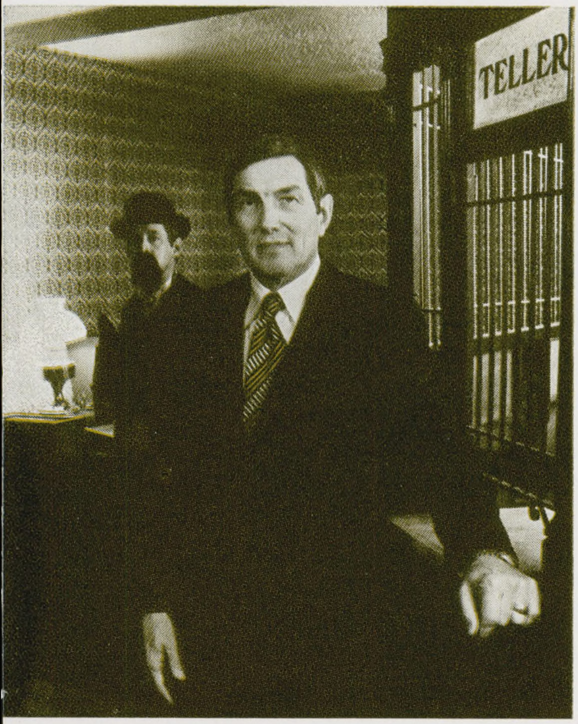
MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

YEAR-END STATEMENT ISSUE

FEBRUARY, 1977



LENDING OPPORTUNITIES

Thanks a billion Mid-America!

(and you helped us do it in only 58 years, 3 months and 28 days)

**That's right, on December 31, 1976,
Liberty ended the year with total bank resources in excess of one billion dollars.
Take a look for yourself.**

Statement of Condition

December 31, 1976

RESOURCES	
Cash and Due from Banks	$ 230,308,116
U.S. Treasury & Agencies Securities	200,158,870
Other Securities	92,799,827
Federal Funds Sold and Securities Purchased under Agreement to Resell	193,775,000
Loans-Less Reserve for Loan Loss	371,559,344
Fixed Assets-Less Accumulated Depreciation	6,356,703
Other Assets	14,040,295
TOTAL RESOURCES	**$1,108,998,155**

LIABILITIES		
Demand Deposits	$356,954,349	
Time and Savings Deposits	471,471,862	
TOTAL DEPOSITS		**$ 828,426,211**
Federal Funds Purchased and Securities Sold under Agreement to Repurchase		199,491,222
Other Liabilities		16,092,315
Subordinated Notes and Debentures		19,200,000
SHAREHOLDERS' INVESTMENT		
Capital Stock	$ 9,200,000	
Surplus	9,200,000	
Undivided Profits	27,388,407	45,788,407
TOTAL LIABILITIES AND SHAREHOLDERS' INVESTMENT		**$1,108,998,155**

**IT WAS ALSO THE SEVENTH CONSECUTIVE YEAR-END
LIBERTY HAS REPORTED THE LARGEST DEPOSITS IN OKLAHOMA.**

But there's nothing magic about one day's totals. In fact, both the bank and Liberty National Corporation (the bank's parent company) exceeded a billion in resources earlier in 1976. However, we think it is much more important for you to know that few banks anywhere can match Liberty's ALL AROUND STRENGTH* in liquidity, net capital ratio, deposit growth, uninterrupted earnings gains or return on shareholder investment and . . . none in CUSTOMER SERVICE AND COMMUNITY INVOLVEMENT.

Oklahoma's Leading Bank

LIBERTY

THE BANK OF MID-AMERICA

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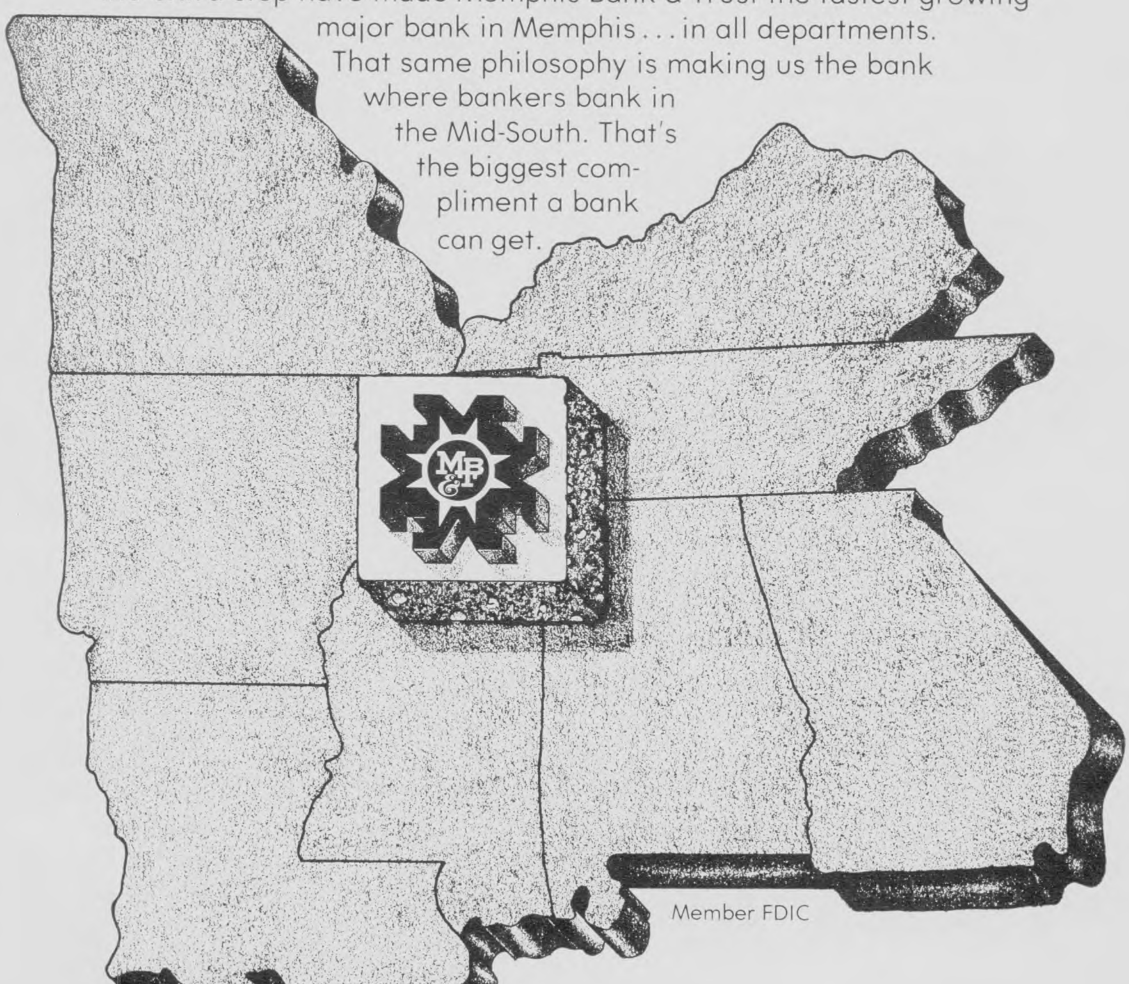
*Liberty's large liquid assets (cash and U. S. Treasury Securities) provide added depositor protection; our net capital (uncommitted capital) is also unusually large; Liberty's deposits have almost tripled since 1967; consolidated earnings have advanced every year for 9 years an average of 9% and our return on shareholder investment has consistently exceeded 12%.

CORNERSTONE.

Memphis Bank & Trust is becoming the cornerstone of area banking. More and more banks, over 100 now all over the Mid-South, are banking with Memphis Bank & Trust. We have the fastest growing Correspondent Bank Department in Dixie.

We're in that position not just because we offer the full range of banking services, other banks also offer impressive shopping lists. Nor are we making it just because we're big, some banks are bigger. Banks are banking on us for the same reason our other customers do . . . we're dependable. We're the most solid bank in town, stone-solid, and we back our services with personal attention and unbeatable experience. We throw in some extras, too, that bankers appreciate, like expert insurance capability, guidance in the construction and design of bank facilities . . . even selection of furnishings.

Solidarity plus the personal touch and the willingness to take the extra step have made Memphis Bank & Trust the fastest growing major bank in Memphis . . . in all departments. That same philosophy is making us the bank where bankers bank in the Mid-South. That's the biggest compliment a bank can get.



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THE BANKER'S BANK

MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 73, No. 2 February, 1977

FEATURES

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Convention Calendar

February

Feb. 20-26: ABA Operations/Automation Div. Business of Banking School, Fort Worth, American Airlines Learning Center.
Feb. 23-25: Bank Administration Institute Workshop Series, Mobile.
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.
Feb. 28-March 3: Bank Administration Institute EDP Audit Conference, Houston.

March

March 2-4: ABA Advanced Construction Lending Workshop, Columbus, O., Ohio State University.
March 2-4: Bank Administration Institute On-Line Operation/Small Bank Seminar, Dallas.
March 6-8: Bank Administration Institute Directors Forum, Palm Springs, Calif.
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 13-16: Bank Administration Institute Bank Presidents Forum, Place Not Announced.
March 14-15: Robert Morris Associates Loan Quality Control Workshop, St. Louis, Breckenridge Pavilion.
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 16-18: Bank Administration Institute Audit Management Seminar, New Orleans.
March 20-22: National Automated Clearing House Assn. Conference on Selling ACH Services, Dallas, Fairmont Hotel.
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 21-23: Bank Administration Institute Corporate-to-Corporate EFTS Conference, New York City.
March 22-25: Bank Administration Institute Personnel Short Course, BAI Headquarters, Park Ridge, Ill.
March 24-25: Robert Morris Associates International Lending: Techniques & Standards Workshop, Washington, D. C., Hyatt Regency.
March 27-30: ABA Bank Trainers' Workshop, Chicago.
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.
March 30-April 1: Bank Administration Institute Workshop Series, Atlanta.
March 30-April 1: Bank Administration Institute On-Line Operation/Large Banks Seminar, BAI Headquarters, Park Ridge, Ill.

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 3-8: Graduate School of Bank Marketing, New Orleans, International Trade Mart.
April 3-6: ABA Southern Regional Bank Card Management Workshop, Orlando, Fla., Orlando Hyatt House.

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By Dr. Lewis E. Davids

Hill Professor of Bank Management,
University of Missouri, Columbia

Innovative Bankers Don't Rest on Their Laurels!

THE LAST 15 years have been truly innovative for American banking and finance. Today's young adults casually accept things such as checks imprinted with magnetic ink character recognition (MICR) symbols and ubiquitous bank credit cards as normal facilities that are available to nearly everyone. Yet, a generation ago, MICR and bank cards were virtually in test-tube stages and were unknown to the general public—and to most bankers.

Some ideas, such as negotiable certificates of deposit (CDs), had been used successfully in early colonial banking in America; but, with time, they fell into disuse, were forgotten and were rediscovered much later. Today, over $60 billion in CDs of $100,000 or more—issued by large, commercial banks—are in circulation as part of our money stock. This is a remarkable phenomenon, but consider this: In a number of recent years, the volume of these CDs actually *exceeded* the *total currency in circulation* (although the volume of CDs now is about $12 billion lower than the currency in circulation).

Other mind-boggling developments reveal a technical sophistication in banking that would have been considered impossible by the public a generation ago.

Recently, the annual number of turnovers of bank debts and demand deposits in New York banks has exceeded 400. Remember, there are 365 days and more than 65 legal holidays in most years. Taking that remarkable turnover rate into consideration, one may wonder how a daily balance of accounts is accomplished in New York banks!

Other financial centers have experienced high-deposit turnovers. Boston, Philadelphia, Chicago, Detroit, San Francisco-Oakland and Los Angeles-Long Beach have had demand-deposit turnover rates substantially exceeding 100 times a year since early 1976, and 226 other Standard Metropolitan Statistical Areas (SMSAs) have averaged more than 70 bank debt and deposit turnovers on an annual-rate basis!

The old South American bank tradition of not returning checks to customers now is being studied seriously in the U. S. It has been conjectured that if North American check writers could be conditioned to accept a computer printout or a microfiche—under certain circumstances—of their monthly statements, the cost of handling debit items could be reduced to perhaps as little as 20% of present costs.

The ABA has established a task force to study the ramifications of such basic hurdles that innovations in our payments system must overcome.

Naturally, the ramifications of such innovations spill over to banking's competitors, the financial intermediaries and merchants with in-house POS capabilities. They are not sleeping at the switch; they are experimenting with systems that can be compatible and competitive with bank ATMs and POS and ACH systems. Some involve interchangeable plastic cards, some involve passbook entry. Some are on-line, while others are off-line.

Manufacturers of electronic equipment have been equally innovative in devising techniques and solutions to actual or potential problems of security, privacy and customer accommodation. For example, one electronic device can detect forgeries of signatures more readily than can humans. Such devises—when tied to visual or audio scanners, profile programs and scrambling devices—should reduce many of the risks that now are simply a part of the cost of doing business.

"... it appears that the city banker is at odds with the country and community banker. ... This gives commercial banking's competitors the opportunity to 'run with the ball,' while commercial bankers are sidelined."

a step. If Latin American bank customers can accept such a system, why couldn't North American bank customers do likewise?

At least one U. S. bank already has "truncated" check handling and doesn't send canceled checks back to its customers. It employs a single-page statement with check reconciliations printed by computer. Should a customer require a check, either the document itself or a copy could be retrieved easily.

This is but a first step in the continuing, logical evolution of the automated clearing house (ACH): catching and stopping paper entries at the earliest point in the clearing system. It appears that the niche for paper entries is in irregular payments, while electronic giro payments are especially adaptable for regular payments. Some experts estimate that regular payments would account for 80% of all payment transactions.

It appears that public acceptance of EFTS and POS terminals is growing at a much faster rate than had been projected. However, a public acquiescence to EFTS probably is only one of the

Intermediaries that are active in getting their "piece of the EFTS action" include S&Ls and mutual savings banks. Some less likely candidates are credit unions and mutual funds.

Commercial bankers have been truly innovative in the last 15 years. They are continuing to experiment successfully in areas of widespread importance to society and themselves, and they are to be congratulated for their outstanding performance.

But they must not sit back on their laurels. Other financial institutions and organizations haven't been sitting idly by; they also have been innovative in implementing services their customers

First Tennessee Banks
The first Tennessee-wide banks.

With $2 billion in assets, First Tennessee is the biggest bank system between Atlanta and Dallas. First in size and first in correspondent capabilities. Both First Tennessee Bank N.A. Memphis (formerly First National Bank) and First Tennessee Bank N.A. Chattanooga have fully-staffed correspondent bank divisions. First Tennessee Banks. One new name for the first Tennessee-wide banks.

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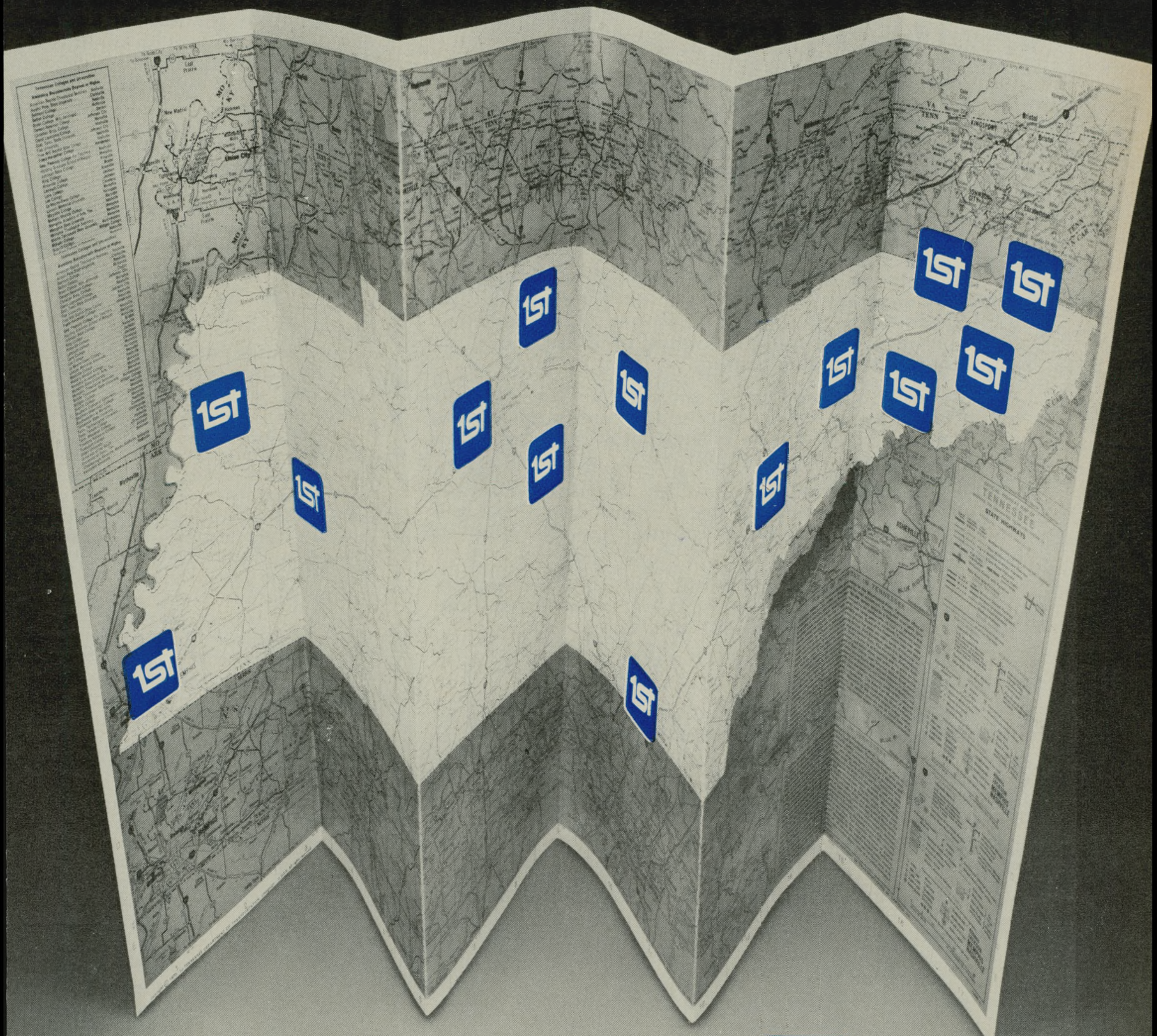

FIRST TENNESSEE BANKS

"The old South American bank tradition of not returning checks to customers now is being studied seriously in the U. S. . . . If Latin American bank customers can accept such a system, why couldn't North American customers do likewise?"

have accepted in great numbers, such as negotiable orders of withdrawal (NOWs), share drafts, credit cards and lines of credit tied to overdrafts. They also have been able to do something that, unfortunately, commercial bankers haven't been able to do: Agree among themselves that they will not restrict their own options and flexibilities in innovation.

Too often, it appears that the city banker is at odds with the country and community banker to the extent that legislation limiting the options of all commercial bankers is beng introduced and enacted into law with great regularity. This gives commercial banking's competitors the opportunity to "run with the ball," while commercial bankers are sidelined. • •

Letter To The Editor

To the Editor:

We hope your magazine might help us alert the banking community to a problem which is not only of serious concern to Rand McNally, but also a matter of potential financial loss and embarrassment to local banks and their community merchants.

We have heard of a number of banks that feel they have been "ripped off" by promotional schemes which might seem obvious and clumsy frauds were it not for one special element.

The way the scheme usually works is that a bank will be offered a quantity of a popular Rand McNally travel guide for premium use at little or no cost. The bank, however, is required to lend its support and endorsement to efforts by the promoter to sell to local merchants advertising space in a special supplement to the travel guide. Not all such promotions are fraudulent, of course, but in some cases careless or unscrupulous operators reportedly have collected substantial sums of money and then disappeared or have otherwise failed to perform as promised.

We fear that bank officials may be more easily led into such unsound ventures simply because our company's name and product are involved, and there is an association with Rand McNally's long history of reputable service to the banking industry. There also is the fact that, while Rand McNally does not itself participate in or offer this particular kind of premium promotion, there are legitimate and reputable companies that do.

Promotion managers and premium buyers for banks should be forewarned that if they are offered such an advertising sales-premium program (a) Rand McNally is not a party to the offer and (b) the credit record, financial standing and prior reputation of those making the offer should be carefully checked before the bank commits either its money or its prestige to the venture.

Sincerely yours,
Arthur L. DuBois
Vice President
Map Division
Rand-McNally & Co.
Chicago

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.

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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.

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Address____________________

City____________________

State____________ Zip________

UNITED MISSOURI BANK OF KANSAS CITY, N.A.

Rescue of Transit System by Bank Hailed by City Officials, Residents

FIRST PRIZE for "enlightened self-interest" was awarded editorially to Union National, Little Rock, recently by the *Arkansas Gazette* after the bank stepped in at the 11th hour to rescue the Central Arkansas Transit System.

The bank granted a loan of $461,000 to the transit system to enable the system to meet expenses for the balance of 1976, pending receipt of federal aid expected early this year. The loan was granted after an expected loan, to have been participated in by seven local financial institutions, failed to materialize.

Union National's action was hailed by local officials as "a brilliant, inspired stroke of public relations" by the local press. Members of the Metroplan Transit Policy Board also praised the bank's action. "What do you say to the guy who just saved your life?" asked one board member. Another cited the bank's loan as "a great positive gesture."

Even the public came forward to express its appreciation. Six "pickets" paraded in front of the bank for eight hours carrying signs that said nice things about the bank. One sign, typical of the others, carried this message: "A savings in UNB is a savings for CAT and the people." Another sign proclaimed that people who put their savings in accounts at Union National made good investments because the bank's directors made an investment in people.

When the loan announcement was made, Bob Connor, Union National's executive vice president, said, in part: "We recognize and acknowledge our responsibilities, as citizens and as a leading financial institution of the area, to help Metroplan, the cities and county and the people who need this system overcome the present money crisis."

The *Arkansas Gazette* summed up the praise the bank gained by its gesture in these words: "You can't buy that kind of good will." • •

In Houston:

Bank Receives Award For Service to Minorities

The United Negro College Fund has given its Fred D. Patterson Award for 1976 to Port City Bank, Houston, for its service to the minority community.

Besides having an aggressive minority loan policy, the bank takes part in the support of a number of minority oriented organizations: the Greater Jerusalem Baptist Church and Gospel Melody Crusade and the United Negro College Fund.

In addition, the bank has helped in the development of minority youth through the establishment of its Barbara Jordan Scholarship. A part of the bank's 30th anniversary celebration, the $3,000 award was presented by U. S. Representative Jordan to the student selected as most worthy from candidates from a number of area high schools.

Frank Azzarello Jr. (c.), s.v.p., Port City Bank, Houston, accepts United Negro College Fund's 1976 award for service to minority community from Earl Loggins and Patricia Pearsall. Bank was cited for aggressive loan policy, participation in minority events, establishment of minority scholarship.

Public Tested:

Health Fair's Popularity Earns It Yearly Status

Capitol Bank, Chicago, held a two-day Health Fair recently, which encouraged visitors to come to the bank and be tested for diabetes, hypertension, blood pressure and glaucoma, at no charge. And, a bank spokesman says, due to the fair's popularity, it will become an annual event.

The intent of Capitol Bank was to extend health services to many of its neighbors who otherwise might not have had access to those services. But the response to the program was greater than expected, the spokesman states. Every diabetes appointment was taken, 300 glaucoma tests were administered and long lines of people passed through the blood pressure and hypertension test stations, he says.

A customer of Capitol Bank, Chicago, takes part in Health Fair, two-day event at institution during which area residents could be tested free for glaucoma, diabetes, blood pressure and hypertension. Fair proved so popular, a bank spokesman says, that it will become an annual event.

Not for Profit:

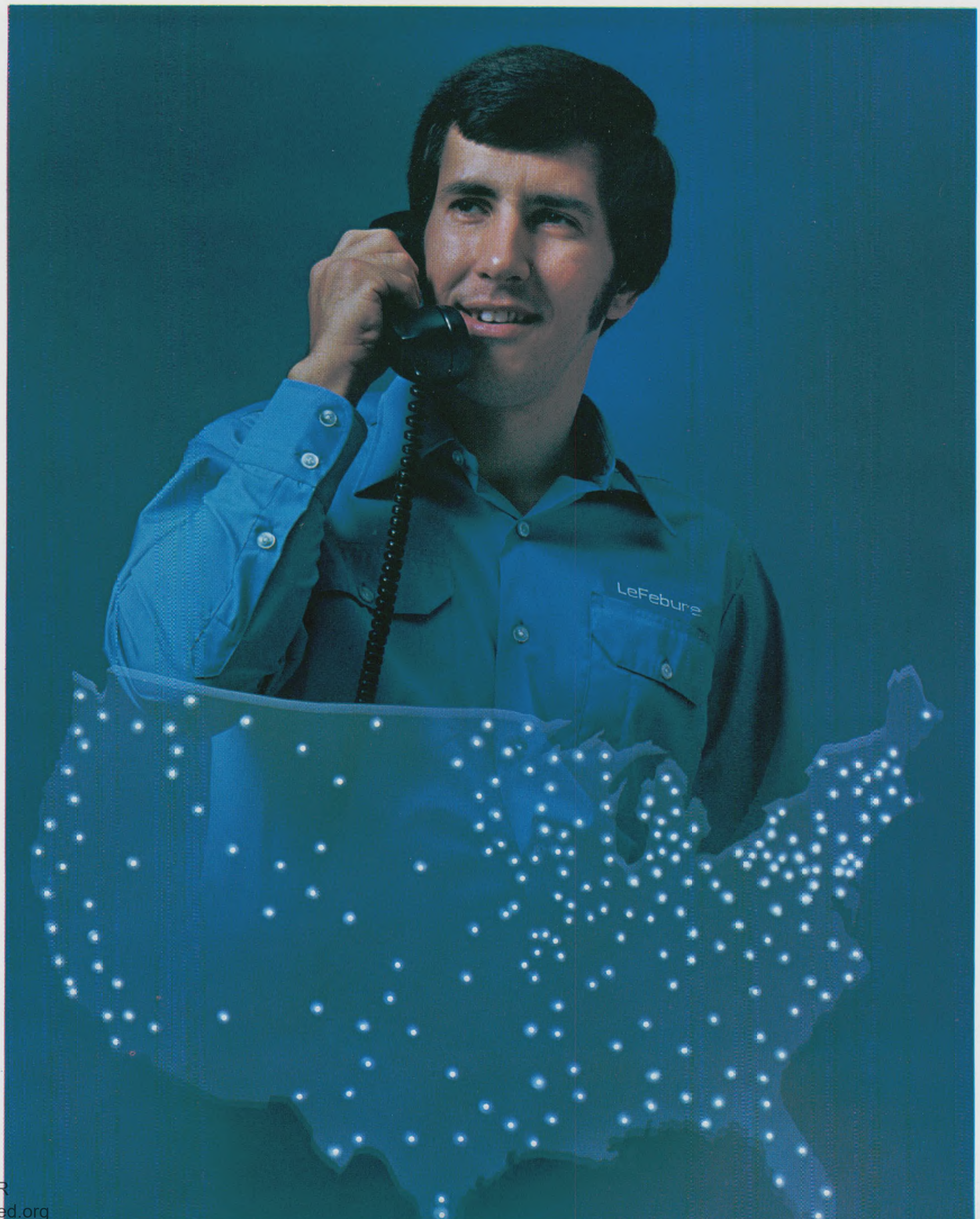
Substandard Properties Targeted by Subsidiary

BankAmerica Corp., San Francisco, has announced plans, subject to Fed approval, for a new subsidiary that will engage in purchase and restoration of abandoned and substandard properties to provide middle-income urban housing.

The subsidiary, which will be called BA City Improvement and Restoration Program Corp., will concentrate its efforts initially in East Oakland, Calif., a city in the San Francisco area. The subsidiary will purchase and rehabilitate about 30 houses and place them on the market at a modest price. In addition, an HC spokesman notes, the new unit will operate essentially at a break-even level, with no profits accruing to BankAmerica Corp.

The HC's efforts in the project will be a partnership of private industry and neighborhood concerns. The subsidiary will receive about $300,000 in capitalization and lines of credit to begin operations, the spokesman says.

Kyhl Smeby, senior vice president and administration group head for Bank of America's southern California operations, has been named president of the planned HC subsidiary and will continue in his other position. Mr. Smeby has been with the bank 37 years.



LeFebure

Youth Market:

Window on Akard Street Plugs Walk-Up, Hours

"A Window on Akard Street" not only is the street-level facility of First National, Dallas, it's the theme that has been used to promote the walk-up.

Featured in newspaper and radio ads, the promotion was aimed at a young market. Ad copy stressed walk-up convenience and accessible banking hours (7:30 a.m. to 6 p.m.). The promotion was handled by Tracy-Locke Advertising & Public Relations, Dallas.

One-Day Event:

Community-Bank Marketing Is BMA Seminar Topic

The Bank Marketing Association has announced that it plans to sponsor a one-day "Community-Bank Marketing Seminar" on March 9 at Kansas City's Marriott Hotel. The seminar will be directed at banks with assets of $25-$200 million.

The program has been designed for the community banker who has marketing responsibilities on a limited or part-time basis. The latest "hot" topics and "how-to" techniques will be featured.

Areas of concentration by speakers will be marketing research, radio advertising, premiums, EFT and marketing to the agricultural market. Emphasis will be placed on helping the community banker get the job done in a minimum of time and with a small financial investment.

The program's format will be morning presentations followed by question-and-answer sessions, while afternoon activities will be interaction sessions for idea exchanges among participants.

On hand as guest speakers for the seminar will be James H. Donnelly Jr., professor of business administration, University of Kentucky-Lexington, and E. Laird Landon Jr., associate professor of marketing, College of Business & Administration, University of Colorado-Boulder.

For more information on the "Community-Bank Marketing Seminar," write Education Department, Bank Marketing Association, 309 W. Washington St., Chicago, IL 60606.

Constant-Payment-Factor Innovation Expected to Blunt Criticism of VRMs

THE ADOPTION of broad-scale variable-rate mortgages (VRMs) in the U. S. has been stalled by widespread criticism that they may restrict, rather than increase, the availability of mortgage credit to lower and middle income groups while failing to curtail a financing gap that causes many families to forgo owning homes.

But an innovative type of VRM—one with a constant-payment factor designed to reduce the financing gap—offers potential benefits to many borrowers and lenders, according to William R. McDonough, author of an article in the Dallas Fed's *Business Review* for December, 1976. Mr. McDonough is a Fed economist.

He says VRMs are a means of improving the functioning of mortgage markets during periods of inflation.

Most mortgage funds are provided by specialized institutions that obtain loanable funds through short-term deposits. Portfolios of these institutions typically consist of a substantial percentage of long-term loans. During periods of unanticipated inflation, yields on portfolios tend to fall below current interest rates and returns to mortgage specialists are too small to allow them to compete for short-term deposits.

Variable-rate mortgages can alleviate this problem, according to Mr. McDonough, by allowing the mortgage rate to change over the term of the loan. This is done by indexing the mortgage rate to an appropriate reference rate that reflects the current market cost of funds.

Thus VRMs have an advantage over fixed-payment mortgages, Mr. McDonough says, in that interest revenues can be structured to provide lenders with satisfactory profit margins, allowing them to compete more readily for funds. As a result, a more stable supply of funds is available to support housing.

However, he continues, standard VRMs do not reduce the financing gap, which results when anticipated inflation increases monthly payments relative to family income in the early years of the mortgage. Monthly payments are increased because interest rates include a premium to compensate for anticipated inflation.

From his examination of the experiences in Canada and the United Kingdom, where use of VRMs is long established and widespread, Mr. McDonough concludes that the financing gap detracted from the potential benefits of variable-rate financing.

A solution to the problem, he says, is the constant-payment-factor VRM. This mortgage design provides not only a competitive return to lenders, but also a time profile of payments for borrowers, which diminishes the financing gap.

Features distinguishing constant-payment-factor VRMs from other fixed-term mortgages are:

- Payments start low, increase over time with prices, family income.
- Separate interest rates are used to compute payment levels and interest charges.

The interest rate used to compute payment levels is called the constant-payment factor. This factor can be chosen to approximate the real, or inflation-free, mortgage rate, which makes the first payment low enough to eliminate the financing gap. Interest charges, meanwhile, are determined by applying the current nominal interest rate, or debiting factor, to the unpaid principal.

As long as the difference between the two interest rates approximately averages out over time to the inflation rate, nominal monthly payments will increase at about the same rate as prices. And the real values of payments and outstanding principal will be about the same throughout the term of the loan as those of a comparable fixed-rate mortgage in a noninflationary environment.

The benefits that constant-payment-factor VRMs offer are offset somewhat by uncertainty about future monthly payments, Mr. McDonough says. If a family's income does not keep pace with inflation, pressure on its household budget would ensue, perhaps leading to delays in mortgage payments or even default.

Nevertheless, the author asserts, the constant-payment-factor VRM may be the best option for some borrowers and lenders in periods of inflation, because it reduces the financing gap while providing satisfactory profit margins to specialized mortgage lenders. • •

MAPEX Offers Its Services To S&Ls, CUs in Mo.-Ill. Area, Adopts 'Sure Pay' Trademark

ST. LOUIS—The Mid-America Payment Exchange (MAPEX) has announced that S&Ls and credit unions in the eastern Missouri/southern Illinois area now may join commercial banks in offering their customers EFT services through MAPEX. The exchange also has adopted the generic name "Sure Pay" to market its services.

The decision to expand membership in the exchange beyond commercial banks was made at a meeting of the MAPEX board. Under the program, customers can take part in services such as automatic deposit of payrolls and social security payments and dividends.

"Sure Pay," the generic name MAPEX has adopted for marketing its services, will include automated payroll deposits and prearranged transfers of funds. The name was chosen, a MAPEX spokesman says, due to its identifiability and to develop a greater understanding of the automated clearing house system.

MAPEX, which became operational last July, currently processes in excess of 90,000 payments monthly. Its operational area covers the eastern half of Missouri, southern Illinois and southwestern Indiana.

Group of Tulsa Bankers Plans City-Wide EFT Net Following Andersen Study

TULSA—A committee of nine bankers has released a first set of detailed plans for a cooperative, city-wide electronic banking system. The announcement followed a four-month study for 24 area banks by Arthur Andersen & Co., and was coordinated by the Tulsa Clearing House Association's steering committee on electronic funds transfer systems.

The study proposes services to be offered by ATMs and shared terminals at retail locations, as well as the network's functional requirements.

According to John M. Davis, assistant vice president, Bank of Oklahoma, and steering committee chairman, the next phase will be to solidify what services will be offered, agree to a conceptual design and list the specifics vendors must meet in order to be considered for the switch. The committee has solicited proposals from potential vendors and will allow manufacturers about one month to submit bids.

Mr. Davis says the system is expected to be functional by 1978.

Initial services that have been suggested by the report are check guarantees, credit card authorizations, POS funds transfers and shared ATMs.

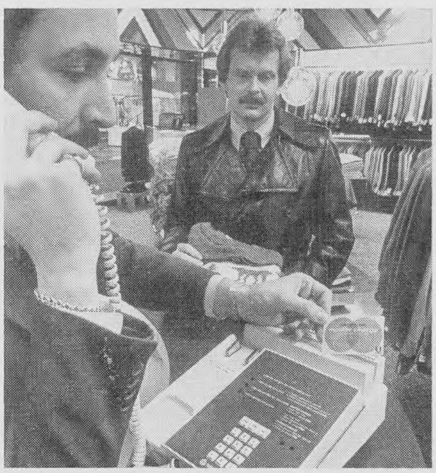
Credit card authorizations already are being handled electronically at a number of department-store chains in the area, Mr. Davis reports. But, he adds, they only can check in-store cards against their own records of customer transactions—bill payments and current balances.

Also recommended by the study were measures to ensure security and privacy of transactions for the consumer.

Besides Mr. Davis' bank, institutions represented on the steering committee are First National, Republic Bank, Fourth National, Bank of Commerce, Boulder Bank, Guaranty Bank, Utica National and F & M Bank.

Transaction Telephone System Activated by Continental Bank

CHICAGO—Thirteen Chicago-area merchants have signed contracts with Continental Illinois National for participation in a "transaction telephone" system that will provide automated check and credit verification through a link with the bank's electronic POS network.



Chicago retailer is shown using new transaction phone linked to Continental Bank's electronic POS system. Phones offer 20-second computerized credit authorizations on purchases made with Master Charge cards. Check verification is also provided to holders of Continental debit cards plus cards from five other Chicago-area banks—Avenue Bank, Oak Park; Glenview State; National Security and Pioneer banks, Chicago; and Skokie Trust.

The retailers are said to be the first to use the system, which the bank developed and has been testing since last summer. The transaction telephones offer computerized, voice-response telephone authorization for credit and check purchases and represent another phase of the bank's POS network that also includes electronic terminals.

The bank has installed 33 transaction phones in the 23 retail locations represented by participating merchants. Several hundred additional phones are expected to be installed this year.

Because the transaction phone operates on regular phone lines as opposed to private leased lines, the merchant using the transaction phone will have the flexibility to access any charge card or debit card network offering electronic message authorization services, in addition to Continental's network.

'Electronic Paychecks' Offered by OC Firm

OKLAHOMA CITY—The salaried employees of the Macklanburg-Duncan Co. (M-D) reportedly have become the state's first corporate employees to have their paychecks processed electronically and deposited directly to individual bank checking accounts.

The program, which is coordinated by Liberty National, works this way: The firm's employees grant permission for automatic deposits each payday. M-D prepares a magnetic tape of all participating employees and their banks and delivers the tape to Liberty National. The bank then balances the entries and credits the accounts of M-D employees who bank at Liberty National.

A magnetic tape then is prepared for all other M-D employees and delivered to MACHA—the Mid-America Automated Clearing House Association—in Kansas City. MACHA balances and validates the remaining entries, sorts them according to bank and sends magnetic tapes or paper journals to those banks.

On paydays, participant employees receive "payslips" rather than paychecks. This, a bank spokesman says, is the employees' guarantee that their money is available for immediate use.

Currently, 14 banks in the Oklahoma City area are involved in the M-D/Liberty National direct payroll deposit program. In addition, Liberty National serves M-D's sales force in 40 states with wire transfer payroll processing.

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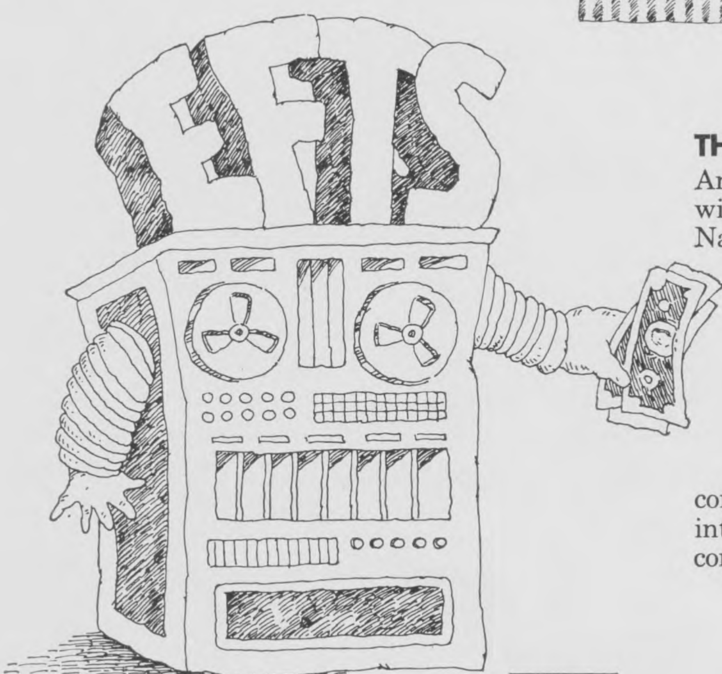
Our people are real, live, experienced correspondent professionals, with years of correspondent banking behind them. They aren't management trainees or just goodwill ambassadors, so they can okay loans or services—like our new EFTS services—on the spot. Without going through unwieldy, time-wasting committees.

WE CALL YOU BY NAME. NOT BY PHONE.

You see, National Boulevard believes in person-to-person, eye-to-eye contact with the management of every correspondent bank. Right there at the correspondent bank. So things get done faster, friendlier.



THE FUTURE STARTS TODAY.

And now our individualized services will be better than ever, because National Boulevard is ready for EFTS. Electronic Funds Transfer Systems. For instance, our Central Information File is capable of transmitting information to correspondent banks. Soon, checking and savings accounts will be on line. Then, step-by-step, every correspondent service will be fully integrated into the system for more convenient, better banking.

NBb

The bank for the New Downtown

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OF CHICAGO

400-410 North Michigan Ave., Chicago, Ill. 60611 Phone (312) 467-4100 Member FDIC

Agricultural News

Stronger Market for Cattle Prices Foreseen by Livestock Economists

By ROBERT F. ANDERSON
President
Farmers Grain
& Livestock Corp.
West Des Moines, Ia.

THE YEAR 1975 was the one that turned the cattle cycle around. This year should be the one that starts cattle prices on a sustained upward march.

That's the nutshell view as seen by livestock economists at my firm (FGL). It's in tune with observations by most private, livestock industry, U. S. Department of Agriculture (USDA) and state extension analysts.

The consensus is that cattle prices this year will move appreciably above depressed 1976 averages and rise further through the later '70s. Quotations by 1980 should climb substantially above the best annual averages ever seen.

The key element in the outlook for stronger markets is the prospect for a record decline in availability of beef per person. Additionally, consumer demand is expected to rise. Inflation is as certain as death and taxes.

What's happening is that the cattle cycle is shifting gears! The national herd climbed from 1967 through 1974 and now is retracting. From 1967 through 1974, cattle and calf slaughter held mostly between 39 million and 41 million head per year. These rates were low in relation to herd size, and the inventory rose from 108.8 million at the cycle's low point January 1, 1967, to an all-time peak of 131.8 million in early 1975.

Beef consumption per person was able to increase in most years, rising from 106.5 pounds in 1967 to 116.8 pounds in 1974.

Turnaround in the cycle came in 1975. Cattle and calf slaughter zoomed to nearly 47 million head. That was enough to reduce the following January 1st inventory for the first time in nine years.

The cycle shift actually had its origin in 1974's combination of unfavorable developments: sagging cattle prices, poor range conditions, short feed grain and soybean crops and record-high feed costs. The resulting severe financial squeeze on ranges and in feed lots triggered the herd liquidation that's still continuing.

The 1975 slaughter boost lifted that year's beef intake per person to more than 120 pounds, highest ever. Then, last year's record kill provided a new peak of nearly 129 pounds of beef per person.

Especially significant in the past couple of years' big kills have been the heavy culling of cows and a smaller holdback of heifers for replacement. The apparent result is a slide of about one-tenth in the nation's beef cows. This will put limits on beef-production capacity in the years just ahead.

Estimates of the latest January 1st declines in cow and all cattle numbers are key parts of the USDA's February 2nd annual report on cattle inventories. These figures will provide new guides to the years ahead.

Preliminary figures indicate an inventory decline of more than 10 million head the past two years. Analysts across the board expect further liquidation in 1977. Most look for the herd to stabilize or start expanding next year.

"Our crystal ball shows cattle slaughter will decline about 6% in 1977, with most of the drop coming from smaller kills of cows and nonfed steers and heifers," predicts Howard Madsen, American Meat Institute (AMI) economist.

He believes, however, that next winter's cattle-calf inventory still will fall to about 117½ million head from about 121 million this year. Mr. Madsen also expects beef consumption per person to drop about six pounds this year and continue downward the next several years.

Going farther out on a limb is Bruce Ginn, head of the USDA's Western Livestock Marketing Project. His recent research indicates slaughter might drop every year through 1980.

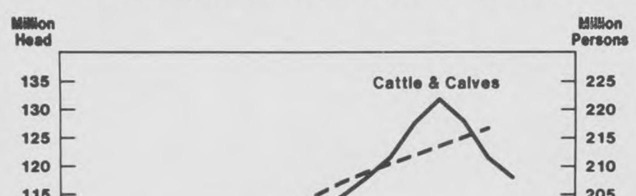
"Considering the supply curve of the past 12 years," says Mr. Ginn, "beef consumption in 1980 would be forced under 110 pounds per person." The drop from nearly 129 pounds last year would be, by far, the steepest on record.

Reduced beef supplies point to higher cattle prices. As in any cattle cycle, the price uptrend won't be smooth. It's sure to have its share of ups and downs that will test the skills of even the best managers and whipsaw the profits from beneath many unwary producers.

There will be many times when the best action for feed-lot operators, herd owners and agricultural lenders will be to "hang loose" and ride with the upward market.

Certainly, there will be other times

CATTLE NUMBERS AND U.S. POPULATION



American Meat Institute

JANUARY 1 CATTLE NUMBERS (million head)

American Meat Institute

when lenders will want their borrowers to use high futures prices to protect both borrowers and lenders against sharp market reversals.

The trick will be to know when to hang loose, when to hedge, when to take advantage of dips in the markets to invest for better days ahead, when to start pulling back on the reins.

No one has all the right answers to such "when-to" questions. However, there are clues, and there will be signals to look for. People who develop the proper insight will be in the best position to spot them and take the most profitable action.

First, know the main reason *why* livestock economists expect cattle prices to start rising this year and why they predict a basically bullish market through the late 1970s.

No. 1 on the list is beef per person. America has become a beef-eating nation accustomed to getting more and more beef. Last year's record more than doubled rates of the early 1950s.

When beef supplies slip, cattle prices start to climb—even when other meat is ample. Consumers gripe about paying more for beef, but they usually pay higher asking prices until these prices really go "out of sight."

"An element that could really bolster cattle prices this year is strong demand. The kind of tax cuts, tax rebates and extra jobs being urged by the Carter Administration would give consumers more spending power, some of which . . . would be used to raise demand for meat."

There aren't many *annual* examples of this, simply because average beef intake has been forced down only six times in the past 26 years. But each time beef consumption did drop, cattle prices rose.

More significantly, when beef supplies per person dipped as much as they might this year, cattle prices have exploded!

The most recent example is 1973. U. S. beef intake fell 6½ pounds per person. Choice grain-fed steers zoomed 24% over 1972 on the average—in spite of government meat price controls. A 1971 dip of less than a pound sparked a 10% cattle price rise.

A beef drop like 1973's is possible in 1977. A 24% price hike would mean choice steers *averaging* $48 for the year!

"Don't expect 1977 prices to average this high," cautions Carl Stewart, FGL analyst. "Consumers also had to put up with a steep cut in pork supplies in 1973. By contrast, pork production will rise sharply this year. It could lure some demand away from beef if the latter's prices rise sharply."

All in all, FGL is not as bullish on 1977 beef prices as the rest of the industry. We feel friendly toward 1978.

Nonetheless, higher average fed-cattle prices than last year's is the universal prediction for 1977. A mid-$40s annual average up from 1976's $39 average catches the viewpoints of most livestock economists.

Summer is developing as the best candidate for the year's strongest market. National beef production then might be one-tenth below last July-September's all-time peak for any quarter in history.

Most analysts agree that the most to expect for choice steers in summer is the upper $40s. But Ray Daniel, who forecasts farm prices for Chase Econometric Associates, Inc., believes July-September prices could *average* $48 to $49. This would imply peak rates above $50.

An element that *could* really bolster cattle prices this year is strong demand. The kind of tax cuts, tax rebates and extra jobs being urged by the Carter Administration would give consumers more spending power, some of which presumably would be used to raise demand for meat.

It's important to keep in mind, however, that cattle prices don't rise consistently even during a long market uptrend. Recent history is full of examples where feedlot operators have become too optimistic—and overloaded markets with price-plunging supplies.

Slaughter of range cattle also could be surprisingly high in 1977. "Cattle slaughter is especially sensitive to the weather," points out AMI Economist Howard Madsen. "Limited and expensive forage supplies contributed to the continued high cow and calf slaughter in 1976."

Forecasts of a sizable cutback in 1977 range-cattle slaughter assume favorable grazing conditions. Ample grass is far from certain. After many months of dry weather, grazing prospects are much worse than they were last winter.

If soil-moisture conditions don't improve substantially in the months ahead, range-cattle slaughter might stay surprisingly high. The extra beef could put a lot more pressure on summer and fall markets then otherwise expected.

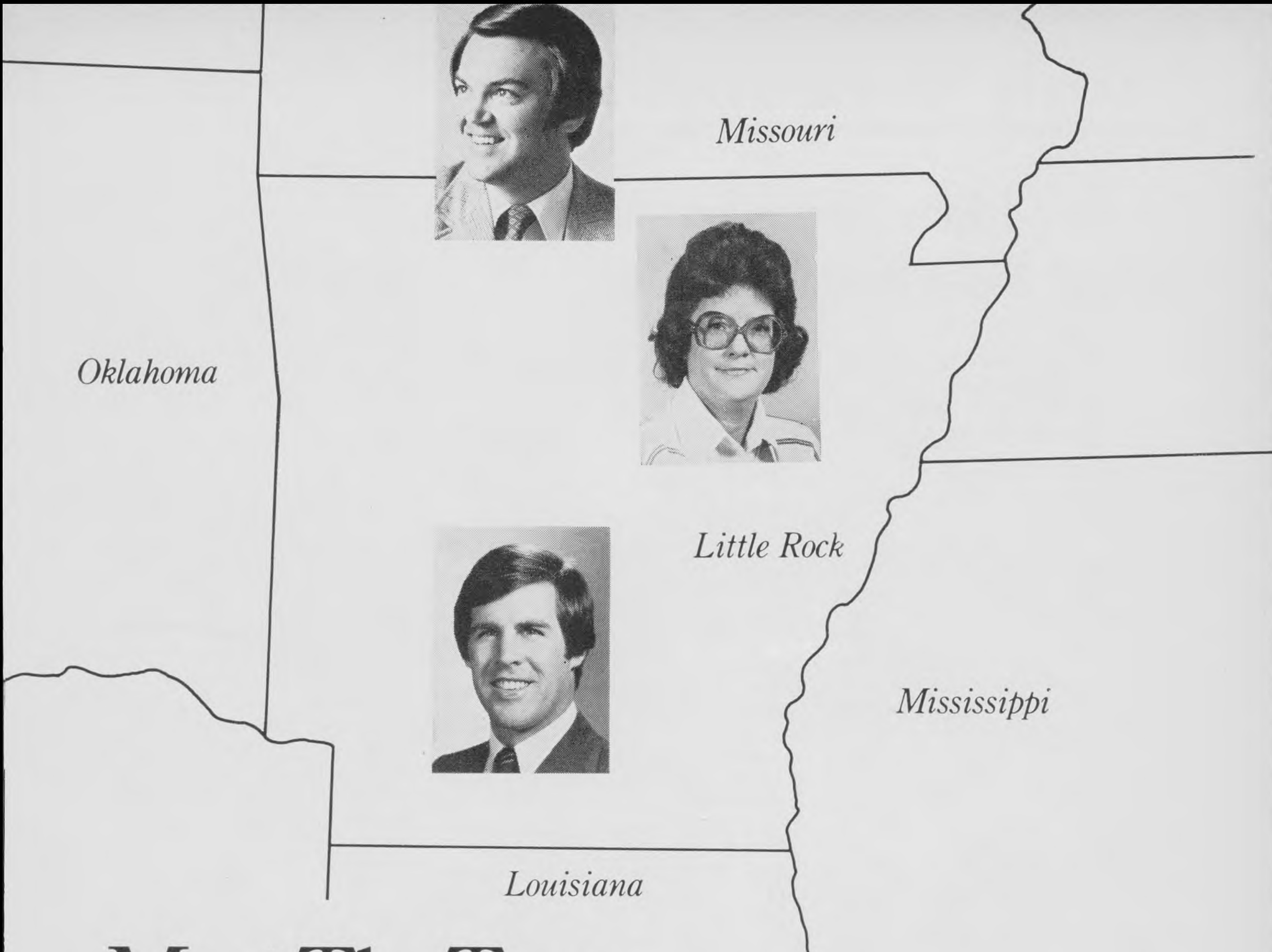
Movement of cattle into feedlots also needs to be watched closely. If the USDA's monthly cattle-on-feed reports show big increases in feed-lot placements, consumers might still get rather abundant grain-fed beef supplies throughout the year.

If analysts who predict choice steers near $50 in summer are right, live-cattle futures will need to advance considerably from mid-January rates. Experience shows that a shift to widespread bullishness in traders' attitudes could lift futures quotations to excellent hedging levels.

The latter situation may be particularly pertinent if a real bull market is followed by a shift to heavy weights in the feed lot and a slug of cattle from parched ranges.

Wray Finney, American National Cattlemen's Association president, sums it up this way: "Widespread drought could keep herd liquidation and beef supplies high for the short term. But if beef producers don't start recouping their losses soon, more producers will be forced out of the cattle business, and consumers eventually will find much less beef available at much higher prices."

How much higher? Substantially, according to at least one analyst, James J. Galvin of W. R. Grace & Co. His "working figures" include annual averages above $50 for choice grain-fed steers in 1978 and 1979. His 1980 working figure is above $60. • •



Meet The Team That Gives You The Edge.

Our banking experts are ready to work for you, bringing to your door an extensive portfolio of correspondent banking services that will give your bank the professional banker's edge you've been searching for.

Hubert Barksdale's responsibility will be Northern Arkansas, Missouri and Oklahoma, while Bob Thompson will have jurisdiction over Southern Arkansas, Louisiana and Mississippi.
Martha Mason, Correspondent Bank Officer with 13 years of banking experience joins our professionals and will be available at all times to respond to your inquiries.
Norman Farris, Executive Vice President and head of our correspondent banking program, works with our professionals—and with you—to make certain you receive the best services we can deliver.
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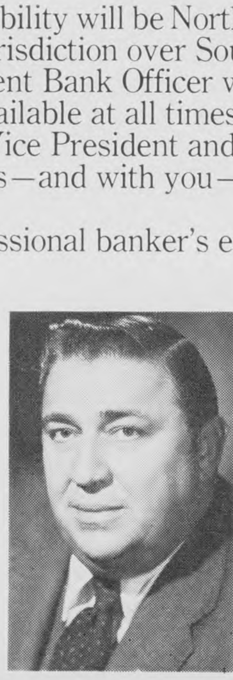

CNB Commercial National Bank
OF LITTLE ROCK

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Bank Investments

Outside Advisory Service Valuable To Small Bank's Portfolio Manager

By LOREN FRITZ
President
Cedarburg State Bank
Cedarburg, Wis.

A FEW years ago, dealing in financial markets was relatively simple for bank investment portfolio managers. Rates were stable; the country's fiscal policies were more or less predictable, and credit and loan demand fluctuated within understood boundaries.

Recent market volatility has changed all that, however, requiring more market expertise and more time to be spent by bank managers in monitoring their portfolios for maximum gain.

Cedarburg State, with assets of $29 million—like other banks across the country, both large and small—is dealing with these new complexities by going outside. We are turning to other banks and financial institutions for assistance in managing our investment account more efficiently and profitably.

In looking for outside investment portfolio advice, we found there are unquestionable differences among the services available, and no two banks would have the same experience with any one of them. However, the relationship we have with our advisers and the results we have achieved may be helpful to the banker considering such a move.

Our decision to seek professional assistance was made on the basis of three factors:

• Our officers lacked specialized investment training, without which, we felt, we could not manage our portfolio adequately.

• Staff members did not have time to stay on top of investment conditions on a full-time daily basis. We all had other responsibilities.

• We knew our portfolio assets, if properly managed, were great enough to contribute significantly to our earnings. If we were to maximize our return, our portfolio had to be managed as efficiently and profitably as possible.

Teamwork Approach. In 1973 we signed with the Continental Bank, Chicago, portfolio advisory service. We have found its approach to be a coordinated, comprehensive system for continuously generating quality ideas oriented to our specific objectives and needs. With Continental's help, we have been able to interpret and apply opportunities in the national money and capital markets. And we have been able to more properly integrate our portfolio with our structure of loans, deposits and capital.

A real plus in Cedarburg State's relationship with our advisory service has been the teamwork involved between our bank and the Continental people. They operate in a consulting environment, and whether we accept their advice depends on the level of teamwork and trust that has been built up between us. Without this type of cooperation, a bank, I am convinced, could do its portfolio and overall asset-liability structure great harm. Portfolio management cannot be performed in a vacuum with the primary objective being simply to outperform markets.

One of the most important steps in a bank's affiliation with a portfolio advisory service is the initial portfolio analysis. Continental started our relationship by analyzing not just our portfolio, but our asset-liability structure as well, to identify cash-flow and earnings characteristics. The goal was to see at what point income considerations could be balanced with liquidity requirements to improve our overall performance.

The analysis determined the timing, magnitude and duration of seasonal and cyclical liquidity requirements. It incorporated a study of our interest margins to develop a structure for investments that reflects both liquidity and income needs.

The analysis gave direction to our investment portfolio, and, through careful and judicious management since then, we have achieved some positive results. The contribution of investment earnings to total income has jumped from 31.8% to 38.8%, while total investments have remained at about 35% of total assets. The ratio of loans and investments to total bank assets has remained constant at around 90%. Yields are up dramatically, and average maturities of investments actually are shorter today than they were three years ago.

Tangible Results. To give a clearer picture of what we have been able to accomplish, and what other banks might hope to accomplish through outside management, consider Cedarburg State's tangible gains:

• Investment yields: The average yield of U. S. Treasury, federal agency and municipal investments in our portfolio has improved markedly, up from 6.99% in 1973 to 8.14% at year-end 1975.

• Many bankers simply wouldn't have spotted the swap opportunities and other market shifts that Continental did in time for profitable action. Some of the best investment opportunities are quick blips in the market and may be gone in minutes. We have an advantage in that Continental is on top of market conditions all the time, watching for us—something many banks aren't doing or can't do for themselves.

• Liquidity planning: There have been consistent improvements in our ability to meet deposit withdrawals associated with disintermediation and to fund increases in higher-income loans through the liquidity segment of the bank's securities portfolio. For example, during 1974 the liquidity portfolio was heavily drawn on to fund various loan requests in the local trade area.

• Income planning: We've been assisted in planning the amount of security gains/losses and taxes consistent with year-to-year net-income objectives.

• Return on assets: By identifying and managing a liquidity portfolio and an income portfolio, we have been able to improve our profits without sacrificing liquidity or portfolio flexibility. Return on average total assets has increased from 1.25% in 1973 to 1.38% in 1975.

Our experience may not be typical of a bank going outside for portfolio-management assistance. I feel we have been particularly fortunate in developing the kind of relationship we now enjoy with our adviser and in the quality of service we're getting.

But no matter which service a bank chooses, one thing should hold true: For the banker who feels he has neither enough time nor enough expertise to manage his bank's portfolio himself, the advisory service can be a valuable partner in portfolio management. • •

"In looking for outside investment portfolio advice, we found there are unquestionable differences among the services available, and no two banks would have the same experience with any one of them."

Corporate News Roundup

HACKAMACK

GOETSCH

CARLTON

WILKIN

NORDWALL

• **Doane Agricultural Service, Inc.** J. W. Hackamack has been elected president of Doane Agricultural Service, St. Louis, succeeding Forest L. Goetsch, who has become chairman. Mr. Hackamack was manager of the firm's Farm & Ranch Management Division. Mr. Goetsch served as president since 1970 and will assume responsibility for developing the firm's growing international operations. Three new division managers have been appointed. Marvin Nordwall succeeds Mr. Hackamack, John Wilkin has been named manager of the Publications Division and Dub Carlton is manager, Marketing Research Division.

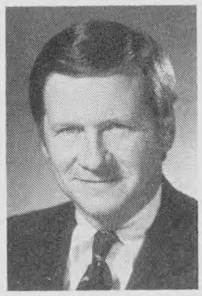
WEARSTLER

KING

• **Diebold, Inc.** Earl F. Wearstler, vice president and general manager, Bank/Systems Division, Diebold, Inc., Canton, O., has been elected to the board, filling the vacancy created by the death of Gustave L. Levy last November. Gilman R. King has been appointed to the newly created position of assistant general manager, Bank/Systems Division. He was formerly director of corporate development.

• **Alan B. Eirinberg & Associates, Inc.** Alan B. Eirinberg has left Exchange National, Chicago, to found Alan B. Eirinberg & Associates, Inc., Chicago, a marketing/consulting firm serving the financial industry. Mr. Eirinberg served Exchange National as senior vice president in charge of marketing. He will continue to serve the bank on a consulting basis. He had been with the bank for more than 12 years. Mr. Eirinberg is a director of the Bank Marketing Association and is a former president of the Chicago Financial Advertisers and the Chicago Metropolitan Chapter, BMA. He also is a former treasurer of the Chicago Association of Direct Marketing.

EIRINBERG



LEONARD

• **Lawrence Systems, Inc.** James H. Leonard has been elected chairman, succeeding Louis E. Tippet, who is retiring. Mr. Leonard was formerly president of the San Francisco-based firm, assuming that title in March, 1975. He retains the president title. He has been CEO of the firm since December, 1975. Prior to joining Lawrence, he was with First National, Chicago. Richard H. Meckstroth, senior vice president, has been named head of the South Central Group of Lawrence regional offices and Wayne H. Frederick, vice president, is new Houston regional manager.

• **MGIC Investment Corp.** Robert E. Cantwell has been named account executive-secondary market services for the South Central Division of MGIC Investment Corp., Milwaukee. He is based in the Houston office and works in Kansas, Missouri, Arkansas, Louisiana, Texas, Oklahoma and New Mexico. He was formerly with Coldwell Banker, Dallas.

• **First Ogden Corp.** Robert W. Martin, CPA has been promoted to controller of First Ogden Corp., Naperville, Ill. He joined First Ogden in 1973.

BLENDER

• **Howard J. Blender Co.** Howard J. Blender, president, Howard J. Blender Co., Dallas, has been accepted as an accredited member of the Society of Professional Management Consultants. The firm is said to be the nation's largest exclusive bank management consulting firm.

• **Wantuck & Associates.** T. Otto Wantuck has formed a mobile home financing firm, Wantuck & Associates, with offices in Houston. Mr. Wantuck has 27 years' experience in mobile home lending with banks, S&Ls, sales finance companies and service companies. Primary function of the new firm, according to Mr. Wantuck, is to provide marketing, systems and administrative expertise to lending institutions engaged in, or planning to engage in, mobile home financing.

• **Talcott National Corp.** James Talcott, Inc., has concluded the sale of Talcott Computer Leasing, Inc., to EFM Computer Leasing, Inc. The sale consisted of all the issued and outstanding capital stock of Talcott Computer Leasing plus additional computer leases and equipment. EFM Computer Leasing is a member of the San Francisco-based EFM Group.

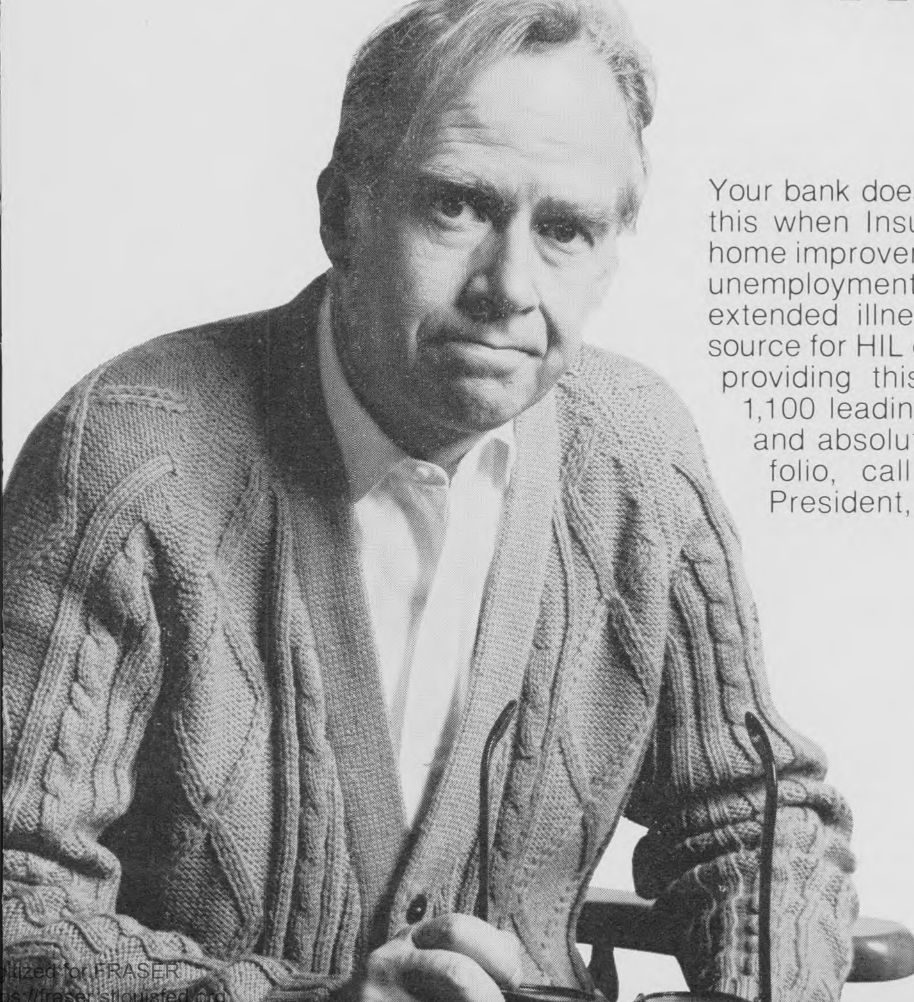
• **Associates Commercial Corp.** Barry S. Epstein has been appointed vice president-corporate development for the industrial division. He will be responsible for the development of business in the New York metropolitan area for the Chicago-based firm. He was formerly national sales manager for C.I.T. Corp.

• **NYTCO Services, Inc.** George F. Cole has joined the firm's Chicago office. A native of Maine, he has a background in the collateral control field. NYTCO Services is a division of Collateral Financial Services, Inc. NYTCO is headquartered in St. Paul.

• **Florida Software Services, Inc.** This Orlando, Fla.-based firm has promoted Nestor M. de Armas to vice president of finance. He joined the firm about a year ago and was secretary-treasurer. Before joining Florida Software, he was with Peat, Marwick, Mitchell & Co., a CPA firm.

“When I lost my job, I knew it would be rough. But I never figured I’d be out of work this long.

There’s no way in the world I can pay back my loan!”



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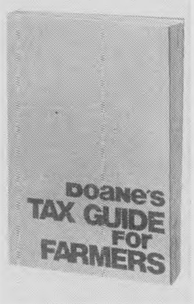
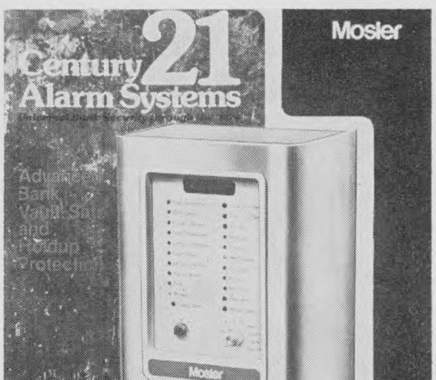
New Products and Services

• **Doane Agricultural Service.** A new "Tax Guide for Farmers," which includes provisions of the Tax Reform Act of 1976, has been published by Doane Agricultural Service, St. Louis. The 300-page guide has nine chapters covering tax management as a financial tool, managing income and expenses of the farm business, how to handle land and depreciable property, tax reporting and returns, social security taxes and benefits, tax aspects of farm business organizations and additional tax-saving principles. It's available at $10.95 per copy from Doane at 8900 Manchester Road, St. Louis, MO 63144.



• **Kennedy Sinclaire, Inc.** A booklet entitled "Protecting Your Land From the Federal Estate Tax" is offered by this firm. It is designed to alert farmers and ranchers to the fact that their estates are particularly vulnerable to federal estate tax problems despite the recent liberalization of estate and gift tax laws. The booklet shows how careful planning, coupled with the use of trust services, can help farmers and ranchers avoid needless losses and gain greater financial security for themselves and their heirs. Write: Mrs. Kathy Klaassen, Kennedy Sinclaire, Inc., 524 Hamburg Turnpike, Wayne, NJ 07470.

• **Mosler Safe Co.** A brochure describing a new alarm system—Century 21—is available from Mosler Safe Co. The system's plug-in flexibility is said to afford any size facility the protection necessary for its type of risk potential. The system is said to be easily adaptable to enable its protection capability to grow along with the facility being protected. The system is engineered to conform to existing requirements for UL-certified Grades AA, A and B security for both vault and safe protection. Write: Mosler Safe Co., Department PR-078, 1561 Grand Blvd., Hamilton, OH 45012.



• **Pitney Bowes.** A "fact-finding" approach to reducing mailing costs is used in a new booklet published by Pitney Bowes, Stamford, Conn. Called "24 Revealing Questions About Postage and Mailing," the booklet is said to contain much valuable information about postage practices. According to Pitney Bowes, the questions can help firms uncover hidden costs, and the booklet also offers tips on evaluating readers' answers to the questions and weighing them against what the firm calls "the many important benefits of metered mail." Write: Pitney Bowes, Walnut and Pacific Streets, Stamford, CT 06904.

• **American Bankers Association.** The ABA Trust Division has published two new reference guides for personal trust and tax administrators, trust operations personnel and attorneys and estate planners. Titles are "Outline of the Tax Reform Act of 1976 Provisions Affecting Trust and Estates" (#365301) and "Generation-Skipping Transfers in Trust" (#365302). A set of both publications (#365300) is available for $25 for ABA members and for $30 to nonmembers. They also are available singly. Write: Order Processing Department, ABA, 1120 Connecticut Ave., N. W., Washington, DC 20036.

• **National Association of Real Estate Investment Trusts.** The third annual fact book for the REIT industry has been published as a comprehensive reference source on the industry. The book reviews the financial highlights of 1975 and describes the lending and investing procedures of REITs. It is available for $1 per copy. Write: National Association of Real Estate Investment Trusts, 1101 17th Street, N. W., Washington, DC 20036.

• **Diebold, Inc.** The new Diebold surveillance system calendar clock ties together the identity of the bank customer, teller location where the financial transaction took place, time of day and date. In this way, says Diebold, any review of the transaction can pinpoint not only who was involved on both sides of the transaction, but establishes that the transaction did take place at a given time on a specific date. The manufacturer points out that the coordinated identification established by the surveillance system calendar clock can be of particular value in controlling forgery and bad-check passing. Write: Diebold, Inc., Canton, OH 44711.

• **Holbrook Merrill Co.** This firm is offering a line of sorting, transport and storage equipment designed for financial institutions. The line includes outgoing mail distribution units, incoming mail sorting and storage cabinets, mobile mail collection tubs, data pocket extenders for computer sorting equipment, computer printout carriers, check trays, racks and transporters and custom-built mail tray carts. For a free brochure describing the equipment, write: Holbrook Merrill Co., 1150 Kifer Road, Sunnyvale, CA 94086.

• **Actron, Inc.** This bank equipment manufacturer now offers solid-state indoor time/temp and time/date signs. Each sign features five-inch digits illuminated by electro-candescent lamps. The signs can be placed in lobbies or windows of drive-in facilities. The displays measure 24″ x 8″ and have faces of acrylic. A variety of colors is available. Write: Actron, Inc., 810 E. Crabtree, Arlington Heights, IL 60004.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You make a good impression on new customers and save valuable time when you open the account quickly and efficiently. Harland helps in many ways.
Harland offers a wide variety of beautiful and functional check styles to fit any need. These are exhibited in an exciting line of sales aids—quick openers—so your customers can quickly select a style that will make their checking account most enjoyable to use.
An easy-to-use order system gets the paperwork out of the way promptly, and fast turn around time (usually 36 hours or less in the plant) assures your customers of checks when they need them.
If you like the idea of quick openings—and happy customers—talk to your Harland Representative.
HARLAND
P.O. Box 105250 Atlanta, Georgia 30348

Personnel

ESOP Pitfalls, Misunderstandings Detailed in Harris Bank Study

BANKS and businesses that are setting up employee stock ownership plans (ESOPs) without considering their risks may find these plans both dangerous and expensive. So writes Paul Much in a Harris Bank of Chicago report called "ESOP? Caveat Emptor!" Mr. Much is corporate services officer in the bank's corporate financial consulting section.

The report details pitfalls and common misunderstandings of the increasingly popular deferred-compensation plan.

"Properly done," says Mr. Much, "an ESOP can be an extremely useful employee benefit as well as a means of serving the interests of both shareholders and creditors."

While an ESOP is first and foremost an employee benefit, he cautions, many are misled as to the plan's real economics.

"They consider it a new tax gimmick available to reduce financing costs," he continues, "because of the tax deductibility of principal payments on an ESOP loan used to buy stock.

"But if the ESOP is being undertaken primarily as a financing vehicle, this means new stock is being sold, and equity is an expensive form of financing. If the ESOP borrows to buy the equity, unlike any other equity issue, the investors' debt affects the company's debt capacity.

"Compared with a company borrowing directly, there may be definite cash-flow and debt-coverage differences due to employee put options on stock received on retirement. Also, since an ESOP's debt usually is considered an obligation of the company, use of an ESOP does not improve the creditworthiness of the company.

"As a financing vehicle, an ESOP does not improve a company's value to its shareholders. Share value relates to the profitability of the firm's investments, not its method of financing."

Mr. Much warns that long-run implications of the plans should be analyzed with the continuing advice of qualified financial, tax and legal experts.

The Harris report also gives these warnings on ESOPs:

• For employees, an ESOP carries risks not found in other profit-sharing plans, which typically hold a diversified portfolio of securities, while an ESOP puts all its profit-sharing eggs in one basket. Also, since distributions are made in stock and not cash, employees may face tax complications when they retire.

• While many believe that the legislative path has been cleared for ESOPs, numerous unresolved legal questions remain.

Information and sample copies of the report may be obtained by writing: Paul Much, Corporate Services Officer, Harris Bank, 111 West Monroe Street, Chicago, IL 60690. • •

What's an ESOP; How Does It Work?

WHAT is an employee stock ownership plan (ESOP), and how does it work? Paul Much answers both questions in Harris Bank of Chicago's report, "ESOP? Caveat Emptor!" Mr. Much, corporate services officer, corporate financial consulting section, describes an ESOP and its mechanics this way:

An ESOP is a qualified benefit plan under Section 401 of the Internal Revenue Code designed for the "exclusive benefit of the employees" and invests primarily in the common stock of the company adopting it. In its simplest form, the adopting company sets up an employee stock ownership trust (ESOT) and annually contributes—as a tax-deductible expense—up to 15% of its total payroll to the trust as deferred employee compensation. (In some cases, contributions of 25% of payroll may be considered as a tax deductible expense.) The ESOT then purchases employer stock from existing shareholders, holding it for the employees until retirement or other separation of service when it's delivered to them. This form (when the company does not receive new capital) is commonly called a "transfer-of-ownership ESOP."

Rather than purchase existing stock from other shareholders, the ESOT might purchase new stock (authorized, but unissued) from the company. This form is particularly attractive to growing companies because the ESOT provides a captive financing source. While such an ESOP increases the cash available to the company, it also dilutes outside shareholders' (non-employee) percentage ownership.

Unlike most other benefit plans, the trust can borrow to buy new or existing stock. In a "levered ESOP," the loan is repaid by the trust using the annual cash contributions from the employer. In most articles, authors point out that the tax deductibility of the contributions allows repayment of principal with pretax dollars, thereby lowering the cost of debt. This conclusion is misleading because the firm actually has raised equity at fair market value. The borrowing done by the equity purchasers (participants in the ESOP) represents a contingent liability of the firm.

The trusts maintain individual employee accounts and credit them with the employer's annual contributions with the individual credits allocated in proportion to eligible compensation. (Individual participants may be subject to a maximum of $100,000 eligible compensation. Using 15% of payroll contribution, the individual credit would be $15,000.) Employee income taxes on the ESOP contribution are deferred until the stock is delivered. At that time, ordinary income tax rates are applied to the market value of the contributions. Because this creates a tax liability to the employee without a concomitant cash inflow, most employees will have an incentive to sell at least a portion of the stock on retirement. If there's not a ready market for the company's shares, either the company or the trust may stand ready to buy back shares at the retiring employee's option (put option). Any appreciation in value would be taxed as a capital gain if and when the employee sells the shares.

Cash dividends paid to employee stockholders can be held in a separate account in the trust for the employees or paid directly to them. The tax treatment would depend on the option chosen.

The trust is administered by a committee appointed by the company's directors. Generally, the committee votes the employee shares held in the trust. However, in some cases, voting rights are passed through directly to the employees, or employee representatives may be committee members.

Shares involved in ESOP transactions must be bought and/or sold at fair market values. If a ready market does not exist, where a fair price can be determined quickly, an independent party should be employed to value the stock.

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Bankers: Alert Customers to Impact Of Tax Reform Act of 1976 On Their Financial Decisions

By RICHARD A. POWERS

THE TAX REFORM ACT of 1976 is the most sweeping tax legislation enacted since the Internal Revenue Code of 1954.

Its impact will be great, and virtually every type of taxpayer is affected —individuals, corporations, partnerships, estates and trusts. While taxpayers may feel that the "reform" aspects affect only the wealthy, implications of the law carry well beyond that particular impact. For example, the janitor who has acquired his own apartment building and sells it for a gain at retirement may be surprised to find that he has entered the privileged class of those paying a minimum tax.

Of particular importance to bankers is the fact that the new law will cut across numerous financial decisions made by customers. Increasingly, bankers are called on by customers for assistance in unraveling a simple decision that has been ensnarled in all-too-complex tax considerations. Of course, even greater assistance is provided by any guidance that will help a customer in achieving his financial objectives without adverse tax consequences.

This does not mean that a bank would replace a customer's lawyer or accountant in providing tax counsel. The point is that people come to banks to make financial decisions, and it would be a disservice to customers if the tax consequences of their decisions were overlooked.

The following areas will require review in light of changes made by the new law. Although this listing is by no means complete, it's intended to alert those in banking to the situations in which customers are likely to require assistance. While it's not appropriate for a banker to provide legal advice, he should be able to identify a situation in which a customer needs additional counseling.

I. INVESTMENTS:

Proper financial analysis involves a review of the after-tax return provided by an investment, and the new tax law has had a significant effect on this criterion for many groups of investors and investments.

a. *Capital gain:* A new holding-period requirement (nine months in 1977 and 12 months in 1978 and thereafter) has been imposed to obtain long-term capital-gain treatment on sale of an asset. Particular attention should be paid to sales that may occur shortly before or after December 31, 1977, since the tax treatment may, in certain cases, depend on the calendar year in which the sale occurs. For example, if securities acquired on March 1, 1977, were sold on December 31, 1977, the gain would be long term. However, under the 12-month holding requirement effective in 1978, retaining possession of the securities until January 31, 1978, would result in short-term-gain treatment.

The amount of ordinary income that may be reduced by capital losses is to be increased from the current limit of \$1,000 to \$2,000 in 1977 and \$3,000 in 1978 and thereafter.

The benefit provided in the taxation of long-term capital gains may be reduced indirectly, since one-half of the long-term capital gain is an item of tax preference. Tax preference may be subject to tax through the minimum tax or by reducing the benefit otherwise provided by the maximum tax on earned income, which is available to those having substantial income from earnings. The new law has revised these two forms of taxing preference items in such a manner that it's far more likely that the preference generated by long-term capital gain will result in additional tax liability. At a minimum, any professional or executive who utilizes the maximum tax (basically, those who earn more than \$52,000 per year) will incur additional tax liability for *any* tax preference that occurs.

This may make investments that provide a return in the form of long-term capital gain comparatively less attractive for certain individuals.

b. *Tax shelters:* Tax shelters were a specific target of the law, and the tax benefit available from virtually all such investments is affected. Real estate tax shelters were spared from the new provision limiting deductions, but other benefits formerly available to real estate and other investments in partnership form were eliminated. The attractiveness of tax shelter was further reduced by the harsher treatment of tax-preference items typically produced by such investments.

Revisions in taxation of participants in tax shelters are too numerous and complex to review in detail, but it's clear that no future commitment should be made to such an investment without an in-depth review of the new tax consequences. Likewise, disposition, either by gift or sale, of any current interest in a tax shelter should be carefully evaluated, since there may be significant tax consequences under both the prior law and the recent legislation.

It might also be noted that some individuals have created their own tax shelter in the form of a vacation residence, such as a condominium in Florida, which is rented during part of the year. The new tax law provides specific guidelines in the treatment of such in-

Richard A. Powers is a financial counseling officer in the trust and investment services department of Chicago's Continental Illinois National. He heads the department's six-year-old financial advisory service for executives, a comprehensive program of personal financial planning offered by Continental to corporations as part of its benefit package for executives. According to Continental, this is the only bank-sponsored counseling service of its kind between the East and West coasts.

"Of particular importance to bankers is the fact that the new law will cut across numerous financial decisions made by customers."

vestments, and their use should be carefully reviewed in light of the changes made.

c. *Investment interest deduction:* The Reform Act has made the standards for the deductibility of investment interest more stringent, although the effect of this provision is to postpone rather than eliminate a deduction for excessive investment interest. Essentially, for this rule to apply, an individual's investment interest must exceed his investment income by $10,000, but special provisions relate to debts that were in existence previously. Thus, it's most important that those involved in lending be aware of this impact on the deductibility of the borrower's interest payments when the loan is to be used to acquire an investment producing little current income.

d. *Miscellaneous:* Several other changes were made with regard to other forms of investment, such as municipal bonds or traded options, and the new provisions should be analyzed by those who may be considering such investments. With respect to the municipal bond mutual funds that have appeared as the result of the new law, investors will need guidance in assessing such factors as interest-rate risk associated with a new form of investment.

II. EMPLOYEE BENEFITS:

For many individuals, assets provided in the form of employee benefits, such as pension and profit-sharing plans, represent their largest personal resource. Tax implications of decisions made with respect to these plans are, therefore, most important since they could significantly affect the benefit derived by the employee. The Tax Reform Act has made several changes that relate to both the income-tax and estate-tax treatment of distributions from employee-benefit plans.

a. *Lump-sum distributions:* Favorable income-tax treatment is provided for lump-sum distributions from certain benefit plans, and the advantage has consisted of taxation of the distribution as capital gain and ordinary income subject to special averaging. The new law has given the taxpayer the option of electing to have the entire amount treated as ordinary income subject to the special averaging. This would permit a taxpayer to avoid the potentially adverse impact of the preference associated with the long-term capital-gain element.

Lump-sum distributions to an estate, however, may have a less desirable effect for federal estate-tax purposes after the Tax Reform Act. Basically, an individual must measure the income-tax benefit to his ultimate beneficiary against the negative impact of the lump-sum distribution to the estate. This is a somewhat complex analysis, and the matter could be simplified if the plan involved permitted the beneficiary to make the election so that an evaluation of the better alternative need not be made until the employee's death.

b. *Keogh plans and individual retirement accounts:* The new law also has provided a slightly more liberal contribution standard for individual retirement accounts maintained by certain married employees, and it has made a minor change in the provision for a minimum contribution to a Keogh plan. In addition, the form of distribution from these plans at death will, under the new law, determine their includability in an employee's estate for federal estate tax purposes.

III. RETIREES:

Those approaching retirement also should take note of the fact that benefits previously provided through the Retirement Income Credit and the exclusion of gain from the sale of a residence by a taxpayer over age 65 have been improved. In view of the expanding number of employees electing an early retirement, it's important that retirees do not overlook the benefit that may be available through delaying the sale of the family residence until after age 65.

IV. ESTATE AND GIFT TAXES:

Estate and gift taxation has undergone a drastic revision. Federal estate and gift taxes now have been unified with a cumulative tax structure. The former specific exemptions ($30,000 gift, $60,000 estate) have been replaced with a credit, and the amount of the credit will gradually increase from $30,000 in 1977 to $47,000 in 1981. The estate-tax marital deduction offers the opportunity to choose between the greater of 50% of the adjusted gross estate or $250,000, rather than simply taking 50% of the adjusted gross estate as previously had been the case. A revision also has been made with respect to the gift-tax marital deduction.

Changes also have been made in the manner in which gifts made within three years prior to death and joint tenancy property are to be taxed in an estate. Large estates, which previously may have been transferred from one generation to the next without federal estate taxation, now may be subject to a new tax on "generation-skipping transfers."

Under prior law, the basis of property passing to a beneficiary from a decedent was "stepped up" to its fair market value on the date used to value the estate. The new law provides that no step-up in basis will be allowed for appreciation occurring after December 31, 1976. For purposes of computing gain, the new law allows the basis of marketable securities to be stepped up to their fair market value on December 31, 1976, plus an allocable portion of federal and state death taxes applicable to the appreciation of the property. Special rules are provided for stepping up the basis of property other than marketable securities and for estates which include less than $60,000 of appreciated property.

Of course, in considering any revision in an individual's estate plan, it is most important that an attorney be consulted.

The foregoing summary is not intended to be a distillation of the new tax law or an analysis of all its components. It is intended only to alert bankers to the far-reaching impact of the Tax Reform Act of 1976. It's clear that the new law will have an impact on a number of financial decisions bankers will be discussing with their customers, and it's most important that assistance be provided in identifying and clarifying the effects of this new legislation. • •

Management Course for Women Sponsored by NABW, College

CHICAGO—A new bachelor's degree program in management is being sponsored jointly by the National Association of Bank Women, Inc., and Mundelein College here. The program is designed to help bring a "skirted" look to the vested, button-down collar image of the traditional bank executive.

The program in management permits women to retain their full-time careers while completing degree requirements. Sixteen women participated in the first of six two-week institutes recently.

Banks in the Chicago area with participants were First National, Northern Trust and Harris Bank.

The program is designed to bridge the gap for those women bankers who often achieve in-depth specialization in one area but lack the broad background in management needed for advancement into higher-level positions.

The T-Bill Futures Market —A New Financial Tool for Banks

By TULLY R. DAVIA
Interest Rate
Futures Specialist
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COMMODITY FUTURES have been utilized as a hedging medium by commercial interests for over 100 years in the United States.

Most of this hedging heretofore has been done by producers and retailers in the agricultural sector of the economy. Producers of grains and marketable animals have found it useful to be able to lock in prices that often are very volatile when products are left to be sold in cash markets. Processors and retailers have been able to hedge increasing costs of raw materials through hedging price increases in these futures markets. Over the years, the agricultural, metals and forest products industries have been able to divest themselves of market risks through use of futures markets. In recent years, utilization of futures has been widened to encompass financial investments.

Four-and-a-half years ago, the Chicago Mercantile Exchange (CME) began trading foreign currency futures, developing a market in eight of the most actively traded foreign currencies. More recently, the market was expanded to include interest-rate futures when in January, 1976, CME introduced trading in Treasury-bill futures. The market was created to offer a hedging medium to those corporations and general financial institutions seriously impacted by interest-rate changes. In this article, we are going to concentrate specifically on commercial-bank participation, both actual and potential, in this new T-bill futures market. First, we will discuss the conceptual framework within which the market operates; secondly, how commercial banks have used the market thus far; thirdly, how that participation has been influenced by the Comptroller of the Currency's guidelines for usage of the market by commercial banks, especially what the guidelines are; and, lastly, what the guidelines mean for commercial banks using the bill-futures market.

T-bill futures trade as a function of the cash market in T-bills. The contract is based on a three-month T-bill or what is commonly known as a 91-day T-bill. The contract calls for a million dollars in 91-day T-bills with an allowance for 90- or 92-day bills. Minimum fluctuation of the contract is one basis point, which is equivalent to $25 (i.e., one basis point would be worth $100 on a one-year bill; the contract is for one quarter of that maturity). Maximum fluctuation per trading day is 50 basis points or ½%. As with most commodity futures contracts, leverage is of fundamental importance in the trading of the contract, both from the hedger's and speculator's standpoint. The security deposit on a position of one contract is $1,500, with a maintenance level of $1,000 to be sustained at all times on the client's account. Hedgers utilizing this contract can, instead of cash, deposit T-bills, whereby the interest is not lost on the deposit. Since the market value fluctuates daily, each account (speculative or hedge) must be brought up to the market variation on a daily basis—what is termed mark-to-the-market variation margin. If the futures position is a losing one, that change must be met in cash. Thus, the market, in effect, is a no-credit market in which the financial integrity of the exchange is consistently intact.

As of this writing, the "round-turn" commission—the cost of getting in and out of the T-bill futures market—is $60. For orders of nine or more contracts, the commissions are negotiated.

When the market was created, CME was confronted with a small conceptual problem. Cash T-bills are discounted to their maturity values and are quoted in terms of discounted rate of yield with a bid higher than the offer. That system of quotations is awkward to commodity markets because the traditional quotation then shows a bid lower than the offer. The IMM (CME's International Monetary Market) index was created to remedy this problem. The index is the annualized discounted yield from 100, which produces the IMM index price. In that way, when three-month bills are quoted at 5% discount, the IMM index would read 9,500.

Since the market began trading on January 6, 1976, the immediate cash market in T-bills has defined a positive yield curve. That's the typical curve that has been defined in the short-term-interest-rate market for the majority of the last 10 years. Basically, the positive-yield curve indicates that market participants feel that interest rates in the future will be higher, both as a function of anticipated inflationary pressures as well as a pickup in economic activity. In the short-term market, the latter factor is the most dominant one. With the cash market trading on that basis, the futures market has defined a somewhat more sharply inclined yield curve. That is, futures trade at a discount to cash and—with futures trading on a quarterly basis out as far as 18 months into the future—the discount becomes greater the more removed the futures contract is from the present. Also, the fact that when futures mature and become deliverable, what is deliverable against the futures position is a 91-day T-bill or bills in the amount of $1,000,000. Thus, the March futures of 1977 will have a June 23, 1977, 91-day bill as the deliverable commodity. When futures traders are speculating or representing hedging interests, they must take this fact into account.

In the early part of 1976, the market was anticipating interest rates to increase by as much as 100 to 150 basis points over the course of the future year to year and a half. Thus, the more distant contracts traded at very sizable discounts to the cash market. Most economists were projecting early in 1976 that by the end of the year, the

"Banks that have been seriously impacted by the volatility of the short-term-interest-rate markets will find that T-bill futures can help hedge some of the risk involved in dealing in those markets."

short-term interest-rate market would weaken by 100 to 150 basis points. That is, interest rates would increase by that amount. The futures market, as a reflection of that projection, had that pricing scenario reflected in the more distant futures contract. Even the nearby futures contracts were at considerable discounts to cash as expectation of immediate Federal Reserve tightening of the short-term market was constantly at play in the futures market. A number of commercial banks in the spring of the year were operating on the aforementioned interest-rate forecasts and found that the more distant futures contracts—such as June, September and December, 1977, were, at times, in excess of 8% yield for three-month bills deliverable against these futures contracts. These commercial banks, perceiving this as an investment hedge opportunity, were buyers of these steeply discounted deferred months of futures. Thus, they were locking in investments of 8% to as much as 8½% for 91-day bills, deliverable to them in June, September and December, 1977. This was an investment hedge as the banks' own projections of interest-rate movements indicated this to be a better investment than was available then or would be available in the future, a substitution then for a cash-market transaction.

Commercial banks also have utilized what is termed the hedged ride on the yield curve by buying the cash-deliverable T-bills and simultaneously selling the appropriate bill futures against the position, locking in the rate at which the cash bills were purchased. Thus, if the cash market weakens, a profit is accumulated in the futures market position that will, to a large degree, offset the loss incurred in the cash position. This assumes, of course, that the cash position is not held to full maturity, but for whatever reasons a liquidation of the cash market bills is necessitated. This type of hedge is typical of commodity futures markets.

The previous examples of commercial-bank utilization of the bill-futures market has been an outgrowth of these banks' aggressive nature. They have participated in the market from the beginning because they saw the immediate use of this market as a financial tool. For most commercial banks, however, the market is still a new concept, one that will need more explanation and description for them to become accustomed to its usage. The vast majority of commercial banks are in that category. These banks have found some additional motivation for using the market from the guidelines which were set down by the acting Comptroller of the Currency. In his memo to presidents of all national banks, November 2, 1976, in the banking circular No. 79, the acting Comptroller discussed usage of GNMA and T-bill futures markets by national banks. The initial specification was that any participation in the market first must be cleared through the legal advisory services division of the Comptroller's Office. In the proposal for usage, there are certain stipulations which must be adhered to. The following is a copy of the letter as it appeared:

National banks may participate in (1) the GNMA mortgage futures market through the Chicago Board of Trade and (2) the T-bill futures market through the International Money Market of the Chicago Mercantile Exchange in order to reduce the risk of interest-rate fluctuation in the corresponding cash markets, provided that proposals for such activity are submitted to this office (Attn.: Legal Advisory Services Division) for prior approval.

The following information must be included in those proposals:

1. Background and experience of all persons authorized to buy and sell futures contracts (traders).
2. Trading limits to be imposed on traders.
3. Conditions, if any, which permit deviations from those limits.
4. Bank personnel responsible for authorizing such deviations.
5. Procedures developed to prevent unauthorized trading.
6. Scope and frequency of internal audit and control procedures.
7. Copies of forms, in blank, which inform management of the daily futures-contracts activity.
8. Copies of internal record-keeping forms, in blank, which reflect the bank's daily futures-contracts activity with regard to:

   (a) Maturity of each outstanding futures contract and type and value of the corresponding cash transaction.
   (b) Maturity date of each futures contract.
   (c) Current market price and value of each futures contract.
   (d) Outstanding gross futures position.
   (e) The open position.
   (f) Amount of money held in margin accounts.
   (g) Any maturity gaps existing between the maturity date of the futures contract and completion dates of the corresponding cash transaction.
   (h) Profit or loss for each corresponding cash and futures transaction.
   (i) Aggregate profit or loss for all relevant cash and futures transactions and
   (j) Type and amount of each expected cash transaction that did not materialize.

Each and every GNMA or T-bill futures contract, purchased or sold, must correspond to an appropriate cash transaction and only be undertaken to substantially reduce the risk of loss resulting from interest-rate fluctuations.

Robert Bloom
Acting Comptroller of the Currency

These guidelines that were set down by the Comptroller essentially allow national banks to participate in the bill and GNMA futures markets and, to some degree, indirectly provide an impetus for national banks to investigate possible utilization of the markets to hedge interest-rate exposure. The exchanges have benefited from this advice by the Comptroller inasmuch as the markets now are recognized as providing a useful business tool. It appears that the guidelines stress that a national bank adhere to strict organizational and auditing procedures of its futures-market transactions and that it do so for the purpose of not only assuring that a complete record is kept of these futures market transactions, but, more importantly, that futures positions are hedges of actual or anticipated cash-market transactions.

Banks that have been seriously impacted by the volatility of the short-term-interest-rate markets will find that T-bill futures can help hedge some of the risk involved in dealing in those markets. With careful study and a knowledgeable broker, a new financial tool—Treasury bill futures—can bring added security to the banking community. • •

Robert W. Kneebone Dies

Robert W. Kneebone, 77, died December 22 in a Houston hospital. He was former chairman, Foundation of the Southwestern Graduate School of Banking, and dean for bankers, Southwestern Graduate School of Banking, both in Dallas. He also was consulting vice president, Texas Commerce Bank, Houston.

Before retiring in 1967 from an active career in banking, Mr. Kneebone was senior vice president of the old National Bank of Commerce, predecessor of Texas Commerce Bank. He was a member of the council of the Assemblies for Bank Directors and faculty coordinator of many assemblies.

Realistic Pricing of Services Is a Must for Sound Banking

By JAMES E. BROWN, President, Mercantile Bancorp., Inc., St. Louis

Mr. Brown gave the talk on which this article is based before the St. Louis Chapter of the Bank Administration Institute.

BARGAIN BANKING could well be an appropriate title for many products and services offered by banks in today's marketplace. It's evident that banks are more aggressive than ever in their pursuit of consumers' *total* banking relationships, and the widening variety of services they offer in their current marketing efforts calls for little or no increase in price to the customer.

One reason banks have grown so fond of the consumer is the stringent control of funds by the corporate treasurer. This development has convinced commercial bankers that growth of collected corporate checking balances will be less than was attainable in past decades. It's a well-known fact that a multitude of techniques of cash management and short term employment of funds has been the modus operandi of today's dedicated and successful corporate treasurer. So—bankers have, by necessity, turned to the consumer for a major source of investable deposits. But, as will be seen, the profitability of *all* consumer funds frequently is questionable.

The growing population of bank-age customers reflects a tempting market, but retail banking presents many costly pitfalls as well as valuable, additional deposit avenues for banks. For example, banks in every region have aggressively marketed a wide variety of high-yielding time-deposit plans, free credit cards, low-cost overdraft check-credit arrangements, check-guarantee cards, improved branching facilities, drive-up and walk-up convenience, longer lobby hours, gift-merchandise incentives to both depositors and staff for new accounts, automated teller machines; and now they have started putting the total-transaction plastic card in the sales kit.

In almost every one of these approaches, little, if any, additional charge to the customer to cover costs was included in the package. Is it possible that somewhere along the line bankers may have overlooked an allowance for a margin of reasonable profit in the pricing structure of their marketing plans? There is ample evidence to support an affirmative response to this question, or, at least, a suggestion that bankers may naively believe that somehow profits will come in time!

Thoughtful bankers surely must realize that the popular game plan called "cross-sell" does not mean that cross selling one unprofitable service with another unprofitable service is good business for their banks or for the public in the long run for that matter. Their competitive drive for multi-account customer relationships is accelerating, and the long-range goal apparently is to provide checking, savings and credit service in one plastic card account.

Supportive facts about the "bargain" prices for these services is obvious in the analysis of cost-price trends of recent years.

Studies of three functional cost analysis reports of the Federal Reserve System indicate that the cost of providing regular checking-account service for all customers, including corporate accounts, between 1967 and 1975 has risen 45% for banks with deposits to $50,000,000 and by 56% for banks with deposits over $200,000,000. The price paid by customers in this time frame has risen only 15% in smaller banks and actually has declined by 8% in larger banks.

Earnings on personal checking accounts, based on a minimum balance to avoid service charges by banks up to $50,000,000 in deposit size have declined between 1971 and 1975 by 20.5%. In the case of banks with deposits over $200,000,000, the analysis indicates that such accounts actually are losing money as the net expense of providing checking service has increased 38%, even after allowance for earnings on the declining value of the banks' use of available funds.

It's also revealing to note, according to the Fed, that the cost to the bank of maintaining a savings account, *excluding* interest paid, has—since 1967—risen by 154% for smaller banks and by 92% for larger banks.

To the dismay of many, the cost of processing certificates of deposit and other time deposits has risen by 380% and by 281%, respectively.

The same trend between 1967 and 1975 applies to most categories of other services provided. For example, the expense of maintaining a safe-deposit service has increased as much as 60% for most banks while the charge to the customer has risen less than 40%—and this from a base that already was under priced.

Increased expense of serving customers is not limited to consumer banking.

Commercial and agricultural loan processing also has incurred increased expense in the range of 80% to 138%, *excluding* the cost of loanable funds.

Even before the expense of com-

James E. Brown (l.), author of accompanying article, visits with two representatives of Topeka Chamber of Commerce who were sent to call on St. Louis businesses on occasion of Frontier Airlines' initial nonstop flight between Topeka and St. Louis.

pliance with the new federal regulations in the real estate area, the cost of acquisition and processing of real estate mortgage loans has risen by some 35% to 70%, depending on bank size; whereas, the average yield to the banks including interest, of course, has risen by no more than 37%.

In the area of installment loans, the cost of processing has risen by no less than 75%, while the total yield to the lending bank rose by only 16%.

The price the average customer pays for banking services also is a real bargain when compared to other services he uses. For example, automobile insurance premiums have risen in this same time frame by 42.9%; transportation by 57.6%; medical care by 68.1%; and hospital service charges by an astounding 132.8%. This rising cost to the customer is based on statistics provided by the U. S. Bureau of Labor Statistics for the period 1967 to 1975.

Some other interesting statistics have been recorded by one of the better, modern full-service banks in the Midwest since it announced totally free checking service two years ago. This action produced an increase of approximately 12% in number of accounts, but, at the same time, the bank's average retail checking dollars on deposit declined by an average of approximately the same percentage—12%.

Apparently, the decrease in dollar amounts was caused, at least in part, by the simple fact that a minimum balance no longer was necessary to avoid a service charge.

This trend is typical of the experience of other banks. Of course, customers of these banks no longer were charged the conditional service fees that sometimes were assessed prior to the free checking plan.

During the two year period, this same bank found that the cost of providing service rose by 13.3% annually in the tellers department and by 21.4% in the new accounts and customer service department.

Apparently, this bank and others regarded free checking service as a "loss leader" and necessary to meet or beat competition.

Another salient result observed was that 21% of the accounts prior to the free checking syndrome were under $200, while—after introduction of free checking—the number of such low-balance accounts reached 27% of the total.

Notwithstanding the fact that cost-accounting practices (especially complex in banking) are far from perfect, it's quite apparent that many checking accounts are, indeed, unprofitable to banks even when one considers the offsetting value of other business relationships from the same customers. The fact is that banks are experiencing increased expenses in the categories of loan-loss provisions, taxes, operating personnel, general administration, insurance, occupancy, accounting, legal and professional assistance and many facets of overall auditing and security requirements which have added materially to the cost of doing banking business today. Add to these increased costs the shrinking coverage of the marketing dollar and expensive sales programs resulting in a higher cost of account acquisition.

James E. Brown (r.) and Arnold B. Grobman, chancellor, University of Missouri-St. Louis, discuss Mr. Brown's recent appointment as ch., UMSL's downtown advisory board.

Bankers who usually are quick to detect unfavorable trends in the financial planning and cost controls of their commercial borrowers sometimes fail to recognize that a modest adjustment in their own pricing approach appears to be the order of the day.

It's true that most industries have discussed realistic pricing for years, but perhaps insufficient focus has been placed on the profitability of their *individual customers' aggregate relationship.* This is especially necessary in banking.

Imposition of even a modest increase in conditional service charges on a checking account, after a period of "free checking," may prompt a customer to move all his other business. Obviously, banks must anticipate this and analyze which, if any, of their customers' other accounts are profitable since it may well be justifiable to tolerate and even solicit a loss leader if the overall relationship is of mutual benefit to the customer *and* to his bank. Therein lies the key.

Bankers in recent years have utilized a helpful aid to analyze the complex problem of maintaining *overall* profitability. It is the automated central information file where appropriate cross-reference account data can be retrieved and interpreted.

It's true that some bankers close to each customer relationship can make this determination without the help of modern technology, but this unsophisticated approach is highly vulnerable and possibly unfair to the bank and/or to the customer.

Many bankers appear disposed to retaining an appreciable percentage of banking relationships that are unprofitable today not only because they recall all too vividly the recent period of high interest rates and the premium placed on the value of collected funds, but their zeal for sheer growth and size alone often is defended as a worthwhile public relations objective and a mark of prestige.

Another reason bankers have an intense desire to hold on tenaciously to all customers—at almost any cost—is the belief that the world of plastic EFT will result in a service fee that will pay its way. To the contrary, this new phase of electronic banking may result in an even costlier overhead expense, at least for a period before the escalating cost and burden of check processing and related services can be minimized to a measurable degree.

Profit may be considered by libertarians to be a dirty word, but for banking *a reasonable profit* based on delivery of helpful and expanded services to the public at a fair price is a "must" if banks can continue to be expected to provide high-quality financial assistance to their customers.

This advocation cannot end without a note of optimism. Bankers realize that their shareholders expect that good service coupled with reasonable profit is necessary and justifiable. They have met the challenge of cost-price squeezes before and have accomplished their overall goals.

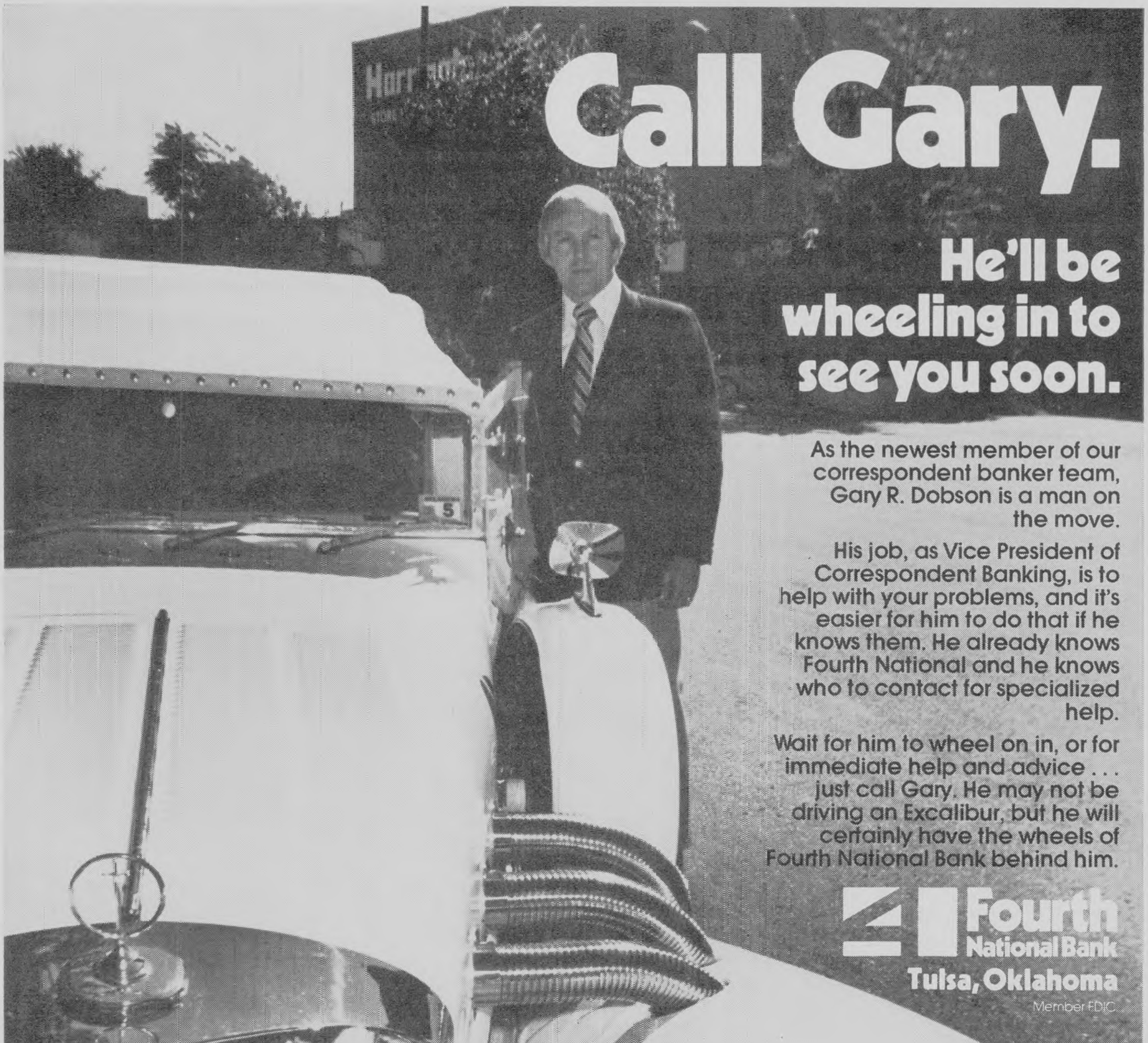
Banking can continue to be a bargain to the public in the long run only if it is mutually beneficial. Realistic pricing will contribute to sounder banking and, as a consequence, will enhance the capacity of banks to finance the multitude of growing needs of business, governmental bodies and consumers in the communities they serve.

It's in the effective execution of these responsibilities that banks can continue to demonstrate their strong commitment to leadership in the nation's economy. • •

Givhan Named New President Of Central Bank, Montgomery

MONTGOMERY, ALA.—Walter H. Givhan has been named president and CEO, Central Bank. He comes to Montgomery from Tuscaloosa, where he served as president and CEO, Central Bank of Tuscaloosa, which was organized about a year ago.

Robert S. Gaddis, chairman, Central of Montgomery, was recently promoted to the national accounts development section of the parent HC, Central Bancshares of the South, Inc. He remains as bank chairman.


Call Gary.
He'll be wheeling in to see you soon.
As the newest member of our correspondent banker team, Gary R. Dobson is a man on the move.
His job, as Vice President of Correspondent Banking, is to help with your problems, and it's easier for him to do that if he knows them. He already knows Fourth National and he knows who to contact for specialized help.
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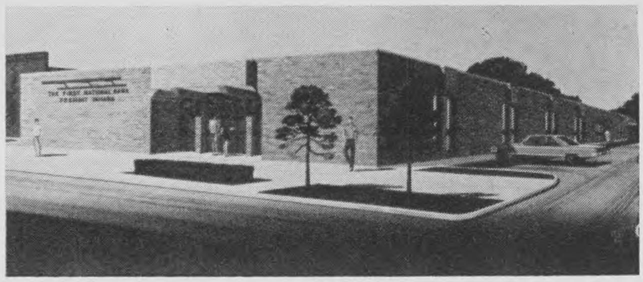


LEFT: This former auto dealership at rear of First Nat'l, Fremont, Ind., was gutted, remodeled and integrated into bank building. RIGHT: This is artist's rendering of what remodeled home of First of Fremont looks like following extensive remodeling and expansion program. Drive-up facilities at rear are on site of former auto dealership. Equipment was supplied by Mosler Facilities Planning Department.

Former Auto Dealership Is Turned Into Addition to Bank Building

A FORMER auto dealership's quarters have been successfully integrated into a building housing First National in Fremont, a rural area in northeastern Indiana.

The car dealership's structure was located at the rear of the bank building, but separated from it by an alley. The bank secured permission to close the alley. Then, the empty building was transformed into an 11,000-square-foot addition that's connected to the bank building by a 25-foot passageway.

The addition permitted the bank to add on-site parking, which eliminates the curbside parking that inhibits growth of many banks along main streets in small towns.

"The Mosler Facilities Planning Department has been exceptionally helpful in translating our ideas about new services we wanted to offer into the most sensible patterns of traffic flow," says Earl Ford McNaughton, vice president and cashier of the bank. "Its experience in this kind of conversion was of great value when we turned over its drawings to our architect."

In turn, Jerry Watkins, a former banker and now a Mosler salesman, who supervised installation of equipment to provide the new services, has this to say: "Rarely has a bank in a smaller community managed so successfully to combine the best features of traditional and modern banking at so little cost."

Mr. McNaughton, who supervised construction, was particularly impressed by Mosler's ability to adapt to the customer's wishes on the job. "For example," he says, "the people at this bank preferred the looks and tradition represented by the old vault doors. Mosler and Jerry Watkins didn't try to sell us on the advantages of a new line of sleek equipment. They adapted their plans for the vault area to include the old doors that we wanted. On the other hand, when we were talking about our ideas for a new commercial tellers window in an enclosed area, I recalled a similar installation that I'd seen in California. Jerry wrote for pictures, and we used that as the basis of our architect's design."

The expansion program provides a greatly enlarged tellers area, with an additional enclosed tellers station for commercial transactions. For security, Mosler provided extended photo coverage of the customer-transaction area and added a high-line security system with direct connection to the sheriff's office.

The expanded bank building has an especially large vault area for storage of rare and valuable collections such as china or antiques; Mosler Pneu-Vista drive-up facilities for three lanes, including two remote installations; a drive-up night depository (in addition to its regular night depository); a package receiver; two walk-up windows near the drive-up and a community room. There also is space for a Mosler Teller-Matic™ automated teller machine, which will be installed when there's suitable demand.

The structure's exterior combines brick and fieldstone from the Fremont area. The interior utilizes vertical oak plank in the tellers counters to match the vertical panels on the walls of the former auto agency.

"We had to change very little from plans that Mosler gave us for our new facility," Mr. McNaughton points out. "We've worked with architects on expansions and branches before, but they and we know that banks' needs are specialized. We like the approach that Mosler used with us. First, the firm's man on our site had been in banking himself. Second, Mosler's Facilities Planning Department offered free drawings based on our changing needs and the new flow of customers, personnel and currency." • •

Sheldon Named Sr. Vice Pres. At American Nat'l, Mobile

MOBILE—American National has promoted Paul E. Sheldon to senior vice president, Frederick H. Jones to vice president, Murlene Durham to assistant vice president and assistant controller, Percy C. Fountain Jr. to assistant vice president and loan officer and Charles S. Jones to assistant vice president and branch manager.

Mr. Sheldon is the author of a study of Alabama bonded indebtedness and has acted as technical adviser to the County of Mobile in its drive to upgrade the entire bonded indebtedness of the county to an A-1 rating.

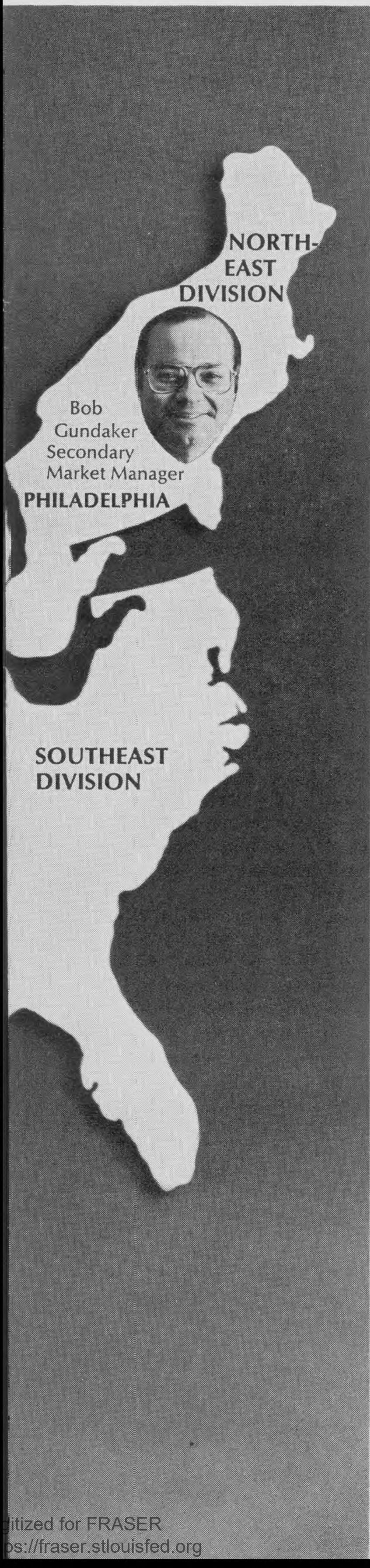
Banker 'Bites Bullet'

Howard J. Blender (r.), pres., Howard J. Blender Co., Dallas, presents the firm's first "Bite-the-Bullet" award to James C. Travis, e.v.p. & dir., Nat'l Bank of Commerce, Dallas. This award is to be presented each year to a bank executive officer who, working with the Blender firm, does an outstanding job in a tough operations situation. Mr. Travis, formerly s.v.p., cont. & chief financial officer, Bank of Oklahoma, Tulsa, has installed the Blender firm's operating control system in two Oklahoma banks and in his present bank.

"As a veteran in mortgage finance, it is clear to me that 1977 is shaping up as a year in which the secondary market will be vital to success and profitability of mortgage lenders."

—Charles Senning
Vice President, National Accounts
and Secondary Market, MGIC

"We've more than doubled our secondary market staff to give you the best in local, personalized service."



Now you can tie directly into the largest conventional secondary market faster and more easily than ever. All you need do is call your local MGIC Division office.

North, East, South, or West, each Division office has its own Secondary Market Manager and staff. Their prime responsibility is to keep in touch with the entire country via daily communication with our expanded national staff of experts in Milwaukee. This means that in a matter of minutes one local phone call can set MGIC's national team in motion to provide you with the largest selection of offerings, rates, and buyers/sellers—from the nation's largest network. (Forward commitments are our specialty.)

With liquidity high, and local lending rates dropping, MGIC recognizes the exceptional importance of the secondary market this year. In fact, we are calling it "the year of the secondary market"—going all out to help you in every way. No deal is too big and no deal is too small. Whether it's $100,000 or $100 million, MGIC is committed to provide you with the fastest, most productive, most personalized, and now the most localized service in the industry.

So no matter if you're an old hand at secondary market or contemplating your first deal—there's more reason than ever to call your local MGIC Division Office now. You'll find there is no substitute for our service or for our experience.

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Because experience pays.

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KEY MGIC HOME OFFICE SECONDARY MARKET SPECIALISTS

(L to R) Bill Carpenter, Tom LaMalfa, Bruce Grubba, Bob Tenges. They are in daily touch with your local secondary market staff in each MGIC Division Office.

These are some of the 100 bankers representing 65 Arkansas banks who attended Commercial Nat'l of Little Rock's seminar on "How to Become a High-Performance Bank."

Commercial of Little Rock Holds All-Day Seminar For 65 Arkansas Banks

LITTLE ROCK—Commercial National recently sponsored an all-day seminar on "How to Become a High-Performance Bank" for about 100 bankers representing 65 Arkansas banks. Alex Sheshunoff, Austin, Tex., bank consultant, was the featured speaker. The afternoon session was headed by Gary Raddon of the Whittle Group, Chicago-based bank marketing consulting firm.

Each bank represented was provided its own bank credit and competitive statistical analysis. The analysis includes trends and ratios pertaining to key performance indicators such as deposits, loans, yields, expenses, return on assets and profitability. This tool allows a bank to analyze its own performance in comparison with competitors and to develop ways to use the resulting data in devising effective marketing strategies.

At the seminar, each banker took a look at an operating analysis of his bank's balance sheets, balance-sheet schedules, income statements, capital accounts and loan portfolio. Then the participants studied a growth comparison of each bank and its principal competitors, including market share.

Mr. Sheshunoff, whose widely used data books contain comparative financial data and analyses of every bank in a given state, began by describing types of data available in the bank credit and competitive analysis profile. He then discussed ways such data can be used in management and marketing planning.

His overview of his bank credit competitive analysis service was followed by a panel of representatives of the four banks in the group with the highest return on average assets. These bankers were questioned by others at the seminar.

Mr. Sheshunoff then summarized those two portions of the program by saying the aim had been to bring out some factors that make a high-performance bank.

Mr. Raddon explained how his firm aids community banks in turning Sheshunoff-type data into an effective marketing plan that directly links financial objectives to marketing. As he explained, "Big banks can overpower a market and be all things to all people, while community banks have to narrow the focus."

Mr. Raddon showed a variety of advertising and marketing programs structured for community banks, explaining that they are designed to fit specific purposes and to fit a community bank's budget. He added that each program fits a particular financial objective, and its effectiveness is measured periodically.

According to Commercial National, Messrs. Sheshunoff and Raddon are enthusiastic over the response to the first seminars linking financial planning with marketing and are planning a series of similar programs for the fall of 1977.

'Quality' TV Programs Sponsored by Bank

Houston National has announced it will sponsor 65 hours of "carefully selected, quality" television programming on a local station during 1977.

In the past, the bank has sponsored shows such as "Elizabeth R," "Six Wives of Henry VIII," "America," "World at War" and "Civilisation." This year Houston National is sponsoring a season of hour-long programs on Sundays and 14 hours of prime-time shows.

One program the bank has sponsored is "We Are What We Build," a locally produced documentary on Houston's architecture. In addition, Houston National will present "Fall of Eagles," a 13-week-long documentary to be aired during the summer months.

Other programming slated by the bank will be a nine-part series, "Napoleon and Love," "The Commanders," which focuses on seven heroes of World War II, the six-part "Search for the Nile" and selected episodes of "Window on the World."

Also scheduled are six Julie Andrews specials, three selected shows from the "Saga of Western Man," seven segments of "Jennie," the story of Sir Winston Churchill's mother, and several hour-long Leonard Bernstein concerts.

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Properly Written Mobile Home Paper Is Sound!

By JOHN LEITER
President
United Compilation, Inc.
Libertyville, Ill.

MOBILE HOME paper can be (and is in some markets) practically repo-free if three basic principles of sound lending are followed:

- Make credit-worthy loans only.
- Use good collection practices.
- Make sure there is real equity in the loan collateral.

This may not sound profound, but the recent years of mobile home financing disasters were caused by lenders not sticking to any of these principles.

What do I mean by that? Think about it this way: Would you still make the loan if it were not guaranteed or insured and if it were your money that would be lost?

Do you use the same degree of credit checking thoroughness in qualifying a borrower for a house loan as you do for a large personal loan? Of course not! Why? Simply because the home loan is collateralized and, therefore, less risky. Thus, a relatively low rate can be charged.

On the other hand, the personal loan is high-risk and you need a much higher rate and you must qualify the borrower more thoroughly to lower the loss rate.

Once a loan is delinquent, there is no substitute for strong, swift collection practices to cut losses. Just because the loan is insured or guaranteed is no excuse to be lax in collection practices because, even though the losses are passed on to others, somewhere along the line, when the bubble bursts, the overall results will come home to roost, as many lenders have discovered in recent years.

When it comes to equity on a mobile home loan, if you get 10%-15% down on a long-term loan on the home (not the gross deal of home and all the furnishings), you will have good loan collateral because today's mobile home depreciates little and some actually appreciate.

No loan program is 100% loss free (if it is, the program is bad), but the real trick is to keep the loss ratio low so you rent the money at a profit.

If you've had a bad experience in mobile home paper or know of lenders who have, here's why: The basic loan program has been 115% (or higher) of total invoice plus setup, freight, taxes, five-year insurance premium and dealer participation. This adds up to 125%-133% of the gross invoice, or much more than the total retail price.

For example, if the total invoice is $12,000 and the loan (including the above items) comes to $15,000 and the downpayment is $1,000, the actual loan comes to $14,000—$2,000 more than the total invoice.

What's wrong is that, in the $12,000 invoice is about $4,000 worth of furniture, drapes, appliances, etc., so only about $8,000 of the invoice covers the house, upon which you lent $14,000, or about 175% of the collateral. It's a rare day that a mobile home is repossessed with all furnishings intact. In most cases, the homes are stripped; and that's why there is a loss.

The net result of this type of loan is that the buyer is able to obtain a mobile home with $5,000 or more of the best furniture and appliances, put down $1,500 or more, move in and live for three to six months without making any payments, move out with the furnishings and get the whole package for about one-third of the actual price of the furnishings!

That should be history. The question is: What can be done to ensure a sound program? For new mobile homes, one way to do it would be to make an initial commitment or tentative loan. Then, inspect and verify the home and equipment after setup. Make sure the unit is where it's supposed to be and that it is of the size and from the manufacturer specified. Only then is payout made.

The loan should be for 80%-90% of the home value only—not including the personal property. It could be for terms of 20 years for a medium-priced home, 15 years for low-end units and 25 years for high-enders. The homes of today contain from 1,000 to 2,000 square feet of floor space, not the 500-600 square feet of 10 years ago. The loan would be at simple interest and the borrower could be qualified on a house-loan basis.

"No loan program is 100% loss free, . . . but the real trick is to keep the loss ratio low so you rent the money at a profit."

If the borrower meets the more stringent test for a personal loan, make a separate loan on the personal property—a loan that carries a shorter term and higher interest rate.

Don't get volume hungry. That's when sound policies and checks and balances start to get overlooked and requirements are waived. That's when bad loans get into a portfolio. Good, sound growth is fine and is to be worked for, but don't let it pave the way for shortcuts.

For every new unit sold in 1977 there will be at last three used units sold between private parties. Of course, they will need financing, too. Used units must be treated somewhat differently from new ones. Value must be determined without the original invoice.

This should be done by means of an on-site inspection and appraisal. The inspection should determine the items included in the deal, the condition of the home, improvements or additions and consideration of the home's location or area.

Following the on-site check, the valuation determination is handled at the office using the just-prepared work sheet and some value price guide. One can separate the parts of the deal into house, furnishings and so forth by proper use of a work sheet.

If the belief that mobile homes depreciate rapidly like cars is not true, then why does their value drop? For years, mobile homes have been sold on a ready-housing, move-in basis and the whole package has been financed like a car. All the furniture, decor packages, appliances, draperies and so on were lumped with the house to the point that they represented 25% to 40% of most mobile home deals. Of course, those items won't last as long as the rest of the home and, in fact, will be scrapped long before any loan is repaid. These are what "depreciate" and show up as a decrease in value.

At the same time, the home itself has little depreciation. In fact, some units are going the other way. Most mobile homes are only mobile once—from the factory to a site—and aren't moved again, so there isn't much chance of their wearing out.

If you insist on financing the third-of-a-total deal that includes furnishings on the same basis as a house, don't bum rap the mobile home for depreciation caused by rapidly depreciating furnishings. • •

Two new Brandt Coin Wrapping Systems deliver convenience and productivity

Brandt's new 1702 and 1780 . . . reliable, efficient, accurate and quiet.

Costly and tedious manual coin wrapping is a thing of the past when you select one of Brandt's new coin wrapping systems.

The Model 1702 is Brandt's portable answer for totally economical coin wrapping. Small and lightweight, it moves easily where you need it and operates with a minimum of noise.

The Model 1780 is Brandt's high speed answer for totally efficient coin wrapping. It automatically packages up to 1440 wraps per hour with uncompromising Brandt quality, accuracy and reliability.

Both new units are extremely simple to operate. Denomination changeover is fast and easy. And both models have large-capacity hoppers for fast loading.

Brandt's unique *modular design* is another important key to total coin wrapping productivity. This construction of the 1780 allows you to add other components and accessories as your coin wrapping needs increase. And the 1702's hinged cabinet gives quick access when service is necessary. That means less downtime.

The new Brandt Model 1702 . . . portable and economical. The new Brandt Model 1780 . . . fast and efficient. Both deliver top coin wrapping productivity.

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TODAY There's Only ONE WORKING Mobile Home APPRAISAL SYSTEM!

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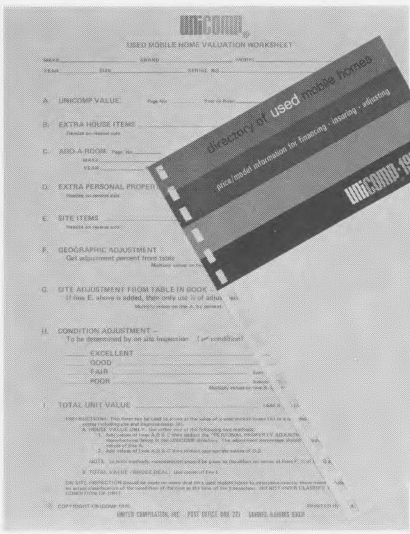

UniComp's mobile home appraisal system, which has been in use nation wide since 1975, works much like conventional real estate appraising. The system consists of a UniComp trade-in guide on the values of used mobile homes and an appraisal valuation worksheet. The two simple, but basic steps to use are as follows:

Step 1: **On site inspections** which determine the exact items included in the deal, condition of home, extra improvements such as Add-a-rooms, site improvements such as awnings and skirting, etc., and consideration of the site location or area. This first step does not require an "expert" on mobile home values, but instead a person who can look the home over and fill out the work-sheet itemizing all the above items.

Step 2: **Valuation determination** is handled at the office by any person who is checked out and experienced in using the book. Once the appraisal worksheet is completed, then the values of each segment of the deal such as house, furnishings and site improvemets are clearly visible.

The most important two factors achieved by Real Estate appraisals are on site varification and a truly disinterested third party for values. The UniComp appraisal system accomplishes these very important checks or balances on the day to day flow of deals.

There is a correlation of original prices and used unit values. As in the case of site built housing, there is a relationship of values to original prices. Two houses of 1500 sq. ft. when new, with one a top quality custom built home and the other a economy built tract type house, would certainly have different values as the years go by. Likewise, two differently built mobile homes of the same size will not have the same values when used because of differing qualities of construction.

The original price does reflect the relative quality level of the mobile home and is the reason a value guide is so very necessary in setting values on used units. No person, regardless of the years in the industry, can accurately remember the literally 10's of thousands of models built each year, so a value guide is imperative to any truly good appraisal system.

WHAT DEPRECIATES ON A MOBILE HOME?

For years mobile homes have been sold on a turn-key, instant move-in basis so that it has become totally confusing to all segments of the industry with regards to what causes depreciation.

Goodies such as furniture, decor packages, appliances, etc., all depreciate rapidly, as anybody knows. A two year old couch has no real market value, yet if it orignally sold in a mobile home, many industry people have a hard time accepting the simple fact that the couch has depreciated. Goodies, for some time now, have represented about 25 — 40% of every mobile home deal and must be properly allowed for in appraising a used mobile home deal.

Mobile Homes (Houses) have very little depreciation today and in fact some are actually appreciating in value. After all, if a home is properly maintained, why should a 2 X 4 in a mobile home wear out when it doesn't in a stick built house? Most mobile homes today, once located, are never moved so if they are properly blocked and maintained, they should not "wear out" and therefore are holding their values.

Many other factors such as site improvements, condition of unit, geographic area, and demand do also affect the sales values, both up and down. By using the UniComp appraisal system (book and valuation worksheets) all of the individual factors of a mobile home deal can be determined.

FOR FULL INFORMATION WRITE:

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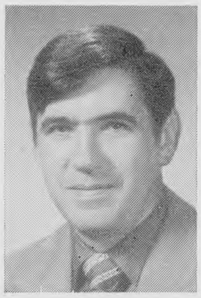
PRICING AND APPRAISAL SPECIALISTS FOR THE MOBILE HOME, RECREATIONAL VEHICLE, MARINE AND AUTO INDUSTRIES.

Mobile Home Financing in Perspective— The Potential for Profits Remains Great!



By BILLY L. STEPHENS
Assistant Vice President
Commerce Union Bank
Nashville

MY BANK has been financing mobile homes for more than 40 years and it intends to continue this kind of financing as long as profits comparable to those from other types of installment financing can be achieved.

Mobile home financing is attractive for two basic reasons:

• More dollars of outstanding may be serviced by fewer people.

• Mobile homes produce more retail outstanding compared to floor plan carried than auto financing does.

We presently have about $21 million outstanding in indirect mobile home contracts and $1 million in direct loans. In addition to the mobile home paper on our books, we are servicing about $20 million in mobile home loans for other lenders.

Prior to 1972, all our mobile home financing had been on a recourse basis and our experience had been excellent. We had been reluctant to become involved in nonrecourse financing, but because of the success of several service company programs and the pressure from some of our dealers, we decided to begin a program in 1971.

We also decided that, if a service company could profitably service loans in our area from home offices outside Tennessee, we should be able to perform the same services less expensively and more competently due to our experience with mobile home financing and to our collection staff expertise, gained by servicing our own loans across the state.

The institution of this program enabled us to purchase as much mobile home paper as was available, even if we were unable to place it on our books due to loan demand in other areas. We felt from the beginning that the greatest danger was the lender's tendency to purchase substandard paper due to the protection afforded by credit insurance. We were unable to completely control this and, as a result, the quality of our nonrecourse paper was not quite as good as that of our recourse paper.

Our experience was satisfactory until the 1974 recession. We experienced a sizable increase in repos compared to the average number of repos in previous years. These repos were, for the most part, a result of unemployment, which was extremely high in our area among mobile home owners.

The percentage of repos in our nonrecourse program was no greater than that of our recourse program, but disposing of the nonrecourse repos was difficult. Previously, we had been able to dispose of most of our repos with small losses due to the excellent market for used mobile homes in our area.

In order to sell our repos in a reasonable time, it was necessary to accept cash bids on many units, which resulted in greatly increased losses per unit. We were protected by credit insurance, but our loss ratio increased until it became unprofitable for our carrier.

We took the following steps to attempt to improve the quality of our mobile home paper and get our insurance loss ratio back into line:

• We cut off dealers with excessively high repo ratios.

• We added recourse clauses to our dealer agreements (first 12 months, full recourse; thereafter, nonrecourse).

• We increased down payment requirements.

• We shortened financing terms.

• We became more restrictive in credit evaluations.

These restrictions resulted in the near elimination of our nonrecourse business and we feel we have this situation under control now. We do not plan to solicit nonrecourse business except on a direct basis. Our experience on direct loans made to purchase mobile homes has been excellent due to the quality of the credit risks.

During 1977 we intend to aggressively seek good quality recourse mobile home business and expect to increase our present retail outstanding by at least 10%.

Mobile home financing is and has always been an extremely specialized area and banks not equipped or experienced enough to service a dealer program should limit themselves to direct lending unless they are able to engage a service company that is financially strong and has the experience and personnel to service its loans properly.

Any bank considering a program of this type should investigate the service company, the credit insurance carrier and the dealers who will be originating the business. They should also require the right to approve all contracts to be funded by them.

If the business is available from a credit-worthy dealer, the primary consideration should be yield. Many state laws limit the add-on rate that may be charged on installment sales contracts and, because of the terms necessary to finance mobile homes, this might (in some cases) make it unprofitable to finance them. If the potential yield is high enough to be profitable, the bank should also realize that these loans will not pay off as rapidly as other types of installment loans. This means that the cost of funds may increase considerably during the loan term and the bank must be prepared to live with low yields during tight-money periods.

The next consideration is floor plan lines. In order to generate a good quality of retail business, it is usually necessary to extend a line of credit for inventory. A great deal of care should be exercised in extending wholesale credit, as the largest losses in any type of indirect financing are always a result of losses from wholesale lines of credit.

After the dealer has been carefully evaluated and the decision is made to make the loan, there are several ways to reduce the risks of floor planning, including the following:

- Record the lien on the inventory properly.
- Hold all certificates of origin.
- Advance all funds directly to the manufacturer.
- Require repurchase agreements from manufacturers.
- Require curtailments of units of at least 10% each 90 days and payment in full within a year.
- Require personal guaranties if the dealer is a corporation.
- Audit inventory at least monthly and inspect at least some of the units each time an audit is made.
- Require the dealer to furnish proper physical-damage insurance, showing the bank as loss payee.

The final step is to set up a retail program that will enable the dealer to operate profitably and will be both profitable and have little risk for the bank.

The following are suggestions for insuring that the program will be profitable for the bank:

- Limit terms to 10 years on single-wide units and 12 years on double-wides and obtain deeds of trust on the real property where the home is to be parked, whenever possible.
- Require a minimum down payment of 20% on all double-wides and 15% on single-wides except when a deed of trust is possible or when the credit risk is exceptional.
- Investigate all applications to determine the ability of the applicant to make payments comfortably over an extended period. Consider such factors as time on the job, income compared to payments, present debt and past history of making sizable installment payments.
- The equity factor is of extreme importance in mobile home financing. Mobile homes normally depreciate yearly for at least the first five years, while the net unpaid balance is reduced much more slowly. I would suggest a maximum advance of 100% of manufacturer's invoice on double-wides with selling prices of $12,000 or less, reducing the advance on more expensive units. The maximum advance on single-wides should be limited to 100% of manufacturer's invoice plus sales tax and a reasonable set-up allowance of about $500.

The average advance on a dealer's business should be much lower than the maximum allowances and it's important to make sure this is the case.

- The best protection available to a bank on recourse mobile home paper is the reserve retained. In past years, many banks have found themselves in the position of having to liquidate a dealer's retail outstanding without benefit of sufficient reserve balances equal to at least 3% of the total retail outstanding.

With the increased balances being financed and the longer terms being used, it is not likely that this retention would be sufficient to liquate a dealer's outstanding accounts. I would suggest a minimum retention of 5% of the retail outstanding, with the exact retention being determined by the dealer's financial strength.

- Holdbacks taken as additional security on individual contracts should be held long enough to evaluate the performance of the loan and to establish collateral equity. It usually would be unwise to release any holdbacks until at least 25%-30% of the loan payments have been paid. These holdbacks should not be considered as a part of the dealer's retention, as they are taken to secure a contract that is considered substandard.
- Require that all mobile home contracts be protected with comprehensive policies that include VSI and flood coverages. Set up a follow up system to make sure the mobile home has proper insurable coverage until paid in full.
- Prompt attention to past-due loans is essential to avoid repos. No accounts should be allowed to become 60 days

Bank Service Co. Sold

NASHVILLE—Third National Corp., parent of Third National Bank, has sold Mobilehome Guaranty Corp. to Yegen Associates, Inc., Rochelle Park, N. J.

A spokesman for Third National said the once depressed mobile home subsidiary has improved its financial condition, but earnings continue to reflect the industry's depression.

"We want to concentrate our efforts and resources in the banking related field," said Charles J. Kane, HC chairman. "So, we were delighted to find someone at the top of the installment financing industry with first-rate reputation and competence in the mobile home servicing business, to take over Mobilehome Guaranty. We consider the mobile home industry a vital segment of the housing market and will continue to actively finance mobile homes under Yegen's service plan."

Yegen will assume responsibility for servicing Mobilehome Guaranty's existing dealer-lender relationships. The subsidiary was organized in Miami in 1969. Its headquarters was subsequently relocated in Nashville.

No worry if you have LSI Insurance through Scarborough

Sure you require evidence of primary auto coverage at the time of your loan, but what happens when your borrower's vehicle is uninsured, his auto is stolen, damaged or destroyed, and he defaults? One thing for sure, you have problems.

With Lenders Single Interest Insurance Auto Insurance through Scarborough, you can protect your bank's loan . . . because you have coverage up to replacement value, unpaid balance or cost to repair.

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- Include towing and storage.

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past due unless arrangements for making the account current have been made. A poor collection effort is sure to result in an unprofitable program, regardless of the quality of the loans.

• Whenever repossession is necessary, do it quickly to avoid conversion and/or vandalism. Be sure that all repos are effected legally and that all personal belongings are out of the home before taking possession of it.

• Require all dealers to pick up repos within two weeks of notification and to recondition them for resale immediately. Physically audit the units closely until they are sold or paid off. The dealer should pay all repossessions in full if not sold within 90 days of the repossession date.

Due to the rapid increase in the cost of conventional housing, mobile homes are and will continue to be a valuable part of the housing industry and may be the only solution for the large part of our population unable to afford conventional housing.

The image of the industry has been seriously damaged by the poor experiences of many lenders in the past few years. But much of the blame rests squarely on the shoulders of lenders. Any time substandard loans are made, losses are sure to follow.

The availability of credit for mobile home financing from banks is essential to the mobile home industry if it is to provide its share of the housing needs in the future. Bankers should review their mobile home financing experiences and place the blame for any losses in proper perspective so decisions regarding future involvement can be made, based on the potential earnings of such financing.

Any bank that has the potential business available and that is staffed to handle the business is making a serious mistake if it chooses to avoid mobile home financing because of poor judgment in the past.

There is no question that mobile home financing—properly handled—still can be a profitable part of a bank's installment loan program. • •

Bankers Complete Course On Commercial Financing At Washington U., St. Louis

ST. LOUIS—A group of 39 local bankers has completed an eight-week course, "What You Must Know About Commercial Financing," at Washington University. The course will be offered again in the fall of 1977.

A part of Washington University's School of Continuing Education and given in cooperation with the American Institute of Banking and the National Commercial Finance Conference, the course featured Arthur Bromberg as coordinator and lecturer. Mr. Bromberg is a financial consultant and former president, Mercantile Financial Corp. of Missouri.

Guest speakers for the course include John Fox, former CEO, Mercantile Trust, St. Louis, and present chairman, Bank of Ladue, Mo.; Burton Abrahams, president, Walter Heller Overseas Corp.; Tom Holling, district director, U. S. Small Business Administration; Kenneth Rahn, Jack Engelke and Greg Bultman, vice presidents, Aetna Business Credit; Jerome Sidel, attorney and publisher of articles on bankruptcies and UCC; Milton Ferman, former vice chairman, Nationwide Financial Services; and A. J. Bardol Jr., vice president, SLT Warehouse Co., St. Louis.

The course covered accounts receivable and inventory financing and factoring; equipment financing and leasing; export and import financing; industrial and consumer time sales and the legal aspects of commercial financing; problems of frauds; and liquidation of collateral.

Course participants received two units in continuing education and a certificate of accomplishment.

NABW, Small Business Admin. Launch 'Women-Business' Drive

CHICAGO—The National Association of Bank Women, Inc., has signed an agreement with the U. S. Small Business Administration to assist with the SBA's "Women in Business" program.

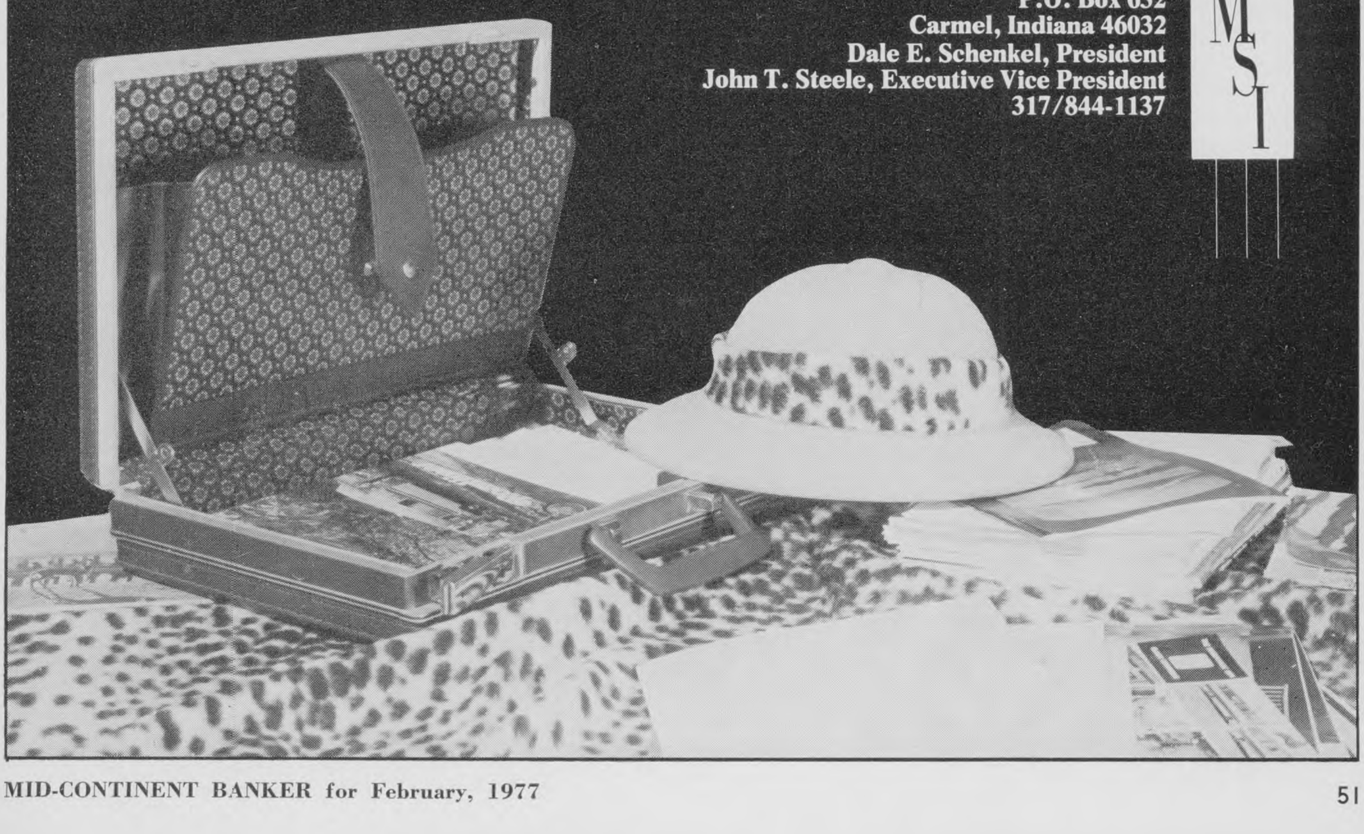
Under the agreement, NABW members will serve as speakers at SBA-sponsored seminars across the country, presenting information on credit, investments, commercial and mortgage loans, marketing, bookkeeping and business development. Also publicizing the seminars will be local NABW groups.

The NABW's decision to enter the program stems from a White House meeting at which President Ford and representatives of the NABW and other women's organizations discussed the development of the SBA program.

Ft. Worth Nat'l Sets Records

FORT WORTH—Fort Worth National has broken the billion-dollar barrier in total assets. Total assets reached an all-time high of $1.1 billion at the end of 1976. This amounts to an increase of more than 20% over year-earlier figures.

Total deposits surpass $800 million, a gain of almost 17% over 1975 figures.



Lender Shortage Is Serious Problem Facing Mobile Home Industry Today

A SHORTAGE of interested lenders to provide funds to finance mobile home sales is one of the most important problems facing the mobile home industry, according to Edward G. Silbernagel, president, National Management Systems, Janesville, Wis.

This condition is the result of the publicity given mobile home repossessions in 1974 and 1975, Mr. Silbernagel said. Although a number of lenders came through this period with good earnings from their mobile home loans, their position has not been well publicized.

Although numerous banks have left the mobile home financing business, he said, many lenders have remained active. An example is Citicorp, parent of Citibank, New York City, which is building its mobile home loan portfolio through two of its subsidiaries—Advance Mortgage Corp., and Nationwide Financial Service, Inc.

Another active lender is BankAmerica Corp., which is financing mobile homes in California through its Bank of America subsidiary and on a nationwide basis through its Finance America subsidiary.

"These two giants of the banking world certainly would not continue their aggressive mobile home lending activity if they did not believe it to be profitable," Mr. Silbernagel said.

Developing trends in the mobile home area, he said, include greater general interest in mobile homes on the part of the increasing number of individuals priced out of the conventional home market by rising costs; more mobile home financing done on a monthly simple-interest basis similar to the amortization of a real estate loan; more mobile home and modular subdivisions where the home and lot are sold as one item similar to the sale of a site-built home; and greater acceptance by lenders of FHA Title I and VA mobile home programs under the Veterans Housing acts of 1970 and 1974 as the discovery is made by lenders that a limited number of private mobile home loan credit risk insurors are willing to provide protection similar to the federal programs.

Mr. Silbernagel also sees the majority of new mobile home sales being made in rural areas because housing shortages are more deeply felt there and the prices of mobile homes conform to incomes in such areas; more realtors will enter the mobile home sales area in order to obtain the product mix to appeal to all price ranges and income levels; and living in a mobile home will become accepted in the same manner as any other form of housing because few alternatives will be offered in the price range of a mobile home.

National Management Systems consults with lenders, service companies and insurance companies in the mobile home finance area. • •

Overholt Raised at Harris Trust

CHICAGO—James H. Overholt, vice president, Harris Trust, has been named national sales manager of the government bond division. He will direct division sales activity from a representative office in New York City.

Mr. Overholt joined the bank in 1970 and the government bond division in 1971. He was promoted to vice president last year.

RV Delinquency Rate Good

Although loan delinquency rates for recreational vehicles in the U. S. climbed slightly in the third quarter of 1976, RVs still ranked second lowest among 10 categories listed by ABA.

The ABA's installment lending division reported RV delinquencies for the third quarter at 1.62. This compares with 1.41 at the end of the second quarter in June, when RVs were the lowest among the 10 categories, which include autos, property improvement, bank cards, revolving credit, FHA title 1, home appliances, personal loans and mobile homes.

Delinquency rates are based on the total number of loans delinquent as a percentage of the total number of loans outstanding.

The third quarter RV figure was exceeded only by direct auto loans, at 1.56. RV loans also ranked second at the end of the first quarter in March, at 1.67.

The September figure means that 1.62 of every 1,000 RV loans are delinquent, the second lowest point for the industry in the last three years.

Good Year Seen for Mobile Homes, RVs; That Means Good Profits for Lenders!

A GOOD year for mobile home and RV growth is predicted by Dale E. Schenkel, president, Marketing Services of Indiana, Inc., a firm specializing in marketing services for lenders. The firm is located in Carmel, Ind.

Mr. Schenkel predicts a growth rate of 30% for mobile homes and up to 20% for RVs in 1977.

While the RV industry has recovered from its inflation- and energy-crisis-induced slump, the mobile home industry is still in the early stages of its recovery, he said.

A great demand is expected by Mr. Schenkel for the more expensive single- and double-wide mobile home units. The average mobile home contract is expected to carry a finance balance in excess of $11,000.

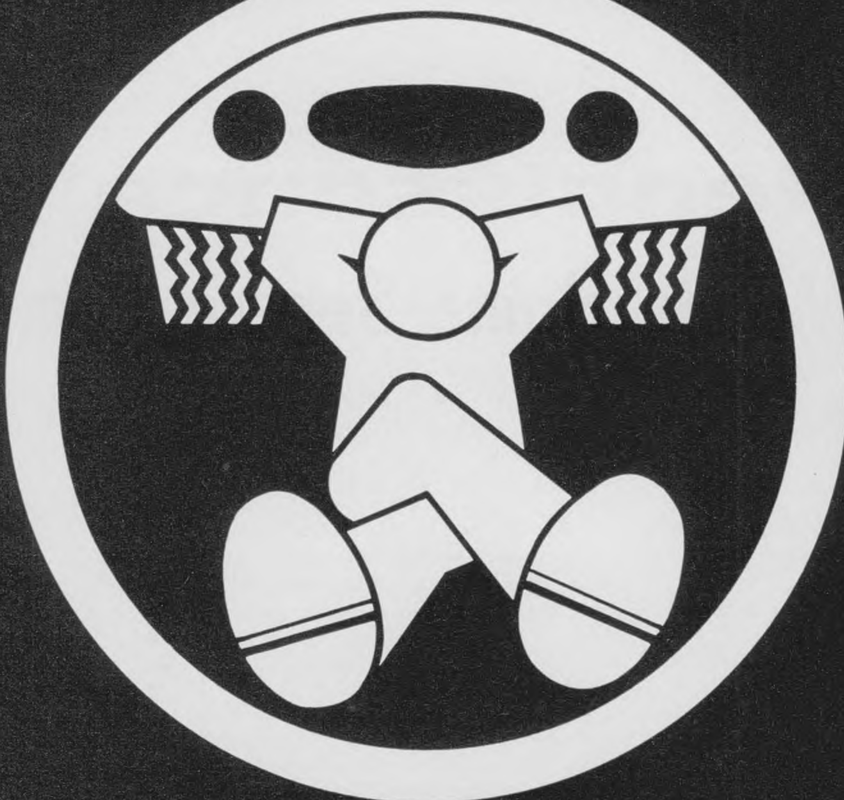
In the RV industry, the average sale exceeds $7,000; however, direct dealer control of financing remains at a low level.

Both mobile home and RV contracts can be profitable to lenders, Mr. Schenkel said, because yields are excellent. The ability to purchase sound credits has improved drastically in the past two years. Lenders now have an ability to tie the dealer to his retail paper and have him assist in the contracts requiring delinquency or repossession control. Today, most prudent lenders have discovered that, with specialty lending, it is impossible to permit the dealer to walk away from a retail transaction with no responsibility.

Mr. Schenkel believes the lender should be protected by loss reserves from the mobile home service company. Therefore, monies held for losses are always available at the bank. The bank can also monitor loss experience against receivables outstanding. He can then determine his progress in retail paper liquidation at all times.

Banks have the opportunity to handle this paper safely and soundly with high yields and development of new customers, he said. Those not pleased in the past should take note of the changes made by prudent banks.

Mr. Schenkel feels the mobile home industry has much work to do to present a good image to the public. Today's mobile home is a quality-built, low-cost form of housing. Manufacturers stand behind their products. The industry has an opportunity to reach a new class of purchaser by getting its message across regarding the cost, reliability, safety and value of mobile homes, he said. • •



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The Renaissance Of the Mobile Home Service Company

"Wise men say, and not without reason, that whoever wishes to foresee the future must consult the past. . . ."

Machiavelli

By RICHARD W. POSSETT
Vice President-Finance
and RICHARD A. VANDENBERG
Vice President-Marketing
Sebrite Corp.
Grand Rapids, Mich.

THE WISE LENDER, much as Machiavelli's wise man, will consult the past to foresee the future. The prudent banker, desiring to capitalize upon and profit from the future, carefully scrutinizes the past. He does not confine his scrutiny solely to business, but expands into political, social, even cultural history, for parallels which may give him insight into the future.

One striking historical parallel involves the mobile home financial service company. The role of the service company is to generate profitable retail and wholesale lending opportunities for lenders who wish to participate in the growing mobile home market. In order to fulfill this role the service company usually acquires mobile home loans for its client lenders and services those loans by assisting with or performing the collection and repossession work.

Service companies have recently emerged from a period which could be likened to the Dark Ages in history. The Dark Ages, from 700 to 1100 A.D., were characterized by barbarism, or the marauding of fierce, piratical tribes. Service company competition for mobile home business as recently as 1974 could be characterized as barbaric. There were a number of non-differentiated companies vying fiercely for the same segment of the market. The necessary result was a slashing of fees, often below cost, in order to sign lenders. Once lenders were signed on non-differentiated programs, intense competition for dealer business resulted in a deterioration of credit quality. The poor quality of credits purchased soon began to take its toll in the form of increased servicing costs. The inadequate fees charged were far from sufficient to cover costs, causing many service companies to become insolvent.

In addition, the Dark Ages were characterized by a decline in commerce and industry. In 1974 both the country and the mobile home industry fell into the worst recession since the great depression. A soaring cost of living, high unemployment and a sharp increase in the cost of money precipitated a mobile home industry depression unlike any in the industry's history. An acute rise in delinquency and repossession ratios highlighted the deteriorating quality of consumer credit. A departure from sound business practices came back to haunt many service companies, dealers, manufacturers and lenders. Some were forced out of business, which in turn had a domino effect on others. Mobile home shipments plummented from 566,000 units in 1973 to 214,000 units by 1975.

Finally, cultural stagnation characterized the Dark Ages. Culture is developed as a result of education, discipline and training. Where these ingredients are lacking, culture stagnates. Many service companies, in their thirst for volume before the recession and in their desperate struggle for survival during the recession, entered a period of intellectual stagnation. Concepts such as product and service differentiation, satisfaction of customer needs, intelligent financial management and long range planning were largely ignored as the fight to capture every deal was waged.

As the world emerged from the Dark Ages, it entered a period of enlightenment referred to as the "Renaissance." The Renaissance was to provide the foundation for the rapid cultural, scientific and economic development which followed. Service companies have similarly entered a period of rebirth and reawakening—a renaissance. As with the Dark Ages, striking historical parallels can be drawn between the Renaissance and recent service company history.

The Renaissance was characterized by commercial expansion. The national economy and the mobile home industry have both entered a period of recovery and growth. Real GNP has resumed its upward climb, although occasionally stopping for a breather. Money supplies are once again abundant, as evidenced by a prime rate only a little over half what it was at its peak.

The mobile home industry likewise is entering a period of growth. Mobile home shipments in 1976 from manufacturers to dealers will reflect nearly a 20% increase over 1975 shipments

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Messrs. Possett and VandenBerg are officers of Sebrite Corp., said to be the nation's largest mobile home financial service company. Operating coast to coast, Sebrite Corp. currently services over $600,000,000 in outstanding mobile home paper. Mr. Possett is a CPA and a graduate of Western Michigan University. Mr. VandenBerg holds a BA from Hope College and an MBA from Western Michigan University.

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A new, modular alarm system that lets you plug in precisely the security you need.

The new Century 21—so flexible, so comprehensive, it lets you design precisely the security system you need. From the larger main facility to the smallest branch. Even a free-standing automated teller machine. Plug-in modules provide for virtually any level of line security, whether on the premises or on remote reporting telephone lines. Expand it, change it, even relocate it—Century 21 is the most versatile alarm system ever.

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NATIONAL DETROIT CORPORATION

Parent Company of
NATIONAL BANK OF DETROIT
December 31, 1976

CONSOLIDATED BALANCE SHEET (dollars in thousands)

ASSETS

Cash and Due from Banks (including Foreign Office Time Deposits of $707,971)		$1,600,693
Money Market Investments:		
Federal Funds Sold		569,950
Other Investments		231,631
		801,581
Trading Account Securities—At Lower of Cost or Market		21,190
Investment Securities—At Amortized Cost:		
U.S. Treasury		690,189
States and Political Subdivisions		823,024
Federal Agencies and Other		47,294
		1,560,507
Loans:		
Commercial		1,927,562
Real Estate Mortgage		775,480
Consumer		264,978
Foreign Office		435,654
		3,403,674
Less Reserve for Possible Loan Losses		49,798
		3,353,876
Bank Premises and Equipment (at cost less accumulated depreciation of $42,689)		66,117
Other Assets		148,545
Total Assets		$7,552,509

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits:		
Demand		$1,717,565
Certified and Other Official Checks		291,561
Individual Savings		1,400,477
Individual Time		801,753
Certificates of Deposits		385,528
Other Savings and Time		201,457
Foreign Office		1,041,288
		5,839,629
Other Liabilities:		
Short-Term Funds Borrowed	$964,884	
Capital Notes	95,327	
Sundry Liabilities	181,970	1,242,181
Total Liabilities		7,081,810
Shareholders' Equity:		
Preferred Stock—No Par Value	$ —	
No. of Shares		
Authorized 1,000,000		
Issued —		
Common Stock—Par Value $6.25	75,948	
No. of Shares		
Authorized 20,000,000		
Issued 12,151,720		
Capital Surplus	178,725	
Retained Earnings	218,343	
Less: Treasury Stock—102,808 Common Shares, at cost	(2,317)	470,699
Total Liabilities and Shareholders' Equity		$7,552,509

Assets carried at approximately $389,000,000 (including U.S. Treasury Securities carried at $54,000,000) were pledged at December 31, 1976, to secure public deposits (including deposits of $84,330,105 of the Treasurer, State of Michigan) and for other purposes required by law.

Outstanding standby letters of credit at December 31, 1976, totaled approximately $27,200,000.

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and the upward trend is expected to continue in 1977. This growth is slower and less spectacular than the "boom" years, perhaps, but more likely to provide consistent opportunities for profitable lending.

Improving technology characterized the Renaissance and is playing an important role in the service company renaissance, also. Today the mobile home industry is building a better product (to HUD standards), with better warranties, and one less likely to become obsolete by future increases in mobile home size. There is new emphasis on loan guarantee arrangements other than private credit insurance. Government programs (FHA and VA) have been updated to better satisfy today's market needs. Private credit insurers have re-evaluated their role and made significant product improvements. Programs for self-insuring against loan loss have become more prevalent. Simple-interest financing has started to replace add-on interest, giving lenders and dealers a tool to differentiate their financing programs.

As a result of these "technological" improvements, service companies are realizing two distinct benefits. First, many new opportunities are being created to provide specialized knowledge and expertise to lenders. Second, these changes make it easier for service companies to differentiate their product service offering. This allows service companies and their client lenders to avoid "barbaric" competition for one market segment and to base growth on the foundation of a sound business strategy.

In short, "technological" improvements in both financing techniques and in the collateral financed will further stimulate service company rebirth.

Finally, the Renaissance was characterized by intellectual revival. So also, the service company renaissance is typified by a rethinking of the validity of the service concept, the proper service company role, correcting and avoiding the abuses of the past and the opportunities of the future.

As evidence of this intellectual revival, one has only to look at the marketing and management techniques of today's established, well-managed service company. These are firms that had the strength to survive the Dark Ages and the vision to develop and adhere to improved business techniques to assure a profitable future. What characteristics do these enlightened companies embody?

• Product and service differentiation are emphasized in the service company's approach to its clients. Enlightened service company management will attempt to define a segment of the market which is not being addressed by competition. Similarly, no enlightened service company will encourage its client lenders to develop a "me too" finance plan for its dealers. The strategy will be to construct a plan which addresses the mobile home customers' needs, thereby satisfying dealer needs and creating a preference for the lender's finance program.

• Recognition and control of costs will be emphasized so that financial statements will properly reflect the real economic condition of the firm. Future servicing costs and contingent liabilities must be recognized and dealt with in the day-to-day planning, operating and management of the enlightened service company.

• Management will recognize the importance of its human resource. It will recruit, train and retain personnel with the necessary expertise to supply clients with quality services.

• The service offering will be "unbundled" so that services can be tailored to each lender's needs. Before a proposal is tendered, the lender's needs will be carefully analyzed and defined. A selection of desired services will take place jointly between the lender and the service company. Care will be taken to avoid costly duplication of effort, so that profit expectations of all parties will be realized.

• Pricing of services will be a la carte. The lender will pay only for the services he selects based on his needs. Service companies will no longer market and price one package of services as an indivisible whole.

• Fees will be paid as services are rendered. In the past, lenders frequently made payment prior to the services being rendered and prior to completion of the earnings process. Structuring the fee payment as services rendered eliminates the need for service companies to reserve for refunds of unearned fees and future servicing costs. It removes the lender's risk that his service company will be inadequately reserved and, at the same time, it increases his yield.

Never has the service company concept held more validity. Lenders need specialized expertise and assistance now more than ever if they are to profitably satisfy the housing needs of their communities. The astute lender, one who studies history for parallels, one who recognizes that service companies are experiencing a renaissance, will be rewarded with a profitable niche in the growing mobile home market. • •

Mobile Home Resurgence

The mobile home industry has changed and improved, and so have the lending opportunities, says a recent bulletin published by Foremost Insurance Co., Grand Rapids, Mich.

The bulletin advises bankers to examine the factors that created previous mobile home lending problems and the corrective actions that have been taken. Then future opportunities can be evaluated.

According to the bulletin, the mobile home market is changing and with it have come improved products, built to HUD standards; stronger manufacturers and dealers who have met the challenges of the past three difficult years; renewed emphasis on better credits; and a slower rate of inflation and some restored confidence in the economy.

Also, the image and acceptability of mobile home living continues to improve, the bulletin says. The mobile home is larger and fits the housing needs of more people. It is affordable new housing for up to 35% of the population that can't afford new site-built homes.

Mobile home owners list economy, the desire to own their own homes and low maintenance as the most important reasons for choosing mobile home living. They overwhelmingly express satisfaction with their homes and indicate they would buy another, the bulletin says.

Numerous Promotions Announced By Continental Bank, Chicago

CHICAGO—Thirteen new vice presidents are among the promotions announced recently by Continental Illinois National.

They are: Stephen M. Johns and Dennis J. McDonnell, bond and money-market services department; Peter F. Dolle and Ronald V. Greer, commercial banking services; William P. Schoentgen, corporate communications division; Theordore H. Tung, corporate financial services; Robert L. Ganchiff, corporate personnel services; Michael C. Snavely, international services; Fred W. Vida, personal banking services; and Kenneth L. Gilchrist, Marvin J. Kruger, Donald B. McInerney and William F. Sanford, trust and investment services.

Patrick J. Coll and Joseph W. Saunders were named second vice presidents in the personal banking services department, and Gerald A. Fisher, Fred J. Galus, Martin R. Hartmann and Richard G. Shapiro were named personal banking officers.

Financing Picture for RVs Brightens As Sales Return to Pre-Crisis Levels

By DONALD T. KNUST
Vice President
Nationwide Financial Services Corp.
St. Louis

IT'S A LONG DRIVE between St. Louis and Hays, Kan.—535 miles to be exact—with plenty of time to indulge in trivialities of the open road or just plain carefree dreaming. One such indulgence is to count the number of states seen on license plates of passing cars. Another game, especially for someone involved in the recreational vehicle industry, is to tally the number of RVs seen on the 10-hour journey. Last summer, I did just that.

Without too much surprise, my impromptu survey revealed that every third vehicle was, or pulled, an RV. This does more than attest to the growing popularity of RVs.

It goes a long way in telling us that the 550,000 RV units sold in 1975 were a fact and gives credence to industry projections of a more than 30% increase in 1976 sales. It likewise was a barometer that confirmed that the annual increase in future sales may average in excess of the 8% forecast. Sales of all types of RVs are predicted to reach the 725,000 annual unit level by 1980. If class "B" motor homes and van conversions continue their popularity, these predictions will be conservative.

History views upward trend. Travel trailers, first produced commercially in the 30s, experienced only moderate growth after World War II and into the 50s, reaching sales of 15,370 per year by 1954. By 1961 this figure reached 28,000. In the late 50s, other vehicle types were developed, but it wasn't until 1965 that production figures on motor homes were tabulated.

Today, recreational vehicle products are designed and produced by nearly 500 manufacturers throughout North America and sold by 15,000 dealers with retail sales totaling $2.32 billion in 1975.

Various types of RVs are now commonly recognized as travel trailers, camping trailers, three classes of motor homes, truck campers and pickup covers. The Recreation Vehicle Industry Association (RVIA) reports that average retail prices range from a low of $330 on pickup covers to a high of $35,000+ for class "A" type motor homes. This spread indicates that just about every level of consumer family income can be served by some type of recreational vehicle. The variety of product and cost to the buyer lends itself to few circumstances of "oversell," always a key to a positive credit environment.

At a 1973 ABA installment credit conference in Dallas it was stated that some 50% of RV retail sales are financed and 20% of the lenders do 80% of the finance volume. These figures still stand.

As a result of something less than a planned strategy, many lenders have just a few RV contracts on their books, usually acquired by accident. Even those who carry larger portfolios have benefited largely from standard programs marketed on a national basis rather than from those tailored to needs of local markets.

The unique needs of each market should put the local banker "in the driver's seat" opposite most other finance competition. There is little reason to belabor past failure to realize the profit potential. More important is the foresight to develop and sell a finance program to penetrate the expanding market.

The bank's role. A focal point within a bank must be established to develop an understanding preliminary to management decision to aggressively sell a financing plan.

History, growth and potential of the RV industry, compilation of market statistics (along with buyer credit demographics) are vital to the research. Such information is available from RVIA, P. O. Box 204, 14650 Lee Road, Chantilly, VA 22021; and the Recreational Vehicle Dealers Association (RVDA), P. O. Box 2159, Boulder, CO 80302.

The American Bankers Association can provide some customer credit demographics. Recently published figures (Bulletin #395) indicate that the RV product portfolio produced the second most favorable delinquency rate among 10 categories. Generally, those lenders who have gained a portfolio of RV time sales contracts over the past five to 10 years will share information on customer/credit demographics. This data will accurately predict the type and quality of the credit risk and its prospective liquidating performances. One lender with a representative portfolio found in a recent minimum sampling that 70% of the customers/buyers were 35 years or older, married and had families. Some 85% had annual family income of approximately $15,-000. Other significant credit factors were as favorable.

Crises reveal credit worthiness. Somewhat superficial though telling evidence of RV credit quality is found in the performance of these buyers during the 1972 and 1973 energy crises. The energy crises proved that people would continue to pay monthly installments, even though, temporarily, full utilization of their recreational vehicles was not enjoyed. Beyond that, it showed that most owners would not give up their leisure time and vehicle use in spite of the gasoline shortage.

Bankers may be reluctant to admit it, but not so long ago, time payments devoted to recreational activity were viewed with a jaundiced eye. While the increasing cost of living may be a factor, it would be mistaken business judgment to suggest that such time sales financing presents an undue risk. Many Americans have discovered that the cost is lower and the experience nicer to vacation by RV instead of staying at a motel or resort.

Conversely, it is dangerous to generalize on the profit potential of an unbalanced portfolio.

The RVIA said that, during 1975, travel trailers represented 44.4% of to-

First Commerce Corporation and First National Bank of Commerce

AND SUBSIDIARIES. NEW ORLEANS / TWELVE MONTHS ENDED DECEMBER 31, 1976

FIRST COMMERCE CORPORATION COMPARATIVE CONSOLIDATED STATEMENT OF INCOME

	Year Ended December 31, 1976	1975
OPERATING REVENUES		
Interest Income	$51,630,000	$66,174,000
Service Charges, Exchange and Other Fees	5,902,000	5,203,000
Trading Account Income	590,000	465,000
Other Operating Revenues	2,442,000	1,954,000
Total	60,564,000	73,796,000
OPERATING EXPENSES		
Interest Expense	25,118,000	37,215,000
Salaries and Employee Benefits	12,986,000	12,143,000
Net Occupancy Expenses	3,096,000	2,533,000
Equipment Expenses	3,569,000	3,528,000
Provision for Possible Loan Losses	3,250,000	9,153,000
Revaluation of Assets	1,500,000	832,000
Other Operating Expenses	10,859,000	10,633,000
Total	60,378,000	76,037,000
INCOME (LOSS) BEFORE INCOME TAXES, NET SECURITIES GAINS AND EXTRAORDINARY GAIN	186,000	(2,241,000)
APPLICABLE INCOME TAXES (BENEFIT)	(631,000)	(2,356,000)
INCOME BEFORE NET SECURITIES GAINS AND EXTRAORDINARY GAIN	817,000	115,000
NET SECURITIES GAINS, After Related Income Taxes of $327,000, and $34,000, Respectively	354,000	36,000
INCOME BEFORE EXTRAORDINARY GAIN	1,171,000	151,000
GAIN ON EXCHANGE OF DEBENTURES, NET OF RELATED INCOME TAXES	5,147,000	
NET INCOME	$ 6,318,000	$ 151,000
EARNINGS PER SHARE		
Primary		
Income Before Net Securities Gains	$0.39	$0.05
Income Before Extraordinary Gain	$0.56	$0.07
Net Income	$3.00	$0.07
Fully Diluted		
Income Before Net Securities Gains	$0.52	—
Income Before Extraordinary Gain	$0.65	—
Net Income	$2.56	—
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	2,105,455	2,104,760

FIRST COMMERCE CORPORATION COMPARATIVE CONSOLIDATED STATEMENT OF CONDITION

	December 31, 1976	1975
ASSETS		
Cash and Due From Banks	$127,511,000	$ 124,671,000
Due From Banks—Time	19,000,000	6,510,000
Investment Securities	121,284,000	135,948,000
Trading Account Securities	399,000	5,025,000
Funds Sold	221,775,000	245,380,000
Loans, Less Reserve for Possible Loan Losses of $4,497,000 and $7,570,000, Respectively	423,747,000	491,405,000
Premises and Equipment	17,216,000	22,635,000
Accrued Interest on Securities and Loans	6,372,000	9,687,000
Other Real Estate	14,813,000	1,720,000
Other Assets	32,527,000	10,706,000
	$984,644,000	$1,053,687,000
LIABILITIES		
Demand Deposits:		
Individual and Business	$237,036,000	$ 260,146,000
Banks	72,088,000	92,011,000
U.S. Government and Other Public Funds	11,453,000	14,040,000
Total Demand Deposits	320,577,000	366,197,000
Time Deposits:		
Savings	138,303,000	119,986,000
Foreign Branches	15,347,000	9,456,000
Other	152,832,000	223,671,000
Total Time Deposits	306,482,000	353,113,000
Total Deposits	627,059,000	719,310,000
Funds Purchased	231,392,000	239,417,000
Other Borrowings Net of Discount	43,250,000	34,066,000
Accrued Interest Payable	4,147,000	5,682,000
Accrued Taxes and Other Liabilities	23,366,000	3,994,000
Total Liabilities	929,214,000	1,002,469,000
STOCKHOLDERS' EQUITY		
Preferred Stock, No Par Value Authorized—500,000 Shares. Outstanding—None		
Common Stock, $5 Par Value Authorized—10,000,000 Shares Issued—2,176,973 Shares Outstanding—2,105,455 Shares	10,885,000	10,885,000
Capital Surplus	25,281,000	25,281,000
Retained Earnings	20,960,000	16,748,000
	57,126,000	52,914,000
Less—71,518 Shares of Common Stock in Treasury, at Cost	(1,696,000)	(1,696,000)
Total Stockholders' Equity	55,430,000	51,218,000
	$984,644,000	$1,053,687,000

CORPORATE OFFICERS

RODGER J. MITCHELL
President and Chief Executive Officer

THOMAS S. DAVIDSON
Vice Chairman of the Board

HARRY M. ENGLAND
Chairman of the Board

WALTER B. STUART III
Vice Chairman of the Board

JOHN H. PALMER
Secretary of the Corporation

SENIOR VICE PRESIDENTS

GUY W. BYRD, JR.
Personal Banking Division

CHARLES C. LeBOURGEOIS
Bond and Money Market Group

MICHAEL A. FLICK
Loan Administration Division

DOUGLASS R. LORE
Correspondent Banking Department

SAMUEL D. HUGHES
United States/International Group

FRED M. SMITH
Trust Division

CHRISTOPHER B. YOUNG
Metropolitan Group

tal RV shipments; motor homes, 28.4%; truck campers, 13.0%; and camping trailers, 14.2%. Any extreme excess of these ratios in a portfolio may well represent greater flexibility in credit criteria than is prudent, particularly if the excess be the more expensive class "A" motor homes.

Don't disregard the fact that the 44.4% unit ratio of motor homes produces a 53.9% ratio of dollar sales because of the higher per unit cost. The rapid emergence of the van conversion as a combination leisure/basic mode of transportation has some unproven credit risk potential. Credit guidelines must be established accordingly. Although a balanced portfolio among the products is a reasonable assumption, a logical variable might well be a predominance of truck camper contracts if the area supports good hunting and fishing.

Maintenance program. To better understand your growing portfolio and its expected performance, undertake a regular analysis of management by the numbers. Supplement it by participation in industry trade associations. Management may take a preconceived view of the cost of trade association membership opposite tangible benefits. But membership fees seldom total more than the projected profit from four to six contracts. This is a minor consideration for having ready access to industry statistics and trends.

Further, trade meetings allow an invaluable opportunity to exchange views, problems and solutions with experienced lenders and other interested parties.

Regional and national trade shows permit firsthand inspection of products. Since manufacturers supervise the display of their product at trade shows, there exists an excellent opportunity to build a good business relationship to put you light-years ahead of the competition. Moreover, there is little to fear from consumer-oriented government regulations and laws when there is a healthy respect for each other's judgment.

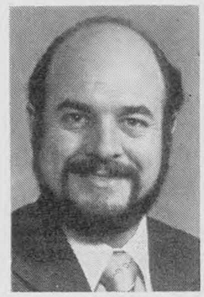
In the past 90 days, I have observed renewed activity among lenders maintaining fairly substantial RV portfolios. It is likely that their strategy is to exploit the expanding sales of RV products in an economy that is trending upwards.

It is not too late to jump on the bandwagon. In most parts of the country, retail sales are seasonally affected. Dealers should now be building and replenishing inventories, so now is the time to meet the quality dealers in the area and let them know that you are ready to assist with inventory financing. • •

Louisiana Junior Bankers Will Meet March 17-19

The annual Study Conference and Convention of the Junior Banker Section of the Louisiana Bankers Association will be held March 17-19 at the Bellemont Motor Hotel in Baton Rouge. Conference chairman is Don Bordelon, vice president, Guaranty Bank, Alexandria.

FIELDER



BORDELON

The conference will feature Robert C. Albright, ABA director of membership relations, and Walter Smiley, president, Systematics, Inc., Little Rock. Mr. Albright's topic will be "ABA Resources That Can Make You a Better Banker." Mr. Smiley will present the first of three discussions on EFTS.

Other speakers will discuss the future of financial institutions in Louisiana, use of upstream correspondent services and managing the human resource asset in banks.

A spouses' program is planned. Highlight of the final day will be a president's banquet and dance.

Junior Banker officers are Jerry A. Fielder, vice president and trust officer, Louisiana Bank, Shreveport—president; Mr. Bordelon—vice president; Harold E. Edwards, cashier, National Bank, Bossier City—secretary; and Rayford Simon, vice president, Guaranty Bank, Lafayette—treasurer.

Meyers, Shwab Are Sr. VPs At Liberty of Louisville

LOUISVILLE—Liberty National has promoted William D. Meyers and Hugh M. Shwab III from vice presidents to senior vice presidents. Mr. Meyers is also cashier. Mr. Meyers joined the bank in 1962 and Mr. Shwab has been with Liberty since 1967.

Other promotions include Warren Carter, Jim McDonnell and Larry Price from assistant vice presidents to vice presidents, and Carl Page from house counsel to vice president and house counsel.

Named directors were Wallace H. Dunbar, chairman & CEO, Thomas Industries, and Max Shapira, vice president, Heaven Hill Distilleries.

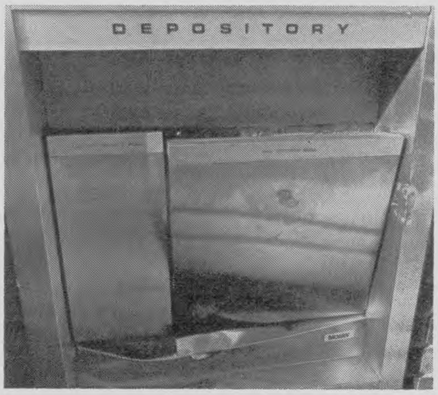
Hard Work Nets Zero for Burglars; Depository Is a 'Tough Nut' to Crack

THE NIGHT DEPOSITORY of People's Liberty Bank, Fort Wright, Ky., proved to be a "tough nut" to crack for some unknown burglars, even though they used heavy pry bars in an attempt to open it.

A bank spokesman estimates that the burglars worked about five or 10 minutes before giving up. Some time between 2 and 10:30 a.m. one Saturday —the bank is closed Saturdays—would-be burglars managed to pry open only the stainless steel shelving and the depository door to the Mosler Magna Dual Bag and Envelope Depository. "But there was no way they could have gotten into the receiving safe, which is housed inside the bank," the spokesman says.

Several successful night-depository burglaries have been recorded in Kentucky, the spokesman notes. Burglars often use the "trap and fish" method to obtain drop bags. But with the system at People's Liberty, the bag is placed on an elevator-type shelf after a depositor opens the door. When the door is closed, the shelf lowers the bag and pushes it into a chute, where the bag travels into the receiving safe.

"If the burglars had tried to pry the depository away from the bank's wall,"



Damaged night depository bears silent witness to futile attempts by burglars to "liberate" deposits from People's Liberty Bank, Fort Wright, Ky. Due to security design of the Mosler Magna Dual Bank and Envelope Depository, even heavy pry bars proved futile in penetrating receiving safe.

the spokesman chuckled, "an alarm would have been set off. And, needless to say, People's Liberty currently is replacing some older Mosler units with newer ones!" • •

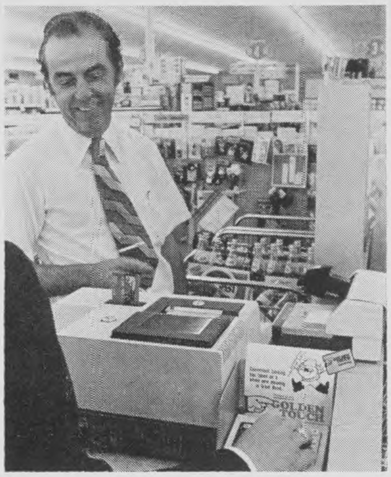
ACH Selling Conference Set for Dallas by NACHA

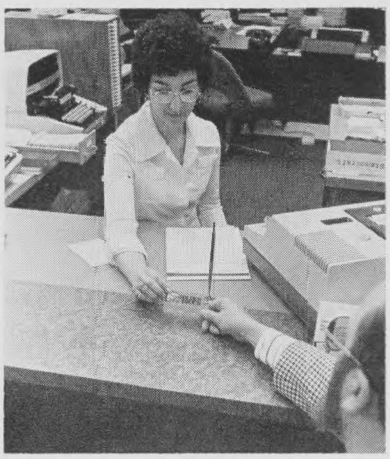
DALLAS—The 1977 National Automated Clearing House Association (NACHA) conference on selling ACH services will be held here March 20-22 at the Fairmont Hotel.

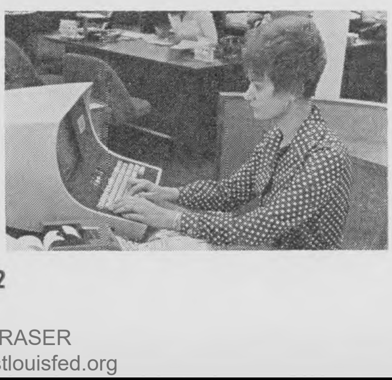
The conference will be geared to educate marketing, business development and commercial account officers on the aspects of selling ACH services.

Topics to be covered include how to choose corporate prospects, progress of the interregional exchange pilot project, how to organize a sales effort and what calling officers should know about ACH systems and cash management. Presentations will be made on marketing planning, internal training, media relations and advertising. A review of Sure-Pay marketing materials and their uses will also be on the program.

For more information, contact Ms. Keith Kiley, Payments System Planning Division, ABA, 1120 Connecticut Ave., N.W., Washington, D.C. 20036.







'Golden Touch' Account Brings World of EFTS Closer for Kansas Bank

GLENN IRICK knows the frustration of not being able to spend his own money in his own town because a retailer didn't know him and refused to cash a check.

The irony is that Mr. Irick is executive vice president and director of data processing for First National in Great Bend, Kan., largest bank in town. The bank serves the greater metropolitan area of Great Bend, which has a population of around 22,000.

"We hope none of our customers ever will have to face that problem again," Mr. Irick says. To assure this, last April First National became the first commercial bank in Kansas to provide electronic funds transfer services (EFTS) from point-of-sale (POS) terminals at retail outlets.

Customers now can do much of their daily banking at convenient discount stores and supermarkets. They can make deposits and withdrawals and verify amounts they have on deposit in total privacy. It's a long stride toward a cashless society, Mr. Irick points out, and customers and retailers are responding enthusiastically.

Anyone is eligible for a Golden Touch account. Customers are given plastic identification cards. The card is inserted in NCR 279 POS electronic terminals at a participating retail outlet. The customer then keys his unique personal identification number (PIN) on a module on the customer side of the counter, out of view of a clerk or other store customer. This tells the computer on-line at the bank's headquarters that the authorized person is using the card. The customer also can extract his balance—hidden from the clerk—of the amount on deposit.

TOP: To complete First Nat'l of Great Bend's Golden Touch transaction, customer must key unique identification number on module attached to NCR 279 electronic teller at place of purchase. This tells on-line computer that authorized person is using card.

SECOND FROM TOP: NCR 279 electronic teller terminal in First of Great Bend's main lobby is used for opening Golden Touch accounts and also for making transactions.

SECOND FROM BOTTOM: In just a few minutes, customer of bank can open Golden Touch account, have card embossed and enter his PIN (personal identification number) in system.

BOTTOM: NCR 796 CRT terminal in First of Great Bend's main lobby provides on-line access to all CIF accounts. Teller here is making master file change. Terminal also is used by officers seeking information before making decisions about loans, check-cashing requests, etc.

At that point, the customer tells the clerk operating the terminal how much he wants to deposit or withdraw. The amount is keyed through the POS terminal, and the cash changes hands. Meanwhile, the customer's account is updated automatically.

There are numerous advantages for participating retailers, according to Mr. Irick. The most obvious is that people are going to spend their money where they can get it. Retailers also get their cash in hand and eliminate work associated with demand-deposit or credit-card purchasers. In addition, there's an opportunity to eliminate bad-check losses.

Check-guarantee cards alleviate the bad-check problem only in part. Check-guarantee cards have limits, and not everyone qualifies for or has them. By way of comparison, everyone who qualifies to open a checking or savings account also can get a Golden Touch card. Withdrawals from any account are limited by availability.

Consumers also like the idea, he continues. It allows them to have instant access to their own money, which can be deposited in an interest-earning or a demand-deposit account. It's also a much more convenient way of banking.

"Banks across the country are searching for ways to become more accessible," Mr. Irick says. "Usually, they do this by staying open longer hours or more days. In effect, we are now open wherever and whenever we install a POS terminal, without investing in bricks and mortar or hiring more staff."

The Golden Touch concept is bringing many new customers to the bank, he verifies, and there will be a considerable reduction in paper.

While the initial retail POS terminals are in Great Bend, the bank expects them to spread quickly across the state. Other banks have been invited to participate in the concept, and several have already signed up. First National of Great Bend also sells other data processing services to other banks, including complete central information files (CIF).

The bank operates an NCR Century 201 computer in Great Bend and a "twin" data processing installation in Garden City. The two data processing

The Federal Land Bank of Wichita

Statement of Condition

DECEMBER 31, 1976

ASSETS

Mortgage loans and contracts (unmatured balance)	$2,037,535,808.33	
Delinquent instalments, etc.	4,282,847.47	
Loans in process of closing	5,536,867.34	
Accrued interest receivable on mortgage loans and contracts	79,011,381.27	
Loans called for foreclosure, judgments, etc.	2,825,119.62	
Total	$2,129,192,024.03	
Less Provision for losses	26,475,853.06	$2,102,716,170.97
Cash		4,167,212.96
Investments in Securities and Federal Funds:		
U.S. Government (par $10,843,000)	10,792,710.40	
Federal Funds	2,850,000.00	13,642,710.40
Notes Receivable:		
Federal Land Bank Associations	86,754.64	
Other Farm Credit Banks	2,000,000.00	2,086,754.64
Accounts receivable		25,577.10
Accrued interest receivable:		
Notes and investments		30,059.34
Acquired property		36,759.00
Building Investment (cost)	2,057,686.68	
Less accumulated depreciation	178,216.97	1,879,469.71
Furniture, fixtures, and Equipment	326,152.58	
Less accumulated depreciation	156,390.09	169,762.49
Other assets		2,926,014.64
TOTAL ASSETS		$2,127,680,491.25

LIABILITIES

Consolidated Federal Land Bank bonds outstanding	$1,840,806,000.00	
Less bonds owned	20,000,000.00	$1,820,806,000.00
System Wide Notes:		
Face Amount	34,000,000.00	
Less: Unamortized discount	132,781.95	33,867,218.05
Notes payable:		
Federal Land Bank Associations		8,256,525.91
Deferred proceeds of loans		4,796,904.35
Accrued interest payable		43,828,633.61
Accounts payable		51,721.36
Trust accounts		27,813,937.27
Other liabilities		4,372,640.65
Capital stock owned by Federal Land Bank Associations		122,027,840.00
Participation certificates owned by Federal Land Bank Associations		1,136,265.00
Legal reserve		34,239,180.00
Earned surplus		26,483,625.05
TOTAL LIABILITIES		$2,127,680,491.25

NOTES:

Of the mortgage loans $2,008,034,366.70 are assigned, as collateral for unmatured consolidated Federal Land Bank bonds.

The $1,840,806,000.00 represents this bank's participation in consolidated Land Bank bonds outstanding in the total amount of $17,127,175,000.00 for which the twelve land banks in the System are jointly and severally responsible.

The $34,000,000.00 represents this bank's participation in consolidated system wide notes outstanding in the total amount of $728,150,000.00 for which the thirty-seven Farm Credit banks in the System are jointly and severally responsible.

Federal
LAND BANK

The Bank of Generations

Over $2 Billion in Loans Outstanding Indicates Confidence in Agriculture

In November the Wichita Land Bank reached the $2 billion milestone of long term credit service to agriculture. This is a tribute to the generation which organized the cooperative credit system 60 years ago. Three and, in some cases, four generations have enjoyed the benefits.

It is interesting to note 57 years were required to reach an unmatured principal balance of $1 billion. This was doubled to $2 billion in only three years, and present trends indicate a balance of $3 1/2 billion by 1980.

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

Senior Officers:

WM. S. MAY
President
J.K. PERRY
Vice President and Treasurer
HAROLD B. WOLFE
Vice President-Credit
MAX H. FOSSEY
Vice President-Field Services
JEROLD L. HARRIS
Vice President and Secretary
MICHAEL BONE
Vice President-Data Processing and Research

Bank Directors:

VIRGIL A. PREWETT, Chairman
Cherokee, Oklahoma
H.C. HITCH, JR., Vice Chairman
Guymon, Oklahoma
LEO PAULSEN
Concordia, Kansas
LLOYD K. WALKER
Watonga, Oklahoma
BRUCE KING
Stanley, New Mexico
DAVID J. MICHAL
Flagler, Colorado
CLEO C. AINSWORTH
Portales, New Mexico

systems soon will be communicating on-line in a real-time mode. NCR 7200 interfaces also will be installed to reduce the static input error syndrome, Mr. Irick says.

"We were the first bank in the state to provide CIF services with a total customer/bank relationship approach," he says, "including commercial loans. We started building toward this in 1968 and completed the package in late 1974, when we first offered this service to other banks."

There was little customer reaction while CIF was being implemented, he recalls. "One man complained because we sent him a unified statement, which told his wife how much money he had in a savings account."

As a result, the program was modified to allow for individual situations, he says. Almost all customers receive unified statements at home; however, some ask to receive all or parts of statements at different addresses.

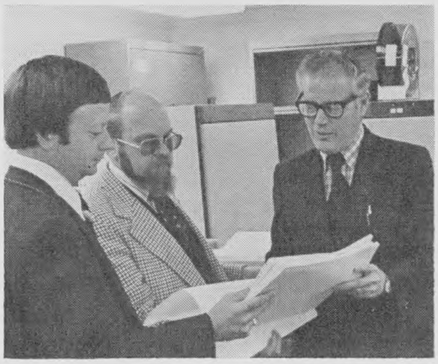
"When we started developing our CIF, we were the second-largest bank in our community. Now, we are No. 1, with total assets of over $50 million. Our assets have increased around 2½ times since acquiring our first computer —a Century 100."

Mr. Irick credits this rapid and profitable expansion to management's ability to grasp the potential of CIF as a marketing tool. "We have identified people who are prospects for different services and have done some very successful cross-selling, using stuffers and other advertising."

Equally important, CIF is used to identify customers as individuals rather than as numbers. "Mistakes still happen, but it is much less likely today that we will return a check written against insufficient funds if the customer has other deposit accounts. With CIF, the banker has the total bank/customer relationship contiguously reported," he notes.

Also important, bank officers now have instant access to information about each customer's total relationship with the bank. "If someone calls or comes in to discuss a car or personal loan or to get authorization to cash a check, either through printout or by accessing an on-line NCR 796 CRT terminal in the bank lobby, an officer can accurately and quickly review our entire relationship with the customer," he says. "The result is that our decisions are made faster, and they are more relevant."

The same painstaking attention to detail helped launch the Golden Touch account program successfully. Mr. Irick investigated the capabilities of many plastics manufacturers. This is a key point, he says. The plastic card drives the system. If it is faulty, or if plastic deliveries are slow, the entire system can break down.



NCR representative Ted Pilcher (l.) confers with Ronald Goin, v.p. & senior systems analyst, and Glenn Irick, e.v.p. and data processing dir., respectively, First Nat'l, Great Bend. Bank uses twin NCR Century 201 computers in Great Bend and Garden City, Kan., for providing CIF services for its own customers and other financial institutions.

"We also carefully selected terminals for long-term as well as initial feasibility," he explains. "They are the most powerful equipment available for what we need and aren't too different from electronic sales terminals used by many retailers. Also, we foresee retailers eventually using the NCR 279 terminals in conjunction with scanning devices for automatically transferring funds during sales transactions."

The bank introduced the Golden Touch account with a marketing splash including newspaper, radio, television, stuffers and display advertising and also offered a $5 gift premium to anyone opening an account for at least $250.

Card embossing and encoding equipment was set up at a station in the center of the main lobby. Customers can turn in applications at that station and have their cards embossed in minutes. At the same time, they may encode their own identification numbers through an NCR 279 terminal directly into the system or, alternatively, can utilize an algorithmic PIN, which is determined by the system and confidentially delivered to the customer.

This provides real security, Mr. Irick believes, since there is no way anyone else can use that card without knowing the unique number, which isn't stored in computer memory. "If a customer thinks someone has learned his number, he can come into the main office and change the coding in minutes. Husbands and wives opening single accounts have separate cards with different identification encodings. If one of them loses a card, it's technically possible for a knowing thief to dust the magnetic stripe and read the code. However, all the person losing the card has to do is report that fact to us. We immediately put it on the 'hot' card list, and the computer rejects that entry. Even then, it isn't necessary to close the account. The other partner can keep using the remaining card, and we can replace the lost one in minutes."

Response to the Golden Touch promotion has been tremendous, Mr. Irick says. Hundreds of accounts were opened during the first several weeks, and, in many cases, the new customers also opened demand-deposit and other accounts.

Other participating banks utilize the same terminals and Golden Touch cards, but their customers are issued cards with those banks' names and logos embossed. "Even if we don't process their data, we can still feed Golden Touch transactions to them with total security," Mr. Irick concludes. "The more participating banks, the more reason retailers will have for installing POS terminals, and the better it will be for all our customers.

"At this time, our system has the capacity to drive other equipment, such as inquiry and automated teller machine devices." • •

Retirement Training Programs Set by Kennedy Sinclaire

WAYNE, N. J.—Five retirement training programs for bankers and consultants involved in the administration and sale of retirement plans have been announced by Kennedy Sinclaire, Inc., financial marketing firm.

In addition to three one-week basic training programs, the firm will introduce two advanced seminars this year.

The basic course is designed for individuals with less than one year's experience. The program includes a preclass correspondent course, five days of instruction, sales manual, 35 mm slides and reference notebook.

Sessions are scheduled for March 14-18 at the Hyatt Regency O'Hare, Chicago; July 25-29 at the Marriott, Denver; and December 5-9 at the Hyatt House, Cherry Hill, N. J.

The three-day advanced seminar is designed for individuals with two year's experience in the retirement plan business. The program will cover competitive retirement products, marketing retirement services, successful investment techniques and other subjects.

Sessions will be held May 2-4 at the Marriott, Saddle Brook, N. J. and October 19-21 at the Hyatt Regency O'Hare, Chicago.

For more information, write: Kathy Klaassen, Kennedy Sinclaire, Inc., 524 Hamburg Turnpike, Wayne, N. J. 07470.

BNO

THE BANK OF NEW ORLEANS AND TRUST COMPANY
AND SUBSIDIARY

Consolidated Statement of Condition

	DECEMBER 31 1976	DECEMBER 31 1975
ASSETS		
Cash and Due from Banks	$107,568,561	$ 44,391,007
Securities		
U.S. Treasury Securities	$ 40,937,108	$ 22,282,915
Securities of Other U.S. Government Agencies	36,173,209	24,877,041
Obligations of States and Political Subdivisions	42,562,880	40,881,154
Other Securities	5,270,708	780,000
TOTAL SECURITIES	$124,943,905	$ 88,821,110
Loans Outstanding — Net of Unearned Income of $4,086,385 in 1976 and $3,913,647 in 1975	$256,264,275	$211,383,183
Reserve for Possible Loan Losses	(2,600,000)	(2,496,642)
NET LOANS OUTSTANDING	$253,664,275	$208,886,541
Federal Funds Sold and Securities Purchased under Agreements to Resell	$ 87,200,440	$ 32,300,000
Bank Premises and Equipment	3,129,054	2,963,512
Interest Earned but not Collected	4,506,390	3,493,045
Customers' Liability on Acceptances	7,095	212,280
Other Assets	3,511,650	1,640,447
TOTAL ASSETS	$584,531,370	$382,707,942
LIABILITIES		
Demand Deposits	$163,532,587	$123,331,879
Savings Deposits	76,259,754	43,424,487
Time Deposits	231,770,387	144,741,301
TOTAL DEPOSITS	$471,562,728	$311,497,667
Federal Funds Purchased and Securities Sold under Agreements to Repurchase	$ 54,465,000	$ 39,230,000
Accrued Taxes and Interest	20,496,684	5,263,529
Quarterly Dividend Payable	141,430	141,430
Liability on Acceptances	7,095	212,280
Other Liabilities	2,607,410	145,818
	$549,280,347	$356,490,724
Capital Note	4,250,000	4,250,000
TOTAL LIABILITIES	$553,530,347	$360,740,724
SHAREHOLDERS' EQUITY		
Common Stock, $12.50 Par Value, 400,000 Shares Authorized, 250,000 Shares Issued and Outstanding	$ 3,125,000	$ 3,125,000
Surplus	20,375,000	12,875,000
Undivided Profits	7,501,023	5,967,218
TOTAL SHAREHOLDERS' EQUITY	$ 31,001,023	$ 21,967,218
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$584,531,370	$382,707,942

Contingent Liability on Letters of Credit Issued but not Drawn Against — 12/31/76 - $3,204,245
12/31/75 - $7,057,597

Certain 1975 amounts have been reclassified to conform with 1976 presentations.

BankAmerica's Voluntary Disclosure Code Opens Its Activities to Public Scrutiny

A VOLUNTARY disclosure code has been put together and made public by BankAmerica Corp., headquartered in San Francisco. The HC describes the code as the first of its kind in approach, scope of information covered, specific detail set forth and degree of commitment to open a large corporation's activities to the public gaze.

According to BankAmerica President A. W. Clausen, who appointed the task force that put the code together, its aim is "to permit outsiders to readily evaluate BankAmerica's operations from any point of view. Our code goes beyond existing and pending government disclosure regulations. It is only a beginning, of course, because times and what people perceive as relevant both change. For now, its greatest significance is its existence."

The disclosure policy statement is a 28-page document that includes introductory remarks by Mr. Clausen, a brief explanation of objectives and constraints, the code itself, an explanation of how to obtain the information covered and an appendix on aspects of commercial banking relevant to disclosure issues.

The full code alone runs more than 4,500 words and includes 70 categories of information about bank and corporation activities that will be made available to the public.

The code is organized to focus on the three main functions BankAmerica performs: its role as a financial intermediary (there are 24 categories of disclosure for this function); its trust, investment and money market services (11 categories); and its operations as a corporate enterprise (35 categories).

Setting a standard that commits all levels of management to candor, straightforwardness and consistency, the code identifies five key objectives:

1. To provide BankAmerica management with a continuing policy guide to effective disclosure.
2. To disclose information identified by the corporation's constituencies to be useful.
3. To do so in language easily understood by laymen as well as by professionals.
4. To give the public ready access to information reported to regulatory agencies where permitted.
5. To commit the corporation to the proposition that all material facts about its operation should be available for scrutiny, subject only to necessary constraints.

The code lists specific constraints that cover privacy rights of individual, institutional and corporate customers and proprietary information that gives BankAmerica competitors needless advantage. Other constraints prohibit disclosure of information that might cause or aid speculation in the corporation's stock, information in a form that could result in misinterpretation and information that doesn't justify the expense of providing it.

BankAmerica emphasizes that constraints are intended for use only where "clearly appropriate." They are not designed to deter anyone from seeking information from the corporation.

Disclosure categories range from the bank's consumer interest rates to breakdowns on loans to foreign governments and central banks. Much of this information already appears in annual and quarterly reports or will be added this year. Reports on other bank activities appear in separate bank publications. However, some information will be accessible for the first time—market and bond services, international syndicate loans, management of corporate flow of funds, trust department services and the board of directors.

In terms of financial intermediary activities, for example, the code requires disclosure of such new items as deposit and loan figures by major currencies (in U. S. dollars, British pounds, Deutsche marks, French francs, Italian lira and Japanese yen); detailed information on the effects of foreign exchange trading and translation on profits; and dollar volume of credits to nonconsolidated affiliates and other institutions in which the bank has investments.

To be provided also is a breakdown of BankAmerica's loan portfolio, including consumer loans (for auto purchase and lease lines, BankAmericard, home improvement and personal loans), commercial and industrial loans and foreign loans. Data on "problem loans" will be divulged when widespread public concern exists about a particular industry. Data on nonperforming loans for which initial contractural terms are not being met also is subject to disclosure.

The code obliges the bank to reveal its 10 largest holdings of municipal bonds and notes and the market rating of each. Also to be disclosed are municipal securities holdings by ratings as well as particulars relating to defaults, extensions or moratoriums.

The bank will give more information than before to home loan applicants, including facts about title insurance, closing costs and appraised value of property serving as collateral. The bank

Members of BankAmerica's disclosure code task force are shown during work session. They are, l. to r.: Lawrence E. Nerheim, s.v.p. (BankAmerica Corp.); Arthur V. Toupin, e.v.p.; C. M. van Vlierden, e.v.p.; Leland S. Prussia, task force ch. and e.v.p. & cash.; George W. Coombe Jr., e.v.p.; James F. Langton, s.v.p.; and Irwin L. Gubman, sr. counsel & asst. sec., who served as task force sec. & staff dir. Not pictured is Jerry G. South, v.p. & corp. sec.

also will disclose totals of loans made to directors and their families.

BankAmerica will limit its response for information to reasonable dimensions, the code states. It reserves the right to impose charges, where appropriate, sufficient to cover costs of preparing and delivering data.

Chairman of the task force that put the code together was Leland S. Prussia, executive vice president and cashier, Bank of America, and treasurer, BankAmerica Corp. He says that some of the code's individual items of financial data are provided by other banking institutions, but that the task force believes the BankAmerica code marks the first time so many items have been made accessible on a consistent basis by a single firm.

"When we talk about consistency," Mr. Prussia adds, "we mean we're committed to providing this information at all times, whether it's good news or bad."

Mr. Clausen emphasizes that the task force didn't set out to devise merely a "code of conduct" as other firms have been doing. "We are convinced," he says in the "President's Preamble" to the code, "that a far more powerful deterrent to wrongdoing is a code of disclosure. What better inhibitor to misconduct or ineptness than the certain knowledge that one's actions will become known?" • •

Bank Profit to Be Theme Of Convention March 14-16 Of Independent Bankers

WASHINGTON, D. C.—Bank profit will be the central theme of the Independent Bankers Association of America's 47th annual convention to be held March 14-16 at the Washington Hilton here. The keynote address will be given by IBAA President Charles O. Maddox Jr., president, Peoples Bank, Winder, Ga.

MADDOX

A panel on "Independence, Profitability and Service" will be led by George Dempesy, vice president, Mandabach & Sims, Inc., Chicago; and Alex Sheshunoff, president, Sheshunoff & Co., Austin, Tex., with Mr. Maddox as moderator. An association lobby panel is scheduled on "What We and Others Aim For." Mr. Sheshunoff will conduct a seminar on bank profitability called "How to Enhance the Bottom Line."

Gordon Barnes, meteorologist, will discuss "Climate and Crops: 1977 Outlook." "Guidelines for Compliance With the Equal Credit Opportunity Act" will be described by Neil Butler, associate director, division of consumer affairs, Federal Reserve Board staff, Washington, D. C.

Entertainment will include a festive dinner March 14, when a program will be presented by the New Virginians of Virginia Polytechnic Institute. Dancing will follow. The convention will end March 16 with a banquet. In between will be a buffet breakfast and luncheons.

Fed Bank and Branch Boards Report Increase in Number Of Women, Minority Directors

WASHINGTON, D. C.—Of the 50 new directors serving on Fed bank and branch boards this year, 11 are women. Overall, this year's boards of the banks and their branches include 17 women and 16 members of minority groups.

Of the women directors, four are on head office boards and 13 on branch boards. Minorities represented include six blacks, seven Hispanics, two American Indians and one Oriental. Three of the blacks are on head office boards.

During 1976, there were seven woman directors in the Fed system, all at branches. In addition, 1976 directors included five blacks—including two at head offices—five Hispanics, two American Indians and one Oriental. One of the new women directors at a head office this year formerly chaired the branch board at San Antonio.

Of the four women directors at head offices, three are Class C directors (at Philadelphia, Dallas and San Francisco), while one is a Class B director (at St. Louis). Class B consists of representatives of business, industry and commerce; Class C consists of members appointed by the Board of Governors in Washington to represent the public, and Class A is made up of active bankers who represent Fed-member banks. Class A and B directors are elected by member banks in their districts.

There are 269 directors in the Fed system, 108 of them at the 12 Federal Reserve banks and 161 at the 25 branches. Each board of the 12 Fed banks has nine members. Branch boards consist of either five or seven members. Appointments to those boards are made by directors of the individual Fed banks and by the Board of Governors.

Among new women directors are the following: St. Louis Fed—Virginia Mitchell Bailey, vice president, Bailey Corp., Little Rock; Dallas Fed—Margaret Scarbrough Wilson, chairman and CEO, Scarbrough Stores, Austin, Tex.; El Paso (Tex.) Branch, Dallas Fed—Josefina A. Salas-Porras, executive director, BI Language Services, El Paso; Philadelphia Fed—Jean A. Crockett, professor of finance, Wharton School, University of Pennsylvania; and San Francisco Fed—Dorothy Wright Nelson, dean and professor of law, University of Southern California Law Center. Each will serve for three years.

ACH Insurance Guidelines Recommended by NACHA

WASHINGTON, D. C.—Insurance guidelines for automated clearing house (ACH) associations and their participating financial institutions have been recommended by the National Automated Clearing House Association (NACHA).

A tentative position—subject to final approval by the NACHA membership —was adopted at the NACHA board's meeting September 28.

The proposed guidelines recommend that ACHs carry fidelity insurance against loss through dishonest acts of any of its officers, directors or employees in the amount of $10 million. Deductible, it was proposed, should not exceed $10,000.

The present position doesn't require specific forms and levels of insurance coverage for participating financial institutions, but NACHA urged the institutions to carry insurance in keeping with the lower limit suggested by the American Bankers Association's recommendation for blanket bond fidelity and forgery-and-alteration insurance. The level of coverage for participants should be increased to conform with the upper level of the ABA-suggested range by January 1, 1978, it was recommended.

Appendix C of the NACHA operating rules now would call for coverage either in the amounts recommended by the ABA, plus $1 million in additional fidelity insurance against employee dishonesty, or an amount equal to the total assets of the participating financial institution. The latter provision, a NACHA spokesman says, is designed to accommodate institutions with assets of less than $750,000.

Formerly, NACHA operating rules required coverage to the upper limit as recommended by the ABA. According to a study by federal regulatory agencies, 98% of the commercial banks in the U. S. already carry the minimum amount of insurance suggested by the ABA, and 60% carry the maximum; 84% of those banks also carry $1 million in excess fidelity insurance, the study showed.

Central Trust's Check Guarantee Adopted by Cincinnati-Area IGAs

CINCINNATI—Central Trust's "Owl" network system of check cashing verification has been adopted by a number of IGA supermarkets in the greater Cincinnati-northern Kentucky area.

Equipment for the IGA program is Concord Computing Corp.'s Concord 750, a customer activated on-line check authorization terminal that enables shoppers to pre-approve their own checks for cashing for IGA personnel. Terminals are accessible to mutual customers of IGA and these Owl network financial institutions: Central Trust; Covington (Ky.) Trust; Boone State, Florence, Ky.; and First National, Middletown, O.

IGA shoppers who don't have Owl cards are able to apply for IGA Check cards in order to gain access to the equipment. With the inauguration of this program, the customer's Owl Card or IGA Check Card replaces all former IGA check cashing cards, which were valid only in the issuing store.

The Owl system is operative in 55 Kroger stores and 19 Liberal markets in the area.

In addition, Central Trust has announced that the GE Evendale Federal CU, reportedly Ohio's largest federal credit union, will join the Owl network. The network, according to a bank spokesman, will become the first system of financial institutions in the Midwest to include a federal credit union among its members. The move is expected to take effect by spring.

Lloyd Riggs Dies

Lloyd C. Riggs, 63, identified with *Bank News*, Kansas City-based banking journal, for nearly 40 years, died January 31. He succumbed from a stroke suffered the day before.

Mr. Riggs joined the editorial staff of *Bank News* in 1936 on graduation from the Kansas State College Department of Journalism. Except for a World War II stint in military service, he had been with *Bank News* and related magazines continuously until his retirement January 2, 1976.

Mr. Riggs served in all editorial capacities, including a score of years as editor. In 1969 he assumed additional duties as publisher, continuing to supervise editorial policies.

On his retirement in 1976, he was retained as consultant publisher, from which post he maintained many of the contacts developed through the years with bankers of the Midwest and Southwest.

Sorrells Observes Anniversary

Virgil B. Sorrells, vice president and director, National Stock Yards National, National City, Ill., completed 50 years of service with the bank in December. His career began in the bank's mail room during his high school years. After graduation, he joined the transit department and he has had experience in all bank departments, including correspondent. His duties now include overall supervision of the bank. He is a member of the 50-Year Club of the Illinois Bankers Association.

Education:

Student Advisory Board Teaches Responsibilities

High school students in the area of Citizens Bank, Jeffersonville, Ind., have gotten a chance to learn about managing personal income, accepting credit responsibility and financing a college education. That's the aim of the bank's student advisory board, which is in its fifth year.

The board meets this goal by making presentations explaining these activities to high school groups. Another of the board's goals is to demonstrate the need for youth involvement in community affairs. To accomplish that goal, the area's students helped at Christmas time with Citizens Bank's "Empty Stocking Fund" for needy children and by participating in the Red Cross blood program by assisting with blood drives in their schools.

Bank Gets Easter Seal Award

Representatives of American Nat'l, Chattanooga, are presented with Easter Seal Society's outstanding achievement award in recognition of bank's more than 30 years' service to the organization. From l.: Gerry U. Stephens, e.v.p.; John G. Chisolm, comm'l loan off., both of American Nat'l; Mrs. Rachel Walker, regional dir., Easter Seal Society. Mr. Chisolm is treas., Hamilton County (Tenn.) Easter Seal Society.

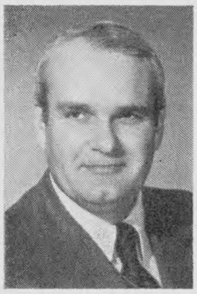
Board Room News

Promotions • Elections • Earnings • Retirements

HC, Correspondent Changes Involving Johnson, Butts Announced by Third National

NASHVILLE—P. Thomas Butts, senior vice president and head of the correspondent banking department, Third National, last month was named first vice president, Third National Corp., the bank's HC. He will be responsible mainly for relations between the HC and its seven banking affiliates outside Nashville.

H. E. (Sonny) Johnson Jr. was promoted from vice president to senior vice president and succeeds Mr. Butts as correspondent banking department head. He joined the bank in 1950 in the transit department, became assistant cashier in 1962, assistant vice president in 1966 and vice president in 1969.


BUTTS


JOHNSON

Mr. Butts went to Third National in 1951 as a part-time employee while attending Vanderbilt University, was named assistant cashier in 1957, assistant vice president in 1961, vice president in 1966 and senior vice president in 1972.

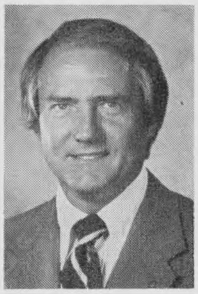
Drick Retires From 1st, Chicago, Hartigan Named Vice President

CHICAGO—John E. Drick, chairman of the executive committee and former president of First National, has retired, completing 41 years of service with the bank.

Mr. Drick joined the bank in 1935 in its Wall Street Office, came to Chicago in 1942, was named a vice president in 1951, senior vice president in 1964 and president of the bank and First Chicago Corp., parent HC, in 1969. He has been chairman of the executive committee since 1974.

Former Illinois Lieutenant Governor Neil F. Hartigan has joined the bank as a vice president and Real Estate Research Corp., a subsidiary of First Chicago Corp., as president.

Mr. Hartigan succeeds Stephen R. Nichols, who has moved from president to chairman of Real Estate Research Corp. Anthony Downs, former chairman, is now vice chairman. The three men function as the senior management team for the real estate consulting firm.


SLOANE


DRICK

Sloane Joins Corres. Division At Liberty Nat'l, Louisville

LOUISVILLE—Hobert Sloane has been appointed vice president of the correspondent bank division at Liberty National.

Mr. Sloane was in the correspondent department at Citizens Fidelity for 10 years and had prior service with First National, Pikeville. He is a graduate of the Kentucky School of Banking and the School of Banking of the South at Louisiana State University.

Mercantile Trust, St. Louis, Names Miller President

ST. LOUIS—Lynn H. Miller has been elected president of Mercantile Trust, succeeding Harrison F. Coerver, who has been elected chairman of the executive committee and who continues as vice chairman of Mercantile Bancorp., parent HC.

Mr. Miller also serves as chief administrative officer. He joined the bank in 1974 as executive vice president, coming from Northern Trust, Chicago, where he was a senior vice president.

Mr. Coerver joined Mercantile in 1935 and has been president since 1970. He is responsible for loan policy and continues to be in charge of all financial and investment matters of both the bank and HC.


COERVER


MILLER

In other action, Larry N. Laminger has been promoted to assistant vice president, and John D. Spencer has been named a banking officer. Both are in the financial services division of the commercial banking department.

John T. Lamping has been named an investment officer in the bank's trust department.

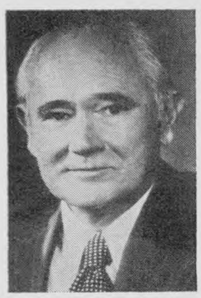
Manufacturers Hanover Names Waage Chairman

NEW YORK—Manufacturers Hanover Corp. and Manufacturers Hanover Trust have named John A. Waage vice chairman. Harry Taylor was elected executive vice president of the Trust Company to succeed Mr. Waage as head of the international division. He was also made a member of the general


WAAGE


TAYLOR


PILLIOD


RICKER

Correspondent Banking Service Since 1883

Whitney

NATIONAL BANK OF NEW ORLEANS

CONDENSED STATEMENT OF CONDITION

AS OF DECEMBER 31, 1976

RESOURCES

Cash and Due from Banks	$ 146,186,469.07
U. S. Treasury Securities	359,776,175.31
U. S. Government Guaranteed Securities	73,417,153.01
Obligations of States and Political Subdivisions	60,542,876.26
Stock in Federal Reserve Bank	1,500,000.00
Federal Funds Sold and Securities Purchased Under Agreements to Resell	151,950,000.00
Loans	593,234,885.45
Less: Valuation Portion of the Reserve For Possible Loan Losses	6,982,097.12
	586,252,788.33
Bank Premises and Equipment	9,458,497.17
Other Real Estate	32,070.35
Customers' Acceptance Liability	1,346,874.54
Accrued Income Receivable	12,787,878.49
Other Assets	7,708,469.62
TOTAL	$ 1,410,959,252.15

LIABILITIES

Deposits	$ 1,125,103,043.46
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	154,685,000.00
Acceptances Outstanding	1,346,874.54
Dividend Payable January 3, 1977	1,344,260.00
Special Dividends Payable	2,936,581.94
Accrued Taxes, Interest and Expenses	14,762,125.72
Deferred Income Tax Portion of the Reserve For Possible Loan Losses	1,932,027.20
TOTAL LIABILITIES	$ 1,302,109,912.86

CAPITAL ACCOUNTS

Capital Stock	$ 2,800,000.00
Surplus	47,200,000.00
Undivided Profits	55,894,217.05
Capital Portion of Loan Loss and Securities Reserves	2,955,122.24
TOTAL CAPITAL ACCOUNTS	$ 108,849,339.29
TOTAL	$ 1,410,959,252.15

administrative board, of which Mr. Waage is already a member.

Mr. Waage joined the bank in 1936 and has been an executive vice president since 1972.

Mr. Taylor joined the bank in 1969 and has been senior vice president and deputy general manager of the London Branch since 1974.

Named directors of the bank and HC were John B. Ricker Jr., chairman and president, Continental Corp., and Charles J. Pilliod Jr., chairman and CEO, Goodyear Tire & Rubber Co.

Top-Management Changes Involving Six Officers Made at Bank of America

SAN FRANCISCO—Bank of America has made a number of management-level appointments. Executive Vice President Alvin C. Rice was named executive officer of the world banking division to succeed Chairman Chauncey J. Medberry, who has relinquished that post to assume other responsibilities as chairman. Mr. Rice has become a member of the bank's management committee.

RICE

ARMACOST

Mr. Medberry now has overall responsibilities for departments administering the bank's legal, legislative and tax affairs, economics and policy research, bank investment, fiduciary and communications services and Southern California activities.

Samuel H. Armacost was appointed executive vice president to succeed Mr. Rice as head of the Europe, Middle East and Africa division in London. Verone C. Gibb was promoted to senior vice president to head the San Francisco Corporate Service Office, replacing Mr. Armacost, and John Lucchesi was named to succeed Mr. Gibb as a regional vice president in Hong Kong.

Mont E. McMillen was promoted to senior vice president to head the bank's New York Corporate Service Office, although line responsibility for that office remains with James R. Drumwright, president, Bank of America, New York.

SCHMITZ OATES SALTER FRENCH PRASSE JOHNSON

Five Sr. Vice Presidents Among Officer Promotions At First Nat'l, St. Louis

ST. LOUIS—First National has elevated five vice presidents to senior vice president status. They are T. Barton French, Raymond B. Johnson Jr., Ronald D. Prasse, William S. Salter Jr. and Walter D. Schmitz.

James M. Oates, head of the client services department, has been elected a vice president and Morris L. Bond, Kenneth A. Bretthorst, W. Alan Gray and David O. Zoeller have been designated assistant vice presidents.

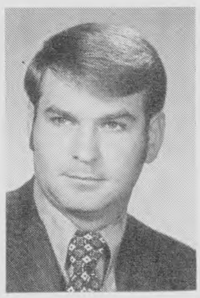
Mr. French joined the bank in 1963 and heads the real estate and mortgage loan department. Mr. Johnson, who joined the bank in 1971, heads metropolitan division I and the national accounts-west department. Mr. Prasse joined the bank in 1968 and heads metropolitan division III and national accounts-east. Mr. Salter has headed the international department since 1972. He joined the bank in 1971. Mr. Schmitz heads metropolitan division II and national accounts-central and southeast. He has been with First National since 1956.

Delaney Named President Of Whitney National

NEW ORLEANS—Patrick A. Delaney Sr. was elected president, Whitney National, in December. He succeeds the late William A. Carpenter. Mr. Delaney was also elected president of Whitney Holding Corp., the bank's parent firm.

Mr. Delaney has been with the bank for 23 years. He became a vice president in 1971 and has spent most of his time in operations and personnel. He also was administrative assistant to Mr. Carpenter.

DELANEY



HYDE

Hyde Named Correspondent Head At First Nat'l, Little Rock

LITTLE ROCK—Rusty Hyde has been named manager of the correspondent bank division, First National. The division is a part of the deposit management group headed by John C. Hickman, executive vice president.

Mr. Hyde joined the bank in 1968, became an officer in 1970 and was elected a vice president in 1972.

Mitchell Elected Exec. VP At First of Okla. City

OKLAHOMA CITY—Dale E. Mitchell has been elected executive vice president and trust officer at First National. He joined the bank in 1975 following service with a securities firm.

Seth V. Brumley Jr., George R. Clark, James H. Hampton and Ronald J. Heusel were named vice presidents and Barney Lehmbeck Jr. was named director of marketing and research.

First Tennessee Banks Organized To Manage HC's Affiliates

MEMPHIS—First Tennessee Banks, a new division of First Tennessee National Corp., has been organized to manage the firm's 13 Tennessee banks.

According to Ronald Terry, CEO, the division gives the HC the structure for emphasizing the HC's banking business. Its objective also is to project to customers the concept of a system of banks working closely together to serve all parts of the state.

Concurrent with the announcement of the division's organization, First National, Memphis, began business under its new name, First Tennessee Bank N.A. Memphis. All banks in the HC now have a common name.

Present senior management of the HC constitutes the management team of First Tennessee Banks, headed by Mr. Terry, chairman; Joe Sims, vice chairman; and Cullen Kehoe, president.

DETROITBANK CORPORATION CONSOLIDATED BALANCE SHEET DECEMBER 31, 1976

ASSETS

Cash and due from banks	$ 210,641,000
Time deposits with other banks	460,369,000
U. S. Treasury securities	194,294,000
U. S. Government agency securities	73,134,000
State and municipal securities	565,889,000
Other securities	57,069,000
Total securities	890,386,000
Federal funds sold and securities purchased under agreements to resell	77,714,000
Commercial loans	857,385,000
Real estate mortgage loans	607,889,000
Consumer installment loans	187,978,000
Total loans	1,653,252,000
Less valuation portion of reserve for loan losses	19,686,000
Net loans	1,633,566,000
Premises and equipment	36,836,000
Customers' liability on acceptances	9,645,000
Other assets	62,065,000
TOTAL	$3,381,222,000

LIABILITIES

Demand deposits	$ 776,914,000
Savings and personal time deposits	1,822,451,000
Other time deposits	166,925,000
Deposits in foreign offices	77,093,000
Total deposits	2,843,383,000
Federal funds borrowed and securities sold under agreements to repurchase	174,055,000
Commercial paper outstanding and other borrowed funds	47,922,000
Acceptances outstanding	9,645,000
Other liabilities	70,060,000
Total liabilities	3,145,065,000

SHAREHOLDERS' EQUITY

Preferred stock—no par value; 500,000 shares authorized, none issued	—
Common stock—$10 par value; 4,500,000 shares authorized, 4,433,216 shares issued in 1976, 3,370,483 shares issued in 1975	44,332,000
Surplus	114,373,000
Retained earnings	84,060,000
Total	242,765,000
Less treasury stock—182,282 shares at cost	6,608,000
Total shareholders' equity	236,157,000
TOTAL	$3,381,222,000

On December 31, 1976 securities having a par value of $115,116,000 were pledged where permitted or required by law to secure liabilities and public and other deposits totaling $70,540,000 including deposits of the State of Michigan of $5,824,000. Standby letters of credit amounted to $17,377,000 as of the same date.

BOARD OF DIRECTORS

E. A. Cafiero
President—Chrysler Corporation

Walker L. Cisler
Retired Chairman—
The Detroit Edison Company

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

Rodkey Craighead
President

Hugh C. Daly
Vice Chairman—
American Natural Resources Company

Louis A. Fisher
Director

Walter B. Ford II
Chairman—
Ford & Earl Design Associates, Incorporated

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

Oscar A. Lundin
Retired Vice Chairman—
General Motors Corporation

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

James McMillan
Director

Paul S. Mirabito
President—Burroughs Corporation

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

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

Raymond T. Perring
Retired Chairman

H. Lynn Pierson
Retired Chairman—Dura Corporation

Robert F. Roelofs
President—
Macomb County Community College

Alan E. Schwartz
Senior Partner—
Honigman, Miller, Schwartz and Cohn

W. Warren Shelden
Director

C. Boyd Stockmeyer
Chairman

Arbie O. Thalacker
Chairman—
Detrex Chemical Industries, Incorporated

Cleveland Thurber
Counsel—
Miller, Canfield, Paddock and Stone

Herbert B. Trix
Director—
The Standard Products Company

William R. Yaw
President—Wabeek Corporation

DETROITBANK CORPORATION

The Indian head leads you to Detroit's first family of banks.

Senior Officer Executive Panel Announced for Liberty Nat'l HC

OKLAHOMA CITY—Six senior staff officers of Liberty National have been appointed to a newly formed executive panel of Liberty National Corp.

They are Kenneth R. Brown, senior vice president and senior investment officer; James W. Bruce Jr., senior vice president and secretary; Louis F. Danforth, senior vice president and economist; George H. Hammonds, controller; Robert E. Hogue, senior vice president; and Willis J. Wheat, senior vice president, marketing.

The panel will be directed by T. Joseph Semrod, Liberty National Corp. president.

Management Changes Made At First of Jackson, HC

JACKSON, MISS.—Top management changes have been announced at First National and First Capital Corp., parent HC.

R. Ben Lampton, bank president, has been named vice chairman of both firms. Frank R. Day, bank executive vice president, has been named HC president and Alvis T. Hunt, bank executive vice president, has been named bank president.

Clyde B. Edwards and Robert R. Swittenberg, both bank senior vice presidents, were elevated to executive vice president status. Vice President George R. Day was named senior vice president.

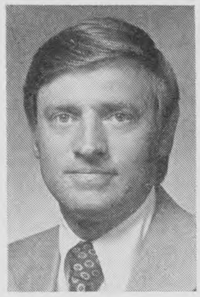
Mr. Lampton is a member of the ABA's government relations council and is a past president of the Mississippi Bankers Association. Frank Day is chairman, Smith County Bank, Taylorsville. Mr. Hunt is a past president of the AIB's Jackson Chapter, Mr. Edwards is a member of Robert Morris Associates, and Messrs. Swittenberg and George Day are graduates of the School of Banking of the South.

Exchange Offers Successful

MEMPHIS—Exchange offers by United Tennessee Bancshares Corp. to the shareholders of its stock in First Trust & Savings, Paris, and Nashville City Bank have been successful. Exchanges will be consummated upon receipt of a favorable IRS ruling.

Following consummation of the exchanges, the two banks will be independent institutions and United Tennessee Bancshares will own only one bank—NBC of Memphis.

FRANK DAY GEORGE DAY LAMPTON SWITTENBERG EDWARDS HUNT



SEATON

SIMMONS

Seaton, Simmons Named SVPs At Memphis Bank & Trust

MEMPHIS—Memphis Bank & Trust has promoted Bert E. Seaton and William W. Simmons to senior vice presidents.

Mr. Seaton joined the bank in 1960 and also serves as cashier and operations head.

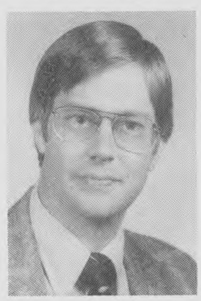
Mr. Simmons has been with the bank since 1970 and is in charge of real estate lending.

Cobb, Grace Named Sr. VPs At Commercial Nat'l, LR

LITTLE ROCK—James R. Cobb and Barnett Grace have been named senior vice presidents at First National. Mr. Cobb is manager of the operations division and is president, Financial Services Corp., a subsidiary. Mr. Grace is manager of the bank's financial division. They joined the bank in 1973 and 1972, respectively.

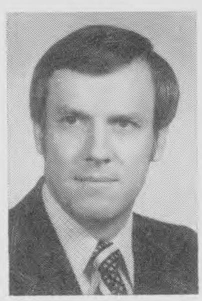
Ron W. Strother and Dale J. Wintroath have been promoted to vice presidents. Mr. Strother is assistant department head in the branch administration department and Mr. Wintroath is in the trust department.

New assistant vice presidents are

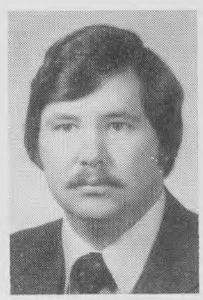


GRACE

COBB



WINTROATH

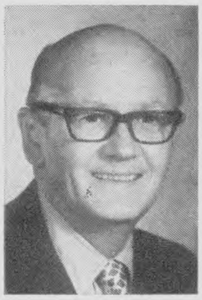


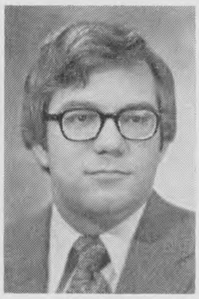
STROTHER

Jim James and John Roewe. Greer Baber was named assistant auditor, Jerry Griffin was promoted to loan officer, Carol Hardwick was named assistant board secretary and Richard G. Prinz was promoted to travel officer.

Sneed Retires From Liberty HC

OKLAHOMA CITY—Earl J. Sneed retired last month as president, Liberty National Corp. He is now associated as counsel to the law firm of Crowe-Dunlevy-Thweatt-Swinford-Johnson & Burdick.


SNEED


McSORLEY

Bernard McSorley Moves

ST. LOUIS—Bernard J. McSorley has been named vice president and commercial loan officer at Manchester Bank. He was previously assistant vice president, First National.

Three Join Investment Division At First American, Nashville

NASHVILLE—First American National has named Donald B. Edge a vice president and investment division manager. In addition, Jeffrey M. Bradley and William W. Harlin III have joined the investment staff as assistant vice presidents.

Mr. Edge has been in the investment field since 1955 and prior service includes investment firms in New York and Chicago as well as South Carolina National, Charlotte, and Union Planters National, Memphis.

Mr. Bradley returns to First American after resigning as assistant vice president last April. Mr. Harlin was formerly with Third National, Nashville.

Paul A. Hargis, president and treasurer, Washington Industries, has been elected to the bank's board.

Two KCK Bankers Retire

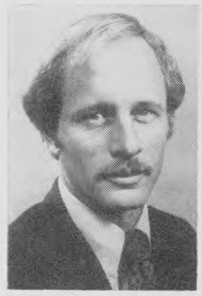
KANSAS CITY, KAN.—Milton P. Beach and Francis P. Lemery have retired as senior vice presidents and directors of Security National.

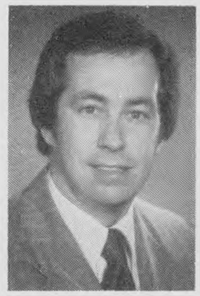
Mr. Lemery joined the bank in 1935 and Mr. Beach joined the bank following a law career. Mr. Beach will be an advisory director of the bank.

Kirkpatrick Named Exec. VP At First National, Tulsa

TULSA—Lee G. Kirkpatrick has been elected executive vice president at First National. He is in charge of operations, administration and consumer banking.

He was formerly with United California Bank, where he managed the Master Charge program.


KIRKPATRICK


QUINLAN

Quinlan Joins Corres. Dept. At Bank of New Orleans

NEW ORLEANS—Joseph F. Quinlan has been appointed assistant vice president in the correspondent bank department at Bank of New Orleans. Mr. Quinlan joins BNO following seven years' experience with other banks.

He will serve as a contact officer in the Louisiana-Mississippi territory.

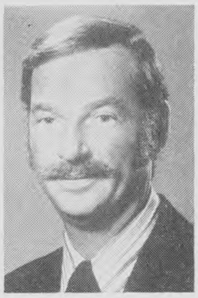
Davis Named President Of KC's Mercantile

KANSAS CITY—Murray H. Davis has succeeded James L. Rieger as president, Mercantile Bank. Mr. Davis joined the bank in 1960 and was responsible for its marketing efforts until 1973 when he became executive vice president.

Mr. Rieger, who served 17 years as president, is now chairman and CEO.

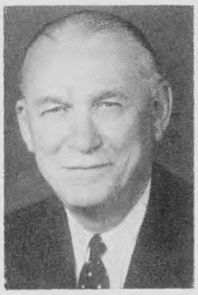
Nathan Rieger was named chairman of the executive committee. He joined the bank in 1921 and served as president from 1945 to 1959. He had been chairman since 1959.

DAVIS



J. RIEGER

BUTLER



N. RIEGER

Chairman Jack Butler Retires From General Bancshares Corp.

ST. LOUIS—Jack G. Butler retired recently as chairman of General Bancshares Corp. and Bank of St. Louis.

He joined the corporation in 1930 and has been chairman of the two firms for seven years. He served both firms as president for 12 years previous to his chairmanship.

During his 46 years with the HC, he has served in various capacities with numerous other affiliate banks.

Parrish Joins 1st of Birmingham

BIRMINGHAM, ALA.—Edward L. Parrish has joined First National as senior vice president and head of the human resources department.

He was formerly with North Carolina National, Charlotte, where he was a vice president. He joined that bank in 1966 as personnel manager in the Greensboro Office.

Lee Named Senior Vice Pres. At First National, Dallas

DALLAS—William C. Lee, auditor, First National, has been elected a senior vice president. He joined the bank in 1962 and was named vice president in 1969 and auditor in 1973.

New vice presidents include Bobby R. Beall, auditing group; Robert A. Chereck, national group; R. Draughon Crowell III and Roger J. Enlow, credit administration group; Michel Girard, Paris Branch; R. Mack Lewis Jr., personal trust development department; D'Ann D. Riemer, special services group; and Fred C. Southard, property management group, trust division.

Advanced to assistant vice presidents were John H. Heberle, Virginia R. Newell, Carol A. Denton, Richard F. Herrick, John S. Frodsham, Joseph N. Petet, Pamela D. Reed, James N. Schmidt, Patricia A. Thompson, Lee A. Fritchie, J. Patrick Jenson and Jeffrey R. Wheeler.

Ten Promotions Announced At National Blvd., Chicago

CHICAGO—Six women and four men have received promotions at National Boulevard Bank.

Heading the list is Kay E. Schlueter, who has been named correspondent banking officer. Other promotions were won by Barbara A. Richards, assistant vice president; JoAnn K. Bongiorno, assistant director of public relations; Dorothy A. Cerny and Mary Lou Fitzpatrick, assistant cashiers; and Allene L. Kaplan, research officer.

G. Allen Cole and Ralph A. Verrecchia were promoted to assistant vice presidents; Joseph R. Korpalski to operations officer; and Charles A. Vrba to assistant trust officer.

TORGERSON

SCHLUETER

Torgerson Heads Promotions At Frost Nat'l, San Antonio

SAN ANTONIO—Frost National has appointed Vernon D. Torgerson Jr. vice president; William D. Hales, assistant vice president; Beverly Brown, administrative officer; and Alice Clare and Don Olivarri, personal banking officers.

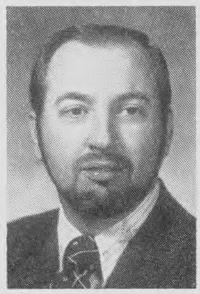
Mr. Torgerson joined the bank in 1970 and Mr. Hales has been with the bank since 1974. Misses Brown and Clare came to the bank in 1969 and Mr. Olivarri has been with Frost for 19 years.

Strube Is Promotion Winner At Commercial Nat'l, KCK

KANSAS CITY, KAN.—John H. Strube and Craig Sherrill have been promoted to vice presidents at Commercial National. Also, Robert W. Chenoweth, vice president, was named assistant to the president.

Mr. Strube is a correspondent officer and Mr. Sherrill is in charge of EDP and check processing operations. Mr. Chenoweth was formerly in the Master Charge credit card division.

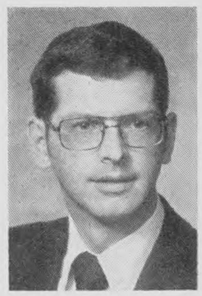
Dean Wall was promoted from assistant vice president, systems and programing department, to second vice president, computer services department. Frederick Pretz was raised from EDP operations officer to assistant vice president, commercial data division.



SHERRILL

STRUBE

HERTEL



CHENOWETH

Hertel Named Senior VP At Detroit Bank & Trust

DETROIT—Frederick C. Hertel, general manager, international department, Detroit Bank, has been elevated to senior vice president.

Advanced to first vice presidents were Rollo G. A. Fisher, D. James Watson Jr. and James R. Waterston, all in commercial loans; and John E. Park, trust business development.

Named vice presidents were Terrence E. Keating, pension trust; James A. Mitchell, investments; G. Ernest Pyle, trust business development; and

Morgan Guaranty Trust Company

OF NEW YORK

Consolidated statement of condition
December 31, 1976

Assets	In thousands
Cash and due from banks	$ 3 630 353
Interest-bearing deposits at banks	5 500 455
U. S. Treasury securities	1 723 041
Obligations of U. S. government agencies	191 928
Obligations of states and political subdivisions	1 109 077
Other investment securities	499 904
Trading account securities, net	331 032
Federal funds sold and securities purchased under agreements to resell	283 482
Loans	13 579 264
Real estate	74 287
Total loans and real estate	13 653 551
Less: reserve for possible loan losses	147 573
Net loans and real estate	13 505 978
Premises and equipment, net	123 038
Customers' acceptance liability	801 635
Other assets	653 485
Total assets	$28 353 408
Liabilities	
Demand deposits	$ 6 766 641
Time deposits	3 014 193
Deposits in foreign offices	11 703 675
Total deposits	21 484 509
Federal funds purchased and securities sold under agreements to repurchase	2 534 244
Commercial paper of a subsidiary	92 484
Other liabilities for borrowed money	1 057 685
Accrued taxes and expenses	398 042
Liability on acceptances	806 688
Dividend payable	25 000
Convertible debentures of a subsidiary (4¼%, due 1987)	50 000
Capital notes (6⅜%, due 1978)	100 000
Capital notes (5%, due 1992)	80 718
Mortgage payable	14 590
Other liabilities	271 438
Total liabilities	$26 915 398
Stockholder's equity	
Capital stock, $25 par value (10,000,000 shares)	$ 250 000
Surplus	518 385
Undivided profits	669 625
Total stockholder's equity	1 438 010
Total liabilities and stockholder's equity	$28 353 408

Assets carried at $2 476 752 000 in the above statement were pledged as collateral for borrowings, to secure public monies as required by law, to qualify for fiduciary powers, and for other purposes.

Member, Federal Reserve System, Federal Deposit Insurance Corp.

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

International subsidiaries *San Francisco, Houston, Miami (to open in spring 1977), Toronto*

Banking offices abroad *London, Paris, Brussels, Antwerp, Amsterdam (Bank Morgan Labouchere N.V.) Frankfurt, Düsseldorf, Munich, Zurich, Milan and Rome (to open in 1977), Tokyo, Singapore, Nassau*

Representative offices *Madrid, Beirut, Sydney, Hong Kong, Manila, São Paulo, Caracas*

Directors

ELLMORE C. PATTERSON
Chairman of the Board

WALTER H. PAGE
President

J. PAUL AUSTIN
Chairman of the Board
The Coca-Cola Company

R. MANNING BROWN JR.
Chairman of the Board
New York Life Insurance Company

CARTER L. BURGESS
Chairman, Foreign Policy Association

FRANK T. CARY
Chairman of the Board
International Business Machines Corporation

W. GRAHAM CLAYTOR JR.
Chairman and Chief Executive Officer
Southern Railway System

EMILIO G. COLLADO
Former Executive Vice President and Director
Exxon Corporation

CHARLES D. DICKEY JR.
Chairman and President
Scott Paper Company

JOHN T. DORRANCE JR.
Chairman of the Board
Campbell Soup Company

WALTER A. FALLON
Chairman of the Board
Eastman Kodak Company

LEWIS W. FOY
Chairman, Bethlehem Steel Corporation

HANNA H. GRAY
Provost, Yale University

HOWARD W. JOHNSON
Chairman of the Corporation
Massachusetts Institute of Technology

RALPH F. LEACH
Chairman of the Executive Committee

HOWARD J. MORGENS
Chairman of the Executive Committee
The Procter & Gamble Company

LEWIS T. PRESTON
Vice Chairman of the Board

DONALD E. PROCKNOW
President
Western Electric Company, Incorporated

JOHN P. SCHROEDER
Vice Chairman of the Board

WARREN M. SHAPLEIGH
President, Ralston Purina Company

GEORGE P. SHULTZ
President, Bechtel Corporation

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

Raymond E. Wilson, branch offices administration.

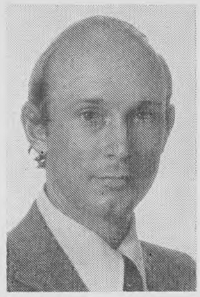
New trust officers include Albert Boyko, Stephen A. McGratty, Arthur W. Mostek, Terry L. Netzloff and John B. Whitledge.

Appointed assistant vice presidents were James B. Haeffner, Michael J. Lauer, William L. Krantz, Clifford J. Rutz and Lloyd G. Ziegler.

Officers Receive New Duties At C&S Nat'l, Atlanta

ATLANTA—Two senior vice presidents at C&S National have received new responsibilities. Evan H. Housworth Jr. is manager of the legal department and Charles M. Miller is in charge of statewide retail banking.

HOUSWORTH



MILLER

RIGGALL

CORNWELL

A. John Riggall, vice president, has been placed in charge of the bank's statewide marketing and advertising program.

George R. Cornwell III was named a vice president in the real estate area and Louis J. Douglass, W. Richard Lee and Perry J. Painter have been promoted to assistant vice presidents.

Mr. Housworth joined the bank in 1959; Mr. Miller has been with C&S for 12 years. Mr. Riggall was with the bank from 1951 to 1963 and rejoined it in 1974 as director of marketing and advertising, a position he retains.

Mr. Cornwell came to the bank in 1972, Mr. Douglass in 1971, Mr. Lee in 1967 and Mr. Painter in 1968.

Scott Bowling Named V.P. At Alabama Bancorp.

BIRMINGHAM, ALA.—W. Scott Bowling Jr. has been promoted to vice president at Alabama Bancorp. He is tax director for the HC in addition to performing other duties in the general accounting area.

He joined the HC in 1975, following service with First National, Louisville, and Arthur Andersen & Co., New Orleans.

United American, Memphis, Ups 2

MEMPHIS—United American has promoted Lloyd W. Warren to senior vice president and John M. Swinny to vice president and head of the commercial lending department.

Both men were formerly with Commercial & Industrial Bank, Memphis, and Mr. Warren also served with First National (now First Tennessee Bank) and City National, both in Memphis.

Five Promoted to Vice Pres. At First City Nat'l, Houston

HOUSTON—First City National has elected five vice presidents: Sydney S. Bailey, metropolitan department; Charles A. Chevis, real estate; Brian A. Gibson and Brian H. Green, London Branch; and Raymond E. Castro, quality and float control.

New assistant vice presidents include Michael C. Baker, R. David Collum, George B. Kelly and Sue Sorrels DeHaven.

Other promotions include Cecil Adams and Olivia Anne Johnson, personal banking officers; Thomas H. Dungan and Steven J. Lindley, petroleum banking officers; Deanna L. Prentice, administrative officer; Wesley E. Tharp, loan adjustment officer; Steven D. Sherman, commercial banking officer; Kenneth F. Kubasik, cash management operations officer; August Voelkel, check processing officer; Gordon B. Brown Jr., pension trust officer; and Frederick B. Ollett III, international banking officer.

Four Senior VPs Named At First of Louisville

LOUISVILLE—First National and First Kentucky National Corp. have elected Roger M. Dalton, Arthur F. Guelda III, Ronald E. Harris and Joseph E. Ryan senior vice presidents. They were formerly vice presidents.

The two firms also promoted William B. Brown from senior commercial banking officer to vice president. Moving up from senior international banking officer to vice president was Randall L. Attkisson.

First Kentucky Trust named James F. Bleakley Jr. and William F. Chandler Jr. vice presidents. They were senior investment officers.

Also promoted were Robert S. Bullock to trust officer and Donald R. Wood to financial planning officer.

Mansel O. Wiley, president, Celanese Coatings & Specialties Co., Louisville, and vice president, Celanese Corp., New York, has joined the boards of First National, First Kentucky Trust and First Kentucky National Corp.

6 Raised at St. Louis Union Trust

ST. LOUIS—Roy J. Schick and H. Eugene Bradford have been elected vice presidents at St. Louis Union Trust. Both were formerly assistant vice presidents.

Quentin H. Gansloser, Richard T. Goewert, John B. Kennedy and John Rabenau were named assistant vice presidents.

Land Bank Assn. Heads Named

WICHITA—Elvis Howell and Tom Kruse have been promoted to regional vice president and assistant vice president, respectively, and will direct new supervisory regions set up by the Federal Land Bank.

Mr. Howell will direct supervisory activities for 19 federal land bank associations in eastern Kansas and Oklahoma. Mr. Kruse will have similar duties for 18 associations in eastern Colorado and western parts of Kansas and Oklahoma.

Mr. Howell joined the Land Bank System in 1966 and Mr. Kruse joined the Federal Land Bank of Wichita in 1972.

Texas HCs Complete Merger

DALLAS—The merger between Mercantile Texas Corp. and Federated Capital Corp. of Houston has been completed. Approval to merge was voted by both corporations' stockholders last May and the Fed gave its approval last November.

The merger created the state's fifth largest HC, with total resources of about $2.8 billion.

Gene H. Bishop is chairman of the executive committee and CEO, Lewis F. Lyne is president and L. F. McCollum is chairman.

C&I Elects Three Officers

MEMPHIS—Commercial & Industrial Bank has elected Carolyn Jones business development officer, David Bryan assistant cashier and Roger McDaniel construction loan officer.

Miss Jones is new to the bank. Mr. Bryan was formerly auditor.

New United Mo. Director

KANSAS CITY—Raymond M. Alden, president, United Telecommunications, Inc., Westwood, Kan., has been elected a director of United Missouri Bank here.

1st of Wichita Elects Directors

WICHITA—First National has elected C. Robert Buford and Richard W. Volk to its board. Mr. Buford is president, Zenith Drilling Corp. and Seward County Land & Cattle Corp. Mr. Volk is president and CEO, Energy Reserves Group.

KC Fed Announces Changes

KANSAS CITY—Henry R. Czerwinski, senior vice president, Kansas City Fed, has been appointed first vice president, succeeding John T. Boysen, who retired January 31 after nearly 43 years with the bank.

Succeeding Mr. Czerwinski is James R. Bowen, who has been promoted to senior vice president from vice president.

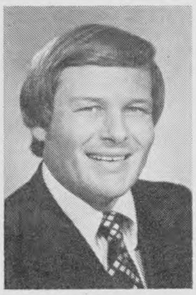
Mr. Czerwinski joined the bank in 1959 and Mr. Bowen has been with the bank since 1964.

Watson Named Exec. VP At Bank of Oklahoma, Tulsa

TULSA—Bank of Oklahoma has named Charles A. Watson executive vice president.

Mr. Watson had been senior vice president for operations for 2½ years. He continues to oversee half the bank's 700 employees in areas such as bookkeeping, data processing, check processing, officer services and security. His previous banking experience had been with First City National, Houston.

In other action, Bank of Oklahoma promoted Ron Murray to assistant vice president, personal accounts service; Russell Snow to assistant vice president, commercial banking; Tom Humphrey and Jim Harris to assistant vice presidents, operations; and Steve Britland to trust officer.



WATSON

CANNON

Federal Land Bank, Wichita, Promotes Cannon, Filbert

WICHITA—The Federal Land Bank has promoted James D. Cannon to vice president-review and Daryl Filbert to assistant vice president-appraisals to succeed Mr. Cannon.

Mr. Cannon heads a newly established review division and Mr. Filbert had relocated from Hays to Wichita.

Baker Joins 1st of Mobile

MOBILE—A. Donald Baker has joined First National as an assistant vice president in the commercial lending department. Mr. Baker was formerly with C&S National, Atlanta, and with Pacific Finance Co.

Two Promoted to Vice President At American of Chattanooga

CHATTANOOGA—American National has promoted Willis T. McGhinnis Jr. and Don A. Davis to vice presidents.

Mr. McGhinnis joined the bank in 1969 and Mr. Davis has been with American National since 1968.

Thomas C. Mottern, president, Hamilton Bank, Johnson City, has been named to the board of Ancorp Bancshares, parent HC of American National. He joined Hamilton Bank in 1963 and has been president and a director since 1969.

Merchants National, Mobile, Announces Officer Promotions

MOBILE, ALA.—Merchants National has promoted Maynard E. (Joe) Gliddon Jr. to senior vice president and comptroller; Clarence C. Keller to senior vice president, P. R. Forrest Jr. to vice president and Kay Ivey and James P. Lyons to assistant vice presidents.

GLIDDON

KELLER

FORREST

New officers are Bates R. Martin Jr., assistant vice president and petroleum engineer and Mrs. Wilma Simmons, assistant cashier.

Mr. Gliddon joined the bank in 1940 and Mr. Keller has been with the bank since 1955. Mr. Forrest joined the bank in 1969, Miss Ivey in 1970, Mr. Lyons in 1972, Mr. Martin in 1976 and Mrs. Simmons in 1961.

Mona Cunningham Retires

WICHITA—Mona Cunningham has retired from Union National, where she was vice president and personnel director. She had been with the bank 42 years. Mrs. Cunningham was president, National Association of Bank Women, 1966-67.

Record Earnings for 1st Alabama

MONTGOMERY, ALA.—Record earnings have been announced by First Alabama Bancshares. Income before securities transactions for 1976 was \$14.4 million, or \$2.92 per share, an increase of 14.5% over the \$2.55 per share earned in 1975. Net interest income for 1976 increased by 12%, from \$44.9 million to \$50.2 million, as a result of a 7% increase in average earning assets and a decline in the average rates paid on interest-bearing liabilities. Also contributing to improved earnings was a reduction in net loan losses from \$4 million in 1975 to \$2.4 million in 1976.

Wichita HC Sets Record Gain

WICHITA—Fourth Financial Corp. has reported all-time highs in loans and deposits with total assets at year-end exceeding \$500 million for the first time.

Net income rose 10.3% to \$1.85 per share for 1976, total assets increased 13% to \$552 million, deposits on December 31 stood at nearly \$429 million, a gain of almost 11%, and loan volume was up 18.6%.

Liberty Nat'l Reports Increase

OKLAHOMA CITY—Consolidated net operating income for 1976 for Liberty National Corp. was \$4.9 million, or \$5.90 per share. Earnings for 1975 were \$4.5 million, or \$5.47 per share.

Consolidated resources for 1976 were \$1.1 billion, compared with \$920 million a year earlier. Year-end deposits for Liberty National Bank were \$828 million.

National Boulevard Earnings Up

CHICAGO—Net income of \$2.1 million, or \$10.63 per share, was reported by National Boulevard Bank for 1976. This represents an increase of 8.7% over the \$2 million, or \$9.77 per share, recorded in 1975.

Average daily deposits in 1976 were \$318 million with both time and demand deposits up slightly. Regular passbook savings at year-end increased by 30% to a record \$61 million.

Nortrust Has Record Earnings

CHICAGO—Nortrust Corp., parent of Northern Trust, has reported preliminary year-end financial figures that showed income before security gains and losses for 1976 at a record \$27 million. The 1975 figure was \$26.8 million. Earnings on a per-share basis were \$5.41, compared with \$5.35 the previous year. After net security gains of \$200,000, net income amounted to \$27.2 million, or \$5.45 per share, as against \$26.3 million, or \$5.25 per share, in 1975.

Net loan charge-offs in 1976 totaled \$327,000, against \$2.6 million for 1975.

ST. LOUIS COUNTY NATIONAL BANK

CLAYTON, MISSOURI

Statement of Condition

DECEMBER 31, 1976

ASSETS

Cash and due from banks	$ 29,229,003
Due from banks—interest bearing	3,529,314
Investment securities:	
United States Government	30,399,486
States and political subdivisions	30,078,654
Other securities	6,542,052
Total investment securities	67,020,192
Federal funds sold and securities purchased under agreements to resell	52,692,243
Loans (net of unearned discount of $1,098,936 and reserve for possible loan losses of $1,057,744)	126,203,959
Bank premises and equipment	1,432,013
Other assets	7,426,109
	$287,532,833

LIABILITIES AND STOCKHOLDERS' EQUITY

Demand deposits	$116,565,257
Savings and time deposits	135,570,095
Total deposits	252,135,352
Federal funds purchased and securities sold under agreements to repurchase	11,825,451
Other liabilities	2,845,871
Total liabilities	266,806,674
Stockholders' equity:	
Common stock	5,000,000
Capital surplus	10,000,000
Retained earnings	5,726,159
Total stockholders' equity	20,726,159
	$287,532,833

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Record Set for Central HC

BIRMINGHAM, ALA.—Unaudited total assets for Central Bancshares of the South for 1976 stood at $1.33 billion, an increase of 25% over 1975 figures. Unaudited net earnings per share for the year ended December 31, 1976, were $1.74 per share, compared to $1.24 per share in 1975. This represents a 40% gain. Net earnings for 1976 were $11.5 million, compared to $8.2 million for 1975.

BNO Reports Income

NEW ORLEANS—New Orleans Bancshares reported 1976 net earnings of $2 million, or $2.55 per share, compared with 1975 net earnings of $2.3 million, or $2.88 per share.

The decrease is a result of increased operating expenses and additions to the loan loss reserve of Bank of New Orleans. The decrease, however, was largely offset by improvements in the funds margin and after-tax gains on the sale of securities.

At year-end, total assets of Bank of New Orleans stood at $589 million, deposits at $471 million and net loans outstanding at $254 million.

Earnings Jump at 1st Okla. HC

OKLAHOMA CITY—A 25% increase in earnings for 1976 over 1975 was reported by First Oklahoma Bancorp. Total net income was $10.9 million. On a per-share basis, income from operations totaled $1 in 1976, compared to 80¢ for 1975.

Commerce Bancshares Earnings Up

KANSAS CITY—Preliminary unaudited consolidated earnings for 1976 of $15.4 million, or $3.30 per share, were announced by Commerce Bancshares. The figures compare with earnings for 1975 of $14.5 million, or $3.04 per share. The increase represents 8.6% in per-share earnings and 6.4% in dollar earnings.

Total assets hit $1.8 billion at year-end 1976, compared to $1.6 billion a year earlier—an increase of 11.5%. Total deposits rose to a record amount of $1.5 billion for 1976, compared to $1.3 billion in 1975, an increase of 12.9%.

Citizens Fidelity Earnings Up

LOUISVILLE—A 14% increase in earnings before securities transactions has been reported by Citizens Fidelity Corp. Income for 1976 stood at a record $9.8 million, or $3.92 per share, compared to $8.6 million, or $3.44 per share, for 1975.

During 1976, $2.5 million in loans was charged off, a slight reduction from the 1975 figure. Commercial loan demand remained below expectations throughout the year, but net average consolidated loans grew 10.5% to $538 million.

Income Up at 1st Tenn. Nat'l

MEMPHIS—First Tennessee National Corp. reports net income per share for 1976 of 98¢, a 27% increase over the 77¢ per share figure for 1975. Net income was $8.7 million in 1976 and $6.9 million in 1975.

The earnings increase was attributed to satisfactory growth in major income streams and continued control of noninterest operating expenses. Loan-loss provision was $18.5 million for 1976, up from $16.7 million in 1975. Management expects that the charge to earnings from the loan-loss provision will be reduced this year.

Record Income at Fourth of Tulsa

TULSA—Fourth National Corp. reported record totals at year-end 1976 of total resources, deposits, loans and net income.

Total resources were $245.8 million at year-end 1976 and $202.5 million at year-end 1975, a 21% increase. Net income for 1976 was $1.8 million, compared to $1.3 million in 1975, a 33% gain. Deposits rose 25% from $176.1 million in 1975 to $220.1 million in 1976. Loans were up 22%, from $109 million in 1975 to $132.7 million in 1976. Cash dividends paid per share were $1.50 for 1976, compared with $1.25 for 1975.

$500 Million Assets for Worthen

LITTLE ROCK—Worthen Bank celebrated its centennial by announcing it broke the $500-million-asset barrier in 1976, being the first bank in Arkansas to do so. Total assets on December 31, 1976, were $516 million.

At the time the bank dedicated its 24-story building in 1970, assets stood at $219 million, less than half the present size. During the same seven-year period, the bank's total deposits increased from $196 million to $383 million. Gross loans increased from $112 million to $280 million.

Earnings Up 24.3% at United Mo.

KANSAS CITY—United Missouri Bancshares reports net income of more than $10 million for 1976, an increase of almost $2 million, or 24.3% over 1975 earnings.

On a per-share basis, net income amounted to $4.43, a 26.2% increase over the $3.51 earned in 1975.

Total resources of the HC stood at $1.2 billion at year-end 1976, compared to $1.1 billion a year earlier. Deposits increased 21.5% to $894 million from $736 million in 1975. Loans were up 40.5% to $535 million.

Assets Up at Mercantile

ST. LOUIS—Mercantile Bancorp. reported a slight decline in 1976 earnings from record figures in 1975. Consolidated income before securities transactions for 1976 amounted to $22.1 million, a decline of 4% from last year's $23.1 million. This represents $3.81 per share, down 5.7% from 1975's $4.04 per share.

Total assets of the HC at year-end stood at $3.1 billion, a 12.3% increase from last year's $2.8 billion. Total deposits stood at $2.2 billion, a 7% increase over 1975's total. Loans were $1.3 billion, an increase of 12.7% over 1975's $1.1 billion.

Second-Highest Earnings

TULSA—BancOklahoma Corp. had 1976 unaudited earnings of $5.8 million, a decrease of 5.4% from 1975. Yet 1976 earnings were the firm's second highest in history. Net income per share was $2.66 for 1976, compared to $2.80 per share for 1975.

Total loans at year-end 1976 were $408 million, a 1.7% increase over 1975's $401 million. Total deposits at year-end 1976 were $667 million, compared to $604 million for 1975, a 10.4% increase.

1st Bancgroup-Ala. Reports Gain

MOBILE, ALA.—Consolidated operating income for 1976 for First Bancgroup-Alabama was $1.95 per share, up 3.7% from 1975. Net income was $2.01 per share, up 9.8% over 1975.

Total assets increased to $589 million from $542 million a year previous.

Alabama Bancorp. Assets Up

BIRMINGHAM, ALA.—Alabama Bancorp's net income for 1976 was $17.1 million, compared to $17.5 million for 1975, representing a 2.6% decrease. On a per-share basis, net income was $2.93 versus $3.01.

Total assets at year-end were $1.9 billion, a 10% increase over 1975 figures. Total deposits at year-end were $1.6 billion, a 12% increase. Loans increased 16.4% to $991 million.

Harris Earnings Up 5%

CHICAGO—Consolidated income before securities gains or losses for Harris Bankcorp was a record $31.8 million in 1976, compared with $30.2 million in 1975, a 5% gain.

Earnings per share of $5.08 were up 2% from the $4.97 figure for 1975.

Provision for loan losses was increased to $5 million in 1976, compared with $3.6 million in 1975. At year-end, the reserve for possible loan losses was $23 million, or 1.3% of total loans, compared to $25.6 million, or 1.4% of total loans, at the end of 1975. Net loan losses in 1976 were $7.6 million, compared with $2.9 million in 1975. The 1976 losses include a $4.5 million write-down of one real estate construction loan. Average total loans in 1976 ($1.8 billion) were down 7% from 1975.

First Amtenn Reverses Loss

NASHVILLE—A strong financial turnaround by First American National contributed substantially to increased earnings in 1976 for First Amtenn Corp. Consolidated income before security transactions for 1976 was $3.7 million, or 65¢ per share. A year earlier the HC reported a loss of $3.8 million, or 67¢ per share.

Additions to the loan-loss allowance for 1976 were about $18 million, compared to about $32 million in 1975. This represented 1.71% of total loans as of December 31, 1976, compared to 2.41% a year earlier.

First Capital Income Up

JACKSON, MISS.—First Capital Corp., HC controlling First National, reported net income for 1976 before security transactions of $8.5 million, or $4.81 per share, compared to $8 million, or $4.52 per share, for 1975.

Total HC resources were $858 million at year-end, compared to $755 million a year previous.

Hibernia Has 'Excellent' Earnings

NEW ORLEANS—Consolidated income before securities transactions for Hibernia Corp. increased 18.2% to $4.5 million, or $5.04 per share, from comparable 1975 earnings of $3.8 million, or $4.26 per share. Consolidated net income after securities transactions totaled $4.3 million, compared to $3.9 million a year earlier. Total assets, deposits and loans—on a year-end and average daily basis—reached the highest levels in the firm's history.

Joint Exception Item Task Force Announces Preliminary Findings

THE JOINT Exception Item Task Force, composed of representatives of the ABA, BAI and the Fed, has completed its preliminary work leading to conclusive findings to be published this spring.

The task force began work last April and has been analyzing a number of issues raised at an Exception Item Conference sponsored by BAI last March.

The task force pursued its analysis through three subgroups, each addressing a specific area of the total exception-item problem. A return-items working group, an adjustments working group and a rejects working group each examined specific recommendations pertaining to their topics and reached tentative conclusions.

The rejects working group made the following recommendations in the area of reject processing:

- Issuance by each Fed office of a reject rate report covering cash-letter deposits.
- Quality control for MICR processing should be adopted by all banks.
- Full MICR repair is encouraged, when systems are available, to reduce volume and cost of reject processing.

This group's analysis of the reject problem addressed itself to means of reducing the number of rejects entering the system.

Expanding on the premise that the reject problem is proliferating as a result of nonidentification of the sources of rejects, the group's first step toward identification was a suggestion that the Fed publish a reject-rate report. This proposal was refined to a recommendation that such a report give the high, low and average reject rates of all banks being serviced by a Fed office, with the addressed bank receiving its individual reject rate. This procedure would enable a bank to compare its reject rate with the high, low and average, and relate that rate to such factors as equipment used and volume. Banks would then be able to identify internal problems and rectify costly situations.

The second recommendation was in the area of quality control for MICR processing. Investigation showed that few banks actually exercise a strict quality control program due to lack of awareness of the procedures for setting up such a program. While no specific report was prepared, the working group urged that this be an area of future work.

A position paper is being prepared on the final recommendation, full MICR repair. That paper will conclude that the concept of full reject repair, accepted industrywide, could result in a cost reduction to the industry. The group encourages institutions that have the capability to continue performing full field repair, despite the current state of the art industrywide.

The return-items working group studied three proposals: endorsement standardization, the extension of return items deadlines and the direct return of items to the bank of first deposit through automation.

On the return-items deadline issue, the group agreed that the concept of extending the return-items deadline on NSF items from 24 to 48 or 72 hours could be beneficial; it also recognized the possibility of unforeseen problems without further study of the effects of across-the-board implementation of such a procedure.

In the area of endorsement standardization, the working group drafted a proposal for a standard endorsement specification. It calls for identification of the bank of first-deposit on the reverse side of the check in a designated clear-band-area, with subsequent endorsement identified through a symbol, the technology to be prescribed by the American National Standards Institute Banking Committee.

The group also reviewed the area of machine processing of return items. The proposal to return items directly to the bank of first-deposit, using existing reader/sorter equipment, was reviewed. Under the proposal, return items would be qualified with the routing number of the bank of first-deposit —the dollar amount using either add-on strips or carry envelopes. Qualified items could then be routed using the Fed's check processing system.

The adjustments working group began preliminary investigations with the original adjustment forms and procedures specified by BAI's exception items study that had been reacted to and reviewed by participants of the Exception Items Conference.

The group endorses the concept of standardized adjustment procedures and forms for settling of bank-to-bank differences. It recommends a pilot project to determine that implementation of standard procedures and forms would accomplish a reduction in operating losses relative to check endorsements, an improvement in bank/customer relations, and a reduction of float associated with adjustments.

The group felt that a unilateral endorsement of such procedures would carry less weight toward acceptance of the proposal. The settlement of adjustments was studied and the present industry role in settlement of adjustments was perceived as primarily governed by individual bank policy, local clearing house rules, Uniform Commercial Code, Fed regulations and operating letters and precedents of law. The net result, a spokesman said, "is an incongruent hodgepodge of policies, procedures and practices, which prohibit reliable statistical comparisons between banks, trade zones, regional banking centers and Fed officers and/or banks within their territories."

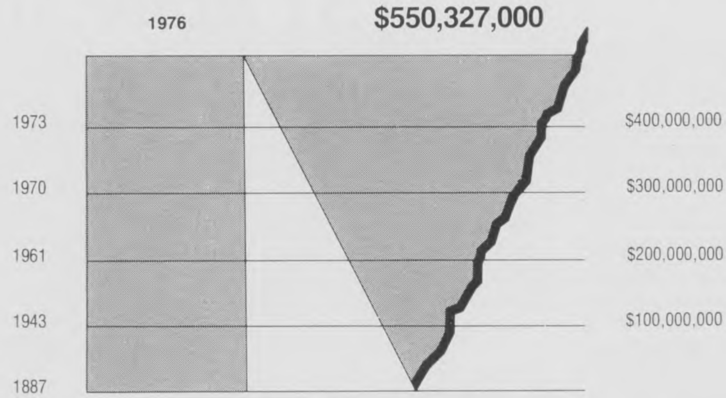
The group recommended to the full task force the formation of a pilot project to begin in the spring. The task force subsequently approved this project, which will last about two months and address itself to seven policies and procedures relating to interbank adjustments. The pilot will be conducted through a test bank in a given area and another will be carried out in the control bank operating in a normal mode—facilitating a comparison of data.

The pilot project will be conducted in each of the 12 Fed districts and almost 100 banks have been identified as possible participants.

Bankers wishing to utilize the recommendations of the task force are urged to await final conclusions, to be published this spring. • •

". . . the concept of full reject repair, accepted industrywide, could result in a cost reduction to the industry. The group encourages institutions that have the capability to continue performing full field repair, despite the current state of the art industrywide."

A half-billion-dollar neighborhood bank is a nice reflection on everyone.



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Statement of Condition...December 31

	1976	1975
ASSETS		
Cash and due from banks	$ 99,485,000	$101,948,000
Investment securities:		
U.S. Government obligations	11,497,000	12,805,000
Federal agency securities	8,997,000	7,990,000
Obligations of states and political subdivisions	52,399,000	48,178,000
Trading account and other securities	13,429,000	10,175,000
Federal funds sold	21,600,000	13,750,000
Securities purchased under agreements to resell	40,000,000	31,000,000
Loans	**269,934,000**	227,771,000
Bank premises and equipment	26,709,000	27,267,000
Other assets	6,277,000	6,169,000
	$550,327,000	$487,053,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand	$237,353,000	$220,960,000
Time	191,514,000	165,732,000
Total deposits	**428,867,000**	386,692,000
Federal funds purchased	25,150,000	21,900,000
Securities sold under agreements to repurchase	39,825,000	24,990,000
Other liabilities	5,197,000	4,685,000
Capital note	10,000,000	10,000,000
Total liabilities	509,039,000	448,267,000
Stockholders' equity	41,288,000	38,786,000
	$550,327,000	$487,053,000

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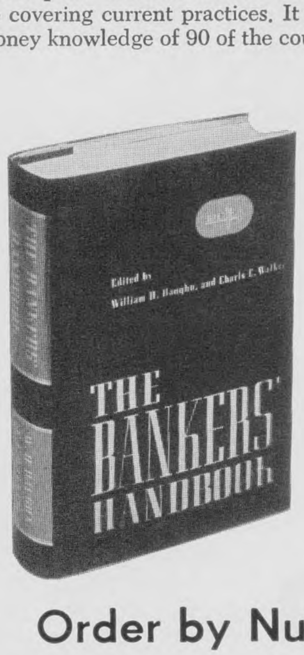

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NEWS
From the Mid-Continent Area

Alabama

■ COMMERCIAL GUARANTY BANK, Mobile, has named Dick Coats assistant vice president and Ernestine Rudd assistant cashier and manager, Dauphin Street Office. Mr. Coats remains manager, Commercial Guaranty Bank Building, and assumes all responsibilities of the bank buildings, equipment, repairs, construction and supervision of purchasing and related expenditures. Mrs. Rudd was assistant manager, Dauphin Street Office.

■ SHOALS NATIONAL, Florence, has promoted three women to assistant vice presidents. They are Carnelia Dean, Elna Hanson and Cheryl Lambert. Miss Dean is also a trust officer, Miss Hanson is also an assistant cashier and Miss Lambert is also a real estate officer.

■ HARRY PENNINGTON has retired as chairman, Bank of Huntsville, and has been succeeded by James H. Horton, chairman and treasurer, Horton Oil Co. Mr. Horton has been a director since 1969. Mr. Pennington began his term as chairman in 1968.

■ JOEL B. CARTER and Jimmy Byars have been elected to the board of First National, Russellville. Mr. Carter is executive vice president and joined the bank in 1973. He is also chairman, Alabama Young Bankers, Group I. Mr. Byars is owner of Byars Feed Mill.

■ EXCHANGE BANK, Attalla, has promoted Marie Akin from vice president to first vice president and Ray Drummonds from assistant vice president to vice president. Mrs. Akin joined the bank in 1965. Mr. Drummonds has been with the bank six years.

Arkansas

■ CADDO STATE, Glenwood, opened for business last month. It is operating out of an existing building located on property where the bank will eventually construct a new building. Robert M. McMahan is president and CEO. He was formerly associated with First National, Stuttgart, and Helena National.

■ B. J. DAUGHERTY, president, First State, Conway, and chairman, Arkansas Heart Association, has been named to a two-year term on the American Heart Association board. Mr. Daugherty is secretary-treasurer of Group II of the Ark.BA.

Bank History Published

LITTLE ROCK—"In the Vaults of Time" is the title of a new book published to commemorate the centennial of Worthen Bank. The book relates to the bank's history as well as the history of Arkansas.

Its author, Mary Phyllis Walsh, was associated with Worthen for 37 years, serving as executive secretary to the chairman until her retirement in 1975.

The book is being distributed to all descendants of the bank's founder, W. B. Worthen, and to correspondent bankers, banking organizations, Worthen employees and directors and libraries in the state.

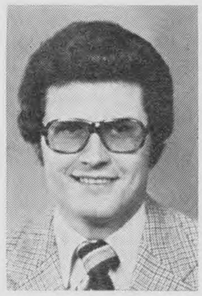
Copies are available to the general public at the bank. Price: $7.95 per copy.

Illinois

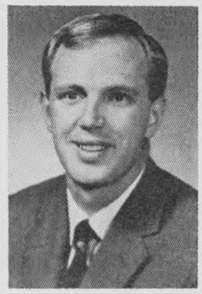
■ DENNIS W. SMITH has been elected president, First National, Cicero. Mr. Smith succeeds Carl L. Oberwortmann in the president's post. Mr. Oberwortmann will continue as chairman and CEO. Mr. Smith joined the bank as a director in 1968. The following year he joined the bank as a vice president. He has served as executive vice president since 1974.

■ GRANITE CITY TRUST has promoted E. A. Karandjeff Jr. from assistant cashier to assistant vice president, Marilyn Garin to assistant trust officer and Len Revelle to assistant cashier.

■ MILLIKIN NATIONAL, Decatur, has announced several promotions, including those of Roger L. Beaman from trust officer to vice president and trust officer and L. Dean Clausen, assistant vice president, to manager, correspondent services. Mr. Beaman joined the bank in 1966 and Mr. Clausen in 1971. In other action, Millikin National has advanced David A. Martin from assistant vice president to cashier, Herbert J. Sliger from assistant trust officer to trust officer, Vernon A. Mercier from assistant cashier to assistant cashier and assistant trust officer and Carol L. Oldinski, assistant cashier, to manager, account services.



CLAUSEN



BEAMAN

■ FIRST NATIONAL, Ottawa, has promoted William F. Sanders from assistant vice president to vice president and Conrad J. Hanley from assistant cashier to assistant vice president. Named assistant cashiers were Betty L. McAboy, Patricia Flanagan and Mary L. Likovich. Anne E. Sebby and Janice Stalter were elected administrative assistants. The bank also has three new directors: Ralph H. Claus, vice president of the bank; Paul A. Gerding, president, Bellrose Silice Co., Ottawa; and William J. Walsh, Ottawa auto dealer.

■ SOY CAPITAL BANK, Decatur, has elevated Frits R. Pronk to senior vice president and trust officer, Larry E. Ramey to vice president, Max C. Fox to cashier and Richard D. Minick to assistant cashier. Mr. Pronk has been with the bank for 20 years. Mr. Ramey joined the bank in 1967, Mr. Fox in 1966 and Mr. Minick in 1975.

■ GLADSTONE-NORWOOD TRUST & SAVINGS, Chicago, opened its new building last month at the northwest corner of Foster and Central avenues. The year-old bank had operated out of temporary quarters on the site. The new building includes 8,000 square feet of space and is of contemporary design with face brick and glass. Adjacent to the structure are three drive-up lanes.

■ RAMSEY NATIONAL opened for business in its new building in December. The building is on the site of its former structure, which was destroyed by fire last March. The bank operated out of temporary quarters in a mobile home during the construction of the new building, which was designed by Design Studios, St. Louis.

Natural style of architecture is seen in entrance to newly opened Ramsey Nat'l building, located on site of former building that burned last year.

Interior of Ramsey Nat'l features brown, tan and cream colors. Windows under roof overhangs provide natural light. Building was designed by Design Studios, St. Louis.

■ MERCHANTS NATIONAL, Aurora, has promoted William L. Goheen, Oliver M. Wolcott, John M. Roesch and Bradley R. Kreiter to senior vice presidents. Paul W. Slaker and Gerald M. Schilling were advanced to vice presidents. Mr. Roesch is also cashier and Mr. Slaker is also a trust officer. A. W. Walan was elected to the board. He is president, Lyon Metal Products, Inc.

■ DOWNERS GROVE NATIONAL has promoted Steven H. Wilkey and James C. McIlrath to vice presidents. Mr. Wilkey joined the bank in 1971 and Mr. McIlrath has been with the bank since 1967.

■ AVENUE BANK, Oak Park, has announced plans for a new drive-in/walk-in facility in the northeast quadrant of the community. The facility will be the third for the bank and construction is expected to begin in March.

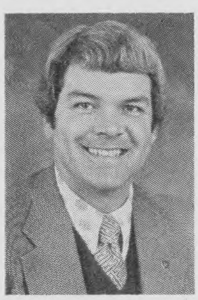
■ AIRPORT NATIONAL, Bethalto, has promoted Myrna K. Mandorca from cashier to vice president and cashier. She was instrumental in setting up operational procedures at the bank, which opened last year.

■ FIRST NATIONAL, Alton, has promoted Edward M. Corbett and Eugene L. Frizzo to assistant vice presidents. Mr. Corbett continues to be in charge of real estate lending, and Mr. Frizzo manages the installment loan department.

Indiana

■ AMERICAN NATIONAL, South Bend, has advanced John L. Paulson, commercial loans, and Dwaine S. Mayle, depositor records, from assistant vice presidents to vice presidents. In addition, Grace S. McLean has been promoted from mortgage loan officer to assistant vice president and acting mortgage loan department manager, and Philip A. Rau, from loan officer to assistant vice president, BankAmericard. Jeffrey F. Remble has been elected managing officer, Bendix Banking Center.

■ TERRE HAUTE FIRST NATIONAL has announced a number of promotions: James E. Brown, vice president, and King A. Fasig, vice president and trust officer, to senior vice presidents; Stanley V. Hart, Don Lofton, Raymond L. Norris and Jerrald L. Titus, assistant vice presidents, to vice presidents; Jack H. Page, assistant vice president and trust officer, to vice president and trust officer; and Richard White, auditor, to vice president and branch administrator. In addition, Jim Clayton has been named assistant vice president, correspondent banking.



CLAYTON

■ ROBERT D. HOBAN, first vice president, Union Bank, New Albany, has been promoted to executive vice president. Edward T. Baer has been named senior vice president and commercial and mortgage loan manager, while James E. Nett has been named senior vice president and controller. Mr. Nett is a CPA. In addition, Larry Struble has been named vice president and cashier, and Michael Madden and

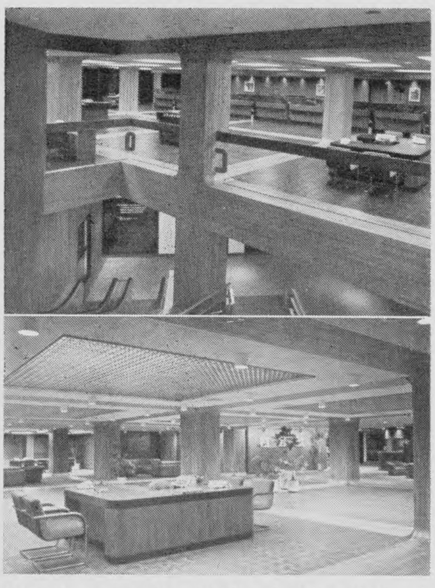
John Geltmaker have been elected assistant vice presidents, continuing as branch managers.

■ PEOPLES TRUST, Fort Wayne, has named Maureen I. Grinsfelder and Carolyn E. Parker assistant trust officers.

■ FRANCIS J. OLIVER has been named vice president, Marion National, while Clyde F. "Chuck" Franklin and Londele White have been elected assistant vice presidents. David J. Raabe has been advanced to assistant trust officer, and Betty Kinner and Charles B. Klotz have been named assistant cashiers.

Kansas

■ UNION NATIONAL, Wichita, has completed an extensive remodeling program at its main bank facility in Union Center. The project included renovation of second and third floor offices, relocation of the lobby from lower level to street level and expansion of several lower-level departments. More than 23,000 square feet of floor space was acquired. The bank now occupies all of the first three floors and the lower level of its building.



TOP: New street-level lobby of Union National, Wichita, and escalators leading down to personalized loan division. BOTTOM: Information desk area in second-floor lobby.

■ FIRST NATIONAL, Olathe, has elected Vance L. Wenger vice president and loan officer and Tom C. Hastings assistant cashier. Mr. Wenger is a former vice president, Lawrence National, and Mr. Hastings joined First of Olathe in 1975.

Kentucky

■ WAYNE L. SMITH has been elected president, Central Bank, Lexington. He was formerly executive vice president and joined the bank in 1975. Prior service was with Ohio banks. He is a member of the executive committee of the ABA's educational division.

■ CITIZENS FIDELITY, Louisville, recently opened a new banking center at 1999 Brownsboro Road called the Lower Brownsboro Branch. It is managed by Joe Kinder.

■ FIRST SECURITY NATIONAL, Lexington, has named Roger Dale Reynolds assistant controller and made the following changes in the installment loan department: Jack Witt Jr., assistant vice president, is now in charge of direct lending; John Morrissey, assistant vice president, now heads the lease financing and Auto-Vest departments and chairs the employee loan committee; Vince Ricci, assistant vice president, is now in charge of indirect lending.

Louisiana

■ FIRST GUARANTY BANK, Hammond, has appointed Lee R. Spence vice president and trust officer and Mrs. Marie A. Holliday customer service officer. Mr. Spence was formerly with First National, Brownsville, Tex., and is a former officer of Hancock Bank, Gulfport, Miss. Mrs. Holliday joined the bank in 1970.

■ GUARANTY BANK, Gretna, has promoted David J. Lundgren to assistant vice president, Valentine C. Masters to assistant cashier and Alfred L. Moak to controller. Mr. Lundgren joined the bank last year; Miss Masters has been with the bank since 1968; and Mr. Moak is new to the bank.

■ AMERICAN BANK, Houma, has promoted Pete M. Drexler and M. C. Perry Jr. to vice presidents, Roland P. Adams Jr. to internal auditor and Enise "Chuck" Bergeron to assistant cashier. Mr. Drexler also serves as cashier and Mr. Perry is director of marketing.

Mississippi

■ MRS. FLORA J. RIMMER has been named executive vice president and a director at Canton Exchange Bank, succeeding Miss Angie Belle Rimmer, who resigned following 50 years' service. Flora Rimmer now heads the trust department. The bank reported that 1976 was the best year in its history. Resources stood at $36 million, and a 50% stock dividend was declared, resulting in $225,000 being paid to stockholders. In addition, $200,000 was added to earned surplus.

RIMMER

■ AGREEMENT TO MERGE has been reached by Deposit Guaranty National, Jackson, and Southern National, Hattiesburg. The merger is subject to shareholder and regulatory approval.

■ FIRST UNITED BANK, Meridian, has promoted Lee R. Meyer Jr. and W. F. "Bill" Reid to assistant vice presidents. Both men joined the bank in 1972.

Missouri

■ JOHN L. CHLEBOUN JR. has advanced from vice president to president, Commerce Bank of Mound City, St. Louis. He succeeded his father, John L. Chleboun, who now is chairman. Jerry Fleming has joined the bank as comptroller, coming from a Kansas City bank. All three changes took effect January 1.

■ HARLEY E. SCHWERING has been named chairman, president and CEO, Manufacturers Bank, St. Louis. He succeeds George I. Baggott as chairman and CEO. Mr. Baggott continues as a director and is honorary chairman. Mr. Schwering joined the bank in 1947 and has been president since 1973. The bank has designated Joseph R. Stahlschmidt, vice president, as secretary and trust officer; promoted William A. Kuehn to vice president and auditor; Todd R. Keller to vice president and data processing officer; and James Drew to assistant treasurer. Raymond F. Reininger retired recently as vice chairman and secretary.

BAGGOTT

SCHWERING

■ LEONOR K. SULLIVAN has been elected a director of Southwest Bank, St. Louis, succeeding Adalbert von Gontard, who died last year. Mrs. Sullivan recently retired as congresswoman from Missouri's third district. She served as senior member of the Banking and Currency Committee of the House of Representatives while a congresswoman.

NIEHOFF

SULLIVAN

■ CYRIL A. NIEHOFF has been elected president and chief operating officer, Florissant Bank, succeeding Melvyn Moellering, who continues as chairman and CEO. Other promotions include Norbert W. Lohe to executive vice president, Emma R. Scholl to senior vice president, Roy Laramie to vice president and cashier and Alice Geiser to assistant cashier. Mr. Niehoff joined the bank in 1935.

Parallel Careers

ST. LOUIS—Two officers at South Side National not only are observing their 40th anniversaries there within a three-month period this year, but their careers have closely paralleled each other. The two bankers are Walter C. Hammermeister, vice president and cashier, and Albin F. Oehler, vice president.

Mr. Hammermeister joined the bank February 9, 1937, as a messenger and transit clerk. He moved up to assistant cashier in 1957, to vice president in 1969 and to vice president and cashier in 1972. He has charge of personnel and is an operations officer. Mr. Hammermeister is a former president, St. Louis Chapter, Bank Administration Institute.

Mr. Oehler, who has been at South Side National since May 3, 1937, also advanced to assistant cashier in 1957 and became vice president and auditor (succeeding Mr. Hammermeister in the latter post) in 1969. In 1974, Mr. Oehler dropped the auditor's title to become head of the real estate loan department. Like Mr. Hammermeister, Mr. Oehler was a messenger when he joined the bank.

■ ROBERT W. CRAWFORD has been named executive vice president, Missouri Bankers Association, succeeding Felix LeGrand. Mr. Crawford was formerly president of the Association of General Merchandise Chains, Inc., Washington, D. C. Prior to that, he was a Missouri state representative, serving as chairman of the Savings & Loan Committee. He is a former Missouri secretary of state. Mr. LeGrand resigned his position to become administrator of the MBA's Voluntary Employees Beneficiary Association last month.

CRAWFORD

■ BOATMEN'S NORTH HILLS BANK, Kansas City, has promoted Billy D. Parrish to executive vice president, Deloris King to vice president and cashier, Valerie Rasdall to assistant cashier, James R. Rucker to installment loan officer and Carol A. Medley to commercial loan officer.

■ COUNTY NATIONAL BANCORP., Clayton, plans to acquire Bank of Louisiana, subject to shareholder and regulatory approval. Lead bank of the HC is St. Louis County National, Clayton.

■ AMERICAN NATIONAL, St. Joseph, has realigned several top management positions. William F. Enright Jr. and Charles K. Richmond were elected chairman and vice chairman, respectively. Both were formerly executive vice presidents. Former Chairman Robert F. Keatley was elected chairman of the executive committee, a new post. He continues as chairman of Ameribanc, Inc. Mr. Richmond is the current president of the Missouri Bankers Association.

■ MRS. FRANCES CROWLEY has been promoted to assistant vice president, new accounts, at Missouri State, St. Louis. She joined the bank in 1967.

■ H. DUNCAN EDMISTON has been named president and CEO, Rolla State, succeeding the late Robert Dannenberg, who died last August. Mr. Edmiston comes from First National, St. Louis, which he served as vice president and head of the information systems planning division.

■ MRS. MARY OSBORN, second vice president, First National, Joplin, retired last month after 32 years in banking. She became an officer in 1964 and has been second vice president since 1971.

■ WADE BROTHERSON has been promoted to vice president at Laurel Bank, Raytown. He has been with the bank more than three years and was formerly in charge of data processing at Laurel Bancshares, Kansas City.

■ RICHARD PATRICK (PAT) SHANNON has been elected senior vice president, Bank of Springfield. He was formerly a vice president at First National, St. Louis.

■ JAMES E. HINDMAN JR. has been elected vice president and cashier, Mercantile Commerce Trust, St. Louis. He was formerly cashier and joined the bank in 1973, going from Bank of America.

■ CHARLES W. NOBE has been appointed assistant cashier at First National, St. Charles. He was formerly with Commercial Bank of St. Louis County, Olivette.

■ HERB JETT has been elected president and CEO, Farmers Trust, Lee's Summit. He is former president, Barton County State, Lamar, which he served since 1964. Farmers Trust and First National Charter Corp., Kansas City, have signed an affiliation agreement that would make Farmers Trust the 19th member of the HC, subject to regulatory and stockholder approval.

■ COMMERCE BANK of Blue Hills, Kansas City, has promoted John Slepekis from assistant vice president to vice president and Marilee Goucher to consumer banking officer. Mr. Slepekis joined the bank in 1975; Mrs. Goucher in 1973.

New Mexico

■ PORTALES NATIONAL last month opened its South Branch, with Faye Middleton Tipton as manager and Donna Crow as assistant. The branch has drive-up facilities with remote controls and pneumatic tubes, as well as a walk-in lobby.

■ C. NEAL JOHNSON has been named presidential assistant at First National, Artesia. He was formerly an attorney in Carlsbad.

■ FIRST NATIONAL, Tucumcari, has promoted Bill Curry from assistant cashier to loan officer and E. Bruce Thomas from assistant cashier to operations officer.

■ ROBERT E. GABRIEL has been promoted to senior vice president and controller, Bank of New Mexico, Albuquerque.

New Banking Commissioner

SANTA FE—Arthur Ortiz, president, Centinel Bank, Taos, was named state banking commissioner last month by Governor Jerry Apodaca. Mr. Ortiz succeeds Herbert Hughes, who resigned effective January 20 to become director of planning and evaluation for the New Mexico Cancer Control Program and also accept a commission in public administration from the University of New Mexico. He had held the commissioner's post since January, 1975. He is a former Republican who became a Democrat in 1973.

Mr. Ortiz, a Republican, is a former state planning officer and former state personnel director. He is moving here to accept the new post.

Oscar Love Sr. Dies

ALBUQUERQUE—Oscar Mahlon Love Sr., 85, died January 5. He was president-emeritus, Albuquerque National, which he joined in 1925, when the bank was a year old. In January, 1976, Mr. Love was honored by the Albuquerque Chamber of Commerce for his long service to the community One of his contributions was helping establish Kirtland Air Base here.

■ COMMERCE BANK, Carlsbad, has promoted William B. Harrison from assistant cashier to assistant vice president and Don Thorpe from collector to assistant cashier. Elected a director was Thomas G. Ferguson, retired president, National Potash Co., Carlsbad.

Oklahoma

■ J. W. McLEAN, chairman and CEO, Liberty National, Oklahoma City, has been named to the Federal Advisory Council, a group of 12 bankers from over the nation who meet quarterly in Washington, D. C., for top-level discussions with the Fed's Board of Governors. Mr. McLean, whose term is for one year, represents the 10th Federal Reserve District.

■ FIRST NATIONAL, Bartlesville, has promoted Ronald E. Swigart from assistant vice president to vice president and Allen K. Morgan from assistant cashier to assistant vice president. Mr. Swigart joined the bank in 1969 and has charge of the data processing department. Mr. Morgan has been with First National since 1973.

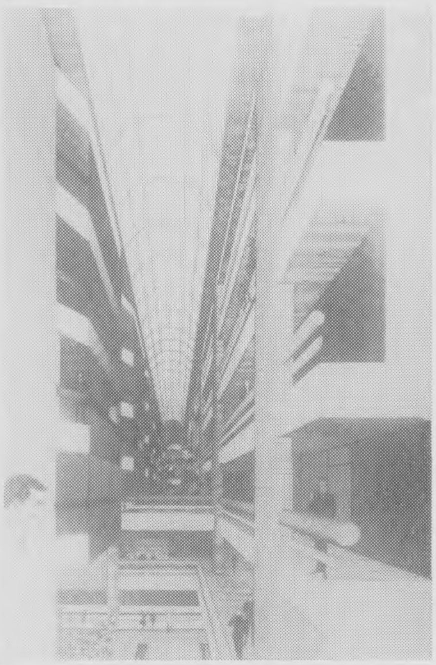
■ MAY AVENUE BANK, Oklahoma City, changed its name to UnionBank & Trust Co., effective January 3. The change was set to coincide with the bank's 25th anniversary.

Tennessee

■ WILLIAMSON COUNTY BANK, Franklin, has elected Joe Pinkerton senior board chairman, elevated Fuller Arnold from president to chairman, named George Bivins Jr. president and Joe Brent executive vice president and cashier. Mr. Pinkerton joined the bank in 1947 and is a former vice president of the Tennessee Bankers Association. Mr. Arnold has been with the bank for 30 years and has served as president since 1973. Mr. Bivins joined the bank in 1974, going from Third National, Nashville. Mr. Brent has been with the bank for almost 25 years.

Texas

■ FIRST VICTORIA NATIONAL has announced a multi-million-dollar building project. The first of the project's three phases involves total renovation of the top four floors of the bank's building, now leased to tenants. Phase two will involve a complete remodeling of the banking quarters, incorporating an adjacent building. The third phase involves construction of a three-level parking garage behind the bank. The entire project is expected to be completed in 1979.



First phase of building project of Victoria Nat'l includes 1,400 square foot atrium on second floor that will extend upward through the building to a glass domed roof.

■ PARKER SQUARE BANK, Wichita Falls, has promoted Ronnie D. Smith to loan officer and Harold E. Miller Jr. to credit officer. Mr. Smith has commercial and installment lending responsibilities, and Mr. Miller heads the loan collection department.

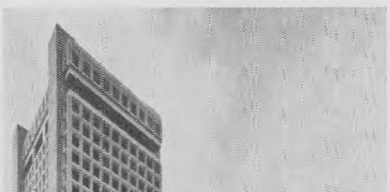
• Index to Advertisers •

Edward M. Penick (foreground), ch. & CEO, Worthen Bank, Little Rock, steps back to 1877, when his bank was founded. Bearded man in background is actor David N. Beidelman, who is portraying Mr. Penick's grandfather, W. B. Worthen, bank's founder, in TV and radio commercials spotlighting bank's centennial.

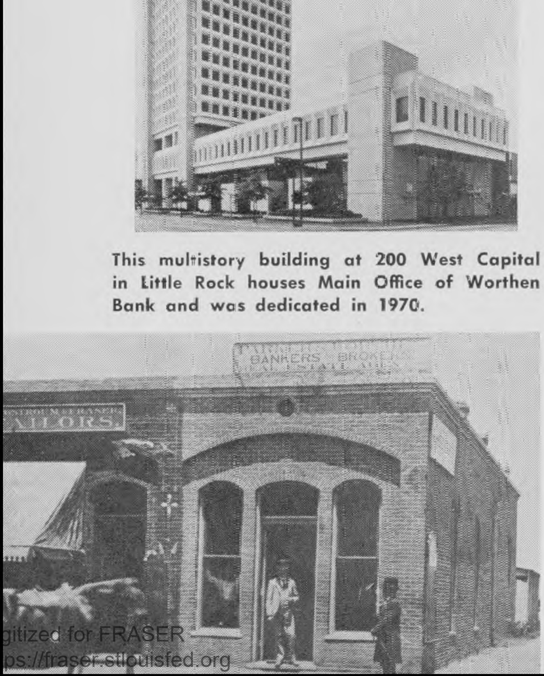
In Little Rock:

Worthen Bank's Centennial To Last Throughout 1977

This desk was used by Worthen Bank's founder, W. B. Worthen, in 1877 and now is on display in bank's downtown office lobby.



This multistory building at 200 West Capital in Little Rock houses Main Office of Worthen Bank and was dedicated in 1970.



BECAUSE 100th anniversaries are unusual milestones, Little Rock's Worthen Bank will celebrate its centennial all during 1977. The bank opened January 2, 1877, as Parker & Worthen, Bankers and Brokers.

A highlight of the year-long observance is the opening of a new office—called Anniversary Branch—on Rodney Parham Road. This office has an authentic 1877 decor and an entrance that recreates the bank's original one. A time capsule containing banking artifacts will be buried there and won't be opened until 2077, when the bank is 200 years old.

Special TV programs are scheduled during the year, including a four-hour telecast on the history of Arkansas. This filmed program, described as the most comprehensive ever made on the state's history, will be presented to Arkansas for use in its school system and to the Educational Television Network for public viewing.

The first of many special lobby displays in the downtown office was unveiled January 4. This display includes the original desk and safe used by the bank's founder, W. B. Worthen, and an exclusive collection of other early banking relics.

Worthen Bank plans a unique ad campaign during its centennial year. Its newspaper ads and TV and radio commercials begin by telling the background story of the bank. TV viewers and radio listeners should recognize the storyteller, Rex Allen. W. B. Worthen, a central character in the newspaper ads and TV commercials, is being portrayed by actor David N. Beidelman.

When the bank opened in 1877, it occupied a one-room structure on the northwest corner of Markham and Louisiana streets. Assets opening day totaled $75,000. Today, Worthen is the only Arkansas bank to exceed a half billion dollars in assets, a prediction made by the late James H. Penick Sr., in his speech as bank chairman given at the public dedication January 31, 1970, of the present Worthen Bank Building. Mr. Penick was a son-in-law of W. B. Worthen.

Original home of Worthen Bank in 1877 was this one-room structure at Markham and Louisiana streets.

The partnership of Edward Parker and W. B. Worthen continued from the founding until 1888, when Mr. Worthen bought Mr. Parker's interest. In 1904, when resources totaled $600,000, the bank was incorporated as W. B. Worthen Co., Bankers, and moved into new quarters at Markham and Main Streets. Mr. Worthen was president until his death in 1911, when his brother-in-law, Gordon Peay, succeeded him and held the post until 1927. Under Mr. Peay's leadership, the bank reached its first million in assets and moved to a new location at Fifth and Main streets, both events taking place in 1915. Emmet Morris was president from 1927 to 1940. During his presidency, Worthen moved to a new building at Fourth and Main streets in 1929. There it remained until it occupied its present 24-story headquarters at 200 West Capital Avenue in 1970.

As a special commemorative activity for its 100th anniversary, Worthen Bank has published a book on the histories of the bank and of Arkansas. *See page 90 for description of the book.*

James H. Penick Sr. became president in 1940. While he held the post, the bank's assets increased from $24 million in 1940 to $82 million in 1961, when he retired as president and became chairman. At his death in December, 1975, he was senior chairman.

Mr. Penick's son, Edward M. Penick, succeeded him as president. The younger Mr. Penick now is chairman and CEO, and his brother, James Penick Jr., is president.

The bank's name was changed to its present form January 1, 1947.

In 1964, Worthen acquired Bank of Arkansas and was reorganized as a part of First Arkansas Bankstock Corp. in 1968. During the 1960s, the bank recorded a 150% growth in assets, compared to a gain of some 52% the previous 10 years.

More recently, Worthen introduced Moneycard, Arkansas' first electronic funds transfer service. • •