MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

DECEMBER, 1976

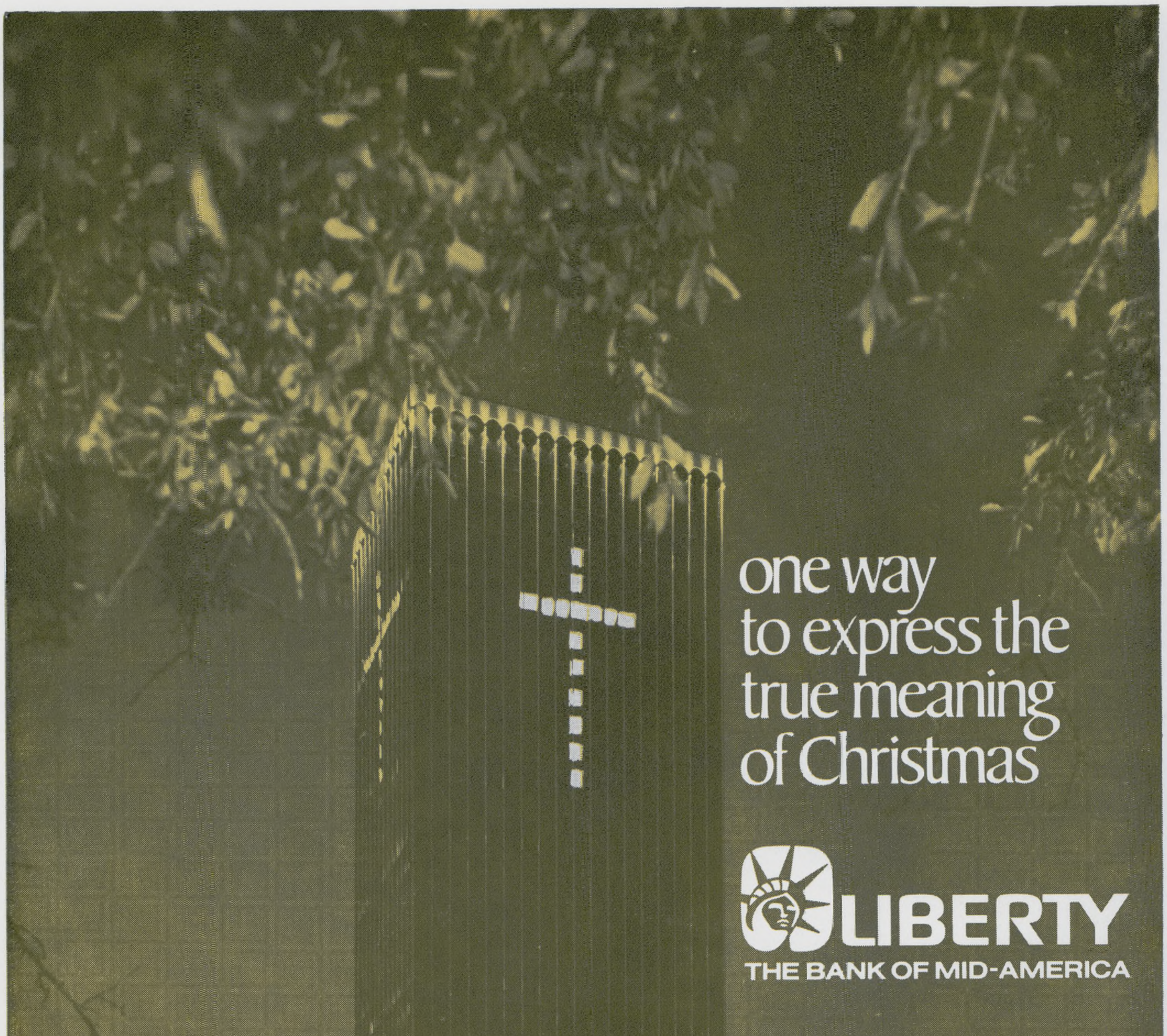
Convention Reports: RMA, pg. 18; BMA, pg. 62

Special Section

Commercial Finance Participation Loans: How They Benefit Banks

See Page 39

Predictions Made at Correspondent Conferences: pgs. 72, 76


one way
to express the
true meaning
of Christmas
LIBERTY
THE BANK OF MID-AMERICA

MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 72, No. 13 *December, 1976*

FEATURES

39 COMMERCIAL FINANCE/BANK PARTICIPATION LOANS: A different approach — *Eric L. Stone/Richard J. Dorgan*

41 THE BANK COST CURVE & COLLATERAL ADMINISTRATION — Administration increases result in higher costs — *Stephen C. Diamond*

43 PARTICIPATIONS ARE A PROFITABLE PARTNERSHIP — Enable customer to meet total financing needs — *Sheldon G. Karras*

51 A 'WATERGATE' SITUATION IN BANKING — Sidestepping ethics can produce it — *William H. Bowen*

54 BANK-COMMERCIAL FINANCE COOPERATION: It can offer benefits to concerned parties

58 FACTS ABOUT COMMERCIAL FINANCING'S ROLE — It can salvage troublesome bank clients — *Robert Schwaab*

60 BRANCHING DISPUTE IN OKLAHOMA — OBA president quits because of it — *Rosemary McKelvey*

66 CHANGES FACING BANKING ARE SPOTLIGHTED — Correspondent bankers meet in Dallas — *Lawrence W. Colbert*

DEPARTMENTS

6 COMMUNITY INVOLVEMENT
10 SELLING/MARKETING
14 THE BANKING SCENE
18 COMMERCIAL LENDING
20 EFTS
24 OPERATIONS
28 MORTGAGE LENDING
32 INSTALLMENT LENDING
34 BANKING WORLD
36 CORPORATE NEWS
36 NEW PRODUCTS

STATE NEWS

84 ALABAMA
84 ARKANSAS
84 ILLINOIS
85 INDIANA
86 KANSAS
87 KENTUCKY
87 LOUISIANA
87 MISSISSIPPI
87 MISSOURI
88 NEW MEXICO
88 OKLAHOMA
89 TENNESSEE
89 TEXAS

Editors

Ralph B. Cox
Editor & Publisher

Lawrence W. Colbert
Assistant to the Publisher

Rosemary McKelvey
Managing Editor

Jim Fabian
Associate Editor

Daniel H. Clark
Assistant Editor

Advertising Offices

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

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. Beggan, William M. Humberg, James T. Poor** and **Don J. Robertson,** vice presidents; **Lawrence W. Colbert,** assistant vice president.

Convention Calendar

December

Dec. 12-15: Robert Morris Associates Financial Statement Analysis Workshop, Atlanta.

January

Jan. 16-19: Robert Morris Associates Credit Department Management Workshop, Atlanta, Atlanta Hyatt.
Jan. 23-26: Bank Marketing Association Advertising Workshop, New Orleans, Fairmont Hotel.

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. 6-9: Bank Marketing Association Community Bank CEO Seminar, Marco Island, Fla., Marco Beach Hotel.
Feb. 6-18: ABA National Installment Credit School, Norman, Okla., University of Oklahoma.
Feb. 13-15: ABA Bank Investments 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 6-9: Robert Morris Associates Financial Statement Analysis Workshop, Kansas City, Crown Center.
March 7: Bank Marketing Association Community Bank Seminar, Milwaukee, Marc Plaza Hotel.
March 9: Bank Marketing Association Community Bank Seminar, Kansas City, Marriott Hotel.
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 20-23: Bank Administration Institute Corporate-to-Corporate Electronic Funds Transfer System Conference, New York City.
March 27-30: Robert Morris Associates Credit Department Management Workshop, Kansas City, Crown Center.
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.

Community Involvement

Seminars Conducted by St. Louis Bank To Help Small Firms Stay Solvent

Session of Mercantile Trust of St. Louis's financial services seminars is shown in progress. Seminars are being held for owners and managers of small businesses.

NATIONAL STATISTICS indicate that 82% of small businesses fail in their first 10 years. However, the failure rate in the St. Louis area will be going down, if that city's Mercantile Bank has anything to say about it. The bank has developed a 10-week program designed to teach owners and managers of small businesses how to improve company performance and increase profits.

Titled "Financial Management for the Small Business," the course is conducted by the financial services division of the commercial banking department and is being directed by Vice President Jerry Goldstein, with the help of Banking Officer John Cipriano and Banking Representative John Spencer. All three have completed graduate work in business administration. Mr. Goldstein describes the program as a "cookbook approach" to the subject, featuring step-by-step "how to" examples of small business financial management.

Jerry Goldstein (r.), v.p., financial services, Mercantile Trust, St. Louis, presents diplomas to Robert Pairs, pres., Vis-Aid Industries, and Ted McCluskey, v.p., General Gasket Corp. Two men had completed financial services seminar sponsored by Mercantile and directed by Mr. Goldstein.

Among topics covered in the course are techniques of financial ratio analysis, return on investment, profit planning, budgeting, sources of capital and how to work with bankers. Tuition is $100 per student, and the course—which is held at the bank—is open to commercial customers and non-customers. The seminar is based on one developed by Seattle-First National and then modified by Mercantile.

The seminar program was started last March after the bank realized small business people weren't taking advantage of existing financial management techniques, particularly those used by larger corporations and bankers. The first seminar, designed as a test to see how many it would attract, was open only to the bank's commercial customers on an invitational basis. It went well, with 22 registering. As a result the course then was opened to the public and advertised. Direct mail also was used. Two summer sessions were held, with 35 attending each session. Two identical courses are being conducted this fall, also with 70 in attendance. There's even a waiting list for future seminars.

The courses include reading assignments from textbooks, case studies and homework problems. One popular technique used in the program is "financial ratio analysis"—each member comparing his or her own performance to that of other similar businesses in his or her own field. The first three weeks, students are taught to concentrate on understanding financial statements, not from the standpoint of a corporate controller, but as a means of being able to spot potential trouble from the individual reports.

According to Mr. Goldstein, these seminars are tailored for firms' presidents or CEOs. He points out that students include more than one father-son, husband-wife and partner teams.

The same course now is being offered in Kansas City by the Mercantile Bank there. Vice Presidents Mike Brosnahan and Bill Sherman are teaching in the downtown Kansas City headquarters.

In addition to the small business seminar, Mercantile Bank has added an intensive three-day seminar on "Financial Management for Nonprofit Institutions," conducted by Mr. Cipriano. This course was offered free of charge to members of nonprofit institutions last summer and will be repeated in the future. The bank believes it is one of the first, if not the first, financial institutions to offer this kind of course to nonprofit groups.

As Mr. Goldstein puts it, the bank hopes to help charitable organizations benefit from the same principles of sound financial management as do businesses. • •

Bank Supports Renovations

John H. Powell, officer in charge, Livernois-Lyndon Office of Manufacturers Bank, Detroit, checks the lobby display with Richard L. Wonby, exec. dir., Northwest Detroit Non-Profit Housing Corp. The exhibit provides consumer information about Harmony Village, a planned community in northwest Detroit. The project's planners say more than 1,000 properties will be renovated and then sold for $15,000-$20,000. The display explains the program's many facets and how it can help area residents.

"THEM OLD COTTON FIELDS DOWN HOME"

are still going strong. So are Mississippi's efforts at industrial expansion and in state processing of our agricultural products and timber resources for increased sales on the international market. 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

Rehabilitation of Inner-City Building Spurs Energy-Conscious Loan Plan

IT BEGAN with a chance situation, and now it's developed into a wide-ranging consumer-loan program giving lower rates to energy-conscious home, auto and boat owners.

Seattle Trust financed the preservation of an older building in that city's historic district, and the bank realized the size of the market involved in older neighborhoods was great. At press time, the bank was financing its 15th restoration, one of which involved a large inner-city neighborhood of about 3,200 dwelling units.

Since Seattle Trust serves as contractor to fund and assist the neighborhood corporations in updating the dwellings to modern health and safety standards, it counsels and qualifies residents for conventional and subsidy financing. An important factor was efficiency through economical energy consumption, and the bank felt that a customer who is thrift-conscious and conservation-minded is one who is scrupulous about his affairs and careful with his property and possessions. Customers displaying these interests, a bank spokesman says, would be less of a risk for a loan, due to lesser depreciation of property for which the loan is made.

What the program entails is discounts of from one-half to ¾% on loans to customers who qualify for the energy-conservation loans by meeting standards the bank has set.

A point system gives credit for installation of insulation, double glazing, storm doors and weatherstripping and use of heating system improvements or energy-saving appliances.

Automobiles that are rated by the Environmental Protection Agency as getting 25 miles per gallon or better on the highway qualify for lower loan rates, as do sailboats, boats powered by engines of 25 horsepower or less and boats with certain hull configurations.

The bank reports much favorable response to the program. Letters have been received from the public and from professionals in the field of energy conservation. What's more, those qualifying for the lower loan rates are saving money! • •

Fight Dutch Elm Disease

Examining tree cuttings for signs of Dutch Elm disease are (from l.): Nolan Nathe of the City Forestry Div.; John Forney, v.p. and account exec., Stevenson & Associates; Jim Williams, urban development off., First Nat'l.; and Gene LaVaque, e.v.p. and account exec., Stevenson & Associates, all of Minneapolis. An extensive public-service campaign sponsored by the bank is said to be creating a substantial increase in public awareness of the local Dutch elm disease epidemic and is expected to lead to legislative action for an on-going control program. First Nat'l became involved in the program after a number of employees expressed concern about the problem.

Bicentennial Year Climax

American Nat'l, Chattanooga, Tenn., presented this custom-made replica of the Liberty Bell to the new Chattanooga-Hamilton County Bicentennial Library. Shown with the bell are, l. to r.: Katherine Arnold, dir. of the library; Raymond Witt, ch. of the library; and Sam I. Yarnell, ch. of the bank. In presenting the bell to the library, Mr. Yarnell said that the occasion culminated one of the bank's major bicentennial events. American Nat'l had officially presented the replica to the library's board in July, 1975, and had been displaying it in the bank's branches for viewing by area residents until the new library was opened officially. The replica was built by Schulmerich Carillons, Inc., of Pennsylvania and is a quarter-scale reproduction of the original bell, which is housed in Philadelphia's Independence Hall.

In Illinois:

Bank Doll House Displays Built by Senior Citizens

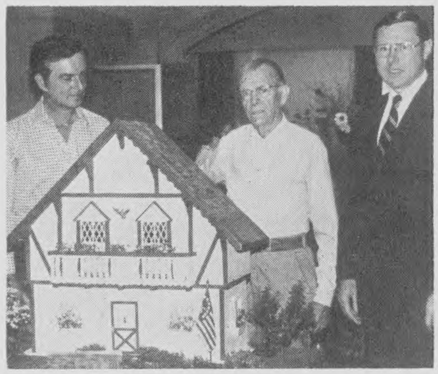
Two banks in Illinois, Avenue Bank, Oak Park, and Palatine National, have featured lobby displays of doll houses constructed by groups of senior citizens.

The Swiss chalet doll house exhibited in Avenue Bank's lobby was built by 17 members of the Oak Park-River Forest Senior Citizens' Center. The doll house features a fireplace with miniature logs, a bicentennial petit point rug, custom upholstered furniture, ceramic decorator plates, grass-cloth wall coverings and braided rugs. Completing the interior appointments are a macrame hanging, an oil painting, pillows, a mattress, bed sheets and a knitted afghan. The house's exterior features a stone walkway, jewel tree, rock garden and swing.

After exhibition at the bank, the doll house was displayed throughout the Oak Park area. A drawing will be held for the miniature chalet sometime this month.

Customers of Palatine National were able to view a 1776 early American doll house in that bank's lobby. A three-story brownstone, the reproduction was a bicentennial project of 20 people at the St. Joseph's Home for the Elderly.

It was constructed on a scale of one inch to the foot and, according to a bank spokesman, will go on display as an entry in the Senior Citizens' Art Fair competition held at the Chicago Museum of Science and Industry.

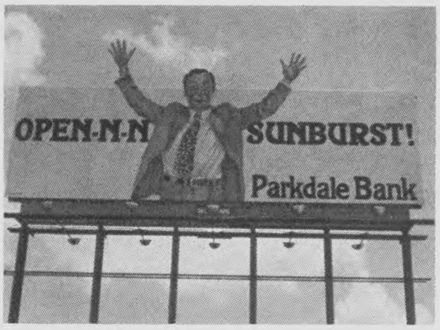


Members of Oak Park-River Forest Senior Citizens' Center in Illinois constructed this Swiss-chalet doll house which is exhibited in Avenue Bank, Oak Park. Pictured in photo are (from r.): Jerry D. Mackey, bank pres.; Stewart Purinton, Center rep.; and Ralph Hayden of Guy-Hayden Associates, firm that provided counsel on interior design.

'Open Sunburst!'

Banking Package Program Produces Good Results For Bank in Texas

When Parkdale State, Corpus Christi, Tex., began offering a package of services in July, 1975, the program not only produced more new business than had been anticipated, but it also won awards from the Corpus Christi Advertising Federation. The ad campaign, called "Open Sunburst!," garnered a Gold Award, highest presented for a complete campaign; two Silver awards for radio commercials used in the campaign and a Merit Award for outdoor painted bulletins.

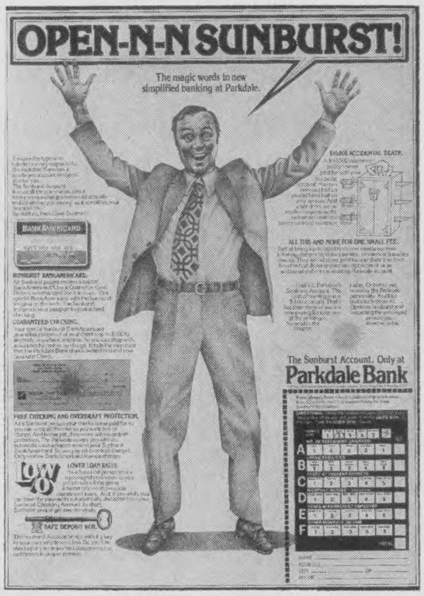


Happy man on outdoor billboard was used to attract attention to Parkdale State of Corpus Christi's "Open Sunburst!" account.

Basically, the Sunburst Account is a package of banking services, earmarked by a $3 monthly charge, which entitles customers to paid-for checks and check service charges, BankAmericard with check-guarantee card, safe deposit box, $10,000 accidental death insurance, savings account, travelers checks, cashier's checks, notary service and a preferred rate on installment loans.

The target market was customers who could qualify for the BankAmericard credit line, on which accompanying overdraft protection was based. The media campaign, consisting of radio, newspaper and outdoor posters, was designed to create widespread awareness of the service and to enhance the bank's position as an innovator in the Corpus Christi market. The "Open Sunburst!" theme was followed consistently to maximize public awareness and bank identity.

Specifically, promotional strategy consisted of identifying and pre-approving prospects from the bank's customer base. A pre-campaign direct-mail notification was used with effective results, according to Vice President Hoke B. Smith III, and was followed by another mailing two weeks later.



This newspaper zip-out ad invited public to fill out coded coupon application for Parkdale State of Corpus Christi's "Open Sunburst!" account.

Results, in terms of both applications and accounts opened, exceeded projections by a substantial margin during the campaign, says Mr. Smith. Although media promotion of the service ended last December, applications and new accounts continue to outdistance projections. Perhaps most importantly, he adds, the bank's revenue and income from the Sunburst accounts have been gratifying as well.

The PopCorner Bank!

When yours is one of seven financial institutions in town, you've got an identity problem! But the people at Berkshire County Savings Bank, Pittsfield, Mass., solved their ID problem in a unique manner.

According to Robert A. Wells, executive assistant to the bank's president, the bank began to associate itself with an antique popcorn wagon that had been parked beside the bank every summer since the early days of the century.

The banker realized that the wagon was a local fixture and the bank had often been referred to as the bank next to the popcorn wagon. In 1973 the bank began a series of institutional ads depicting the wagon and the bank at "PopCorner." Later, weekly "free popcorn days" were instituted by the bank and the wagon was featured on hot-dish tile gifts for customers opening Christmas club accounts. Still later, popcorn wagon coin banks were sold by the bank.

According to Mr. Wells, the popcorn promotion has earned the bank nationwide publicity and he reports that deposit gains over competing institutions have been extremely satisfying.

More Smiling Employees:

'Shoppers' Used by Bank To Improve Service

Every bank wants to project a friendly image and hopes its employees always provide "service with a smile." However, because they're human and have their good and bad days, there probably are times when bank employees are less than pleasant.

When management of Marine Midland Bank in Rochester, N. Y., realized that service to its customers was slipping, it took action to halt the process by initiating a "Service With a Smile" program among staff members in the bank's Rochester region. The project began August 25, 1975, and ran six weeks. Its objective was to encourage employees—by offering them monetary rewards—to display proper, courteous attitudes toward customers, thus resulting in friendly, yet professional service.

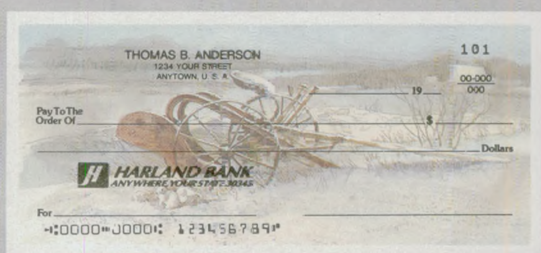
Two shoppers from a local personnel agency were employed and given an intensive one-week training course in bank procedures. These "service sleuths," in conjunction with the bank's marketing department, devised actual day-to-day situations that occur in the bank. The shoppers proceeded to pose as customers, both in person and on the telephone, to determine whether the confronted employee was delivering good, courteous service. Criteria for a "winning performance" were set forth before the shoppers went out into the field. Although these criteria were quite specific, the shoppers themselves often had to make a judgment decision on whether an award should be given.

Before the program began, the entire bank staff was notified about the program and the awards it would produce. Additionally, department heads were encouraged to brief their employees and instill a cooperative spirit in them. Buttons were distributed to everyone as a reminder. A winner was given $10 on the spot, and every winner qualified

A few of the quiet places in America are captured in water color and reproduced in the beautiful

Landscapes. Through the artist's eye.

new Landscapes Series of checks from Harland. This vibrant new series will be a welcome addition to your check offering, and is certain to be a new favorite of your bank's customers. Ask your Harland Representative about the new Landscapes Series.



HARLAND P. O. 105250, ATLANTA, GEORGIA 30348 for a grand drawing for one of 10 $50 prizes at the end of September. When the program ended, more than 350 persons had been rewarded.

Because the bank's management had known about the slippage in customer service, it wasn't surprised, right after the program began, to find a significant percentage of employees "failing" the shoppers' tests. However, as the program began to roll, there was a noticeable improvement in the employees' general attitudes and their outlook toward customers. The percentage of winning contacts improved to more than 95% in the final two weeks of the program. According to Jeffrey M. Westergren, assistant vice president and marketing director, the bank's employees were extremely excited about the prospects of winning, while customers made unsolicited comments to management about the improved service they were getting. Although some of the excitement died down after the program was over, Mr. Westergren says the bank believes it significantly improved delivery of services to customers and boosted employee morale. Because of these results, Mr. Westergren points out, the bank would not hesitate to revive the program at any time.

Good for Something:

Bank Announces Opening By Spreading Bogus Cash

In addition to the more traditional publicity methods of newspaper, radio and direct-mail ads, Citizens Bank, Warrensburg, Mo., used an airplane to spread the word about the opening of new quarters.

The father-son team of Adrian and Lynn Harmon loaded their twin-engine plane with hundreds of dollars in bogus currency, which they dropped all over the bank's area. No, the two bankers aren't in trouble with the U. S. Treasury Department; the "funny money" could be exchanged for the real thing during the open-house celebration.

The father-son team of bankers Adrian and Lynn Harmon board their twin-engine airplane and take along a briefcase containing hundreds of dollars in bogus cash. "Funny money" was dropped across area of Citizens Bank, Warrensburg, Mo., to help publicize opening of new building. Fake money could be exchanged for real thing during open-house event.

When originally opened in 1971, the building was a drive-up, but it suffered such growing pains that it was replaced by the new Citizens Bank North, a brick, stone and aggregate structure with 20,000 square feet of space. Besides the three drive-up stations, the building has six tellers windows.

The main lobby is accentuated by a multi-level ceiling and has desks for seven officers. Ten other offices and the bookkeeping and proof rooms also are housed on the main floor, while an employee lounge, kitchen area and storage vault are on the lower level.

And, a bank spokesman says, the distribution of bogus cash proved to be a hit with area residents. During the open house, more than 750 people visited with staff members, registered for free gifts and were given tours of the building.

Something for Everyone:

Banks Rewrite Agreements Using Simplified Language

Customers of Continental Illinois National, Chicago, and Bank of America, San Francisco, no longer will have to wade through words such as "thereon," "heretofore" or "therefrom" to understand the terms of their checking or savings accounts. The banks have instituted rewritten and simplified agreements, using "plain English."

New agreements for personal checking and savings, premium interest rate and Christmas club accounts have been distributed to current Continental Bank customers and will be given to applicants for new accounts.

At Bank of America, the "legalese" has been taken out of the forms and the first installment of the bank's most widely used forms—eight bank-depositor agreements (signature cards), the All-in-One checking account form and applications for BankAmericard and Instant Cash. New passbooks for Investors Passbook and regular savings accounts are scheduled to join the list soon.

"The new agreements should give our customers a much better idea of their banking relationships with us," a Continental Bank spokesman said. "The agreements clearly spell out how deposits or withdrawals can be made, how interest is paid and computed on savings accounts, what happens if an account is dormant or abandoned and how the bank prepares account statements for the account owner."

As a representative example, here is a portion of the new wording on a Bank of America joint checking account agreement: "You (the bank) may pay out funds with any (number) of the signatures below—if I (the customer) choose a JOINT account. However, you may require all our signatures if there are conflicts among us."

"One area where the plain-language format should be of the greatest help," a Continental Bank spokesman said, "is with privacy. Many consumers have misapprehensions about a bank revealing information about personal accounts, but with the new wording on the agreement, customers should understand their rights completely."

'Money Grab' at Bank

In the top photo, 10-year-old Huey Hall is shown carrying money from the vault of the new Downtown Center of Bank of Oak Ridge, Tenn. No, Huey wasn't robbing the bank. He was collecting the first prize awarded during the grand opening of the new facilities—a "money grab" (up to $3,000). Second prize was a full year's utilities bills paid (up to $1,000), and third prize was a "grocery grab" in a local supermarket (up to $500). Bank visitors registered for these prizes. In the bottom photo, young Huey stands proudly behind his pile of cash, surrounded by bank officers (l. to r.): Ed Penland, s.v.p.; Don Carpenter, v.p.; James Griffin, a.v.p.; Don Maxwell, pres.; and Ralph Aurin, e.v.p. The opening festivities were featured on the front page of the Oak Ridge newspaper. Huey "grabbed" about $1,200!

ANOTHER NECESSITY FROM MEMPHIS BANK & TRUST.

The lowly paper clip is as much a necessity to day-to-day banking as credit information. The same thing holds for the design of your facilities and the way they're furnished.

That's why one of our sister subsidiaries at Memphis Bank & Trust is the South's most sophisticated business supplier . . . Arrow Business Services, Inc. As a member of the banking family, Arrow is uniquely qualified to meet a bank's design and furnishing needs.

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

3050 Millbranch,
Memphis, Tennessee 38116
(901) 396-9861

By Dr. Lewis E. Davids

Hill Professor of Bank Management,
University of Missouri, Columbia

What's the Brouhaha About Insurance?

A RECENT PROPOSAL by the Comptroller of the Currency (12 CFR Part 2) would prohibit a national bank, its officers, directors, employees or principal shareholders from acting as agents for the sale of credit life, health or accident insurance unless *all* income from such a sale would be credited to the bank, a wholly owned subsidiary or an affiliate whose beneficial ownership is identical with that of the bank.

This is a sensitive area for small unit banks that have more than one shareholder. I would estimate that at least 10,000 of this country's banks, both national and state chartered, have an important stake in what the resolution of this proposal will be.

A number of factors must be recognized in consideration of 12 CFR Part 2, factors that are likely to be swept under the proverbial bank-lobbyist carpet. One of these factors is that the typical borrower *wants* this kind of insurance and that he or she isn't coerced into purchasing it—borrowers recognize that insurance can affect ability to pay back a loan and that the modest insurance charge for the loan can relieve the borrower of that problem. Borrowers also know that lenders will be more willing—and able—to extend credit if the borrower is protected by such insurance coverage.

Yet, all too often, consumerists of the "Ralph Nader" persuasion contend that there is a forced "tie-in," that the installment-loan borrower is forced to take the insurance and has to pay a disproportionately high rate for it. But too few banks fail to charge a higher rate of interest to borrowers who don't elect to buy credit insurance. It's true that people of substantial wealth don't need credit insurance when borrowing, but they aren't the people who borrow in installment-loan form: Such persons can borrow in other forms and at much lower rates. I think this situation raises a number of unanswerable questions about the accuracy of some of the banking statistics about consumer loans that some consumerists quote so glibly.

Another often-overlooked aspect of credit life involves the benefits of a group policy versus those of individual policies. Larger banks generally opt for the group-policy concept, in one form or other, while smaller banks usually adopt individual policies, with their attendant higher premiums.

Few people believe that individual policies can be written as economically as group policies, but there are numerous state laws and regulations that can alter this generality. In some cases, the maximum dollar premium per $100 of a loan becomes a determinant when an institution is deciding whether to elect for group credit life, individual credit life or to say, "to heck with it, it's not worth the time and effort involved." These decisions should be made by the individual bank, taking into consideration its relationship to the regulations.

". . . Common law has long recognized the illegality of any diversion of corporate opportunity. Is there a need for (a regulation by the Comptroller of the Currency) to reaffirm that which already is part of our common-law tradition?"

The text of 12 CFR Part 2 conveys a subliminal message to the reader, and it forbodes a rather pervasive tendency: It attributes decisions made in a bank to rather unsocial, base instincts. The Comptroller's proposal presupposes that the typical bank is playing a game of "diversion of corporate opportunity," that is, that a bank's directors either don't know what is going on (which is bad), or that the board as a whole is stupid or venile (which is worse). Either of these postures is an insult to prudent directors. The assumption that bank directors are given the "mushroom" treatment by management—where the board is kept in the dark and is well fertilized with meaningless information—flies in the face of reality.

A more wholesome and realistic approach by the Comptroller would be to believe that the typical bank director is an understanding individual, one who was chosen to serve on a bank board because he or she is interested in nation and community and is alerted by management to, or otherwise is aware of, banking policy issues, especially those involving possible diversions of corporate opportunity. Basically, 12 CRF Part 2 boils down to this: Does an officer, director or bank employee who sells credit life, health or other types of insurance really divert "corporate opportunity" from his or her bank?

In many states, banks are prohibited from selling this type of insurance. In such situations, the answer to the problem is clear, since banks are precluded from the "opportunity" by state law. But it is in the interest of borrowers, the public and banking that risks in installment lending be reduced, and providing borrowers with life insurance is one way to do that.

I think the sponsors of 12 CRF Part 2 should consider why some states have taken a stance against insurance being sold by banks. Does such a move make sense today? I know of no instance where management of a bank was *not* aware that an officer, director or employee of the bank had at some time sold this type of insurance. And I can recall no situation where a bank's management was *not* aware that the person writing such a policy did or did not receive income from doing so, or the approximate amount of money involved in the transaction. If a bank employee received outside income from an insurance sale, his or her salary would be adjusted in relationship to that income. But in such a case, we must take into

A DAY IN THE TRANSIT DEPARTMENT.

The Transit Department is working late again.

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.

You have nothing to lose, and profits to gain.

Correspondent Department
United Missouri Bank of Kansas City, N.A.
10th & Grand, Kansas City, Mo. 64141
(816) 221-6800

☐ Send me the Rapid Transit Profitability Schedule.

☐ I'm interested in your 30-day trial, too.

Name____________________

Address____________________

City____________________

State____________ Zip________

UNITED MISSOURI BANK OF KANSAS CITY, N.A.

"The assumption that bank directors are given the 'mushroom' treatment by management—where the board is kept in the dark and is well fertilized with meaningless information—flies in the face of reality."

consideration whether state law permitted the sale; it may, superficially, appear to be a diversion of corporate opportunity, but I think this is more a de jure than a de facto situation.

Theoretically, it's true that a minority shareholder *could* benefit if his or her bank had received income from selling insurance equal to commissions paid the officer, director or employee who made the sale. However, the fact is that the shareholder would not *really* benefit. Why not? Motivation for increasing one's income through sales of credit life is reduced when a bank preempts the entire commission, as is done in many states.

Thus, we return to the question of which style of management is better. I'm not sure that what works well for a major branching bank—some form of group life, for instance—would work well for a small unit bank. *I* would prefer that there be no regulation in this area, a situation I find preferable to the proliferation of regulations we have experienced in the last decade. My reasoning for this is that a prudent director knows that he or she has a number of basic duties and responsibilities that accompany the job, and these include honesty, fair dealing and avoiding diversions of corporate opportunity.

The rights of minority shareholders are of serious concern, especially for the 300 "problem" banks in this nation. At issue is not what is prohibited by regulation, but how those prohibitions usurp management's prerogatives. Frankly, regulatory examination procedures can —and should—look into any perceived diversions of corporate opportunity by any banker, and the examiner should note those diversion possibilities on the report of examination, insisting that the bank's board respond. I think that, in most cases, it would surprise examiners to find out that a bank's board had been aware of the situation and already had considered ways of handling the problem.

But what should be done where an examination reveals a true case of de facto and/or de jure diversion of corporate opportunity? My answer is simple: Common law has long recognized the illegality of any diversion of corporate opportunity. Is there a need for 12 CFR Part 2 to reaffirm that which already is part of our common-law tradition? • •

Unmatured Loan Balance At Wichita Land Bank Reaches $2-Billion Mark

WICHITA—The Federal Land Bank here reports that its unmatured loan balance passed $2 billion early last month. It took 57 years (the bank was chartered in 1917) to reach the first $1-billion milestone of service. Then, in only three years, this has doubled, according to the bank, because of the exceptionally strong demand for long-term credit by farmers and ranchers responding to the increasing need for food and fiber.

New-money lending by the Wichita Land Bank during the nine months ending September 30 was $340.8 million, or 620% more than the $54.9 million loaned during the same nine-month period in 1970.

A study of the purposes for which Land Bank loans were made during the 12 months ending last June indicates that in the Ninth District (served by the Wichita bank), 46% of the volume loaned was used to refinance existing indebtedness and 33% to buy land. Other purposes included buildings and improvements, operating expenses, stock and other expenses associated with the loan.

The average size of Land Bank loans closed during the year ending last June 30 varied from $66,405 in Oklahoma to $139,706 in New Mexico. The average for the 6,927 loans closed in the district was $79,376. Only 1.57% of the bank's 45,145 loans were delinquent last September 30. This compares with 1.5% on the same date last year.

Land bank loans are made on a variable rate that goes up and down according to economic conditions and cost of operation. As of June 30, 62.9% of the number of outstanding loans and 87.1% of the outstanding volume were on the variable rate. The variable rate for Land Bank farm and ranch real estate loans as of November 1 was 8.5%.

Tax-Exempt Trust Set Up For Missouri Bankers; To Be Operative Jan. 1

JEFFERSON CITY, MO.—The Missouri Bankers Association has formed the MBA Voluntary Employees' Beneficiary Association (VEBA) in an effort to better serve its member banks and their employees, particularly in the health care and insurance areas.

VEBA is a tax-exempt trust formed under Section 501 (c) (9) of the Internal Revenue Code. It's governed by a board of eight trustees (one from each MBA region), whose appointments must be approved by the MBA's board. Trustees will serve three-year terms. They will set policy for all MBA insurance programs administered by the trust. They also have the authority to adopt new insurance plans, to choose underwriters and to determine benefits and premiums.

The trust will operate as a separate entity from the MBA and will serve those member banks that elect to take part in the insurance programs. Felix LeGrand will become trust administrator following his December 31st resignation as MBA executive vice president. VEBA will become operative January 1.

According to the MBA, the trust offers several advantages to both the MBA and participating banks and their employees. These include:

1. Elimination of IRS non-dues income tax problems for the MBA.
2. Preparation of ERISA and numerous other reports required by the government will be the responsibility of the trust, thereby eliminating the fiduciary liability, expense and time of bank personnel and MBA staff members.
3. Administration of the MBA's group insurance programs will be improved, resulting in better service and, hopefully, better member relations.
4. The actuarial pool will be limited strictly to bankers, a factor that should improve the trust's experience and help stabilize rates.
5. Last, but most importantly, the trust will lead to stabilization of rapidly increasing health care rates. This should be accomplished by billing, collecting on an annual basis and investing the premiums, thereby establishing the trust's own premium-stabilization reserve fund. The carrier will be limited to payment of claims only on a cost-plus basis.

Banking's Stability in 'Dark Years' Spotlighted at RMA Fall Conference

BANKING'S PROBLEMS of the past few years were not overlooked at the annual fall conference of Robert Morris Associates in October. However, they were put in perspective to show that, despite everything that happened, the biggest percentage of banks —and their stockholders and depositors —came through unscathed.

For instance, the conference's keynote speaker, Roger E. Anderson (chairman, Continental Illinois Corp. and Continental Illinois National, Chicago), had as his topic, "1974-75: Banking's Stability in Two Dark Years." Mr. Anderson said that although he isn't minimizing the seriousness of the situation in 1974 and 1975, he maintained that the pessimism was, in large part, exaggerated and generated by an insufficient knowledge of the banking industry. Nevertheless, he continued, anyone looking for reasons to worry didn't have to go far to find them. Banking, he continued, was being threatened internally by the consequences of previous expansionist policies, actions and expectations and threatened externally by global inflation and recession plus deep-seated public uneasiness about the stability of the banking system, soundness of its structure and adequacy of its regulatory apparatus.

Mr. Anderson reviewed 1974, which saw two $1-billion-plus banks failing. He pointed out that the outlook for commercial banks at that time was translated, in part, into closer and increased attention to the capital-adequacy problem. The Fed referred to the capital-adequacy factor in its denial of applications for new activities by some of the strongest banks in the country. According to Mr. Anderson, there was no doubt that the ratio of capital to assets of U. S. commercial banks had declined significantly, and this was a lesson that didn't need to be told twice in 1974. Within many individual banks, he said, the rapid growth of assets relative to capital had induced managements to approach further expansion into new areas with greatly increased caution and also to become more restrictive in their lending policies.

This kind of management response to the challenges of what may have been banking's darkest year in recent history illustrates the system's essential health and stability, said Mr. Anderson. He strongly emphasized that despite the problems that developed, the commercial banking system functioned capably and effectively in administering the expansion of credit during a period of serious economic and financial stress. Banks did their appointed job in the economy during this period, he maintained, and for the most part, they did it very well.

"Those who fail to grasp this fairly self-evident truth," he said, "and they are many, also fail to understand the even more basic fact that to a great extent, the difficulties that have confronted the commercial banking system mirror a vast and complex set of worldwide problems that had been developing for about a decade."

Mr. Anderson backtracked to 1965 "to see how we got where we did and to reassure our critics that banking does not function within a neatly defined vacuum of its own making." He then took a brief look at 1975, when the economic upturn began. However, he pointed out that he didn't want to give the impression that banks had a picnic in 1975. In many respects, he said, 1975 was a most difficult year, largely because of a widespread public misperception that financial intermediaries in general were in trouble. Mr. Anderson listed some areas that were magnets to which public interest was drawn in 1975:

- Lending relationships with the real estate industry, including real estate investment trusts (REITs).
- Losses in the foreign-exchange trading markets.
- The highly unusual failure of two large banks in 1974, which continued to be a source of gloomy speculation about the industry in 1975.
- The relatively high level of loan charge-offs during 1975 for the industry as a whole.
- Loans to the shipping industry, a part of which was hit by the worldwide recession while in a period of capacity expansion.
- Potential difficulties that some developing nations might encounter in servicing the debt loads they had accumulated. This particular worry now has been extended to include the growing East-West trade imbalance and the piling up of import debt by Russia and the Communist-bloc nations.

"When we look at the complete record for 1975," said the Chicagoan, "we see that even with the sizable loan charge-offs last year, the earnings of bank HCs overall continued strong and, in many cases, at a record level. In general, reserves not only absorbed the losses, but actually were increased. Among the 10 largest U. S. bank HCs, the ratio of valuation reserves to loans outstanding at the end of the year was, in every case, larger than at the beginning of the year, even after substantial charges to absorb losses.

"Considering all the U. S. commercial banks in their entirety, we cannot help but be impressed by the extraordinary vigor of the banking community and the vitality of its earning power. The ability of commercial banks in general to withstand losses of a magnitude experienced only once before in our financial history—and to emerge stronger than before—is worthy of far greater note than it has received."

Mr. Anderson pointed out that throughout the recession and the ensuing period of slow recovery that began in the spring of 1975, the banking industry generally maintained an even-handed, statesmanlike posture in dealing with the serious weaknesses in the economy at large as well as in confronting trying situations within the industry that arose out of the earlier zeal for expansion.

As for the once-popular concept of growth for growth's sake, Mr. Anderson said that has been discredited and that the value of impetuous, undisciplined growth in the financial industry is being seriously questioned. This represents a significant change in psychology from a few years ago, when the mere fact that an opportunity existed at all was itself sufficient reason to

"Considering all the U. S. commercial banks in their entirety, we cannot help but be impressed by the extraordinary vigor of the banking community and the vitality of its earning power. The ability of commercial banks in general to withstand losses of a magnitude experienced only once before in our financial history—and to emerge stronger than before—is worthy of far greater note than it has received."—Roger E. Anderson.

LEFT: Pictured during RMA's annual conference are Southeastern Chapter officers and their wives (l. to r.): Chapter Pres. and Mrs. M. G. Sanchez, First Nat'l, Pompano Beach, Fla.; Chapter V.P. and Mrs. W. E. Ayers, Simmons First Nat'l, Pine Bluff, Ark.; and Chapter Sec.-Treas. and Mrs. Gerry U. Stephens, American Nat'l, Chattanooga, Tenn. CENTER: Texas Chapter officers and their wives shown at conference are (l. to r.): Chapter Pres. and Mrs. Robert E. Orr, Pan American Bank, Brownsville; Chapter 1st V.P. and Mrs. Frank A. Sewell Jr., Peoples Nat'l, Tyler; Chapter 2nd V.P. and Mrs. Richard Goebel, Texas Bank, Dallas; and Chapter Sec.-Treas. and Mrs. Raymond G. Dickerson, Continental Nat'l, Fort Worth. RIGHT: Members of RMA's Chicago Chapter were conference hosts. Committee chairmen from chapter who helped plan activities were (l. to r.): Phillip L. Bond, LaSalle Nat'l; Norman I. Pickles, conference v. ch., Northern Trust; James M. Brophey, Michigan Avenue Nat'l; Gilbert G. Rivera, Marshall & Ilsley Bank, Milwaukee; William G. Dearhammer, conf. v. ch., First Nat'l; Vincent C. Yager, First Nat'l, Blue Island; and Kathleen A. Patton, First Nat'l.

reach out for it. Mr. Anderson said that some might say that banks have gone too far in the direction of carefully controlled growth, but he wouldn't agree, and he thinks most bankers now would rather err on the side of conservatism.

"In this context," he continued, "commercial banks and other financial institutions are placing increased emphasis on asset quality and on strengthening their capital base. A consequence of this is that future expansion in the near-term will rely much more heavily on internal sources of funds, and the pace of capital spending over the next four or five years is likely to be restrained, thus helping slow overall growth as we put the recession further behind us."

Mr. Anderson closed with this thought: "Guided by the sound and prudent judgments of an alert, astute management, we will do well to follow a course where the landmarks are quality of credit, adequacy of capital, control of costs, forward planning and effective organization. If we are to be counted at all as an institutional restraint in another outbreak of inflation and expansion, we must hold fast to these elemental precepts of the banking profession."

The President's Talk. Dan W. Mitchell, RMA president (president, Old National, Evansville, Ind.), also alluded to how banking had become very "hot press" during the past couple of years. Although most of the articles were negative in nature, he said, he admitted that banks had not exactly covered themselves with glory during those years.

He pointed to the numerous ways banks overexpanded, how leverage became a byword and how bank HCs have become an interesting phenomenon, as he put it, "not successful, just interesting!" and added, "The nonbanking subsidiaries have absorbed considerable funds and management time for some very anemic profits, if any."

The industry does have some problems, said Mr. Mitchell, and many of those problems arise from unrealistic goals. In some cases, he pointed out, the security analysts' siren song of 15% compound annual earnings growth was, unfortunately, alluring to management, and abnormal risks were undertaken to achieve this unrealistically high goal with rather unfortunate results. Certainly, he said, the economic impacts of the oil embargo and the recession didn't help bank lenders, but they weren't the sole causes. According to Mr. Mitchell, banking's own management practices must stand some share of the blame, but the magnitude of the problems is exaggerated.
Mr. Mitchell, banking's own manage-

He said that net charge-offs were about $3.2 billion in 1975 and probably won't vary too much from that figure in 1976. That amounts to 4.7% of capital, as so many are wont to measure, but he thinks it *very* significant that net loan losses were comfortably covered by earnings and amounted to only 25% of earnings before taxes and charge-offs. In other words, he continued, losses would have to have been four times their size to negate earnings totally and greater than that to erode any capital.

Like Mr. Anderson, Mr. Mitchell touched on capital adequacy, saying it has been something of a byword and that he's not sure he knows what it is. Certainly, he added, it's not something that can be boiled down easily to a set number or ratio.

"Most of us," said Mr. Mitchell, "have discovered in our own lending experience—usually with some discomfort—that capital is no substitute for management. We have seen what we thought was a solid loan to an adequately capitalized company get on our problem loan list because of mismanagement. Banks are in no special category, nor are we insulated from being measured by the same criterion. Our capital is no substitute for management either.

"Capital, it seems to me, is more a secondary consideration than the primary answer. Much more important, in my judgment, is the quality of the management—or people adequacy—if you will. This quality of management manifests itself in a number of ways: reasonable liquidity, reasonable growth and, most important, consistently attractive earnings. Earnings, of course, are the key to capital, both as a source of capital by retention of earnings and as an attraction to new capital—both common stock or quasi-capital such as subordinated notes. Capital markets usually do not respond with wild enthusiasm to any business with a weak earnings record; hence, the undercapitalized bank either pays a ghastly price for capital infusion (which has the effect of depressing both current and future earnings) or backs off and remains uncapitalized. Neither result is satisfactory, but the fact remains that capital is the result, not the cause."

Awards. Two RMA members were given its highest honor, the Distinguished Service Award, during the conference. Recipients were Preston T. Holmes, executive vice president, United Virginia Bankshares, Inc., Richmond, and Robert A. Young, immediate past RMA president and president, Northwest National, Vancouver, Wash. This award is given for outstanding service to the association as a past member of the national board and as a constant participant in, and contributor to, RMA activities and projects at the national and local chapter levels.

William L. Marshall III, New England Merchants Bank, Boston, won the RMA's sixth annual national writing competition. His winning paper, "ESOT as a Financing Vehicle," was chosen from among papers that had taken top honors in competitions held earlier in the year by several of RMA's local chapters around the country. Second-

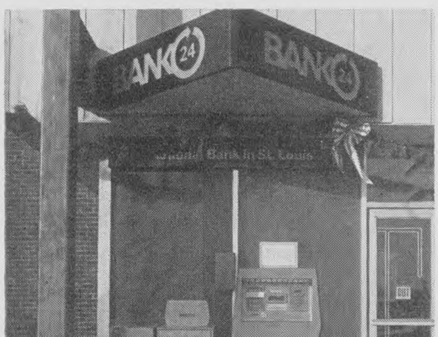
(Continued on page 26)

Off-Premises ATMs Shut Down By First Nat'l, St. Louis, Following Court Action

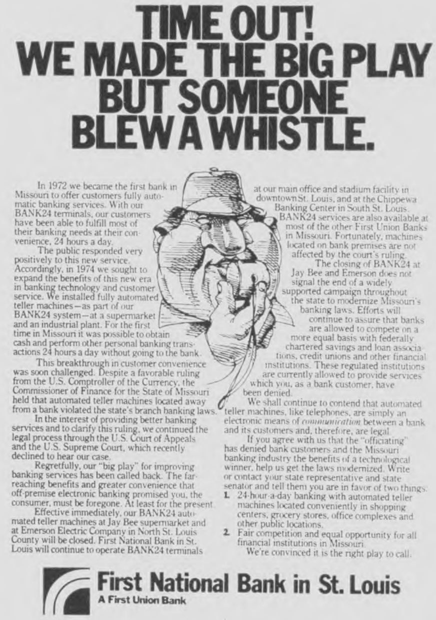
ST. LOUIS—First National has discontinued use of its automatic teller machines at two-off-premises locations following the U. S. Supreme Court's refusal to review a lower court's decision that the bank's use of these ATMs constituted branching. The BANK24 customer bank communications terminals (CBCTs) are located at a food store and at Emerson Electric Co., both in north St. Louis County.

Clarence C. Barksdale, chairman and CEO of the bank, said that the bank now will work for new state legislation that will allow banks to operate off-premises CBCTs. In this effort, he continued, "we will urge our customers and all Missourians to express their views on this subject to their representatives in Jefferson City. Our restrictive banking regulations must be modernized to benefit all customers of Missouri banks."

First National set up the two ATMs late in 1974 following issuance of an interpretive ruling by then Comptroller of the Currency James E. Smith allowing national banks to establish off-premises electronic terminals. However, William Kostman, state banking commissioner, filed suit challenging the legality of the two ATMs, saying they violated Missouri's anti-branching law. In November, 1975, U. S. District Judge James H. Meredith ruled that use of such devices not located on banking



This BANK24 ATM at supermarket and similar one at Emerson Electric Co., both in north St. Louis County, have been shut down by First Nat'l, St. Louis, following refusal of U. S. Supreme Court to review lower court's decision that operation of these off-premises CBCTs constitutes branch banking.



First Nat'l, St. Louis, is using this newspaper ad to take its case for off-premises CBCTs to public, following forced closing of its off-premises units in St. Louis area as result of unfavorable court rulings. Ad requests public to contact Missouri legislators and state their case in favor of permitting such installations in shopping centers, grocery stores, office complexes. Ad also asks public to call for fair competition and equal opportunity for all financial institutions in Missouri.

premises was, in effect, branching and illegal under Missouri and federal banking regulations. Last August, the U. S. Eighth Circuit Court of Appeals upheld Judge Meredith's decision, and First National sought a review of the decision by the U. S. Supreme Court. At that time, the bank was permitted to continue operating the terminals pending final disposition of the case before the High Court.

Operation of First National's BANK-24 units at its main office and Stadium facility in downtown St. Louis and Chippewa Banking Center in south St. Louis is not affected.

Account-Information System Automated at Chicago Bank

CHICAGO—Northern Trust has introduced what it describes as a new, fully automated electronic balance reporting system for correspondent and corporate customers. It's called "Accelerated Information Management" or "AIM." According to the bank, AIM provides timely and reliable account information in a highly flexible manner and replaces a manual reporting system.

The bank's president, Philip W. K. Sweet, says, "AIM currently makes available 24 categories of account and activity information on a daily basis. Information available includes detailed listings of wire transfers, commercial deposits, lock-box deposits and chargebacks. Furthermore, the system is designed to expand as customer needs grow. AIM theoretically could provide as many as 9,999 fields of information."

The bank describes the new service—said to be the first of its kind offered in the Midwest—like this: Customers automatically can receive information by TWX, Telex, magnetic-tape transmission or Mailgram. Or the customer can access information, using four security codes, by a toll-free-phone request or by a time-sharing inquiry through a computer terminal in the company office.

The new service employs a national telecommunications firm, National Data Corp. (NDC). Account information is collected by the bank onto magnetic tape beginning at 2 a.m. each day. Data then are transmitted to NDC at 5:30 a.m. for relay to customers at 6 a.m. or any specified time after that (Chicago time).

Advantages of the system cited by Northern Trust include the capacity to provide the customer with a complete, consolidated report on the firm's cash position with respect to accounts not only at Northern Trust, but at all of the customer's banks, and facilitation of daily adjustments in the corporate cash position.

New CBCT Regulations Issued; Provide for Applications Under Simplified Procedures

WASHINGTON, D. C.—New regulations concerning customer bank communication terminals (CBCTs) were announced last month by acting Comptroller Robert Bloom. The regulations were published November 3 in the *Federal Register* as amendments to Parts 4, 5 and 8 of Title 12 of the Code of Federal Regulations and became effective immediately.

The new regulations provide for applications, under simplified procedures, by a national bank seeking to operate a CBCT branch in a state where state-chartered banks are permitted by statute to establish traditional branches or CBCT branches. State statutory provisions as to number, location and

capital will apply to national bank CBCT branches. The Comptroller will permit allocation of capital among branches, traditional or CBCT, within a single city, town or village as he has for traditional branches. In addition, capitalization required for a shared CBCT branch may be shared among the participants. Furthermore, in contrast to the $500 application fee for a traditional branch, the application fee for a CBCT branch is $200.

CBCT branch applications must be submitted only for those CBCTs that are to perform functions of receiving or disbursing funds *and* that are to be established (i.e., owned or rented) by national banks.

Any national bank that already has an operating CBCT branch must file an application within 30 days to obtain approval to continue its operation. When two or more national banks share or propose to share a CBCT branch, a single application may be filed by one national bank as agent for the others. Application forms will be available shortly from each Regional Administrator of National Banks.

On December 12, 1974, the then Comptroller, James E. Smith, issued an interpretive ruling expressing his view that CBCTs were not branches. Subsequent litigation resulted in recision of that interpretation last August 23, and adoption of the regulations announced last month.

ATM Survey Error

A story in the EFTS section of the October issue of MID-CONTINENT BANKER on a survey of ATMs contained an error. The survey—of commercial banks and thrifts—was made by an independent EFTS consultant, RoseMary Butkovic.

The error appeared in the paragraph on ATM costs. MCB reported as follows: "Costs for operating a terminal were pegged at a low of $22 a month for a POS device to $50,000 monthly at an ATM." What Miss Butkovic's release on her survey results actually said was, "The cost of a terminal can range from $22 a month for a POS device to a $50,000 ATM." Obviously, Miss Butkovic was referring to a $50,000 capital investment in an ATM and *not* a $50,000 monthly rental.

The error was called to MCB editors' attention by Jim Lisenbee, manager, product planning, automated financial systems, LeFebure Corp., Cedar Rapids, Ia. In his letter, Mr. Lisenbee said the cost, as reported by MCB, is very confusing and misleading, and he believes such statistics possibly could misinform financial industry executives who see this article. The editors regret the mistake.

Mr. Lisenbee also questioned Miss Butkovic's survey results showing the number of transactions performed by remote electronic terminals to range from less than 100 monthly at a POS terminal to more than 5,000 a month at an ATM. He said most surveys indicate ATM usage to be up to 15,000 a month.

ChecOKard Banking Centers Go On-Line at Retail Stores In Okla. City's Metro Area

OKLAHOMA CITY—ChecOKard banking centers went on-line at 13 C. R. Anthony's stores November 14, thus beginning the first joint venture in electronic banking for this city's metro area, say J. W. McLean and Ray Anthony. Mr. McLean is chairman, Liberty National, and Mr. Anthony, chairman of the retail chain.

The new program enables customers of the participating ChecOKard banks to perform most banking services at these initial Anthony's stores during normal operating hours Monday through Sunday. Using a magnetic striped ChecOKard, customers can make checking-account deposits and withdrawals. savings-account deposits and withdrawals and transfers between checking and savings accounts, as well as pay for merchandise bought.

Data processing is being handled by National Sharedata Corp. Liberty National is handling licensing of the ChecOKard name and trademark. Any Oklahoma bank is invited to take part through association with National Sharedata.

The ChecOKard/Anthony's electronic banking program uses an NCR 279 on-line computer terminal in the participating Anthony's stores, linked directly to the customers' checking and savings accounts at the National Sharedata center. The system eventually will have interchange capabilities with other EFT systems being developed within the state.

Social Security Funds Guarantee Announced by Seven Banks in Ill.

PALATINE, ILL.—Seven banks belonging to the Suburban Bank Group have announced they now will guarantee availability of funds for customers participating in a social security direct deposit program.

The system enables recipients of social security checks to have their proceeds deposited directly by the federal government into the bank of their choice. The participant banks will guarantee availability of these funds in customer accounts by 9 a.m. the third business day of each month.

Banks that are members of the Suburban Bank Group are Bank of Rolling Meadows, Cary State, Palatine National, Suburban Bank of Hoffman Estates, Suburban National of Palatine, Suburban National of Elk Grove Village and Suburban National of Woodfield.

According to a Suburban Bank Group spokesman, check recipients in the past have been hesitant to enroll in the direct deposit program, due to the complexity of the social security system. But with the guarantee of funds availability, it is hoped that the number of persons taking advantage of the program will grow.

Grad School of Banking To Sponsor Investigation Of EFT Cost vs. Benefit

MADISON, WIS.—The Graduate School of Banking, University of Wisconsin, has announced that it has engaged the accounting and consulting firm of Peat, Marwick, Mitchell & Co. to design a cost/benefit analysis package that can be used by banks to determine the financial impact of implementing EFT services.

According to a school spokesman, the package would provide a credible, practicable method of performing an EFT cost/benefit analysis, enabling individual banks to take an informed approach to EFT. Such a move would impact pricing decisions and marketing plans and could even affect a bank's profits on the services, he said.

The project will be divided into three phases over six months. PMM first will conduct a confidential survey of the financial characteristics of on-going EFT projects: costs and revenue elements involved and variables affecting both. The first phase will serve as a basis for extrapolating EFT financial trends and characteristics.

An EFT cost/benefit analysis manual will be developed from the survey. It will contain work sheets and step-by-step procedures to provide a banker with means and methods to conduct a financial impact analysis of EFT for his own bank.

During the project's final phase, outlines, case materials and other instructional aids will be designed for use in training bankers in EFT cost/benefit analyses. It is anticipated that a computer-based simulation model will be developed for use by banker-students in preparing projections related to a specific market area.

Effective Management Can Be Attained By Following These 39 Principles

By HOWARD J. BLENDER
President
Howard J. Blender Co.
Dallas

IN A recent best-selling novel about banking, the author clearly delineates the difference between a good manager and a bad manager in his characterization of the two executive vice presidents in his fictional bank. The good executive vice president is likable, tolerant, cool and eventually becomes president. The bad vice president is curt, intolerant, dull and eventually jumps off the bank building.

In the real world, the question of what qualities differentiate the effective manager from an ineffective one is somewhat more difficult to answer. But on the basis of extensive experience in bank consulting, my firm has formulated 39 principles of effective management:

1. *Equal Distribution.* No one has enough time, yet everyone has all there is. This is the great "paradox of time." It is the one resource distributed equally to all.

2. *Faulty Perception.* The manager's time rarely is spent as he thinks it is. The mind plays tricks on its owner and deceives him into thinking his time is going where it *should* be going rather than where it is actually going.

3. *Anticipation.* Anticipatory action generally is more effective than remedial action. Avoid surprise by expecting the unexpected and planning for it. Assume if anything *can* go wrong, it *will* (Murphy's Third Law).

4. *Planning.* The great majority of problems arise from action without thought. Every hour spent in effective planning saves three to four in execution and achieves better results. *By failing to plan, you are planning to fail.*

5. *Daily Planning.* Daily planning, formulated the afternoon before or early the same day, in consonance with near-term objectives and events, is essential to effective utilization of personal time.

6. *Objectives.* More effective results generally are achieved by purposeful pursuit of planned objectives than by chance. The fundamental concept of management by objectives is based on this proved principle.

7. *Priority.* Time available should be budgeted or allocated to tasks in ordered sequence of priority. Otherwise, managers tend to spend time in amount inversely related to the importance of their tasks (Parkinson's Second Law) (See Pareto Principle No. 9).

8. *Deadlines.* Imposing deadlines on yourself and exercising self-discipline in adhering to them aid managers in overcoming indecision, vacillation and procrastination.

9. *Concentration.* In most areas of organized human endeavor, a critical few efforts (around 20%) usually produce the great bulk of the results (around 80%). This principle is also called the Pareto Principle or the 20/80 law. Effective managers concentrate their efforts on the "critical few" events that will produce the major results (See No. 30).

10. *Effectiveness Versus Efficiency.* Effort, however efficient, will tend to be ineffective if performed on the wrong tasks, at the wrong time or without the intended consequences. Efficiency means doing the job right. Effectiveness means doing the *right* job right. Effective action produces maximum results with minimum expenditure of resources, including time.

"Daily planning, formulated the afternoon before or early the same day, in consonance with near-term objectives and events, is essential to effective utilization of personal time."

11. *Activity Versus Results.* Managers tend to lose sight of objectives or intended results and to concentrate their efforts on activity. Keeping busy gradually becomes their objective. These managers tend to become activity-oriented rather than results-oriented. Instead of running their jobs, they tend to be run *by* them. They confuse motion with accomplishment, activity with results.

12. *Optimum Results.* Results tend to be optimized when the greatest benefits are achieved with minimum efforts.

13. *Unrealistic Time Estimates.* Managers tend to take an optimistic view of the time a task will take them to complete. They also tend to think that others will be able to complete their tasks sooner than is likely. Hence, Murphy's Second Law: "Everything takes longer than you think." Thus, managers tend to accept themselves and expect from others unrealistic time estimates.

14. *Probability of Occurrence.* The probability that an intended event will occur increases directly with the systematic application of effort toward its realization.

15. *Tyranny of the Urgent.* Managers live in constant tension between the urgent and the important. The urgent tasks call for instant action and tend to drive out the important from our consciousness. Many managers thus are tyrannized by the urgent and often respond unwittingly to the endless pressures of the moment, neglecting the long-term consequences of more important, but less demanding, tasks left undone.

16. *Crisis Management/Over-Response.* Many managers tend to underestimate problems, to fail to anticipate them or to over-respond by treating all problems as if they were crises. This tendency toward crisis management and fire fighting causes undue anxiety, impaired judgment, hasty decision and wasted time and effort.

17. *Selective Neglect/Limited Response.* Response to problems and demands should be realistic and limited to the situation's needs. Some problems left alone go away. By selectively ignoring those problems that tend to resolve themselves, much time and effort can be conserved for more useful pursuits (also called the "principle of calculated neglect").

18. *Flexibility.* Flexibility to degree of scheduling personal time may be necessary to accommodate to forces beyond one's control. Time should not be over- or under-scheduled.

19. *Problem Analysis.* Failure to distinguish symptoms from causes tends to result in wasted effort directed toward apparent rather than real problems.

20. *Alternatives.* In any given situation, failure to generate viable alternative solutions limits the likelihood of selecting the most effective course of action.

21. *Indecision.* Arrival of the point of decision causes many managers without apparent reason to hesitate, vacillate or refuse to decide. Indecision should be viewed as a decision *not* to decide.

22. *Procrastination.* Deferring, post-

poning or putting off decisions or actions can become a habit that loses time, causes lost opportunities, increases pressure of deadlines and generates crises.

23. *Completed Staff Work.* Managers should delegate responsibility and authority to do a "whole task." This saves time otherwise required to complete the task themselves and frees them for more important work. It also enhances the satisfaction their team will take in their work and improves the overall effectiveness of the organization.

24. *Delegation/Decision Level.* Authority for decision-making should be delegated to the lowest possible level consistent with adequate judgment and available facts.

25. *Upward Delegation.* Managers tend to encourage upward (reverse) delegation unwittingly by fostering subordinates' dependence on them for answers. They may do this by unconsciously being "too ready" with answers or by instructing subordinates to "do nothing without checking with me."

26. *Routine/Detail.* Routine tasks of low value to overall objectives should be minimized, consolidated, delegated or eliminated to the extent possible. Managers should divorce themselves from unnecessary detail and selectively neglect all but essential information (See also Exception Management No. 29).

27. *Consolidation.* Similar tasks should be grouped within division of the work day, to eliminate repetitive actions and minimize interruptions, such as taking and returning phone calls. This will economize utilization of resources, including personal expenditure of time and effort.

28. *Feedback.* Feedback on relative performance against goals at predetermined intervals is essential to ensure progress according to plan. Progress reports should identify problems (deviations of actual from planned performance) in time to take corrective action.

29. *Exception Management.* Only significant deviations of actual results from planned performance should be reported to the responsible executive to conserve his time and abilities. Related to the "management-by-exception" concept is the "need *not* to know" concept of excluding all but essential facts.

30. *Interruption Control.* Arrangement of controls over activities should be designed to minimize the number, impact and duration of interruptions.

31. *Planned Unavailability.* Managers must plan periods of uninterrupted concentration. The "quiet hours," effective secretarial screening of calls and visitors and a hideaway are three of the most effective techniques to achieve this. The mistaken notion that managers should "always be accessible" has led to such abuses as the ever-open door, which stands as a continuing invitation to passersby and corridor-wanderers to drop in for a visit.

32. *Visibility.* Keeping visible those things you intend doing increases the certainty of achieving your objectives. You can't do what you can't remember. This principle of visible control is inherent in such time-management tools as the plan sheet of economics laboratory, daytimer pocket and desk calendars and project control charts.

33. *Clarity.* Simple, concise unambiguous language ensures understanding and saves time.

34. *Brevity.* Economy of words and actions conserves time while promoting clarity and understanding.

35. *Habit.* Managers tend to be victims of their own habit patterns. They tend to take on the practices of the organizations in which they manage. Breaking ingrained habit patterns is very difficult and requires continuing exercise of self-discipline.

36. *Work Expansion* (Parkinson's Law). Work tends to expand to fill the time available.

37. *Implementation and Follow-Up.* Implementation of time planning and follow-up is essential on a daily basis for effective time management.

38. *Acceptance.* Managers should seek the courage to change those things which can be changed . . . the willingness to accept those which can't . . . and the wisdom to know the difference.

39. *Managerial Imperative.* Irreplaceable and irretrievable . . . time is the most critical of all managerial resources. As Ben Franklin put it: "When your time is up, you're done." The ability to organize and utilize time effectively is the managerial imperative, for without it, nothing else can be managed. • •

Ways CIF Used Are Revealed In Harris Bank's Survey Of 64 Major Banks

CHICAGO—A poll taken by Harris Bank of 64 major banks on central information files (CIF) shows that 81% (52) of those polled have CIF systems that are at least partially computerized, and 30% (19) are fully computerized.

The survey was conducted during July and August and involved banks with deposits of more than $1 billion. Survey responses also reveal that as many as a third of the CIFs include trust customers in addition to personal and commercial customers. Five of the survey respondents have no CIF system, but of the other 59, nearly half have systems that carry only account information, and the other half also include "external" information such as customer demographics. The most commonly maintained services in the systems are DDA, savings, installment loans, CDs, charge cards, commercial and mortgage loans.

In descending order of popularity, the CIFs store credit information in regard to the customer's current balance (61%), credit limit (60%), average balance (47%), credit history (32%) and profitability (15%).

In general, banks access their systems by name and account number. The majority (87%) of systems that are in any way computerized are on-line for access and updating using the cathode-ray (CRT) for access.

The systems are used most often for customer service and balance information, cross-selling services by mail and as a marketing information base. CIF systems are used the least as tools to cross-sell in the lobby.

Responding banks indicated overall satisfaction with their present CIF systems, with complaints generally stemming from partial conversions from microfilm and/or card files to computerized systems. Only three (9%) of the banks still in the conversion process have completely integrated systems. Respondents said their conversion periods ranged from less than 18 months to more than three years.

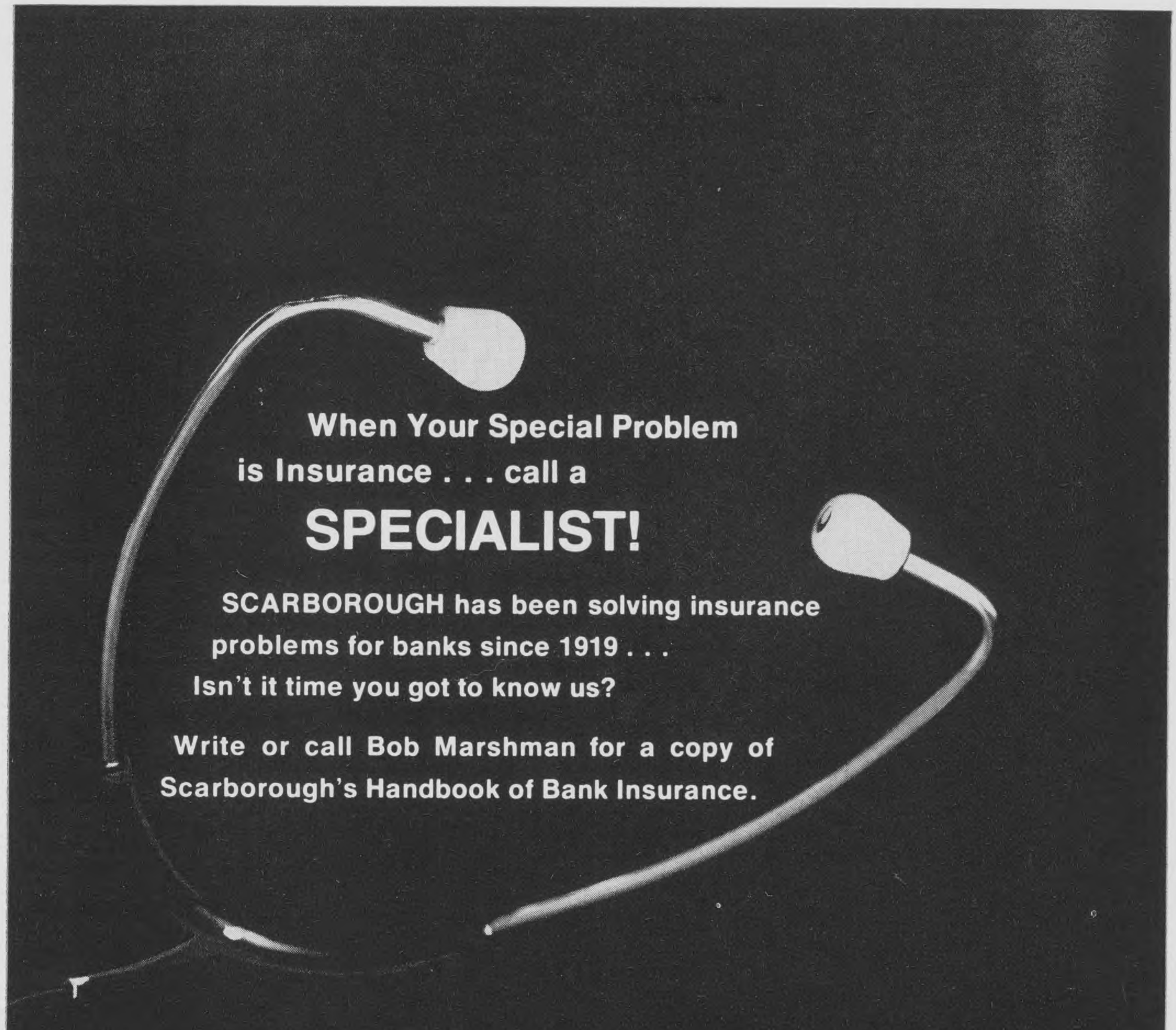
Banking's Stability

(Continued from page 19)

place winner was John C. McLean Jr., Wachovia Bank, Winston-Salem, N. C., whose paper was titled "Credit Analysis of Life Insurance Companies." Third prize went to J. A. Spittell III, National Bank of Detroit, for "The ESOT and ESOT Leverage."

Three mid-Continent-area bankers, all of Chicago, were given certificates of appreciation: Allen P. Stults, who was general conference chairman and is chairman, American National; William G. Dearhammer, assistant vice president, First National; and Norman I. Pickles, vice president, Northern Trust.

The RMA Award for Journalistic Excellence for 1975 was given to Alford C. Sinclair, president, Atlantic National, Jacksonville, Fla., for his article, "Problem Loans—at the Eyeball-to-Eyeball Level," which appeared in the June, 1975, issue of RMA's monthly *Journal of Commercial Bank Lending.* • •


When Your Special Problem
is Insurance . . . call a
SPECIALIST!
SCARBOROUGH has been solving insurance
problems for banks since 1919 . . .
Isn't it time you got to know us?
Write or call Bob Marshman for a copy of
Scarborough's Handbook of Bank Insurance.
Scarborough
the bank insurance
people
Scarborough & Company
222 N. Dearborn Street • Chicago, Illinois 60601
(312) 346-6060

Mortgage Lending

Advantages of Mortgage Lending By Banks Cited by Fannie Mae

WHAT'S THE sixth largest corporation in the United States? It's the Federal National Mortgage Association (FNMA or Fannie Mae), a $32-billion-asset privately owned, government-chartered corporation. Its objective is to aid the mortgage market by providing capital for mortgage loans when the supply of funds is limited from other sources, such as deposit institutions.

A measure of Fannie Mae's importance as a private corporation is the level of its financing activities. In the 1971-1975 period, FNMA purchased a total of $25.5 billion in mortgages; during that same time, it borrowed $55.9 billion. Thus, FNMA's financing operations are on a rather substantial scale. In almost all years, it's the largest borrower in the country outside the United States Treasury itself.

FNMA officials believe that the consumer market, particularly the housing market, is one in which commercial banks could, through an association with FNMA, become more actively involved, to their financial benefit and the benefit of their communities.

Several years ago, FNMA points out, it might have been understandable why banks consistently gave a cold shoulder to mortgage lending. There was, it seemed, no reason for them to lock up their money for a long period of time at a few points over prime when alternative investments would allow them to roll those funds over to achieve greater earnings.

This rationale, however, says FNMA, is no longer appropriate because the existence of an effective, nationwide secondary market, maintained by the corporation, makes it possible for primary lenders to roll over their mortgage investments as fast as or faster than they can other investments. Indeed, a bank can be guaranteed purchase of a mortgage at a specific yield by FNMA in the secondary market even before it makes the mortgage loan final.

Many banks that still have mortgage lending on their "unwanted list" may be turning away people who might well become their best customers—prospective home buyers, FNMA warns. Those banks are sending potential customers to competing institutions that will grant them the mortgage credit they need. What's frequently overlooked, however, is the possibility that once the mortgage loan applicant is turned down and sent elsewhere, he may not come back. He may go to another institution for his new checking account, his new savings account, his retirement account, his installment loan on a new car and maybe even a business account.

One of the first things a new family does when it moves into a new area is buy a home. That family's first contact with a financial institution, then, would come when it applies for a mortgage loan. In FNMA's opinion, this also would be the first—and the best—opportunity for a bank to capture a customer for its other financial services.

Moreover, says FNMA, increased commercial bank activity in the primary and secondary mortgage markets could be helpful to many small and mid-sized communities. Because lenders who work with Fannie Mae can be assured a market outlet for either government-backed or conventional low-down-payment loans, many young families who otherwise could not afford a home may become homeowners, contributing to the social and financial health of their communities.

Both the banks and their communities also would stand to benefit from new business or industry that would be attracted to areas where adequate mortgage credit is available for their employees.

In essence, what all this means, according to FNMA, is that active participation in the primary and secondary mortgage markets can have a favorable financial impact on a commercial bank. A well-planned mortgage origination, selling and servicing operation holds out a significant potential for profit.

Expanded Profit Potential. Profit is perhaps the most obvious advantage of a bank's association with FNMA. The bank that's an FNMA seller/servicer can roll over its mortgage loans as soon as they are originated so that its mortgage lending can become an integral component of its overall operations, moving with the market as do other short-term investment activities.

Even more important, additional earnings are generated in the form of loan-origination and loan-servicing fees. (Loan servicing currently is set by FNMA at ⅜% of the outstanding principal balance.) A continuous mortgage lending operation can, then, generate a steady source of income.

Broader Lending Services. In addition to providing the bank with increased liquidity and greater sources of income, participation in the secondary market gives the commercial banker a fuller range of lending options. FNMA will buy FHA/VA or conventional single-family home mortgages as well as individual mortgages in planned unit developments and condominiums. It also will purchase FHA project mortgages and participate with a commercial bank in construction lending.

What's more, Fannie Mae's conventional program enables a commercial bank, or other primary lending institution, to obtain prior approval of credit

(Dollars in Thousands)

State	Total # of homes purchased as of 12/31/75	State portfolio as of 12/31/75	Conventional	FHA/VA	Project	# active FNMA servicers	First quarter 1976 purchases
Illinois	60,947	$1,218,904	$ 38,131	$ 860,178	$ 320,595	66	$ 7,459
Indiana	60,025	872,901	63,678	605,923	203,300	51	4,359
Kentucky	22,038	313,800	12,715	214,810	86,275	12	286
Tennessee	49,511	750,909	78,848	553,175	118,886	37	3,445
Alabama	39,568	636,217	64,922	517,150	54,145	22	1,108
Mississippi	22,302	319,827	26,697	220,047	73,083	25	1,938
Louisiana	51,150	837,904	82,452	638,182	117,270	33	3,141
Arkansas	19,257	277,232	19,430	188,597	69,205	29	285
Texas	185,062	2,701,860	385,500	1,916,048	400,312	147	14,654
New Mexico	23,472	318,652	32,468	238,612	47,572	20	2,078
Oklahoma	49,335	652,323	34,829	519,766	97,728	32	2,084
Kansas	16,599	191,025	6,610	141,607	42,808	25	941
Missouri	28,209	406,631	9,273	281,687	115,671	43	4,258
Total	627,475	$9,498,185	$855,553	$6,895,782	$1,746,850	542	$46,036


Associates and banks:
financial partners, creatively working together to help business grow.
Every day, there's an opportunity to work with Associates. Call us for information.
Associates Commercial Corporation
55 E. Monroe Street
Chicago, Illinois 60603
(312) 781-5888
A subsidiary of
Associates Corporation of North America,
a Gulf + Western Company.
THE ASSOCIATES

and property even before a mortgage loan is closed, assuring the bank of a subsequent takeout. FNMA also offers an approval certificate program for condominiums, PUDs and subdivision projects that facilitates expeditious secondary market sale of individual mortgages within those developments. Under none of these programs is the bank required to deliver the loans. But FNMA stands ready to purchase them.

Best of all, says FNMA, it's in the market at all times, regardless of the economic climate. Indeed, it is this aspect of Fannie Mae's secondary market operations that most enhances the primary lender's opportunity to fulfill its own portfolio needs and serve the mortgage demand of its community. FNMA is always there. In fact, Fannie Mae becomes most active when primary lenders need it most—when credit tightens.

Marketability and Professionalism. Standardization of mortgage forms, which has been brought about through efforts of Fannie Mae and the Federal Home Loan Mortgage Corp., has made it a great deal easier to conduct business in the secondary market. There are today uniform mortgage instruments for every state in the nation, standard appraisal forms and uniform residential loan applications. In addition, FNMA has fostered development of nationally recognized underwriting criteria.

Each of these developments has contributed substantially to increasing the attractiveness and value of individual mortgage loan portfolios and, consequently, to effective operation of a nationwide secondary market.

The higher and steadier volume of mortgage business that results from active participation in the secondary market also should result in increased professionalism among bank staffs. Because staff levels do not have to fluctuate constantly with erratic changes in the mortgage market, competent, professional employees can be attracted and retained. Benefits of maintaining such top-level teams obviously carry over into a bank's outside business relationships.

And, as indicated at the outset, an active professional mortgage lending operation can provide a forceful competitive tool. Not only can it help attract new customers initially, but it can, through the servicing function, provide the vehicle for maintaining a regular line of communication between the bank and its customers.

Competitive Edge. Fannie Mae is committed to its conventional program and is eager to establish a strong, working relationship with commercial banks around the country.

This means that if a bank became an FNMA-approved seller/servicer today, it could offer the qualified consumer who walks in tomorrow a conventional mortgage with as little as 5% down, thereby, in all likelihood, gaining a new customer for its other "full service" products as well. It could do this knowing that FNMA will purchase the mortgage and pay the bank a ⅜% servicing fee until the loan is paid off.

FNMA has this advice for bankers: In today's world of increasing competition among financial institutions and growing sophistication among their consumer customers, this kind of aggressive and affirmative move into mortgage lending, using the secondary mortgage market, could provide many commercial banks with a significant competitive edge, while simultaneously benefiting their communities. • •

For more information regarding the Federal National Mortgage Association and its mortgage market programs, contact Office of Corporate Relations, 1133 15th Street, N. W., Washington, DC 20005, (tel.) 202/293-6057.

Home Mortgage Lending Rises In South Central U. S., Based on MGIC Information

Privately insured home mortgage lending in the South Central United States ran more than 23% ahead of last year for the first nine months of 1976, based on loan insurance applications processed by underwriting offices in Mortgage Guaranty Insurance Corp.'s (MGIC) South Central division, headquartered in Houston. This division serves 2,307 home mortgage lenders which make insured loans in Texas, New Mexico, Oklahoma, Kansas, Missouri, Arkansas and Louisiana.

"Through September," says Granvel Smith, vice president and South Central division manager, "application volume totaled $1,065 million, compared with $876.4 million for the same period a year ago."

South Central U. S. lenders have made $6.31 billion worth of MGIC-insured loans since the firm started doing business in that seven-state area in 1958. Currently, there are 182,266 MGIC-insured loans in the combined mortgage portfolios of South Central lenders. According to Mr. Smith, lenders in those states have received $11.3 million in claims payments since MGIC began doing business there. However, 63% of that amount—$7.1 million—has been paid since January 1, 1974.

Mr. Smith notes the growing dollar amount of loss per claim, resulting from the higher dollar amount of mortgage loans now being insured and the increased coverage offered lenders on 95% loans. MGIC's average loss per claim, he points out, has risen from $2,477 prior to 1974 to the current figure of $3,590 through September. The average interest rate in September on the high-ratio insured loan was around 9%, and it has dropped slightly since then.

Reporting Aid Offered For Redlining Act Compliance

A system to enable lenders to deal with the complex reporting requirements of the Federal Home Mortgage Disclosure Act of 1975 is being offered by the Reuben H. Donnelley Corp.

The new Donnelley Bancode Census Tract Coding Directory is said to eliminate the difficulties banks and thrifts face in deciding how to add the required census tract numbers to their records. The directory was developed in consultation with various regulatory authorities and lenders to help non-exempt lending institutions comply with the provisions of the act by September 30, the date the first disclosure is due.

The regulation requires certain depository institutions to disclose publicly where new mortgage and home improvement loans are made by census tract. The requirement applies to Standard Metropolitan Statistical Areas in which a bank or thrift maintains headquarters or a branch.

Software System Developed For Anti-Redlining Reports

A software system package that supplies financial institutions with the public disclosure information required by regulatory agencies is being offered by Florida Software Services, Orlando, Fla., as a solution to compliance with anti-redlining statutes.

The system can deliver information needed for reporting by individual SMSA regions or by in-depth reporting on census tracts, the firm says, via its Mortgage Loan Extended System (MLX) software system package. Reporting is done automatically as part of the normal capabilities of the MLX system.

According to Florida Softwares, the reports produced by the MLX system zero in on summary total, the number of applications received for mortgages, amounts applied for, number of mortgages made and purchases of existing mortgages from other financial institutions or investors.

Bank's Installment Loan Promotion Scores With 'Shake Our Moneytree' Theme

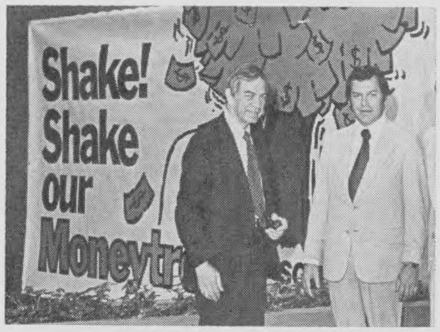
"COME SHAKE Our Moneytree" was the invitation made to residents of the Cincinnati area by Southern Ohio Bank. And many citizens did just that by taking part in the bank's successful installment loan promotion.

When the campaign was introduced, demand by consumers for installment loans was light, bank officials said. The institution, they noted, was in a heavy position with respect to time deposits and it was the bank's desire to convert those time deposit dollars to installment loans.

Advertising was begun, using a jingle and copy for radio that played up the campaign. An animated 30-second television commercial also was employed. The area was saturated with outdoor billboards showing the promotion's emblem, a tree having currency instead of leaves, and bearing the "Come Shake Our Moneytree" catchphrase.

In the bank lobby, a full-size billboard was erected, while counter display posters, counter cards and pressure-sensitive tellers window stickers also were used. The campaign was cross-sold through statement stuffers and tellers change-envelopes.

Bank officials were extremely pleased with the results of the promotion. "It attracted many installment loan customers who normally would have gone to other institutions," a Southern Ohio Bank spokesman said. "It more than met its overall goal of generating customer awareness and added a little spice to our installment loan program. In addition, the 'Come Shake Our Moneytree' campaign provided an identity on which future loan promotions could be based.



Huge outdoor billboard advertising Southern Ohio Bank's installment loan promotion was hung inside bank to add unique aspect to marketing effort. From l. are Leonard M. Sive, Sive Associates ad agency, and Tom Dix, bank pres.

"Although customer awareness began slowly," the spokesman added, "it had picked up significantly by the time the 'Moneytree' promotion had begun to wind down. Therefore, the campaign was allowed to run longer than originally planned."

Bank officials state that they knew the program had met its objectives of providing an identifiable image for the installment loan department and raising customer awareness when the program was used as an example in a local television station's editorial! • •

Bank Sponsors New Car Show

This may look like an auto dealer's lot, but it's really First National, Liberty, Mo. The bank sponsored a showing of 1977 cars at the parking area of its Crossroads Motor Banking Facility in the Crossroads Shopping Center in Liberty. Local new car dealers contributed vehicles during the two-day show. Area residents thus had an opportunity to examine various makes all in one place and to talk with dealer representatives.

Bank Is Investment Adviser In New Orleans Project

Citibank of New York City is acting as investment adviser to Bank Omran of Teheran, Iran, in a project the Iranian bank is participating in in New Orleans. The project is a joint venture with Joseph C. Canizaro Interests of New Orleans to develop a $500-million multi-use complex in that city. The Canal Place project will be constructed on a 23-acre site bounded by the Mississippi River, Canal Street and the historic French Quarter.

Citibank is represented on the management board of the Canal Place venture by James M. Trucksess Jr., vice president, direct placement department, investment management group.

Canal Place will contain three office towers with approximately 2.5 million square feet of office space. Plans call for a 500-room hotel, an additional 300-room hotel, a one-million-square-foot retail center, living units including townhouses and apartments and a waterfront section incorporating a cruise terminal and a restaurant-entertainment complex.

Risk/Insurance Management Guide Available to Bankers From ABA

WASHINGTON, D. C.—To help bankers implement an effective risk and insurance management program, the ABA has published a *Risk and Insurance Management Planning Guide for Financial Institutions.*

The publication is structured in easy-to-follow steps toward providing a banker with an increased ability to protect a bank's assets from accidental and criminal loss and to minimize premium costs. There are more than 25 practical and proved worksheets, guidelines and procedures, tested by bank risk managers, in the areas of: introduction to the risk management process, exposure identification, risk evaluation, risk control, risk financing and insurance and risk and insurance management administration.

Copies are available to ABA members for $17.50 and to nonmembers for $22. Write: ABA Order Processing, 1120 Connecticut Avenue, N. W., Washington, DC 20036.

BANKING WORLD

JAWORSKI

CATER

ROWE

• **Leon Jaworski,** Watergate special prosecutor, was elected chairman, Southwest Bancshares, Inc., Houston, last month. John T. Cater was elected president and CEO. Forrest S. Warren, who was chairman and CEO, resigned because of the time demands of personal and business investments. Hubert Gentry Jr. and Robert Stewart Jr. were named to the new posts of vice chairmen. Mr. Jaworski, senior partner of the law firm, Fulbright & Jaworski, has headed the American Bar Association and American College of Trial Lawyers. He became a director of Bank of the Southwest, lead bank in the HC, in 1958 and was an organizing director of Southwest Bancshares. He resigned in 1973 to become Watergate special prosecutor, was reelected to both boards in 1974 and has been on both executive committees. Mr. Cater is president, Bank of the Southwest, and a director of both boards. Mr. Stewart is vice chairman of the bank and has been an officer and director of the HC since 1970. Mr. Gentry was named HC president earlier this year.

• **John W. Rowe** has joined Chicago's American National as vice president and manager of its bond department. Mr. Rowe formerly was vice president and manager of the municipal bond section of First National, St. Louis, which he joined in 1967. He began his career as a municipal bond salesman and subsequently a municipal bond trader at Stifel Nicolaus & Co., Inc., St. Louis.

• **Mason G. Alexander,** senior vice president, Citizens & Southern National, Columbia, S. C., is the new president of the Consumer Bankers Association. He succeeeds Paul L. Stansbury, senior vice president, Valley National, Phoenix, who was elected to the CBA's board of governors and executive committee. Other new officers are: first vice president—James L. Smith, senior vice president, Security Pacific National, Los Angeles; and second vice president, Charles F. Patterson Jr., group vice president, Trust Co. Bank, Atlanta. Mid-Continent-area bankers elected to the board of governors are: Glenn Hodges, senior vice president, First National, Memphis, and Thomas J. McClain, vice president, National Bank of Greenwood, Ind., to three-year terms; and Dan Lacy, president, Central National, Oklahoma City, to a one-year term.

• **Bruce O. Jolly Jr.** has joined the Independent Bankers Association of America as federal administrative counsel. His primary responsibility in the newly created post is to act as liaison between the IBAA and the FDIC, Comptroller and Fed. He also will monitor activities of interest to independent banking at other federal agencies, such as the Federal Home Loan Bank Board and Federal Trade Commission. Mr. Jolly formerly was assistant state legislative counsel for the ABA.

• **William J. Murphy** has joined the Bank Marketing Association, Chicago, as director, communications department. He formerly was public relations director, Bank Administration Institute, Park Ridge, Ill. In his new post, Mr. Murphy is responsible for planning, developing and implementing the BMA's extensive communications and publications programs. He also is liaison to Dr. James L. Faltinek, vice president and director of the BMA's association services division.

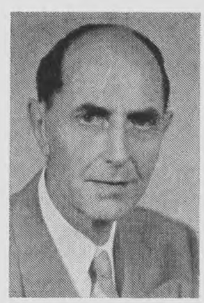
Farm Credit System Book

A history of the Farm Credit System has been put together in a book called "The Farm Credit System, a History of Financial Self-Help." The author is W. Gifford Hoag.

The 292-page, hard-cover book describes the Farm Credit System and then goes on to discuss its significance to farmers and the economy, pioneering innovations, basic principles and major guidelines, working relationships with other organizations and groups and farmers' needs for credit.

In addition, the book contains a summary and bibliography, a look to the future and such information as Farm Credit Administration governors through the years and presidents of Farm Credit banks.

Bror W. Unge Dies



Bror W. Unge, 88, consultant to the international department, United Missouri Bank, Kansas City, died October 24. A native of Stockholm, Sweden, Mr. Unge joined the bank in 1944 as manager of its foreign department and was responsible for establishing and developing the department, later renamed the international department. According to United Missouri, Mr. Unge was the first person with international trade and business experience to run such a department in a Kansas City bank. He became a.v.p. in 1957, retired in 1961, but remained as a consultant. Mr. Unge, who spoke six languages, was appointed French consul and trade commissioner for Missouri in 1957 and held several executive posts in the Kansas City consular corps, of which he had been dean. He received several foreign decorations.

An Incentive Program you'll find hard to refuse

What should motivate your new accounts people to do a good job? Gifts or premiums as a reward? Or the rewarding experience of knowing they have developed a satisfied customer. Well, we feel the best incentive program for them should begin with the *customer*. After all, it's the customer who seeks out your services. Or look at it this way: a *satisfied* customer is one who is treated with the respect of a personal choice in the check selection process. A happy customer, in turn, helps reinforce a check counselor's self-image. And both of them benefit.

We have some tools to help you in this effort. Two training films plus a little help from our Sales Representative can give you a start in building incentive for your check counselors. It's pretty basic stuff. A little old-fashioned marketing philosophy that still makes a lot of sense.

Little things make a big difference.

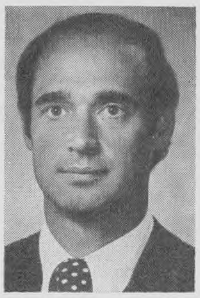
DELUXE

CHECK PRINTERS, INC.

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

Corporate News Roundup

• **Doane Agricultural Service, Inc.** Jan Hotze has been named account supervisor, Doane Agricultural Service, Inc., St. Louis. In this post, she acts as sales representative for Doane's *Farming for Profit*, a monthly agricultural newsletter sent by banks to their farm customers. Her efforts are concentrated in six states, including Missouri and Kansas.


HOGUE


HOTZE

• **Citizens Fidelity Leasing Corp.** This Louisville-based firm has opened a Nashville office, with Ronald O. Hogue as vice president and manager. He will be assisted by Wilson L. Cross, who joined the leasing firm in 1975 after serving as the Nashville representative of U. S. Leasing Corp. 1½ years. Mr. Hogue formerly was with Third National, Nashville, as vice president and a corporate lending officer calling on accounts in the Southeast, Southwest, Midwest and Northeast. The new leasing office's staff also includes Ted K. Stirgwolt, the leasing firm's Indiana representative based in Indianapolis. The leasing firm is operated by Citizens Fidelity Corp., Louisville.

• **Associates Commercial Corp.** Charles E. Honess has been appointed regional vice president of the industrial division, Associates Commercial Corp., Chicago-based commercial financing subsidiary of Associates Corp. of North America, a Gulf & Western company. Mr. Honess is responsible for development and expansion of financing and leasing sales and development and supervision of regional sales offices in eight states, including Illinois.

• **Christmas Club a Corporation.** Thomas G. Rigney has been named regional sales manager, Christmas Club a Corporation, Easton, Pa., with marketing responsibility for the midwestern and mid-Atlantic states. He has had marketing management posts with Rudco., Inc., Olympia International and Xerox Corp.

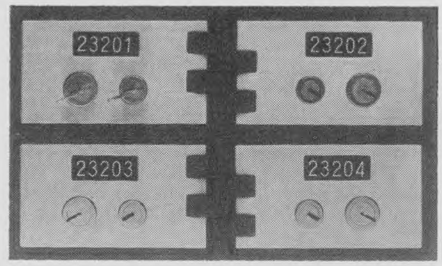
• **Chandler Leasing Corp.** Wilbur J. Morgan has been named regional manager in Dallas for a five-state area by Chandler Leasing Corp., a wholly owned subsidiary of Walter E. Heller & Co. Mr. Morgan was national sales and marketing manager of Borg-Warner Acceptance Corp.'s equipment division. His 15 years' experience in industrial equipment leasing and financing includes several posts at Commercial Credit Equipment Corp. Based in Dallas most of those years, Mr. Morgan most recently was regional sales vice president for all CCEC operations in this five-state area.

• **MGIC Investment Corp.** W. Edward Berger has been named manager of communications for MGIC Investment Corp., Milwaukee. He was with the corporate relations staff of Federal National Mortgage Association in Washington, D. C., four years. Most recently, he was assistant to the FNMA's chairman and president. In his new post, Mr. Berger is responsible for external media contacts and information pertaining to MGIC's mortgage guaranty insurance, commercial loan insurance and directors and officers liability.

• **Mortgage Guaranty Insurance Corp.** Thomas S. LaMalfa has been named coordinator-secondary market services, Mortgage Guaranty Insurance Corp. (MGIC), Milwaukee, where he is based. His duties include maintaining information services used by investors and purchasers of conventional loans in the secondary market.

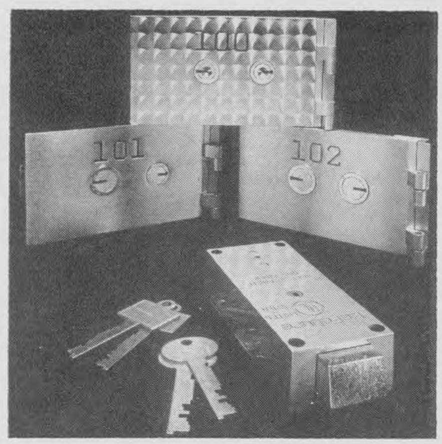
New Products and Services

• **Security Corp.** A new series of safe deposit boxes, vault doors and under-counter equipment has been introduced by Security Corp., Irvine, Calif. The DX series, featuring contemporary design and precision engineering, features polished stainless steel components and frosted black trim and accents. On the DX boxes, a plate of satin-polished 18-8 stainless steel is recessed into the frosted black alloy door mechanically fastened behind the KD-73 Under-



writers Laboratories-listed lock. Door frames also are frosted black alloy. Security's new Satellite II vault door is finished in frosted black leathertone with stainless steel front and back access panels and stainless steel box trim. The firm points out that stainless steel plates are employed at the point of contact between the full-length locking bar and doorjamb to provide maximum durability, and two four-tumbler key-changing combination locks are provided with spy-proof dials finished in black. Each lock has a UL relocking device. The under-counter equipment, available with stainless steel drawer fronts and frosted black cabinets, is available either in the "highboy" (38½ inches) or "lowboy" (31¾ inches) series. Write: Security Corp., 2055 S. E. Main St., Irvine, CA 92714.

• **LeFebure.** LeFebure, Cedar Rapids, Ia., has introduced safe deposit boxes with new Series 7300 locks. According to the manufacturer, these locks are pickproof and the tumblers especially designed so that it's impossible to insert a renter's key until the guard key has been operated. More than



275,000 key changes are possible. These locks, which may be mounted in polished steel, satin nickel or jiggered nickel doors, are available with a double little-nose configuration or, by special arrangement, with a double big-nose or a big-nose-little-nose configuration. In all cases, hard nickel silver keys are standard. Write: LeFebure, Cedar Rapids, IA 52406.

DEPOSIT GUARANTY'S CORRESPONDENT BANK TEAM: (Left to right) Bill Lloyd, vice president; Jim Crawford, assistant vice president; Joel Varner, vice president; Barney Jacks, senior vice president and department manager; Don Noblitt, Jr. (corporate and bank services representative); and Ed Keeton, assistant vice president.

All the Expertise You Might Need in One Room.

At Deposit Guaranty we have put together a Correspondent Bank Team that can handle virtually any problem, any request that you might have. As always, this group has available to it the additional expertise of the various other specialized divisions and departments of Mississippi's largest and strongest financial system . . . but most of the answers can be found right here in this group.

Should you or any of your customers have need for our services in Mississippi we invite you to contact the Correspondent Bank Team member serving your area.

Bill Lloyd
Northwest Mississippi
& Arkansas

Jim Crawford
Southwest Mississippi
& Louisiana

Joel Varner
Southeast Mississippi
& Southwest Alabama

Ed Keeton
Northeast Mississippi,
West Tennessee & Northwest Alabama

DEPOSIT GUARANTY NATIONAL BANK

Grow With Us/Jackson, Miss./Member F.D.I.C.

Commercial Finance/Bank Participation Loans:

A Different Approach

By ERIC L. STONE, Vice President, Wachovia Bank, Asheville, N. C.,
and RICHARD J. DORGAN, Senior Vice President, James Talcott, Inc., Atlanta

STONE

DORGAN

COOPERATING in financing borrowers who might not meet traditional standards for commercial bank credit is fairly common practice for banks and commercial finance companies. These arrangements are usually administered under the terms of a participation agreement between the bank and the commercial finance lender.

Briefly, this agreement provides for the bank's purchase of a portion of a loan which is extended and administered by the commercial finance company. The loan is a secured transaction, perfected under the provisions of the Uniform Commercial Code. Collateral usually includes accounts receivable and inventory and—in some cases—machinery, equipment and real estate.

This type of arrangement can have certain advantages for all parties. For the borrower, the primary advantage is a reduced over-all cost of borrowing, since the interest rate charged by the bank will frequently be lower than that of the commercial finance company. The bank's direct charge on its share of the loan can sometimes be lower because the borrower's deposit balances are taken into consideration by the bank in establishing the interest rate. Also, less administration is required by the bank.

For the bank, this method of financing provides an opportunity to participate in the financing of a company that may offer good long-range potential but which presently does not qualify for sufficient conventional commercial bank credit. For instance, the company's borrowing needs may be continuous and collateral-dependent for one reason or another. In such cases, the commercial finance company can provide the expertise and administrative capability that enables a bank to participate in this type of loan.

By participating in the loan, the bank can establish itself in a good position to be the principal banking connection for the borrower, and perhaps to take on all the company's needs once it "graduates" from the commercial financing arrangement. Also of benefit to the bank is the fact that total yield should be higher than normal, since the risk aspects require an interest rate higher than prime as well as a deposit relationship.

Another advantage for a bank can arise when the total amount of credit needed by the borrower presents a lending-limit problem—the limitation can be eliminated by sharing the loan with a commercial finance company without introducing another bank into the company's financial picture.

From a commercial finance company's standpoint, bank participation arrangements are desirable from a new-business aspect. Many times banks will determine that they are not able to lend to a particular company except on a secured basis under which the collateral is carefully administered. In such case, they can call in a commercial finance company, thereby providing new-business referrals for the commercial finance company.

With existing account relationships, a participation arrangement can be attractive to the commercial finance company from a competitive pricing standpoint. In these circumstances, participating out a portion of the loan at a lower rate will reduce the overall cost to the customer. Other advantages may include reduced funding requirements and limiting total exposure in any one account.

The above description of the bank-commercial finance company participation arrangement is fairly general. There are many other points that might be highlighted but, for purposes of this discussion, a general description should suffice. The principal issue to be considered here is the manner in which these arrangements are documented, particularly as related to the creditors' (bank and commercial finance company) access to the borrower and the collateral.

It should go without saying that every lender should approach extending credit on a participation basis just as it would with any other prospect. That is, the company, its management, financial condition, trends and the industry and economic conditions should be thoroughly analyzed and evaluated.

When both parties have determined from this analysis that they are willing to extend credit, the commercial finance company does a further investigation and thorough analysis of the underlying collateral to determine its quality and whether it is sufficient in amount to provide the borrower the funds necessary to attain its objectives. For the most part, the bank relies entirely upon the commercial finance company's evaluation in this area.

Once this audit is completed and the

This article is reprinted with permission from the September, 1976 issue of *The Journal of Commercial Bank Lending*, publication of Robert Morris Associates, headquartered in Philadelphia.

Different Approach (Continued)

credit is approved, the various financing agreements, security agreements and financing statements are executed between the borrower and the commercial finance company. Finally, a participation agreement is executed between the bank and commercial finance company as evidence of the bank's position in the loan agreement. Herein lies the point for discussion.

All executed documents concerning the obligation of borrower to lender and the perfection of the security interest in the collateral run between the borrower and the commercial finance company. There are normally no three-party agreements (borrower, bank and commercial finance company). In most cases, the only document that evidences the bank's involvement is the participation agreement executed between the bank and commercial finance company.

Some of the areas covered in the participation agreement are the amount (an absolute maximum and a percentage of the total) of the bank's participation, the handling of each participant's advances and payments, the interest to be paid each participant and the periodic reports to be furnished by the commercial finance company to the participating bank.

The agreement also provides that the commercial finance company will manage the loan under the terms of the financing agreement for the joint benefit of the commercial finance company and the participant. There is also a provision for termination by either party upon written notice (usually 60 days). Upon termination, the commercial finance company usually will have the option to buy back the participation if it so desires.

This type of arrangement raises important points concerning just where the participating bank stands in this relationship.

• First, what happens in the event the borrower files bankruptcy? The participant's only claim on the assets of the borrower is through the participation agreement. Any right of offset a bank might exercise in this situation would probably be attacked and might stand a good chance of being upset in a bankruptcy proceeding.

• Second, where does the participant stand if it is construed to be a direct credit of the commercial finance company and not of the borrower? After all, no direct relationship between the bank and the borrower is specified in the loan documents. The participant might find himself in the position of having no direct claim on the borrower and having the evidence of the obligation held as property of a receiver or trustee in bankruptcy for the commercial finance company. This could mean that any payment made to the commercial finance company or any proceeds from liquidated collateral would come directly to the receiver or trustee and be held for the benefit of all creditors of the commercial finance company in the bankruptcy proceedings. In other words, the bank could find itself to be an unsecured creditor of the commercial finance company rather than a secured creditor of the borrower.

The risk of commercial finance company bankruptcy in the traditional participation agreement arrangement can be addressed through normal credit decision-making. This is done by asking: "Would we lend unsecured the amount of the participation directly to the commercial finance company?" Of course, to answer this question requires complete financial information on the commercial finance company, including the necessary statistical information concerning the quality of assets and other aspects of the company's financial condition such as would be required to complete the Robert Morris Associates questionnaire for commercial finance companies.

If, upon analysis of this information, it is determined that the amount involved (to include any line of credit or other loans which the bank might have outstanding to the commercial finance company) would be a satisfactory credit exposure for the bank, then the participation arrangement may be satisfactory. This will require that the commercial finance company be followed and analyzed just as any other borrower of this type in addition to following closely the borrower in the participation arrangement.

In effect, the bank is taking two credit exposures, which may require double the normal time and effort to follow, but it is being paid for only one credit risk.

A better approach to the problems cited is an arrangement whereby the bank and the commercial finance company extend a mutual rather than a participated loan and take a joint security interest in the collateral. In this case, the financing agreements are three-party instruments and reflect the direct obligation of the borrower to both the commercial finance company and the bank. This can be accomplished for the most part by simply modifying the commercial finance company's standard financing agreement to include the bank as a joint creditor of the borrower and as a secured party under the agreement with an undivided interest in the collateral. Any financing statements filed to comply with the Uniform Commercial Code should designate both the commercial finance company and the bank as secured parties.

When this sort of arrangement is being extended to an already existing loan, the commercial finance company can subordinate, to the extent of the bank's undivided interest, its interest in the collateral to avoid any problems that might arise with filing a new financing statement.

With this joint lending arrangement, the participation agreement itself is replaced by an intercreditor agreement between the bank and commercial finance company that spells out the maximum amount of the joint loan, the share each will have, the amounts to be advanced as a percentage of value against the various classes of collateral and the interest rate to be charged by the bank on its portion of the loan. Other areas covered are any requirements for reports to be furnished the bank, sharing of costs in connection with collection of the loan, how funds are to be advanced and payments credited and termination provisions.

One of the key provisions of this agreement is the appointment of the commercial finance company as the bank's agent for collection and administrative purposes with a provision that this agreement is revocable at the option of the bank. With this provision, should the bank become uneasy about the condition of the commercial finance company, it could begin to service its portion of the loan and have direct access to the borrower and collateral through the joint financing agreement. As a practical matter, this would probably result in the bank's buying the commercial finance company's portion and either administering the loan itself or bringing in outside expertise.

The risk at this point would be if both the commercial finance company and the borrower had deteriorated to the point that the bank did not want to pay off the commercial finance company. Assuming that both lenders agreed to liquidate their collateral, there is always a chance that both lenders may not agree on the same program of liquidation. It is possible that this disagreement could result in both lenders collecting less than what each might have realized if the liquidation

(Continued on page 54)

The Bank Cost Curve And Collateral Administration

By STEPHEN C. DIAMOND

Senior Vice President, Midwest Commercial Finance Division, Walter E. Heller & Co., Chicago

MEMBERS of the banking community who have studied the profitability of various types of loans have learned an essential truth: As a bank increases the administration of collateral—most often taken to minimize loan-loss exposure and its cost to the lender—its operating expense as a percentage of funds employed rises almost on a geometric basis.

Bankers, like businessmen, know almost instinctively that in order to see satisfactory profits, knowledge of costs is essential. And, it follows, to know total costs they must first know the individual costs that make up the whole. So the banker must constantly identify the specific costs of handling individual credits and serving individual clients, just as a manufacturer must keep constant watch over costs of handling individual operations in each step of making a line of products.

For many years, banks focused on bad-debt risk, yield and balances as the major variables affecting profitability of a single client to the bank. The assumption has been (given an equal number of checking account transactions) that operating expenses are generally constant for all clients. But now there is increasing recognition that the cost of administering loans does, in fact, vary significantly from credit to credit.

For example, assuming equal-sized loans and an equal number of checking account transactions, the amount of operating expense relating to an unsecured loan to a borrower who has a 1 : 2 debt-worth ratio and a 3 : 1 working capital ratio is clearly far less than the operating expense relating to a loan secured by accounts receivables made to a borrower with a 4 : 1 debt-worth ratio and a 1 : 1 working capital ratio.

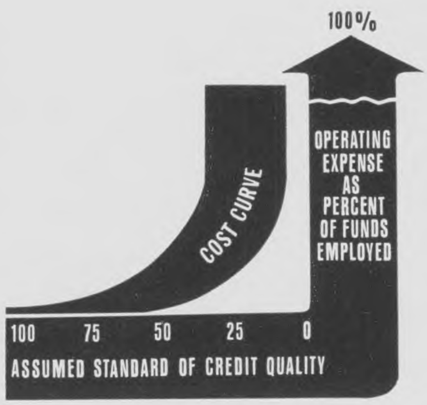


Figure 1

If we establish a credit continuum (again, assuming equal-sized loans and number of checking account transactions), with the virtually risk-free loan at the left end and the workout at the right, we see that operating expense as a percentage of funds employed increases significantly as the credit requires more work. As we analyze the cost curve, we see that it is not a straight line curve, but that, in fact, it has an exponential curve similar to that illustrated in Figure 1.

As the curve shows, the operating expense required to handle an unsecured loan to a company at the "high" end of the quality scale is not significantly lower than that required to handle the same type of loan to a company at the "upper-middle" range of the quality scale. But moving toward the "low" end of the quality scale, operating expense begins to increase markedly. En route we go from unsecured lending to amortizing loans secured by fixed assets, and then on up the security ladder to loans secured by bare code liens on current assets, and through loans secured by mechanized liens on current assets. Finally, at the extreme right, are workout loans, on which income is not accrued, and on which operating expense becomes an inordinate percentage of funds employed.

Once it is recognized that operating expense attributable to a given credit increases as daily administration of collateral increases—that is, secured loans require continuous analysis of their security—each lender can decide what quality of credit on the credit continuum will qualify for borrowing, what operating expense level is needed to administer that credit on a basis to minimize eventual bad-debt exposure, and what yield is needed to earn a satisfactory profit on that credit. When those variables are determined, many options begin to open up. For example, a bank may elect to staff itself to handle credits only down to the "25" quality level, because it has determined that, on the basis of its marketing and credit policies, incremental costs on loans below that level exceed incremental profit potential. However, other banks might reach a judgment to swing further to the right end of the continuum.

At any rate, each bank should establish—formally or informally—a level below which a credit is not bankable, solely because the bank cannot expect to earn a satisfactory profit on the loan. Yet, most banks still can have a substantial and profitable market to the right of their chosen "non-bankable point" on the quality scale. A significant issue, then, is how the bank can attack that sector without incurring significant bad-debt exposure or without increasing operating expense to the point where profit disappears or pricing becomes unrealistically high.

The answer for the large majority of banks is to let a professional secured lender become the "back office" for the bank, through one of several time-tested cooperative arrangements. In this way, the bank can move into handling credits which are "good," but good *only with* significant collateral administration.

For one thing, these secured lenders (the commercial finance firms) are specially staffed to administer the types of credits that are involved. Secondly, they can spread the operating expenses peculiar to secured financing over a wider client base, since they serve a geographically wider market than most individual banks. Thirdly, there is experience. Because the professional secured lenders deal primarily in this grade of credit, they have developed in-depth staffs, which most individual banks could not justify on an on-going basis for their relatively few credits requiring total collateral administration. All in all, what we are saying is that, because of the nature of their business, secured lenders can deliver to many banks the "ultimate product," i.e., a loan which is *better* administrated at a *lower cost* than the bank could deliver on its own.

Normally a bank cooperates with a secured lender on a participation basis. The professional secured lender structures and administers the loan, while the bank participates in the financing package by buying back a piece of the loan. The bank has the benefit of an account relationship, plus a satisfactory yield. Yet, with it all, the bank has a minimal operating expense in conjunction with its investment—and it is clearly identified with a specific loan. The borrower gets a relatively low blended rate, reflecting the relative percentage of the bank's and the secured lender's investments.

The concept has proven applicable to some money-center banks, most regional banks and virtually all local banks with the primary variable being the level of credit the bank is staffed to handle professionally on its own. And, of course, in these highly cooperative arrangements, the banks must rely upon the professional competence of a secured lender.

How, then, does a bank judge this capability? Here we have a strong recommendation: "inspect the premises." Visit the *operating* office; talk to the operating supervisors. Inquire about the secured lender's performance record. In short, make a *personal* judgment of the people who will actually service your account, and insist upon knowing how well they've done for other banks, in a variety of circumstances.

The decision of a bank on whether to administer an account itself or to participate with a professional secured lender is no different than judgments manufacturers must make on whether to purchase a component from an outside supplier or produce it themselves. (Even the largest manufacturer acknowledges there are some cases where make-or-buy analysis shows that purchase is more economical than production.)

A close analysis of your individual bank's cost curve will indicate the level at which it makes more sense, *and is more profitable,* to have a professional secured lender administer the credit than to attempt to do it yourself. • •

Ribbon of Money Snipped

Sister Ann Judith, C.S.J., administrator, St. Joseph's Home for Boys, St. Louis, cuts a ribbon of 30 $10 bills at the formal opening of the Gravois Banking Center of St. Louis' Mercantile Trust. Pictured, l. to r., are: Richard A. Gephardt, alderman for St. Louis' 14th Ward and new U. S. congressman-elect from the Third District of Missouri; Harrison F. Coerver, pres. of the bank; Donald E. Lasater, ch.; Sister Ann Judith; Lieutenant Robert Tuckey, Third District Police Div.; and John H. Schweitzer, a.v.p. and mgr. of the new center. St. Joseph's Home for Boys received the ribbon-cutting donation. The new center, which opened November 1, contains 4,000 square feet of working space, has six drive-up windows, six lobby tellers and a 24-hour Fingertip Banking Machine.

New Organizational Structure, Senior-Management Change Announced by New York Bank

NEW YORK CITY—Manufacturers Hanover Trust has made a series of senior-management changes, some related to a new organizational structure for its metropolitan division.

John R. Torell III was promoted to executive vice president and named to the general administrative board (GAB), the bank's senior internal policy-making group. He succeeds Philip H. Milner as officer-in-charge of the metropolitan division. Mr. Milner, who continues as executive vice president and a member of the GAB, was made assistant to the president. Within the banking department, he is undertaking administrative and credit duties as assigned by the president.

Manufacturers Hanover Trust of New York City's new metropolitan team is pictured here (l. to r.): John R. Torell III, e.v.p. & officer in charge, metropolitan div.; Douglas E. Ebert, s.v.p. & deputy gen'l mgr., branch banking group; and Edward A. Farley, s.v.p. & deputy gen'l mgr., corporate banking group.

Douglas E. Ebert was promoted to senior vice president and deputy general manager in charge of the new branch banking group. Edward A. Farley was advanced to senior vice president and deputy general manager in charge of the new corporate banking group. This group includes correspondent banks in the New York metropolitan area and in New York state. Formation of the new banking groups in the metropolitan division was part of the new organizational structure. Mr. Ebert had been a vice president in the national division, and Mr. Farley had been a senior vice president in the metropolitan division.

The bank also elected two other senior vice presidents as part of the new organization: Herbert J. Brauer, branch banking group; and Frank C. Wright Jr., corporate banking group. Both had been metropolitan division vice presidents.

In other senior-management promotions unrelated to the new organizational structure, the following officers were made senior vice presidents: Bruce F. Henderson, who continues as regional manager, Middle East and North Africa; John L. McCarthy, who continues as regional manager for international business in the U. S.; Donald G. McCouch, who continues as regional manager for eight Far Eastern countries; and John J. Simone, national division.

Mr. Torell had been senior vice president and deputy general manager with responsibility for the metropolitan division's retail and institutional banking activities.

A Look at Participations— The Profitable Partnership

By SHELDON G. KARRAS
Senior Vice President
Associates Commercial Corp.
Chicago

BANKS HAVE increasingly come to rely upon the concept of participation with commercial finance companies as a means of expanding their services to bank customers. A participation involves the cooperative effort of both bank and commercial finance company to meet the total financing requirements of a bank customer.

In a typical participation, the bank and commercial finance company provide 100% of the loan administration. The bank receives half of the income with no administrative expense. For example, if the loan is $1,000,000, the bank and commercial finance company will each employ $500,000. The interest rate charged to the borrower will reflect the 50/50 relationship—half at the bank rate and half at the commercial finance company rate.

The type of situation best lending itself to participation is that which involves a business whose debt requirements cannot be satisfied through conventional banking practices. Frequently, a customer's needs exceed the amount a bank may care to extend under conventional banking criteria. Normally, those needs can be met through commercial financing, since the basic market for commercial financing lies in the strength of the commercial finance company to meet the needs of the small-to-large business that is unable to support its growth through either its own working capital or bank credit.

Those needs can usually be met because of a unique lending philosophy. This philosophy is based upon collateral orientation—knowing the true collateral value of those assets which are offered as security for the loan. The principal types of collateral most often looked to are receivables, inventory and equipment; and it is the approach of the commercial finance company that these assets represent resources a company can use to obtain added borrowing power.

When a commercial finance company works with a bank via the participation route, it can be truly said that the parties—the bank and the borrower—benefit. The borrower benefits through being able to satisfy his total financing requirements. The bank benefits because it has provided a solution to a customer's financial problems while at the same time increasing its capacity to serve a broader range of customers, thereby increasing its own growth opportunities.

In addition to participation, other ways exist in which a bank might work with a commercial finance company. A bank may refer a customer to a commercial finance company and elect not to participate. In such a case, the credit demands can frequently be met by the secured lender while the bank retains the depository relationship.

Another example involves the segmenting of a loan. Often, a bank might feel more comfortable advancing funds against the fixed assets of a company in the traditional fashion of a term loan, while the commercial finance company advances funds secured by receivables and inventory on a revolving basis. The result, two distinct loans, each secured by different classes of collateral.

Perhaps the above can be best illustrated by two recent situations in which Associates Commercial Corp. was referred by midwestern banks.

An Iowa chemical company experienced dramatic growth, with sales increasing from $18,000,000 in 1973 to $67,000,000 in 1975. While net worth increased from $250,000 to $5.5 million dollars, local banks were unable to extend the necessary financing commitment. The nature of the industry required the company to build inventory during a six-month period, during which time sales were at a minimum.

In 1976, the company required a $20,000,000 extension of credit, a substantial increase over the preceding year, in order to support its inventory growth. Associates was looked to for assistance by the local bank and the following program was structured: A $20,000,000 line of credit was arranged, secured by accounts receivable and inventory. As receivables were collected, the company was actually able to repay the total loan. The bank elected to par-

Bank, Firm Helped by Commercial Financing

AN EXAMPLE of how well a bank can work with a commercial finance firm involves a metal fabricating company that is a customer of Fort Worth National.

According to J. C. Brown, executive vice president, this fairly young firm experienced such rapid growth in sales that it soon became too highly leveraged. Fort Worth National continued to loan against the firm's receivables and inventory until requests for credit exceeded $1 million. The volume of receivables at this point had become heavy and was turning rapidly.

Because the firm's operating performance had been good and because management had demonstrated excellent capabilities, the bank felt the firm's future was bright and wanted to retain its business.

The bank contacted a commercial factoring firm that managed a much larger line of credit than the bank. The factoring firm sold a participation back to the bank. According to Mr. Brown, this proved to be a perfect solution. Money was tight at the time, so the bank's participation was reduced from what the loan had been.

Since the bank kept all the depository balances, overall profitability increased markedly, according to Mr. Brown. The factoring firm monitored the receivables and the customer reached new heights in sales as a result of the larger credit line.

After two years, the customer had progressed to the point that no financing was needed. The firm's current accounts at Fort Worth National are six figures in checking and six figures in savings.

ticipate, along with its major Chicago correspondent, in providing 50% of the total line.

An additional situation further illustrating the capacity of the commercial finance industry involved a firm at the opposite end of the spectrum. This company, heavily involved in the fabric industry, suffered extreme losses in 1974 as a result of management decisions based upon anticipated market conditions. The losses resulted in a need for funds in excess of that which could be made available under the company's previous line of credit. In addition, federal bank examiners, as a result of the losses, had classified the loan.

Associates was looked to as an alternative source of financing, and was able to structure an accommodation secured by accounts receivable, inventory and fixed assets, the proceeds of which were used to repay the bank loan and provide additional working capital for the company. The bank elected to participate with Associates to the extent of 50%, and at the time of return to profitability, intends to again be the company's sole lender.

It is, and has been, the policy of Associates Commercial Corp. to return its clients to the bank of original referral at such time as that bank feels comfortable in meeting the company's credit demands.

Commercial financing is neither a source of easy money nor are commercial finance companies high-risk lenders. We simply have developed operating techniques with respect to collateral which permit us a high degree of flexibility. The availability of this expertise tends to explain why more and more banks are looking to commercial finance as a viable alternative to meeting the needs of their customers, and as a means of expanding their own banking services without additional cost. • •

Financing Deal Announced

Associates Commercial Corp., Chicago, has announced a program of inventory and retail financing for dealers of the Freightliner Corp., manufacturer of heavy-duty trucks in Portland, Ore.

The firm is establishing a nationwide network of franchised dealers to sell and service trucks to fleet operators and independent owner/operators. In cooperation with Associates Commercial Corp., Freightliner dealers will be able to offer on-the-spot financing to their customers, as well as finance their showroom vehicles.

Associates Commercial Corp. is the commercial financing subsidiary of Associates Corp. of North America, a Gulf & Western company, and has diversified interests in commercial lending, factoring, industrial financing and leasing, as well as heavy-duty truck and trailer financing.

Workable Banking System Should Not Be Disrupted By More Controls—CSBS

WASHINGTON, D. C.—The Conference of State Bank Supervisors (CSBS) has released a comprehensive analysis of the relationship between optional membership in or affiliation with the Federal Reserve System and equitable treatment between member and nonmember banks.

A major conclusion of that study is that a workable banking system with emphasis on private initiative and efficiency shouldn't be disrupted by more defined government control.

The study, which is entitled "Optional Affiliation With the Federal Reserve System for Reserve Purposes Is Consistent With Equitable Treatment Between Banks," was prepared by Lawrence E. Kreider, CSBS' executive vice president-economist. Assisting him was Raymond T. Garea, director of research and education.

The study was made as a result of a fundamental disagreement concerning the validity of the Fed's contention that the present system is inequitable because nonmember banks can meet state reserve requirements with earning assets while member banks must hold "idle" reserves with it. CSBS consistently has challenged the Fed to document that claim and has asserted that nonmembers also have non-interest-bearing, reserve-type assets; that member banks tend to benefit from more non-interest-bearing, correspondent-type liabilities, and that the present system is consistent with equitable treatment.

The four major conclusions drawn by the study are:

• Optional affiliation with the Fed for reserve purposes is consistent with equitable treatment between member and nonmember banks as two groups.

• To the extent, if any, that inequity exists, it is as great between one member bank and another as it is between a member and a nonmember bank.

• To the extent inequities may exist, they could be corrected largely by moderate changes in Fed reserve requirements within the framework of existing statutes and regulations and without disrupting appropriate monetary policies.

• Beyond the question of equity, a system including optional membership is a great stimulant to the interbank correspondent system which so well serves the needs of bank customers throughout the world.

A CSBS spokesman says the study "refutes the claim that member banks as a whole are treated inequitably by virtue of their reserve requirements, and demonstrates that it is far more likely that some banks enjoy a net benefit from Fed membership and some from nonmembership.

"It further asserts," he notes, "that the banking system is strengthened by the existence of a member/nonmember alternative primarily because such a choice has fostered the evolution of the dynamic and responsive private correspondent banking system. It follows logically that a workable banking system with emphasis on private initiative and efficiency should not be disrupted by more defined government control, absent demonstrated benefits therefrom," he says.

Fore!

Bank-Sponsored Promotion Gets People 'Teed Off'

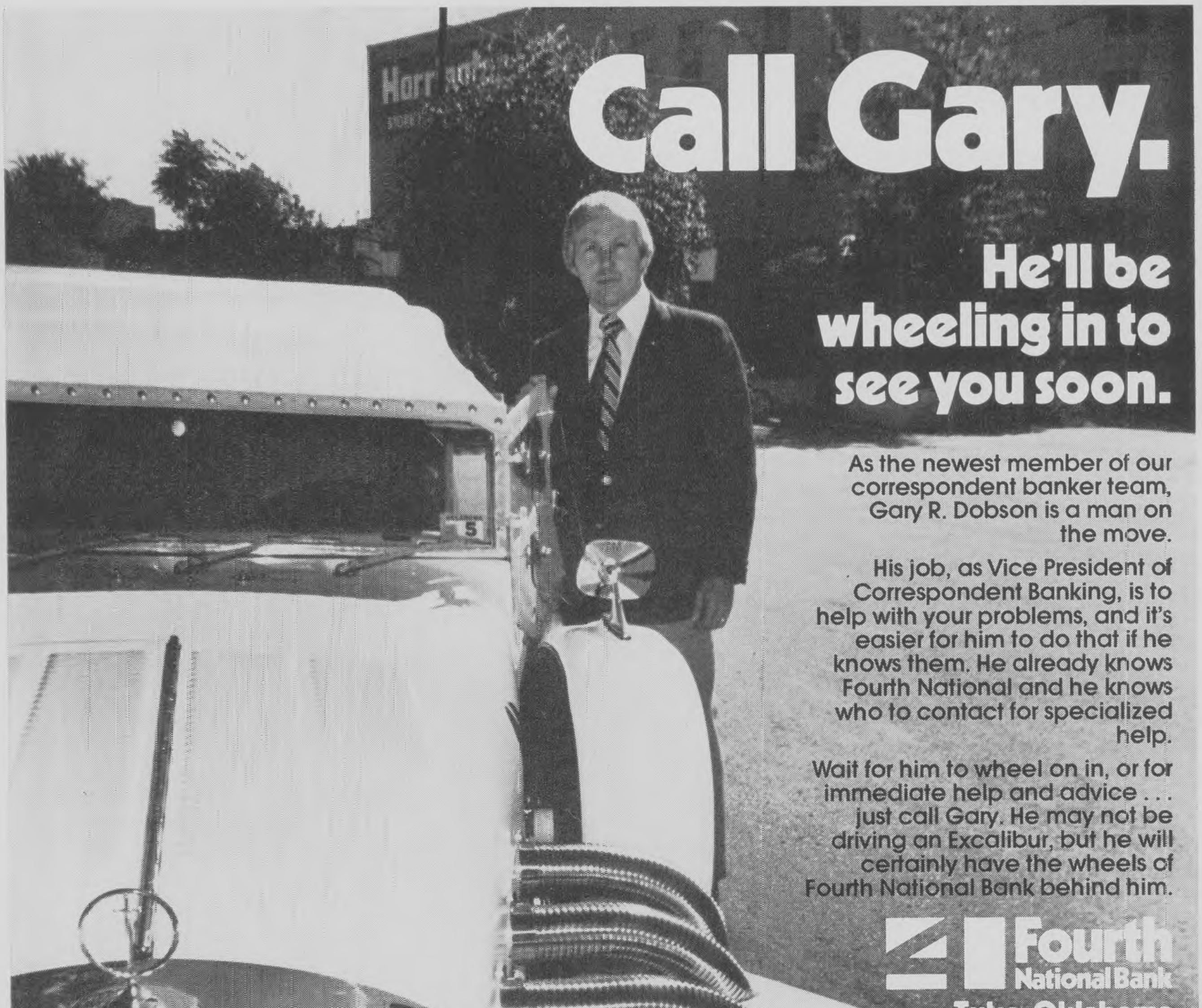
A customer-appreciation promotion of National Bank of Odessa, Tex., resulted in getting many people in that area "teed off."

No, the residents weren't angry at the bank; the institution was giving away free passes to play Putt Putt miniature golf. National Bank sponsors six Junior Putters of America golf teams during the summer months and decided, in conjunction with Putt Putt, to sponsor the promotion.

The event was advertised with large outside signs and coordinated indoor signs at the bank. Statement stuffers went out prior to the promotion and their message was "At NBO customer appreciation is PAR for the course." Tickets for a round of miniature golf were available at tellers windows.

More than 5,000 tickets were given away and 1,520 people played Putt Putt. One of the two prize categories offered by National Bank was a $25 savings account for the daily low score, while 200 free checks were distributed to each person scoring a hole-in-one on one of the course's more difficult holes.

Results of the promotion were pleasing, according to a bank spokesman. Two people who won savings accounts kept their money in the bank and National Bank enjoyed much favorable comment about the promotion from people in the community. "People were impressed," the spokesman said, "when they saw how much it would have cost to play without the free passes."



Excalibur courtesy of A. Blaine Imel A.I.A. Tulsa.

Advertising Code of Ethics Developed For Banks and Thrift Institutions

Jack W. Whittle (3rd from l.), ch., FACE Committee, and ch., Whittle Group, Chicago, answers reporter's questions at news conference held in New York City to announce advertising code of ethics and guidelines for financial institutions. Pictured, l. to r., are: E. Fairfax Randolph Jr., v.p.-marketing, First Nat'l, Dayton, O.; Vicki A. Thomas, dir., national ad program, Credit Union Nat'l Association, Madison, Wis.; Mr. Whittle; Eugene J. Callan, immediate past pres., Bank Marketing Assn., and pres., New York Bank for Savings, New York City; Alan B. Eirinberg, s.v.p., & marketing dir., Exchange Nat'l, Chicago; and Thomas W. Taylor, associate deputy comptroller of the currency, Washington, D. C. All are members of FACE Committee.

FINANCIAL INSTITUTIONS now have a code of ethics that includes specific guidelines governing their advertising. The code was developed as a result of research and recommendations by the Financial Advertising Committee on Ethics (FACE), an industry group formed in January, 1975, to study the need for financial advertising guidelines. Since its formation, FACE has received valuable input from representatives of commercial banks, credit unions, S&Ls, mutual savings banks and federal regulatory agencies.

Areas covered by the code and guidelines are those thought to be the most susceptible to advertising misinterpretation: "free" services, "free" checking accounts, price reduction or savings claims, packaged services, premiums and giveaways, deposit insurance, indefinite superlatives in connection with rate comparisons and communication to customers of how interest rates are computed.

Chairman of FACE is Jack W. Whittle, chairman, the Whittle Group, Chicago, and former vice president-marketing, Continental Illinois National, Chicago. The code and guidelines were approved unanimously by the boards of the 4,500-member Bank Marketing Association (BMA), headquartered in Chicago, and the 23,000-member Credit Union National Association (CUNA), Madison, Wis.

According to Eugene J. Callan, immediate past BMA president and president, New York Bank for Savings, New York City, the cornerstone of the code is contained in its definition: "A financial advertisement is ethical when it is truthful and when it contains information that the intended audience can reasonably be expected to understand in making an intelligent purchase decision. It is not necessary for a financial advertisement to contain all the facts about a service because of media physical limitations. However, any features, any terms (including price) or any purchase benefits must be presented in a manner that does not mislead either by what is stated or by what is omitted."

Mr. Callan also made it clear that the code is purely self regulatory in nature and added that although the FACE Committee explored all possible systems of control, audit, penalties and corrective measures, it was concluded unanimously that industry groups had no legal or alternative means of enforcement.

Copies of the full code are available from the BMA, 309 West Washington Street, Chicago, IL 60606. • •

Risk Management Seminar Scheduled for Feb. 6-9 By American Bankers Assn.

"Concept and Purpose of Insurance and Risk Management in Banking" and "Identifying and Evaluating Your Bank's Exposures to Accidental Loss" are two of the topics to be discussed at the ABA's Risk and Insurance Management in Banking Seminar February 6-9. The seminar will be held at the Doubletree Inn in Tucson and will be limited to 60 banker/executives responsible for their banks' insurance programs and management of their accidental and criminal loss exposures.

The seminar, one of a series, will provide these executives with practical, effective working knowledge of premium-saving risk management techniques and a guide to important insurance coverages and markets, including the bankers blanket bond, directors and officers liability, ERISA and other fiduciary liabilities, trust department errors and omissions, safe deposit liability and new exposures arising from EFTS participation. The entire seminar is structured toward providing each participant with a greatly increased ability to protect his bank's assets from accidental and criminal loss and minimize its premium costs.

In addition to the subjects mentioned above, registrants will hear a panel on "Organizing and Administering Your Bank's Insurance and Risk Management Program," a talk on "Risk Control" and presentations of a group case preparation and a group case problem. Speakers will be Richard F. Spencer, president, First National, Liberal, Kan. (he has a background in insurance); Raymond V. Brady, vice president, Frank B. Hall & Co., of New York, Inc., and manager of its financial institution department; Dale C. Hatfield, vice president, Bank of California, San Francisco; and H. Felix Kloman, president, Risk Planning Group, Inc., Darien, Conn., and San Francisco.

Bad Check Passers Nipped By NAPS in San Antonio

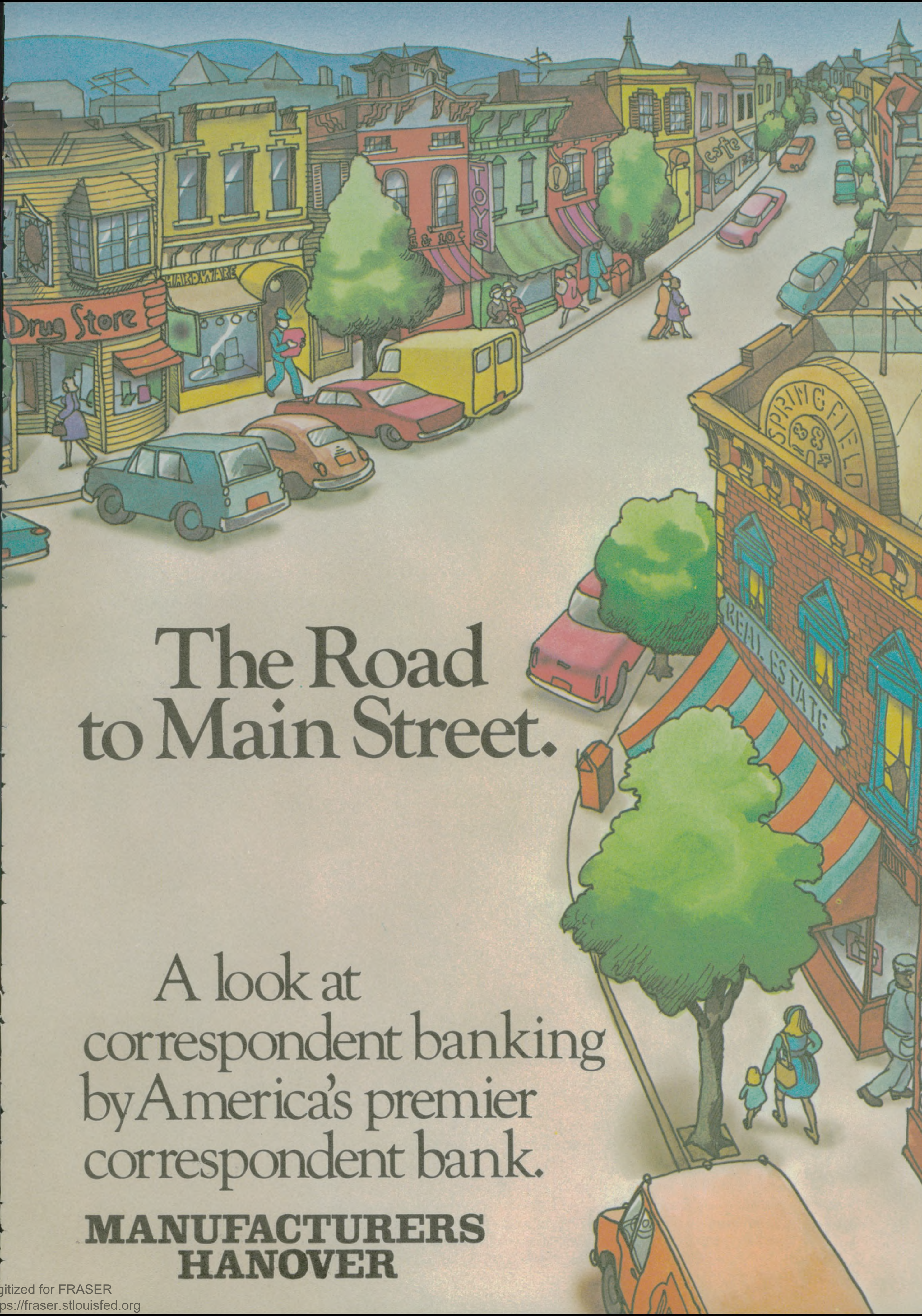
SAN ANTONIO—New Account Procedure Systems (NAPS), a joint venture by participating members of the San Antonio Clearing House Association, is making major headway in the battle against bad checks, according to Frost National, a participating bank.

After its initial eight months of operation, NAPS has pinpointed more than 500 likely bad-check passers who were attempting to open new checking accounts at participating banks.

Through NAPS, participating banks that closed an account because of bad checks, or that receive checks after an account is closed, report the relevant information to the NAPS central office. The information is then coded in a master file and is available by phone to any participating bank. The file includes bank transaction reports only, and access is limited to participating banks.

When a customer opens a new account, personnel at the bank call NAPS' unlisted number, identify the bank by code and give the information on the prospective customer. NAPS will reply "on file" or "not on file." No time is lost in opening an account because the entire report can be supplied in less than 30 seconds.

All 40 banks in San Antonio, plus those in Cibolo, Kerby and Schertz, Tex., are participating in NAPS.


Drug Store
HARDWARE
TOYS
cafe
SPRINGFIELD
REAL ESTATE
The Road
to Main Street.
A look at
correspondent banking
by America's premier
correspondent bank.
MANUFACTURERS
HANOVER

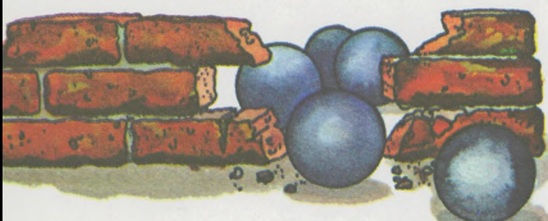
"At Manufacturers Hanover, the National Division is a traveling unit... We stress not only the right road, but the right people to travel that road."

The right road.

When correspondent banking began, over a century ago, it grew with the railroads. New towns grew up along the "roads," and new banks set up shop in the towns. We built our family of correspondents by following the railroads—bringing "interior" banks the money center services they needed to serve their customers.

Today, with more than 3,200 banks around the country calling us *their* banker, MHT is America's premier correspondent bank. And for good reasons.

As our correspondents have grown, Manufacturers Hanover has anticipated their needs. We offer not only the basic bread-and-butter services, but innovative and specialized services as well. And we put our specialists at your disposal, to help you serve your customers completely and profitably.



The nitty-gritty of securities handling.

Manufacturers Hanover has always been important to its correspondents for safekeeping and handling of securities.

Vault safety was one of our earliest concerns. Back in the 1800s, some of our people came up with the unique idea of putting cannonballs in the walls around the vaults. Thus, if a thief tried to tunnel through to the money, he'd get zonked on the head with a cannonball!

Times have changed. Today we house all securities in underground vaults safeguarded by a highly sophisticated protection system and backed by a complete record-keeping system.

Looking toward a future book entry, certificate-less system, we offer correspondents an inexpensive piggy-back participation at the Depository Trust Company, probably the most advanced and comprehensive securities depository system in the world.

If you want to act as a paying agent for bearer securities, consider our famous "Coupay" service, the first completely automated system for coupon paying, reconciliation and destruction.

Making funds move—faster.

MHT gives you an edge in your day-in, day-out needs. For cash letters, domestic and foreign collections, wire and other funds transfers—the competitive edge we give you is speed. Automation where it counts most, insuring accuracy and better transaction control.

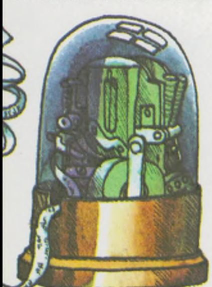
We even serve correspondents by helicopter. Our Early Bird is a helicopter relay service that enables you to meet the 10 a.m. Clearing House deadline—speeding items from airport to our processing center, to turn checks into earning assets almost instantly.

Serving your Aunt Jane.

Through our specialized corporate trust services, you can provide your corporate customers with modern stockholder relations programs.

Transifac, our fully automated system of securities transfer operations, provides complete on-line shareholder and bondholder information.

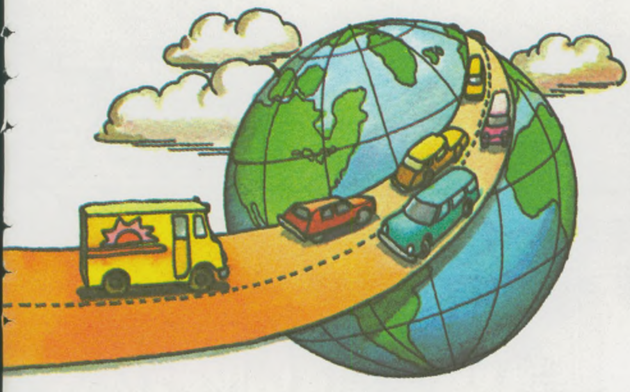
MHT issues of commercial paper and certificates of deposit assure timely delivery to broker or purchaser. And we can act as paying agency, co-paying agency or trustee for corporate and municipal debt issues, and offer complete escrow services.



How now, Dow Jones?

Correspondents can tap MHT's trust specialists to serve their customers' investment needs. For instance, more than 20 analysts in our research department, plus our roster of economists, back up PIR/C—Professional Investment Research, Computer-Aided. In this program, we furnish subscribers with the same information supplied to our own portfolio managers. And we back it up with additional counsel whenever needed.

Manufacturers Hanover expertise is also available for assistance with a correspondent's own investments. We tailor your program to your bank's position.



The street that goes 'round the world.

MHT is a leader in worldwide banking. We offer you the flexibility of this country's largest network of international correspondents. You can also serve your customers with MHT counsel based on first-hand knowledge of economic and political conditions; and with foreign credit information, exchanges, collections and remittances. MHT international letters of introduction and commercial letters of credit are recognized and used universally.

Manufacturers Hanover pioneered the International Money Order in this country. It has worldwide negotiability and unique safety features, and the IMO is personalized with your bank logo for maximum identification.

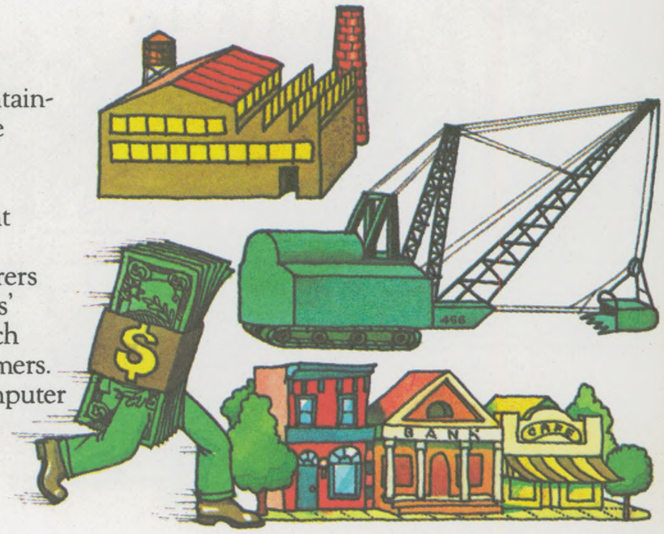
The credit alternatives of the '70s.

Your ability to meet customers' credit needs is crucial in maintaining your position in your market. MHT's capabilities help you to be competitive by making available a full range of credit programs.

Through our affiliate, Manufacturers Hanover Leasing Corporation, you can meet the growing demand for this equipment financing method, anywhere in the world.

Our factoring and commercial financing affiliate, Manufacturers Hanover Commercial Corporation, helps you serve your customers' accounts receivable financing needs. MHCC may participate in such lending but you retain the direct loan relationship with your customers.

And you have MHT's expertise, including our advanced computer programming, to evaluate loans in a variety of industries.



Benefits for your employees.

Whether you have 15 employees or 1500, you can offer them a most attractive fringe benefit—at a modest cost to you—by joining our group life insurance program. It's a plan with up to $250,000 in individual coverage that can be tailored to your bank needs.

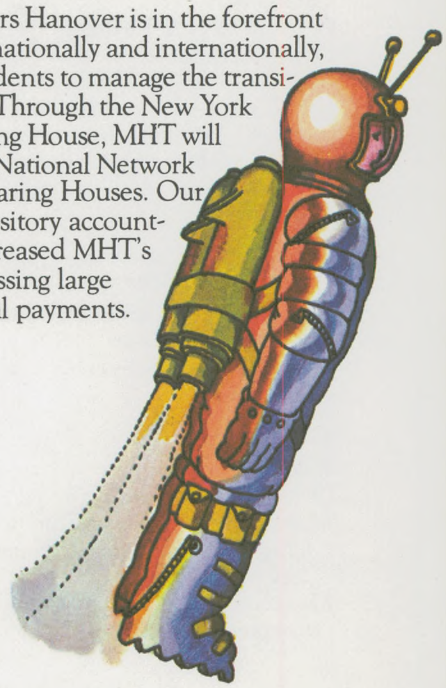
Economies of scale also permit you to participate at low cost in our major medical and long-term income protection plans, as well as pension programs.

As the leading supplier of correspondent benefit plans, MHT can make it possible for your bank to attract high quality personnel by providing big-company benefits.

The road to the future.

The banking marketplace is changing before our eyes, transformed by computer technology. Interbank funds transfer technology is in a revolution as well. As we look down the road, we see vital new services developing, while many traditional services disappear and transaction costs go down.

Manufacturers Hanover is in the forefront of EFTS changes, nationally and internationally, helping correspondents to manage the transition to the future. Through the New York Automated Clearing House, MHT will have access to the National Network of Automated Clearing Houses. Our international depository accounting system has increased MHT's efficiency in processing large dollar international payments.



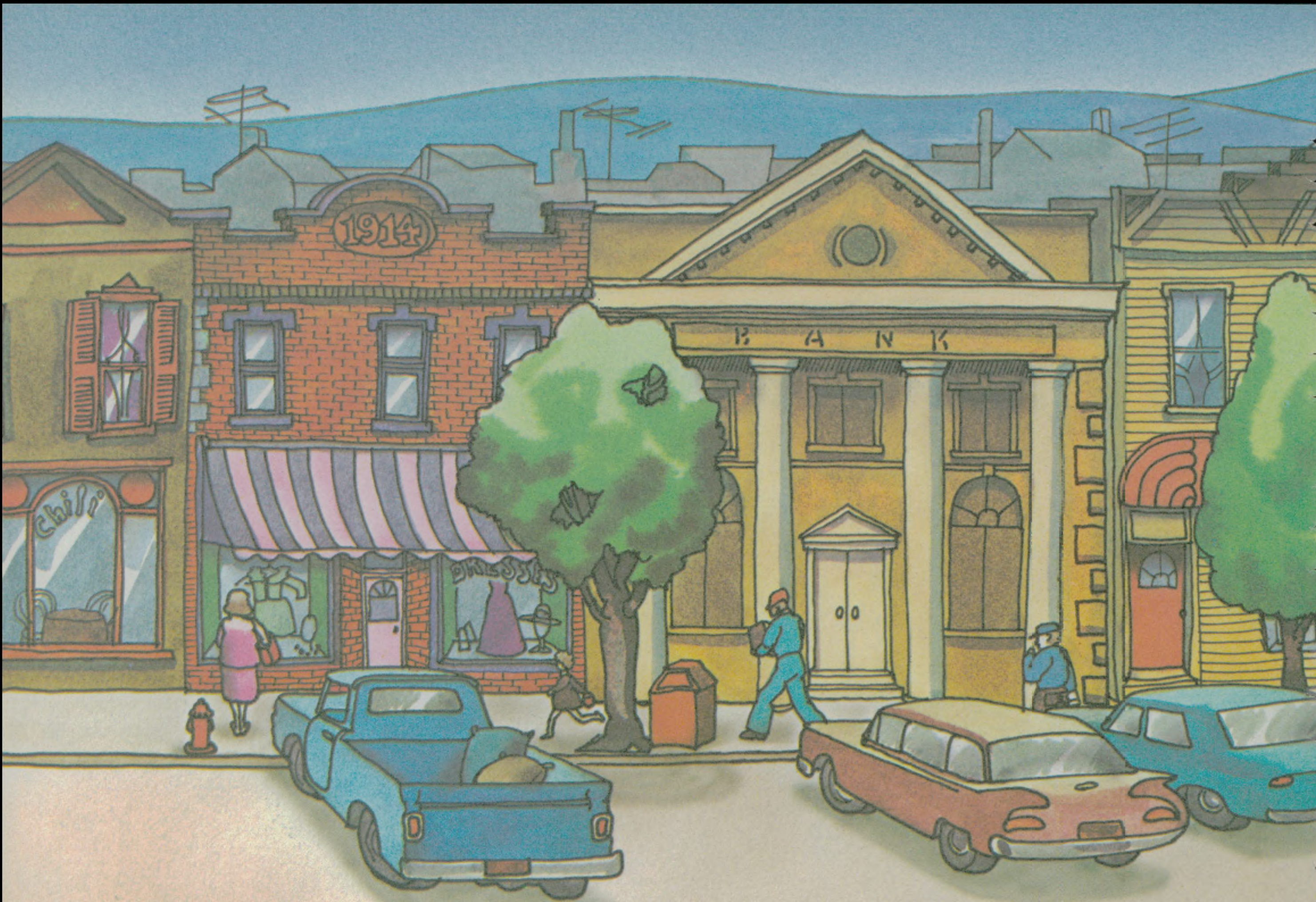
The right people.

We've come a long way since the days when one of our traveling bankers crossed the Andes on a burro to call on a South American correspondent. But it's still a prime rule among our people to know the "territory."

The MHT traveling banker gets to know your needs. Behind each officer are service specialists who go into the field whenever needed. We group our people in multi-tiered teams to give you the kind of professional service to help you meet competition.

So if you want to get on the right road to correspondent banking services, give us a call. The number is (212) 350-6604.

You'll find us easy to talk to.



MANUFACTURERS HANOVER
Correspondent Services.

General Banking
Bank Money Orders
Cash Letters
Demand Deposit Facilities
Domestic Collections
Early Bird
Gift Checks
Money Transfer and Wire
MOREC—Money Order Reconcilement
Register Checks
Transend

Special Services
Economic and Business Publications
Marketing Consultant
Travel Service/Personal Service

Credit Services
Investigations
Overlines
Manufacturers Hanover Commercial Corporation (commercial finance, factoring)
Manufacturers Hanover Leasing Corporation

Corporate Trust
Certificate of Deposit Issuance
Co-Paying Agent
Co-Registrar
Reconciliation and Destruction of Debt Issues
Transfer Agent/Co-Transfer Agent (Transifac)
Meeting Room and Auditorium

Employee Benefits
Group Life Insurance Plan
Long Term Income Protection Plan
Major Medical Plan
Retirement Program

International
Acceptance Financing
Commercial Letters of Credit
Export Financing
Foreign Credit Information
Foreign Collections
Foreign Exchange
IMO—International Money Order
MIDAS—MH International Payments System
Overseas Branches, Representative Offices, Affiliates
Remittance of Funds Abroad
Tip Packs

Personal Trust
Personal Financial Planning Course
PIR/C—Professional Investment Research/Computer-Aided
Trust Development Course

Portfolio and Investment Banking
Federal Funds
MHC Commercial Paper—Other Commercial Paper
MHT C/Ds
US Governments, Federal Agencies, Municipal Bonds, Bankers Acceptances
Investment Counseling

Securities
Coupon Collection
Equity Safekeeping (Depository Trust Company)
Federal Book Entry
Safekeeping
Security Drafts

If you'd like to learn more about our Correspondent Services, call (212) 350-6604.

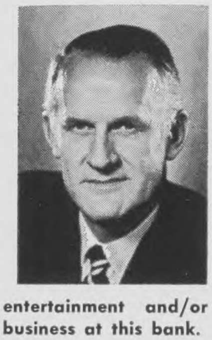
Member FDIC

Sidestepping Ethics in Banking Can Produce a 'Watergate' Bank

IN THE SUMMER of 1969, John Jones, chairman and chief executive officer of the "Watergate Bank (WB), Silver Spring, Md.," learned that stock representing control of the bank was for sale for $6,900,000. He viewed the bank as having substantial potential for growth and profitability and viewed it as having languished under the hands of present ownership for some time, during which it fell behind competition in deposit growth and income. This view was shared by a vocal minority of the bank's board. They joined a few minority stockholders in recommending that Mr. Jones purchase this block of stock, indicating support of him and his administration for change if he did.

To finance the purchase, Mr. Jones consulted W. Will Help, senior vice president of his Baltimore correspondent, Upstream National Bank (Upstream). During their conference, these facts emerged:

At mid-year, WB had deposits of $135,000,000, total resources of $155,000,000, a loan portfolio of $81,000,000, a securities portfolio of $40,000,000, of which $16,000,000 was in tax-free bonds, and capital, surplus, undivided profits and reserves of $10,000,000. In the prior year, it had earned $950,000 after taxes for a return on capital funds of 9½%, about average for its competitive area.



Mr. Bowen's article is based on a speech on banking ethics he gave last June at the Stonier Graduate School of Banking, Rutgers University, New Brunswick, N. J. The article describes an imaginary bank whose officers engage in insider dealings and payoffs. Mr. Bowen examines instances of excessive entertainment and/or bribes in the pursuit of business at this bank.

By WILLIAM H. BOWEN
President & CEO
Commercial National Bank
Little Rock

Mr. Jones then was drawing a salary of $60,000 plus standard perquisites of office, including retirement benefits, a bank car, club dues and expenses as related to bank entertainment. His outside income totaled $40,000.

Tentative agreement was reached with Mr. Help to make the $6,900,000 loan to Mr. Jones secured only by the purchased stock and endorsed by him and his wife.

Upstream had a loan limit of $4,000,000. Mr. Help's plan was to keep $4,000,000 of the loan and sell a participation of $2,900,000 to its New York correspondent, Frankly National Bank (Frankly), at a rate of 3%, a one-year term with renewal expected with undergirding as next related. At the time, the prime rate was 8½%.

To compensate Upstream for extending the credit at a preferential rate, funding it and arranging participation of the excess line with Frankly, it was proposed that Mr. Jones cause his bank to place $4,000,000 on deposit with Upstream in a non-interest-bearing account, which money was to be left undisturbed until Mr. Jones reduced or paid the loan in full. If the loan was reduced, the nonearning balance would be reduced proportionately.

It also was agreed that during the existence of the loan, Upstream was to receive a constant return on the loan made to Mr. Jones of 7¼% per annum produced in combination by the 3% rate plus income earned on the non-interest-bearing deposit.

Interest alone the first year was going to cost Mr. Jones $207,000, which was $107,000 more than his total income at that time. Messrs. Help and Jones projected income potential as follows:

Credit life premium income in the bank was averaging about $35,000 a year. Mr. Help noted that in some banks the CEO retained this income. Mr. Jones' 51% stock interest in the bank—representing 153,000 shares of 300,000 shares outstanding—would provide $153,000 in dividend income annually at the current annual dividend rate of $1 per share. Projecting income of $288,000 and assuming most or all of the interest payable on the bank stock loan would be deductible for income tax purposes, it appeared that Mr. Jones could meet his interest obligation.

No discussion ensued between Mr. Jones and Mr. Help as to compensating balances from WB which support the $2,900,000 participation of Frankly. It is assumed that WB had existing balances there which supported this credit and justified its participation in a 3% overline loan.

Returning to the bank after his conference with Mr. Help, Mr. Jones sought the counsel of two experienced and supportive board members from among his 18-member board, together with his executive vice president. They discussed ways and means to increase Mr. Jones' income and dramatically build deposits and net after-tax income of the bank.

A salary increase to $85,000 was generally endorsed, and it was agreed that the $35,000 of credit life premiums would be channeled to him. The board would be told only that the credit life business would be taken over by Mr. Jones with no details being supplied them. It was expected that no questions would be asked.

At this level, Mr. Jones' salary was approximately $45,000 more than the maximum income paid CEOs of any other bank of WB's size in the competitive area.

Also discussed was a plan to reach public funds at all levels of government. A time-honored proposal emerged for heavy entertainment of public officials entrusted with management of these funds. Immediately, the state treasurer and his wife were to be taken to Las Vegas and Santa Anita for one week each. A budget of $5,500 for this trip seemed appropriate for intermittent balances of up to $1,500,000 believed to be under the treasurer's control. Additionally, it was agreed that the state treasurer's expenses at the fall meeting of the state bankers association, estimated at $1,000, would be borne by the bank.

A comparable entertainment budget was planned for lesser state officials who controlled several million dollars of public funds.

Looking to 1970, an election year, and emphasizing the importance of political support, Mr. Jones proposed to his executive vice president that the bank undertake a select bonus plan for the five senior officers, with each being expected to retain out of the bonus an amount equal to the income tax due and to turn the balance over to Mr. Jones. Hoping to be appointed to the state banking board or another comparably prestigious board, Mr. Jones was ambitious to make contributions that would receive high-level attention. To produce $20,000 net after tax for his political fund, it was agreed that $35,000 total bonuses would be paid at $7,000 per senior executive. Mr. Jones was to handle this political largess by himself.

Lastly, Mr. Jones and his executive vice president set their net income sights at $1,200,000 net after tax for 1970. This was a $250,000 increase over 1968 as well as income projected for 1969.

It would provide a return of just under 12% on capital funds, substantially above the average return on banks their size in the area. To meet this ambitious goal, they undertook stringent cost cutting, personnel cutting and planning across the face of the bank. Mr. Jones convened his three other senior officers with his executive vice president and "laid the law down to them" about profitability.

What are the ethical considerations of all elements of Mr. Jones' plan?

1. Compensating balances to support Mr. Jones' credit.

The $4,000,000 in idle funds left with Upstream Bank are earning assets of WB. Failure to invest them at prime rate as part of the bank's portfolio, for example, causes the bank to lose $350,000 a year. Moreover, since Mr. Jones is borrowing at 3%, a rate 5½% under current prime, he is encountering personal savings on interest of $379,500 a year.

Clearly, Mr. Jones has a fiduciary duty to use the bank's assets for its benefit, not his. Additionally, if he appropriates bank funds or the income from bank funds to his own use and purposes, he is breaching Circular No. 31 issued October 22, 1970, by the Comptroller and 18 United States Code No. 656 making it a crime willfully and knowingly to misapply monies or funds of a national or reserve member bank.

2. Usurping corporate opportunities.

A bank official has a general ethical and fiduciary duty to commit his full time and energies to the bank. The credit life function of a bank serves it at least in two ways: (1) credit life undergirds the loan to which it applies, and (2) premium income produced by lending personnel supports the bank's earnings and properly accrues to the bank. Arrogation of these funds without full knowledge and endorsement of the bank board acting with full knowledge and notice of the import of its judgment is a usurpation of a corporate opportunity which is actionable at law.

3. Wastage of corporate assets.

By using bank funds to acquire the controlling stock, Mr. Jones is wasting corporate assets in breach of ethical and fiduciary duty. His salary and side income are unconscionable and unsustainable. Let me illustrate:

1. Increased salary	$ 85,000
2. Credit life premiums	35,000
3. Bank stock loan interest saving per year	379,500
	$499,500

The facts of the case assume that a salary over $75,000 is excessive. Here corporate income and/or corporate assets were wasted in production of an excessive salary payment of $424,500.

Normally, courts will not substitute their judgment for that of a bank or a corporation on the question of excess salaries except where there is a clear showing of fraud, illegality, an *ultra vires* act (an act in excess of legal authority) or gross negligence. It would appear that income this excessive would be repudiated by a court at the instance of a stockholder.

4. Payments to obtain business.

Entertainment in support of and in pursuit of business is time honored and appropriate so long as it is reasonable. Entertainment is questionable when it's so excessive as to become a bribe. Ethical behavior invites restraint in use of entertainment to a point where reasonable men would not even question the propriety of it. When entertainment reaches the proportion of a bribe, both parties are subject to prosecution.

5. Political contributions.

Political contributions of personal funds are legal, ethical and to be encouraged as supportive of our democratic system. Use of bank funds, directly or indirectly, for this purpose breaches federal statutes where federal elections are involved. Moreover, if the political gift generated from bank funds redounds only to the benefit of the officer who makes the contribution, then unethical wastage of corporate assets is involved.

6. Bank goals for income production and expense control beyond reach.

Bank goals that incorporate "stretch" are widely endorsed and are proper. Goals beyond reach, if coupled with an aura or attitude that anything goes to reach these goals, are unethical. • •

Alabama Banker Named Recipient Of NABW Scholarship Award

Jane Poovy, senior vice president, Farmers & Merchants Bank, Centre, Ala., is the 1976 winner of the National Association of Bank Women's Scholarship Award. The latter is granted annually to an NABW member whose integrity of character, qualities of leadership and educational prowess are representative of women bank officers and who has qualified as a regional Scholarship Award winner for the corresponding year.

Mrs. Poovy, winner for the Southern Region, will receive funds to cover tuition, room and board at a graduate school of banking until completion of the course.

POOVY

Four other Mid-Continent-area bankers were among the regional scholarship winners this year: Dorothy L. Harris, trust administration officer, Busey First National, Urbana, Ill.—Lake Region; Lorene M. Baxa, auditor and assistant vice president, Cloud County Bank, Concordia, Kan.—Midwest Region; Marjorie T. Coggins, vice president, Peoples Bank, Tupelo, Miss.—South Central Region; and Sarah L. Happel, assistant vice president, East Texas Bank, Longview—Southwestern Region. They will receive full expenses for one year of advanced banking study.

Our new address is simple to remember...

"THE TALLEST BUILDING IN OKLAHOMA"

Visit us on your next trip to Tulsa. We want you to see what we believe to be the finest banking facility in the great Southwest. A banking facility designed and constructed to make banking easier for our customers, our employees, and our friends like you.

Bank of Oklahoma — **now in our new home** — the Bank of Oklahoma Tower. Truly a landmark in banking.

BANK OF OKLAHOMA (NA)

Bank of Oklahoma Tower
P.O. Box 2300
Tulsa, Oklahoma 74192
New: (918) 588-6000

Bank-Commercial Finance Cooperation Can Offer Benefits to Concerned Parties

THE CORDIAL relationships that commercial finance companies have maintained with the banking community have frequently resulted in cooperative financing efforts which offer substantial benefits to all parties involved.

Participations develop for a number of reasons, but banks most frequently contact commercial finance firms when their client's financial needs exceed the bank's legal lending limit or when their client's financial requirements exceed the bank's willingness to provide unsecured credit.

Further, bankers also contact commercial finance firms frequently when seeking to develop a source of funds for clients whose financial requirements involve collateral monitoring and control which the bank is not prepared to provide.

An example of a recent participation involved an Illinois manufacturer which had a limited credit rating but needed substantial funding to replenish a dangerously low supply of raw materials and improve worn-out production facilities. The manufacturer's bank was reluctant to provide an inventory loan since the bank did not have the staff available to monitor that risk.

The bank contacted Aetna Business Credit, Inc., and the necessary financial requirements were provided in a 50% participation so that the manufacturer was able to re-equip the plant and build up inventory. Aetna provided the collateral control required.

The loan, which was collateralized in part by receivables, inventory and the new equipment, enabled the company to double its output, more than double its profit and improve its credit rating.

Another example of a successful participation involved a Texas beef wholesaler which had reached the bank's legal lending limit but needed additional financing. In participation with the wholesaler's bank, Aetna was able to provide the required funding, secured by accounts receivable. As a result, the wholesaler was able to increase his business by 20% within six months.

Both the Texas beef wholesaler and the Illinois manufacturer continued to be good customers of their banks.

Another bank referred a Minnesota HC with widely scattered subsidiaries to Aetna. The HC, which needed money for expansion, had exhausted its bank credit line.

In cooperation with the bank, Aetna was able to provide the needed funding, secured by the subsidiaries' receivables and inventories. This arrangement increased the company's credit availability by almost 40%, and the borrower was eventually able to double its sales volume.

The HC not only continued as a good customer of the bank but also increased its business with the bank substantially.

In participation with banks, commercial finance services have been used to help turn out new products, to expand markets, to improve production and for a variety of other worthwhile purposes.

Over the years, borrowers, bankers and commercial finance companies have been well served by conventional participations. Files of firms such as Aetna include many instances where an interaction with members of the banking community has resulted in financial assistance for the bank's clients—assistance which enables the clients to improve and expand their operations and go on to become successful companies.

A Different Approach

(Continued from page 40)

was accomplished by only one of the lenders. It is felt, however, that this risk is outweighed by the other advantages provided by the joint-loan approach.

To this point, the primary benefits discussed have been those accruing to the bank under a joint loan versus the participation approach. The joint-loan approach also offers some definite advantages to the commercial finance company. One of the principal advantages is the prospect for improved communication between the bank and commercial finance company as it relates to the borrower and how the loan is to be managed. As joint lenders, both are directly responsible for following closely the affairs and condition of the borrower.

In addition, both participate in any decisions about administration and management of the loan which, under the participation arrangement, are usually left to the sole judgment of the commercial finance company. These include decisions concerning such areas as changes in the percentage advanced against collateral, frequency of reporting by the borrower, release of collateral and lending on heretofore unpledged collateral. This joint responsibility should offer the commercial finance company much better protection against participant attack for mismanagement than the normal participation agreement.

Another possible advantage is that a provision can be included in the agency agreement between the bank and commercial finance company which provides for the commercial finance company to share in any offset by the bank on an equal basis.

In summary, it is felt that the joint-loan approach to commercial finance and bank lending preserves all the advantages for the three parties that were present in the participation arrangements. At the same time, it provides a vehicle which sets forth much more clearly the exact relationship between the three parties and by so doing reduces some of the risks that have been inherent in the participation method of financing, both for the bank and the commercial finance company. • •

No Ribbon Cutting:

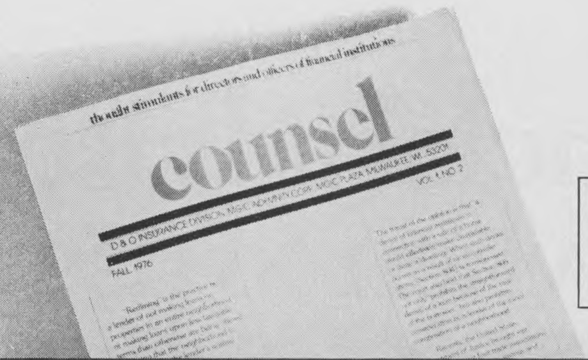
'Giant Zipper' Ceremony Opens Convenience Center

When First National, Des Plaines, Ill., opened its "Convenience Center," it wanted to convey what the center's name implies: convenience. So, instead of the conventional ribbon-cutting ceremony, the center was opened with a giant-zipper ceremony.

The Convenience Center is a combination walk-in mini-bank and eight-lane drive-up facility. Services offered are checking and savings deposits, per-

sonal loan applications and payments, cashiers and travelers checks, new accounts and check cashing. The center also offers extended hours for customer convenience.

Three-day open house festivities were held after the "unzipping." A sweepstakes drawing was held for a color TV, CB transceiver, black-and-white TV and digital clock radios.



". . . articles in *Counsel* are concise and timely."
"The current issue is stimulating and informative."
"*Counsel* is a real service to our institution."
—LETTERS FROM OUR CUSTOMERS

Facts About Commercial Financing's Role In Salvaging Troublesome Bank Clients

By ROBERT SCHWAAB
Vice President
First Wisconsin Financial Corp.
Milwaukee

THROUGH loan participations, commercial finance companies can help banks solve the cash-flow requirements of accounts that are perhaps somewhat troublesome.

How does a participation work? What are its advantages?

These questions are best answered after reaching an understanding of what a commercial finance company is and what it does.

Such a firm is a secured lender, making loans primarily to manufacturers and distributors. The accounts receivable and inventory of the borrower—and at times, the plant equipment, or a combination of these assets—generally becomes the collateral for the loan. Accounts-receivable financing is the method used most frequently in stepping up cash flow, for it immediately converts a non-liquid asset into cash.

Accounts that normally end up as a secured credit in a finance company portfolio usually fall into two categories:

• The fast growing business whose increased sales are accompanied by a need for increased inventory, new equipment, larger payrolls and larger accounts receivable balances.

• The firm that has experienced a reversal of some sort and needs to buy a little time to get back on its feet.

In either case, the firm does not always have sufficient earnings to plow back into the business as working capital and its banker does not feel comfortable with its line, so another source of funds must be found.

In such a situation, the bank's loan officer can help his account by suggesting he call in a secured leasing specialist to review the financial information and determine whether an alternative loan program can be put together. Chances are reasonably good that the finance company can formulate a program that will enable the bank's customer to move forward as opportunities develop.

The bank can participate in the loan package and retain the account. The participation generally runs from 10% to a maximum of 50% of the loan. The rate of interest the bank requires is established and the customer gains the advantage of paying the blended rate.

In a participation, the benefits to the bank—although they may be obvious—are worth restating: The bank keeps the account and provides the customer with a source of funds it would not ordinarily be able to supply and the bank can earn income on the account by participating in the loan.

Generally, commercial finance company customers are rather heavily leveraged. Their debt, particularly short-term, may be four or five times their net worth. For this reason, they must be watched closely. In addition, the customers are continuous borrowers, meaning they rarely pay out loans completely. The loans continue to revolve month-to-month and, in some cases, year-to-year.

The procedures, policies and systems used by a commercial finance firm are in no way an absolute guarantee against loss. However, the methods used in daily operations and field audits are designed to help keep a close watch over borrowers and to help uncover problems that could eventually lead to a loss.

If a company discovers a problem in time, it may be able to help the borrower correct the situation. Even if the problem is not discovered in advance, a commercial finance firm such as Wisconsin Financial Corp. is in a good position to safeguard its loan and prevent loss.

There is no great mystery about commercial financing. However, it is a fairly complicated business that usually requires more administration than is necessary under normal bank lending practices. • •

Steady Rise in Business Volume Seen By Head of Financial Trade Association

ALTHOUGH recent news about business conditions is not overly encouraging, LeRoy L. Kohn, chairman of the trade association for the nation's commercial financing and factoring firms, expects American business to continue to expand in the next few years. Based on information from financial firms across the nation which day-to-day take the pulse of American business, Mr. Kohn, chairman of the National Commercial Finance Conference (NCFC), predicts that the following will occur:

• Prices of raw materials and semi-manufactured components will continue to rise;

• Inventories held by business will continue to increase—both in physical quantities and in dollar value;

• Total sales volume will rise as the result of two pressures—inflation and population—and this will increase the demand for more working capital;

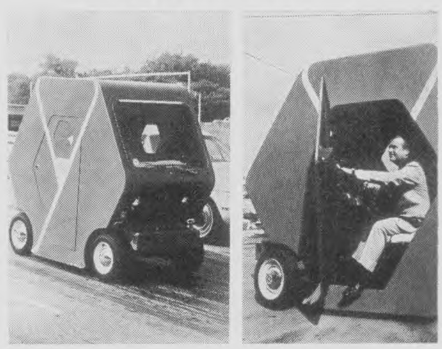
• It will become increasingly expensive to replace capital equipment;

• Wage rates will continue to rise faster than output per man-hour, thus increasing the demand for capital equipment to reduce labor cost.

In the view of Mr. Kohn, who is also chairman emeritus of the board of Mercantile Financial Corp., Chicago, this means that there will be continuing pressure on the capital structure of business at all levels—manufacturing, wholesaling and retailing—for more funds. As a result, there will be greater opportunities for commercial financing and factoring companies to serve the growing needs of American business.

As the trade association for the commercial financing and factoring industry, the NCFC represents and serves many companies in the field across the nation. The industry will finance about $58 billion worth of business this year.

Bank Has 'Logo'-Mobile



This is the rolling logo of Commerce Union Bank, Nashville, which the bank uses for special promotions. Designed by the bank's ad agency to resemble Commerce Union's logo, and using an electric car as a base, the "Mobius Band Wagon" features a custom interior complete with tape player and CB transceiver. Shown test driving the logo-replica is Edward G. Nelson, bank pres.

A Heller participation loan keeps your customers' interest in your bank.

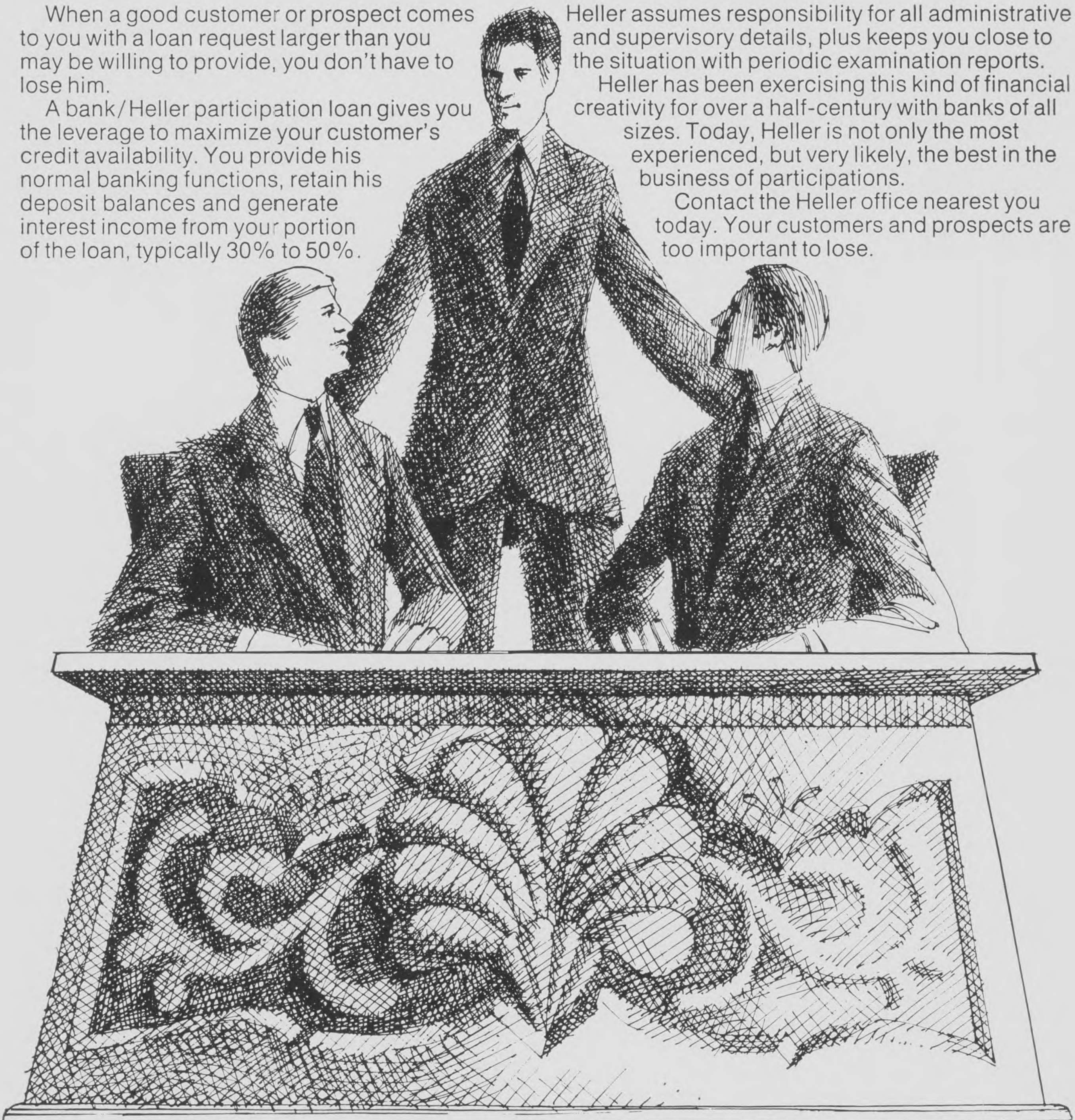
When a good customer or prospect comes to you with a loan request larger than you may be willing to provide, you don't have to lose him.

A bank/Heller participation loan gives you the leverage to maximize your customer's credit availability. You provide his normal banking functions, retain his deposit balances and generate interest income from your portion of the loan, typically 30% to 50%.

Heller assumes responsibility for all administrative and supervisory details, plus keeps you close to the situation with periodic examination reports.

Heller has been exercising this kind of financial creativity for over a half-century with banks of all sizes. Today, Heller is not only the most experienced, but very likely, the best in the business of participations.

Contact the Heller office nearest you today. Your customers and prospects are too important to lose.



HELLER
Financial Services

Walter E. Heller & Company 105 W. Adams St., Chicago, Ill. 60690
New York • Boston • Philadelphia • Baltimore • Syracuse • Detroit • St. Louis
Charlotte • Kansas City • Denver • Atlanta • Miami • Birmingham
New Orleans • Houston • Dallas • Phoenix • Los Angeles • San Francisco
Portland • San Juan P.R. *Heller services also available through Heller Companies in Canada and twenty other countries around the world.*

Oklahoma Bankers President Quits in Branching Dispute

By ROSEMARY McKELVEY
Managing Editor

A BRANCHING CONTROVERSY—marked by the resignation of Pat Moore as president of the Oklahoma Bankers Association—has erupted in the Sooner State. Mr. Moore, president, American State, Thomas, voluntarily left the top OBA post late in October as the result of what he calls "vehement opposition" to his work on behalf of a previously inactive Muskogee trust company, called Pioneer Savings & Trust Co.


MOORE

Early in October, the latter firm had begun opening a network of branches in storefront shopping center offices across the state. This action brought loud outcries from various bankers in Oklahoma, which has an anti-branching law.

In accepting Mr. Moore's resignation, the OBA announced that presidential responsibilities now are being carried out by Tracy Kelly, the OBA's chairman and immediate past president. He is president and chairman, American National, Bristow, and chairman, Citizens State, Okemah. Therefore, the president's post will remain vacant until the 1977 convention next May.

The OBA's board is meeting December 9 to decide whether to take any action—legal or otherwise—in the Pioneer matter.

On November 4, the state banking commissioner, Harry E. Leonard, after meeting with members of the state banking board, ordered Pioneer Savings:

• To stop accepting demand deposits, opening checking accounts and issuing checks at any of its various offices or locations.

• To remove any sign at any of its various locations that would purport to identify the firm as a banking facility.

• To accumulate immediately and thereafter maintain a full set of corporate books and records at a registered office, as required by 18 O. S. 1971, Section 1.16.

• To refrain from opening any additional offices or branches until Mr. Leonard or his board determines that the opening of these offices or branches will not jeopardize or impair the firm's ability to operate in a safe and sound manner.

• To cease and desist and hereafter refrain from engaging in any operations other than those authorized specifically for corporate trust companies by provision of the Oklahoma Banking Code of 1965.

The center of the controversy—the trust company—actually had its start in 1905, two years before Oklahoma became a state. It was incorporated as the Pioneer Abstract & Trust Co. and was domiciled at Muskogee, then in Indian Territory. Later, the charter was canceled, but was reinstated in 1929 by the corporation commission of the state of Oklahoma. In December, 1975, Pioneer Abstract applied to the state banking department to move its main office from Muskogee to Oklahoma City. The application was approved, subject to certain restrictions and contingent on certain conditions.

Last March, a group of individuals, including Mr. Moore, purchased Pioneer Abstract and, on April 19, applied to vacate the banking board's order to move the firm from Muskogee to Oklahoma City. The board did vacate its order on May 5.

Subsequently, according to Commissioner Leonard, the firm's management proceeded to make arrangements to open multiple offices offering to the general public "certain bank-like services, including, but not limited to, the acceptance of demand deposits, the opening of checking accounts and the issuance of checks."

The state banking board's cease-and-desist order says that Pioneer Abstract changed its name to Pioneer Savings & Trust Co. without the banking commissioner's approval and filed the new name with the Oklahoma secretary of state; that Pioneer has opened branches at Muskogee, Chickasha, Clinton, Elk City, Moore, Oklahoma City, Tulsa, Edmond, Weatherford, Thomas and Sapulpa; that the firm does not maintain its main office in Muskogee, its only authorized principal place of business; that it has erected, at least at one location, a sign purporting to identify the trust company as a bank; that none of the operational policies have been adopted or approved by action of its board; that its counsel and certain of its principals have admitted the company is subject to the jurisdiction and regulation of the state banking department; that certain restrictions imposed on banks (e.g., loan limits, investment quality, reserves, etc.) don't apply to trust companies and, thus, Pioneer is practically unlimited as to the manner in which funds may be invested; and that expenses incurred by Pioneer in opening various branches have caused substantial operating losses to the firm and future operational expenses as they relate to operational income are less than certain.

On November 18, attorneys for Pioneer Savings filed an appeal from Commissioner Leonard's order. In the meantime, Pioneer Savings continues in operation because it was not ordered to close, but to cease operations in the five areas listed in columns one and two of this article.

According to Mr. Moore, the Pioneer venture represents a means of servicing credit-worthy borrowers in small Oklahoma communities who have been denied access to loans from banks and other financial institutions for a variety of reasons, one of which is the state's prohibition of branching.

Mr. Moore said he resigned his OBA post "so there would be no question in the minds of the association's constituents about my association with Pioneer Savings & Trust Co."

Pioneer's president is H. Dale Schroeder, who was a senior vice president in the correspondent banking department at Oklahoma City's Liberty National before joining Pioneer last February. Pioneer's executive vice president is James E. Talkington, formerly an assistant vice president in correspondent banking at Liberty National. • •

Bank Finds Many Takers During $2-Bill Promotion

Everybody's doing it, officials of Main Bank, Chicago, say—taking $2 bills in change, that is.

The bank has instituted a policy of giving $2 bills in change to customers who cash their paychecks there. On the first day of the "Main Bank Is a $2-Bill Bank" promotion, officials state, people ranging in life-style from machine operator to school teacher to sculptor accepted the bills cheerfully.

During the promotion's first week, bank officials say, more than 1,000 of the $2 bills were distributed, a figure that is expected to remain constant.

Sizable Japanese delegation attended BMA convention. Chatting with two of them—Masami Yamamoto (2nd from l.), Financial Information System Ltd., and Isao Kurata (2nd from r.), Financial Affairs Co., Ltd., both in Tokyo—are Raymond Cheseldine (l.), BMA e.v.p., and Clifford Y. Davis Jr., new BMA Pres., and v.p., City Nat'l, Memphis.

Gaining Competitive Edge Is Theme Of BMA's 61st Convention

A BANKER should not think of his institution as an all-customer super bank if he wants the institution to find an effective position in its market.

This was the keynote message presented to bankers attending last month's 61st annual Bank Marketing Association convention, held in Miami Beach. It was delivered by Philip Kotler, Harold T. Martin professor of marketing at the Graduate School of Management, Northwestern University. Theme of the convention was "Gaining the Competitive Edge."

Mr. Kotler described positioning as an effort by banks to fit into a distinct part of the market in a superior way. A bank that tries to be the best for every pocket, purse and personality is engaged in a hopeless task, he said.

If it persists in such a course of action, he said, it will run second in all markets where there are well-positioned banks.

Banks that are not market-positioned, he continued, tend to be left with a

By LAWRENCE W. COLBERT
Assistant to the Publisher

"floating crowd of undiscriminating customers who are here today and gone tomorrow."

He cautioned banks that they should begin to think small in the sense of recognizing and catering to different classes of customer need. "Instead of focusing on product profitability, banks must start to think of customer class profitability. Customers are the banks' only profit centers," he said.

For a bank to develop market positioning strategy, he said, its information system must produce facts on the respective profitability of small merchants, small manufacturers, real estate operators, blue collar workers, white collar workers and other groups.

Furthermore, he said, this customer class profitability must be estimated over the business cycle, not only in periods of easy or tight money.

In another session, Almarin Phillips, dean of the School of Public and Urban Policy, University of Pennsylvania, and a member of the National Commission on EFT, warned that court decisions that electronic terminals are branches could create an illusion among bankers that the protections of the McFadden Act against competition stemming from electronic systems are still effective.

"EFT is coming. It will be less and less possible to have interindustry and interstate protections," he said.

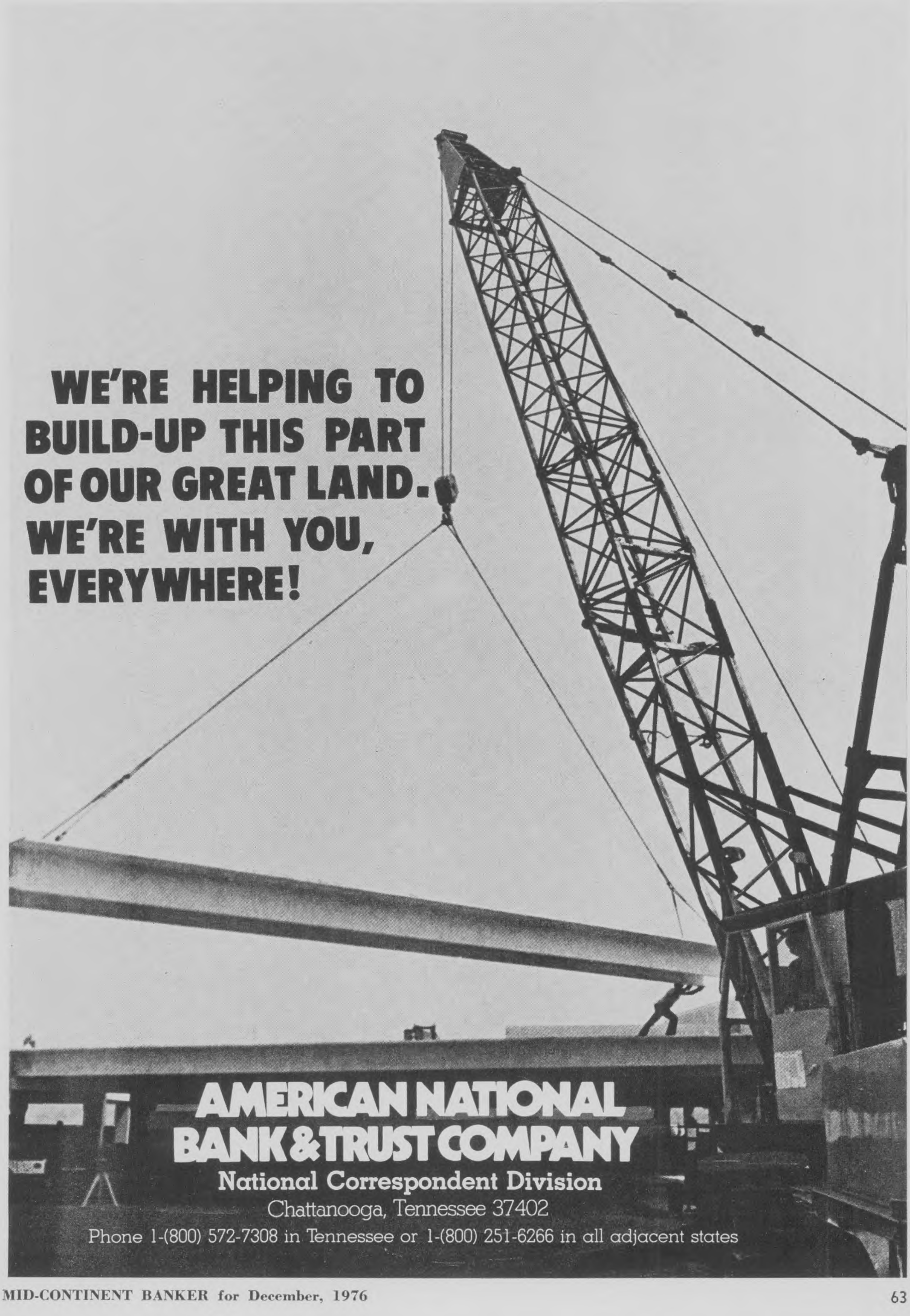
He said he was not speaking for the commission.

He called on the Fed to change in response to EFT developments. "Demand deposits are going out the window," he said, and controlling M1 will be impossible unless radical changes are made in the method of implementing monetary policy.

One way would be to use the payment of interest on reserves as a method of control, substituting it largely for open-market policy. Thus, if it were desired to immobilize large amounts of the reserves in the banking system, higher rates of interest would be paid to banks to retain them, and the reverse policy would be followed to free reserves, he said.

Mark G. Bender, senior staff economist for the EFT commission, gave

Taking part in EFTS session at BMA convention were (from l.) John F. Fisher, v.p., First Banc Group of Ohio, Columbus; Kerry P. Curtis, v.p., Bank of America, San Francisco; Richard I. Doolittle, administrator, Graduate School of Banking, University of Wisconsin, Madison; and Almarin Phillips, dean, School of Public & Urban Policy, University of Pennsylvania, Philadelphia.


WE'RE HELPING TO BUILD-UP THIS PART OF OUR GREAT LAND.
WE'RE WITH YOU, EVERYWHERE!
AMERICAN NATIONAL BANK & TRUST COMPANY
National Correspondent Division
Chattanooga, Tennessee 37402
Phone 1-(800) 572-7308 in Tennessee or 1-(800) 251-6266 in all adjacent states

delegates an update on the commission's operations.

Since March-April of this year, he said, the commission has held formal meetings of one form or another about four times per month. This activity has resulted in staff-developed papers, resolutions, a series of planned public hearings and a commitment to have an interim report ready for the president and Congress by February 23, 1977.

The report is expected to deal with the following issues: advantages and disadvantages of EFT to the consumer, the role of government in operating EFT systems, the status of electronic terminals as branches, EFT's competitive impact, vendor-related EFT issues, EFT and monetary policy, the cost-benefit relationship of EFT and the lessons to be drawn from European-type GIRO systems.

Jack W. Whittle, outgoing chairman of the financial advertising committee on ethics, told bankers that "we can't expect to keep the regulators out of our hip pocket unless we clean up our industry."

The committee recently published a bank advertising code of ethics. The code states that a "financial advertisement is ethical when it is truthful and when it contains information that the intended audience can reasonably be expected to understand when making an intelligent purchase decision. It is not necessary for a financial advertisement to contain all the facts about a service because of media physical limitations. However, any features, terms (including price), or any purchaser benefits must be presented in a manner that does not mislead by what is stated or what is omitted."

The guidelines specifically state that when "free" checking accounts are offered, there must be no charge for those aspects which are internal parts of the service. This includes no charge if a balance falls below a certain level. It also prohibits tie-ins such as charge cards or debit cards or savings instruments on checking accounts that are advertised as free.

Mr. Whittle said that some banks offering free checking have been forced to clarify the service because some bankers have redefined the word "free" by adding "anything else into it you felt you can get away with."

Mr. Whittle reported that banker acceptance of the code of ethics has been favorable.

Sun Banks of Florida, Inc., captured the "best of show" trophy in the ninth annual Golden Coin Awards competition at the convention. The firm took top honors with its entry in the public affairs category for banks with total assets of $1 billion or more. Its entry was entitled "Thumbs Up, Florida," and is a multi-faceted campaign symbolizing a return to prosperity and positive thinking during the recent recession.

Banks in the Mid-Continent area receiving certificates of merit in the marketing category include Bank of Naperville, Ill., for its "Selling the Business Savings Account," and First Citizens National, Tupelo, Miss., for its "New Automobile Loan Program."

Among the certificate winners in the public affairs category was First Bank & Trust, South Bend, Ind., for its "Tel Money: A Unique Public Service Providing Financial Information and Counseling Over the Telephone" program.

Ten Mid-Continent area banks were included among the "Best of TV" commercial winners. They were First Alabama Bank, Montgomery; Fort Worth National; Harris Bank, Chicago; Bank of New Orleans; First National of Sullivan County, Kingsport, Tenn.; Exchange National, Chicago; Louisiana National, Baton Rouge; Worthen Bank, Little Rock; Central Bancshares of the South, Birmingham, Ala.; and Whitney National, New Orleans.

Clifford Y. Davis Jr., vice president, City National, Memphis, was installed as new BMA president at the convention. Installed with Mr. Davis were Martin J. Allen Jr., senior vice president-director of marketing, Old Kent Bank, Grand Rapids, Mich.—first vice president; Arthur B. Ziegler, executive vice president, Marine Midland Bank, Buffalo—second vice president; and Jack W. Whittle, chairman, Whittle Group, Chicago. Mr. Whittle is serving a second term. • •

Balloons Rise to Occasion

Alyssa Drugis, age 3½, and her father assist staffers of First Security Bank, Wood Dale, Ill. (from l.), Barb LaJone, bookkeeper supervisor, Anthony DeMaria, pres., and Diane Perkinson, head teller, in the launching of helium-filled balloons during the institution's fifth-anniversary celebration. Attached to the balloons are post cards good for $5 when returned to the bank.

Put our staff on your staff.

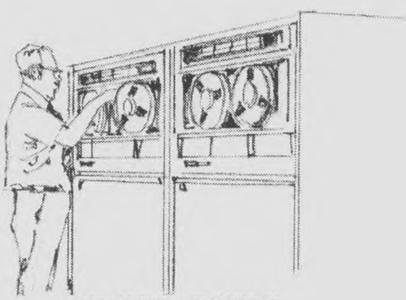
WIRE TRANSFER

TRANSIT-CHECK COLLECTIONS

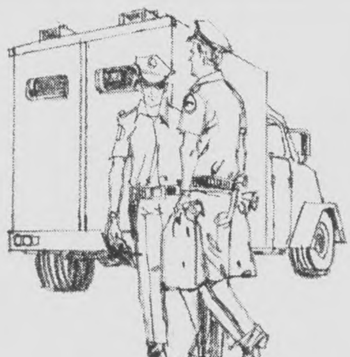
CREDIT INFORMATION

LOAN PARTICIPATION

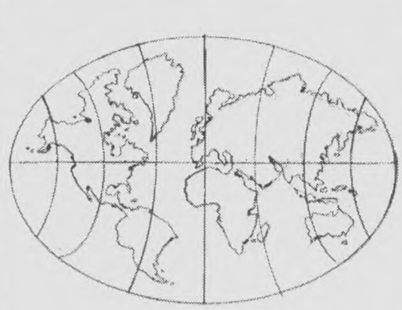
SAFE KEEPING



COMPUTER SERVICES



COIN & CURRENCY



INTERNATIONAL BANKING

BOND DEPARTMENT

Sometimes it takes more than one to reach a goal. That is where the Whitney comes in. For over 90 years, the Whitney reputation for sound banking knowledge and reliability has been a strong factor for success in correspondent banking.

The Whitney would welcome the opportunity to join with your organization to achieve mutual goals.

Whitney

NATIONAL BANK OF NEW ORLEANS

Reliability in banking since 1883

Changes Facing the Banking Industry Spotlighted at Correspondent Meeting

By LAWRENCE W. COLBERT
Assistant to the Publisher

ATTENTION was focused on the technological, social, legislative and regulatory changes facing the banking industry at the ABA's 1976 National Correspondent Banking Conference, held last month in Dallas. About 400 bankers attended.

Emphasis was given to how the changes facing banking will affect interbank relationships.

Conference keynoter was Walter B. Wriston, chairman, Citibank, New York. He listed three trends that he sees as having "enormous momentum" and the management of which will be an "enormous task." These include the fact that there is erosion between the differences of banks and thrifts, that there is a breaking down of geographical lines within which banks traditionally operate and that technology will soon enable banks to be relieved of the high cost of servicing retail customers through branching systems as they are now known.

Following Mr. Wriston was J. W. McLean, chairman, Liberty National, Oklahoma City, who delivered an optimistic address designed to inform correspondent bankers how to be more effective in dealing with the key ongoing issues confronting them. He said the challenge has never been more formidable.

He assured his listeners that today's problem areas, such as regulatory trends, competitive structure and technological change, do not present a hopeless picture—provided bankers tackle these problems by striving to gain an understanding of a basic management principal, which he termed "cherry pickin."

His definition of "cherry pickin" is a five-step management process that includes research, goal setting, planning to achieve goals, implementation of plans and measurement of results.

Conference Chairman John F. Ingram Jr., senior vice president, Citizens & Southern National, Atlanta, spoke on the opportunities facing the correspondent banking system today.

"One must agree that," he said, "by selecting the proper correspondent, a respondent bank today has an excellent opportunity to improve its earnings and performance.

"The day has long passed when our respondent banks could operate under the impression that correspondent services were unnecessary except for check clearing. Daily, the extension of credit becomes more complex. As dollar amounts increase each year, so do demands for participation in overlines."

The training process for bankers can come largely from correspondents who offer training in consumer and commercial credit as well as personnel and productivity seminars, he said.

"The field of EFTS, once a 'thought for the future,' is now a real factor in our day-to-day operation. By utilizing the correspondent bank, the respondent can provide his customer with the same EFT service that is offered by the large money-center banks."

When a respondent banker selects his correspondent, he is, in effect making an investment, he said, "and we must prove ourselves to be worthy of that investment." The respondent not only compares the advantages and disadvantages of the various systems and services offered, but he also compares the qualities of the calling officer, he said.

These reasons alone make the correspondent banking relationship one of the closest in banking—perhaps better described as a "close personal relationship highlighted by professionalism."

A respondent customer will ask how his correspondent can help his bank advance, he said. He will want to know what additional services are available from which his customers can benefit. And the respondent is counting on his correspondent banker to keep pace with the industry. These factors combine many elements of banking know-how, character and a high degree of excellence into what we call a "correspondent relationship."

Speaking on "Monitoring and Controlling Interbank Credit," Mason E. Mitchell, executive vice president, Republic National, Dallas, said that interbank credit rose from about $6 billion in 1967 to nearly $50 billion by 1974, exclusive of interbank deposits. This increase, he said, can only lead to the conclusion that "we are our own largest customers."

He said the banking system's greatest industry exposure is the banking system itself and added that there is a general consensus that many bankers have a long way to go in monitoring and policing interbank credit.

He asked bankers to look at their banks to see the areas of exposure that exist. He made it clear he was not suggesting that banks maintain monitoring systems that reflect absolute exposure, but that procedures are needed that will enable bankers to have knowledge as a current basis of the major areas of exposure.

He said that most banks are not online in monitoring their current exposure condition. Rather, they rely on reports that reflect usage and activity on a periodic basis—either monthly or quarterly.

He told how banks can put themselves in a strong position to react quickly when their transactions with a certain institution become troublesome, providing they have a reliable means of determining their current exposure condition.

Those in attendance heard Barry M. Johnson, second vice president, Continental Illinois National, Chicago, state that the providing of investment portfolio advice is an opportunity to assist respondents that will continue to demand the attention of correspondent banks.

Trends toward technical specialization, the pressures for improved performance and market volatility are some of the important factors underlying the recognition of this need by respondents, he said.

A new impetus is also derived from increasing attention to investment policies and management practices on the part of regulatory authorities.

While the need of respondents for assistance in investments management is evident, he continued, the manner in which a correspondent should provide assistance is not. He called on correspondent banks to develop effective programs to assist respondents in managing their investments.

The viewpoint of the small bank was given during a portion of the confer-

In correspondent banking services, we're the specialists.

Here's how First Chicago, a $19 billion banking corporation, can help you serve your customers more productively.

You know what your correspondent banking needs are. You also know what services your present correspondent bank provides.

Check this list of First Chicago's comprehensive services. See if there aren't many ways we can work together more productively.

Then call a correspondent banker at First Chicago, (312) 732-4101, or write us.

DATA PROCESSING
Point-of-Sale Techniques
Bank Accounting Services
Bank Information Systems
Electronic Funds Transfers

CREDIT FACILITIES
Holding Company Lines of Credit
Participations: Upstream and Downstream
Intermediate Term Credit
Liquidity Lines of Credit
Commercial Finance Services: Inventory and Receivable Financing
Corporate Financing Advisory Services
Leasing Activities and Analysis
Credit Information
Small Business Administration: Loan Counsel

MANAGEMENT ASSISTANCE
Loan Portfolio Review Techniques
Economic Forecasting
Profit Planning and Forecasting
Marketing and Business Development Advice
Personnel Assistance
Operations Planning
Organization Planning

SPECIAL CORRESPONDENT SERVICES
Annual Correspondent Conference
Account Referrals
Mini-conferences and Workshops, Special Events Planning
Record Retention and Reconstruction
Cash Management Consulting: Collection, Concentration, Disbursement and Control
FOCUS: Lockbox Location Model
Visual Aids: Slides and Closed Circuit TV Production

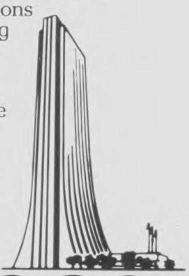
TRUST BANKING
Personal and Corporate Trust Services
Trust Investment Advisory Services
Monthly Investment Services
Stock Transfer and Shareholders Services
Dividend Reinvestment

PERSONAL BANKING ASSISTANCE
Bank Promotions
YES Card™
BankAmericard®
Savings Programs
Automobile Leasing Program
Bank-At-Work/Direct Deposit Program

OPERATIONAL SERVICES
Cash Letter Clearings: End-Point & Float Analyses
Coin and Currency
Collections
Money Transfer
Federal Reserve On-Line Settlement
Securities Custody
Security and Coupon Collection
Payroll Accounting

INVESTMENTS
Government Securities
Municipals
Federal Agency Securities
Federal Funds
Repurchase Agreements
Commercial Paper
Certificates of Deposit
Treasury Tax and Loan Accounts
Money Desk Reviews
Portfolio Analysis Services

INTERNATIONAL BANKING
Worldwide Locations
Merchant Banking
Money Market Instruments
Letters of Credit
Foreign Exchange Transactions
Transfers and Remittances
Ex-Im Financing



FirstChicago
The First National Bank of Chicago
Productive services for banks and bank holding companies.

MEMBER FDIC

ence devoted to EFTS. W. G. Kirchner, chairman, Richfield (Minn.) Bank, asked upstream correspondent banks to put themselves in the shoes of their small respondents and view the EFT situation from such a vantage point.

He explained the fears small banks have of being swallowed up by EFT networks as envisioned by large banks. He said that an institution that operates in a non-branch state is inclined to regard ATM units as an elimination of the non-branching system and states that have some form of limited branching can interpret ATMs as extending those limitations.

He said that small banks are being pressed to increase capital by regulators, which precludes their spending disproportionate amounts on EFT systems, even if the systems are shared.

A small participating bank is forced to go along with the rules made by the big bank, he said, and there is always the fear that the big bank will someday tell the small bank that it doesn't want to bother with the problems caused by sharing a network.

He also reminded the audience that any EFT system would eventually undermine the personal relationships that small bankers have with their customers, due to the greater convenience of having ATMs and POS units scattered throughout the trade areas of the smaller banks.

"As large correspondent banks," he said, "we urge you to be aware of the dilemma for your small correspondent neighbors, and to join in a unified front to legislatively define the place of the ATM and the POS in our total banking system.

"The federal government must provide a control so the states can provide a competitive framework adapted to the individual state and workable for the giant billion-dollar bank or the small $10 million bank.

"Unless the commercial banking industry joins ranks and moves together, the momentum of other types of financial institutions will prevail and commercial banks will end in a second- or third-rank position. Large institutions cannot rely on the marketplace alone and still expect the support of the small institutions in this change that will set the pattern of banking for many years to come."

Next year's conference is set for New Orleans. • •

New Illinois Facility Bill Examined During 'Banking Update '76' Seminar

LEGISLATIVE and competitive changes in the Illinois banking environment were highlighted in "Illinois Banking Update '76," a seminar sponsored recently by Financial Shares Corp., Chicago-based bank marketing and educational consulting firm.

The state's new facility law, status of competitive credit institutions and outlook for bond portfolios were among topics discussed at the day-long session.

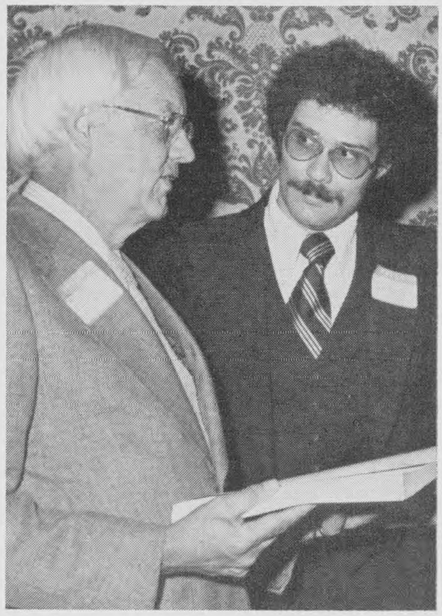
Speakers included economist and bank consultant Milton J. Hayes; Richard Ensweiler, president, Illinois Credit Union League; George K. Allison, executive vice president, First Federal S&L, Chicago; Robert P. Abate, chairman, Elgin National; Robert L. Schutt, president, Bank Consultants of America, Denver; and Marvin E. Knedler, president, Knedler & Associates, Architects, Denver.

Also on the panel were Joseph Ciaccio, Illinois deputy commissioner of banks and trust companies; W. Harlan Sarsfield, FDIC assistant regional director, Chicago; John Sherry, chief counsel, regional administrator of national banks, Chicago region, and George M. Morvis, president, Financial Shares Corp.

Implications of Bill. House Bill 1955, the facility bill which became effective in Illinois October 1, was reviewed extensively. Basically, the new bill permits banks to set up two limited-service facilities within two miles of their main offices.

Commissioner Ciaccio pointed out that although the state required no formal application procedure, banks must comply with several conditions. First, the facility should have the potential of being profitable in and of itself. "We're concerned about the brick and mortar expenditures of a bank facility," he said. "If the fixed-asset investment in a facility exceeds 50% of a bank's capital structure, prior approval must be obtained from the Illinois commissioner of banks and trust companies."

Several other aspects of the bill were



Robert Schutt (l.), pres., Bank Consultants of America, Denver, visits with Jeffrey H. Cole, operations officer, Mid-America Nat'l, Chicago, during "Illinois Banking Update '76" seminar, sponsored by Financial Shares Corp., Chicago.

discussed by Mr. Ciaccio. Regarding the "600-foot protection clause," Mr. Ciaccio said that this is "home office protection only." In other words, "Different banks may build facilities right next door to each other; but they must keep 600 feet away from a competitor's main office."

While the state requires no formal application, the FDIC "will process facility applications the same way we would for a branch application," according to Harlan Sarsfield of the FDIC.

Mr. Sarsfield said there are six basic factors the FDIC will take into consideration when hearing a facility application. They are: 1. A bank's financial history and condition. 2. Capital adequacy. 3. Earnings. 4. Management factor. 5. Actual convenience of the proposed facility. 6. Attitude of the state banking authority (that no objection is raised).

John Sherry emphasized that the Comptroller's office would treat national bank facility applications as it would branch applications. "We especially will look into the overall effect of a facility on a bank's profitability," he said.

All the regulators seemed to feel that if a facility was found to be in the public interest and did not impair the bank's capital structure, Illinois institutions could take advantage of the bill without too much red tape.

Nonregulatory Aspects. In turning to nonregulatory aspects of the facility bill, Robert Schutt of Bank Consultants of America stated that not every bank should or can have a facility. "The law simply says that you *may*," he emphasized, adding that "there's not much reason to have a facility unless it positively affects the bottom line."

Factors Mr. Schutt said should be appraised before constructing a facility include: 1. Capital funds. 2. Fixed assets, exclusive of the building. 3. Investment in land and new building. 4. Depreciation. 5. Effect of a facility on the dividend picture. 6. Cost of owning versus leasing the building. 7. The facility's usefulness if legislation changes.

Overall, said Mr. Schutt, you should "look at the facility investment with the same objective as a bank's investment in bonds."

George Morvis, president, Financial Shares Corp., looked at the facility from the viewpoint of a bank customer. Convenience is still the primary reason people choose a bank; therefore, banks must be sure that the ultimate facility site selected should consider such factors as nearby housing, traffic flow, population patterns and retail trade volume, he said.

As far as locating the facility, there are profitable ways to utilize various types of available sites, according to Marvin Knedler, president, M. E. Knedler & Associates. Mr. Knedler emphasized that many locations, sizes and dimensions of sites were feasible, "as long as there was room to get the traffic off the street." Stack-up space both before and after the drive-up windows is essential, he said. During his presentation, Mr. Knedler reviewed examples of facilities designed to utilize a wide variety of locations and types of sites.

Status of S&Ls, Credit Unions. The competitive picture among Illinois financial institutions was discussed by Credit Union League President Dick Ensweiler and George Allison, executive vice president, First Federal S&L, Chicago.

Mr. Ensweiler said that while credit union assets are relatively small, they are increasing rapidly. In Illinois, for example, there was a 90% gain over the last five years, and, he added, there are approximately 1.5 million credit union members in the state.

Instead of directly competing with credit unions, banks should look into services they can provide credit unions, said Mr. Ensweiler.

Services similar to those offered to a correspondent bank would be welcome, said Mr. Ensweiler. EFT and other "volume sensitive" services are examples, he said. Direct deposit of payroll and share drafts are others. Finally, he continued, when dealing with credit unions, banks should remember that many are run with part-time people who will feel uncomfortable dealing with outside vendors. Managers, therefore, will look to their state credit union league for advice.

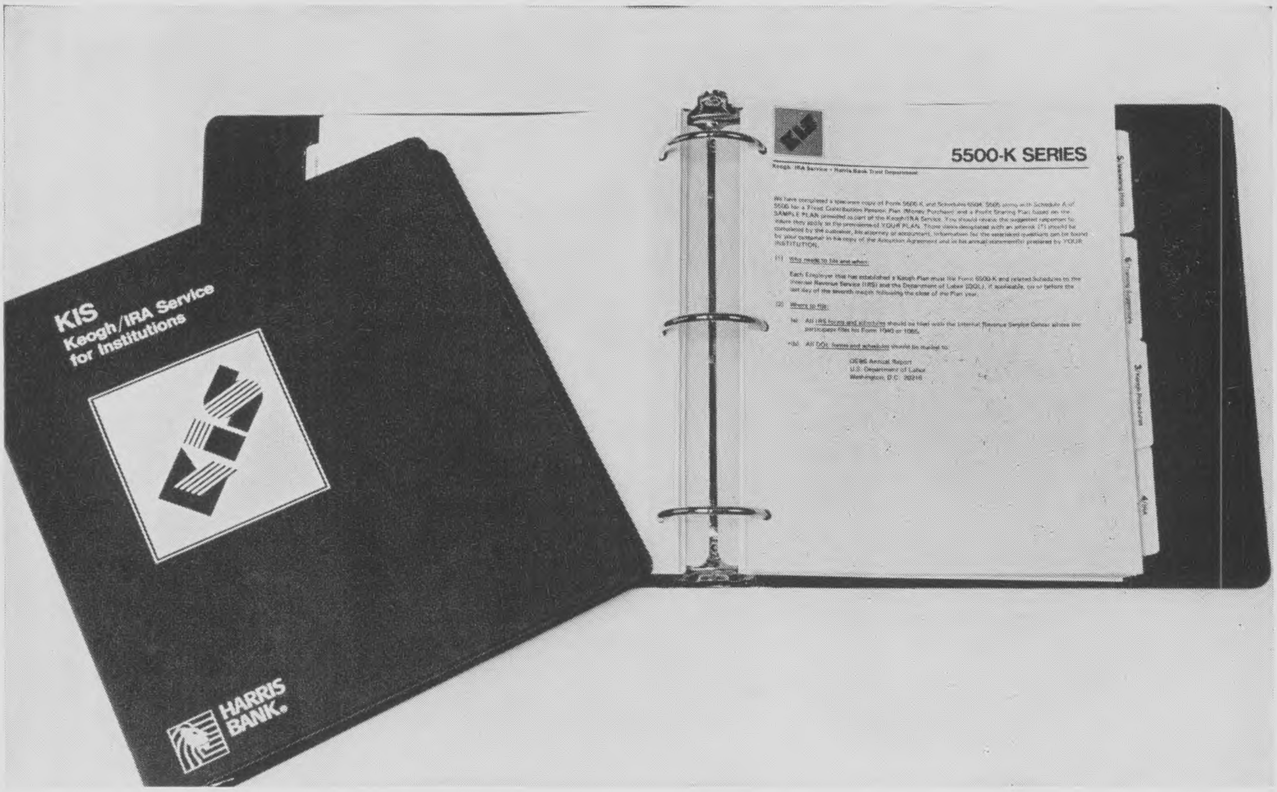
It will benefit banks to go to the league *before* contacting individuals, said Mr. Ensweiler. He added that state leagues will participate with banks in developing services especially for credit unions.

S&Ls are looking for new services at realistic costs, said Mr. Allison. Some new services, such as NINOWS, just aren't producing the volume to justify their cost, "and we don't want to give the store away."

"We are not experts in all fields," he said, "and there is plenty of business available without our having to worry about becoming banks or becoming credit unions."

Mr. Allison said federal S&Ls in Illinois already are committed to branching, and his institution is positioning itself in the Chicago statistical metropolitan suburban area (SMSA) with over 20 branches.

Bond Portfolios Analyzed. Projected effects of the presidential election and key economic factors of the 1976-1977 bond market were analyzed by Milton J. Hayes, economist and a consultant to American National, Chicago. He recommended acquisition of 10-year government bonds at 8% and caution in selection of both tax-exempt and corporate bonds. • •



Simplify your handling of Self-Employed Retirement Plans with the Harris Keogh/ IRA Service.

While many bankers are discovering that Keogh and IRA deposits build rapidly, they are also discovering that complying with pension legislation (ERISA) and rule changes promulgated by the Department of Labor and the IRS create extra administrative burdens.

THE KIS PROGRAM

Our KIS (Keogh/IRA Service) package is designed to simplify your administrative duties by providing you with all the Keogh documents and forms needed to start a program or to alter your present plan to conform with current legislative requirements.

THE KIS PACKAGE

Included in the program are the following documents contained in the KIS "paper package":

- Sample Keogh Plan Document
- Suggested Keogh Summary Plan Description
- Adoption Agreement and Forms
- Sample Government Reporting and Disclosure Forms
- Administrative Suggestions
- Keogh and IRA Regulations
- Communiqués to Keep You Up to Date on Changes Affecting Keogh/IRA Programs
- Telephone Consultations with Harris Keogh/IRA Specialists

Even if you presently have a Keogh Plan which complies with ERISA, an abbreviated KIS package can provide you with features which will prove invaluable in your day-to-day operations.

ANY QUESTIONS?

If you have questions about any facet of the KIS program, call David A. Sturdy, 312/461-2576. KIS could be exactly what you've been looking for.

HARRIS BANK®

Harris Trust and Savings Bank, 111 W. Monroe St., Chicago, Ill. 60690. Member F.D.I.C., Federal Reserve System.

From l., conference ch. Fred N. Coulson Jr., s.v.p., host bank; James M. Kemper Jr., ch., host bank; Arthur M. Okun, consultant, Donaldson, Lufkin & Jenrette Securities Corp., New York City. Mr. Okun reported on state of U. S. economy under each of presidential candidates at Commerce Bank correspondent conference.

Economy Looks Good for Long Term, Economist Tells Commerce Conference

By JIM FABIAN
Associate Editor

THINGS WILL get worse before they get better, said an economist at last month's correspondent bank conference sponsored by Commerce Bank, Kansas City. It was one of the first economic forecasts of the season, and it was a somewhat surprising one.

The forecaster was Gert von der Linde, senior vice president and chief economist at Donaldson, Lufkin & Jenrette Securities Corp., New York City. He shared the podium with Arthur M. Okun, a consultant with the same firm, and former economic adviser to President Lyndon Johnson.

Mr. von der Linde predicted higher unemployment and declining profits for the fourth quarter, perpetuating the current economic slowdown. The fourth quarter performance will affect inventory building and capital expansion plans, he said.

A mood of disappointment will envelop business, he continued, and when the shock becomes servere enough, change will be instituted. This change will result in an accelerating recovery in 1978 and 1979, with the inflation rate dropping to about 2%.

One cause of the current pause, or lull, he said, is the fact that consumers are increasing their spending at a disappointing rate. There will be no thrust to capital spending until early next year and housing will continue weak. In addition, he said, exports will weaken.

This flies in the face of the general assumption made last year that 1976 would be a typical election year—one with a good recovery. It started out that way, but, partly due to underspending on the part of the Ford Administration, the recovery lost most of its steam, the speaker said.

Mr. von der Linde predicted a Fed funds rate of 4½% until next March, a lower treasury bill rate, a prime rate remaining at 6¼% or 6½% until next June. Long-term yields will be lower—from 7% to 8% into 1978. The country will record a 6% rate of growth in 1978-79 and the inflation rate will be stable, resulting in lower interest rates.

He said the inflationary decade could well be behind us. Anticipation of what's in store for the future is worth a few more bad months, he concluded.

The nearly 700 bankers attending the conference at Crown Center in Kansas City did some predicting of their own for 1977, as follows:

- General business conditions in 1977 will be better (52%), worse (4%) or about the same (44%).
- The inflation rate will be better (10%), worse (36%) or about the same (54%).
- The unemployment rate will be greater (9%), less (38%) or about the same (53%).
- Short-term interest rates will be higher (58%), lower (7%) or about the same (35%).
- Long-term rates will be higher (41%), lower (13%) or about the same (46%).
- Wheat prices will be over $2.50 per bushel (48%), over $3 per bushel (40%). 4% predicted a price of $2.25.
- Corn prices will be over $2 (49%), over $2.50 (47%) or over $3 (3%). 1% voted for a price of $1.75.
- Cattle prices will be higher (73%), lower (8%) or about the same (19%).
- The prime rate by next July will be 7½% (38%), 7% (30%), 8% (21%), 6½% (6%).
- The fed funds rate by next July will stand at 6% (34%), 5½% (31%), 5% (15%), 6½% (11%).

Regarding conditions at their own banks, respondents reported that total deposits would be higher and the loan-to-deposit ratio, the need for overline assistance and earnings would be about the same.

Two-thirds of the bankers expected Gerald Ford to be elected!

The majority of bankers do not plan to participate in an EFT system during 1977, while 35% do plan such participation. 24% were undecided. 69% said their participation would be with other banks.

Other highlights of the conference:

- A buyers' market is ahead in the loan area, according to David Rismiller, executive vice president. Interest rates will be in the 6½% to 7½% prime range. Good organization, effective controls and tight planning are musts for a profitable commercial lending operation.
- Individual consumers are not well served by banks, according to Frank Boesche, senior vice president. Bankers must identify the consumer's problems, research solutions and implement them. The consumer side of banking is the major source of funds. Bankers are currently over-oriented toward large accounts. Depositors are concerned about the cost of using a bank's services. They're interested in what the bank's service can do for them. Mere convenience isn't enough anymore.
- Commerce Bank will become a dual-charge card organization in the next few months. It plans to join Credit

Commerce Bank Pres. P. V. Miller Jr. (l.) and luncheon speaker Gert von der Linde, s.v.p. & chief economist, Donaldson, Lufkin & Jenrette, at Commerce Bank correspondent conference.

En Garde ...y'all.

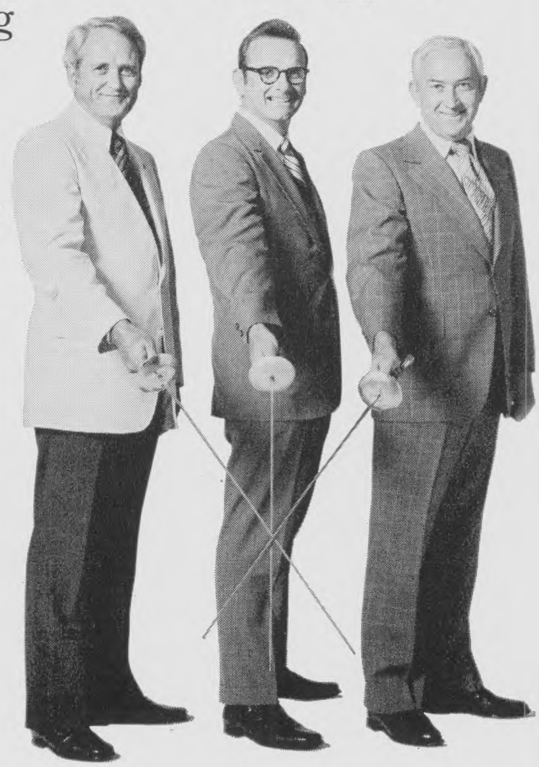
We're giving our competition a warning . . . here come Lynn, Gus and Jim. Three of the most experienced and successful correspondent bankers anywhere are now heading the Correspondent Bank Department at the same bank . . . Memphis Bank & Trust.

They do it all, right down the list, with a full staff behind them: Transit Operations, Credit Assistance, Investments, Bond Portfolio Analysis, Safekeeping, Trust Services, Data Processing, Business Referrals . . . and a few surprises like expert insurance capability, guidance in the construction and design of bank facilities, furniture, decor . . . even supplies. Now that's correspondent banking with a flourish.

We were good before. Now we're terrific.

Lynn Hobson, Vice President
Gus Morris, Vice President
Jim Newman, Vice President

Call toll-free and they'll rush to your rescue. In Tennessee, 1-800-582-6277. In other states, 1-800-238-7477.



THE THREE MB&TEERS

Memphis Bank & Trust Correspondent Department

Systems, Inc., in the near future and will issue Master Charge cards in addition to BankAmericards, which will go through a name-change operation early next year.

- Investments are becoming more important in the current climate, said John Brown, executive vice president. Longer-term bonds are being purchased to offset the costs involved with CDs. This has brought on a new dilemma: How can banks go long-term and still have funds available when loan demand picks up?
- Considerable concern exists among bankers about the municipal and government securities situation, according to Walter Knowles, senior vice president. Banks can be "taken" in this area unless they know with whom they are dealing and unless they ask questions and insist on audited financial statements.
- A municipal credit analyst can increase a bank's profits, said Linda Copeland, municipal research analyst. Such a person can help a bank avoid weak credits and enable it to select securities that will improve during the investment period. This is important, since the old standby theories about municipals are no longer valid.

John Wells, vice president and director of personnel, gave a hair-raising presentation of the wage and hour investigation procedure that the Labor Department inflicts on business firms. He advised that the burden of proof is always on the employer and cautioned bankers to have written policies and procedures regarding pay policies. A bank may have done nothing wrong, but it can still be fined if it has no documentation, he said.

Ed Lewis, vice president, reported on ag loans. He said net farm income is down $20 million this year, that worldwide grain production is up 13% over last year, that the U. S. wheat crop came in just under last year's totals, that the U. S. corn crop will be larger than projected by the USDA. He said the hog picture is not bright, even though pigs are up 18% over a year ago and farrowing intentions are up 20%.

Broiler/turkeys are up 10%, the three-year down-cycle for cattle is near its bottoming, cattle slaughter will be 10 million for the year. The reduced calf crop bids well for the long-term and most overfed cattle have been slaughtered, he said. • •

CCL Designation Awarded To Bankers From Area Through ABA Program

The American Bankers Association has announced the new Certified Commercial Lender (CCL) designees. The CCL program is sponsored by the ABA's Commercial Lending Division and is administered by a 10-member accreditation board of bankers from every section of the nation.

The CCL program is designed to raise professional standards and improve banking's commercial lending function by identifying, examining and recognizing persons with high levels of knowledge on the techniques and functions of commercial lending.

Officers of ABA member-banks and qualified employees of federal and state agencies having five years' commercial lending experience are eligible to take the CCL examination.

Following is a list of Mid-Continent-area bankers that are newly designated CCLs:

ALABAMA: J. M. Barrett, pres. and ch., First Nat'l, Wetumpka; William W. Cox, v.p., First Alabama Bank, Birmingham; Robert E. Williams, corp. ln. off., First Alabama Bancshares, Inc., Montgomery.

ARKANSAS: Neil Nelson, pres., Peoples Bank, Mountain Home.

ILLINOIS: Everett J. Christopher, pres., First Nat'l, Triumph; Lewis H. Clausen, pres., Champaign Nat'l; Paul A. Hartmann, a.v.p., Merchandise Nat'l, Chicago; Terence A. Lenio, a.v.p., Bank of Northfield; Melvin K. Lippe, v. ch., Exchange Nat'l, Chicago; Dale N. Litcher, a.v.p., Bank of Naperville; Wilbur D. Meadows, pres., Nat'l Bank, Canton; Robert J. Mitchell, a.c., First Nat'l, Lake Forest; Walter J. Nohelty, v.p., Mount Prospect State; Richard S. Peabody Sr., pres., First American Bank, Aurora; Arthur W. Plass, s.v.p., Elmhurst Nat'l; Stephen S. Plebanski, e.v.p., Thornridge State, South Holland; Robert B. Rew, pres., and CEO, Union Nat'l, Chicago; and Edward L. Sussman, s.v.p., Bank of Commerce, Chicago.

INDIANA: Otis S. Buckey, e.v.p., Bank of Geneva; and Donald B. Smith, pres., Central Nat'l of Howard County, Kokomo.

KANSAS: Horace A. Holmes, s.v.p., and Elwood Marshall, pres., Home Nat'l, Eureka; and John A. Meyer, pres.-ch., Citizens State, El Dorado.

KENTUCKY: Robert L. Chambless Jr., v.p., American Nat'l, Bowling Green; O. T. Dorton, pres., Citizens Nat'l, Paintsville; Benjamin J. Elkin, 1st v.p., First Security Nat'l, Lexington; and Frank D. Hackathorn, e.v.p., First Hardin Nat'l, Elizabethtown.

LOUISIANA: Frank R. Clark, v.p., and Dudley G. McElveen, v.p., Fidelity Nat'l, Baton Rouge; J. Leo McGough, e.v.p., Calcasieu Marine Nat'l, Lake Charles; and E. James Wethey, s.v.p., American Bank, Baton Rouge.

MISSISSIPPI: John G. Giles Jr., ch.-pres., First State, Waynesboro; and Robert Y. Hammond, pres., Merchants & Farmers Bank, Kosciusko.

MISSOURI: William T. Boehm, pres., Pioneer Bank, St. Louis; James H. Cobb, v.p., and Rodney R. Hill, pres., American Bank, Kansas City; Ernest Harms, v.p., Traders Nat'l, Kansas City; George Marino, 1st v.p., Empire Bank, Springfield; Preston H. Pate, e.v.p., First Nat'l, Joplin; and James E. Skaggs, s.v.p., Tower Grove Bank, St. Louis.

NEW MEXICO: John N. Gilkey, s.v.p.-ln. admin., New Mexico Bank, Hobbs; Jerry D. Gummere, e.v.p., Peoples Bank, Bloomington; William B. Lowry, v.p.-br. mgr., New Mexico Bank, Eunice; and Richard W. Moore, pres., Carlsbad Nat'l.

OKLAHOMA: Robert C. Beard, v.p., First Nat'l, Bartlesville; William Kaad, pres., First Nat'l, Muskogee; and Robert L. Moser, pres., Quail Creek Bank, Oklahoma City.

TENNESSEE: T. H. Bishop, v.p., Commerce Union Bank, Nashville; Michael Tod Christian, s.v.p., First Nat'l, Greeneville; J. Vincent Ciroli, a.v.p., and John D. Guthrie, a.v.p., Union Planters Nat'l, Memphis; Fred R. Lawson, pres., Blount Nat'l, Maryville; and James G. Riggan Jr., v.p.-ln. admin., First Nat'l, Memphis.

TEXAS: George N. Atkinson, e.v.p., Texas Commerce Bank, Lubbock; Charles R. Batton, e.v.p., First Nat'l, Levelland; Robert L. Burns, e.v.p., and J. D. Wright, pres., Lakewood Bank, Dallas; Jerry Buster, pres., Texas City Nat'l; Peter S. Clarke, s.v.p., United States Nat'l, Galveston; John M. Golibart, s.v.p., and Charles W. Noble, pres., Metropolitan Nat'l, Houston; Thomas A. Linguist, asst. dir.-finance & investment, U. S. Small Business Administration, Lubbock; M. R. McArthur Jr., v.p., Peoples Nat'l, Tyler; George W. McClaugherty, v.p., Broadway Nat'l, San Antonio; Norma J. Parker, v.p., First City Bank of Clear Lake, Houston; Bookman Peters, pres., City Nat'l, Bryan; William Lee Quillen, s.v.p., State Nat'l, Odessa; Robert L. Ruehman, pres., Ashford Bank, Houston; Robert J. Schneider, v.p., Groos Nat'l, San Antonio; Richard C. Sanders, pres., Guaranty Nat'l, Houston; Jack Vernon Standley, pres., First Nat'l, Cleburne; Larry D. Willard, s.v.p., First Nat'l, Big Spring; and W. D. Wyatt, pres., First Nat'l and First Bancorp., Inc., Corsicana.

Bank Honors Bears

Allen P. Stults (kneeling), ch. & pres., American Nat'l, Chicago, and Chicago Bears founder and owner, George Halas Sr., examine a portion of Bears memorabilia that was on display at the bank's main building this fall. The seven-window display contained artifacts and photos of Chicago Bears and professional football history spanning about 56 years. Said Mr. Stults: "The Chicago Bears were one of American Nat'l's first customers when we opened our doors for business in the early 1930s. We've had our ups and downs together, but when we say, 'Bank with the Bears,' we're still firmly convinced that's the way to go!" On a smaller scale, perhaps banks in suburban or rural areas could honor their local high school athletic teams by featuring displays of their trophies, uniforms, photos, etc.

How to feed a family of 12 million for only $106 million a week.

First City National Bank provides an across-the-counter look at Texas retail businesses.

The more than 12 million people who live in Texas carry home over $5½ billion worth of groceries a year. That's enough food to place grocery stores second in total retail sales statewide.

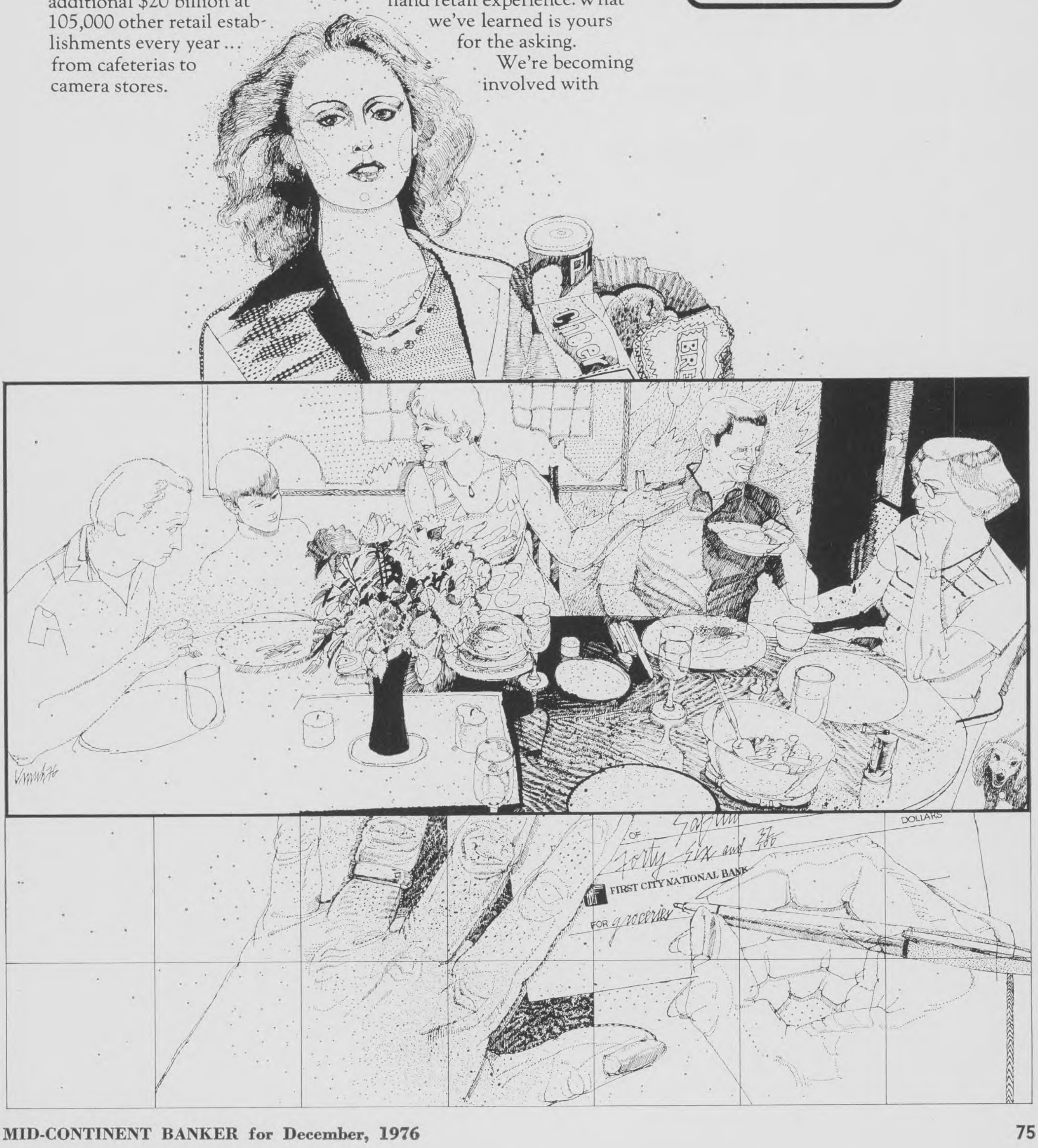
And if that sounds appetizing, consider that Texans spend an additional $20 billion at 105,000 other retail establishments every year ... from cafeterias to camera stores.

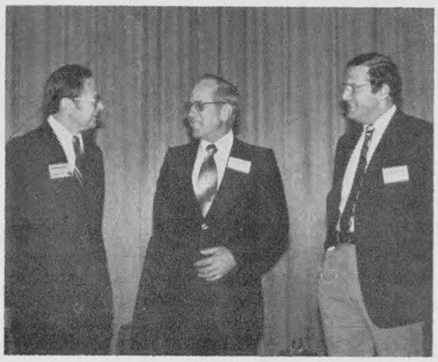
As the cash registers total up, so does the retailer's payroll, to the tune of $3 billion a year for 650,000 employees. But it takes more than customers' dollars to build a successful retail business in Texas.

It takes solid financial backing. And First City National Bank is helping merchants find exactly what they need. This involvement has provided us with first-hand retail experience. What we've learned is yours for the asking.

We're becoming involved with more and more industries every day. And we're proving to correspondents that more service is the result of more experience. Understanding business as well as banking has made us a major financial strength behind Texas industry.

FIRST CITY NATIONAL BANK OF HOUSTON





Early bird ag session got correspondent conference of First Nat'l, St. Louis, off to good start. Participants were (from l.) Neil F. Bergenthal, v.p., host bank; Herbert L. Steinbrueck, pres., Agri Foods; Samuel D. Addoms, pres., Montfort of Colorado.

Bank regulation panel was moderated by Clarence C. Barksdale (l.), ch. & CEO, host bank. Panelists were lame-duck commissioners William R. Kostman, Missouri; Richard K. Lignoul, Illinois.

Taking part in business outlook panel at conference were (from l.) David Culver, v.p., host bank; Eugene A. Leonard, 1st v.p., St. Louis Fed; Murray L. Weidenbaum, economic consultant, host bank.

No Economic Jolts Seen With Carter, First Nat'l Conf. Delegates Told

By JIM FABIAN
Associate Editor

MODERATE PROSPERITY was forecast for the U. S. under the administration of President Jimmy Carter. The prediction was made by Murray L. Weidenbaum, director of the Center for the Study of American Business at Washington University, St. Louis.

Dr. Weidenbaum was one of the speakers on the day-long program of the 30th annual Correspondent Conference hosted last month by First National in St. Louis. More than 800 bankers and spouses were in attendance.

Dr. Weidenbaum predicted economic growth for 1976 as a whole at about 6% and an inflation rate averaging about 5%. GNP will rise a total of 11% for the year. In 1977, he said, "I expect another 11% increase in the GNP, but with the growth rate and the inflation rate reversed—5% real growth and 6% inflation."

He said he could foresee no boom areas in the coming 12 months. Capital spending will lead the way out of the current lull, rising about 10% in real terms. This expansion, he said, will be accompanied by a recovery in housing, especially the construction of single-family units, and a rise in business inventory accumulation.

Consumer spending will grow at about the same rate as the economy as a whole, he continued, reflecting both a large expansion in personal incomes and an offsetting erosion from inflation.

He predicted a deficit of about $50 billion in the federal budget for fiscal year 1977. That will be down from 1976's $65.6 billion, he added. Dr. Weidenbaum is an economic consultant for First National.

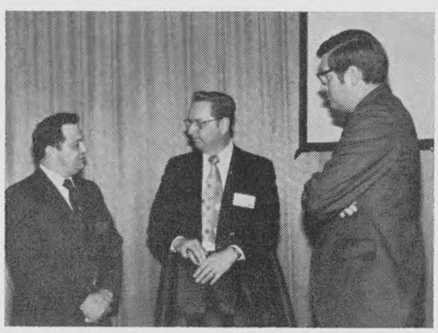
Frank K. Spinner, senior vice president, host bank, pegged interest rates for 1977 at 7% for fed funds, 8% for the prime, 6½% for one-year governments and 7¼% for seven-year governments.

He said the GNP would be between 5% and 6% next year and the stock market will hit 1,200 sometime in 1977 and then decline.

He said the key to the 1977 economy will be the policy of the Federal Reserve and added that he thought Chairman Arthur Burns would cooperate with President Carter. Congress, he added, will continue spending and loan demand will determine interest rates and the inflation rate.

He also predicted that a strong economic expansion would lead to a crunch in 1978-79.

A poll of bankers attending the conference revealed that they see the prime rate at between 7% and 8% next year. They projected fed funds at 6%, unemployment at about 7% and the Dow Jones industrial average reaching 1,000 sometime next year.



Investment panel featured (from l.) Donald H. Ludwig, v.p.; Frank K. Spinner, s.v.p.; John W. Rowe, v.p., all of host bank. Mr. Rowe has since joined American Nat'l, Chicago.

Principal speaker at the conference was Lawrence K. Roos, president, St. Louis Fed, and former officer of First National.

He stressed the fact that an independent Fed is the key to fighting inflation. He said that, if the system "is forced by the White House or by Congress to monetize the debt in order to keep interest rates from rising, inflation is certain to follow."

There are individuals, he said, who "sincerely believe that the best means of assuring full employment and economic prosperity is through deficit spending and easy money. They feel that inflation is a small price to pay for immediate and short-lived prosperity."

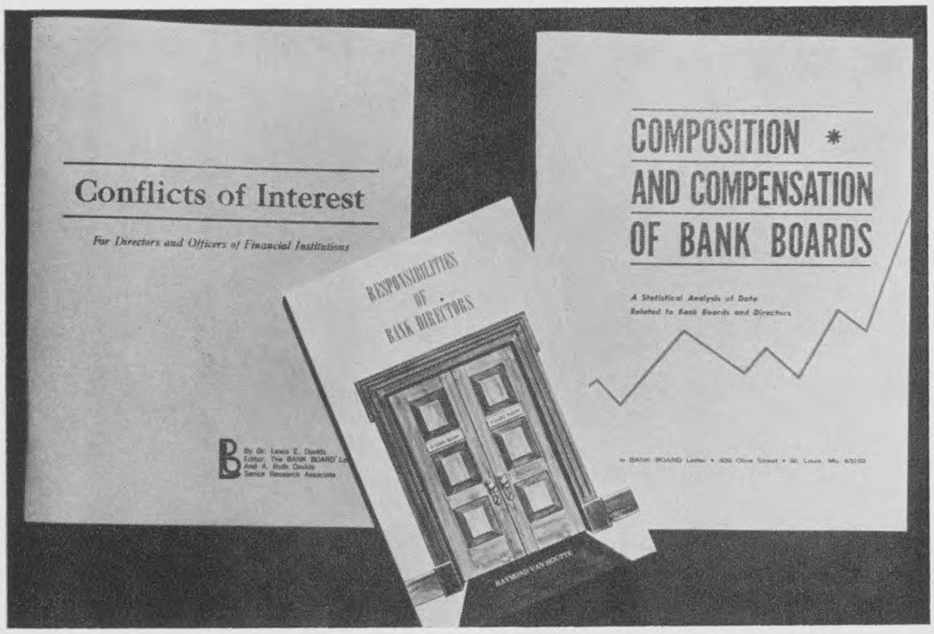
It is essential, however, he said, that these views be resisted "and hopefully overcome." He called on all Americans "to stand up against efforts to politicize the Fed," and said it is fortunate that a series of bills introduced during the last session of Congress that would have placed the Fed under control of the executive and legislative branches of government were not enacted. He expects similar legislative moves in the new Congress.

During the bank management panel, bankers were told to expect the new generation of consumers to demand more consumer services but with less personal contact. Surveys show that some 35% of this new generation will accept ATMs.

The speaker, Kalman A. Lifson, managing principal at Lifson, Wilson, Ferguson & Winich, Dallas, said bank planners should consider the volatility of rates to the customer and the fact that competition will become more strenuous as more and more banks go

Must Reading for Every Director and Officer!

These Three Board-Related Books (Including Revised Edition of Conflicts of Interest)



Conflicts of Interest
$6.25

Responsibilities of Bank Directors
$4.95

Composition and Compensation of Bank Boards
$4.25

(1) **CONFLICTS OF INTEREST FOR DIRECTORS AND OFFICERS OF FINANCIAL INSTITUTIONS $6.25** . . . The new, revised edition includes everything directors and officers should know about the topic: Presents the problem of "conflicts," gives examiners' views of directors' business relationships with the bank, examines ethical pitfalls involving conflicts, conflicts in trust departments, details positive actions for reducing potential for conflicts. Other important data are the Comptroller's ruling on statements of business interest of directors and principal officers of national banks and sample conflict of interest policies in use today that can be adapted by *your* board. *New material includes FDIC regulation on insider transactions.*

QUANTITY PRICES

2-5	$5.50 ea.	11-25	$5.00 ea.
6-10	$5.25 ea.	over 25	$4.75 ea.

(2) **RESPONSIBILITIES OF BANK DIRECTORS $4.95** . . . Written by Raymond Van Houtte, president & CEO of Tompkins County (New York) Trust Co., this book is "right" for today's problems. Due to the economic influence banks have on their communities, the rapid growth of holding companies and the ever-growing "consumer" movement, directors must know what is expected of them and the bank they serve in terms of responsibilities to depositors, shareholders and the public. *Responsibilities* examines recent court decisions, investment return, continuity of management, long-range planning, effects of structural changes —HCs, branching, mergers—on competition, and more.

QUANTITY PRICES

2-5	$4.50 ea.	11-25	$4.20 ea.
6-10	$4.35 ea.	over 25	$4.10 ea.

(3) **COMPOSITION AND COMPENSATION OF BANK BOARDS $4.25** . . . A statistical analysis of bank boards based on comprehensive surveys by the author, Dr. Lewis E. Davids, editor of The BANK BOARD Letter. This book will give the reader an insight into the variety of occupations represented on bank boards; the number of inside and outside directors; frequencies of meetings; salaries paid. Also included are many tables, showing retirement ages for directors, per-meeting and annual fees, highest paid directors, etc. Designed to help you make comparisons and put your board structure and fees in proper perspective.

QUANTITY PRICES

2-5	$3.85 ea.	11-25	$3.35 ea.
6-10	$3.60 ea.	over 25	$3.10 ea.

THE BANK BOARD LETTER
408 Olive St., St. Louis, Mo. 63102
Send These Books:

.... copies, Conflicts of Interest $..................
.... copies, Responsibilities of Bank Directors $..................
.... copies, Composition & Compensation $..................
Total enclosed $..................

Name .... Title ....
Bank ....
Street ....
City, State, Zip ....

(Please send check with order. In Missouri, add 4½% tax.)

out seeking retail customers. He said bankers should be prepared to change their prices and to make an effort to find out where their deposits are coming from.

He said bankers should be prepared to determine what the trends have been, see if the trends can be changed if they are unfavorable and use expense control and balance-sheet planning in their projections.

Lawrence K. Roos, pres., St. Louis Fed, fields questions at press conference held in conjunction with correspondent conference.

John W. Rowe, vice president, host bank, told those attending the investment panel that municipals have been good investments in the past year, due to their volume and the New York City situation.

He also said the New York City problem is far from over. He advised holding New York City securities because the market for them is depressed. There is a possibility that President Carter will give federal aid to New York City, but, meanwhile, there is no place in a bank's portfolio for New York City municipals, he said.

David Culver, vice president and head of the correspondent department of First National, commented on the bank's recently introduced community assistance program. He said it can be an important medium for a community to obtain federal grants and loans for which it is eligible, but for which eligibility is difficult to determine because of the complicated procedures necessary to unsnarl government regulations.

"While First National does not endorse massive federal spending programs," he said, "we do, however, feel that many communities in Missouri and southern Illinois have not had the time, funds availability, staffing or technical expertise to seek out needed federal assistance programs to help improve the community's social environment, not to mention the stimulation of their economies. The community assistance program can be a cost-effective way to achieve this."

Paul M. Ross, senior vice president, host bank, spoke on the role of directors. He told bankers that they could expect their directors to be a key part of the bank's planning and policy-making process, that bankers can give their directors the kind of information about bank operations that will let them advise management intelligently, that directors should be educated about banking and that directors should be assured that their interests are protected from legal problems and that the bank is complying with all appropriate rules and regulations.

He said a bank's directors can be a source of marketing help, once they know the bank's marketing goals. Even though the role of directors is not to run the bank, directors can give management thoughtful and independent advice on bank management topics.

The jobs of both officers and directors are getting tougher, he said, due to new technology, increased competition and new rules and regulations. Bankers were urged to make directors key parts of the management team.

The conference concluded with dinner and entertainment, hosted by Clarence C. Barksdale, chairman and CEO. • •

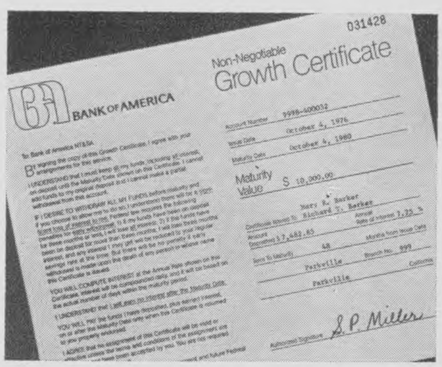
'Growth Certificates':

New Service From BofA Aids Customers' Planning

Bank of America, San Francisco, has announced Growth Certificates, which are designed to take the guesswork out of savings. They help customers plan their financial futures through achievement of specific savings goals over various time periods.

A Growth Certificate is a CD issued with a stated maturity value—purchase price plus interest compounded daily. They are available with maturity values of from $1,000 to $20,000 and with terms to maturity of one, 2½, four and six years. Interest rates range from 6% annually on one-year CDs to 7.5% annually on six-year certificates.

A bank spokesman says customers are encouraged to use the CDs for spe-



Bank of America, San Francisco, has introduced Growth Certificates, which are designed to help customers plan financial futures through achievement of specific savings goals over various time periods. Growth Certificates are available in variety of maturity values, terms to maturity and interest rates.

cific goals, such as an education, retirement nest egg, vacation or a down payment. Customers will know in advance, he adds, how much money to invest and for how long to reach a desired savings goal. As an example, a customer needing $5,000 in six years can purchase a Growth Certificate now for $3,188.29 earning an annual interest rate of 7.5%.

The nonnegotiable Growth Certificates, the spokesman says, can be used as collateral for loans and can be redeemed at maturity at any Bank of America branch.

Where Else?

Bank's Money Museum Is 16-Year-Old Tradition

Where else but in a bank would one expect to find a museum devoted to money? The natural association of money and banking have combined to make National Bank of Detroit's money museum a long-lived public relations tool.

This is 16-year-old money museum of Nat'l Bank of Detroit. Officials say exhibit has surpassed its original goals of informing public, attracting potential customers to bank and generating publicity: Last year 12,000 people visited museum!

When the museum first opened 16 years ago, its objectives were threefold: inform the public about old coins and currency, attract potential customers to the bank and generate publicity. And the money museum still fulfills those goals, bank officials state, because last year nearly 12,000 people visited the museum either as part of a tour or in walk-in groups.

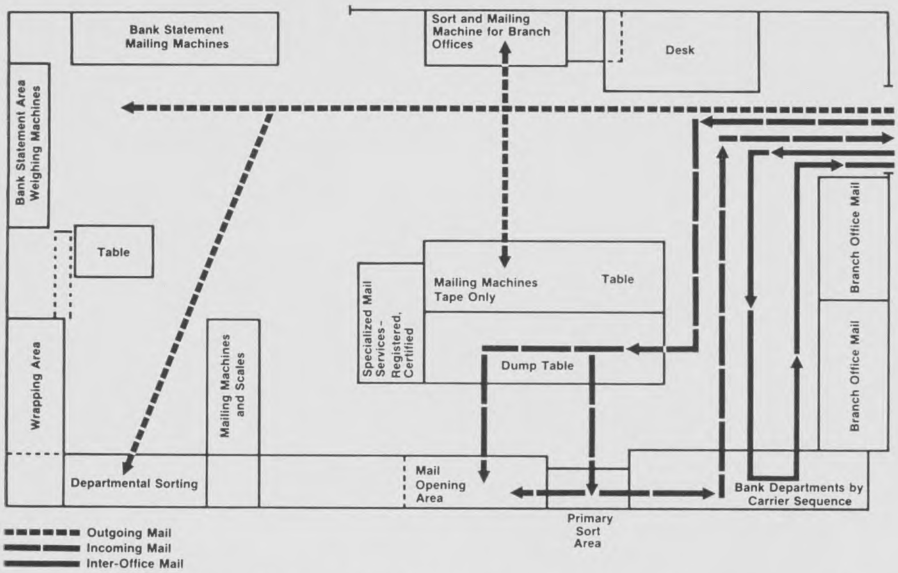
Located on the mezzanine of NBD's Main Office, the display was begun through the loan of a numismatic collection of a bank director. In 1969, the bank began to acquire the collection and to add to it. At present, the museum boasts more than 15,000 items—coins, currency, medals, tokens and primitive forms of money.

The display has produced side benefits for the bank:

- The public writes, phones or visits the museum in search of help in identifying coins and obtaining answers to inquiries about appraisals, new-coin offerings and general information. Questions such as "Whose picture is on the $10,000 bill?" are common, a bank spokesman says.
- Exhibits inform the public. A gold display, for example, provides information about what to look for when buying gold; an inflation exhibit demonstrates that problem's commonness throughout history; and one on coin collecting offers hints about how and what to collect.

Although the museum is a permanent feature, the displays change from time to time. One exhibit of a few years ago that was—in the words of bank officials—"tremendously successful in terms of publicity and good will" featured the coins of Poland.

What is in the future for NBD's money museum? A new home in Detroit's Renaissance Center. Then, officials say, the exhibit will have more space, expanded hours and a "highly visible" position.



Layout of mail room at Birmingham (Ala.) Trust Nat'l was planned in collaboration with Pitney-Bowes, office equipment manufacturer.

Professional Layout for Mailing Room Boosts Efficiency, Cuts Costs for Bank

BANK MAIL ROOMS need improving whenever increased volume—or a change in bank procedures—cuts into their efficiency and operating cost, according to Pitney-Bowes, office equipment manufacturer.

Recognizing when this critical point occurs is not easy for a busy bank executive, but there *are* ways of getting help from mail room experts. A long-range step is to join the nearest Postal Customer Council, composed of mailers and postal officials jointly concerned with improving postal communications. A quicker way is to take advantage of the free counseling service offered by some office equipment manufacturers.

Pitney-Bowes' representatives use a "fact finder" survey to analyze mail handling and internal paper-flow procedures. Their analysis is based on material offered in the company's two-day postal education seminars, conducted periodically in selected cities.

The survey will produce suggestions for practices and procedures that could save time, labor, space, materials or money, not just in the mailing operation, but in statement processing, and the collating, copying, counting, folding and inserting of other bank forms.

Pitney-Bowes also offers free assistance with mail room designing and improvement. After consultation with operations officials, mail room supervisors and even the architect or designer, the company's representative offers a floor plan that he or she believes will create the best possible mail flow in the space available. This type of assistance helps lighten the burden of higher postal and mail handling costs.

The mail room at Birmingham (Ala.) Trust National is an example of sophisticated mailing procedures and a layout designed in cooperation with a Pitney-Bowes representative.

David McLeod, mail room manager, has received more money-saving suggestion awards in the last few years than anyone in the bank. "That's because there are lots of ways to economize in the mail room," he says. "After visiting mail rooms in Dallas, New Orleans and Washington, D. C., and attending many postal forums, I know that good mail handling practices can help bankers save."

The BTNB mail room is not new, but it has recently been upgraded, or "fine tuned," as Mr. McLeod describes it. He availed himself of the free planning services described earlier in this article and has added many innovations of his own. The 14-person staff is knowledgeable and productive. Better than 95% of all outgoing mail is at its destination within one day; the morning's first incoming mail is distributed by 7 a.m.

Mr. McLeod's first task was to plan what equipment he needed and where that equipment should be located to establish the most efficient mail-flow system. Modular mail room furniture was selected because it allowed Mr. McLeod to arrange and rearrange his mail room as he thought necessary. Calling this his "erector set" concept, Mr. McLeod arranged the modules in a variety of configurations which permitted efficient use of automatic equipment and eliminated unnecessary steps in handling the mail.

Out-going mail travels along a U-shaped arrangement of consoles for processing. At one console, large envelopes and packages are sealed. The next section has variable-sized bins into which mail is sorted by department before it is put through a postage-metering machine. This enables each department to be charged for the exact postage it uses. A third section has a shelf at eye-level, with a 20-ounce scale on the left and a 10-pound scale on the right; a postage meter mailing machine stands on the console, beneath the scales.

Sort-bin modules for separating first- and third-class mail permit an employee to run a large group of one-ounce letters, for example, through the postage

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

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

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

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

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

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

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

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

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

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

Your success is our tradition.

First National Bank of KANSAS CITY, MISSOURI

An Affiliate of First National Charter Corporation

Member FDIC

meter. Metering in such groups, rather than constantly changing postage meter settings for a few letters, saves considerable time. So does having the two scales located directly above the mailing machine, which makes for a "standing-in-place" operation, according to Mr. McLeod.

In another area, a mail weigh machine and a postage meter mailing machine are almost on-line, so that one clerk can accurately weigh statement envelopes and sort, meter and tray them at 2,500 an hour.

Another self-contained furniture unit has sort bins, scales and a mailing machine used to process branch office mail and to serve as a back-up for large mailings. Quite often, all three mailing machines are in use at the same time.

For company and correspondent-bank statements, the bank has a special mailing console with bins and a tape-only postage meter machine. A 20-ounce and a 10-pound scale are on the console, with a 500-pound platform scale nearby for weighing sacks and bundles. Two clerks can weigh, meter-stamp and tray or sack the mail about three times faster than before the mail room redesign, Mr. McLeod says.

Incoming mail is separated into sort bins. Mail not clearly addressed is separated in the primary sort and then opened on three sides with an electric letter opener. Sort bins are color-coded for each of the seven floors of the building, and by individual name, department, or branch office. These bins are set up in carrier-stop sequence.

Mr. McLeod says, "Mail is the principal link between the bank and its customers. Few people realize that having valuable bank securities passing through our mail room requires careful handling of all mail! Also, good mail service in our check-collection process means added profit from available funds. We find that trained personnel, proper equipment, a good work flow and pleasant surroundings help our mail move internally and through the postal service faster and more economically. We know that better mail service begins with the mailer." • •

'Odyssey 300':

The Latest Indoor Sport Is Premium From Bank

A savings promotion has brought the latest in indoor sports to many customers of First National, Chicago. Anyone depositing $250 was able to purchase a Magnavox Odyssey 300 video action game.

Sold for $39.95 to qualifying depositors, the video game fits any television and offers electronic versions of tennis, hockey and handball. And players are able to compete in each game on three different skill levels.

Publicizing the event were newspaper ads featuring Chicago Black Hawks goalie Tony Esposito. Headlined, "Nice Save, Tony," the ads included coupons for mailing in premium orders and deposits. Displays demonstrating Odyssey 300 were placed on First National's first floor.

Customers were given the option of picking up the video game at the bank's sales center or of requesting delivery service for a $2 charge.

Financing Needs of Collegians Met With BofA Programs

SAN FRANCISCO—Bank of America has offered a series of special banking services designed to meet the financing needs of college students.

The College Plan checking account is available to college, university and vocational-school students and offers unlimited check writing with no minimum balance. It features a $1 monthly service charge—free during the summer or any month in which a minimum balance of $300 is maintained, and the account stays open during the summer even with zero balance. Also available are special, low-cost personalized checks.

Students of sophomore standing or higher may qualify for a Student BankAmericard, which permits them—through use of a tuition check—to charge tuition and entrance fees at most colleges and universities in California.

Other services aimed specifically at meeting students' special needs are overdraft protection to those who qualify, money and account transfer service, personal loans for educational purposes and federally insured student loans.

• **Brandt, Inc.** This Watertown, Wis.-based firm has announced two new appointments. James A. Wilgus has been made southern marketing manager and supervises nine Brandt districts in the southern states as well as specific products categories. He has a background in the administrative, sales and advertising/publishing fields. Jon R. Engelbrecht has been made vice president, Brandt Manufacturing Co., Pell City, Ala. This is a wholly owned subsidiary of Brandt, Inc. Mr. Engelbrecht is responsible for overall supervision of the Pell City operation and continues as general manager of Brandt Manufacturing. He joined Brandt, Inc., in 1956.

We'll turn your computer tape into time payment books in one easy step.

You save time and money and are assured of accurate transfer of loan information.

You Save Time

By sending us the loan information via your computer tape you save the time that would be required to complete the necessary forms.

You Save Money

Because we save time in preparing the time payment books by using your computer tape, we are able to pass special savings on to you.

You are Assured of Accurate Transfer of Information

Because we take the information directly from your computer tape the possibility of human error in encoding and decoding the loan information is eliminated.

Give us the opportunity to tell you more about our complete installment loan payment system. We're second to none in quality and price.

I want to save time and money. Send me more information on your installment loan payment system.

Name ______________________

Bank Name ______________________

Address ______________________

City ______________ State ______________

Zip ______________ Phone ______________

KBNC **Kansas Bank Note Company**

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

For your total bank printing needs

NEWS
From the Mid-Continent Area

Alabama

■ THOMAS W. LEAVELL has joined First National, Mobile, as an assistant vice president and trust investment officer in the investment division. He began his banking career in 1973.

■ W. GARY SUTTLE has joined Alabama Bancorp., Birmingham, as senior vice president with responsibilities in finance and planning, accounting and control, systems and administration and operations support. He was formerly with Vulcan Materials Co. The HC has announced that an agreement has been reached to affiliate Farmers & Merchants, Ashford, with Alabama Bancorp. F&M will be the 15th affiliate of the HC.

Arkansas

■ COMMERCIAL NATIONAL, Little Rock, has named Kirk Dixon and Gary Tarpley assistant vice presidents in commercial loans. Everett Tucker III has been named agribusiness liaison officer. They joined the bank in 1969, 1975 and 1976, respectively.

MITCHELL

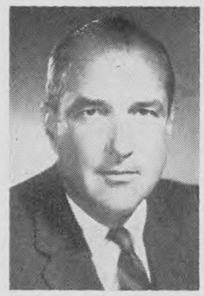
■ WILLIAM F. MITCHELL, vice president, First Arkansas Bankstock Corp., Little Rock, has been given new responsibilities. He will direct the human resources function of the HC with specific responsibilities for organization planning and manpower development. He will be senior personnel officer.

■ CITIZENS STATE, Nashville, held a grand opening celebration at its new bank building recently. More than 6,000 people attended the Saturday afternoon event. The bank has grown from $1 million in deposits when it was chartered two years ago to its present $10 million.

Illinois

■ WILLIAM O. KURTZ retired November 1 as president, Metropolitan Bank, Chicago. He has spent 41 years in banking, most of it with American National, Chicago, where he served in the correspondent banking department. He is a former president of the Illinois Bankers Association.

KURTZ

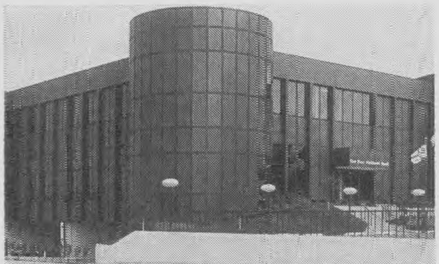


SEAMAN

■ IRVING SEAMAN JR. has been elected vice chairman, Sears Bank, Chicago. He was formerly CEO and chairman of the executive committee, National Boulevard Bank, Chicago. He is a former chairman, Chicago Clearing House Association and treasurer, Association of Reserve City Bankers. From 1947 to 1961, he was with Continental Illinois National, Chicago.

■ GLENN E. AUTENRIETH has joined First National, Batavia, as vice president and trust officer and senior officer in charge of the loan department.

■ FIRST NATIONAL, Pekin, dedicated its new home recently. The bank, located on a square block bounded by Sixth, Fifth, Margaret and Ann Eliza streets, features curtain-wall construction with bronze fascia. A striking feature is four cylindrical towers. Eight drive-under teller lanes run beneath the building. The bank occupies the lower level, ground level and first floor. A second floor is reserved for bank expansion and tenant rental.



TOP: New building of First National, Pekin, occupies block-square site. MIDDLE: Taking part in bank's dedication was Steve Ford (c.), son of President Gerald Ford. Mr. Ford is flanked by Charles Gagnier (l.), bank pres. and Wally Gagnier, brother of Charles. Behind threesome is bronze bust of late Sen. Everett M. Dirksen, Pekin resident. BOTTOM: Kiddie lift in bank's main lobby puts youngsters face-to-face with tellers.

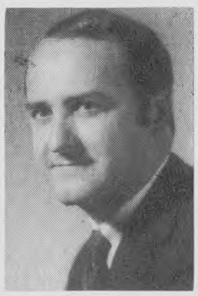
SINQUEFIELD

GLASS

■ AMERICAN NATIONAL, Chicago, has elected Dennis F. Glass senior vice president and Rex A. Sinquefield, vice president, head of the trust department's investment group and chairman, trust investment committee. Mr. Glass, who joined the bank in 1958, is senior portfolio manager in the trust department. Mr. Sinquefield has been with the bank since 1972.

■ FREDERICK C. MEYERS has been elected assistant to the chairman, Central National Chicago Corp. and Central National Bank. He joined the organization in 1966 and has been a vice president since 1972. He is in charge of corporate long-range planning and business development and is involved in corporate and public relations activities.

MEYERS



■ STATE NATIONAL, Lincoln, has promoted Ted Awe and Vernon A. Phillips from loan officers to assistant vice presidents and Harold A. Ramlow from assistant loan officer to loan officer.

■ BANK OF LANSING has opened a new drive-up walk-up facility at 186th Street and Torrence Avenue. According to the bank, the facility is the first in the entire state to be opened by a state bank under the new facility law which permits facilities to be opened within 3,500 yards of the main bank.

■ ANDERSON STATE, Oneida, celebrated its centennial with an open house recently. More than 1,200 area residents attended. Assets of the bank have grown from $337,000 in 1917 to more than $16 million. The institution was originally known as Oneida Exchange Bank.

■ FIRST SECURITY BANK of Fox Valley, Aurora, began doing business late in October in 4,500-square-foot quarters on the second level of Fox Valley Center, a regional shopping center. President is G. Ward Stearns.

■ RAYMOND C. BURROUGHS, president and CEO, City National, Murphysboro, has been reelected a Class A director of the St. Louis Fed for a three-year term beginning January 1. He had been a Fed director since 1974.

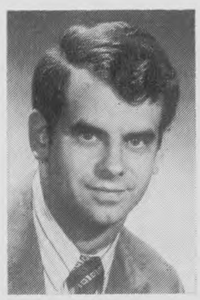
Indiana

■ HUBERT NEFF has been named president of First National, Aurora, succeeding Earl Green, who has retired as president, but who remains a director. Mr. Neff has been CEO since January. Mrs. Esther Roache has retired as director and has been named a director emeritus.

■ LOUIS ANTHONY (TONY) DeVAULT has been named assistant manager, Shelbyville Office, Fairland National. He had been with Chrysler Credit Corp., where he was credit manager-operations supervisor, Des Moines, Ia., office.

■ THOMAS E. ELYEA and Philip A. Carraro have been named vice presidents in the commercial banking services department at Continental Illinois National, Chicago. Mr. Elyea, who joined the bank in 1969, calls on correspondent banks in Indiana. Mr. Carraro, who has been with Continental since 1969, calls on corporate customers in Indiana and Illinois.

■ DAVID L. BIDDINGER, vice president, has been named to head the Indiana Division of the U. S. banking group at American Fletcher National, Indianapolis. Succeeding Mr. Biddinger as head of the national accounts division is Richard R. Phillips, vice president. Mr. Biddinger joined the bank in 1970; Mr. Phillips in 1958.



ELYEA

BIDDINGER

■ CHARLES R. PHILLIPS and John A. Nelson have been promoted to vice president and assistant vice president, respectively, at St. Joseph Valley Bank, Elkhart. Mr. Phillips joined the bank in 1970, Mr. Nelson in 1972.

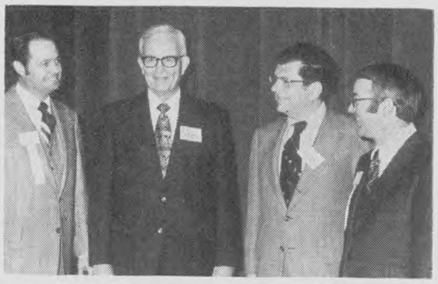
■ FIRST BANK, South Bend, has opened its Granger Office at Indiana 23 and Bittersweet Road. The ribbon used during the opening ceremonies was of 50 two-dollar bills and was donated to a local elementary school. During opening day, visitors received free gifts and were offered a free ride in a helicopter; visitors also could register for a number of prizes.

Kansas

■ FOURTH NATIONAL, Wichita, has announced personnel realignments involving Patrick C. Woodward, Thomas B. Baggett and Dennis E. Garton. Mr. Woodward, assistant vice president, has been named officer in charge of pension trust management; Mr. Baggett is manager of trust operations and has been named trust operations officer; Mr. Garton has been named loan services manager. They joined the bank in 1963, 1969 and 1973, respectively.

■ MELVIN L. LINDSEY has been appointed sales engineer for east-central Kansas by LeFebure Corp., Cedar Rapids, Ia. He is headquartered in the firm's Kansas City branch.

■ WILLIAM R. SHAVER has been made controller at Security National, Kansas City. A banker nearly 20 years, Mr. Shaver started as a part-time worker in Louisville. He has specialized in bank accounting, operations, management and data processing and, most recently, has been controller of a large bank in the Southeast. When MID-CONTINENT BANKER reported Mr. Shaver's appointment in its November issue, the editors inadvertently moved Security National to Wichita. We regret the error.



Pictured at centennial/bicentennial celebration of First Nat'l, Wichita, are (l. to r.): Don Hoffman, s.v.p., host bank; William S. May, pres., Federal Land Bank, Wichita; Dr. Paul S. Nadler, professor of business administration, Rutgers Univ.; and C. Q. Chandler, ch. & pres., First Nat'l. Mr. May and Dr. Nadler spoke at economic forum that was part of celebration.

Informal discussion is held during First Nat'l in Wichita's centennial/bicentennial observance by: Mrs. Ralph Hight; Mr. Hight (l.), v.p., host bank; Harold Eagleton (facing camera), v.p., First Nat'l, Salina, Kan.; and Robert Showalter (wearing plaid coat), pres., Hesston (Kan.) State.

Centennial/Bicentennial Party Held by First Nat'l, Wichita, For 650 Correspondent Bankers

WICHITA—First National entertained about 650 correspondent customers and other guests October 30 at a celebration of the bank's centennial and the nation's bicentennial. The day-long festivities included a luncheon, economic forum, a reception, dinner and entertainment. Special entertainment was arranged during the day for women guests.

Economic forum speakers were Dr. Paul H. Nadler, whose topic was, "The Outlook for Business and Banking"; and William S. May, who discussed "Crossroads in the Ownership of Farm Real Estate." Dr. Nadler is professor of business administration, Rutgers University, New Brunswick, N. J., and Mr. May is president, Federal Land Bank, Wichita.

First National started in 1876 as Farmer's & Merchant's Bank after another First National (no connection with the present bank) had failed. In 1882, the bank was reorganized and renamed Kansas National after receiving a national charter. Two mergers followed, the second one—in 1919—resulting in the present First National.

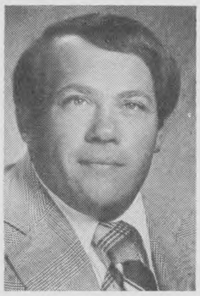
■ STEPHEN R. "RICK" DILL has been named correspondent officer in Merchants National of Topeka's agriculture-correspondent bank department. Mr. Dill, a native of Olathe, was associated with his father in a livestock and grain operation while attending Kansas State University. He received a degree in agricultural economics and a minor in business administration. He joined the bank in April, 1975, as administrative assistant in the agriculture-correspondent bank department.

BAI Week in Kansas

Kansas Governor Robert F. Bennett signed proclamation designating week of November 14 as Bank Administration Institute (BAI) Week in Kansas. Witnessing ceremony were (from l.) Howard A. Theimer, auditor, Fourth Nat'l, Wichita; and pres., BAI Wichita Chapter; Dale A. Bradley, e.v.p., Citizens State, Miltonvale, and BAI district dir.; Fred W. Beckmeyer, v.p., First Nat'l, Salina, and BAI state dir.; R. R. Smith, cash., Peoples Nat'l, Clay Center, and v.p., BAI Central Kansas Chapter; Ray L. Miller, a.c., Merchants Nat'l, Topeka, and pres., BAI Sunflower Chapter; Joseph P. Kennedy, v.p., First Nat'l, Frankfort, and pres., BAI Kansas Flint Hills Chapter, Manhattan; and Larry Graham, v.p., First Nat'l, Topeka, and v.p., Sunflower Chapter.

Kentucky

■ CITIZENS FIDELITY, Louisville, has promoted John McClure from vice president, branch administration, to vice president and manager, branch administration; Walter Frandsen to assistant vice president; James T. Hamilton to operations officers; Thomas Albright and Martha Handy to assistant cashiers; and Michael I. Leet to personnel officer. As reported last month, Jerry L. Skidmore has been named an assistant vice president in the correspondent banking division. Robert S. Yoder, president and CEO, Capital Holding Co., has been elected a director of Citizens Fidelity Corp., HC for the bank.



SKIDMORE

Louisiana

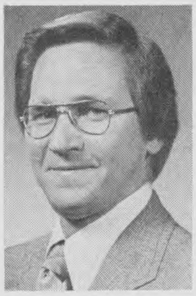
■ LARRY J. BABIN has been appointed chairman and CEO at Bank of St. John, Reserve. Harold M. Keller has been appointed president. Mr. Babin has been in banking since 1942 and was formerly with American Bank, Norco, as executive vice president while serving as a director of Bank of St. John. Mr. Keller succeeds Thomas W. Smith Jr., who had been president since 1968. Mr. Keller joined the bank in 1968 and was formerly senior vice president.

■ CONTINENTAL BANK, Harvey, has appointed Harold C. Boutte as senior vice chairman and H. Brooks McElveen as president. Mr. Boutte joined the bank in 1973; Mr. McElveen was formerly president, Bank of Commerce, Shreveport. Also appointed were Jerry Holloway and William E. DeBlanc, to vice presidents.

■ L. DAVID KELLOGG JR. has been elected to the board of Guaranty Bank, Alexandria, succeeding his father, the late L. D. Kellogg, who had been a director since 1960. Mr. Kellogg is president, L. D. Kellogg Lumber Co.

Mississippi

■ JOHN D. GIBBONS and Parham W. Williams have been promoted to senior vice presidents by Deposit Guaranty National, Jackson. Mr. Gibbons first joined the bank in 1952 and rejoined it earlier this year. Mr. Williams joined the bank in 1961 and has been a vice president since earlier this year. He is now manager of Monticello Bank, a branch of DGNB.



GIBBONS

WILLIAMS

■ KENNETH PASVANTIS has been promoted to vice president at First National, Jackson. He is manager of the Medical Arts Office. Named assistant vice presidents were Robert L. Moody and Craig Robinson. Named assistant cashiers were Irene Perkins, Robert Gaston, Wayne Newell, George Aycock, Newton Blount and Joseph Hegwood. John F. Davis was named assistant trust officer and William Gullett was promoted to assistant auditor.

■ A MERGER has been approved by principals of First State, Waynesboro, and Bank of Leakesville. First State will be the parent organization.

■ FRED G. ABNEY has joined Brookhaven Bank as vice president. He was formerly vice president and manager of the branch office of South Central Bank, Brookhaven, and has had prior service with Bay Springs Bank and Gulf National, Gulfport.

Missouri

■ THE ST. LOUIS FED has approved formation of Santa Ana Bancorp., Inc., to become a holding company through acquisition of Bank of St. Ann. According to the bank's president, Richard J. Pfleging, he had formed the HC as a vehicle to obtain the necessary borrowing power to maintain local ownership of the bank. Principal stockholders—members of the family of the bank's founder, the late Charles F. Vatterott Jr.—have agreed to sell their interest to the new HC, which has a loan commitment of up to $2.5 million from St. Louis's Mercantile Trust to help finance

PFLEGING

MURRAY

purchase of Bank of St. Ann's stock. Mr. Pfleging, immediate past president, Missouri Bankers Association, will head the HC. Oliver E. Sicking, executive vice president and cashier of the bank, will be HC secretary.

■ FIRST NATIONAL, St. Louis, has elected Richard Alan Murray a vice president and John A. Rothschild Jr., Robert A. Hummert and Thiers Y. Anderson assistant vice presidents. Mr. Murray, who joined the bank in 1972, is in charge of the London Office. Mr. Rothschild joined the bank in 1972 and Mr. Hummert in 1971. Mr. Anderson comes from Merrill Trust Co., Bangor, Me.

■ EUGENE SUMNER has been named representative for BankAmerica Travelers Cheques in Missouri. He is a native of Oklahoma.

SUMNER

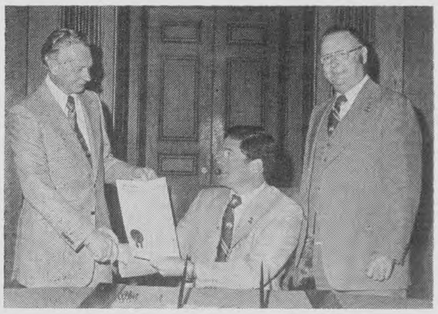
McGEE

■ JOHN M. McGEE has been elected a correspondent banking officer at Commerce Bank, Kansas City. He travels in New Mexico and Texas and joined the bank in 1975.

■ UNITED MISSOURI, Kansas City, has promoted Michael L. McAuley to vice president and trust real estate officer and Larry E. Russell to assistant vice president in the bond department. They joined the bank in 1969 and 1973, respectively. Two new directors have been named: William J. McKenna, president, Lee Co., Shawnee Mission, Kan., and Henry "Skip" Nottberg III, U. S. Engineering Co.

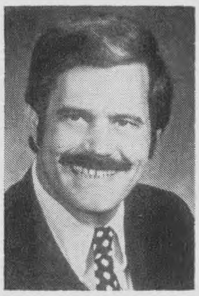
■ JAMES S. WOLF has joined St. Louis County National, Clayton, as marketing officer.

Governor Honors Bank



Missouri Governor Christopher S. Bond (seated) congratulates Walter C. Branneky (l.), executive vice president, St. Johns Bank, St. Louis, after signing proclamation designating last October 16 as "St. Johns Bank & Trust Company Day." At right is Fletcher E. Wells, senior vice president and cashier of the bank.

■ ROBERT M. CONWAY has been elected president and CEO, Tower Grove Bank, St. Louis, succeeding Richard E. Fister. Mr. Fister has joined St. Louis University in the new post of assistant to the president for community relations. Mr. Conway also was



CONWAY

elected a bank director and acting chairman. He was executive vice president and senior loan officer. John D. Weiss continues as chairman and president, TG Bancshares Co., holding company of which Tower Grove Bank is the lead bank. Mr. Conway also is vice president and advisory director of the HC.

Mehlville Ground Breaking

Clay R. Niemeyer (holding shovel), pres., Mehlville Nat'l, breaks ground for the new bank's permanent home, scheduled to be completed next spring. Pictured, l. to r., are: Frank W. Kurz, technical coordinator, Planned Projects, Inc., St. Louis; Richard L. Ortmann, pres., Structural Systems, Inc.; Carl Breihan, Sixth District councilman; Mr. Niemeyer; Robert J. Luecken, v.p. of the bank; Clifford A. Schmid, ch.; William E. Peterson, ch., exec. comm.; and Norman B. Leppo, pres., Planned Projects. Mehlville Nat'l opened in September in temporary quarters. Its new home will contain 5,600 square feet of space.

■ BOATMAN'S BANK of Concord Village, St. Louis County, has elected Ronald K. Clarke vice president and Edward C. Reis assistant vice president. Mr. Clarke was formerly with American Investment Co.; Mr. Reis was with Manufacturers Bank, St. Louis.

■ CITIZENS BANK, Belton, held a grand opening at its new Charter Plaza Banking Center recently. The bank is the first building to be constructed on the site of the Charter Plaza Shopping Center and is a full-service facility.

■ N. J. STARKEY has been promoted to senior trust officer of Kansas City's Mercantile Bank with overall responsibility for management of its trust department. He joined the bank in 1969, coming from Wells Fargo Bank, San Francisco.

■ BRUCE A. SCHRIEFER has been named credit life insurance manager for Commerce Bancshares and its subsidiary, CBI Insurance Co., Kansas City. He was formerly with Lexington Bank.

■ DONALD LacKAMP has been promoted from assistant cashier to assistant vice president at First National, Kansas City. He joined the bank in 1974 and is with the correspondent division and livestock loan department. Duncan Samuel, assistant cashier, has been transferred to the investment division and is now an assistant trust officer.

New Mexico

■ JACK D. COLLUM has been elected president of Hot Springs National, Truth or Consequences. Mr. Collum was formerly a vice president at First National, Lubbock, Tex., where he served in the correspondent department. He succeeds David L. Underwood, who has been named chairman to succeed John Kipp, who stepped down from that position.

■ ALBERT FLINN has been named manager, Melrose Branch, First National, Clovis. He was formerly with First National, Santa Rosa.

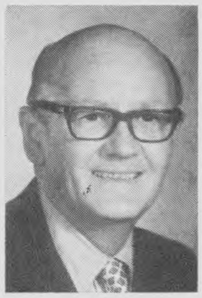
Died: Guy L. Rogers, 90, chairman, New Mexico Bank, Hobbs. Mr. Rogers is a former president of the New Mexico Bankers Association. He joined the predecessor of New Mexico Bank in 1937.

Oklahoma

'Red' Ward Honored

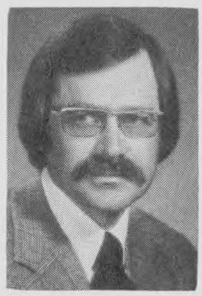
Glenn P. "Red" Ward (l.), s.v.p., Fourth Nat'l, Tulsa, and his wife, Betty, were recognized with a plaque at the bank's annual correspondent bank dinner during the recent ABA convention in Washington, D. C. Mr. Ward, who is in charge of the bank's correspondent relationships, will retire before the 1977 ABA convention. Reading the inscription is Fred A. Setser, s.v.p. Looking on is Frank X. Henke III, e.v.p.

■ EARL SNEED will retire as president, Liberty National Corp., Oklahoma City, on January 31. He will remain as a director of the firm, which controls Liberty National Bank. He has been with the organization since 1965. His resignation will cause the following senior executive changes: T. Joseph Semrod will succeed Mr. Sneed as HC president and will move from bank president to bank vice chairman; W. M. Bell will continue as HC president, and will also be a vice chairman of the bank; K. Gordon Greer will move from bank executive vice president to president, succeeding Mr. Semrod; W. Kenneth Bonds, chairman, trust department, will succeed Mr. Sneed as a member of the executive committee. W. P. Dowling, executive vice president and correspondent department head, will become a director of the bank.

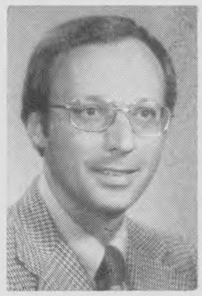


SNEED

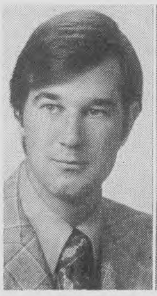
SEMROD



BELL



GREER






ROYSE NOBLES HUFFMAN BUSCHE BUCKALEW SHAW

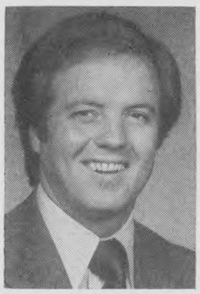
■ TED W. SHAW has been elected executive vice president and member of the executive committee at First National, Oklahoma City. He has been with the bank since 1964. In addition, Donald P. Buckalew was advanced from vice president to senior vice president, and John E. Busche, Houston Huffman Jr. and Douglas G. Nobles were elected vice presidents; Randolph D. Royse was named vice president and trust officer; Ralph L. Dean was named assistant vice president; and Erma Jean Morton and Jack Taylor were made administrative officers. Robert F. Browne of Oklahoma Coca-Cola Bottling Co. and Oklahoma Canning Co. was elected a director.

■ FIRST NATIONAL, Tulsa, has promoted Roger L. Austin, Ronald G. Barnes and W. D. Hofstrom to vice presidents and trust officers and Lennis J. Laughlin from assistant trust officer to trust officer. They joined the bank in 1973, 1975, 1962 and 1971, respectively.

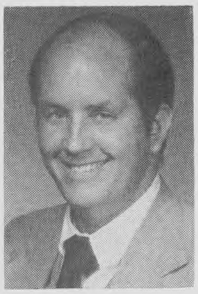
■ STEVEN R. BARNES has advanced from assistant vice president to vice president at City National, Lawton. Marian Barrett has been named assistant cashier; Jim Cantrell, assistant trust officer; and Paul Ellwanger, auditor.

Tennessee

■ MEMPHIS BANK has appointed Reginald L. Holley and Walter T. Smalley Jr. correspondent bank operations officers. Both men joined the bank in 1973. In addition, Edward T. Morlino was named controller and Thomas A. McKelroy was promoted to assistant cashier.



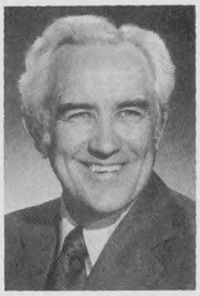
SMALLEY



HOLLEY

■ PAUL E. HEER has been elected vice president and trust officer at First American National, Nashville. He is also head of the investment management division. He joined the bank in 1972 and succeeded Hollis E. Johnson III, who resigned to accept a post with the Southern Baptist Foundation.

HEER



SARTOR

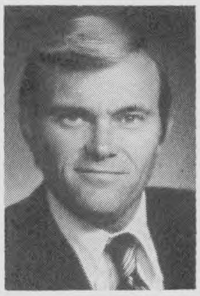
■ THIRD NATIONAL, Nashville, has promoted James R. Sartor Jr. to senior vice president from vice president, Macon J. Dew Jr. to trust officer; Eff W. Birdsong to investment officer and Stephen S. Mathews to commercial officer. Mr. Sartor joined the bank in 1968, Mr. Dew in 1970 and Messrs. Birdsong and Mathews in 1974.

■ FIRST TENNESSEE BANK N.A., Memphis, will be the new name of First National, Memphis, beginning December 26, providing necessary approval is obtained. All banks in First Tennessee National Corp. are scheduled to change their names before year-end to First Tennessee Bank, in the case of state banks, or First Tennessee Bank N.A. for national banks.

■ AMERICAN NATIONAL, Chattanooga, has elected Kennedy H. Clark Jr. and George J. Awad to its trust division staff. Mr. Clark is a vice president and trust officer and Mr. Awad is a trust marketing officer.

Texas

■ BANK OF THE SOUTHWEST, Houston, has elected C. Richard Vermillion Jr. senior vice president and manager, metropolitan department, and promoted William K. White to senior vice president in charge of the national department. Mr. Vermillion was with a leasing corporation and Mr. White has been with the bank since 1974. Named vice president was Joe R. Deese, who joined the bank in 1971. New assistant vice presidents are Virginia S. Bell and Kenneth G. Teusink. Miss Bell joined the bank in 1957 and Mr. Teusink has been with the bank since last August.



VERMILLION

WHITE

PERRY

■ JAMES R. PERRY has been elected a director of First United Bancorp., Fort Worth. He is chairman and president of State National, Odessa, and a director of First National, Fort Worth. He is expected to become president of First of Fort Worth next year.

■ STANLEY JARMIOLOWSKI has been promoted to senior vice president at First City National, El Paso. He joined the bank in 1967. In other action, the bank has elected Terry O'Donnell senior vice president and director. He was formerly with First City National, Houston, which he joined in 1969.

■ MICHAEL D. WILLIAMS has been elected senior vice president and comptroller at First City National, Houston. He joined the bank in 1974 and was formerly vice president and comptroller. In other action, the bank elected Malcolm R. McArdle, William C. McCain Jr., Fred H. Mitchell, Lawrence J. Petru, Vernon L. Pool and Woodrow W. Scott vice presidents. Mr. Scott is in the regional and correspondent banking departments. New assistant vice presidents are Russell C. Joseph, Robert G. Smith, G. C. Worry and Rudolph F. Zepeda. John J. Kutac was promoted to assistant vice president and trust officer.

■ JOHN F. GEIS, senior vice president, First Security National, Beaumont, and 1968-69 Texas Bankers Association president, will retire January 1 after 43 years in banking. He joined the bank in 1960 and is head of its marketing division. Prior to that, he was with First National, Fort Worth; Second National (now Bank of the Southwest), Houston; and Farmers National (now First National), Salina, Kan.

• Index to Advertisers •

Advertising Concepts ... 69
Aetna Business Credit ... 38
American Fletcher Nat'l Bank & Trust Co. 21
American Nat'l Bank & Tr. Co., Chattanooga 63
Associates Commercial Corp. ... 29

Bank Board Letter ... 70, 77
Bank of America ... 9
Bank of Oklahoma ... 53
Barclay Hotel ... 68

Citicorp ... 55
Commerce Bank, Kansas City ... 25
Commercial Nat'l Bank, Kansas City, Kan. 86

De Luxe Check Printers, Inc. ... 35
Deposit Guaranty National Bank ... 37
Detroit Bank & Trust Co. ... 82

Electronic Teller Installation Manual ... 23

Farmers Grain & Livestock Hedging Corp. . 80
First Alabama Bancshares ... 79
First American Nat'l Bank, Nashville ... 31
First Boston Corp. ... 17
First City Nat'l Bank, Houston ... 75
First National Bank, Chicago ... 67
First National Bank, Jackson, Miss. ... 7
First National Bank, Kansas City ... 81
First National Bank, St. Louis ... 92
First National Bank of Commerce, N.O. ... 3
First Oklahoma Bancorp. ... 61
Fourth National Bank, Tulsa ... 45

Harland Co., John H. ... 11
Harris Bank, Chicago ... 71
Harrow Smith Co. ... 84
Heller & Co., Walter E. ... 59

Kansas Bank Note ... 83

Liberty Nat'l Bank & Trust Co., Okla. City . 2

MGIC-Indemnity Corp. ... 56-57
Manufacturers Hanover Trust Co. ... 47-50
Memphis Bank & Trust Co. ... 13, 73
Mercantile Bank, St. Louis ... 5

National Stock Yards Nat'l Bank ... 91
National Union Fire Insurance Co. ... 33

Risk & Insurance Management Guide ... 78

Scarborough & Co. ... 27

Union Bank & Trust Co., Montgomery, Ala. 84
United Missouri Bank, Kansas City ... 15

Verdin, I. T., Co., Cincinnati ... 64

Whitney National Bank ... 65

Outdoor Cookout Sparks Customers To Exchange Deposit for Grills

Richard Hughes, pres., Elgin (Ill.) Nat'l, presides over cookout in front of bank. Shown are grills featured as incentives.

THE FAT was in the fire this summer at two banks in Elgin, Ill. But instead of an adverse reaction, customers of the bank wore smiles as they exchanged deposit money for outdoor grills. Some customers received tasty ham sandwiches, too.

For the second year in a row, the people at Elgin National and Elgin State pooled resources to get new account dollars. This year's promotion was tied in with the bicentennial and, according to a spokesman, the whole town "got involved."

"We are in an area with a large number of families," said Robert P. Abate, chairman of the two banks. "These people enjoy outdoor activities and appreciate the value that we were able to offer on the grills." Elgin is located west of Chicago.

Two models of grills were featured as incentives—one large, one smaller. The large grill could be purchased for \$49.95 with a \$200 deposit to either a savings or checking account at either bank. Those depositing more than \$1,000 could get the large grill for \$42.95. If they opted to deposit more than \$5,000, the grill could be had for \$35. Retail price is \$69.95.

The smaller grill was available at \$12.95, \$9.95 or \$5.95, depending on the size of the deposit. Retail price is \$24.95.

Nearly 400 grills were moved during the promotion, which ran during the month of July.

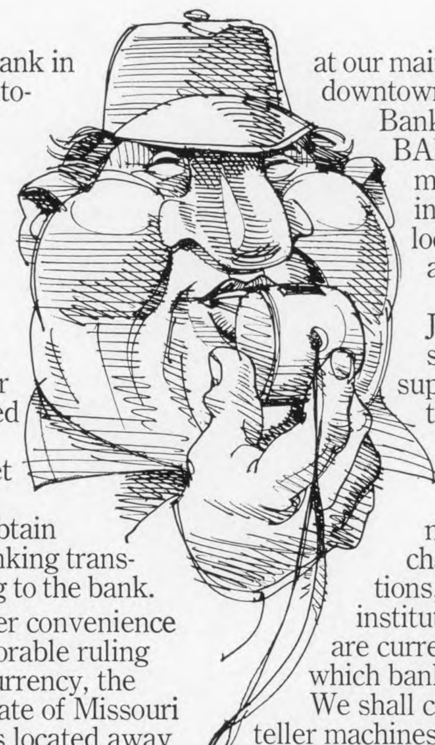
In addition to newspaper and radio ads, statement stuffers and point-of-purchase displays, the banks scheduled two special events to promote the grills.

The first was an everyone-invited picnic outside each of the banks. The grills were used to cook hams and ham sandwiches were given to anyone passing by who was hungry—and who wasn't?

Later in the month, a drawing was held at which three large grills were given away. Approximately 700 customers entered the contest, according to Mr. Abate.

"We have received excellent results from the promotions," he said. "And I'm sure that, considering the amount of new business they have brought in, we'll consider promoting the grills again next year." • •

TIME OUT! WE MADE THE BIG PLAY BUT SOMEONE BLEW A WHISTLE.



In 1972 we became the first bank in Missouri to offer customers fully automatic banking services. With our BANK24 terminals, our customers have been able to fulfill most of their banking needs at their convenience, 24 hours a day.

The public responded very positively to this new service. Accordingly, in 1974 we sought to expand the benefits of this new era in banking technology and customer service. We installed fully automated teller machines—as part of our BANK24 system—at a supermarket and an industrial plant. For the first time in Missouri it was possible to obtain cash and perform other personal banking transactions 24 hours a day without going to the bank.

This breakthrough in customer convenience was soon challenged. Despite a favorable ruling from the U.S. Comptroller of the Currency, the Commissioner of Finance for the State of Missouri held that automated teller machines located away from a bank violated the state's branch banking laws.

In the interest of providing better banking services and to clarify this ruling, we continued the legal process through the U.S. Court of Appeals and the U.S. Supreme Court, which recently declined to hear our case.

Regretfully, our "big play" for improving banking services has been called back. The far-reaching benefits and greater convenience that off-premise electronic banking promised must be foregone. At least for the present.

Effective immediately, our BANK24 automated teller machines at Jay Bee supermarket and at Emerson Electric Company in North St. Louis County will be closed. First National Bank in St. Louis will continue to operate BANK24 terminals at our main office and stadium facility in downtown St. Louis, and at the Chippewa Banking Center in South St. Louis. BANK24 services are also available at most of the other First Union Banks in Missouri. Fortunately, machines located on bank premises are not affected by the court's ruling.

The closing of BANK24 at Jay Bee and Emerson does not signal the end of a widely supported campaign throughout the state to modernize Missouri's banking laws. Efforts will continue to assure that banks are allowed to compete on a more equal basis with federally chartered savings and loan associations, credit unions and other financial institutions. These regulated institutions are currently allowed to provide services which banks have been denied.

We shall continue to contend that automated teller machines, like telephones, are simply an electronic means of *communication* between a bank and its customers and, therefore, are legal.

If you agree with us that the "officiating" has denied the Missouri banking industry and bank customers the benefits of a technological winner, help us get the laws modernized. Write or contact your state representative and state senator and tell them you are in favor of two things:

1. 24-hour-a-day banking with automated teller machines located conveniently in shopping centers, grocery stores, office complexes and other public locations.

2. Fair competition and equal opportunity for all financial institutions in Missouri.

We're convinced it is the right play to call.

H 3373

First National Bank in St. Louis
A First Union Bank