working to-

gether to make banking and buying more convenient for our customers. If you want this kind of electronic banking convenience for your customers too ... contact the Correspondent Department



**LIBERTY**  
THE BANK OF MID-AMERICA

Liberty National Bank & Trust Company/P. O. Box 25848/Oklahoma City 73125/(405) 231-6164

## ChecOKard Banking Centers

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Liberty Tower Concourse

*Anthony's*

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May Avenue & Britton Rd.  
4309 S. E. 15th  
Del City  
2036 N. E. 23rd  
Oklahoma City  
115 E. Atkinson Plaza  
Midwest City  
729 N. Moore  
City of Moore Shopping Center  
2407 N. Westminster Rd.  
Nicoma Park  
2500 N. May  
Oklahoma City  
5116 N. Shartel  
Oklahoma City  
4417 N. W. 50th  
Springdale Shopping Center  
9325 N. Pennsylvania  
The Village  
4621 Windsor Mall  
Windsor Hills Shopping Center  
4273 N. W. 63  
Plaza Mall Shopping Center  
3025 S. E. 44th  
Hartsdel Shopping Center

### ChecOKard

### PARTICIPATING BANKS:

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Midwest City  
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Choctaw  
Citizens National Bank &  
Trust Co.  
N. W. 23rd & Classen Blvd.  
Oklahoma City  
Del State Bank  
3000 Tower Drive  
Del City  
First National Bank  
100 S. Broadway  
Moore  
Liberty National Bank &  
Trust Co.  
100 Broadway  
Oklahoma City  
Medical Center State Bank  
1300 Lottie  
Oklahoma City  
Park State Bank  
2414 N. Westminster Road  
Nicoma Park  
Security Bank & Trust Co.  
6914 S. E. 15  
Midwest City  
Shepherd Mall State Bank  
23rd & Villa  
Oklahoma City  
Southeast Plaza Bank  
1300 S. E. 44  
Oklahoma City  
Quail Creek Bank, N.A.  
12201 N. May  
Oklahoma City



# First NBC and New Orleans in 1831:

The city was lit by  
250 kerosene lamps,

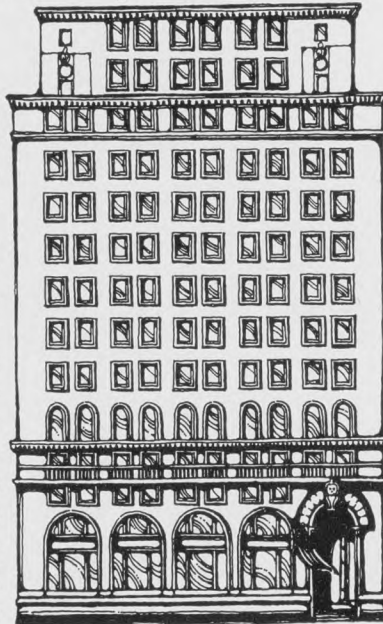


boasted a population of 52,275



and had the beginnings of its  
first Improvement Bank.

In 1831 New Orleans was a rapidly growing city constantly needing improvements. One of the vital improvements made at this time was the basis for the founding of a new bank, the New Orleans Canal and Banking Company, the ancestor of the First National Bank of Commerce. The Act of the Louisiana State Legislature that created the New Orleans Canal and Banking Company stated that, in addition to its normal banking activities, the Bank had the purpose of constructing a much needed canal from above Poydras Street to



Lake Pontchartrain. Thus the very first of a list of "improvement banks" was begun.

Since its beginning 145 years ago, First NBC has changed its name and location, but it has always adhered to the attitude of constant improvement, of progressiveness and of stability. These are the qualities that enable First NBC to best serve all your correspondent banking needs. For information on First NBC's correspondent banking programs contact Doug Lore at 1/800/462-9511, within Louisiana, or 1/800/535-9601, outside Louisiana.



**First National Bank of Commerce**

CORRESPONDENT BANKING DEPARTMENT  
210 Baronne Street/New Orleans, Louisiana 70112  
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with you.**

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# Convention Calendar

# MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

## November

- 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.
- Nov. 17-19:** Bank Administration Institute Float Management Seminar, Key Biscayne, Fla., Sonesta Beach Hotel.
- Nov. 18-19:** Robert Morris Associates Lending to Banks & Bank HCs Workshop, Boston, Copley Plaza Hotel.
- Nov. 28-Dec. 1:** Bank Marketing Association Trust Marketing Workshop, Houston, Shamrock Hilton Hotel.
- Nov. 30-Dec. 3:** Bank Administration Institute Trust Operations Short Course, Park Ridge, Ill., BAI Headquarters.

## December

- Dec. 8-10:** Bank Administration Institute Organization Development Seminar, Park Ridge, Ill., BAI Headquarters.
- Dec. 12-15:** Robert Morris Associates Financial Statement Analysis Workshop, Atlanta.

## February

- Feb. 3-6:** Assembly for Bank Directors, Mexico City, El Camino Real.
- Feb. 6-9:** ABA National Trust Conference, New Orleans, Fairmont-Roosevelt Hotel.
- Feb. 6-9:** ABA I&PD Risk and Insurance Management in Banking Seminar, Tucson, Doubletree Inn.
- Feb. 6-18:** ABA National Installment Credit School, Norman, Okla., University of Oklahoma.
- Feb. 13-15:** ABA Bank Investment Conference, Atlanta, Peachtree Plaza Hotel.
- Feb. 14-16:** ABA Bank Telecommunications Workshop, Atlanta, Omni International Hotel.
- Feb. 15-18:** ABA Conference for Branch Administrators, Atlanta, Fairmont Hotel.
- Feb. 20-26:** ABA Operations/Automation Div. Business of Banking School, Fort Worth, American Airlines Learning Center.
- Feb. 27-March 1:** ABA National Credit Conference, Chicago, Palmer House Hotel.
- Feb. 27-March 4:** ABA National Personnel School, Denver, Marriott Hotel.
- Feb. 27-March 4:** ABA Community Bank CEO Program, Santa Barbara, Calif., Santa Barbara Biltmore.

## March

- March 2-4:** ABA Advanced Construction Lending Workshop, Columbus, O., Ohio State University.
- March 14-16:** Independent Bankers Association of America Convention, Washington, D. C., Washington Hilton Hotel.
- March 15-19:** Bank Marketing Association Essentials of Bank Marketing Course—Midwest Extension, Chicago, University of Chicago.
- March 20-23:** ABA Trust Operations and Automation Workshop, Bal Harbour, Fla., Americana Hotel.
- March 27-30:** ABA National Installment Credit Conference, New Orleans, Hyatt Regency.
- March 27-April 1:** ABA Community Bank CEO Program, Port St. Lucie, Fla., Sandpiper Bay.

## April

- April 1-4:** Louisiana Bankers Association Annual Convention, New Orleans, Hyatt Regency.
- April 1-5:** Bankers Association for Foreign Trade Annual Meeting, Dorado Beach, P. R., Cerromar Beach Hotel.
- April 2-5:** Association of Reserve City Bankers Annual Meeting, Phoenix, Arizona Biltmore.
- April 3-6:** ABA Southern Regional Bank Card Management Workshop, Orlando, Fla., Orlando Hyatt House.
- April 3-6:** Bank Marketing Association Research Conference, Boston, Hyatt Regency Cambridge.
- April 17-20:** Independent Bankers Association of America Bank Ownership Seminar/Workshop, Las Vegas, Sands Hotel.
- April 20-21:** Bank Marketing Association Community Bank Marketing Seminar, Panama City, Fla., Bay Point Inn.
- April 24-27:** ABA National Marketing Conference, New Orleans, Hyatt Regency.

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November, 1976

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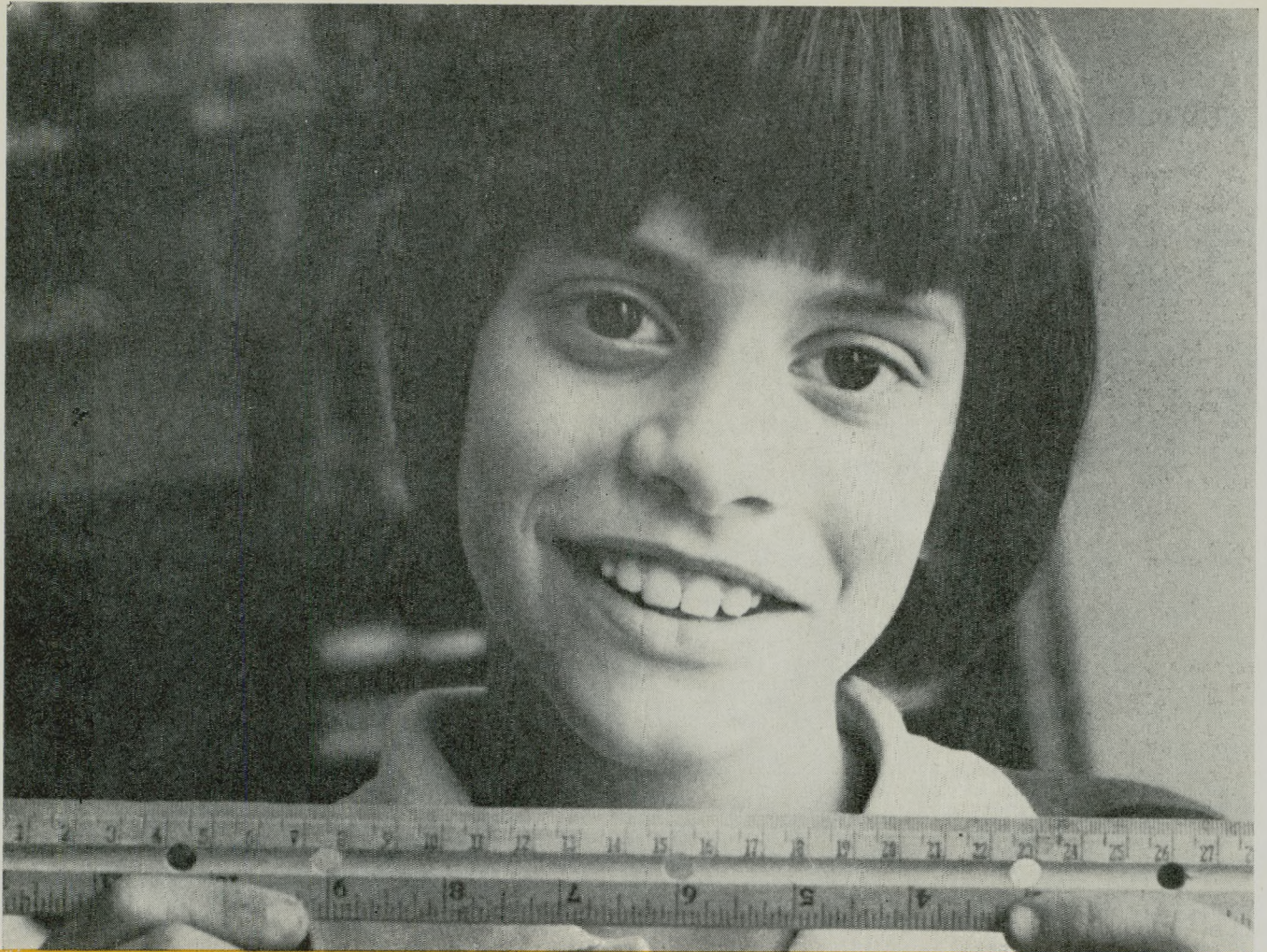
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MID-CONTINENT BANKER is published 13 times annually (two issues in May) by Commerce Publishing Co. at 1201-05 Bluff, Fulton, Mo. 65251. Editorial, executive and business offices, 408 Olive, St. Louis, Mo. 63102. Printed by The Ovid Bell Press, Inc., Fulton, Mo. Second-class postage paid at Fulton, Mo.

Subscription rates: Three years \$21; two years \$16; one year \$10. Single copies, \$1.50 each.

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





## **OUR CHILDREN HAVE KEPT THEIR 12-INCH RULERS...**

but they're watching as Mississippi's ETV network shows them how to "Go Metric" with a series produced for PBS... one of the increasing number of programs from the Mississippi Center for Educational Television that are being viewed nationwide. We'll bet you don't know all the facts about the good things we're doing in Mississippi.



**Find out more from  
First National Bank...  
you'll be interested  
in what you hear.**

Jackson, Mississippi Member FDIC



'Walk on Wild Side':

## Bank's Wildlife Promotion Gives Boost to Zoo

"Walk on the Wild Side" was the title of what has been termed one of the most successful and best-received public relations projects in the history of First National, Little Rock.

The two-week promotion was a joint project of the bank and Friends of the Zoo. Twenty original paintings by a wildlife artist/conservationist were displayed in the bank lobby. A print of one painting was presented to the zoo for auction by the bank, one print was presented to a staff person and another to the public in a drawing. Two films depicting the artist's work, technique and philosophy were shown during the event.



Onlookers gaze at zoo official handling baby orangutan during "Walk on Wild Side" promotion in lobby of First Nat'l, Little Rock.

Highlight of the promotion, however, was a visit to the bank each day of a wild animal from the zoo. Object of the visits was to create support and enthusiasm for the Friends of the Zoo. Included in the list of visiting animals was a parrot, a tortoise, a boa constrictor, a tiger cat, an iguana and an orangutan. People were allowed to handle the parrot and boa and the huge tortoise was permitted to wander through the bank lobby. Other animals were handled by zoo officials.

'Solar '76':

## Project Seeks Answer To Major Energy Query

"Solar '76" is the title of a research project for which interim financing has been supplied by Lakewood Bank, Dallas. It is hoped the research will determine how energy-efficient a "1976-technology" home could be if it drew a substantial part of its energy needs from solar power.

A lobby display of a model of the home, which has been constructed in northeast Dallas, brings public attention to the project, an experiment by Dallas Power and Light Co. (DP&L).

## Community Involvement



Tim Loudermilk, v.p., Lakewood Bank, Dallas, inspects "Solar '76" experimental home model in institution's lobby. Lakewood Bank is providing interim financing for a side-by-side comparison test of two "1976-style" homes—one using partial solar power, the other conventionally powered.

And while solar-assist-power homes aren't new, this one is said to be unique in at least two ways:

- The project is private. DP&L designed the solar power plant; the bank provided interim financing and a local construction firm has built the house and a near-identical "control" house two doors away.
- Virtually all extant solar-power homes have been designed around a solar-power system, so there has been no way of comparing their cost efficiency to other structures with conventional power systems. The Dallas homes are "1976" structures.

DP&L has calculated that the solar power system, which requires only one three-by-eight-foot panel for each 240 square feet of floor space, will supply 30% of the space heating and 65% of the water heating requirements for an average family. Besides the projected \$200-300 energy cost saving per year in both homes, because of their superior insulation, DP&L has estimated that the solar home will show an additional savings of as much as \$250 yearly.

### Municipal Program:

## Bank Aids Counties, Cities In Obtaining Grants, Loans

First National, St. Louis, has announced the Community Assistance Program, to aid municipalities and counties throughout Missouri and southern Illinois in obtaining federal grants and loans.

According to a bank spokesman, billions of dollars in federal monies avail-

able to communities weren't used during 1975, primarily because many local governmental bodies lacked the staff, time or money to seek those funds. First National's program offers a computerized analysis of all available federal grant and loan programs, matched to the specific needs of a municipality or county. In addition, a professional staff is available to assist local governments in writing and filing all technical and administrative documents required in seeking loans or grants.

First National's Community Assistance Program is available through the bank's network of correspondent banks in Missouri and southern Illinois to communities of all sizes.

## Directors, Staffers Work To Aid Children's Hospitals

ST. LOUIS—Cardinal Glennon Memorial Hospital for Children and Shriners' Hospital for Crippled Children each are \$1,000 richer, thanks to the work of directors and staff members of Tower Grove Bank.

The gifts represent 200,000 points earned following a sales incentive program and were redeemable in catalog merchandise. The two-month program sought to drum up new business in checking, savings, CDs, safe deposit, loans, Master Charge and BankAmericard, trusts and checkloans.

Participants were placed in categories: executive group—"all charity;" employees electing to donate some or all their points to charity; contact personnel; and non-contact personnel.

And, according to a bank spokesman, staffers were most enthusiastic about the program. Many employees generated points in excess of those needed for a catalog item and donated the excess to the charity.



From left, John D. Weiss, ch. and pres., TG Bancshares Co.; Lua R. Blankenship, associate exec. dir., Cardinal Glennon Memorial Hospital for Children; Norman J. Stupp, dir. emeritus, Shriners' Hospital for Crippled Children; and Richard E. Fister, pres., Tower Grove Bank, all of St. Louis, are shown during presentation of checks for \$1,000 to each of two hospitals. Gifts represented 200,000 points earned by Tower Grove Bank directors, employees during sales incentive program. TG Bancshares is parent HC for bank.



# The Banking Scene

By Dr. Lewis E. Davids

Hill Professor of Bank Management,  
University of Missouri, Columbia

## A New Paper Tiger—With *Real* Claws

FIFTEEN YEARS AGO, bankers were concerned about the exponential growth of a paper tiger: The public's use of checks was expanding at a mind-boggling rate.

The Fed, equipment manufacturers and bankers worked together and the resultant cure was MICR (magnetic ink character recognition). Through MICR, banks were able to harness that paper tiger, although they haven't put it to rest.

Now a new legal paper tiger is growing well past the kitten stage—it's now a man-eater. It's Regulation "B," a stepchild of the Equal Credit Opportunity Act (ECOA).

In theory, "B" is supported by all "decent" people. It was drafted by the Federal Reserve Board and, on casual reading, appears well intended, but a more careful perusal shows its lack of clarity; it belongs in the same generally well-intended, but dysfunctional, class as Regulation "Z," the so-called "Truth in Lending" legislation.

Both regulations have cynically been called the "Legal Profession's Full-Employment acts." Even a Philadelphia lawyer would have difficulty in relating some of "B's" provisions to the real world, and banks, including some of the nation's largest, are seeking interpretations of the regulation.

Numerous new interpretations of "B" are cluttering up the *Federal Register*, in which they are published. One has to wade through such Federal Reserve letters and interpretations as the following:

"Section 202.4 (e) provides that a creditor may not prohibit an applicant from opening or maintaining an account in a birthgiven first name and surname or a birthgiven first name and combined surname. You ask whether a creditor may require that all accounts be carried in the same name.

"Bank proposes to adopt a policy of permitting a customer to choose to use a maiden name, married name or combined surname. Under this policy, a customer

could change the name on his or her accounts at reasonable intervals but at any given time, all accounts must be carried in the same name. You also indicate that a customer would be permitted to maintain an account in a different name (a professional name or stage name, for example) if the customer filed an appropriate form with the bank. You believe that adoption of this policy is necessary to prevent confusion, reduce the risk of fraud and simplify record keeping.

"The Board's staff is of the opinion that the policy described above is consistent with the Act and Regulation B, Section 202.4 (e) was intended to correct a practice about which women had complained: refusing to open an account for a married woman in her own given name or surname. The inability to open an account in one's own name may prevent an individual from developing a credit history in that name, and thus may impede the individual's efforts to obtain credit. The staff feels that (subject bank's) proposed policy is reasonable and consistent with Regulation B."

—Excerpts from a Federal Reserve Board letter of May 10, 1976, by Anne J. Geary, senior attorney.

After reading the interpretations, one becomes more aware of the fact that those interpretations are only the tip of the regulatory "iceberg." For example, the quoted Federal Reserve letter raises the very real probability of potential for bank customers of Spanish-American ancestry to revert to the common Latin-American practice of using hyphenated last names to identify the families of the father and mother.

Harold E. Mortimer, a member of both the District of Columbia and New Jersey Bar associations, in a speech before the 11th Banking Law Institute, noted that a husband could adopt his wife's name. I think legally adopted pseudonyms will become more common.

All of those variations on one small facet of "B" have significant implications to banks. One is how to legally

establish who a person is if he may, at will, change names under "B." How does one establish a credit history when the regulation doesn't authorize a banker to obtain a listing of all the names a credit applicant may and would use?

Furthermore, how can one have a competent collection system when the true identity of a debtor is clouded by his use of other names for purposes such as employment or residence? Mistaken identities in collections are open invitations for staggering lawsuits against a bank.

Look up the original Regulation "Z" and compare it with its current form, one which will continue to change and expand. It's frightening to see how a regulation can get out of hand and become more incomprehensible as the regulator attempts to clarify it.

Regulation "B" undoubtedly is going through the same sort of well-intended but cancerous growth as "Z."

What are bankers to do when more and more of their obligations for prudence in the lending and investment of depositors' and shareholder's funds are usurped by such regulations as "Z" and "B"? There is no simple answer. Bank officers and clerical staff need additional education and training in these areas.

Legal counsel is essential to a bank. Record keeping and liability are bound to increase; costs related to regulation in all areas will rise. To stay in business, institutions must transfer to their borrowers their additional costs and risks generated by overzealous government regulations. Such costs should be identified as regulatory-imposed expenses.

The Federal Reserve System, and the Philadelphia Fed in particular, has shown an increasing awareness that it has fathered a legal paper tiger. Studies and cost figures of bank compliance with and enforcement of burgeoning bank regulations are starting to filter out to knowledgeable bankers. They are frightening. Bankers must transfer these costs quickly and identify their sources to their customers! • •





## A DAY IN THE TRANSIT DEPARTMENT.

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United Missouri's Transit Department works 24 hours a day — five days a week, and 18 hours a day on weekends.

This enables us to give better service at lower costs.

It's why you should send the coupon for our Rapid Transit Item Profitability Schedule and other information.

Or better yet, ask about our 30-day trial of guaranteed better service and better costs. You can phone collect.

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- Send me the Rapid Transit Profitability Schedule.  
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City \_\_\_\_\_  
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 **UNITED MISSOURI BANK OF KANSAS CITY, N.A.**

MID-CONTINENT BANKER for November, 1976



## TV, Radio Commercials Take Spotlight At MBA-BMA Marketing, PR Seminar

By **JIM FABIAN**  
Associate Editor

COMMERCIALS stole the show at the third annual Marketing and Public Relations Seminar, sponsored in St. Louis recently by the Missouri Bankers Association and the Bank Marketing Association.

A reel of prize-winning TV bank commercials started off the day-long program, and a talk illustrated by humorous radio spots was given immediately following lunch.

Keynote speaker of the day was Felix LeGrand, soon-to-retire executive vice president, Missouri Bankers Association.

He told the 150 bank marketing people attending the conference that marketing and public relations have a big job cut out for them in the present era.

He said that studies have shown that 74% of the public feel the major goal of business is profit, even at the risk of inflation and unemployment. Sixty-one percent of the public believes there is a conspiracy among big corporations to set prices as high as possible, he said.

He quoted Willis Alexander, ABA executive vice president, who has said that big government doesn't look much better than business in the eyes of the public. While a majority may be in favor of government planning of economic activities, a substantial majority opposes greater government management.

Mr. LeGrand said that, as in most other businesses today, change is the order of the day. Change has been especially marked in the banking industry, he continued.

"New technologies, most notably EFTS, are making great forward strides aimed at improved customer conveniences, lower costs, greater efficiency. The EFTS concept is simple: it refers to any system that replaces checks with electronic impulses for payment or deposit.

"New management techniques and technological change place an added challenge on the marketing techniques of banks as well. As we gradually leave a paper-based system and no longer

have to cope with a check volume that otherwise would double to 54 billion checks by 1985, the demand for informative public relations and sound marketing plans will be vital. Customers must understand why EFTS is needed and how the new system will affect them.

"The legislative environment in which we operate must be modernized," he continued. "I can tell you that the banking industry has learned to keep at least one eye—sometimes both eyes—on what our legislators at state and federal levels are up to. We have learned to act rather than react after the fat is in the fire."

In today's consumer-oriented economy, he said, there is absolutely no substitute for aggressive, well-planned marketing programs. "We in banking consider marketing a major factor in the growth of savings accounts by well over 40 million since 1952, and the increase in the dollar volume of these accounts by more than \$200 billion. It is expected that marketing will help us reach our second trillion-dollar economy in something under 15 years."

Charles Manahan, vice president, First National, Wichita, Kan., remarked during a concurrent workshop that the installment loan market is narrowing, with more competition in store. He told how his bank instituted a simple-interest loan plan and said that the monthly statement mailing to installment loan customers is useful in enabling the bank to keep in touch with customers. He also said yields were better from simple interest than from add-on interest, over the long haul.

Jack Regan, senior vice president, Credit Systems, Inc., St. Louis, told those attending his workshop about a limited EFT system that could be operational in a five-state area within six months, once a decision is made to go ahead. The limited system would replace a system that is currently stymied due to failure of the Missouri legislature to enact enabling legislation last session.

Concurrent workshops in the afternoon dealt with direct mail advertising, premiums, free checking and other topics.

William J. Carner, marketing manager, First National, St. Louis, spoke at the free checking workshop. He said many banks got involved in offering free checking because they didn't know what their costs were. Since then they have found out that \$1,700 is the break-even point on a checking account! Losses realized by banks offering free checking are equal to from 3½% to 4% interest; therefore, banks offering free checking are actually paying that amount of interest to account holders.

He predicted the return of per-item charges for checking customers. New York banks, he said, are abandoning free checking and are charging customers a per-item charge on top of a minimum balance.

Although banks abandoning free checking find they lose many accounts, they are not losing out in total balances, he said. This is because the majority of the lost accounts have low balances and these balances are more than made up from other sources.

### A Big 10-4:

### 'Slanguage' of CB Radio Is Taught by New Record

"There's smokey in a plain brown wrapper!" "What's your 20?" "Keep your eyes peeled for that county-mountie taking pictures!"

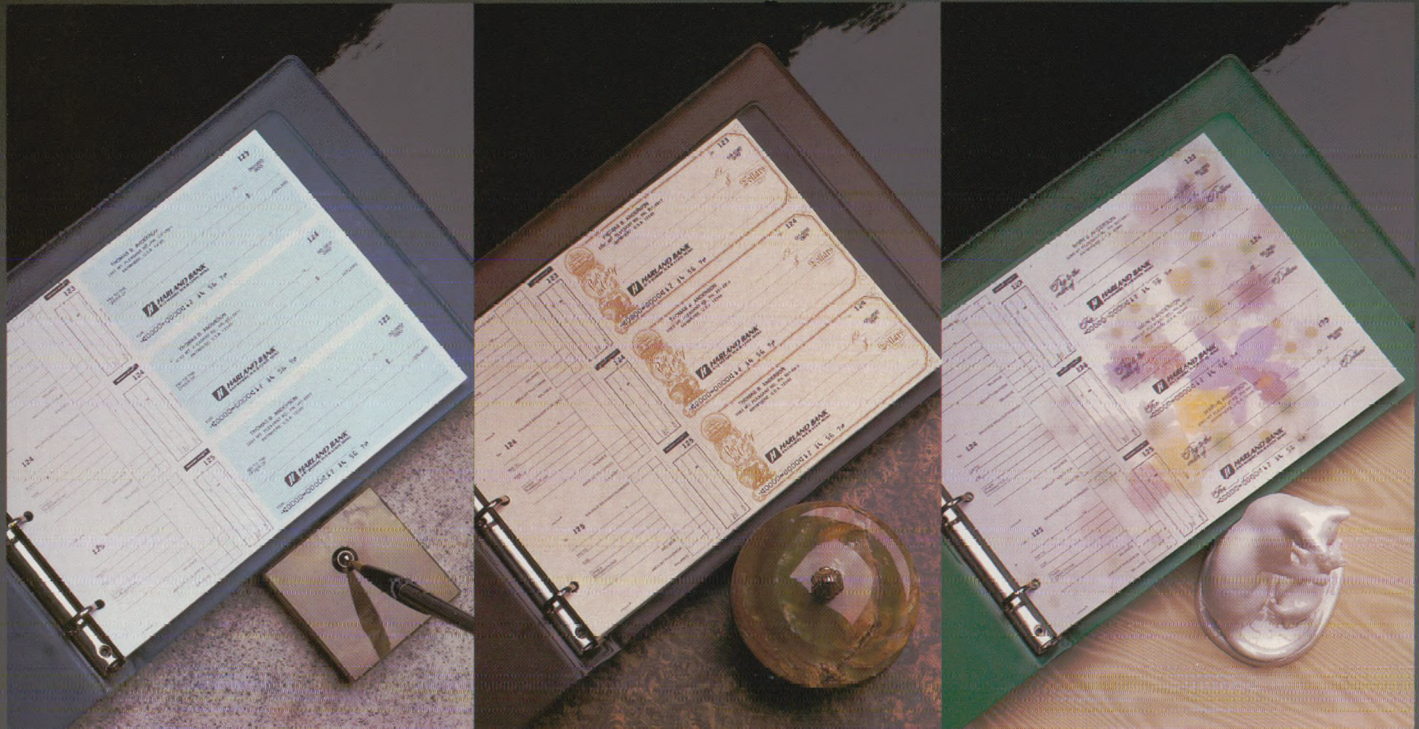
Such seemingly nonsensical statements as those above and more are explained in full in a new record from Pickwick International, Woodbury, N. Y. "How to CB" is a package consisting of a booklet and record or tape that clarifies 500 CB terms and tells how to:

- "Break" a channel and do a radio check.
- Pick a "handle" and use "10" code.
- Use CB in an emergency and talk CB etiquette.
- Select the type of CB equipment for a specific need.
- Keep CB talk legal and use CB for enjoyment.

With the great national interest in CB, the "How to CB" package would make a novel new-car loan or new-account premium. It's available on record, 8-track or cassette tape, and that's a big 10-4, good buddy!



# Another innovation from Harland! The Odyssey Collection. Beautiful three-to-the-page checks that travel or stay at home.

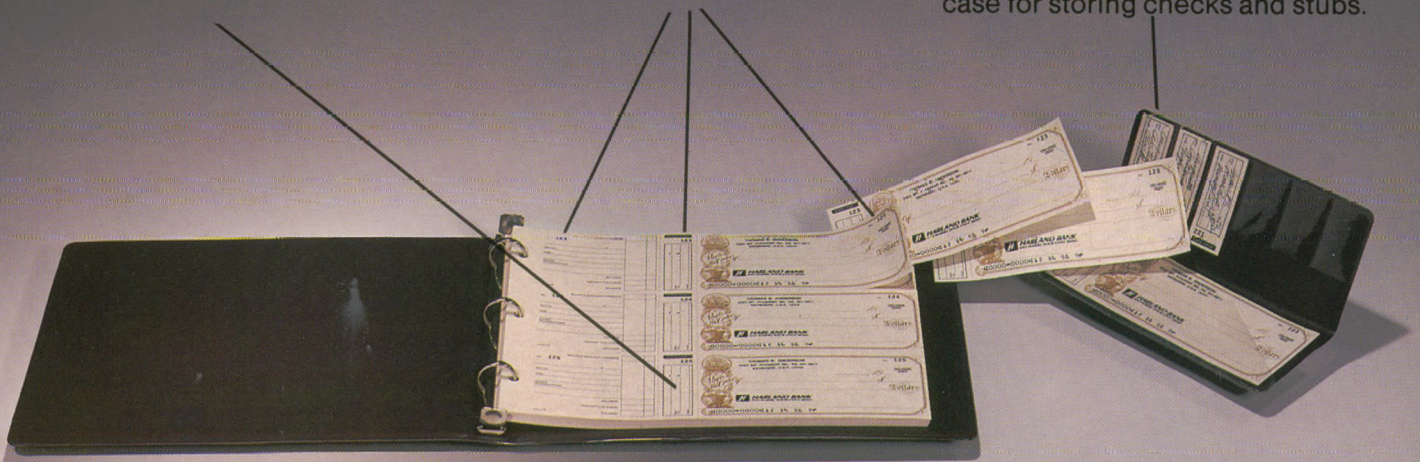


Harland is pleased to announce the first real innovation in personal three-to-the-page checks — The Odyssey Collection. Available in three designer styles, the Odyssey Collection also features the revolutionary Memory Stub™ which enables Odyssey check users to keep an accurate record of all checks written away from home.

A Harland exclusive, the Memory Stub™ is attached to each check

and is consecutively numbered with each check and record stub.

The Odyssey Collection comes complete with a handsome carrying case for storing checks and stubs.



Ask about the new Odyssey Collection today.

**HARLAND**

P.O. BOX 105250  
ATLANTA, GEORGIA  
30348



# NEWS ROUNDUP

## News From Around the Nation

### Auto Leasing by HCs Upheld

The Fed has ruled that bank HCs can continue leasing autos, stating that the practice "is essentially a financial transaction" akin to lending money and is therefore "closely related to banking."

The Fed also ruled that auto leasing has no adverse competitive consequences, contrary to charges made by the National Automobile Dealers Association.

One proviso was added to the Fed's 1974 regulations covering auto leasing—that HCs leasing autos not service the cars, provide loaners or obtain insurance for customers leasing autos. This change, according to the Fed, ensures that auto leasing by HCs remains a financial transaction. It also makes HC auto leasing less competitive with other auto-leasing firms.

The Fed said that leasing of autos to individuals has tripled in the last decade and now accounts for 10% of the new-car market. By 1980, it should account for 40% of that market.

### Past-Due Loans Decline

The Comptroller of the Currency's office says that past-due loans on the books of the nation's 4,700 national banks have dropped to both the lowest absolute level and to the lowest proportion of outstanding total loans recorded in the past 18 months.

The development is said to be part of a trend toward continued improvement in the economy, coupled with sounder credit extension and better collection efforts by banks.

Loans are considered past-due if payment is more than 30 days late for installment paper and more than five days late for single-payment loans.

### Deceptive Practices Rules Issued

The Fed has published procedures for handling consumer complaints alleging unfair or deceptive practices by banks.

The complaint procedure, called Regulation AA, became effective September 27 and formalizes procedures for handling consumer complaints.

Any consumer having a complaint regarding an unfair or deceptive practice by a bank or a violation of law or regulation can have the complaint investigated by submitting it to the Director of the Office of Saver and Consumer Affairs, Fed Board of Governors, Washington, D. C.

Complainers are advised to describe the bank practice or action objected to, give the name and address of the bank concerned and include the name and address of the complainer. Complaints involving national banks will be referred to the appropriate federal regulator for review.

### Demise of Cut-Rate Pricing Seen

The current cut-rate pricing structure on consumer services is going to become a thing of the past, said J. Rex Duwe, ABA Governing Council chairman and chairman and president, Farmers State, Lucas, Kan., recently.

He said that banks can't afford to price their services solely in reaction to services being offered by other types of financial institutions. "Customers base their banking decisions on service, forthrightness, convenience and regulation as well as price," he said.

Mr. Duwe said that bankers must realize they can get tied to loss-leaders, such as free checking, interest-free customer use of bank cards, some Christmas club accounts and devices such as NOW accounts. "Banks, once they establish a service like free checking, are expected to continue that service," he said.

### Tax Bill Signed; Affects Banks

Recently signed tax legislation tightens access to bank account records, raises taxes on thrifts and broadens the use of individual retirement accounts.

The law also causes the first major changes in estate and gift taxation in 35 years, tripling the current \$60,000 exemption from taxes applying to estates.

The law requires the IRS to get bank customer approval in most cases for access to their bank records, which more or less takes bankers off the hook in deciding whether records should be given out.

The law also permanently exempts from taxation interest paid to foreigners or foreign corporations on bank and thrift accounts, CDs and other savings instruments.

Bad-debt reserves will be taxed at a higher minimum rate beginning in 1978, primarily affecting thrifts.

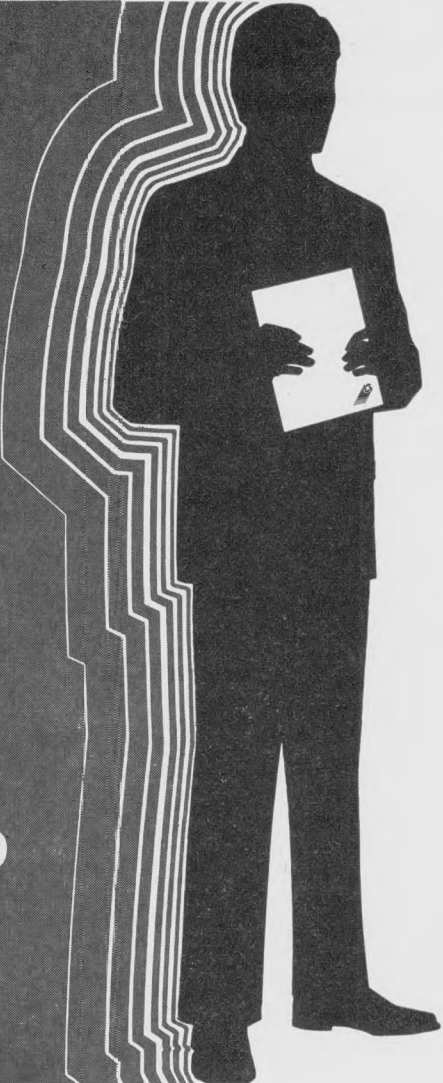
IRAs will be expanded to cover nonworking spouses, military reservists and volunteer firemen by next year at the latest. The total amount of earnings that can be tax-deferred will increase from \$1,500 to \$1,750 for spouses of a working husband or wife.

### Late Reporting Banks Fined by FDIC

Fines for late reporting were levied on 89 banks by the FDIC in September. The banks had not submitted reports of income and reports of condition, which were due within 30 days of last June 30.

Fines amounted to \$100 per day and were levied because the FDIC considers the data in the reports to have become increasingly useful for market analysis, disclosure to stockholders and other purposes.





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# EFTS (Electronic Funds Transfer Systems)

## Two Chicago Institutions Express Disappointment On CBCT Review Refusal

CHICAGO—Officials of First National and Continental Illinois National expressed disappointment last month that the U. S. Supreme Court refused to review the banks' appeals of lower court rulings regarding the classification of CBCT units as branches.

The high court refused to review three lower court decisions, each of which had ruled unanimously that CBCTs are branches subject to state branching laws. Since Illinois is a unit-branching state, the refusal means that First National and Continental Illinois National must unplug some of their CBCTs—those that are being operated off-premise.

James A. Cassin, senior vice president, First National, and William D. Plechaty, senior vice president, Continental Illinois National, both said that the refusal to review the lower court decisions represented an inconvenience to bank customers in Illinois.

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As MID-CONTINENT BANKER went to press, it was learned that both First National and Continental Illinois National, Chicago, disconnected their off-premise CBCTs on October 22. Continental Illinois National had two off-premise machines and First of Chicago had 10 units in community offices in Chicago and suburbs, five terminals at various worksites and 12 "Yes" POS installations at food stores.

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Mr. Plechaty said that more than 4,500 transactions had been conducted in September at the bank's two off-premise CBCTs in Chicago.

"While we intend to close these two facilities when ordered to do so," he said, "we also will continue to raise this important issue on the state and national legislative levels. We will continue to bring the issue to the legislators—as well as to the public—to demonstrate the convenience it represents and the customer support it has."

Mr. Cassin added a positive note in his remarks. "The action once and for all puts the issue of electronic banking squarely before the lawmakers at the federal, state and city levels," he said.

"We are hopeful that the Illinois EFTS Commission will soon recommend legislation that will be supported by a broad base of banks and other financial institutions—regardless of their

stand on traditional branching—and that the citizens of Illinois will soon be allowed to enjoy the benefits of convenient, low-cost banking services."

The Illinois EFTS Commission Mr. Cassin referred to is sponsored by the Illinois Bankers Association. Its formation was announced at the association's annual convention earlier this year.

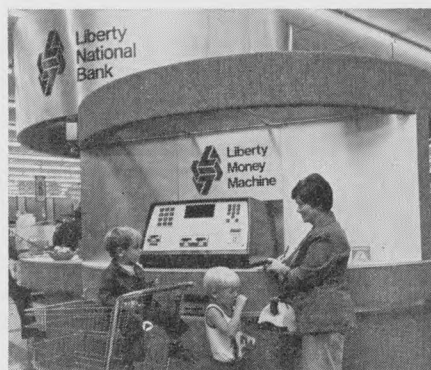
## Money Stores of Liberty Nat'l 'Roast' Customers at Openings By Giving Meat to Depositors

LOUISVILLE—Customers opening checking or savings accounts during the grand openings of Liberty National's Money Store in the Kroger Store in the Rolling Hills Shopping Center or at 9901 Dixie Highway had a choice of premium: They either could be "roasted" or "steaked" to a dinner.

New customers received free eight-ounce steaks or four-pound roasts during the event and were invited to register for free "shopping spree" grand prizes.

The Money Store, a manned full-service branch, is staffed by bank personnel, who help customers open checking or savings accounts, process loan applications and purchase money orders, travelers checks and cashiers checks.

Two Money machines—Docutel T-4s—are available 24 hours daily, seven days a week, and customers with a Liberty MONEY Card can make deposits, transfer funds and withdraw cash from checking, savings or Master Charge accounts with the machines. The ATMs also will verify checking and savings balances.



Registering for chance at free grocery shopping spree during grand-opening celebration of Money Store are customer of Liberty Nat'l, Louisville, and her sons. Bank has facilities in Kroger supermarkets, feature bank personnel on hand during certain hours and full-time Docutel T-4 ATMs.



Rodney Freeman (l.), customer of Harding Mall Office of First American Nat'l, Nashville, is assisted in making deposit to bank's Anytime Teller by Phil George (c.), v.p. and br. mgr., and Ken Cox, v.p. and Anytime Teller project ch. Occasion was 300,000th transaction on bank's ATMs. The machines, which have been in operation since May, are said to be extremely successful—ATM pictured here is reported to be most used in nation!

## 1st American Nat'l Anytime Teller Acclaimed as Most-Used in Nation

NASHVILLE—The Anytime Teller ATM of First American National, located in Harding Mall, has been acclaimed as the most used in the nation. During the month of July, 20,090 transactions were conducted on the machine.

The bank introduced ATMs to Nashville in May, placing 10 of the devices throughout Davidson County. Market research showed that the Harding Mall site would have tremendous usage, due to that area being a fast-growing part of the city, a section that attracts young people because of its multi- and single-family dwellings.

But bank officials were overwhelmed by its success, a success that has been attributed to well-planned operating and marketing programs. All First American personnel took part in training sessions familiarizing them with the ATMs before they were installed. An incentive campaign was begun in May giving cash awards to employees who got the public to use the machines.

In addition, bank staffers were stationed at the ATMs to assist customers in their use and to give out coupons redeemable for strawberry pie at a local restaurant.

Of the 10 Anytime Teller locations, six are at branch locations and four are off-site. And three of the off-site locations are supermarkets and, officials say, account for the largest volume in the U. S. for that type of location!



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Our people are real, live, experienced correspondent professionals, with years of correspondent banking behind them. They aren't management trainees or just goodwill ambassadors, so they can okay loans or services — like our new EFTS services — on the spot. Without going through unwieldy, time-wasting committees.



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be on line. Then, step-by-step through the year, every correspondent service will be fully integrated into the system for more convenience, for better banking.



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# NEWS OF THE BANKING WORLD

• Bank of America has promoted Robert W. Gibson and H. Dennis O'Neil to vice presidents in the Chicago Corporate Service Office. The two have become senior account officers of the office, handling account and credit relationships with major corporations in Chicago and the Midwest. Both men have been in the Chicago office since its opening in 1974.



WOODRUFF

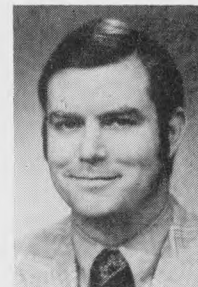


WELMAN



SMITH

• **Joseph C. Welman**, former ABA president, has retired as a director and chairman of the executive committee, Bank of Kennett, Mo. Mr. Welman, who also was a former president, Missouri Bankers Association, retired as the bank's CEO in 1973, but continued as a director. He began his banking career in 1925, when he joined the Bank of Kennett as a stenographer for the late W. F. Shelton Jr., president.



JASPER



STOECKER

• **Charles E. Woodruff** will take early retirement December 31 from New York City's Manufacturers Hanover Trust and Manufacturers Hanover Corp., where he is vice chairman. Following 14 years with the New York Fed, he joined the old Hanover Bank in 1947, and, when that bank and Manufacturers Trust were merged in 1961, he was made head of the southwestern division. In 1963, he was elected senior vice president with responsibility for the bank's business in 31 states. Mr. Woodruff was named executive vice president in charge of the national division in 1966 and vice chairman in 1973.

• **James E. Smith**, former Comptroller of the Currency, joined First Chicago Corp. November 1 as executive vice president. First Chicago Corp. is the parent HC of First National, Chicago. His duties at the HC include legislative liaison activities at state and national levels. Mr. Smith became Comptroller in 1973 and resigned the post last July. Before being named Comptroller, he was deputy under secretary of the Treasury and special assistant to the secretary for congressional relations. During his 21-year career, Mr. Smith also served as ABA deputy manager and associate federal legislative counsel.

• **Nat S. Rogers**, president, First City National and First City Bancorp. of Texas, Houston, has been elected to a two-year term on the Conference Board, an independent, nonprofit business and economic research organization, headquartered in New York City. Another Mid-Continent-area banker, Ben F. Love, chairman, Texas Commerce Bancshares, Houston, was re-elected to a two-year term on the Conference Board.

• **David T. Stoecker**, vice president, Mercantile Trust, St. Louis, has become head of the central group, a division of the regional banking department. He succeeds James A. Smith, who has joined St. Louis' Manufacturers Bank as executive vice president. Daniel W. Jasper, assistant vice president, has rejoined the central group to head division A, which covers Illinois, Indiana, Kentucky and Iowa. Mr. Jasper, with Mercantile since 1969, had been in correspondent banking there before being assigned to the eastern division of the United States group in January, 1975. Mr. Stoecker went to Mercantile in 1965 and was in data processing until 1972, when he was transferred to the central group. He had headed division A since 1974.

• **Gaylord Freeman**, honorary chairman, First National, Chicago, has been named to the Economic Policy Council. The latter has been formed to examine critical issues affecting long-term U. S. relationships with both the industrialized and the developing countries. Mr. Freeman is the only commercial banker on the council.

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Loan Counsel

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Automobile Leasing Program  
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#### **OPERATIONAL SERVICES**

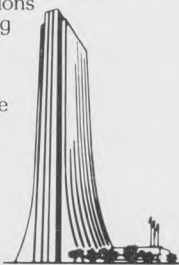
Cash Letter Clearings: End-Point & Float Analyses  
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Security and Coupon Collection  
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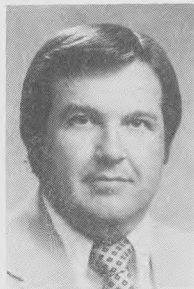


TIERNEY

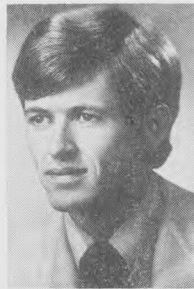


STICKLER

• **Financial Shares Corp.** Kent D. Stickler has joined Financial Shares Corp., Chicago, as executive vice president. He had been vice president-marketing, Illinois National, Springfield. Mr. Stickler's primary responsibility will be in marketing management and sales training for the firm's clients. Helen J. Tierney has been promoted from second vice president to vice president of the firm, which she joined last year. She formerly was advertising/publicity manager, Citizens Bank, Park Ridge, Ill.



WALLER



GRINSTEAD

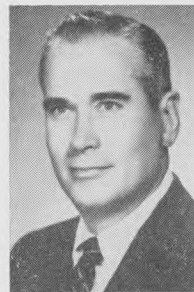
• **Bank Building Corp.** Richard C. Grinstead II and James N. Waller have joined Bank Building Corp., St. Louis, as consultant services managers in the firm's Southern Division. Mr. Grinstead will represent the firm in central and eastern Kentucky and Mr. Waller will work in western Tennessee and western Kentucky. Mr. Grinstead was formerly a sales engineer with LeFebure Corp., Des Moines, Ia., working out of the Louisville office. Mr. Waller was formerly a zone sales manager for Burroughs Corp., Detroit, working in the Omaha office.

• **CMI Investment Corp.** Ralph E. Lautmann has been named president, CMI Investment Corp., Madison, Wis. Bruce Thomas, who had been chairman and president, continues as chairman and CEO. Robert L. Waldo, executive vice president and secretary, has been elected to CMI's board.

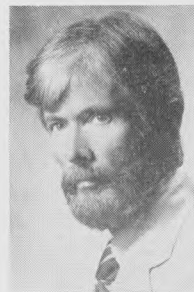
• **Federal Signal Corp.** Thomas K. Rigney has been appointed divisional design director for Federal Sign, divi-

# Corporate News Roundup

sion of Federal Signal Corp., Burr Ridge, Ill. Mr. Rigney had been a freelance graphic and architectural designer developing programs for many large corporations and several ad agencies.



NEEDHAM



RIGNEY

• **LeFebure.** William R. Needham has been appointed manager of advertising and sales promotion of LeFebure, Cedar Rapids, Ia., while Fred J. Spreier has been named sales engineer. Mr. Needham will be headquartered in Cedar Rapids and will coordinate the firm's nationwide communications activities. Mr. Spreier will be headquartered in Kansas City and will cover the southwestern Kansas and north central Oklahoma areas.

• **Credit Systems, Inc.** Bowen H. Roberts has joined Credit Systems, Inc., St. Louis, as staff vice president. He comes from National Data Corp., Atlanta, where he was vice president of marketing for the southern region.



ROBERTS

CSI is the operating center for the Master Charge credit card program in Missouri, Kansas, Iowa, southern Illinois and western Kentucky.

• **Florida Software Services, Inc.** Three vice presidents have been named at Florida Software Services, Inc., Orlando. They are Hal G. Smith, bank software development; Nestor M. de Armas, finance; and Donald L. Parsons, data services.

## Ad Agency Cited



Security Corp., Irvine, Calif., is publishing this full-page ad in advertising trade publications as a testimonial for the firm's ad agency, Cochrane Chase & Co., Newport Beach, Calif. The ad features Security Corp. officers, Gary J. Griff (l.), v.p., and John K. Griff, pres., decked out in party hats and streamers and holding glasses of champagne as they explain that "Cochrane Chase & Co., is driving us to drink." They go on to point out that their uncharacteristically bubbly attitude is really in celebration of the fact that Security Corp.'s sales have gone up 600% in the five years that their firm has been with Cochrane Chase. "Of course, they don't get all the credit," says the ad. "We have the highest quality products and the most innovative marketing approach in our industry. But until Cochrane Chase came along, no one knew it." Actually, production of the ad was handled by Cochrane Chase as part of an ongoing institutional campaign, but the story is Security Corp.'s.

• **Associates Commercial Corp.** This Chicago-based national commercial finance company has acquired the principal assets of Rawleigh, Moses & Co., Inc. The latter firm engages in factoring in 19 states, with its principal accounts being in furniture and apparel. The factoring operation will be directed by Peter Thompson, senior vice president, Associates Commercial, in Chicago, and Calvin B. Baird, senior vice president, in the firm's Charlotte, N. C., office, who will be responsible for factoring activities in the Southeast.

• **Continental Mortgage Insurance.** Larry Roberts of Indianapolis has been named builder representative, north central states, and William O. Ferrell of Brownsville, Tex., has been named southwestern states builder representative for Continental Mortgage Insurance, a subsidiary of CMI Investment Corp., Madison, Wis. Both men will serve as liaisons between lending institutions and builders engaged in tract, condominium and planned unit developments.



# ANOTHER NECESSITY FROM MEMPHIS BANK & TRUST.

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Arrow has 16,000 square feet of custom showroom at its Memphis headquarters displaying furniture and accessories from the finest of Oriental rugs to paper clips. Right behind that showroom is 25,000 square feet of active inventory, including the things in the showroom, supplies for industry and general

business, and plenty of whatnots and whatevers to dress up a bank lobby. Arrow can take your building from the ground up. A fully-staffed, experienced Design Department stands ready to meet your unique needs.

Arrow even has a Service Department, rare in the field, that provides a craftsman's approach to furniture restoration and repair.

So talk to Arrow about necessities. Take it from us at Memphis Bank & Trust... they'll treat you like family.



**ARROW**   
BUSINESS SERVICES, INC.

A subsidiary of Memphis Trust Company

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• **Paper Roll Products Co.** This Detroit-based firm has published what it says is the first complete catalog devoted exclusively to folded and rolled paper products for financial institutions. Detailed within the embossed silver-covered brochure are such products as rolled-and-folded compartment and control tapes, teller and bookkeeping machine rolls and automatic coin wrap. Separate pages are devoted to perforated tapes for data processing and telecommunications, teletype rolls and magnetic-transfer ribbons. Also in-



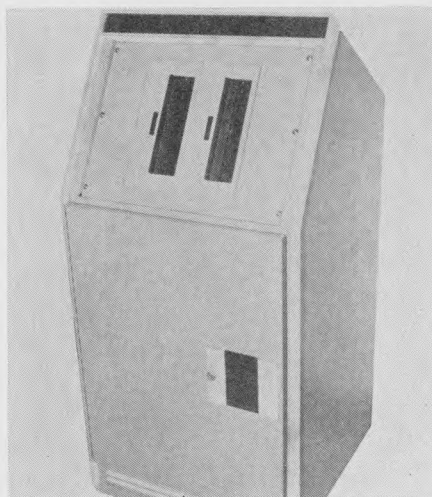
cluded are word-processing supplies, such as magnetic cards, Flexy Disk and digital and dictating cassettes, as well as adding-machine rolls, typewriter ribbons and copier paper. All products are illustrated and concisely described to save time in ordering, says Paper Roll Products Co., and the brochure's design is such that additional sheets may be inserted in proper sequence as more products are included in the line. For a free copy, write: Paper Roll Products Co., 20100 Civic Center Dr., P.O. Box 405, Southfield, MI 48076.

• **Business Data Systems, Inc.** A new version of a TEL LITE sign for bank drive-up traffic control was unveiled at the ABA's annual convention in Washington, D. C. The new sign incorporates a major breakthrough in improved legibility of message reading in direct sunlight, according to its manufacturer. The firm says special

## New Products and Services

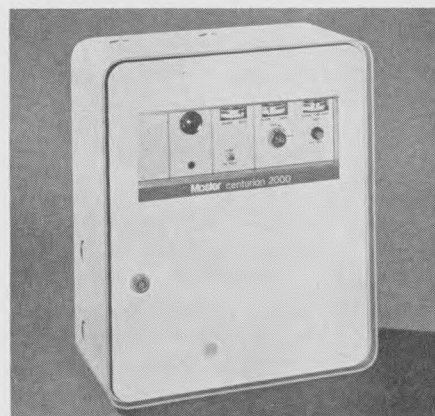
color filters combined with a new-type reflector enable the green and/or red messages of OPEN, CLOSED, ENTER, EXIT, etc., plus any special, to focus clearly from a greater distance than before. The firm added that the new TEL LITE also blanks out any shadow of the message showing when the sign is turned off. Write: Business Data Systems, Inc., 578 Hillwood Drive, Milford, MI 48042.

• **BankCom.** The microprocessor-based Insta-Share System, believed to be the world's smallest time-sharing system, has been introduced by Bank Computer Network Corp. (BankCom), Schiller Park, Ill. The system is designed to allow banks to support multiple ATMs, teller information terminals, customer information terminals and POS devices 24 hours daily, with



or without the assistance of a central host processor. Insta-Share operates without attendants or environmental control and plugs into a normal 110-volt AC outlet. It has the capacity to converse with the bank's host computer to update its own files on a real-time basis, and it can be used as a file inquiry backup when the main CPU is "down" or during the night or on vacations. For more information, write: Patricia J. Forrester, Bank Computer Network Corp., 10501 Delta Parkway, Schiller Park, IL 60176.

• **Mosler Safe Co.** The Bank Safe Alarm from Mosler Safe Co., Hamilton, O., has a built-in proximity sensor protecting the control cabinet, and an optional timer and sensor also can protect the safe with the same circuit. In addition, perimeter, space alarm and point protection can be added in two



zone steps. Internal Line Security can be added for high-value points and the alarm control can report either to police with Grade AA type or conventional police reporting systems, or to a local bell or other annunciator. Write: Mosler Safe Co., Department PR-053, 1561 Grand Boulevard, Hamilton, OH 45012.

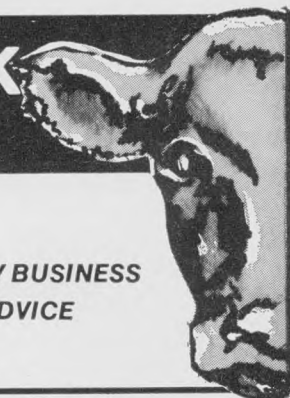
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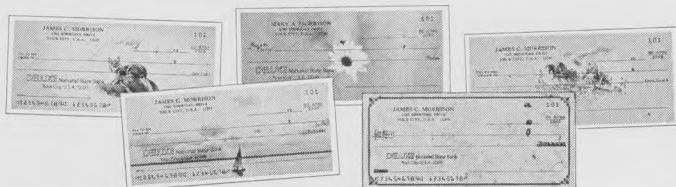


Sing a song of checkbooks,  
 styles and surprise;  
 Four and twenty changes  
 right before your eyes!  
 When the book is opened  
 the folks'll start to sing -  
 Now isn't this a catalog  
 to set before a king?



Last year's Personal Checkbook Catalog cover was so regal-looking, so durable, we decided to keep it for another year. But don't wink an eye or you'll miss some very exciting changes. Like a brand new Antique check that captures the look of the old fashioned draft of yesteryear. Or the Great Move Westward in the pioneering Spirit of America style. Then there's new photography for

the Wildlife series, new sky photos for the Serenity series, plus new checkbook cover designs. If you add a new index for easier check selection, and a delightful host of other little changes, you'll see that we've tried to make check selection easier for your customer and improve check merchandising for your bank. Ask your Deluxe representative for the enchanting details.



*Little things make a big difference.*

**DELUXE**  
 CHECK PRINTERS, INC.

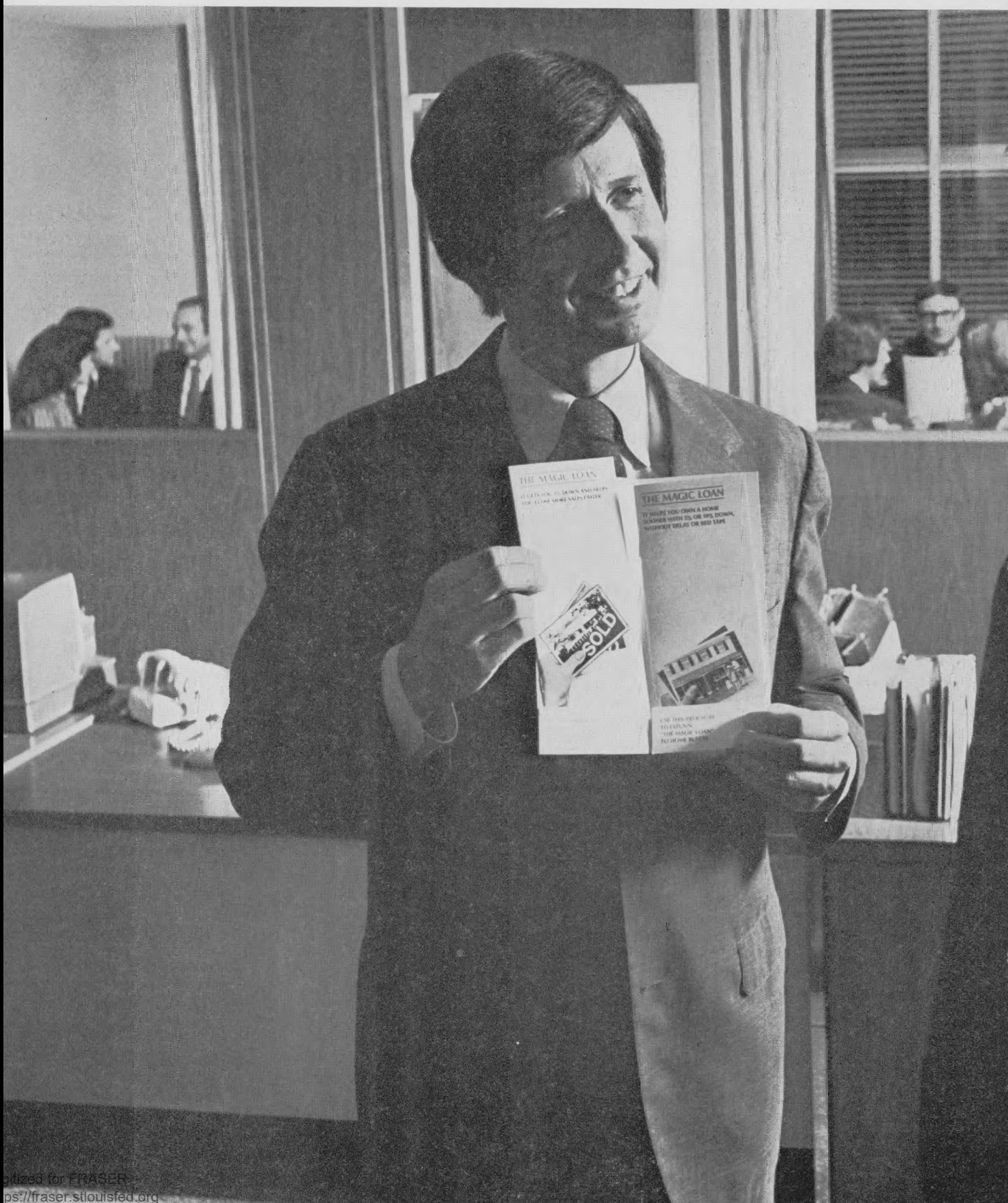
SALES HEADQUARTERS P. O. BOX 3399 ST. PAUL, MN 55165  
 STRATEGICALLY LOCATED PLANTS FROM COAST TO COAST

MID-CONTINENT BANKER for November, 1976




"Inflation's legacy is a shrunken housing market. Between one-half to two-thirds of all American families have been excluded from the market."

—Kenneth J. Thygeson, Chief Economist  
U.S. LEAGUE OF SAVINGS ASSOCIATIONS





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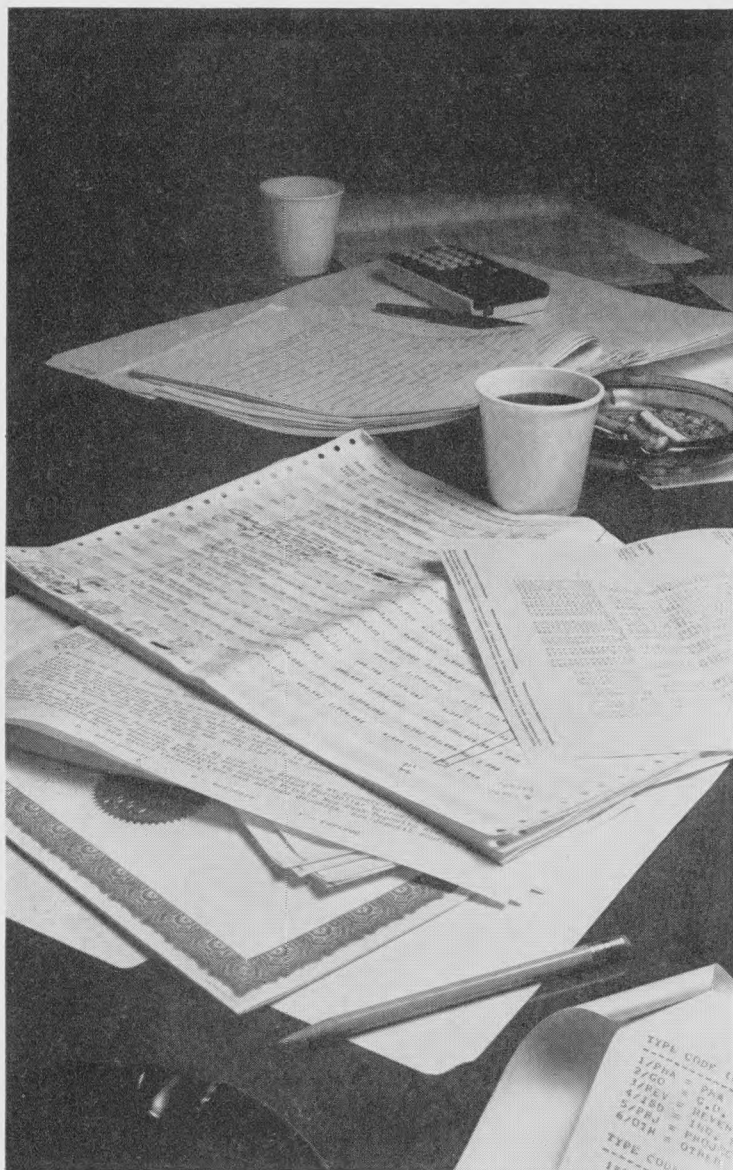
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## Stable Near-Term Market Seen By Bank Bond Men

By **JIM FABIAN**  
Associate Editor

A SPOT survey of bank bond officers has resulted in predictions of a relatively stable bond market situation for the next three to six months.

Bond officers were asked to anticipate new bond offerings in the near-term, the yields banks can expect from their bond portfolios and the situation regarding municipals.

Participants in the survey were John Otterman, assistant vice president, Indiana National, Indianapolis; James A. Brickley, senior vice president, First National, Dallas; R. C. Garraway, vice chairman-financial, Deposit Guaranty National, Jackson, Miss.; Frank K. Spinner, senior vice president, First National, St. Louis; and Gordon Pye, vice president, Irving Trust, New York.

These bond officers were asked how interest rates are affecting the present supply of bonds in the market.

Mr. Otterman replied that interest rates are more affected by supply than vice versa, although lower general rate levels tend to bring in smaller and lesser quality issuers. "Through the entire yield curve," he said, "the spread relationships between types of securities are at or near the narrow end, although the curve itself has been historically steep. The steepness is due to anticipated higher rates because of inflationary pressures and strength in the economy."

Current levels of interest rates continue to be quite attractive to bond issuers of all types relative to conditions prevalent in the markets over the past three years, Mr. Brickley said. "Since we are basically expecting relative stability in the economy and interest rates over the next three to six months," he said, "companies that have access to

credit markets should continue to easily finance their requirements."

The generally lower level of interest rates that has prevailed over the last several months has caused a dramatic increase in the forward supply of bonds coming to market, according to Mr. Garraway. The bonds being issued are for purposes of refunding corporates, advance refunding of municipals and general restructuring of balance sheets. Banks also have been active in recent months in beefing up their capital accounts, he said.

Mr. Spinner predicted that interest

rates will rise gradually throughout 1977 if President Gerald Ford is elected, but that they will be flat or slightly down if Governor Jimmy Carter wins, due to a threat of possible wage and price controls.

Mr. Pye said that virtually all money-market analysts expect short-term rates to rise next year. The only question is how much. "The best way to get a handle on how much is to look back in history at periods economically similar to how 1977 shapes up," he said. "Doing this, our best guess is for a 100 basis-point increase at the short end."

In reply to the question of new bond offerings in the next few months, Mr. Otterman said that predicting new bond offerings is difficult. The Treasury will be financing its projected \$19-billion deficit mostly through borrowings, he said. "At this time, the municipal 30-day visible supply figure is \$1.55 billion and I would expect an additional \$2 to \$3 billion to be financed by the end of the year," he continued. "The corporate bond calendar is also on the low-to-average side."

Mr. Brickley does not foresee any significant change from recent demands on the markets while Mr. Garraway predicts a large supply of new bond offerings in the next three to six months. "We feel that the supply of money is available to accommodate these issues without immediate pressure on long-term rates," he said.

Mr. Spinner predicts fewer bonds in the near future.

Mr. Pye said that the appetite for issuing more bonds is beginning to wane on the part of corporate treasurers. Many already are liquid and are

### Investment Banker's Views

An investment banker's look at the bond market reveals the following:

Interest rates have had no effect on the present supply of bonds in the market. Short-term yields will range from 3.50% to 5% and long-term yields will be in the 5.10% to 6% area.

The problems in New York City have not generated more requests for credit ratings; neither are bankers asking questions about unfunded pension plans that could affect credit in some of the nation's major cities.

The many defaults in the eastern market have tended to upgrade the Midwest municipal bond market.

These are the views of Kenneth R. Adams, president, Perry, Adams & Lewis, Inc., Kansas City.



shifting to an investment position. "Investing short at the spread to carry on long bonds just doesn't look very attractive at today's rates. As soon as long rates move up, as is expected, bond issues by corporations should fall back to two-thirds of the rate during 1976," he said.

The bond officers had the following to say regarding the yields banks can expect:

- A relatively flat yield curve with rates plus or minus 50 to 100 basis points from where they are currently. Spreads between short and longer maturities are expected to continue to narrow as the yield curve becomes flatter—Mr. Brickley.

- Yields are expected to remain at present levels or slightly lower over the next few months and then should trend generally higher over the next six months on both short and long maturities. Rate changes probably will be in the one-half to three-quarters range—Mr. Garraway.

- Prime-rate yields will stand at 7% in January, rise to 7% by April and continue up to 8% by October, 1977. About a year from now, the fed funds yield will be 6% and short-term U. S. governments will be at 7%—Mr. Spinner.

- A fairly rapid 50 basis-point rise in long rates could occur in the next few months, with a slow drift upward by another 25 basis points by the end of 1977. At that time, governments will be yielding 8.50% and 90-day treasury bills about 6.50% on a yield-equivalent basis—Mr. Pye.

A generally cautious situation was reported in the municipal bond area by those surveyed. The lone exception was Mr. Spinner, who said that, as long as no credit problems develop, it's business as usual.

Mixed preferences were reported regarding treasury bonds over agencies.

Mr. Otterman said important external considerations are relative liquidity, current spread to governments at various maturities and intangible tax consequences. "Obviously," he said, "internal needs must override how the market as a whole treats the relationship between the two types of securities and investment decisions must be based on both. . . . I have tended to not use agencies for liquidity and have moved in or out of agencies as the spread to governments changes. The tax considerations are not material to us here."

Mr. Brickley said that, if the question is strictly one of credit quality, then a direct obligation of the federal government must be favored over an indirect obligation. But if the question relates to relative yield-spread relationships, there are times when agencies are

more attractive than treasuries. Both have ready and well-developed market acceptance for the most part and can be easily traded or sold.

Mr. Garraway favors treasury bonds over agencies at this time, primarily because the current yield advantage on agencies does not offset their loss of marketability. Also, he said, the yield spread is narrow and treasury bonds offer a better supply from which to choose.

Mr. Spinner said that, when yield spreads are small, he prefers U. S. governments. However, when yield spreads are large, agencies are preferred.

Mr. Brickley, in commenting on current issues facing bond departments, stated that it appears that the trend of banks over the past 12-18 months toward greater holdings of investments to attempt to fill the void in earnings created by weak loan demand will continue through most, if not all, of 1977.

"If a continuation of the current economic recovery can be counted on," he

said, "then reinvestment decisions faced early in 1977 will have a strong influence on both a bank's earnings and its ability to manage its liabilities as loan demand returns to the banking system."

"Many banks and other investors have substantial holdings of short-term, fixed-rate assets that will be running off throughout the year. This creates not only a considerable pool of lendable and/or investable funds, but also considerable pressures to extend maturities or lower quality in the re-employment of these funds as they are available to achieve stable earnings growth.

"These pressures could converge to effectively hold interest rates down or could result in substantial losses as it becomes necessary to liquidate securities in a far different interest rate environment if current economic policies fail to result in lower inflation rates and credit demands consistent with the viable and extended period of economic expansion that appears to be possible at this time." • •

## Banks Expected to Push Mortgage Loans To Erode S&L Market, Insuror Says

A RESURGENCE of commercial bank activity in mortgage loans was predicted recently by Lee Kendall, president, Mortgage Guaranty Insurance Corp., Milwaukee. Mr. Kendall spoke at a luncheon in Kansas City at the opening of a MGIC regional office there.

Mr. Kendall told his audience, many of whom were associated with thrifts, that the big banks will be leaders in the return to mortgage lending. Their intent, he said, is to get some of the mortgage lending business away from S&Ls. Bankers have come to realize, he said, that the mortgage lending area is one of the few that S&Ls hold the lead, thus, they will come up with the methods necessary to secure a portion of this business.

Mr. Kendall also predicted that mortgage loan rates would hold steady for the next few months, but that if bankers enter the market in force, rates will drop.

He likened the U. S. economy to a jet plane that has taken off dramatically but has reached its cruising altitude and has leveled off. He predicted a good Christmas spending period, with federal spending down. But the question marks, he said, are inflation and interest rates.

Inflation will not skyrocket again because of two forces: the consumer, who has learned to cope pretty well with in-



Flanking Lee Kendall, pres., Mortgage Guaranty Insurance Corp., at Kansas City luncheon celebrating opening of regional office there are Granvell Smith, MGIC div. mgr., Houston, and Lloyd Cole, MGIC regional v.p. and regional sales mgr. for Kansas and Missouri.

flation, and businessmen, who have come to realize they can live with inflation and, in fact, hold it down, by refusing to carry large inventories that tend to fuel inflation.

He noted that it is becoming evident that big-spending legislators are losing elections, which is another dampener to inflation.

He said housing starts this year will not be at the 1.5-million annual rate predicted, but that the rate next year could rise to 1.7 million, due to a new group of first-time home buyers coming into the market.

This group of young marrieds, he said, is the largest new group of prospective home buyers since the end of World War II. • •

## New Guidelines for Municipal Bonds

THIS NATION was built on the credit system. Just as credit financed the railroads that opened the West, it has been credit—largely in the form of the municipal bond issue—that created the essential elements of service

to the millions of people who live today in communities founded or largely constructed during the last quarter-century.

Oddly, the customs and formalities relating to this unique type of security, the municipal bond, have re-

mained all but unchanged over the past 50 years—until now. Suddenly, a re-evaluation is on. Already, it is bringing about wide-ranging changes, not only in the way these securities are presented for sale, but even in the systems employed by the issuing unit of government.

So, it's time for a look at the assumptions held for so long by government officials, broker-dealers, banks and buyers—by all those interested in the municipal bond market.

Today in the United States, there exist some 78,000 governmental entities at state and municipal and parallel levels; not all have the authority to issue bonds, but many—including even the smallest units, like mosquito abatement districts—may and regularly do issue debt instruments.

As a consequence, the municipal bond industry has grown tremendously. In 1974, for example, when corporate issues including stock totaled some \$26.4 billion, there were \$22.8 billion of new, long-term, and \$29.5 million of short-term, municipal securities sold, as well.

And Then . . . Default. But then, in 1975, something else happened to municipal securities. New York's default occurred.

By **HERBERT P. DOOSKIN**  
Partner  
**Alexander Grant & Co.\***

The credibility of the municipal bond offering system was challenged, with the challenge coming primarily from the New York City and related New York state moral obligation situations. Although it's unfair to damn the entire system because of one city's problems, nevertheless the system, once challenged, must take corrective action. Greater and more detailed disclosure—not only about the enterprise benefiting from a revenue bond issue, but also on the basic general obligation bond—will be essential if we are to bring back the credibility of the system.

There's nothing to be gained by quibbling that New York averted actual default. The facts of the Big Mac settlement meant that old securities were redeemed not in cash but in new securities.

And with that, one of the longest-held assumptions relating to municipal bonds went out the window: *The general obligation bond, pledging the full faith and credit and the taxing authority of the issuing governmental unit, had become something less than a perfectly safe security.* The old axiom that a city would pay its bond holders before its police was challenged. And

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\* *Alexander Grant & Co., headquartered in Chicago, is the ninth largest CPA firm in the United States. Founded in 1924, the firm has more than 60 U. S. offices, located in major commercial centers of the nation, and is represented in some 150 cities abroad through the international firm of Alexander Grant Tansley Witt. Alexander Grant & Co. serves clients of all sizes and types, from multinational corporations that are among Fortune's 500 to individual proprietorships.*

while buyers of these instruments had never needed to wonder about the quality of the bond, nor question the quality of management of the taxing body, with the New York troubles, city and state, came realization that these were vital considerations.

Moreover, if we look at the fiscal pressures on New York, we see that almost all governmental units face the same pressures. Four fiscal pressure points have impacted municipalities in the 1970s.

*First*, there was rapid inflation. *Second*, municipalities that typically render labor-intensive services could not significantly improve productivity with capital investment. *Third*, the public demanded more and better municipal services such as mass transit and subsidized higher education. *Lastly*, the public was reluctant to accept higher taxes.

Quite obviously, the efficiency with which a local government managed these problems would affect its ability to meet debt obligations as well.

*Caution Prevails.* However, Congress moved carefully in dealing with the 40-year old rule that had specifically exempted the municipal bond market from regulation of the type that governs the rest of the securities industry. Under the laws that established our Federal Security Regulation framework, in 1933 and 1934, municipal bonds were specifically excluded from regulation, on the premise that the federal government should not have the power to control access of state and local governments to the capital markets. Even in 1975, that premise still seemed valid—enough so that the Securities Acts Amendments, signed into law on June 5, 1975, did not extend to issuers of municipal securities.

However, the 1975 amendments did establish authority for the regulation of brokers and dealers, including banks, in municipal securities through the Municipal Securities Rule-Making



Herbert P. Dooskin of New York City, national director of management advisory services for Alexander Grant & Co., is a member of the American Institute of Certified Public Accountants and of its committee on rule making. He has been closely involved, during recent months, in a study of cities' response to new regulation of municipal securities brokers and dealers. He is concerned with the de facto acceptance of the draft set of disclosure guidelines for municipal offerings put forth by the Municipal Finance Officers Association. At the same time, he sees benefits to municipalities that will balance the additional expense cities must bear in preparing broad disclosure statements.

Board. And while the SEC may not require disclosure from the issuer, the underwriters may well ask the issuers for extensive disclosures.

The public is demanding greater disclosure from the municipal issuer. And the demand inevitably will be met either by market forces or government fiat.

Senate Bill 2969, introduced—but not passed—in the 94th Congress, would have mandated certain disclosures and required audits of many issuers. It would have required an annual report from all issuers with more than \$50 million in bonds outstanding, extending to investors in the secondary bond market the advantage of currency of information that investors in corporate securities enjoy through quarterly and annual financial reports. Offerings of over \$5 million would require a distribution statement with mandated disclosures. (This bill was sponsored by Senator Thomas Eagleton of Missouri, who has not indicated yet whether he will re-introduce the bill in the 95th Congress.)

A similar bill will pass in the future unless requirements of full disclosure are adhered to by issuers and underwriters. A giant step toward voluntary disclosure is the publication of a set of "Disclosure Guidelines for Offerings of Securities by State and Local Governments," which was drafted in 1975 by the Municipal Finance Officers Association (MFOA), the professional and service organization of public officials involved in financial management at state and local levels.

The draft guidelines, still awaiting final definition, probably before the end of calendar 1976, already have taken on many aspects of legal requirements. To the credit of the MFOA, comments on the guidelines have been sought actively, and educational programs have been offered to acquaint all appropriate segments of the industry with them.

*Guidelines Are the Rule.* At the moment, the draft guidelines are the only game in town, and it is important that officials at every level—and citizens generally—be aware that standards

have been established that take the form of legal authority without its substance. Issuers of municipal bonds who were accustomed to preparing a four-page official statement now are lengthening their statements to range from 40 to 60 pages. Many are following the MFOA recommendation that the official statement be made available to the underwriters with the invitation for bids and that the successful underwriter provide the official statement to the prospective investors.

The municipal official today is faced with the fact that voluminous disclosure is here to stay, whether or not mandated by congressional act.

To avoid federal regulation, most issuers will comply with the minimum disclosures recommended by MFOA and many will exceed the minimum.

So the issuance of municipal securities is sure to become a time-consuming event—especially so if the issuer has not had audited financial statements prepared previously.

However, municipalities may find some balancing benefits: Bankers and underwriters generally expect that the disclosure of information in the new municipal issues will save them money, allowing the bonds to sell at lower interest rates. Given two issues of approximately equal quality, the one with more disclosures will be more marketable than the one with less.

Moreover, as an accountant, I would suggest a further benefit: Although there will be additional expense involved in the investigation and preparation of an official statement that meets disclosure requirements, to a degree these costs may be recouped through reduction of a few basis points in the interest rate on the marketed bond.

Gathering the data needed for recurring bond issues will dictate a system within the governmental unit that enables easy recapture of data. For many municipal units, there will be accompanying advantages of better management potential resulting from this revamping process, allowing elected officials and citizens generally to follow more closely the workings of their government. • •

## Variable-Rate Mortgage Loans Offered by Bank of America

SAN FRANCISCO—Bank of America began offering variable-rate home loans throughout California last month.

Through its "Vari-Rate" program, the bank is making available real estate loans for single-family dwellings at interest rates that are keyed to a cost-of-funds index maintained by the San Francisco Fed.

Minimum rate for a variable-rate loan is 9%, which is  $\frac{3}{4}\%$  under the rate for a fixed-rate loan. The origination fee for variable-rate loans is one-half point less than the minimum for a fixed-rate loan.

The interest rate on a Vari-Rate loan will not change during the first year. Thereafter, the rate will be reviewed semi-annually and any changes in the interest rate will be in  $\frac{3}{4}\%$  increments, with no more than one change in any six-month period, a spokesman said.

At the time of review, a rate change will be made when the spread between the customer's loan rate and the cost-of-funds index increases or decreases by more than  $\frac{3}{4}\%$  from what it was when the loan was made.

• **Andrew F. Brimmer**, former member, Federal Reserve Board of Governors, has been appointed to the boards of BankAmerica Corp. and Bank of America, San Francisco. Mr. Brimmer is president, Brimmer & Co., an economic and financial consulting firm based in Washington, D. C.

## Deposit Guaranty's 'First 50'

JACKSON—As a contribution to the celebration of the nation's bicentennial, and in observance of its own 50th anniversary (in 1975), Deposit Guaranty National has published a hard-cover book titled "The First 50." Written by Carroll Brinson, a former ad agency executive, the book not only describes the bank's first half century, but also is the story of the people and events—local and national—that shaped Deposit Guaranty's progress and growth during those 50 years.

The work takes readers from the "Roaring '20s" through the Great Depression of the '30s, World War II in the '40s, the comparatively quiet '50s, the upheavals of the '60s and up to the half-way mark of the '70s. In words and with illustrations, Mr. Brinson tells the story of the bank, the people who founded it and those who followed and who have contributed to its success over the years.


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## Finding Solutions Through Section 79

LIFE INSURANCE marketers are always looking for better, more flexible and complete solutions to the problems their clients, including banks, face. Through use of a Section 79 plan, new, flexible and unique solutions to clients' problems can be developed.

This article will discuss what a Section 79 plan is and will illustrate several uses of that plan to provide new solutions to old problems.

What is a Section 79 plan? Briefly, it is group insurance providing certain tax benefits to both the bank and its employees. If the plan satisfies the requirements of sections 162 and 79 of the Internal Revenue Code, premiums are deductible to the bank (or the firm purchasing insurance from a bank), and group term insurance premiums are not includable in the insured employees' income, except for amounts in excess of \$50,000 of life insurance. Amounts in excess of \$50,000 are chargeable to the employee as income on the basis of the uniform premium table set out in Internal Revenue Service (IRS) Regulations 1.79-3 (d) (2).

Section 1.79 of IRS regulations sets out specific requirements to qualify a plan of group insurance.

The plan must be arranged by the bank for the benefit of employees as either a master policy or a separate written document and it must make term insurance available to a group of lives. That group must include all employees of the bank or a class or classes of such employees, members of which must be determined on a basis that precludes individual selection, such as salary, years of service or position. Finally, the plan must provide coverage for at least 10 full-time employees sometime during the calendar year (IRS Reg. 1.79-1 (b) (1) (iii)).

For plans providing coverage for fewer than 10 full-time employees during a calendar year, specific requirements set out in IRS regulations must be met.

*First*, the plan must provide insurance protection for all full-time em-

By **ALFRED G. DIETRICH JR., CLU**  
**Assistant Vice President**  
**SFO Life Consultants, Inc.**  
**Kansas City**

ployees. The regulations define full-time as those employed in the usual course of the bank's business and who work at least 20 hours per week and at least five months per year.

*Second*, the waiting period established under the plan must be no more than six months from the date of employment.

*Third*, the amount of protection for employees must be computed on either a uniform percentage of salary or on the basis of coverage brackets (established by the insurer) under which no bracket exceeds 2½ times the next lower bracket and the lowest bracket is at least 10% of the highest bracket.

*Fourth*, the only evidence of insurability that may be used in determining either the employee's eligibility for insurance or the amount of insurance on his life is a medical questionnaire completed by the employee. No medical examination may be required.

In establishing a Section 79 plan, these requirements must be adhered to closely to avoid problems with the IRS (IRS Reg. 1.79-1 (b) (1) (iii) (d)).

Life insurance coverage under a Section 79 plan can be provided by either term or permanent insurance under master contracts with certificates, individual policies or a combination of both.

About half of all life insurance in the U. S. is group life, and almost all of that is group term. However, group term has these built-in disadvantages:

- The employer has no control over the plan's cost or amount of benefits provided.

- Protection for retired employees either ceases altogether, reduces drastically or may be continued only at extremely high rates.

- Benefits are paid only in the event of death; no benefits are available to employees while they are alive.

- The insurance company can cancel a plan because of poor experience.

Permanent insurance under a Section 79 plan allows the employer to realize all the advantages of regular group-term plans. He also can offer his employees the advantages of permanent life insurance.

Specifically, the advantages to both the bank and its employees are:

- Premiums are guaranteed and cannot be increased under permanent Section 79 plans.

- The permanent Section 79 plan cannot be canceled by the insurance company as long as the premiums are paid.

- Premiums under a permanent Section 79 plan are level, not subject to increase, and can provide permanent life insurance to the employee at a fraction of the usual cost.

- Cash values under the permanent plan can be used by the employee for retirement income or business opportunities.

- Permanent Section 79 coverage is owned by the employee and can be continued at the same rate if he leaves the bank or retires. He avoids the high cost of converting group-term insurance.

- The bank has the ability to control the amount of benefits offered to employees under a permanent Section 79 plan.

Permanent life insurance under a Section 79 plan, therefore, offers all the advantages of permanent individual coverage and all the advantages of group life without the disadvantages of term insurance.

Many times, an insured realizes that he needs more permanent insurance but is unable to find sufficient income to pay the premium. Income tax leverage available to an insured through a Section 79 plan may open the door for additional permanent sales. This income tax leverage results from two facts.

*First*, to qualify under Section 79, permanent insurance must be split into two basic parts: decreasing-term and

# HOW TO SAFEGUARD YOUR DIRECTORS AND OFFICERS PERSONAL ASSETS

*The Legal Assault on Executives*  
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*Officers and Directors: an Endangered Species*

*"The lack of (D&O) protection could hinder the recruiting of competent directors and officers."*

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A D & O Liability Insurance policy with Scarborough protects the bank's capital assets, and the bank's directors' and officers' personal assets in cases involving alleged wrongful acts while managing or directing the bank's business affairs. Coverage includes damages, judgments, and defense costs. Our free "Guidebook for Bankers" has details on coverages, exclusions, typical premium rates, and illustrative claim situations.

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increasing-cash-value portions. The former is issued as part of a group plan and, if qualified under IRS Section 162, the premium is deductible as group-term expense.

The cash-value portion generally is owned and paid for by the employee; however, if it is paid for by the bank and owned by the employee, the premium is taxable as income to the employee.

Second, this income tax leverage results from the differences between the imputed income for group-term insurance on the employee's life in excess of \$50,000 under the uniform premium table and the true premium charged for the insurance.

Figure 1 summarizes the 20-year cost to a male, age 45, purchasing \$100,000 of a typical permanent product qualifying under a Section 79 in comparison to \$100,000 of personally purchased nonparticipating whole life. Both plans have the same gross premium and the same cash values. Approximately 25% in savings results.

Another important income-tax savings available under a Section 79 plan results from the fact that there's no imputed income to the employee during retirement even though the bank may continue to pay the premium for the term portion of the plan (IRS Reg. Section 1.72-2 (B) (1) and (3)).

Finally, many key employees, as a

result of their success, are substandard risks. Under a Section 79 plan, a savings can be realized by both parties because any ratings resulting from such a risk are fully deductible to the employer and not charged or taxable to the employee.

Many employers provide group life insurance in limited amounts to their employees. However, an employer may desire to provide key employees with additional coverage in significant amounts. Under Revenue Rule 70-162, an employer may combine a number of insurers or policies to create a plan of group insurance qualifying under Section 79 of the Internal Revenue Code. Additionally, under IRS Reg. Section 1.79, group permanent life coverage may be offered to all employees on a "class" basis. Under such an arrangement, a typical superimposed Section 79 plan may extend coverage to selected employee classifications as illustrated in Figure 2.

Group term insurance plans provide little, if any, protection during retirement because of cost considerations and, therefore, are not permanent solutions to estate liquidity problems. At retirement, the employee is faced with the following decision: "Should this group insurance be dropped altogether or should it be converted at the employee's attained age?"

The economics of the situation often dictate the answer. For instance, \$100,000 of term insurance converted at age 65 costs close to \$6,500 per year. Permanent insurance under a Section 79 plan can avoid this problem because the employee may take over the policy at a premium based on the original issue age (if the employee has participated in the plan since age 45, his annual premium will be \$2,466) or the employee may elect to take a reduced paid-up policy (again, if the employee has entered the plan at age 45, his paid-up policy will amount to \$59,000).

Permanent insurance under a Section 79 plan, when combined with judicious use of trust, can produce significant estate liquidity to provide an alternative to many stock-redemption plans. For example, it has been suggested that a stockholder-employee might desire to establish an irrevocable life insurance trust to own the permanent policy under a Section 79 plan on his life. At his death, the trust will receive the proceeds income-and-estate-tax free—assuming that the insured has lived three years—and use them to purchase assets from his estate, thereby giving the estate the liquidity it needs.

A Section 79 plan can also provide an answer to the problem of equitably treating family members not active in

FIGURE 1  
Twenty Year Cost

\$100,000	Age 45 Annual Premium \$2,466	
	Personally Purchased Non-Par Whole Life	Group Permanent Corp. Bonus Plan
Total Premium Paid by Employee (Non-Ded.)	\$ 49,320	\$ 0
Taxable Income to Employee	0	\$24,477
Tax Cost in 50% Tax Bracket	0	12,239
Total Premium Paid by Corp.	0	49,320
Tax Cost in 50% Tax Bracket	0	24,660
Total After Tax Cost to Corp.	0	24,660
Combined Net Cost	\$ 49,320	\$36,899
Savings		\$12,421

FIGURE 2  
SUPERIMPOSING\*

CLASS	EXISTING GROUP PLAN	SECTION 79 PLAN	TOTAL GROUP PLAN
I President	\$25,000	\$75,000	\$100,000
II Other Officers	15,000	35,000	50,000
III All Other Employees	10,000		10,000

\*A plan of group insurance combining Group Term insurance and a permanent Section 79 plan for an employer with 10 or more employees. Permanent coverage is offered to classes I and term coverage is offered to Class II under the Section 79 plan.

FIGURE 3

Age	Table of Uniform Premiums Annual Rate	PS-58 Rate	Percentage PS-58 is Higher at Given Ages
25	.96	1.93	101%
30	1.20	2.43	102
35	1.68	3.21	91
40	2.76	4.42	60
45	4.80	6.30	31
50	8.16	9.22	12
55	13.20	13.74	4
60	19.56	20.73	6
65	19.56	31.51	61
70	19.56	48.06	145
75	19.56	73.23	274

This announcement is neither an offer to sell nor a solicitation of an offer to buy these securities.  
The offer is made only by the Prospectus.

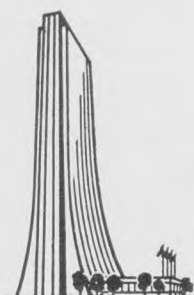
New Issue / October 1, 1976

\$125,000,000

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7<sup>3</sup>/<sub>4</sub>% Notes due October 15, 1986

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the management of a closely held corporation.

The business owner can purchase a group permanent policy on his life and name inactive family members as the owners and beneficiaries of the policy. On his death, these members will receive the proceeds while family members active in the firm will be left the company stock. It's not necessary to balance group permanent insurance with the value of the company, since the insurance proceeds are cash while company stock is not readily convertible into cash.

Many pension and profit-sharing

plans utilize life insurance as the traditional method of providing pre-retirement death benefits with a qualified plan. However, there are certain advantages in using a permanent policy under a Section 79 plan outside the qualified plan. The income tax savings offered by a qualified plan can be substantial, for not only are the contributions free of current income taxes, but investment income and capital gains also escape current taxation. Why deplete these tax savings by using a portion of the account to purchase life insurance?

Additionally, life insurance utilized

in a pension or profit-sharing plan is taxed to the employee in accordance with the P.S.-58 Table. However, if group insurance is utilized outside the plan, the first \$50,000 of such coverage is without tax consequence to the employee and the excess is taxed on the basis of the uniform premium table, which is substantially lower than the P.S.-58 rates. Figure 3 illustrates this difference between the uniform premium table and P.S.-58 rates at various ages. In instances where no pension or profit-sharing plan exists, certain permanent policies under Section 79 plans can be designed to allow for qualification of the cash-value portion as the employee's own IRA plan. The premium for the cash-value portion then is deductible to the employee, subject to guidelines set forth in the Employee Retirement Income Security Act.

In looking at the problems bankers face in planning for the future, it is important for insurance agents to understand their clients' inner motives and to provide opportunities for clients to put these inner motives to work. To maximize the opportunities available to brokers and their clients, SFO Life Consultants have taken a slightly different approach to the Section 79 market. We call it "Solution 79."

Through our numerous sources, we are able to select the best products from the many trusts to which we have access, for both substandard and standard risks, enabling us to tailor a plan to meet the individual requirements of each broker's clients.

Through utilization of the infinite variety of combinations available, we can provide each broker with a definite competitive edge not available—to our knowledge—from any other source in the industry.

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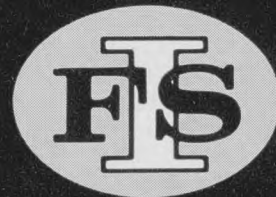
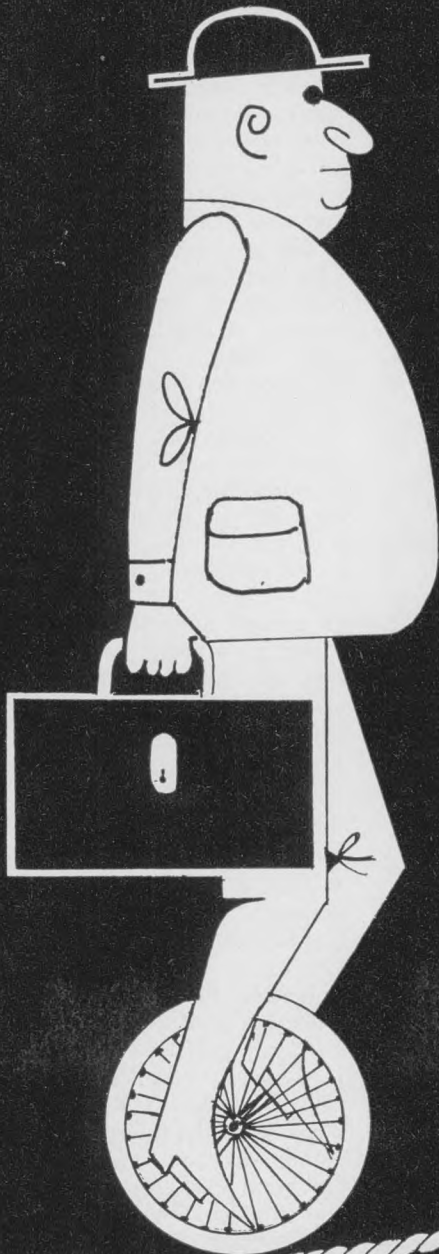
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## First of Chicago Lists Advantages Of Using Insurance Consultant

CAN an impartial insurance consultant be helpful to a bank? First National of Chicago thinks so, according to Stanley C. Bartecki Jr., operations officer in the bank's insurance unit.

The bank, which has retained an insurance consultant firm since 1968, has found its value to be in its objectivity and in the fact that its recommendations, evaluations or advice are factual and can be relied on. Moreover, says Mr. Bartecki, the firm—Corporate Policyholders Counsel, Inc. (CPC), Chicago—performs other useful functions: (a) acting in the scope of an auditor on insurance, periodically reviewing and evaluating the total program; (b) making available a vast source of knowledgeable information compiled from a wide spectrum of clients and (c) providing policy interpretation or help in filing claims.

"The insurance consultant," continues Mr. Bartecki, "can be a valuable resource in the administration of an insurance program with the adaptability to provide extensive service or to function as an arm of the more sophisticated risk manager."

First National retained CPC eight years ago in anticipation of a move to its new headquarters building. The bank's management authorized the firm to review and evaluate the then-existing insurance program as it related to future needs. As a consequence of the CPC study, the bank's property and liability insurance programs were reorganized.

CPC recommended a new concept—that of insuring on a corporate-wide basis rather than individual insurance. A coordinating program was developed to include the parent HC, First Chicago Corp., the bank, as its principal subsidiary, and subsidiaries of both. Risk management techniques were suggested, and a comprehensive insurance program was outlined. CPC drafted specifications for the coverages recommended, requested bids and submitted evaluations of the proposals received. Their presentations were designed to allow the bank to select the alternative proposal that best suited its needs.

Mr. Bartecki says the concept of insuring on a corporate-wide basis had a substantial impact on the property insurance program. The former program insured each property under a separate policy at actual cash value and with minimal deductibles. Under the new property program, blanket coverage was purchased with replacement costs re-

covery and increased deductibles. Adoption of this program, continues Mr. Bartecki, produced the following results:

1. Improved administration through reduction of individual policies.
2. Negotiation of a more equitable loss recovery.
3. Permitted greater utilization of deductibles.
4. Realization of significant savings in premium and reduced administrative costs.

The liability insurance program was modified and, on CPC's advice, was consolidated into appropriate packages insuring on a corporate basis, as with property insurance. This, Mr. Bartecki points out, substantially improved both coverage and cost. Also, to the extent possible, all liability exposures were written with a single insurer to avoid gaps and loopholes in coverage.

The program developed jointly with CPC and First National recognized and provided for future corporate growth. Because of this foresight, Mr. Bartecki says, subsequent expansion was easily absorbed into the program, and administrative problems were kept at a minimum. Now, with implementation of a sound risk and insurance management program, Mr. Bartecki points out, the need for consultant services has modified, and the services now have become an effective tool in administering the total program. CPC services are directed toward unusual or new exposures, complex insurance problems, consultation on legislation affecting insurance and assistance with renewals of major policies. • •

■ FIRST NATIONAL, Dallas, has announced the following promotions: Stephen D. Fisher, James H. Graves, Charles A. Kercheval and C. Bruce Robertson, to vice presidents and Lawrence Cappeletti, John W. Daniel, Kerry Garrison, Larry W. James, Patrick L. Keen, Don R. Kuykendall, Ron L. Lillard, Raymond Ruse, Joe E. Williams Jr. and Phillip R. Wood, to assistant vice presidents. Elected directors were Cary M. Maguire, chairman and president, Maguire Oil Co.; Reece A. Overcash Jr., president and chief operating officer, Associates Corp. of North America; and Doyle E. Rogers, vice president-Texas, Southwestern Bell Telephone Co.

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And finally, C is for Collect Call. Which you should make to J. Wayne Williard, Jr., at 919/725-7261. Or write him at Integon Life Insurance Corporation, P.O. Box 3199, Winston-Salem, N.C. 27102. As Vice-President of Credit Insurance, he can provide more information. Or arrange an appointment at your convenience, without obligation. And no matter what questions you have, he can answer them.

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**J. Wayne Williard, Jr., Vice-President**





## How to Stop the Alarming Increase In Bank Frauds, Embezzlements

### EDITOR'S

*NOTE: The author of this article formerly was an agent with the U. S. Treasury Department. In his present post at Scarborough, Mr. Jones works closely with banks throughout the nation in the areas of general bank accounting practices and procedures, internal controls and physical security. In this timely article, he points out the need for bankers to be ever alert to the increasing need to implement effective audit programs and adequate internal controls to combat the alarming increase—during the past decade—in bank frauds and embezzlements.*



By **OSCAR W. JONES**  
Director  
Loss Prevention Services  
Scarborough & Co.  
Chicago

times. Most of the 1975 figures now have been released, and it's common knowledge throughout the industry that most banks in the country were able to report increases in net operating earnings over the previous year.

How have the banks managed to hurdle the many obstacles thrown into their financial pathways and still show a decent profit?

Banks perform many services, but there are two basic functions: Banks receive money for deposit, and they lend that money out for profit. The ways in which these two functions are carried out have changed over the last decade, but the banking industry still consists of balancing the interests of depositors, borrowers and stockholders.

But it is of the *changes* that we must take particular note in analyzing the banks' success story that has unfolded during the last 10 years when all the odds were against banks even making a profit. As we are all well aware, there have been many changes, both in customer services offered by, and in the mechanical and electronic processing available to, banks in recent years. Every day throughout the country, banks are varying existing practices and procedures in order to offer new services, reorganizing operations in order to utilize new equipment and improving their facilities by many new methods.

All this, of course, is the result of the philosophy of free enterprise, the law of supply and demand and of the inevitable result—healthy competition among our nation's banks. For it's necessary that banks be customer oriented so that they remain competitive within their industry. Most of the

changes are necessary to meet the demands of the increasing number of customers and their transactions. It has been through these vehicles that the banks have been able not only to compete with other industries, but to show remarkable profits when compared to other industries during the same period of time.

But there has emerged, out of these 10 successful banking years, a monster—an undesirable byproduct. For, during these 10 economically successful years, many banks have permitted a weakening of their procedural safeguards, and this weakening has permitted staggering losses or has allowed losses to grow larger before being detected—embezzlement losses. There has been an alarming increase, during the last 10 years, in incidence and size of bank fraud and embezzlement losses.

For example, quite recently a \$2.9-million embezzlement by the president of a small bank was discovered. The embezzlement had been perpetrated over a period of eight years. The lack of an effective audit program and adequate internal controls had permitted this loss.

In another recent case, a bank's executive vice president was permitted almost sole control over the bank's own investment securities. The officer began diverting these bank-owned securities to his own use in financing his speculations in the stock market. Staggering losses in the market finally led him to disclose his irregularities, but not until the total loss to the bank had approached a million dollars.

Yes, there has been an alarming increase, during the last 10 years, in incidence and size of bank frauds and embezzlements.

As bank insurance counselors for the past 57 years, we are disturbed by this turn of events, and, as the one who pays the premium for the insurance to cover part of these losses, the banker should be interested in this short re-

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view of the subject of losses. Losses affect the premium of the individual bank and also the rates for the entire banking industry.

Right off the bat, let us say again and again that it's the bank's responsibility to safeguard its assets. This responsibility has not changed with the entrance of the computer—or any other new equipment or methods—on the scene. Only the required methods of audit and control have changed.

Much of the written and spoken word has been disseminated on the subject of bank auditing and internal controls. While it's not within the scope of these few paragraphs, nor is it our intention here, to conduct a training course on the subject, it is worthwhile to note that the banker of today must parallel his operational-procedure improvements with accompanying and compensating audit and internal control improvements as well.

The Federal Bureau of Investigation is required to investigate a wide range of fraud and embezzlement crimes occurring in federally regulated or insured U. S. financial institutions, including commercial banks, mutual savings banks, S&Ls and credit unions.

Here are the cases of financial institution frauds and embezzlements investigated by the FBI during the last 10 years—the period we're talking about:

Fiscal Year Ending June 30	Number Of Cases	Total Losses (Million)
1966	3,030	18.2
1967	3,157	20.4
1968	3,405	25.8
1969	3,773	32.9
1970	4,125	72.7
1971	5,494	115.3
1972	6,842	123.3
1973	6,787	135.6
1974	7,820	151.1
1975	10,181	188.7

While it's not entirely clear to what extent these statistics apply to the overall experience of bank fraud and embezzlement, they are nevertheless the best available. For example, it is entirely conceivable that large numbers of bank frauds and embezzlements with very small losses in dollars are never reported to the FBI, or are not considered by the FBI to be worthy of investigation.

But the fact remains that the FBI investigated 10,181 cases of financial institution fraud and embezzlement in 1975—more than *triple* the number of cases a decade ago!

Let's face it—embezzlement and forgery losses are on the increase! And bankers must act *now* to stem the tidal wave of these bank-breaking losses.

The next decade surely will bring further application of increasingly sophisticated methods of banking pro-

cedures. And although the basic elements of banking will never change, bankers feel—and rightly so—that they must concentrate their attention on their customers' needs, desires and aspirations.

So, let the words used here be few and simple, and let the problem and the solution stand out by themselves in their own significance. With the deluge of innovations in the banking field, the most popular comment about frauds and embezzlements among all too many bankers of today has been, "Let the insurance company worry about it." And while we in the bank insurance field certainly do worry about it, it is inevitable that the banker must worry about it, too. He must worry not only about bearing some of the loss—through the vehicle of greater deductibles in his insurance program—but must also assume the responsibility for implementing acceptable audit procedures and for maintaining adequate internal controls in his bank.

Most bankers are aware of this, and —also—are completely aware of, and concerned with, the monetary consideration of any fidelity insurance program connected with the bank. . . .

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having higher loss ratios. . . ." While we recognize that this statement is trite, we would like to remind all banks that it is only trite from overuse because it is basically true. This truism, too, should be considered when evaluating the banker's need for a good audit program and adequate internal controls. The rising tide of bank fraud and embezzlement losses can be turned back by the strengthening of procedural safeguards, implementation of good audit programs and by maintenance of adequate internal controls. But only by taking these direct actions will bankers be able to continue to offer new services, through the vehicles of improved procedures and methods, and thus accomplish their purpose, and—at the same time—guard against corresponding increases in fraud and embezzlement losses. • •

**BMA Slates IRA Update Seminar For New Orleans November 18**

NEW ORLEANS—The Individual Retirement Account (IRA) Update Seminar has been scheduled by Bank Marketing Association for Braniff Place November 18.

The seminar has been designed for CEOs and marketing directors who must have a working knowledge of

what IRAs are and how they can be marketed. Although planned for banks with assets of less than \$250 million, the program is open to any banker wishing to attend.

Among the featured speakers during the IRA seminar will be George M. Morvis, president, Financial Shares Corp., Chicago; and Len Shannon, senior vice president, Central Bancshares of the South, Inc., Birmingham.

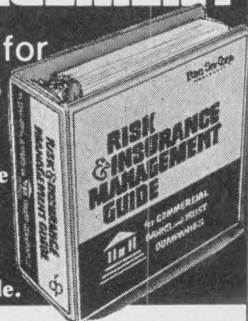
Topics to be discussed in program sessions will be proved ideas on selling IRAs to individuals and businesses; an update on legal, regulatory and operational aspects of IRAs; and current IRA marketing trends in banks, thrifts and insurance companies. The seminar also will provide a forum for exchange and discussion of IRA marketing experiences and ideas.

Specific program topics will be "IRAs Revisited—Legislative Update and Operational Aspects," "How to Structure a Sales Approach to IRAs," "Selling IRAs to the Individual," "Selling IRAs to Self-Employed Persons," "What the Others Are Doing and How to Compete" and "Winners and Losers—IRA Campaigns."

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# First of St. Louis Announces Building Project

**A** TWO-BLOCK-square, \$40-million bank building and office complex has been announced for downtown St. Louis as a joint venture by First National in St. Louis, IBM Corp. and the Equitable Life Assurance Society of the U. S.

Announcement of the complex was made as MID-CONTINENT BANKER went to press. Brief announcement ceremonies were conducted on the site of the planned project by Clarence C. Barksdale, chairman and CEO, First National.

The high-rise complex, said to top out at about 40 stories, will contain 850,000 square feet of space and is expected to be the largest building of its kind in the St. Louis metropolitan area.

In announcing the joint project, spokesmen for the participating firms indicated that the project reflects optimism for the continued development of downtown St. Louis and the future economic growth of the entire metropolitan area.

Mr. Barksdale said he is extremely enthusiastic about the plans for the new complex and termed it a major addition to the metropolitan area. "We are particularly pleased to be able to join forces in this important commitment with two prestigious corporations with outstanding reputations for quality and excellence in whatever they undertake," he said.

Groundbreaking for the building is expected by early 1977, with completion and occupancy sometime in 1979. Principal tenants will be First National



and IBM. The two firms will utilize 70% of the 750,000 square feet of rental floor space. The remainder will be leased to other firms.

Mr. Barksdale said First National will retain its main retail customer operations in the lobby of the bank's present location after completion of the new building. However, the new building will include a banking lobby for customers working in the surrounding area.

The new site is one block from First National's Stadium Drive-in.

Mr. Barksdale also said that St. Louis Union Trust Co., affiliated with First National in First Union Bancorp., will

remain at its present location at 510 Locust, but will move into some of the space vacated by the bank. First Union's administrative offices will relocate to the Market Street address.

He said the primary reason for proceeding with plans for the new building is that projections have indicated that First National will outgrow its present facilities at Broadway, Locust, Sixth and Olive streets by 1980. "We have spent more than \$700,000 renovating our present building over the past three years, but our continuing growth dictates the need for larger, more modern quarters to house our operations," he said.

IBM Corp. plans to house about 600 employees in the new building.

The building is a major part of the second phase of the Civic Center Redevelopment Corp.'s approved development plan for the stadium area in downtown St. Louis.

Neuhaus-Taylor Architects/Planning Consultants of Houston and Dallas will design the building. Preliminary designs are expected to be ready early next year.

"St. Louis is rapidly gaining a national reputation as one of the most exciting cities in the country," Mr. Barksdale said at the announcement ceremony. "This project should provide additional impetus for the further development of St. Louis and should help to enhance that reputation." ••



Solid squares and dotted line on map and photo (above) show location of \$40-million bank building and office complex announced as joint venture of First National in St. Louis, IBM Corp. and Equitable Life Assurance Society for downtown St. Louis. Two-block site is bordered by Market, Eighth, Walnut and Ninth streets, facing proposed Gateway Mall.

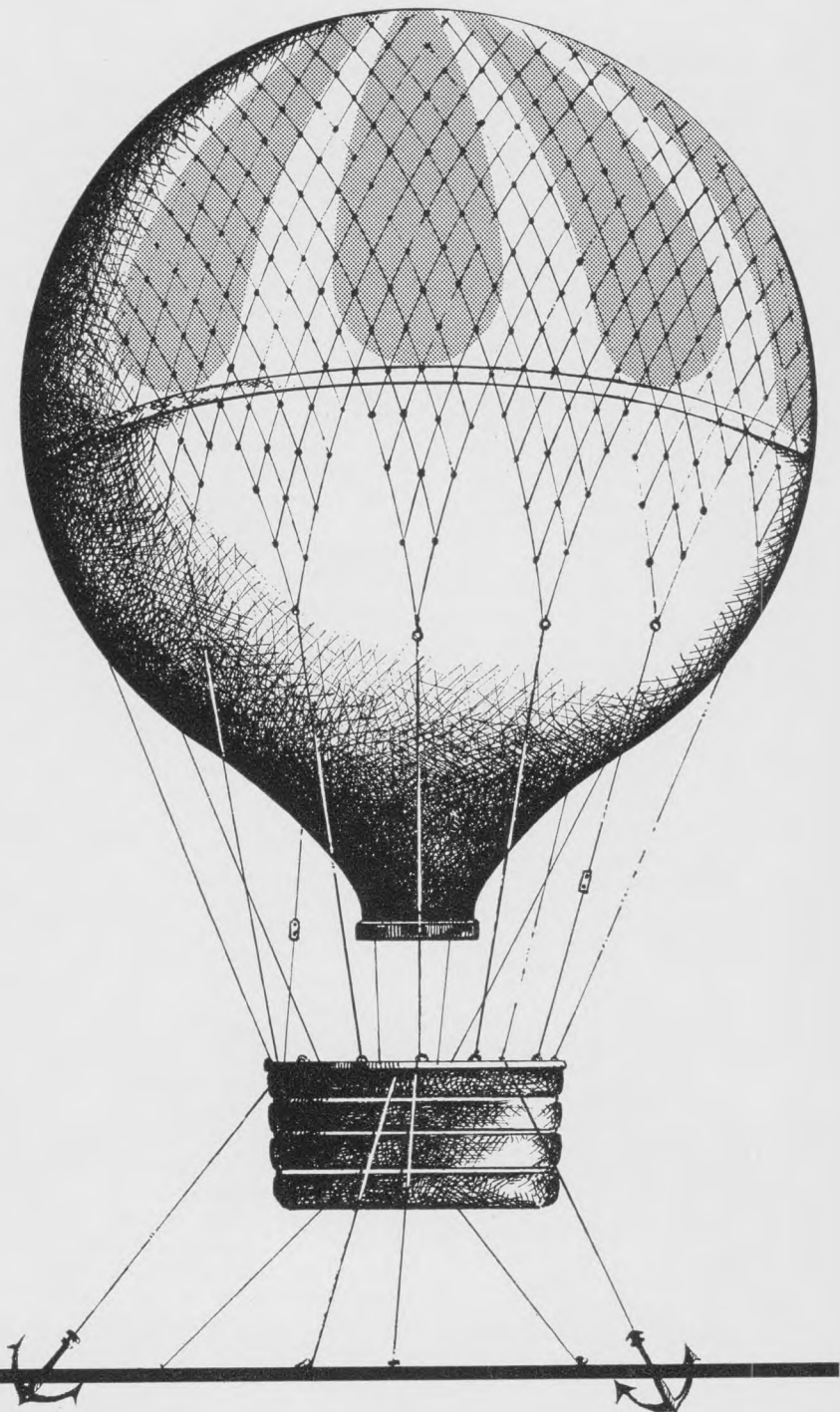
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The time is right. If you are a one-banking holding company we can help you form a profitable underwriting subsidiary, or show you how to make your reinsurance operation really perform. We can help holding companies and banks alike form profit-producing insurance agencies. We are experts in risk management. We can show you how to "get off the ground..." safely and soundly.



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- Mobile home coverages
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- Crop hail
- Automobile coverages
- Trust Department — employees and pension plan coverages
- Maturity value savings plan insurance
- Usual banking holding company coverages
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# Union Members Assured of Vacation Pay Under Bank-Operated Stamp Program

By **NORMAN E. MEYER**  
Vice President  
Tower Grove Bank  
& Trust Co.  
St. Louis

**B**ANKS often are called on to perform diverse and unusual services to meet a customer's needs. Probably one of the most challenging requests made of Tower Grove Bank came from the Bricklayers Union back in 1948. The bank was asked to help the union develop a system that would guarantee its members payment of their vacation pay as provided in their union contract.

The problem was that bricklayers, like most other building trade union members, worked for a number of contractors each year, consequently making a vacation plan difficult to administer. A solution was found with development of the "vacation stamp." This was only the beginning of what ultimately became the multiple fringe-benefit stamp, which was initiated by the Plumbers Union in 1951. At that time, the vacation stamp was expanded to include other fringe benefits such as health and welfare, pension, training programs and other union-related benefits.

The program works like this: Stamps are issued in various hourly denominations and are priced in accordance with various union fringe-benefit plans. The contractor buys the stamps at the bank or by mail and distributes them to the employee at the end of each pay period. (Essentially, the contractor prepays his contribution to the member's funds.) Issuance of the stamp is the employee's guarantee that payment has been made by the contractor. Stamps are redeemable at the end of the plan year and at that time, each member's stamp book is certified by a union official or representative of the fund. The union then sends the books to Tower Grove Bank, where they are rechecked and audited. A vacation check then is prepared by the bank for

issuance to the union member. The bank administers this and other funds such as pension or health and welfare separately through its trust department.

In a survey conducted in 1973 by the International Foundation of Employee Benefit Plans, the following findings were cited:

1. Only 7% of the 459 trust funds responding to the survey reported *no* current delinquencies. By contrast, 313 funds reported total current delinquencies in excess of \$20 million. Although this money ultimately may be collected, the findings suggest that delinquency is a legitimate concern of most funds.

2. In many cases, delinquency seems to be repetitive and chronic in nature. About two-thirds of the funds indicated that delinquency usually involves "the same group" of employers each month.

3. Among welfare funds, more than one-quarter indicated that they "give full credit of hours for eligibility purposes *even though* the employer is delinquent."

Further fiduciary responsibilities of fund trustees were created by the enactment of the Employee Retirement Income Security Act of 1974 (ERISA), which has placed greater regulatory demands on trustees to implement necessary procedures for collection of funds and avoidance of delinquencies

A number of St. Louis labor leaders were asked recently what effect the union fringe-benefit program had in reducing delinquencies and collection problems. In answer, Ollie W. Langhorst, executive secretary-treasurer, Carpenters' District Council, stated, "Immediately, the amount of delinquent payments was reduced from 10s of thousands of dollars monthly to virtually zero." He went on to say that the system has "also freed our business representatives in the field to do the jobs they were elected to perform—service the membership."

John J. Flynn, business manager, Bricklayers' International Union of Missouri, said, "In addition to virtually eliminating delinquencies, it benefits the conscientious contractor to the extent that it protects the funds to which he has contributed."

Leo F. Flotron, business manager, Journeymen Plumbers Union Local No. 35, St. Louis, said he has "found the stamp program for collecting fringe benefits for the various funds to be the best collecting arrangement there is." He went on to say, "In my numerous trips around the country, and after talk-

ing to other union officers, I find they have many problems with their collection and, as a result, have lost many dollars."

The union member also benefits from this multiple stamp program. As one member put it, "I work hard for my money and need to know just what I've got coming from my employer. With these stamps in my hand, I know just what I can count on in the way of health and welfare benefits and vacation pay."

The need for a good system of accounting and auditing of these varied funds and stamp transactions made the use of the computer vital. Recognizing this need, in 1973 Tower Grove Bank developed a computer program for union fringe benefits. This UFB program accounts for hours worked and related stamp transactions and performs a stamp audit to act as a control of funds. It provides monthly printouts of contractor and employee listings for a cross audit of who worked for whom and how often. It also provides a much-needed accounting service for representatives of both the unions and contractors who make up the board of trustees charged with ensuring fairness to both parties.

Because of the comprehensive design of the program, it has proved to be an effective instrument to guarantee and safeguard the many millions of dollars collected annually by the funds. In addition, ever-increasing reports of multi-employer-funds collection problems are being expressed by unions around the country, and yet users of the stamp program in St. Louis are relatively free of this concern. What began as an idea in 1948 now has become an integral part of the St. Louis building trades unions' funds, and its continued growth and development attest to the success of the program. • •

## Bird Handles PR Job

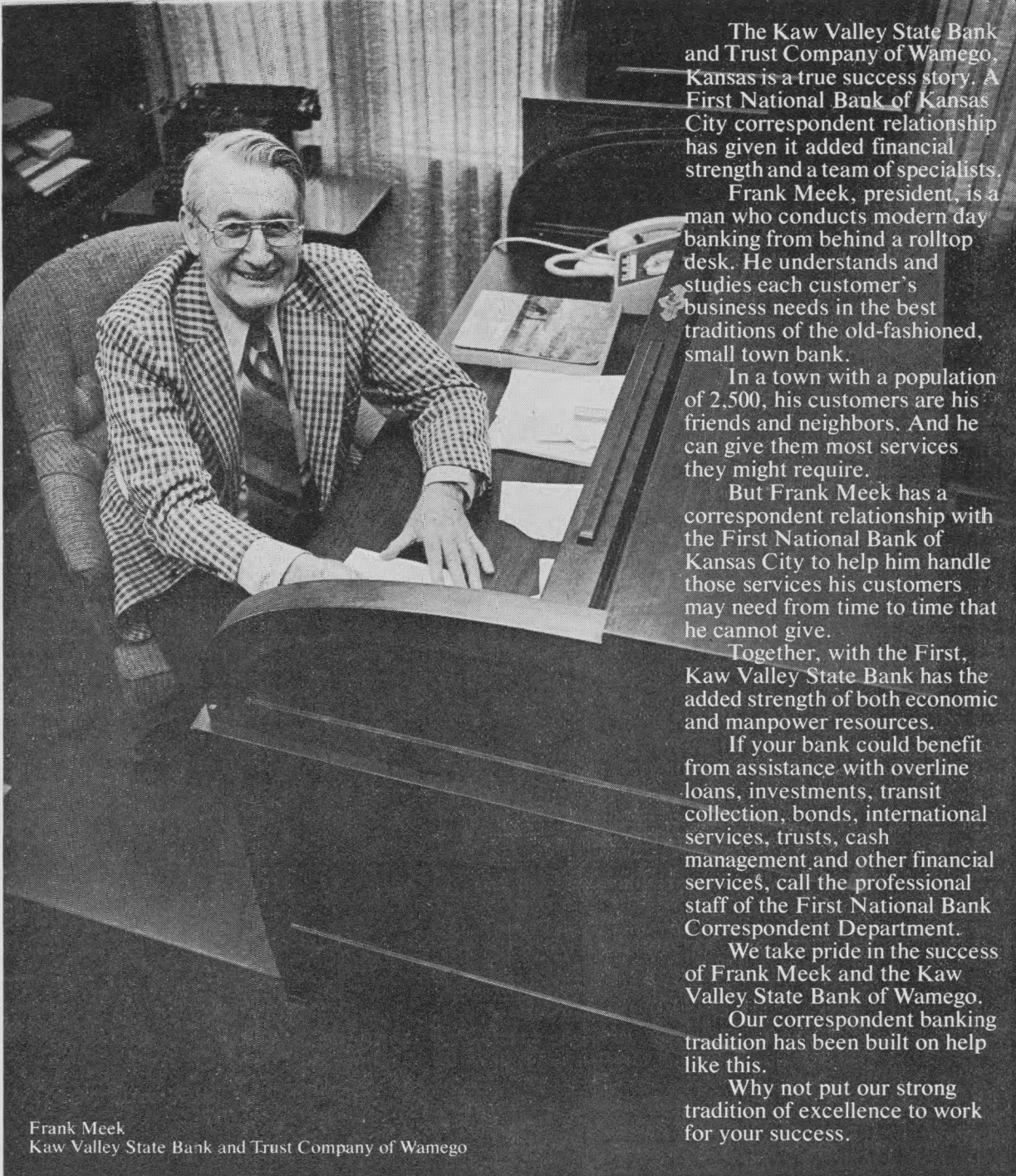


Handling one of First Nat'l of Fort Worth's PR jobs is Sinbad the parrot, as he offers tickets to Fort Worth Zoo dir. Elvie Turner (l.) and Jerry Minton, bank s.v.p. The free passes are for the bank's "First Free Day at the Zoo," a bank-sponsored day at the zoo for customers and employees. The offer is one of a series of events leading up to First Nat'l's centennial celebration next April.

**MR. MEYER** is business development officer at Tower Grove Bank and coordinator of the union fringe benefits plan described in the accompanying article. He holds a bachelor of science degree from St. Louis University and an accounting certificate from the U. S. Treasury Department.



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but when we can't  
it's nice to be able  
to call on the First.”



Frank Meek  
Kaw Valley State Bank and Trust Company of Wamego

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

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

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

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

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

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

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New ABA President W. Liddon McPeters, pres., Security Bank, Corinth, Miss., relaxes at home with his wife, Sis (c.), and daughter, Marcia. Mr. McPeters moved up to the ABA's top post from pres.-elect last month at the association's convention in Washington, D. C.



Mr. and Mrs. McPeters are entertained on a boat belonging to Robert Heyer (l.), Corinth auto dealer. The photo was taken on Pickwick Lake on the Tennessee River, 18 minutes from Corinth. This is where the Tennessee-Tombigbee Waterway, now under construction, joins the Tennessee River. The waterway will connect the Mobile, Ala., harbor with the Tennessee and Mississippi River system at this point.

# McPeters of Is New ABA



Mr. and Mrs. McPeters take a leisurely stroll in the yard of their home.



Mr. McPeters is shown enjoying one of his favorite pastimes, reading. However, during his terms of ABA pres.-elect and now as ABA pres., such moments are rare.



Friends of Mr. and Mrs. McPeters are entertained on the lovely patio of their home.



Mr. McPeters presides at one of the Security Bank officers' weekly meetings, which are held in the bank's trust department conference room.

# Mississippi President



As ch. of the board of trustees of the Northeast Regional Library in Corinth, Mr. McPeters meets with Mrs. Martin Shelton, business mgr., and Walt Brown, exec. dir., of the library, which serves five northeastern Mississippi counties.



Mr. McPeters' bank is the setting for a discussion with James Newcomb, farmer and member of the Alcorn County board of supervisors.



Jimmy Fisher (r.), Corinth attorney and pres. of its Chamber of Commerce, talks with Mr. McPeters at the entrance of the Corinth Industrial Park. They're standing in front of a sign listing the plants located in the park. Going up in the background is the building that will house the W. F. Hall Printing Co., where *National Geographic* magazine will be printed starting this fall.



Mr. McPeters and James Newcomb examine a soybean plant on Mr. McPeters' farm near Corinth, which Mr. Newcomb rents. Mr. Newcomb also is a member of the Alcorn County board of supervisors.

Mr. McPeters visits with the Reverend Sam Morris, asst. pastor, First United Methodist Church of Corinth, which the McPeters family attends. Mrs. McPeters trims greenery in the background.



MID-CONTINENT BANKER for November, 1976



# Topics Relevant to Nation's Capital Dominate ABA's Heritage Convention

*Regulation, legislation, politics, economy share spotlight*

**G**OVERNMENT regulation and legislation shared the spotlight at this year's ABA convention, held last month in Washington, D. C. But close on the heels of those two topics were the political arena and the economy. And the topic of EFTS was aired often at special interest sessions.

Billed as "Banking's Spirit of '76" convention, the 101st gathering of America's bankers drew the smallest attendance—10,800—since 1970, despite the fact that more than 500 young people—sons and daughters of convention delegates—were registered.

America's bicentennial celebration was always in mind during the five-day meeting and the flavor of the nation's capital accentuated this theme by providing a backdrop of current events and historic sites for the tourist.

The Supreme Court's timing in handing down its decision not to review lower court rulings regarding the designation of CBCTs as branches lent a note of irony to the proceedings. But ABA President J. Rex Duwe was quick to respond.

He said, "We can only be disappointed with a decision which will allow discrimination to continue in the im-

**By JIM FABIAN**  
Associate Editor

plementation of electronic funds transfer services for bank customers. Only banks, among all financial institutions, are being kept out of EFT.

"It is now clear that a legislative remedy will be required to assure that all financial institutions are allowed to serve their customers as efficiently as possible in the electronics environment of today and tomorrow.

"Such assurance has been, and remains, our goal. In the days ahead, ABA committees and councils, representing banks of all sizes in all areas of our nation, will develop new strategies for the pursuit of this goal."

There is every reason for bankers to feel they have the clout to get EFTS-enabling legislation passed in Congress, due to the impressive record they forged in the last Congress when they lobbied successfully to defeat the Financial Reform Act.

Mr. Duwe, who is chairman and president, Farmers State, Lucas, Kan., presided over the convention as outgoing ABA president. During the first

general business session, he called for increased unity within the banking industry to meet legislative and regulatory challenges that can be expected next year.

He said the common characteristics of banks are far more important than their differences. "During this past year, we bankers have faced some of the most important challenges of our lives—and we have dealt with those challenges successfully because we did so as a united industry."

Referring to the defeat of financial reform legislation in the last Congress, Mr. Duwe said it was bankers "who consistently pointed out the defects in this legislation, and bankers can take pride in helping save the public from what was inherently poorly conceived legislation."

He said that banker action also helped to prevent legislation that would have done the following:

- Consolidated all bank regulatory agencies "into one monolithic—and probably unresponsive—giant agency."
- Dangerously politicized the operations of the Fed.
- Compelled merchants to impose a surcharge on all credit card sales.
- Required depository institutions to withhold taxes on all interest and dividend payments.

He warned that almost every issue considered by Congress during the past year will be raised again when the 95th Congress is seated in January. "Financial reform, consolidation of regulatory agencies, interest on demand deposits—all will be alive and kicking next year."

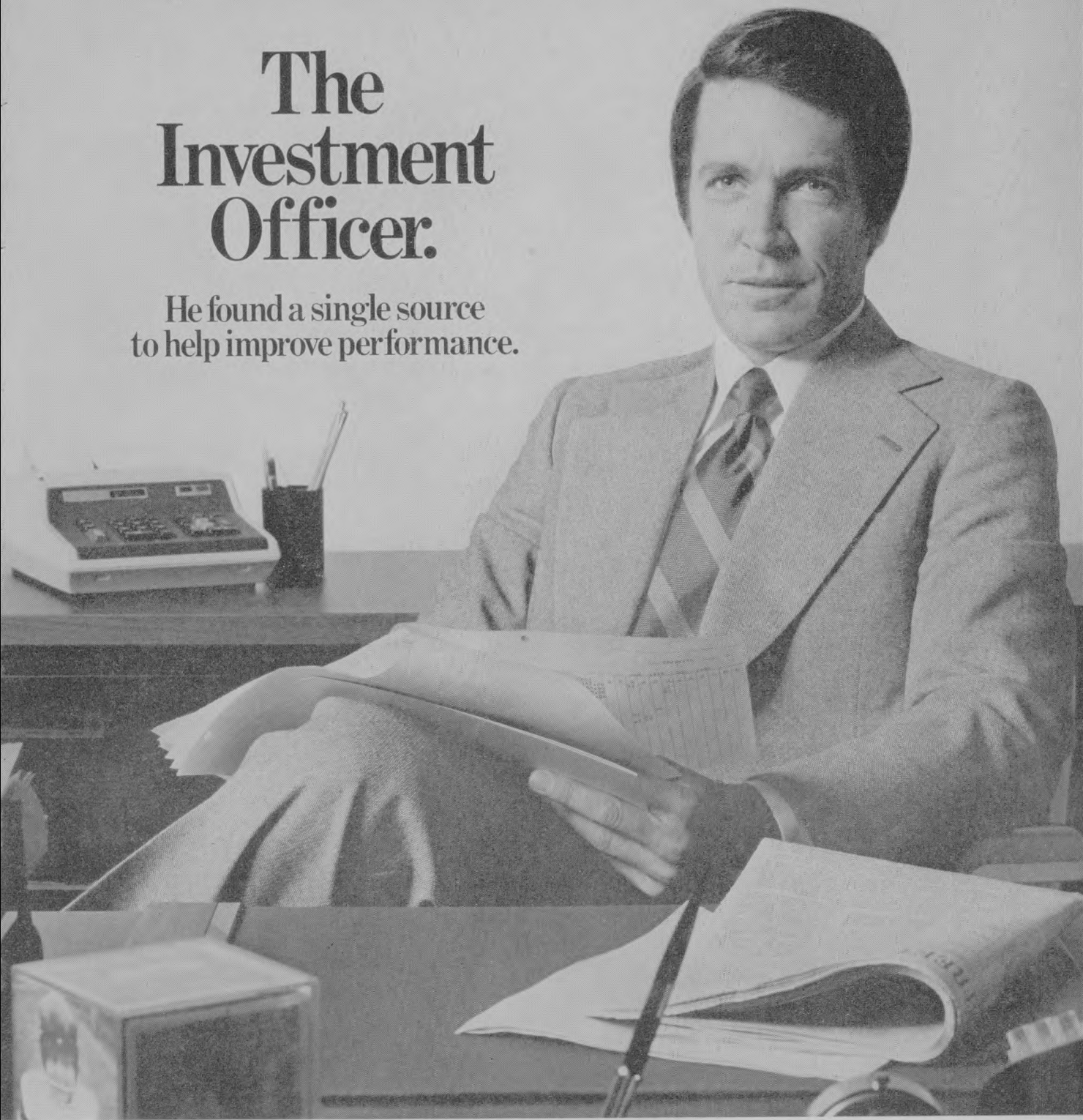
Prompting new legislative challenges for bankers, Mr. Duwe predicted, will be the reports of the Electronic Funds Transfer Commission and the National Transfer Commission on the Rights of Privacy, as well as a study by the General Accounting Office of the effectiveness of bank examination and regulatory pro-



**New ABA officers pose on steps of U. S. Capitol in Washington. From l., Willis Alexander, e.v.p.; J. Rex Duwe, ch., governing council; W. Liddon McPeters, pres.; A. A. Milligan, pres-elect; Roger A. Lyon, treas.**

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*FOCUS™*—our trust investment advisory service provides all the investment research that our own portfolio managers use daily, plus clear, concise monthly reports, and two yearly man-

agement seminars conducted by the top trust officers of the Northern Trust.

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cedures.

"We ourselves must first understand all the complexities and ramifications of these banking issues—how they will affect not only banking but the entire economy. We must be willing to sacrifice outmoded thinking in the face of new realities. And we must make sure our legislators share our understanding of these issues," he said.

"To do all that will require an even greater unity of purpose and action than we have achieved during this past year. But it is our only hope for a successful resolution of these issues," he said.

Banking successes were commented on by ABA's executive vice president, Willis Alexander, during the second general business session.

By keeping the customers' interests first, banking has succeeded in the legislative arena and in the court of public opinion, he said.

"Given the scare headlines of a year ago, Congress' protracted efforts to reform banking and the recent back-handed compliments about our so-called lobbying prowess," bankers continue to find favor in the eyes of the public, Mr. Alexander said.

While the media were reporting problems with banks "using year-old data to infer that we were now suffering a banking crisis" and legislators were "decrying so-called banker indifference," bankers continued to serve and respond to the needs of their customers, he said.

Citing a nationwide survey that appeared in a recent issue of *U. S. News and World Report*, he said banking ranked highest among 26 industries for "honesty, dependability and integrity."

"It is apparent that our customers believed what they actually saw and experienced at our banks more than what they read and heard in the media," he said.

He suggested that it is inevitable and appropriate that certain changes will occur in banking, "so long as this change reflects a sincere and proper response to the needs and wants of our customers."

Mr. Alexander identified six desires that banking customers will seek in the years to come:

- Greater convenience in banking services.
- Expanded value for their funds.
- Assurance of reasonable privacy for their banking records and transactions.
- Equitable treatment as individuals, not as representatives of a class or group.
- Participation by their banks in serving legitimate community credit needs.

• Maintenance of freedom of choice—freedom to use the individual services and the individual banks of their own choosing.

"Bankers can continue to bask in the high opinion of the public and can continue to have influence in Congress as long as we continue to retain the proper perspective—the customer's perspective," he said.

"So long as we focus on servicing the customer's needs, we will continue to succeed as bankers," he said.

A panel of federal regulators concluded that there will be no backtracking on regulations covering financial institutions, but that there is a chance that the rate of enacting new regulations can be slowed.

Panelists included Stephen S. Gardner, vice chairman, Fed Board of Governors; Robert E. Barnett, FDIC chairman; Garth Marston, acting FHLBB chairman; and Robert Bloom, acting Comptroller of the Currency. Moderator was John H. Perkins, president, Continental Illinois National, Chicago, and chairman, ABA government relations council.

Mr. Bloom said that the complexity that is perceived as such a burden on banking results from trying to regulate a free economy. If bankers all acted alike and stayed in the same mold, he said, there would be no need for all the regulations that are necessary to keep banking in line. He said the diversity of regulations is a tribute, in a way, to the innovations brought about by bankers.

Mr. Gardner said that the sensitivity of banking issues causes Congress

to weaken legislation. He called on bankers in the trenches to give Congress the will to pass measures that are beneficial to banking.

On the topic of deregulating the industry, Mr. Marston said that it's an old story—everybody wants to deregulate the other guy's industry, but when it comes to his own, he balks. He asked if bankers really want deregulation.

Mr. Barnett said that bankers should concentrate on stopping the increase in the number of regulations being passed in Washington. Diminution of the rate of new regulations is the only hope, he said.

Mr. Marston said the reasons behind banking's defeat of reform legislation in Congress could be credited to the facts that this is an election year and that there was something in each bill for everyone to disagree with. Those who favored reform were not well organized, he said. It isn't possible to enact legislation with such a broad scope. He recommended piecemeal action.

Mr. Bloom said homogenization of the banking industry should be accomplished before consolidation of federal regulatory agencies is attempted.

The regulators agreed that the Supreme Court's decision on CBCTs gives new impetus to the EFT commission. Mr. Bloom said the structure of the commission is unfortunate, since no hardware manufacturers are represented. This indicates, he said, that Congress wants a policy report, with no influence from the interests that will benefit from hardware sales.

In commenting on the overall condition of the financial industry, Mr. Barnett said that 368 banks were on the FDIC problem list and that a leveling in the number of problem banks is seen. He added that 98% of the nation's banks are not on the problem list and that insider abuse is the number one factor in problem-bank cases.

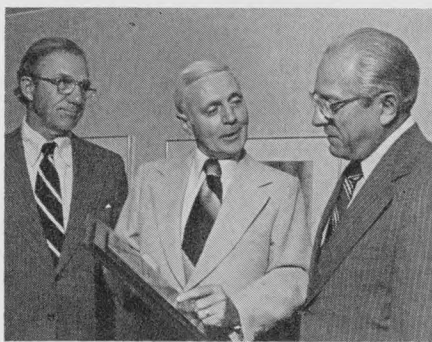
Mr. Marston said some S&Ls were on his agency's problem list, but the situation has improved over what it was a short time ago.

Mr. Gardner said that the banking industry has weathered a tough storm in recent months, but the myth that all banks are sound has been punctured.

At the last general business session, ABA officers for 1976-77 were elected. They are: W. Liddon McPeters, president, Security Bank, Corinth, Miss.—president; Roger A. Lyon, president, Valley National, Phoenix—treasurer (for a second term); and Mr. Duwe—chairman of the governing council. Elected president-elect was A. A. Milligan, president, Bank of A. Levy, Oxnard, Calif.

Next year's convention will be in Houston, October 15-19. • •

### Awarded Third Year Running



Jerome R. Heyer (r.), e.v.p. and off-in-charge of operations, Detroit Bank, accepts a plaque for excellence in accident prevention during 1975 from Carl H. Fiedler (c.), regional safety mgr., and Eugene B. Martineau, br. mgr., both of Michigan Mutual Insurance. Each year, the award is given to one company in each of 10 insurance classifications for the lowest number of on-the-job employee accidents and the least amount of time lost from work as a result of injuries. Detroitbank Corp., parent HC for the bank, is only the second company in the award's 25-year history to receive the citation three years in a row for "service to humanity through outstanding achievement in safety."

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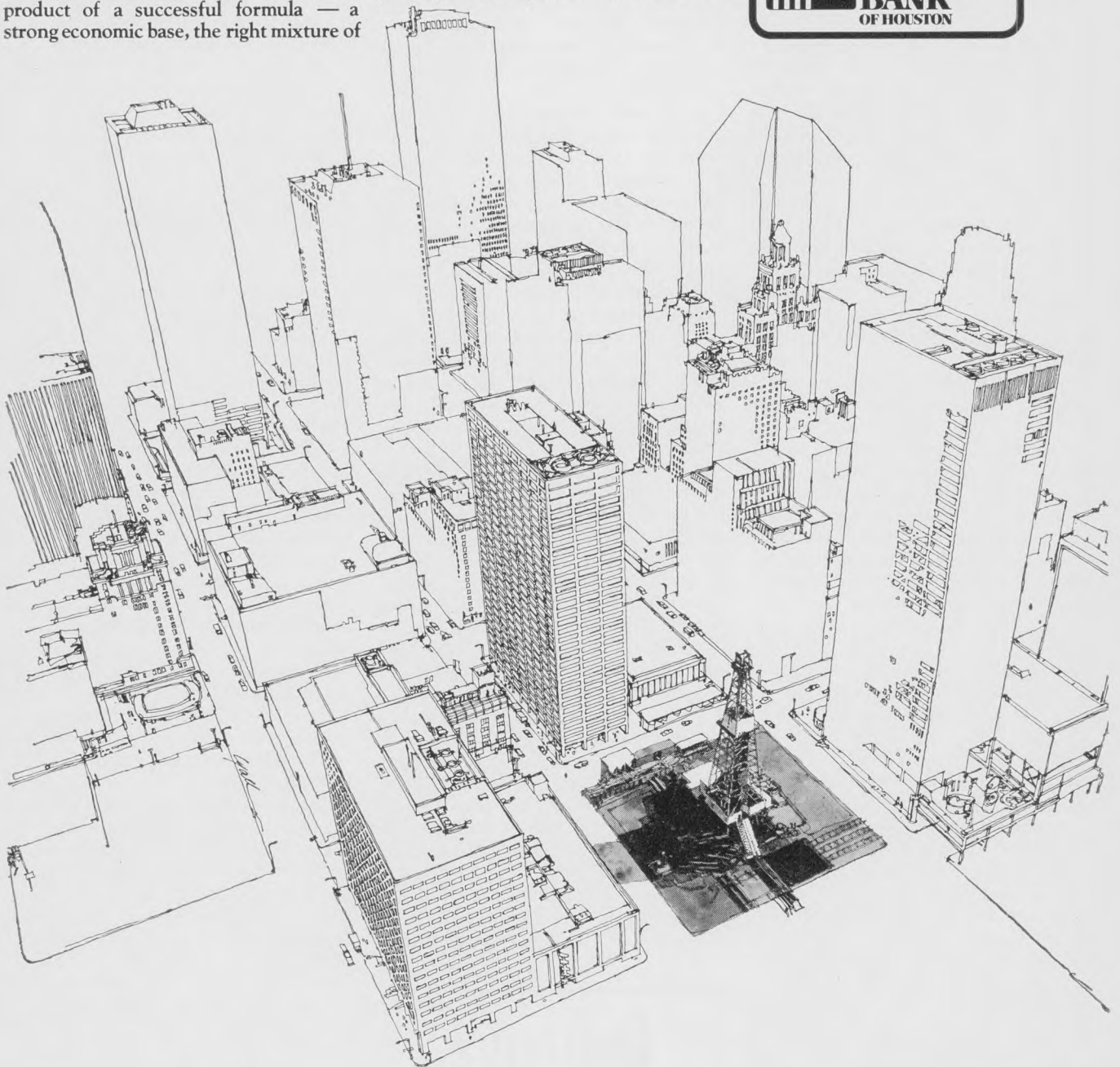
physical and human resources, a central national location, convenient port facilities and the availability of technical and scientific personnel and services.

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A major financial strength behind Texas industry.





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# Comments Pro and Con Sent to Comptroller On Credit Life Income Proposal

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A PROPOSED REGULATION on disposition of credit life insurance income made last July by outgoing Comptroller James E. Smith produced a rash of comments. The proposal would forbid diversion of commissions on credit life insurance to officers, directors or controlling shareholders of a national bank, unless all income from such sales is credited to the bank, its wholly owned subsidiary or an affiliate whose beneficial ownership is identical to that of the bank. It also would require that a bank's board, by resolution, approve establishment and method of operation of credit life insurance sales programs and sets forth a non-exclusive list of permissible methods of selling credit life. Finally, the Comptroller reserves the right to approve national bank requests to modify the regulations to fit particular circumstances.

Comments on the proposal were accepted by the Comptroller's office until October 1. As of press time, no announcement had been made as to whether the proposed regulation will be adopted. If it is, it may clash with state laws in various sections of the country because some of these laws forbid any insurance commission, including that from credit life income, being paid to any person or firm other than a legally licensed insurance firm or agent.

In August, five Texas banks filed a suit challenging the proposed regulation. They contend that it violates 12 U.S.C.A., Section 92, which denies national banks the power to act as insurance agents in cities with populations of more than 5,000.

Among comments received in the Comptroller's office were those from the ABA. In a letter dated October 1 to C. Westbrook Murphy, deputy comptroller for law and chief counsel for the Comptroller, then-ABA President J. Rex Duwe (president and chairman, Farmers State, Lucas, Kan.) said that, although the ABA supports the objective of protecting the interests of minority shareholders underlying the proposal, the association is concerned that the regulation, if adopted

as proposed, may unduly inhibit the sale of credit life insurance by some national banks and may create inequities for officers, directors, employees and principal stockholders of some of those institutions.

"Thus," the letter said, "we suggest principally that the proposed regulation be amended to authorize bank boards of directors to approve the payment of commissions on credit life insurance sales to bank officers, directors, employees or principal stockholders, with full disclosure to all interested parties. . . . It is important to note that our recommendation would leave untouched the details of the Comptroller's regulation as they would apply to those few banks whose officers, directors, employees or principal shareholders are, in fact, depriving a bank of income to which it is rightly entitled. The FDIC already has adopted an enforcement policy for the 9,000 state-chartered banks it supervises that is entirely consistent with the alternative we propose."

The Duwe letter pointed out that the Comptroller gave as his major reason for the proposal his concern about possible loss of corporate opportunity for a bank that results from diversion of credit life insurance income to officers, directors, employees or principal shareholders. According to Mr. Duwe, the ABA shares the concern that such income diversion could materially affect bank income statements and also is aware of the substantial personal liability for individuals receiving such income, as well as for a bank's board, that could result from shareholder-derivative suits alleging such loss of corporate opportunity. Nevertheless, the letter emphasized, the flat prohibition on receipt of income from the sale of credit life by individuals seems regulatory overkill, for it ignores the fact that a number of state laws prohibit a

bank from directly or indirectly receiving income from such sales. Where such state laws exist, the letter pointed out, there is, in fact, no corporate opportunity for a bank to lose.

Under the proposed regulation, therefore, the letter continued, banks in states prohibiting their acting as agents for the sale of credit life insurance would be limited in the options by which they could make credit life insurance available to their loan customers. In fact, said Mr. Duwe, these banks, if they want to offer their loan customers credit life insurance, would have to buy group policies for their borrowers and absorb the cost thereof either through reduced profits or higher interest rates on loans. Although decreasing profits are an alternative the Comptroller's regulation was intended to avoid, said Mr. Duwe, the fact of competition from state-chartered banks operating under no such restriction as that imposed by the regulation almost would preclude an interest-rate increase sufficient to compensate a bank for the group policy's costs. Where competition limits interest rates that may be charged on bank loans, and prudent lending policy dictates the availability of credit life insurance coverage, the letter pointed out, the Comptroller's proposal would have the unintended effect of decreasing bank profits.

"Two further situations in which a prohibition on the diversion of credit life income would work serious inequities on bank directors, officers, employees or principal shareholders should be mentioned," said the Duwe letter. "First, many banks, especially in smaller communities, are unable to offer their officers or employees salaries competitive with those of similarly situated institutions without the added remuneration derived from commissions from the sale of credit life insurance. Moreover, the loss of the financial incentive of credit life insurance commissions for officers or employees to sell such insurance as protection for loan customers could both reduce the flow of income from insurance sales and increase loan losses through borrower

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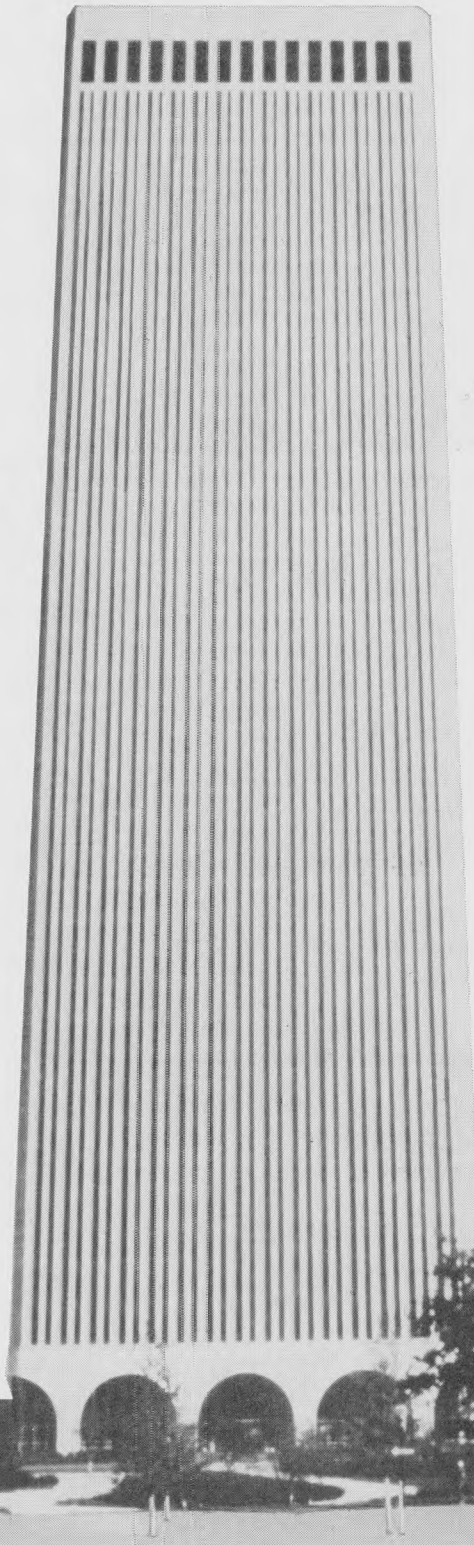
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death or disability.

"A second situation in which diversion of credit life insurance income can be justified is the one-bank holding company bank acquisition. Controlling shareholders of national banks who desire to sell their interest in a bank have often found it difficult to find purchasers in smaller communities and rural areas. The one-bank HC provides a vehicle whereby a purchaser may borrow from a large bank to acquire a controlling interest in the smaller or rural bank and repay his borrowings from the income received from credit life insurance sales. The substantial tax bene-

fits which Congress has provided for such an acquisition permit larger borrowings by the bank purchaser and the payment of an equitable price for the controlling shares in such a bank. Where credit life income would not be available to finance such transactions, in many cases, no more than 'fire sale' prices could be offered the retiring controlling shareholder or his estate."

For these reasons—and because legal ramifications of state laws prohibit bank sales of insurance—the ABA believes an alternative is needed to the Comptroller's proposal. Such an alternative, according to the ABA, would

be regulatory authorization for bank boards to approve the licensing of, and receipt of income by, bank officers, directors, employees and principal shareholders as agents for the sale of credit life insurance. Full disclosure to the board and to all bank shareholders of the details of such methods of insurance sales, said Mr. Duwe, would provide all interested parties an informed opportunity to discuss alternative methods of insurance sales, and approval by a disinterested majority of the bank's board would guarantee fairness to the bank. The letter went on to say that the ultimate sanction for individual officers and directors of personal liability in a shareholder-derivative suit in any case of unfairness further protects the bank and its shareholders in such a situation. Where bank officers, employees, directors or principal shareholders are permitted by the bank's board to receive income from credit life sales, such individuals should compensate the bank fully for the value of premises, employee time and facilities employed in insurance sales. To the extent that the Comptroller's proposal is based on a perceived lack of full disclosure to bank boards or shareholders, the ABA believes its proposed alternative would provide for such disclosure, would permit banks located in states that prohibit bank sales of insurance to remain competitive with state-chartered banks in those states both in terms of loan interest rates and customer services and would permit fair treatment both for bank officers and employees relying on the income supplement of credit life insurance commission and for controlling shareholders seeking an equitable purchase price for their shares.

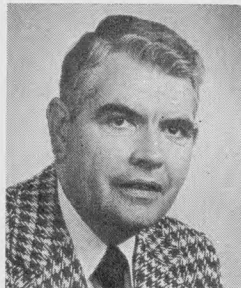
The ABA letter also suggested some changes in wording and terms used by the Comptroller in his proposal.

The Independent Bankers Association of America voiced strong objections to the proposal early in September, also via a letter to the Comptroller's office. The IBAA said insurance agency earnings often play a critical role in making the sale of a bank to an independent, local buyer possible because buyers are attracted by the combined earnings of the bank and insurance agency. In many cases, according to the IBAA, a buyer may find it difficult, if not impossible, to service an existing bank stock loan or negotiate a future one with the modest earnings of the bank alone, and earnings of the insurance agency thus may be a critical ingredient for both parties.

If the regulation is promulgated and followed by other federal bank regulatory agencies, the IBAA said, such regulation similarly would affect state



WALTER BIRMINGHAM



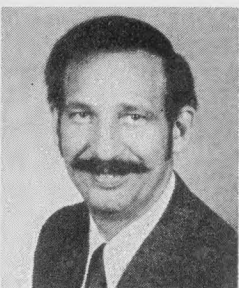
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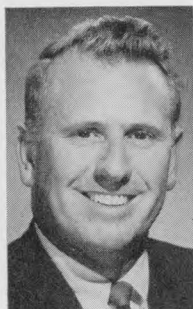
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banks. By making transfer of ownership of the community bank to other local owners more difficult, increased concentration of banking control is bound to occur, the association believes.

The IBAA said the Comptroller fails to make a crucial distinction in his proposal: the difference between a *private* agency legitimately owned by officers or directors and a *bank* agency owned by the bank corporation. The IBAA pointed out that bank supervisors—state and federal—have for decades upheld the right of private agencies to operate on bank premises provided the bank is reimbursed for allocable costs. The IBAA's objection emphasized the lack of legal authority of the Comptroller to force transfer of income of private agencies to a bank.

The association said the proposed regulation also fails to consider several key legal factors, including: taking of valuable property rights of individuals in violation of constitutional due process; preemption of the exclusive right of states to regulate insurance; income-tax liability of private owners for agency income, which cannot be avoided by transfer of income under banking regulation; and relative legal rights of majority and minority stockholders of a bank.

While the proposed regulation is limited to credit life, health and accident insurance, the IBAA is afraid that its adoption may invite extension to other lines, such as fire and auto insurance, now normally handled by private agencies in banks. The reasoning would be the same, said the IBAA: protection of loan collateral.

The IBAA also refuted the Comptroller's contention that payment of credit life commissions to individuals is an "unsafe and unsound practice." According to the association, the courts have held that private agencies, properly operated, provide an important service to a bank and are safe, sound and fair. The IBAA added that adequate remedial laws have existed for a long time to correct abuses: cease-and-desist, officer and director removal proceedings and other statutes, which should be used on a case-by-case basis when abuses occur.

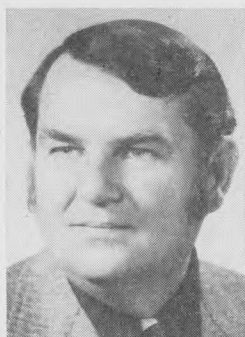
*What about state law?* In surveying banking and insurance commissioners in its 13-state area, MID-CONTINENT BANKER learned that the Comptroller's proposal, if promulgated, would clash with local laws in some of those states. However, some of the commissioners indicated they approve the proposal although the Comptroller has no authority over state-chartered banks.

For instance, Alabama's Superintendent of Banks M. Douglas Mims said his department doesn't have legislative authority to issue such a regulation, but, for a number of years, has tried vigorously to encourage all banks to deposit fees of this nature directly to banks' income accounts. During this time, he said, one of the standard conditions for his office's approval of new bank, branch, trust department or any other applications to expand a bank's activities is that all income of this nature go directly to the bank's income account. As a result, he pointed out, most state-chartered banks in Alabama now handle loan-related insurance income in this manner. He added that he finds there's less self-serving tendency and less reliance on draining earnings to repay large stock loans when credit life insurance commissions are not available.

A similar opinion was voiced by W. Keith Sloan, life and health actuary in Arkansas's insurance department. In general, said Mr. Sloan, Comptroller Smith's proposal makes sense and added that it's difficult to tell whether the practice of allotting commission income to a favored few instead of as bank income might have injured any particular bank, but it certainly seems that the practice has all sorts of potential both



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for abuse and for creation of unnecessary conflicts of interest. He pointed out, however, that some of Mr. Smith's wording appears to be contrary to the spirit of Fed rulings on bank HCs' acquisitions of insurers in which there's supposed to be some improvement of the products to the ultimate purchaser; whereas, in the Smith proposal, the bank is directed to make the most profitable deal it can. Because this understandable attitude underlies most of the problems that have made consumer credit insurance the stepchild of two industries, this seems an unfortunate

occurrence, and so Mr. Sloan's department suggests modification.

"I think," he added, "that the attitudes of the Comptroller of the Currency and of the insurance regulator differ as a result of looking at two very different aspects of the same problem. As stated above, we believe that the persons who actually make what presentation is made to the buyer should be held responsible for their actions in some manner at least akin to actual licensing."

Illinois Bank Commissioner Richard K. Lignoul emphasized that his office

always has closely scrutinized distribution of credit life insurance income to parties other than a bank, generally those parties being employees of the bank. As Mr. Lignoul pointed out, distribution of credit life insurance income to a bank employee often has been viewed by management as a method of furnishing additional compensation to that employee. His office views this type of arrangement as one of arms-length transaction. He said the employee who receives such commission first must submit to his bank's board a detailed explanation of his arrangement with the insurance firm and amount of compensation he receives from that company. The board then should approve and acknowledge the transaction.

Mr. Lignoul believes this is a management problem, and if there's a complete disclosure of the arrangement and the directors set the proper guidelines and assume the responsibility, his office finds no reason to object. The Illinois commissioner also pointed to a state law that specifically prohibits issuance of an insurance agent's or broker's license to any bank, state or national, in cities and towns with more than 5,000 population.

Kenneth E. Pickering, Louisiana commissioner of financial institutions, also approves the Comptroller's proposal, but indicated that there's a problem in his state: Under insurance laws there, a bank cannot be an insurance agency, nor can an insurance agent spread or relinquish any part of his commission with anyone other than an agent for an insurance company. Therefore, said Mr. Pickering, banks are prohibited from receiving any income from insurance sales. He added that he would like to see this state law changed.

New Mexico Banking Commissioner Herbert H. Hughes said he favors adoption of the proposal and gave this reason: "Our job as a regulatory agency is to protect the solvency of a financial institution, not the personal financial position of an official of the financial institution. Such a regulation would help ensure that there are no temptations of officials to enter into business relationships which benefit the individual at the expense of the financial institution and, ultimately, the depositor."

Another objection Mr. Hughes voiced about paying insurance commissions to individuals is that it causes friction among bank personnel because those who receive the commissions are happy, but the others are unhappy about the situation.

Among state banking officials who voiced objections to the Comptroller's

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proposal was H. E. Leonard, Oklahoma banking commissioner. He cited what he believes to be two erroneous assumptions on which the proposal is based: 1. Banks are authorized to be in the insurance business regardless of state statutes, therefore, the Comptroller has the authority to regulate.

2. Issuing licenses and regulations governing that function of the state is not applicable when a national bank is involved.

Mr. Leonard said he cannot find a regulation giving the Comptroller authority to regulate insurance firms or issue insurance licenses. He added that

the Comptroller certainly could prohibit national banks from being in the insurance business and prohibit their officers and employees from providing this service to the public, and that may be his intent. Mr. Leonard said it's possible such prohibitions may result.

However, according to the Oklahoman, there are better ways than the Comptroller's proposed regulation to accomplish the prohibition of self dealing and conflict of interest and still permit banks to be legally authorized to provide this service to the public. It appears, continued Mr. Leonard, that each state's insurance laws should be considered and then various regulations be adopted that will control conflicts of interest and self dealing, yet still not be in direct conflict with state insurance laws. If this isn't feasible for the Comptroller, Mr. Leonard suggested that he just order his banks to cease violating state insurance statutes.

Mr. Leonard emphasized that he doesn't differ with the Comptroller in his concern or reasoning behind the need for solving the problem, only in his approach and disregard for state insurance laws.

The incompatibility of the Comptroller's proposal with Texas state law was pointed out by Hector DeLeon, general counsel, Texas State Board of Insurance. In a letter to Mr. Murphy of the Comptroller's office, Mr. DeLeon pointed out how the proposal violates the Texas Insurance Code. He closed the letter like this: "All insurers and their agents operating in the state of Texas are subject to applicable state laws and regulations and to the supervision of the State Board of Insurance. We expect such insurers and agents to follow such laws and regulations and want you to be aware of the many respects in which we consider the proposed regulation to be incompatible with the Texas insurance regulatory scheme. It is our hope that the proposed regulation can be modified at least so as to make clear that portions of the regulation which are in conflict with state laws in the jurisdiction in which a national bank is located will not be applicable to that bank." • • •

■ JIM P. WILSON has been named senior vice president and southwestern division manager at Republic National, Dallas, succeeding Clifford S. Cooper Jr., who has been appointed international western hemisphere division head. In addition, Mr. Wilson has been elected to the bank's executive committee. Arthur Temple, group vice president and director, Time Inc., has been elected a director of the bank's parent HC, Republic of Texas Corp.

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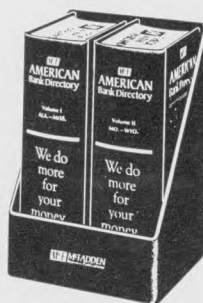
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A borrower, by presenting its lender with an accurate appraisal of its collateral plus an assurance that the collateral will be insured at 100% of its value, can absolve the bank from suffering loss should the loan default and the collateral be liquidated.

The coverage is available through T.H.E. Insurance Co. and T.H.E. Appraisal Co., both in Boston. Firms seeking funds of at least \$150,000 for from one to five years can call on these firms if the value of the collateral is questionable.

The procedure involves getting a ballpark figure of the collateral's worth, based on a borrower's written description of his property and any recent estimates of its worth. Sometimes the appraisal can be made sight unseen, according to the insurer. Should the collateral be extremely questionable as to value, an on-site inspection can be arranged.

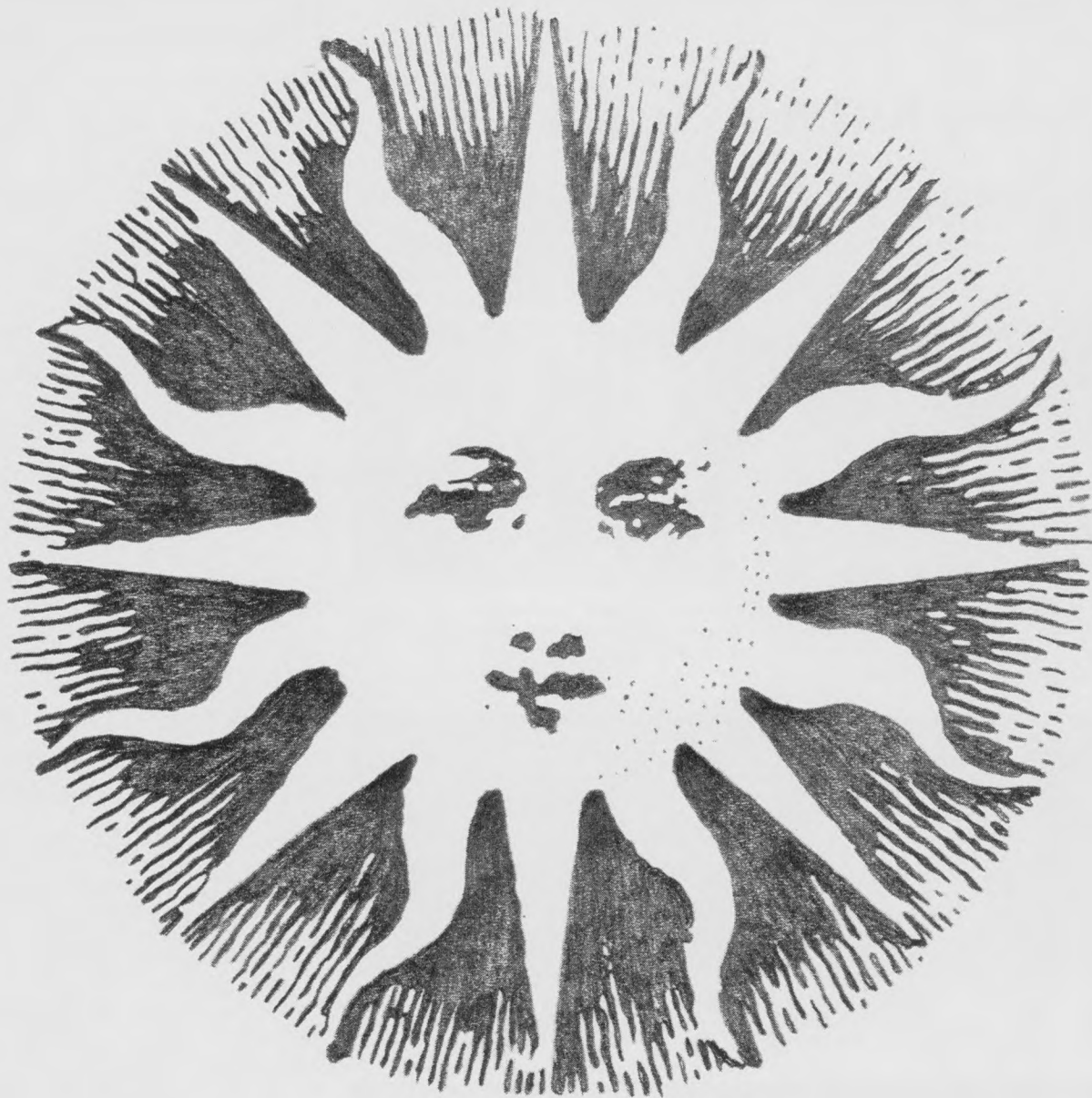
Once a figure is at hand, the borrower can go to his banker and negotiate for a loan with the assurance that the collateral can be insured for the stated value once the loan is granted. Such assurance often can result in a reduced rate on the loan, due to the collateral guarantee.

If the banker is satisfied with the arrangements, the insurer goes ahead with a formal appraisal of the collateral. The insurer will discuss the situation with the lender if necessary.

The insurer does not guarantee that the borrower will receive the desired loan from the lender; it merely assures the lender that the collateral is guaranteed for the amount of the appraisal.

Should a loan be granted, the annual premium for lenders insurance is 2% of the insured value of the loan outstanding at the beginning of each policy year. The formal appraisal adds a one-time 1% cost to the loan, with a minimum figure of \$1,000.

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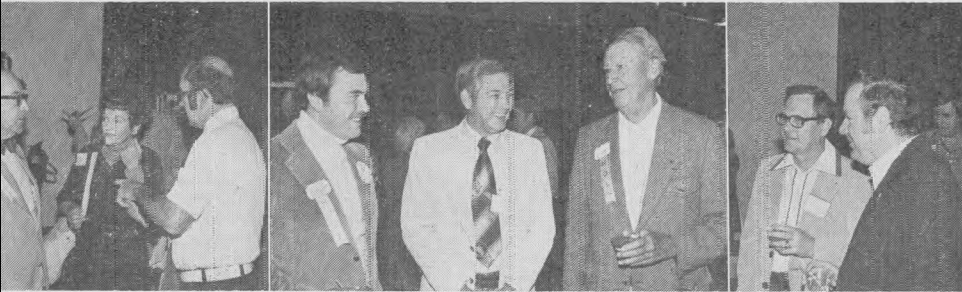
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# Security Nat'l Hosts Football Party

Security National, Kansas City, Kan., hosted some 700 bankers and spouses at its 15th annual football party last month. The day-long event began with a pre-game brunch, took in the eagerly-awaited KU-Oklahoma game and ended with a social hour and dinner. For the second year running, KU lost the contest. This year's score: Oklahoma 28, KU 10. Photos below were taken at pre-game brunch.



LEFT: R. R. Domer, ass't to pres., host bank; Phyllis Mueller, Tampa State; Lloyd Mueller. CENTER: Rick Switala, bond officer, host bank; Jim Cooper, Peoples State, Richmond; John

Peterson, v.p., host bank. RIGHT: Max Grindle, Farmers & Merchants, Hill City; Stanley Griffin, a.v.p., host bank.



LEFT: Dan Switala, v.p., host bank; J. H. Bedene, First State, Arma; Gray Breidenthal, pres., host bank. RIGHT: Mr. and Mrs. D. W.



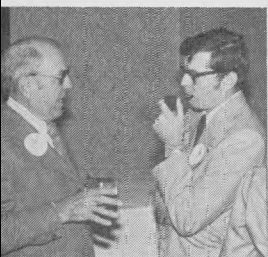
Vink; Boyd Wix, all of Union Nat'l, Wichita; Jay Breidenthal Jr., s.v.p., host bank; Mrs. Wix.



LEFT: W. L. Webber, ch.; Rose Domer; Joyce Domer; Ken Domer, a.v.p., all of host bank. RIGHT: Gary Russell, Larry Stapp, both from



Kanopolis State; Mrs. and Mr. Stephen Gilbert, host bank; Mrs. Stapp; Mrs. Russell.



LEFT: Henry Parkinson, Security State, Scott City; Ken Domer, a.v.p., host bank. CENTER: Ramey Beachly, e.v.p., host bank; David Coch-



ran, Home State, Erie. RIGHT: John Macleod, a.v.p., host bank; Fred Pracht, First State, Edna.



## ABA Slates Insurance Seminar

TUCSON—The American Bankers Association has announced a seminar on premium-saving risk and insurance management techniques for bank executives. The Double Tree Inn will host the event February 6-9.

Sponsored by the ABA's Insurance & Protection Division, the seminar has been designed to give participants practical, effective working knowledge of important insurance coverages and markets.

To be conducted by experts in bank insurance and risk management, the meeting will cover topics such as bankers blanket bond, coverage of directors and officers, fiduciary, trust department errors and omissions and safe-deposit liability.

For registration and information, write: Edgar W. Armstrong, Associate Director, Insurance & Protection Division, American Bankers Association, 1120 Connecticut Avenue, N. W., Washington, DC 20036.

## C. F. Haggard Jr. Heads List Of Chartered Bank Auditors Designated by BAI for 1976

PARK RIDGE, ILL.—Bank Administration Institute has announced its Chartered Bank Auditor designees for 1976. Heading that list is Clyde F. Haggard Jr., auditor, First Security National and First Security National Corp., both of Beaumont, Tex.

Mr. Haggard led all candidates with the highest aggregate score on all four parts of his examinations for the designation and received the program's First Award for 1976 at the BAI's 52nd National Convention in Philadelphia October 20.

The Chartered Bank Auditor designation formally recognizes the professional practice of internal bank auditing and is conferred by BAI's board of directors after a candidate has successfully completed four written exams in the major disciplines of bank auditing, accounting, economics and law, and management.

Besides Mr. Haggard, these bankers from the Mid-Continent area received the Chartered Bank Auditor designation for 1976:

George W. Conger, trust audit supervisor, First National, Memphis; Stanley F. Kopnick, Citibank International, Houston; Robert J. Morris, vice president and auditor, Fidelity National, Baton Rouge; Ernst L. Schaefer Jr., vice president, First National, Chicago; Larry B. Turner, auditor, American National, Amarillo, Tex.; Jack D. Walker, vice president and general auditor, Central Bank of Alabama, Decatur; Joseph W. Merrill, vice president and accounting officer, First-Hardin National, Elizabethtown, Ky.; and Jerry L. Sturgeon, auditor, Landmark Bancshares, Clayton, Mo.

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# Uphill Legislative Battle Predicted For Proponents of Illinois Unit Banking

By **JIM FABIAN**  
Associate Editor

**T**HE ILLINOIS Bankers Association is expected to face an uphill battle on the legislative front in 1977, according to statements made by Robert C. Shrimple, IBA executive vice president, and John R. Montgomery III, IBA first vice president and president, Lakeside Bank, Chicago. The two appeared at the Group Nine fall meeting in Belleville last month. Group Nine is the only IBA group to hold a fall gathering.

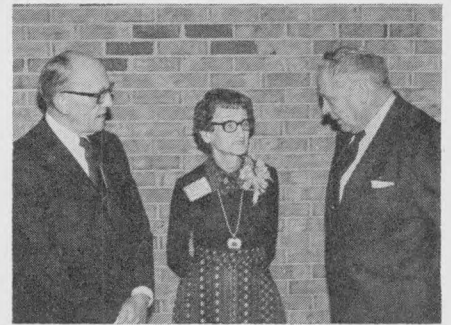
Both men called attention to the fact that the November elections will probably bring dramatic changes in the state legislature. The expected incoming president of the state senate is the same person who handled the various bills involving branching and holding companies in previous sessions, Mr. Schimple said. This will probably result in the selection of new banking committee members, the majority of whom are expected to favor legislation authorizing branching and the creation of multi-bank HCs.

There is doubt whether the current speaker of the house will return, Mr. Schrimple said. Should there be a new speaker, he probably will be an ally of Chicago Mayor Richard J. Daley. The mayor recently sided with the branching faction by proposing branch banking in the city limits of Chicago. Even though he did not succeed, he is expected to keep trying, Mr. Schrimple said.

IBA's rival association, AMBI (Association for Modern Banking in Illinois) is expected to reintroduce branching and HC bills in the legislature in January. If the anticipated personnel changes take place in the statehouse, IBA will find it difficult to win this year.

Mr. Schrimple also reported on a drive to unionize Chicago banks, being carried out by the Amalgamated Clothing Workers Union. The union's aim is to sign up 100 banks in the Chicago area within the next six months.

Unionization of banks could bring chaos to Illinois banking, he said, citing the fact that unionized bank personnel



Highlight of dinner portion of IBA Group 9 meeting last month was awarding of 50-Year Club memberships. Feted were (from l.) William J. Thomas, pres., Nat'l Stock Yards Nat'l; Margaret Torkelson, First Nat'l, Vandalia; and Virgil Sorrells, v.p., Nat'l Stock Yards Nat'l.

would not be permitted to do any work outside of their principal line of work.

A workshop on progressive employee relations will be sponsored by IBA at the Sheraton Oakbrook Hotel November 17 for a limited number of bankers. He said a similar program could be arranged for the southern part of the state.

Mr. Schrimple said 275 banks have joined Electronic Funds Illinois (EFI), the organization sponsored by IBA to initiate a statewide EFT system. Many other banks are interested, he said, including a number that left IBA in favor of AMBI. Forty-three of the 66 banks represented at a recent meeting in Peoria signed up and paid their membership fees.

Richard L. Johannesman, senior vice president, Mercantile Trust, St. Louis, spoke on the investment outlook. He said the economy is basically strong, despite the recent setbacks, or pauses. He added that he expects the economy to continue strong through 1977.

He said the current pause is due in part to a lack of decision in connection with the national election. Once the election is over, there should be a resumption of momentum, he said.

He predicted a fed funds rate of 5% for the balance of 1976, with a small increase due the first quarter of 1977. Higher interest rates are due for 1978, he said, therefore, bankers should stay short. • •

• **Edward D. "Jack" Dunn**, Georgia commissioner of banking and finance, has been elected second vice president of the Conference of State Bank Supervisors by the group's board. He succeeds Richard F. Schaub, New Jersey banking commissioner, who gave up the post because of his pending resignation as commissioner to join private industry. Carl J. Schmitt, California superintendent of banks, succeeds Mr. Dunn as an at-large member of the CSBS board.

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## ON THE COVER

Donald N. Brandin, chairman and president, Boatmen's National, St. Louis, poses before Boatmen's Tower, 22-story aluminum-clad building adjoining Gateway Mall in downtown St. Louis. Bank's new Main Office is in two-story, open court atrium projecting from tower. Operations began October 18, following move from former home, Boatmen's Bank Building, two blocks away (portion of old building can be seen at far left, identified by radio tower on roof). At right is landmark old courthouse, where historic Dred Scott slavery decision was made.

# 'Oldest Bank' Moves Into 'Newest Building'

## Boatmen's Nat'l Occupies New Tower Complex

**T**HE OLDEST bank west of the Mississippi River, Boatmen's National, St. Louis, is now located in what might be called the newest bank building west of the Mississippi.

Although the title "newest" probably became outdated within a week of the building's opening day, the term will be applicable to the unique design of the banking complex for some time to come.

Boatmen's moved its banking operations into Boatmen's Tower the weekend of October 16-17 and opened for

business the following day—129 years to the day of its initial opening. The bank's Main Office is now located in a two-story, open-court atrium with a glass skylight measuring 8,100 square feet. The modern office features glassed greenhouses on three sides, with the fourth side open to the concourse of the tower.

The tower itself rises 22 stories above ground and features a facade of aluminum and reflective glass panels. Bank officers occupy the lower six floors of the tower; the balance of the building is leased to tenants.

The building is one of the first in St. Louis to be designed to cut down on building costs and be energy-efficient. A unique tubular design was used in the \$28-million building to save nearly \$600,000 in construction costs. Tubular construction had been considered uneconomical for buildings of less than 30 stories heretofore.

The tubular concept trimmed some

2½ pounds of steel per square foot in the half-million-square-foot structure, which was translated into a \$1-per-square-foot saving.

To reduce energy costs, double-paned, chrome-coated solar glazing was used instead of normal glass in the building's numerous windows. Although this material is more expensive than glass, it is expected to reduce the admission of heat from the sun and should pay for the added expense (in lower energy bills) within two or three years.

Construction of the complex began in June, 1974, and the topping out ceremony was held early in September, 1975. The building was opened to limited occupancy in June, 1976.

The spacious banking lobby has enabled Boatmen's to consolidate its two downtown offices under one roof. The two offices were located in the Boatmen's Bank Building, home of the bank since 1914, and the Equitable Building. A drive-in facility in the Equitable Building remains in operation.

The tower occupies a site bordered by Broadway, Pine, Fourth and Chestnut streets, adjoining the St. Louis Gateway Mall and one block from the Gateway Arch Monument grounds and the



Workmen hoist safe deposit box unit through hole in sidewalk during move from Boatmen's Bank Building to new Boatmen's Tower on October 16. More than \$2 billion in bank assets, plus undetermined amount in safe deposit boxes, was moved without incident.

# NATIONAL DETROIT CORPORATION



Parent Company of  
NATIONAL BANK OF DETROIT

## CONSOLIDATED BALANCE SHEET—September 30, 1976

### ASSETS

Cash and Due from Banks (including Foreign Office Time Deposits of \$858,747,765)		\$1,867,715,307
Money Market Investments:		
Federal Funds Sold	802,175,000	
Other Investments	44,044,302	
	<u>846,219,302</u>	
Trading Account Securities	11,950,420	
Investment Securities—At Amortized Cost:		
U.S. Treasury	537,149,659	
States and Political Subdivisions	783,782,640	
Federal Agencies and Other	37,176,513	
	<u>1,358,108,812</u>	
Loans:		
Commercial	1,719,480,143	
Real Estate Mortgage	790,695,150	
Consumer	252,720,372	
Foreign Office	421,953,818	
	<u>3,184,849,483</u>	
Less Reserve for Possible Loan Losses	51,383,930	
	<u>3,133,465,553</u>	
Bank Premises and Equipment (at cost less accumulated depreciation of \$40,861,450)	65,726,659	
Other Assets	164,365,653	
Total Assets		<u>\$7,447,551,706</u>

### LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits:		
Demand		\$1,793,725,633
Certified and Other Official Checks		457,994,883
Individual Savings		1,356,821,074
Individual Time		770,934,808
Certificates of Deposits		488,452,239
Other Savings and Time		144,462,045
Foreign Office		1,044,587,378
		<u>6,056,978,060</u>
Other Liabilities:		
Short-Term Funds Borrowed	\$ 646,834,220	
Capital Notes	100,000,000	
Sundry Liabilities	188,237,009	
Total Liabilities		<u>935,071,229</u>
Shareholders' Equity:		
Preferred Stock—No Par Value	—	
No. of Shares		
Authorized	1,000,000	
Issued	—	
Common Stock—Par Value \$6.25	75,000,000	
No. of Shares		
Authorized	20,000,000	
Issued	12,000,000	
Capital Surplus	175,000,000	
Retained Earnings	207,819,760	
Less: Treasury Stock—		
102,808 Common Shares, at cost	(2,317,343)	445,502,417
Total Liabilities and Shareholders' Equity		<u>\$7,447,551,706</u>

Assets carried at approximately \$403,000,000 (including U.S. Treasury Securities carried at \$51,000,000) were pledged at September 30, 1976, to secure public deposits (including deposits of \$84,704,497 of the Treasurer, State of Michigan) and for other purposes required by law.

Outstanding standby letters of credit at September 30, 1976, totaled approximately \$25,100,000.

### BOARD OF DIRECTORS

Robert M. Surdam Chairman of the Board
Charles T. Fisher, III President
Norman B. Weston Vice Chairman of the Board
A. H. Aymond Chairman— Consumers Power Company
Henry T. Bodman Former Chairman—National Bank of Detroit
Harry B. Cunningham Honorary Chairman of the Board— S. S. Kresge Company
David K. Easlick President—The Michigan Bell Telephone Company
Richard C. Gerstenberg Director and Former Chairman— General Motors Corporation
Martha W. Griffiths Griffiths & Griffiths
John R. Hamann President— The Detroit Edison Company
Robert W. Hartwell President—Cliffs Electric Service Company
Joseph L. Hudson, Jr. Chairman— The J. L. Hudson Company
Walton A. Lewis President—Lewis & Thompson Agency, Inc.
Don T. McKone President— Libbey-Owens-Ford Company
Ellis B. Merry Former Chairman—National Bank of Detroit
Arthur R. Seder, Jr. President— American Natural Resources Company
Robert B. Semple Chairman—BASF Wyandotte Corporation
Nate S. Shapero Honorary Chairman and Director and Chairman of Executive Committee— Cunningham Drug Stores, Inc.
George A. Stinson Chairman—National Steel Corporation
Peter W. Stroh President—The Stroh Brewery Company

### ADVISORY MEMBERS

Ivor Bryn Former Chairman—McLouth Steel Corporation
William M. Day Former Chairman—The Michigan Bell Telephone Company
A. P. Fontaine Former Chairman— The Bendix Corporation
Ralph T. McElvenny Former Chairman— American Natural Resources Company
Peter J. Monaghan Monaghan, Campbell, LoPrete & McDonald
George Russell Former Vice Chairman— General Motors Corporation





Boatmen's National has consolidated banking operations in this two-story, open-court atrium annex to Boatmen's Tower. Bank's two former downtown offices at Boatmen's Bank Building and Equitable Building were moved to new location. Drive-in operation at Equitable Building remains in service.

Mississippi River. Across the street from the banking lobby is the historic old St. Louis courthouse, where the famous Dred Scott slavery decision was handed down. Special care was taken during construction of the bank complex to make sure movement of the old fill and clay under the courthouse was prevented.

Entrance to the tower and the bank is from either the Broadway or Fourth Street sides; parking for 200 cars is available beneath the annex on two levels.

The first parking level also includes the safe deposit vault, the commercial teller department and the armored car dock. On the second parking level are the coin processing department, small and large currency tellers, processing department, records and trust vaults. The lobby includes the teller area, commercial real estate, consumer banking, personal service, personnel, purchasing and residential real estate departments. The Missouri Mortgage and Investment Co., a subsidiary of Boatmen's Bancshares, is also on this level.

The lobby mezzanine houses the corporate banking center, international banking and loan services.

The corporate trust department is on the second floor, as are the customer services, stock transfer and operations administration departments.

The third floor includes the executive offices, board room, auditorium and the commercial banking department.

Floor four houses data processing, proof and transit and lock box operations. The trust department is on the fifth floor, along with the accounting and operations departments and investment research.

The sixth floor includes the auditing, advertising, correspondent and bond departments, plus the offices of Boatmen's Bancshares, HC controlling the bank.

Boatmen's initially opened for business on October 18, 1847, as Boatmen's Savings Institution, a mutual savings institution with a state charter. In 1851, the bank moved to larger quarters, due to increased business in connection with river trade. In 1855 the Missouri legislature granted the bank a new charter with the right to issue capital stock.

The bank didn't own its own home until 1856, when it constructed a building at Second and Pine streets, which was in use until 1891, when new quarters were occupied at Second and

Washington. A fire leveled this building in 1914, and the bank then moved to its most recent site, Broadway and Olive.

Boatmen's Bancshares was formed in 1969. The HC, which initially controlled only Boatmen's National, has since acquired 13 other banks throughout Missouri.

As Missouri's oldest bank, Boatmen's National has been a vital part of the banking scene through much of the history of St. Louis. From a small bank on the banks of the Mississippi, it has grown to St. Louis' third largest banking institution, and is now housed in the city's newest bank building. ••

Teller line in new Boatmen's National Main Office overlooks historic old St. Louis courthouse and Gateway Arch National Monument grounds. Center portion of lobby features green-house-type roof and garden area with plants and trees.



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# Bank Services at Detached Facilities Major Topic at Kansas Regionals

**K**ANSAS bankers learned something about the public's attitude toward banking at their regional meetings in September and October. They also were given an opportunity to air their views on the services that should be offered at detached facilities.

Both topics came up at the sessions for chief executives, held concurrently with sessions for other officers during the regionals.

The consumer attitude survey, conducted by Central Research Corp., Topeka, revealed that consumers feel detached facilities offer adequate services.

Survey participants were consumers of banking services, both individuals and businesses, located in cities in Kansas with 10,000 or more population, or which are served by banks having detached facilities.

More than 500 individuals and more than 200 businessmen were interviewed by telephone in early September.

The vast majority of those surveyed said there were no additional services needed at the detached facilities they patronize. Those using banks that maintain ATMs reported relatively little use of the machines—30% of individuals and 25% of businesses used them.

More than half of those surveyed whose banks do not have ATMs said they would not use the machines if they were installed.

Of those who would use an ATM if their bank offered the service, 64% of the individuals said they would use the machines once a week and 25% said they would use the units twice a week.

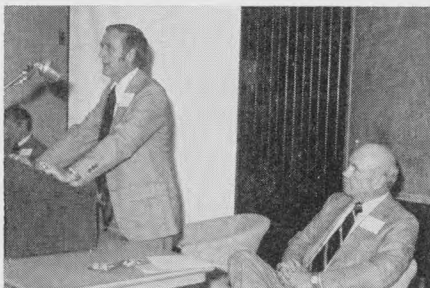
In the area of services offered in detached facilities, the survey revealed that 51% consider check cashing and deposit services to be important; 12% rate loan-making services as important; 26% consider loan payment services to be important and 30% give importance to one-payment services for all utility bills.

Almost 80% of the individuals polled stated that detached facilities should be open during late afternoon and evening hours. The majority said the closing hour should be either 6 or 7 p.m. More than half those surveyed favor detached facilities being open on Saturdays, but only 1% voted for Sunday hours.

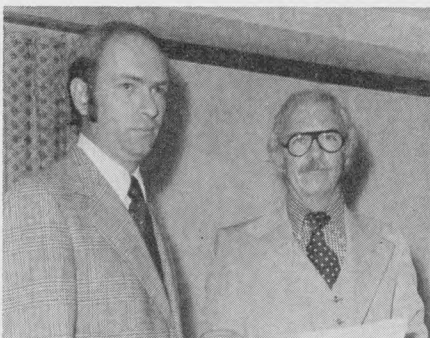
Another survey of consumers, conducted by James T. LePage & Associates, revealed that consumers feel banks are the safest place to keep money, that cancelled checks are important and that checking account services are economical.



Taking part on panel entitled "Banking Structure Position of the KBA" at Region 1 meeting in Lawrence were (from l.) Daryl Becker, State Bank, Meriden; Ben Craig, Metcalf State, Overland Park; KBA Pres. Floyd Pinnick, Grant County State, Ulysses, moderator; and R. H. Zimmerman, First State, Salina.



Max Falkenstien (l.), Douglas County State, Lawrence, spoke on KBA public attitudes survey at Region 1 meeting. Seated is John Sullivan Jr., MidAmerican Bank, Shawnee Mission, Region 1 ch.



At Region 1 meeting in Lawrence, Alan Lileoien (l.), First Nat'l, Lawrence, introduces Dr. Ron Barnes, Topeka, who spoke on "Handling Change and Stress."

Respondents indicated that the banking services used most are personal checking, savings, safe deposit and credit card. When asked to rate their individual banks as to the service offered, two categories—helpfulness and friendliness—were emphasized.

More than 85% of those surveyed said they consider a bank statement to be important, while 80% said cancelled checks were important. More than 52%

gave importance to interest paid on all money deposited and the opportunity to transfer money from checking to savings and vice versa.

A portion of the survey was designed to elicit response on how much customers would use EFT services. Banks and S&Ls came out even as the institutions at which customers would most likely use ATM service.

Almost 36% of the respondents had no opinion of the use of plastic card teller service, if it was available, while almost 42% said they would use such a service.

More than 44% said they would not be willing to pay a small service charge for the convenience of using ATMs on a 24-hour basis.

Floyd Pinnick, KBA president, and president, Grant County State, Ulysses, conducted the discussions on bank structure. At each regional, bankers on a panel presented three differing views regarding services that should be offered at detached facilities. One represented the status quo position, another favored permitting consumer credit transactions and a third was in favor of allowing full service at all Kansas bank facilities.

The KBA governing council will take into consideration the views presented at the regionals in addition to the results of a survey of member banks when it decides its official position on the issue at its December meeting. The KBA is presently neutral on the issue.

Judging from the response at the regionals, each position has its share of vocal supporters.

The sessions for other officers featured a discussion on the premise that people are what they are because of programing they received when youngsters in their respective environments. The discussion was moderated by Terry Heineman, public affairs administrator, United Bank, Denver. • •

## Bankers Laud Teachers

Five grade school teachers in Kansas received special recognition at the recently concluded regional meetings for outstanding projects in teaching economics and the American free enterprise system in their classrooms.

Special awards were presented to the teachers by the Young Bank Officers of Kansas. Assisting in the program was the Kansas Council on Economic Education, which sponsors economic education workshops for teachers and special curriculum development in the state's schools.

# Tom Potter was here.

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Could have been any one of the dozen services the Fourth offers Correspondent Banks across the state. But today Tom Potter was discussing the Fourth's unique capability for handling cash letters. Unique because Tom has the largest banking computer system in the state to back up his personal commitment of quick clearing.

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# New Attempt to Get EFT Legislation Launched at Missouri BA Regionals

By **JIM FABIAN**  
Associate Editor

**T**HE PUSH is on again by the Missouri Bankers Association to have EFT-enabling legislation passed in the state capital. A proposed bill was discussed at the recently concluded MBA regional meetings, held in eight locations throughout the state in September and October.

MBA President Charles Richmond, executive vice president, American National, St. Joseph, pointed out at the meetings that positive action on the bill is vital for Missouri bankers. He reminded his audiences that EFT bills, in one form or another, have been passed by the legislatures of Oklahoma, Kansas, Nebraska and Iowa—all states adjacent to Missouri. Even Illinois is making progress, he reported, its banks having established a \$750,000 fund for the development of an EFT system through the Illinois Bankers Association.

Both the MBA board of directors and its governmental affairs committee have approved the proposed EFT bill. Particulars of the proposed legislation were reviewed by MBA staffer Wade Nash at the regional meetings.

The proposed bill would permit out-of-state EFT entry with or through a bank, but entry would be limited to adjacent states on a reciprocal basis. Within-state EFT entry would permit off-premise financial service terminals throughout a bank's service area. Banks could also extend terminals into the county of any participating bank.

Services allowed would include the making of deposits, pre-authorized loans, account transfers and cash withdrawals. New account and new loan service would not be permitted.

The bill provides for mandatory sharing of all off-premise units. No mandatory advertising or symbols may be required for a plastic card or unit used on off-premise terminals, however.

Participating banks would be required to notify the appropriate supervisory agency only of the name, services and locations of terminals. Division of Finance approval would be required on contracts for third parties operating terminals to insure non-discrimination on costs.

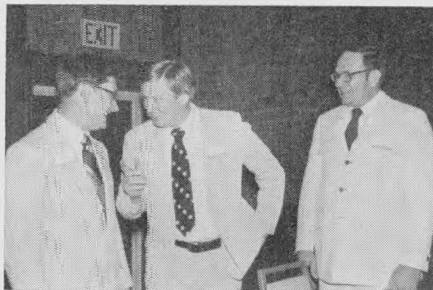
The bill states that services must be priced at cost, plus a reasonable return on capital on development, installation



Frank N. Akers (r.), outgoing Region 3 v.p., chats with MBA Pres. Charles Richmond during regional meeting in St. Joseph in September. Mr. Akers is a.v.p. & ag. rep., Gentry County Bank, Albany. Mr. Richmond is e.v.p., American Nat'l, St. Joseph.



Incoming Region 3 v.p., Harold L. Boatman, 1st v.p., Farmers & Valley Bank, Tarkio, tries on hat awarded at St. Joseph meeting. He came closest to guessing prices of primary commodities on December 1, 1975, at last year's meeting.



MBA E.V.P. Felix LeGrand (l.) kibitzes with E. L. Burch (c.) and Walter Kramer at Region 4 meeting in Kansas City. Mr. Burch is new regional v.p. and is v.p., United Missouri Bank, Kansas City. Mr. Kramer was outgoing regional v.p. at time of meeting. He is pres., Alma Bank.



Louis B. Eckelkamp, ch. & pres., Bank of Washington, and regional v.p., calls Region 5 meeting to order.

and operation of the hardware. These costs are to be passed on to the member banks based on the number of personal demand and savings accounts and the number of plastic cards issued.

The bill states that no off-premise terminal is to be considered to be a bank, a branch or a bank facility.

Customer liability for unauthorized use of the system is stated to be the same as that provided for in the Bank Protection Act.

President Richmond warned bankers that Missourians could be left out of the EFT picture if they don't get proper legislation passed, since most surrounding states are forging ahead in the EFT area. He also said that if all banks in a given county do not want to participate in an EFT network, they can refuse to do so en masse.

He called bankers' attention to the fact that American Express Co. has installed travellers' cheque vending machines in Missouri and that at least one Missouri credit union has started a share-draft program.

New officers were elected at each regional meeting as follows:

Region 1: Will Ben Sims, president, City Bank, Moberly—vice president; J. W. Ballinger III, executive vice president, Bank of Cairo—secretary.

Region 2: Edward E. Holt, vice president, Trenton Trust—vice president; Larry Richards, president, Community Bank, Chillicothe—secretary.

Region 3: Harold L. Boatman, first vice president, Farmers & Valley Bank, Tarkio—vice president; Charles D. Maxwell, executive vice president, Farmers State, Cameron—secretary.

Region 4: E. L. Burch, vice president, United Missouri Bank, Kansas City—vice president; Paul Warren, senior vice president, First National, Liberty—secretary.

Region 5: John H. Dressel, president, Gravois Bank, Affton—vice president; Robert E. Finley, executive vice president, Colonial Bank, Des Peres—secretary.

Region 6: Mrs. Pauline Clubb, executive vice president and cashier, Bollinger County Bank, Lutesville—vice president; Doyle Horn, executive vice president, Bank of Sikeston—secretary.

Region 7: Darrell W. Johnson, executive vice president, Sac River Valley Bank, Stockton—vice president; Charles Spangler, president, Aurora Bank—secretary.

Region 8: Don L. Singleton, vice president, Commerce Bank, Columbia—vice president; Waldo F. Mottaz, president, State Bank, Hallsville—secretary. ••

# THE BOATMEN'S TOWER

Boatmen's is moving into bold new headquarters, reflecting their strength and commitment to the future. That same strength and commitment backs our correspondent bank team, a team well-versed in today's banking environment. Put Correspondent bankers who know the answers and have the back-up on your team. Boatmen's Correspondent Bankers, specialists when you need them.



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# NEWS

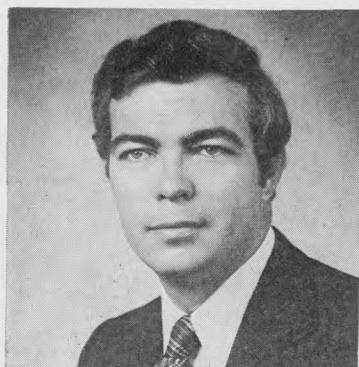
## From the Mid-Continent Area

### Alabama

■ **FARMERS & MERCHANTS BANK, Centre**, has announced the following promotions: Colleen Ray, from branch manager to assistant cashier and branch manager; Callie S. Day, from branch manager to assistant vice president and branch manager; Katherine McCord, to assistant cashier; and James B. Barnes

and Richard Couch, from loan officers to assistant vice presidents.

■ **MARY GEORGE JORDAN WAITE**, president, Farmers & Merchants Bank, Centre, has been appointed a director of the Boy Scouts of America, Southeast Region. Mrs. Waite is believed to be the first woman to serve in that capacity.



Let our billion dollar organization help your bank profit. Call

Wilbur Hufham (205/832-8450), a member of our correspondent banking team.

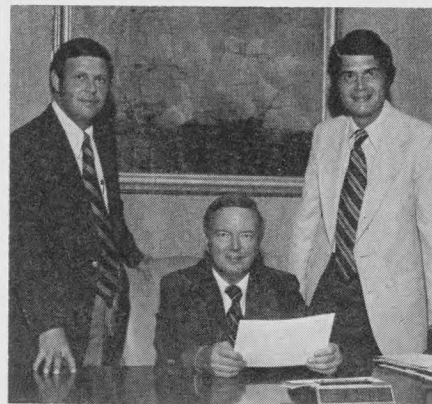
First Alabama Bancshares, Inc.

### Affiliate Banks

- First Alabama Bank of Montgomery, N.A.
- First Alabama Bank of Birmingham
- First Alabama Bank of Huntsville, N.A.
- First Alabama Bank of Tuscaloosa, N.A.
- First Alabama Bank of Dothan
- First Alabama Bank of Selma, N.A.
- First Alabama Bank of Gadsden, N.A.
- First Alabama Bank of Athens, N.A.
- First Alabama Bank of Baldwin County, N.A.
- First Alabama Bank of Guntersville
- First Alabama Bank of Hartselle
- First Alabama Bank of Phenix City, N.A.
- First Alabama Bank of Mobile County

# First Alabama

### Opelika Nat'l Has Name Change



Discussing plans for the unveiling of new signs after the name change of Opelika Nat'l are (from l.): Walter A. Parrent, s.v.p.; Robert L. McCullough, pres.; and S. Frank Whatley, s.v.p. Bank of East Alabama is the institution's new name, following resignation of its national charter in favor of a state charter.

■ **ROBERT H. WOODROW JR.**, formerly chairman and CEO, First National, Birmingham, has been elected vice chairman of the bank's parent HC, Alabama Bancorp., Birmingham. Mr. Woodrow remains as a bank director and trust committee chairman and will devote full time to his new responsibilities at the HC. Newton H. DeBardeleben, formerly bank vice chairman, has succeeded Mr. Woodrow as bank chairman and CEO. He also serves as an HC vice chairman. Continuing as bank president is M. E. Moor Jr.



WOODROW



DeBARDELEBEN

■ **DAN L. HENDLEY**, executive vice president, Alabama Bancorp., Birmingham, has assumed additional duties as executive vice president of the HC's lead bank, First National, Birmingham. There he will head the newly formed operations and administration division. Mr. Hendley joined the HC in 1973.

■ **C. E. "BUTCH" AVINGER**, registered lobbyist for Birmingham Trust,

# THESE GUYS WON'T LEAVE WELL ENOUGH ALONE.



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.



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MID-CONTINENT BANKER for November, 1976



AVINGER



will join the Ala.BA staff on January 1. He entered banking in 1957 at Birmingham Trust as vice president, correspondent banking, and was named state Superintendent of Banks 11 years later. When Mr. Avinger returned to Birmingham Trust, he was named investment department head, and after reorganizing that department, he returned to correspondent banking and assumed his present duties in the capitol.

■ JAMES E. EASON, formerly executive vice president, City National, Dothan, has been named president of the new Coffee County Bank, Enterprise. Serving as bank chairman is Ken Harris.

## Arkansas

■ FIRST NATIONAL, Wynne, has moved into its new 16,000-square-foot building, which cost more than \$1 million (including furniture and equipment). An unusual feature is the curved wall across the structure's front. The exterior is made up of limestone blocks quarried in Indiana, and sculptured into the face of the rock, on both front and back, are these words, "First National Bank of Wynne." The interior features an open look, with the back entrance being a solid wall of glass, punctuated by a second-floor mezzanine, which runs several feet removed from the wall. The mezzanine, connected to the lobby by a spiral staircase, encircles the



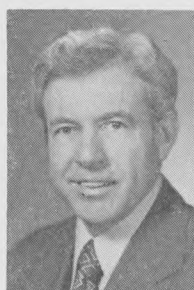
This aerial view of new quarters of First Nat'l, Wynne, shows unusual curved design of building's front. Structure is designed with mezzanine that encircles lobby.

lobby and contains the office of President Doyl E. Brown, vice president of the Arkansas Bankers Association. Also upstairs are the office of Chairman Erskine Falls, a board room, employee lounge, operations area and storage room, etc. The bank has Diebold drive-up equipment and an automated teller machine called "First Five Teller."

■ COMMERCIAL NATIONAL, Little Rock, has formed an agri-business department to provide specialized financial services to farmers and agricultural industry management. Serving as consultant to the department is Austin Vines, retired interim vice president for agriculture, University of Arkansas, Fayetteville. He will provide agri-counseling to customers. Serving as liaison between agri-business customers and the bank's various departments offering specialized financial services is Rett Tucker, who is a CPA. Mr. Tucker holds a bachelor of science degree in commerce from Washington & Lee University, Lexington, Va., and a masters degree in business administration from the University of Arkansas.



VINES



CRAVENS

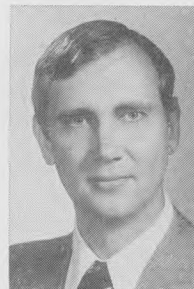
■ WILLIAM L. CRAVENS, formerly management advisory services partner, Russell Brown & Co. accounting firm, Little Rock, has been named executive vice president, First National, Little Rock. A CPA, Mr. Cravens will be responsible for personnel, planning, marketing and finance.

## Receives SBA Approval

LITTLE ROCK—First SBIC of Arkansas, Inc., has received approval to become a licensee of the U. S. Small Business Administration.

First SBIC will be located in the Worthen Bank Building and will operate as a small business investment corporation, making long-term loans to and equity investments in small-business concerns.

The company is owned jointly by Worthen Bank, headquartered here, and First National of Hot Springs.

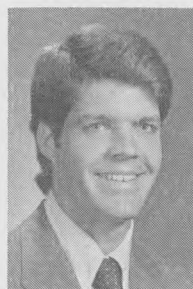


CONNOR

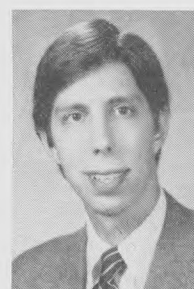


SMITH

■ ROBERT C. CONNOR, executive vice president, Union National, Little Rock, has been named president, while Hall McAdams, vice president, has been promoted to executive vice president. Both have been elected directors. Cliff Wood, vice chairman, has become an advisory director and consultant to the chairman and Eugene B. Smith Jr. has succeeded him as vice chairman. Mr. Smith formerly was first vice president and executive committee chairman.



McADAMS



TUCKER

## Illinois

■ HARRIS BANK, Chicago, has elected Jerome J. Jurs, William J. Potterton and Edward J. Williams vice presidents. Named assistant vice presidents were S. Leslie Dixon and Rebecca H. Tolentino.

■ HOWARD B. SILVERMAN, senior vice president, First National, Evanston, has advanced to executive vice president of the bank and its HC,



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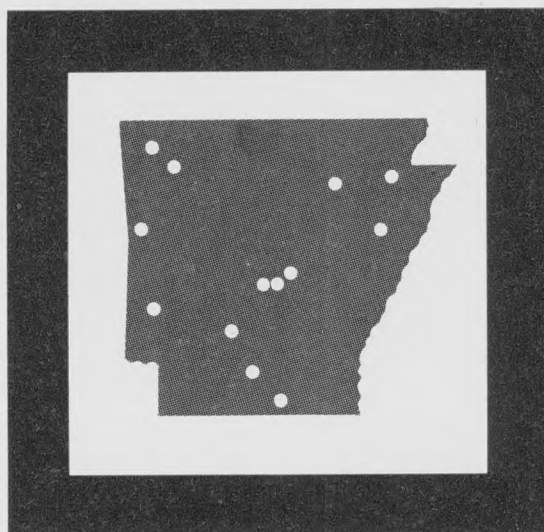
J. E. WOMELDORFF, Executive Vice President

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### **Mena,**

The Union Bank

### **Springdale,**

First National Bank

### **Wynne,**

First National Bank

### **Little Rock,**

Commercial National Bank

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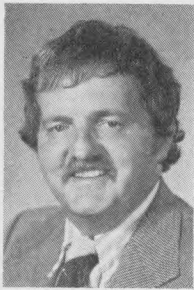
OF LITTLE ROCK



First Illinois Corp., also of Evanston. In his new post, Mr. Silverman will oversee all lending divisions, asset review, deposit services and marketing and business development.

■ RANDAL A. WRIGHT has been elected assistant vice president and farm manager of Merchants National, Aurora. Mr. Wright holds a bachelor of science degree in agricultural economics from Western Illinois University, McComb, is a graduate of the Agricultural Lending School of the IBA and Illinois State University and has several years' banking experience in the field.

■ GERALD W. DALY, who recently joined National Boulevard Bank, Chicago, as vice president, has been named to head its real estate department. He formerly held a similar position at another bank in Chicago.



DALY



COREY

■ ROBERT F. COREY has been named executive vice president and a director of Drovers National, Chicago. He formerly was senior vice president, investment division.

■ FIRST NATIONAL, Chicago, has named the following vice presidents: L. Gene Beube and Richard L. Kolehmainen, international banking; A. Thomas Davis, loan review; and William E. Bennett, Daniel A. Lupiani, Charles B. Moffett and James S. Winn, real estate.

■ MARGARET TORKELSON of the bookkeeping department of First National, Vandalia, has been with that bank 50 years. The event was celebrated with a surprise breakfast in the bank's social room, with directors, employees and retired personnel in attendance.

### Checking First Day's Results



Checking the results of the first day's trading of stock of Harris Bankcorp., Inc., Chicago, on the Midwest Stock Exchange are (from l.): Richard B. Walbert, ch., Midwest Stock Exchange; Theodore H. Roberts, HC e.v.p.; Lawrence E. Augustyn, Billings & Co., co-specialist for the HC; William F. Murray, HC ch.; and Michael E. Tobin, exchange pres. The listing of the HC's stock on the Midwest Stock Exchange follows the April listing of its stock on the New York Stock Exchange.

■ CONTINENTAL ILLINOIS NATIONAL, Chicago, has opened its first off-site facility at 30 North LaSalle. It features a drive-up teller and an outdoor 24-hour ATM. This facility is within 1,500 feet of the Main Office. A second facility at Clark and Division, within 3,500 yards of the Main Office, has been scheduled for a 1977 opening.



Chicago Mayor Richard J. Daley (2nd from r. in center group) was guest of honor when Continental Bank opened its first off-site personal banking facility. Officiating at opening-day ceremonies were: Roger E. Anderson (at podium), ch.; John Perkins (behind and to immediate right of Mr. Anderson), pres.; and Challis Lowe (far r., center group), facility mgr. Symbolizing facility's location at street intersection "where LaSalle meets Washington," modern-day stand-ins for two historic figures who gave streets their names—Rene Robert LaSalle and George Washington—provide canopy of period flags for ceremony.

## Indiana

■ THOMAS M. MILLER has been elected president and chief operating officer of Indiana National, Indianapolis, succeeding John R. Benbow, who resigned last month. Mr. Miller formerly had been the bank's executive vice president and headed Indiana National's banking group. Thomas W. Binford, chairman and CEO of the bank and the HC, has succeeded Mr. Benbow as president of the HC.

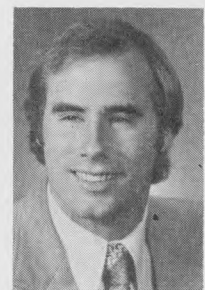


MILLER

■ AMERICAN FLETCHER NATIONAL, Indianapolis, has elected the following assistant vice presidents: Deanna H. Lane, Stephen F. Spacke, Terry L. Gentry and Jerry L. Siefers.

## Kansas

■ G. GAGE OVERALL, formerly operations officer and manager of check collections at Fourth National, Wichita, has been named correspondent bank officer. Martha Butler, the former assistant manager, succeeds him as manager of check collections. Mr. Overall has been with the bank since 1972; Miss Butler, since 1967.



OVERALL

■ RICHARD E. SNOWBARGER has joined Hutchinson National as vice

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president, commercial loans. He previously held a similar position at Union National, Wichita.

■ WILLIAM R. SHAVER has been named controller of Security National, Wichita. He formerly held a similar position at a bank in the Southeast.

## Kentucky

■ JERRY L. SKIDMORE has been named assistant vice president, correspondent banking division, Citizens Fidelity, Louisville. He will remain as assistant vice president in the bank's automated customer services department in Lexington until January 1. He has worked out of the Lexington Data Center since joining Citizens Fidelity in 1967. Vice President Hobert Sloane, a correspondent banker since joining Citizens Fidelity in 1967, has resigned from the bank to pursue other banking activities.

■ LARRY R. MAYFIELD, formerly executive vice president, Peoples Bank of Murray, has joined Central Bank, Owensboro, as senior vice president and loan officer.

■ J. W. PHELPS, president, Liberty National, Louisville, has been named president, Business Development Corp. of Kentucky (BDC). BDC works closely with the Kentucky Industrial Development Finance Authority to finance industrial development projects throughout the state. Last year, Mr. Phelps served as BDC vice president and presently is a director and executive committee member of the firm.

■ ROBERT M. WALKER has joined Citizens Fidelity Bank, Louisville, as vice president and director of research, investment management department. He previously was with Irwin Union Bank, Columbus, Ind. In other news at Citizens Fidelity Bank, Jefferson D. Stewart Jr. has been elected a director, filling the vacancy left by the death of William H. Abell. Mr. Stewart is the retired president of Federal Chemical Co.

■ BENJAMIN BERNSTEIN has been elected chairman, president and CEO, Harrison Deposit Bank, Cynthiana. He will be assisted by Billy M. Stewart, executive vice president, who has been named a director. Melvin Hampton, formerly cashier, has advanced to vice president, while Grace Jones has succeeded him as cashier. In addition, Fredric M. Bernstein and Alvin J. Levine have been elected directors.

■ CITIZENS BANK, Elizabethtown, has announced the following promotions: Glen L. Hodge Jr., to vice presi-

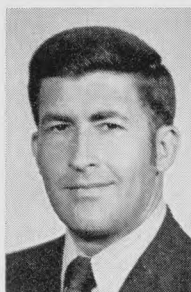
dent of commercial loans; Paul Musselwhite, to vice president of installment loans; James R. Aldridge, Radcliffe Branch manager, to assistant vice president; William Bradley Richardson, to assistant vice president; and Linda H. Smith, to assistant cashier.

## Louisiana

■ PHILIP E. DOOLEN, vice president, Whitney National, New Orleans, has been named chairman, District Directors' Council of Bank Administration Institute. In that post, he will serve as a district director and as chairman of the District Directors' Council. He also will serve on BAI's 10-member executive committee of the board, which directs the association's long-range planning programs for the U. S. and abroad.



HOWELL



DOOLEN



BAAS

■ ROY F. BAAS, assistant vice president, Bank of New Orleans, has been appointed Louisiana contact officer, correspondent bank department. He joined the bank in 1971 and has served as manager of its Kenilworth and Medical Plaza branches.

■ RAYMOND I. HOWELL, formerly executive vice president, Omaha (Neb.) National, has joined Hibernia National, New Orleans, as executive vice president. In his new post, Mr. Howell will oversee commercial loan, corporate, international, consumer loan, investment and trust activities.

■ FIRST NATIONAL Bank of Commerce, New Orleans, has announced the following promotions: James C. Cronk, to vice president and commercial services manager, operations center; Lawrence H. Ellis Jr., to vice president and special industries department manager; John D. Vetter, to vice

president and data services manager; Charles B. Clark, to assistant vice president; John A. Fields, to assistant vice president and manager, western region, national accounts; Pierce W. Hance, to assistant vice president and manager, eastern region, national accounts; and Jim Smith, to assistant vice president. In addition, Ray C. Baas, formerly of Century National, New Orleans, has joined First NBC as assistant vice president.

## Mississippi

■ W. PARKS JOHNSON has been promoted to vice president, commercial loans, Greenville Bank, branch of Deposit Guaranty, Jackson. He joined the latter bank in 1970 and became assistant vice president last year. This past August, Mr. Johnson joined the Greenville Bank. In other action, Deposit Guaranty elected the following assistant vice presidents: M. Ellen Beckham, Dallas M. Lee, W. Paul Long and E. James Wicker Jr. M. Ray Grubbs was made branch officer.



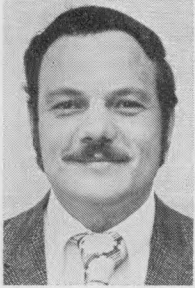
JOHNSON

■ PORTER L. FORTUNE, chancellor, University of Mississippi, University, has been elected a director of Mississippi Bank, Jackson.

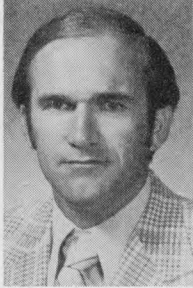
■ BROOKHAVEN BANK has hosted bankers from across the state at a preview of its Main Office installation of an IBM System-3, Mod 15 computer. The showing also marked the opening of the bank's new data processing department. Presently, the computer handles checking account inquiry with memo post, but a variety of additional options will be added in the future, a bank spokesman states. Another new service is "Jane," Brookhaven Bank's 24-hour telephone teller. When a customer calls a special number, a pre-recorded message answers, then the customer gives instructions on what service is required: transfer between accounts, charge an account for an installment loan payment, make an appointment, leave a message or ask a question concerning an account. A bank employee listens to the recorded messages at least twice daily, and customers are mailed receipts of their transactions.

## Missouri

■ **FIRST NATIONAL**, St. Louis, has announced the elections of William F. Sommer as controller and Gary T. Stackle as vice president. The following have been named assistant vice presidents: James J. Kerley Jr., Gardner R. Lloyd Jr. and Donald W. Williams. Charles H. Eggleston, formerly assistant vice president, First Empire State Corp., Buffalo, N. Y., has joined First National as assistant vice president.



STACKLE



CAPE

■ **C. WAYNE CAPE** has been named vice president, American National, St. Joseph, going there from First State, Rolla. Both banks are members of Ameribanc, Inc., St. Joseph. Mr. Cape has been assigned to the agricultural lending department. John A. Turner has joined American National as assistant vice president and electronic data processing programming manager. He formerly was a systems analyst with Florida Savings & Loan Services, Inc., Orlando.

■ **JOE P. YEARGAIN** has been elected vice president, Farmers Bank of Antonia, which has undergone a name change to Farmers Bank. Mr. Yeargain served 12 years as a national bank examiner and five years as a bank officer in Mississippi.

### Bank Has Its Day



Walter C. Branney, e.v.p. (l.), and Fletcher E. Wells, s.v.p. and cash., both of St. Johns Bank, accept a proclamation from St. Louis County Supervisor Gene McNary (r.) designating Oct. 2, 1976, as "St. Johns Bank & Trust Co. Day" in the county. The honor recognized the bank's 50th anniversary.

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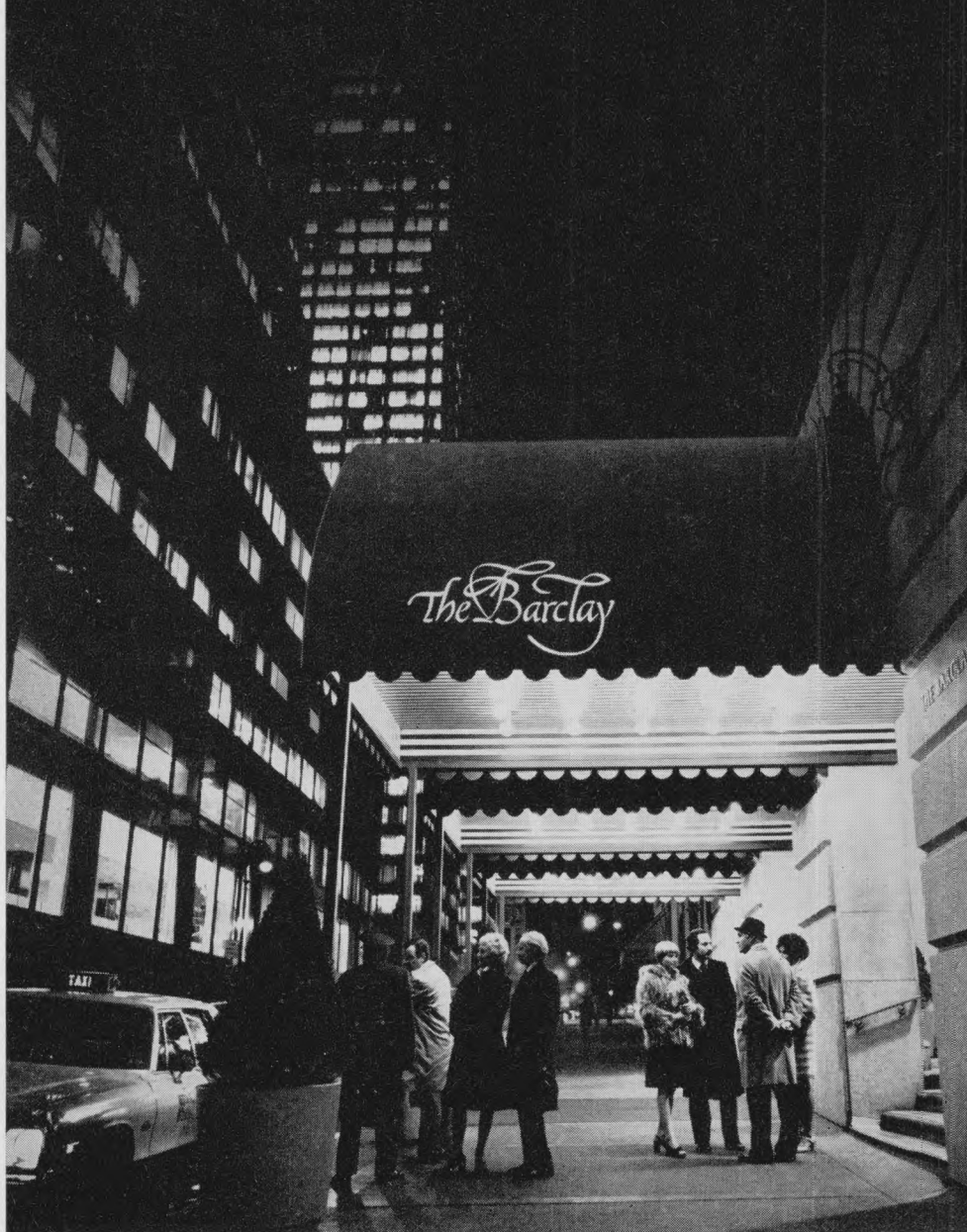
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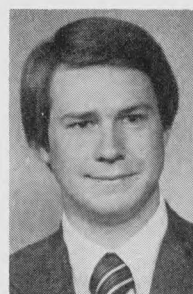
BUSHMAN



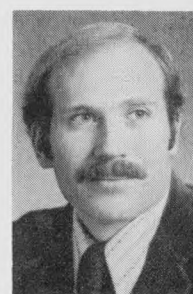
BROWN



WEAVER



WARTMAN



WELLS

■ EUGENE G. BUSHMAN, hearings officer, state personnel advisory board, has been appointed legislative counsel for the Missouri Bankers Association, Jefferson City. A 1960 graduate of the University of Missouri School of Law, Mr. Bushman served as state assistant attorney general, 1960-65, and as administrative hearing commissioner, 1965-69.

■ GREGORY R. WARTMAN and Barret S. Heddens III have been elected assistant cashiers at First National, Kansas City. Mr. Wartman has been assigned to the correspondent bank division and has been with the bank since 1975. Mr. Heddens is in the commercial loan division and also joined the bank in 1975. Donald O. Borgman and George J. Garner were elected assistant trust officers.

■ WARREN W. WEAVER has been elected executive vice president, Commerce Bank, Kansas City. He continues in his post as vice president of the bank's parent HC, Commerce Bancshares, Inc., Kansas City, where he has marketing and administrative responsibilities. At the bank, Mr. Weaver will oversee planning, administration and the marketing, BankAmericard and

personnel departments. Thomas J. Brown has joined the bank as vice president, correspondent division, with responsibility for Missouri banks. He formerly was an industrial specialist for the Missouri Division of Commerce & Industrial Development. John R. Wells, vice president and personnel director for the HC, has assumed additional duties as bank vice president, personnel department. In other news, James E. McClure, president and chairman of the affiliate, Commerce Bank of Springfield, has been elected an HC director. John J. Hanby Jr., formerly assistant branch manager, Ford Motor Credit Co., has joined the bank as assistant vice president, while J. Scott Kreissl, who previously was commercial loan officer and credit analyst, National Bank of Detroit, has been appointed assistant vice president in Commerce Bank's national division.

■ GERARD L. SARACINI, chairman, Bank of Poplar Bluff, has been honored by a coffee in celebration of his 60th year with the bank. He joined the bank as messenger boy in 1917, advancing to president in 1953 and to chairman in 1972. The coffee was held at the bank's downtown location and the public was invited.

■ CONSTRUCTION has begun on the permanent building of Lemay Bank at Oakville on Telegraph Road and Baumgartner in St. Louis. Plans for the building call for more than 7,500 square feet of banking space, five drive-up lanes and parking for more than 100 autos. Completion has been slated for late fall.

**Died:** C. W. Culley, 49, former Missouri commissioner of finance, on October 6, in Las Vegas. During his tenure as finance commissioner, Mr. Culley served as president, Conference of State Bank Supervisors. After leaving the state post, he was an officer of Bank of St. Louis and, more recently, vice president, First Bank, Sand Springs, Okla.

■ A CHARTER was issued last month by Finance Commissioner William Kostman for the proposed Manchester Bank of West County, which is scheduled to open in mid-summer 1977 in the Maryland Heights suburb of St. Louis. The next step for the bank is for the St. Louis-based bank HC, Manchester Financial Corp., to obtain approval from the Federal Reserve Board to acquire the bank. Such approval is expected in 90-120 days, according to W. C. Johns, who will be the bank's president. Mr. Johns is senior vice president and chief lending officer, Manchester Bank of St. Louis, also an affiliate of the HC.

■ JAMES M. McCracken has been elected assistant vice president and corporate trust officer at United Missouri Bank, Kansas City, while Archie J. Thornton Jr. has been named director of marketing.

■ R. SCOTT ROLAND has advanced from vice president to senior vice president at Citizens Bank, Warrensburg. A. Jack Pitts has been elected assistant vice president and will serve as executive officer of the Chilhowee Facility, while Mary Catherine Handly has been named loan servicing officer.

### Capital-Note Issue

KANSAS CITY—Commerce Bancshares, Inc., has announced that 22 of its 32 affiliated banks will be issuing capital notes, with the total issue to be limited to \$17,500,000.

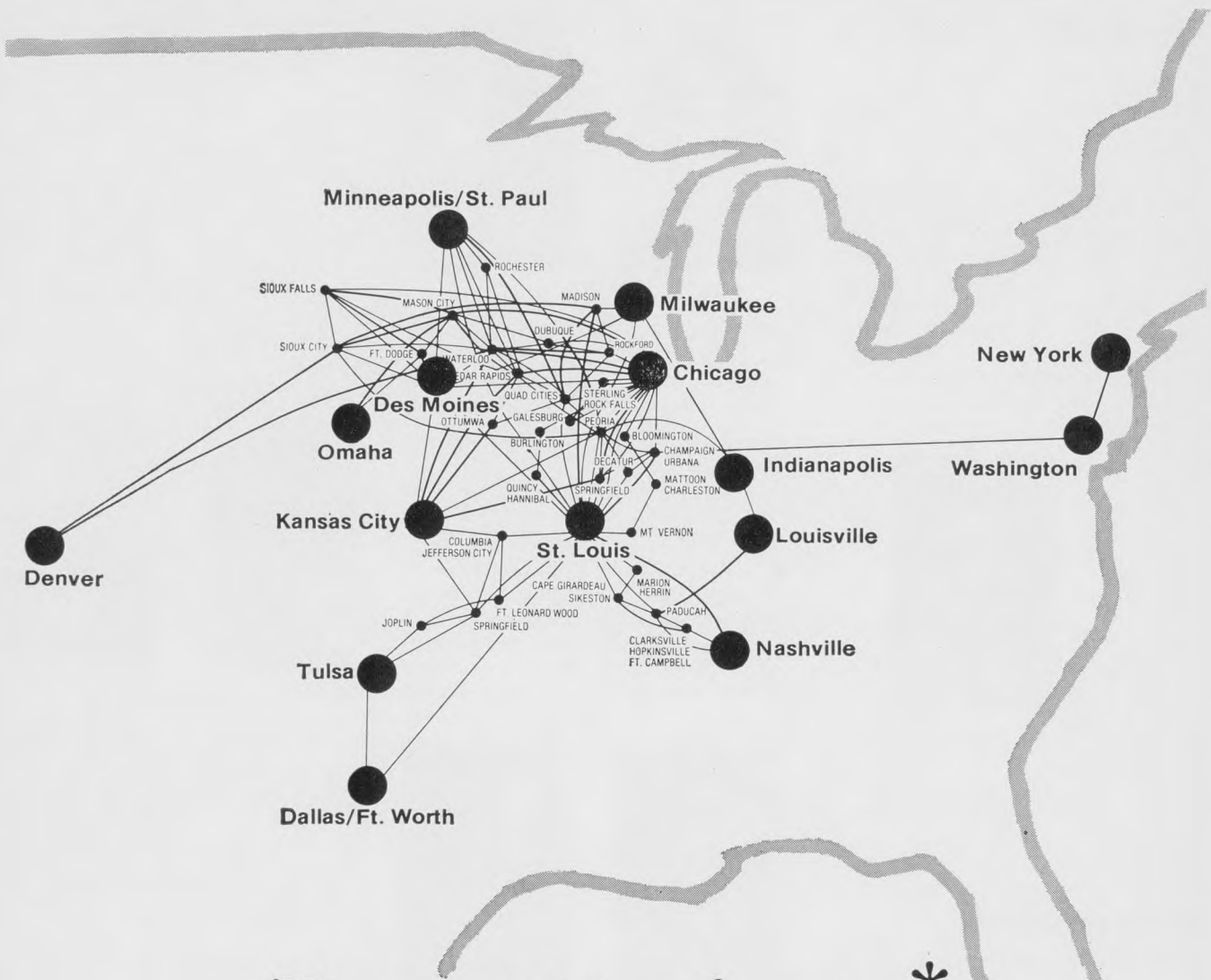
The capital notes will be issued in \$5,000 denominations at an 8½% interest rate and a 10-year maturity, due December 1, 1986. Interest will be paid semiannually, and the notes will be available only until the authorized issue is fully subscribed.

The note issues are primarily to augment the issuing banks' capital positions with the funds available for general corporate purposes. Because of the 10-year-maturity provision and the other terms and conditions under which the capital notes are to be issued, bank regulatory authorities will consider the note issues as additions to the issuing banks' capital structures, according to the HC.

### Robidoux Center Under Way



Robert F. Keatley, ch., mans the shovel during groundbreaking ceremonies for the new Robidoux Center of American Nat'l, St. Joseph. The first spade of earth then was placed in the container held by Mayor William J. Bennett. Bank employees participated by holding cards that spelled out "American National Bank" and "Robidoux Center." The new 14-story building will house the bank as primary tenant and is being built on the site formerly occupied by the old Robidoux Hotel and a number of smaller structures. An early 1978 completion date has been scheduled.



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## New Mexico

■ **TONY BULL**, formerly senior vice president, Fidelity National, Albuquerque, has been named president, succeeding Bob Tinley, who has resigned to pursue private business interests. Mr. Tinley has been retained by the bank on a consulting contract. Mr. Bull also has succeeded Mr. Tingley as a director of New Mexico Bancorp., Inc., Santa Fe, the HC with which Fidelity National is affiliated. Blake R. West has been elected a senior vice president of the HC. He continues as senior vice president, First National, Santa Fe, another HC affiliate.

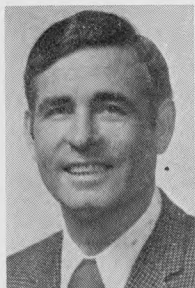


**BULL**

■ **GORDON FULKERSON** has been named president of First State, Truth or Consequences, succeeding Johnny A. Taylor, who resigned. Mr. Fulkerson entered banking in 1948 at a bank in Tucumcari.

## Oklahoma

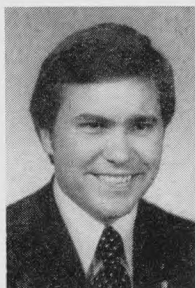
■ **JOSEPH T. CREPPS** has been elected executive vice president of First National, Oklahoma City, while Carl Beck has been named senior vice president. Appointed vice presidents were Edward G. Alexander, Jim Bugar, Sam C. Gilmore, Bradley W. Krieger and Rob-



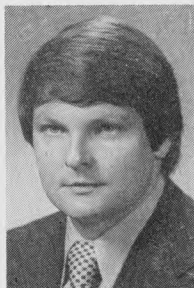
**BECK**



**CREPPS**



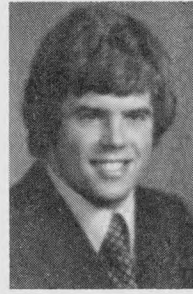
**WALLER**



**BUGAR**



**PRALLE**



**DAVIS**

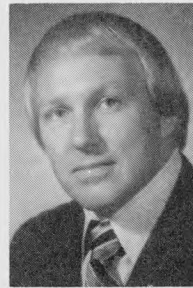
ert J. Waller, while Jack D. LeForce has been elected trust officer. Richard Pralle has been named correspondent banking officer.

■ **STEVE DAVIS**, former Oklahoma University quarterback, has joined Fidelity Bank, Oklahoma City, as a management trainee, while Charles E. Cotter has been elected assistant cashier.

■ **GARY R. DOBSON** has been named vice president, correspondent banking, at Fourth National, Tulsa, while Patricia C. Anderson has been elected trust officer. Mr. Dobson formerly was with another bank in Tulsa; Miss Anderson, is a CPA.



**TREACY**



**DOBSON**

■ **JAMES B. TREACY**, chairman, president and CEO, Facet Enterprises, Inc., has been elected a director of Bank of Oklahoma, Tulsa. At the bank and its parent HC, BancOklahoma Corp., Tulsa, the following promotions have been announced (all are at the bank, unless noted): Monty L. Butts and Gerald R. Taylor, assistant vice presidents; M. Nuel Hobbs, HC assistant treasurer; Fred H. Gibson, staff administration manager, information systems; Ron King, project manager, methods and procedures; Joe Rodanski, pension and profit sharing manager, trust operations; Sue Jane Price, assistant trust officer; and Richard W. Willhour, account officer, metropolitan department.

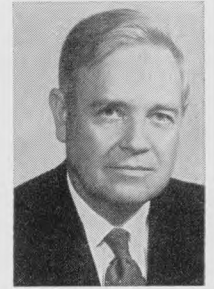
■ **LIBERTY NATIONAL**, Oklahoma City, has promoted the following to vice presidents, BankAmericard division: Peyton Burke, Gary Burton, Bobby H. Leonard and Roy Rowlett. Michael W. Anderson, international division, and Margaret Stuart, personal banking center, have been named assistant vice presidents.

## Tennessee

■ **D. ROSCOE BUTTREY**, vice chairman, Third National and its parent HC, Third National Corp., both of Nashville, has resigned for health reasons. He will remain a director and maintain an office at the bank. During his career, Mr. Buttrey has been associated with Citizens Bank, Cookeville, and First National, Clarksville. In addition, he organized State Bank, Jacksonville, Fla., before joining Third National in 1971 as executive committee chairman.



**SCHULTZ**



**BUTTREY**

■ **RALEIGH SCHULTZ** has been appointed a sales engineer with LeFebure Corp., Cedar Rapids, Ia. He will operate out of the firm's Memphis Branch and will concentrate on the western Tennessee market. Mr. Schultz formerly was a branch officer, National Bank of Commerce, Memphis.

■ **FIRST AMERICAN NATIONAL**, Nashville, has announced the following changes: William I. Edwards III, vice president, has been named international division manager, succeeding Henry T. Berglund III, who will remain during a transitional period before assuming new responsibilities. Bob O. Graham, assistant vice president and demand deposit security head, has assumed additional duties in the centralized collection department; Barry W. O'Donnell, marketing officer, has been named director of advertising and marketing planning, replacing J. L. Templeton Jr., who resigned; and Anna Durham, marketing officer, has been appointed director, Young Nashvillians Club, with responsibility for all the bank's packaged services.

## Texas

■ **ALDON V. "DANNY" DANCAK**, senior vice president, Capital National, Austin, has been appointed administrative services division manager, while Nina Velliquette has been named vice president and operations officer. She will manage bookkeeping, proof and transit, tellers and offices services.

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CATER



■ JOHN T. CATER was elected a director of Southwest Bancshares, Inc., Houston, last month. Mr. Cater is president and chief operating officer, Bank of the Southwest, Houston, the HC's lead bank.

■ A MERGER plan has been announced by FrostBank Corp., San Antonio, and Cullen Bankers, Inc., Houston. Under the proposed agreement, Cullen Bankers would be merged into FrostBank through an exchange of stock, with the continuing company to be called Cullen/Frost Bankers, Inc. Its registered corporate office would be in Houston with executive offices in San Antonio. Dee S. Osborne, Cullen Bankers chairman, would become chairman of the resultant firm, while T. C. Frost Jr., FrostBank chairman, would be president and CEO. C. Lin-

den Sledge, president, Frost National, San Antonio, and Robert G. Greer, president, Cullen Center Bank, Houston, would continue in those posts and serve as HC vice chairmen.

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**STATEMENT OF OWNERSHIP, MANAGEMENT AND CIRCULATION (REQUIRED BY 39 U.S.C. 3685)**

1. Title of Publication: MID-CONTINENT BANKER.
2. Date of filing: September 28, 1976.
3. Frequency of issue: 13 times a year (2 issues in May).
- 3A. No. of issues published annually: 13.
- 3B. Annual subscription price: \$10.00.
4. Location of known office of publication: 1201-05 Bluff St., Fulton (Callaway), MO 65251.
5. Location of the headquarters or general business offices of the publishers: 408 Olive St., St. Louis, MO 63102.
6. Names and complete addresses of publisher, editor and managing editor: Publisher: Ralph B. Cox, 408 Olive St., St. Louis, MO 63102; Editor: Ralph B. Cox, 408 Olive St., St. Louis, MO 63102; Managing Editor: Rosemary McKelvey, 408 Olive St., St. Louis, MO 63102.
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8. Known bondholders, mortgagees, and other security holders owning or holding 1 percent or more of total amount of bonds, mortgages or other securities: None.
10. Extent and nature of circulation. The average number of copies each issue during preceding 12 months are: (A) Total No. copies printed (Net Press Run), 6,662; (B) Paid circulation: 1. Sales through dealers and carriers, street vendors and counter sales, 0; 2. Mail subscriptions, 5,822; (C) Total paid circulation, 5,822; (D) Free distribution by mail, carrier or other means. Samples, complimentary, and other free copies, 349; (E) Total distribution (Sum of C and D), 6,171; (F) Copies not distributed: 1. Office use, left-over, unaccounted, spoiled after printing, 491; 2. Returns from news agents, 0; (G) Total (Sum of E & F)—should equal net press run shown in A), 6,662. Actual number of copies of single issue published nearest to filing date: (A) Total No. copies printed (Net Press Run), 6,600; (B) Paid circulation: 1. Sales through dealers and carriers, street vendors and counter sales, 0; 2. Mail subscriptions, 5,752; (C) Total paid circulation, 5,752; (D) Free distribution by mail, carrier or other means. Samples, complimentary, and other free copies, 344; (E) Total distribution (Sum of C and D), 6,096; (F) Copies not distributed. 1. Office use, left-over, unaccounted, spoiled after printing, 504; 2. Returns from news agents, 0; (G) Total (Sum of E & F)—should equal net press run shown in A), 6,600.
11. I certify that the statements made by me above are correct and complete.

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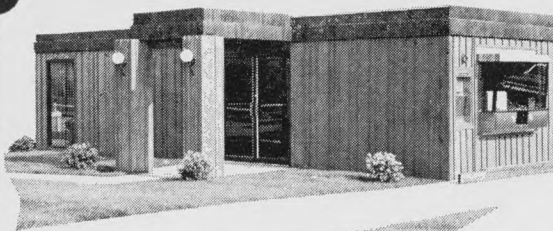


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