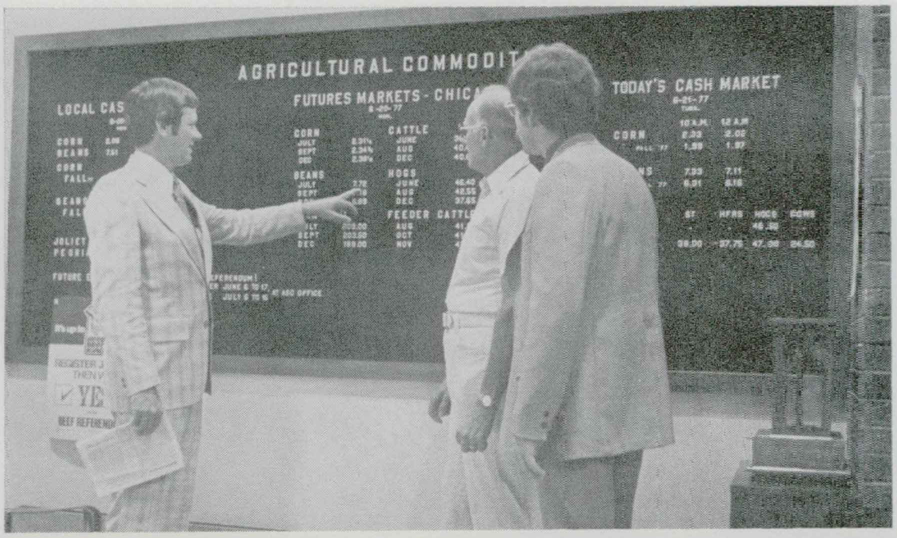
MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

AUGUST, 1977



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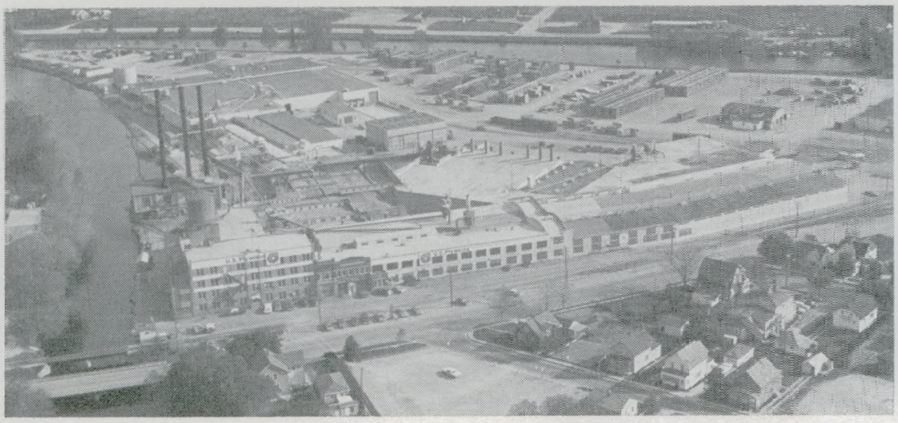

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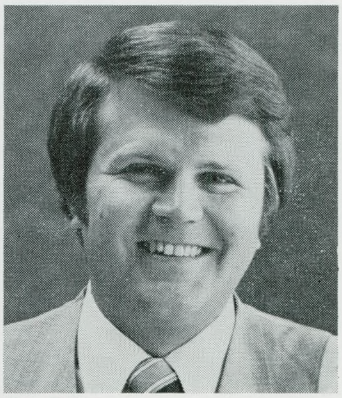
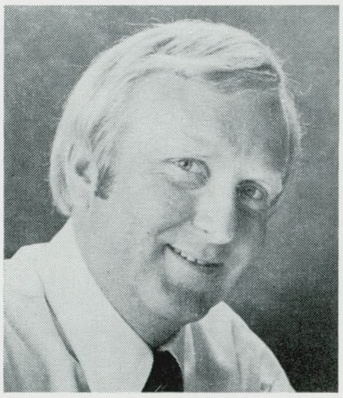


Jim Talkington



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MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 73, No. 9 August, 1977

FEATURES

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Convention Calendar

Sept. 8-9: Robert Morris Associates Commercial Loan Training Programs: Content and Methods Workshop, Chicago, Continental Plaza.
Sept. 11-13: Kentucky Bankers Association Annual Convention, Louisville, Galt House.
Sept. 11-14: ABA Bank Card Convention, Atlanta, Peachtree Plaza Hotel.
Sept. 11-16: Robert Morris Associates Loan Management Seminar, Bloomington, Ind., Indiana University.
Sept. 12-15: Bank Marketing Association Four-in-One Marketing Seminar, Atlanta, OMNI International Hotel.
Sept. 12-15: National Association of Bank Women Convention, Atlanta, Atlanta Hilton.
Sept. 18-21: ABA National Personnel Conference, Atlanta, Hyatt Regency.
Sept. 22-23: Robert Morris Associates Value and Credit Assessment in Real Estate Lending Workshop, San Francisco, St. Francis Hotel.
Sept. 25-27: ABA Secondary Market Workshop, Chicago, Hyatt Regency O'Hare.
Sept. 25-28: Bank Marketing Association Officer Sales Call Training and Train the Trainer Seminar, Columbus, O., Columbus Hilton Inn.
Sept. 28-30: ABA Southern Regional Operations and Automation Workshop, Atlanta, Hyatt Regency.
Oct. 3-4: Robert Morris Associates Loan Quality Control Workshop, San Francisco, Miyako.
Oct. 15-19: ABA Convention, Houston.
Oct. 23-27: Consumer Bankers Association Convention, Phoenix, Arizona-Biltmore.
Oct. 26-28: ABA Midwestern Regional Operations and Automation Workshop, Chicago, Hyatt Regency O'Hare.
Oct. 30-Nov. 1: ABA International Foreign Exchange Conference, New York City, Waldorf Astoria.
Oct. 30-Nov. 2: Robert Morris Associates Annual Fall Conference, New York City, New York Hilton.
Oct. 30-Nov. 2: Bank Marketing Association Convention, Honolulu, Hawaii, Hilton Hawaiian Village.
Nov. 2-4: Association of Bank Holding Companies Fall Meeting, Boca Raton, Fla., Boca Raton Hotel.
Nov. 6-9: Bank Administration Institute Convention, Houston, Hyatt Regency.
Nov. 6-17: ABA National Commercial Lending School, Norman, Okla., University of Oklahoma.
Nov. 13-16: ABA National Agricultural Bankers Conference, Kansas City.
Nov. 13-16: ABA Mid-Continent Trust Conference, Houston, Houston Oaks Hotel.
Nov. 13-18: ABA National Personnel School, Dallas, Marriott Motor Hotel.
Nov. 14-16: Bank Administration Institute Corporate Cash Management for Operations Personnel Seminar, Boston.
Nov. 15-18: Bank Administration Institute Trust Operations Short Course, Dallas.
Nov. 16-18: Bank Administration Institute Financial Accounting and Reporting Seminar, Park Ridge, Ill.
Nov. 17-18: Robert Morris Associates Value and Credit Assessment in Real Estate Lending Workshop, New Orleans, Royal Orleans Hotel.
Nov. 17-18: Bank Administration Institute Tax Return Preparation Short Course, Dallas.
Nov. 21-22: ABA Tax Workshop, New York City, Biltmore Hotel.
Nov. 21-22: Bank Administration Institute Money Transfer Seminar, San Francisco.
Nov. 21-23: Bank Administration Institute Accrual Accounting Short Course, Pittsburgh.
Nov. 27-Dec. 2: ABA National Commercial Lending Graduate School, Norman, Okla., University of Oklahoma.
Nov. 28-29: Bank Administration Institute EEO Compliance Short Course, Park Ridge, Ill.
Nov. 28-30: ABA National Correspondent Banking Conference, New Orleans, Fairmont Hotel.
Nov. 29-30: ABA Tax Workshop, Chicago, Hyatt Regency O'Hare.
Nov. 30-Dec. 2: Bank Administration Institute Affirmative Action Program Short Course, Park Ridge, Ill.
Nov. 30-Dec. 3: Bank Marketing Association Trust Marketing Workshop, Miami Beach, Fla., Americana of Bal Harbour.
Dec. 7-9: Bank Administration Institute Money Transfer Developments Seminar, New York City.

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By Dr. Lewis E. Davids

Hill Professor of Bank Management,
University of Missouri, Columbia

Let's Repeal Regulation Z

LET'S CONCEDE that Regulation Z, the so-called "Truth-in Lending" law, started out with the best intentions. Who in his right mind could oppose "truth"? It was and is as basic in appeal to noble instincts as apple pie, motherhood, the American flag and fair trade. To oppose "truth," one obviously must support lying and deceitfulness. Or so most concerned political figures appeared to believe. Thus, Truth-in-Lending (TIL) was passed by a substantial margin.

The legislators failed to recall that the "fair-trade" law they had passed previously actually was *unfair*, no matter what it was called, and that the concept of "truth" has been basic to common law for centuries. "The whole truth and nothing but the truth" was incorporated as a sworn requirement of legal testimony. One legally cannot enforce an "untruth" in lending or, for that matter, in any area.

Shortly before TIL was to become effective, I talked with a high-level Fed executive about my misgivings about the Fed—whose major role was setting monetary policy—becoming the policing, enforcing and regulatory agency for TIL. He agreed with me that the concept of abuse of TIL really wasn't a basic problem of commercial banks and that the TIL concept originally was conceived to curb flagrant abuses by "loan sharks." In his opinion, complying with TIL would involve only a modest amount of time and effort on the part of banks and the Fed. In fact, he believed banks would benefit over less scrupulous lenders. Oh, if only he had been correct! That Fed executive has been retired several years. In the intervening period, "Z" has grown in number of pages and in complexity, as has the regulatory staff whose job it is to enforce it—not only the staff of the Fed, but those of the Comptroller of the Currency, the FDIC and especially the Federal Trade Commission.

"The solution to the TIL (Truth-in-Lending) mess is rather simple: the use of a 'banking circular,' which is a simple statement issued by a bank's primary regulator. In it, bank presidents are 'advised' to comply with the spirit of computing and reporting interest rates accurately."

There has been similar growth in banks' personnel costs and legal fees associated with the regulation. After all these years, the regulation still has not been put in finished form. It continues to grow in complexities that are as subtle and frustrating as the Internal Revenue Code. Senator William Proxmire (D.,Wis.), one of the original principal TIL supporters on the federal level, has viewed the cancerous regulatory growth of "Z" with dismay. He would "simplify" the regulation, but retain its original thrust.

Senator Proxmire and other supporters have failed to recognize that the constant increase in complexity of the regulation is inherent in the simplistic concept of trying to legislate absolute truth related to the almost infinite variations of handling the extension of credit and its related interest.

Personally, I doubt that Senator Proxmire, a well-educated man, could —without outside assistance—work out the "official" thrust in lending computations of many types of installment-credit extensions that confront the typical loan executive. These computations involve add-ons, revolving credit, days of grace, balloon payments, partial payments, prepayment penalties, overdrafts, holidays, the rule of 78, rounding out of fractions etc.

Certainly, the long-held legal concept of de minimus, the accounting concept of materiality and the statistical concepts of confidence levels and reliability all recognize that minor errors (which are bound to happen as long as human beings process information) should not detract from the good intent and overall general accuracy of an organization.

Yet TIL legislation and regulations not only have overlooked the above; the promulgators and regulators have, in one important context (themselves), failed to be truthful about TIL's operations. They generally have failed to admit to themselves and to the public that the costs of imposing "Z" or TIL have exceeded its benefits.

One notable exception is Representative Benjamin S. Rosenthal (D.,N.Y.), chairman of the Subcommittee of Commerce, Consumer and Monetary Affairs of the House Interstate Commerce Committee. In remarks made recently before the convention of the National Association of State S&L Supervisors, he noted that a recent subcommittee study found that the *public* and *private costs* of implementing the Truth-in-Lending law exceed its benefits.

This study dealt primarily with closely related monetary costs. It didn't incorporate some indirect costs, such as higher deductibles and higher premiums on creditors-liability insurance. Nor did it deal with the fact that society in general and the credit-using population in particular ultimately have to bear the additional costs either directly through higher charges for consumer credit or by lenders deciding to

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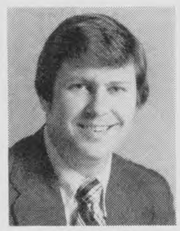

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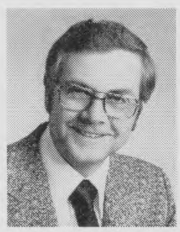

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Once high-sounding, but counterproductive, legislation such as Regulation Z is enacted, it's almost impossible to repeal. A notable and encouraging exception was the repeal in 1933 of the Volstead Act, which had been enacted in 1919 and prohibited the manufacture and sale of alcoholic beverages. Repeal of that act could be a precursor to efforts to repeal "Z."

The solution to the TIL mess really is rather simple: the use of a "banking circular," which is a simple statement issued by a bank's primary regulator. In it, bank presidents are "advised" to comply with the *spirit* of computing and reporting interest rates accurately.

A simple follow-up test would be one of "materiality." That is, rates computed and reported by a bank would have to be accurate enough to meet the "materiality" standards of professionals such as the American Institute of Certified Public Accountants (AICPA). The circular would spell out no complex details like those found in the more than 100 pages of Regulation Z. The margin of legitimate variation in approach due to local custom or circumstance would be left up entirely to the creditor. In its examination, the regulatory agency would recognize that long-standing techniques and efficiencies, such as the assumption that each month has 30 days or the year has 360 days, are more beneficial to the borrower and the lender than the literal truth that some months have 31, 30 or 28 days, and a year has 365 or 366 days.

Informed judgment about the "Truth-in-Securities" acts of the 1930s indicated that some reasonable exclusions were mandatory if the acts were not to do much more damage than good. It was pointed out that the expenses of raising new capital for small firms actually would exceed the amount of the capital if the same SEC standards were applied to them as were applied to major public corporations. As a result, small nonpublic firms were excluded from complying with the securities acts. I might point out that many banks, in fact, most of them, are "nonpublic." Such a recognition that costs should *not* exceed benefits was accepted as rational in the 1930s. The same recognition should be applied at least to "nonpublic" banks today in connection with Regulation Z if the latter isn't repealed.

Unfortunately, the reasonableness found in the SEC legislation has been absent in TIL. By repealing Regulation Z and substituting a simple "banking circular," it should be possible to restore benefits that exceed the costs of the now very dysfunctional TIL regulation. • •

NEWS OF THE
BANKING WORLD

• **Horace Dunagan Jr.,** president and CEO, First State, Caruthersville, Mo., and chairman, Bank of Hayti, Mo., has been elected chairman, Bank Administration Institute. He took office July 1 and succeeds Gerard V. Carey, CEO, First Pennsylvania Mortgage & Trust, Philadelphia, who remains on the BAI board. Succeeding Mr. Dunagan as BAI vice chairman is George Ehrhardt Jr., president and CEO, Colonial Bank, Waterbury, Conn. Philip E. Doolen, vice president and auditor, Whitney National, New Orleans, has been elected BAI secretary-treasurer. Another Mid-Continent-area banker, John V. Anderson, president, First National, El Reno, Okla., was named to the board as chairman of the community bank council. Appointed chairman of the chartered bank auditor board of regents was James J. Swann, CBA, vice president, First National, Chicago.

• **John G. Heimann** is the new Comptroller of the Currency, succeeding James E. Smith, who resigned in July, 1976. Mr. Heimann had been commissioner of New York's State Division of Housing and Community Renewal since last November. Before that, he spent 15 months as New York's superintendent of banks. Mr. Heimann began his business career in 1955, when he joined the international investment banking firm, Smith, Barney & Co., Inc. In 1966, while on a leave of absence from that firm, he became a consultant to the Secretary of Housing and Urban Development, Robert Weaver. Mr. Heimann wrote a study on mortgage credit markets, which laid the foundation for creation of the Government National Mortgage Agency mortgage-backed security and the spinning off of the Federal National Mortgage Agency from government ownership. In 1967, he became a partner in the private investment banking firm, E. M. Warburg, Pincus & Co., Inc. In 1968, he was financial consultant to the National Commission on Urban Problems and also assisted the secretary general of the United Nations as a special adviser on financing community development and related facilities in newly developing nations. Mr. Heimann worked for HUD again in 1970 and, in 1975, held another New York State post.

• **Willis F. Rich Jr.,** executive vice president, Northwestern National, Minneapolis, was elected president, Robert Morris Associates, August 5. He succeeds Dan W. Mitchell, president, Old National, Evansville, Ind. Four new directors were elected to three-year terms: Edward Herbert, first senior vice president, First Alabama Bank, Montgomery, Ala.; Robert H. Duckworth, executive vice president, First National of Arizona, Phoenix; James K. Hill, senior vice president, Walker Bank, Salt Lake City, Utah; and Donald R. Mandich, executive vice president, Detroit Bank. Two directors were elected to one-year terms: Paul G. Black, vice president, Malden (Mass.) Trust; and John D. Mangels, president, Rainier National, Seattle. The new officers and directors will take office September 1.

• **Charles E. Dixon,** vice president, First City National, Houston, has joined the regional and correspondent banking department and assumes responsibility for north Texas and Oklahoma. He joined the bank in 1974 and was in the real estate and mortgage banking department. Mr. Dixon previously worked for Southwest National, Wichita Falls, Tex., as a vice president, and for American Bank, Austin, Tex., as assistant cashier.

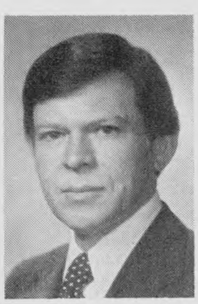
• **Curtis L. Giles,** vice president, St. Louis County Bank, Clayton, Mo., has been elected president, Illinois-Missouri Bank Marketing Association. Other new officers are: first vice president, Larry D. Bayliss, vice president, Boatmen's National, St. Louis; second vice president, R. Ted Pepple, vice president, American National, St. Louis; secretary, Fletcher Wells, senior vice president and cashier, St. Johns Bank, St. John, Mo.; and treasurer, Bonnie J. Booten, assistant vice president, First National, Alton Ill.

• **Manown "Buck" Kisor Jr.** has joined Detroit Bank as a senior vice president and officer-in-charge of the trust investment department. He has assumed executive management of that department. Mr. Kisor formerly was with Paine Webber Jackson & Curtis, Inc., New York City, where he was a senior vice president and a director. At the time he left, he was director of investment strategy.

• **Robert W. Keith** has been named senior vice president, Manufacturers Hanover Trust, New York City, and succeeds Frederick W. Oswald as personnel director. The latter retired July 31. Mr. Keith joined the former Hanover Bank in 1956 and had been a vice president since 1963.

• **Theses** written by two Mid-Continent-area bankers for the ABA's National Graduate Trust School are among seven added to the ABA library and the Northwestern University library. The two bankers are James Thomas Dodds III, vice president and trust officer, First Arlington National, Arlington Heights, Ill., whose thesis topic was "Employee Stock Ownership Plans; Theory and Practice"; and Wirt Cate McKnight, vice president and trust officer, Third National, Nashville, whose topic was "Trust Services Through a Multibank Holding Company."

DUNAGAN



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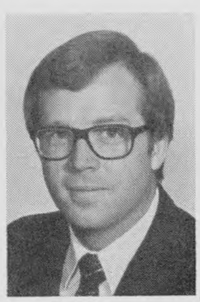

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Solutions to Lending Problems Is Theme Of Robert Morris' 63rd Fall Conference

CURRENT lending problems and their solutions, as well as the outlook for the next decade, will be the theme of the 63rd annual Fall Conference of Robert Morris Associates. The conference is set for October 30-November 2 in New York City.

Hosted by RMA's New York Chapter, the conference will be held at the New York Hilton. About 1,700 RMA members and spouses are expected to attend. Conference chairman is Howard J. Poduska, vice chairman, Bank of New York, and president, Bank of New York Co., Inc.

Speakers will cover a broad range of topics during the meeting, including loan pricing, current accounting development, loan management, lending and the energy shortage, commercial loan marketing, liquidation of real estate assets, multi-bank lending, the outlook for foreign countries with persistent current account deficits, managing loan commitments and SBA loans.

Bank regulations will be discussed by a panel of regulators, including Philip Coldwell of the Fed, George LeMaistre of the FDIC and the new Comptroller, John Heimann.

Also expected to be on the program are Bert Lance, director, Office of Management and Budget in Washington; Pierre Rinfret, president, Rinfret Associates, New York; Ellmore C. Patterson, chairman, Morgan Guaranty Trust, New York; and Harry V. Keefe, president, Keefe, Bruyette & Woods, New York.

Representing RMA on the podium will be incoming president Willis F. Rich Jr., executive vice president, Northwestern National, Minneapolis, and RMA Executive Vice President Clarence R. Reed, Philadelphia.

The program for Monday, October 30, will include Mr. Patterson's address; a panel on current bank regulation developments moderated by RMA incoming Second Vice President M. G. Sanchez, vice chairman, First National of Broward County, Pompano Beach, Fla.; and Mr. Rinfret's address.

Mr. Rich will give the luncheon address, which will be followed by four concurrent panels dealing with the following topics: "Recent Trends in Loan Pricing: Innovation or Self-Destruction?" moderated by Jerry Eyler, vice president, San Diego (Calif.) Trust & Savings; "Current Accounting Developments: How Will They Affect Commercial Lending During the Coming Year?" moderated by John W. Ingraham, vice president, Citibank, New York; "Guidelines for Multi-Bank Lending," moderated by Jack W. Woodburn, executive vice president, Cleveland Trust; and "Liquidation of Real Estate Assets," moderated by Joseph B. Tockarshewsky, vice president, Irving Trust, New York.

Tuesday's business activities will begin with Mr. Lance's address. Following will be a panel discussion moderated by Carl E. Reichardt, executive vice president, Wells Fargo Bank, Los Angeles, entitled "What's Happening in Lending Today." Three concurrent panels will discuss "Bankers and the Energy Shortage," moderated by Richard W. Manderbach, senior vice president, Bank of America, San Francisco; "SBA Loans: Do They Have a Place in a Smaller Bank's Loan Portfolio?" moderated by David A. Wollard, president, Southeast National, Orlando, Fla.; and "What's New in Commercial Loan Marketing: the Changing Competitive Environment of Loans," moderated by G. Robert Truex Jr., chairman, Rainier National, Seattle.

The final day's program will feature Messrs. Reed and Keefe; a panel on "Balance of Payments and Debt Outlook for Countries With Persistent Current Account Deficits," moderated by Frederick Heldring, president, Philadelphia National; and four concurrent panels. They include "Tracking and Managing Your Loan Commitments," moderated by Ralph B. Gilpatrick Jr., senior vice president, Mellon Bank, Pittsburgh; two panels on "Loan Quality Control Techniques," one for banks under $200 million moderated by Jack R. Crigger, executive vice president, American National, Chattanooga, the other for banks over $200 million moderated by William S. Burt, executive vice president, C&S National, Atlanta; "Current Lending Problems for Banks Over $1 Billion," moderated by RMA National Director Elmer L. Stone, executive vice president, United California Bank, Los Angeles; and "Current Lending Problems for Banks Under $1 Billion" moderated by RMA National Director James F. Nissen, president, National Bank of Commerce, Lincoln, Neb.

A final panel will discuss commercial lending in the next decade. It will be moderated by William J. Copeland, vice chairman, Pittsburgh National.

The conference will close officially Wednesday evening with the annual RMA president's reception and banquet. • •

Commercial Loan Report Published by Robert Morris

PHILADELPHIA—Robert Morris Associates has published results of its sixth annual survey of commercial loan charge-off experience of member banks. Statistics in the report are for the year ending December 31, 1976.

The report is divided into two sections: domestic loans and international loans.

Covered in the domestic section of the RMA report are figures on gross charge-off, recovery, net charge-off, distribution of charge-offs by numbers of loans and by dollar amounts involved, plus a ranking of high-loss industries for the year. Data are by bank-asset size and Federal Reserve district.

Statistics in the domestic section were compiled from data supplied from 877 RMA member banks, which had average commercial loans outstanding aggregating nearly $212 billion. That figure represents an estimated 65% of the average total domestic commercial loans held by U. S. banks during 1976.

The report's international section presents figures on gross charge-offs, recoveries and net charge-offs for three bank-size categories. The section also indicates aggregate charge-off experience by country and by type of borrower.

This section was compiled from reports from 142 member banks, which had average international loans and deposits outstanding of more than $160 billion in 1976.

A free copy of the report was sent in May to the CEO and RMA accredited representative of each of the association's member banks. Other copies are available from the RMA Order Department, 1432 Philadelphia National Bank Building, Philadelphia, PA 19107. Price for the report is $5 for RMA members and $7.50 for nonmembers.

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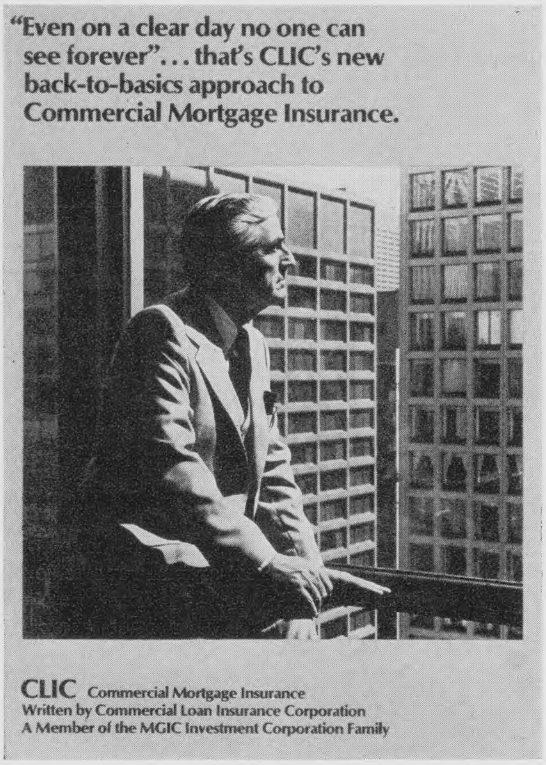

Four centuries ago, William Shakespeare said, "What's past is prologue." In modern terms, this means that experience of the past usually leads to the beginning of something new.

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Communications:

Bank/'Ma Bell' Co-Op Sponsor Telephone Exhibit

"One-Hundred Years of Telephone in Chicago" was the title of an exhibit held in the lobby of Chicago City Bank and sponsored by the bank and Illinois Bell-Telephony Museum.

Visitors to the showing, which was held during regular banking hours, were able to review the evolution of the telephone, beginning with Alexander Graham Bell's first experiments with the device and continuing through the many "milestones" leading to today's worldwide telecommunications.

The display was said to have been the first public showing of its kind off the premises of the Telephony Museum.

152 Feet Long:

Attention, Mr. Guinness: Ribbon Cutting Is Record

The people at *The Guinness Book of World Records* had better start sharpening their pencils, because First National, Des Plaines, Ill., has what it believes is a new world record for the largest ribbon cutting!

Sixty persons were on hand to take part in the cutting of a 152-foot-long ribbon, which stretched across the entire front of the bank's new building.

A number of local dignitaries joined bankers in cutting the ribbon. The event marked the first step toward completion of a new "superblock" consisting of a 10-story office building, an adjoining shopping mall and a multi-level parking lot.

Just Imagine:

'Fantastic' Lobby Display Drawn From Illusions

We all have within our minds a world of fantasy and illusion, and it was from this world that a crowd-drawing display at Detroit Bank was borrowed. The show consisted of works of art by students from Detroit's Center for Creative Studies, College of Art and Design.

Pieces in the collection, which was on display for a one-month period during banking hours, featured graphic techniques and renderings in glass and fabric. Included in the showing were a giant jute-and-rope cactus, a corduroy telephone and a cloth stereo system.

Rodkey Craighead (r.), pres., Detroit Bank, examines pieces in lobby display with Walter Midener, pres., Center for Creative Studies. Showing consisted of graphic, fabric and glass works of art by students of Center. Subject matter of event was objects from the mind's fantasy world.

Under consideration by *The Guinness Book of World Records* as largest ribbon-cutting is one pictured here, which marked opening of First Nat'l, Des Plaines, Ill. Ribbon was 152 feet in length, required 60 persons to perform cutting ceremony.

THE ELDORADO STREET JOURNAL

1976 ANNUAL REPORT SOY CAPITAL BANK AND TRUST COMPANY ALL RIGHTS RESERVED

DECATUR EDITION FRIDAY, DECEMBER 31, 1976

SOY CAPITAL BANK GOING DOWNTOWN

BULLETIN

As we go to press, the building at 150 West William is in flames. The cause of the New Year's Day blaze is undetermined, but it appears the building will be completely destroyed.

A reporter contacted the president of the bank, who indicated the building was scheduled for demolition the following day to make room for their new banking facility.

It is rumored that the president of the bank was nicknamed Arson Arseneault by his fellow Rotarians.

On August 16, 1976, Governor Walker signed into law Public Act 79-1388 which amended the Banking Act. This amendment increased the permissible distance for off site banking facilities from 1,500 feet to 3,500 yards from the bank's main premises. Soy Capital Bank had never taken advantage of the prior act since it was felt that the permissive legislation was designed to give relief to those banks which were located in crowded and congested downtown locations. Soy Capital Bank lost no time in filing an application under the new legislation and, on October 25, 1976, permission was granted by the Commissioner of Banks and Trust Companies of Illinois, and shortly thereafter approval was granted by the Federal Deposit Insurance Corporation to establish a facility at 130 West William Street in Downtown Decatur. When questioned by reporters as to why Soy Capital Bank would want to locate in the downtown area when all the downtown banks were trying to locate in the outlying areas, bank president Edmond J. Arseneault responded "because we see a real need to serve our many customers and friends downtown. A recent survey revealed that the labor force in the downtown core area now exceeds 10,000 people and that concentration of population makes this area desirable. We have confidence in the future of Downtown Decatur and this is the best way we know of to demonstrate that confidence."

SOY CAPITAL BANK EXPANDS HOURS

Soy Capital Bank and Trust Company has announced that their drive-in windows open at 7:00 in the morning and remain open until 6:00 Monday through Friday and until 2:00 on Saturday.

This service provides Decatur residents with more hours of banking service than any other bank in the city or outlying areas.

SOY DEPOSITS GROW

35 30 25 20 15 10 5 0

1969 '70 '71 '72 '73 '74 '75 '76

DIRECT DEPOSIT HUGE SUCCESS

Prior to August 1, 1975, Soy had many customers who gave the bank Power of Attorney to accept their Social Security checks for deposit to their accounts. This was possible by a Federal enactment dated August 7, 1972. Later that year, a joint study made by the Department of the Treasury and the Social Security Administration resulted in a comprehensive deposit program in 1975. All involved would reap many benefits from a wide scale use of Direct Deposit electronic fund transfer.

The objectives of the program were to improve service to beneficiaries through elimination of check loss, theft and forgery, check cashing problems, uninterrupted deposits while on vacation, reduced operating and forgery cost to financial institutions as well as increased deposits and new depositors; and finally and importantly, reduced cost to the government in issuance and clearance of checks.

Phase I — In July 1974, a joint announcement was made by the Treasury, the Social Security Administration and the Federal Reserve that the pilot program would be for beneficiaries residing in Florida and Georgia. Phase I was deemed a success.

Phase II — Beneficiaries of all the other states were notified of this option with

Please turn to page 2, column 1

Soy Sauce

by Edmond J. Arseneault

What better way than through the media to present an annual report to our stockholders and friends. Besides, our efforts to communicate via the Daily Truth have been less than sensational. We have called on all of our reporters who are on the scene daily participating in those events that alter and illuminate our times to report to you on the year behind and ahead.

Good performance is not an accident, and it is indeed a tribute to our management and staff to be able to report outstanding achievement again in 1976. At the beginning of the year, all management people participate in the budget making process as they outline their own goals and objectives. Funds are allocated based on needs of each department and, because each department exceeded their goals, we are able to make this favorable report. The relatively low interest rates in investments and loans that prevailed throughout the year were offset by excellent growth in deposits. Our growth of 11% compared favorably with the Decatur average of 10%. A bank that can report net earnings of 1% of its assets is generally regarded as well managed. We have exceeded that goal for over five years, and for the last three years exceeded by over 40%.

We resisted the temptation to enhance earnings by another half million dollars by selling off bonds, which, as the auditor's report on investment securities indicates, had a market value exceeding carrying amount in that amount. Obviously, had we taken this profit, the tax consequence would approximate a quarter of a million dollars. Moreover, we would only be selling off future earnings, which will be badly needed to support our planned new activities in our new facilities downtown.

We look to the future with great anticipation and optimism with a new leader in the White House who has pledged a reduction in bureaucratic red tape. It truly boggles our mind trying to digest the mountains of new regulations that come across our desk on a daily basis. While we don't question their motives, we honestly believe the consumer advocates are adding a cost burden to the very people they are trying to protect which will be far in excess of benefit received. A recent mailing of the amendments to Equal Credit Opportunity Act, Federal Reserve Regulation B, contained 102 pages, all in Federalize, and weighed 13 ounces. Postage for this one mailing was $1.45. Multiply this by the 15,000 banks in the country and you will get some idea of what is happening. Let's hope the President is successful in reducing this enormous flood of new regulations affecting business and commerce or we will all end up looking like the OSHA Cowboy.

This is front page of *The Eldorado Street Journal*, published by Soy Capital Bank, Decatur, Ill., as its year-end 1976 report. Named after street on which bank is located, report was designed to represent newspaper, with columns, graphs, cartoons, etc.

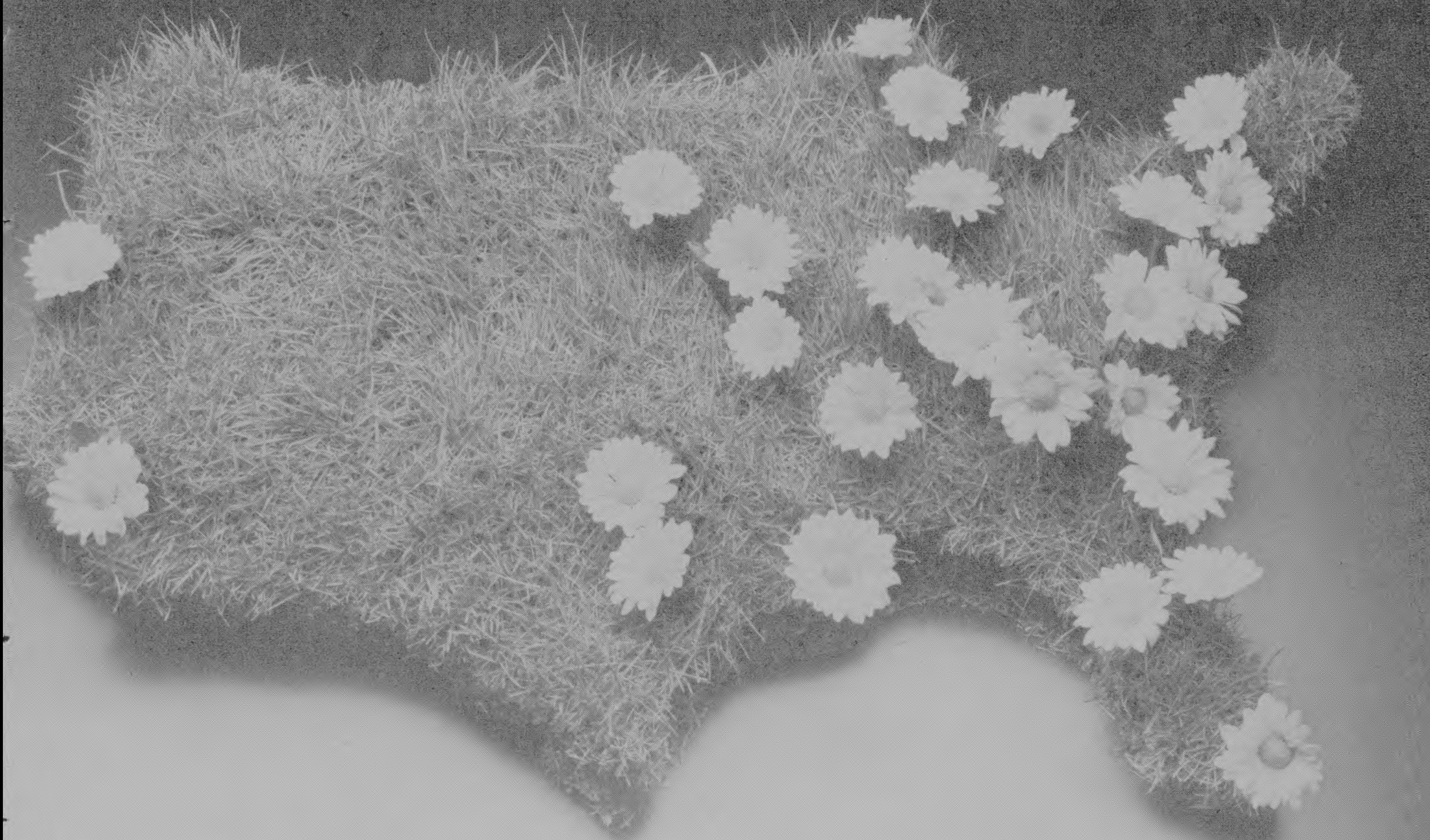
The Eldorado Street Journal:

Bank's Year-End Report Takes Newspaper Form

In recent years, banks have been "jazzing up" their annual reports to obtain increased readership. They use four-color covers to attract attention, professional-looking inside layouts to obtain readership and well-executed photos, charts, graphs and other illustrations to enliven the statistics contained in the reports.

Eye-catching reports aren't produced only by large banks, as evidenced by the 1976 year-end report published by Soy Capital Bank of Decatur, Ill., a $38.7-million-asset bank. This report was done in the style of *The Wall Street Journal*, even to using matching masthead type. The bank's report was called *The Eldorado Street Journal* because the bank is located on East Eldorado Street. The front page contained news about plans for locating a facility in the downtown area, and expansion of banking hours and a report on the success of direct deposit of social security checks. In addition, there were a graph showing deposit growth since 1969 and a column, "Soy Sauce," written by Edmond J. Arseneault, the bank's president. The other pages contained reports, also in the form of newspaper columns, by the officers in charge of business, real estate and installment loans and a discussion of

Harland...
We've got the country covered with plants.



With 27 checkprinting plants strategically located throughout the United States and Puerto Rico, Harland is in a position to offer fast, efficient service on beautiful, quality products to banks everywhere. Look at the map, and you'll find 27 reasons why Harland is the second largest and fastest growing bank stationer in the country. Then call us, and we'll give you even more reasons...

Atlanta. Snapfinger. Greensboro. Miami. Nashville. New Orleans. Orlando. Richmond. St. Petersburg. Cincinnati. Columbia, S.C. San Diego. Houston. Jacksonville, Fl. St. Louis. Chicago. Birmingham. Puerto Rico. Boston. Memphis. Dallas. Rochester. Baltimore. Milwaukee. Des Moines. San Francisco. Newark.

HARLAND

POST OFFICE BOX 105250 ATLANTA, GEORGIA 30348

EFTS by Senior Vice President Frits R. Pronk. Assistant Trust Officer Marian Sheehan contributed a humorous column on various bank employees, and there was a column devoted to staff promotions. In addition, there were a couple of cartoons.

A four-page insert contained statements of condition, earnings, changes in financial position and capital accounts and notes to financial statements.

Specialized Services:

Bank Announces Division For Professionals, Execs

National Bank of Commerce, San Antonio, has announced a professional and executive banking division, which offers all banking services for professionals and personal services for corporate executives.

William T. Hudnell, assistant vice president, heads the new division. Mr. Hudnell is assisted by F. Ed Guzman, business development officer. Mr. Hudnell has been in banking seven years and joined NBC in 1973, and Mr. Guzman joined the bank in 1971.

Personnel

BAI Introduces Employee Opinion Survey To Gauge Employee Feelings for Banks

BANK Administration Institute has introduced an employee opinion survey that is designed to gather information on employee feelings about their own bank and to measure the results against banks of comparable size.

During its first month of availability, the survey has been ordered by 200 banks in 41 states and has been administered to 13,000 employees, according to Charles M. McCurry of the BAI staff.

Purpose of the survey is to help bank administrators weigh the effectiveness of management policies and practices and determine where improvement can be made. Individual banks and bank names are guaranteed anonymity.

Employees, who also enjoy anonymity, are asked questions on how they feel about their orientation and training, opportunities for advancement, communications, job satisfaction, benefits, management performance, salary, working conditions, job security, bank policies, status/recognition and job demands.

The questionnaire contains 90 statements or questions, each with five possible responses ranging from positive to somewhat-positive to neutral to somewhat-negative to negative. It is expected that some statistical and analytical comparisons will be made available after the data base reaches 40,000 bank employees, Mr. McCurry said.

As part of the survey package, each bank receives a data and interpretation printout of its survey results and a profile comparing that bank's results with those of other banks.

One-day educational sessions are being planned at locations around the country as a follow-up to the survey, according to Mr. McCurry. These meetings are designed to assist banks in interpreting the survey results and acting on them.

Several trends are expected to develop with respect to geographical areas, institutions of vastly different deposit sizes and states with branching-versus-unit systems.

Mr. McCurry said BAI may not be in a position to indicate whether the employee opinion surveys are directly related to banking profitability, even after the survey is completed. However, an attempt will be made to make the determination.

For further information, contact Mr. McCurry at BAI, P. O. Box 500, Park Ridge, IL 60068. • •

Atomic Clock Unveiled By Boatmen's, St. Louis

ST. LOUIS—The recently opened Boatmen's Tower, home of Boatmen's National, has been equipped with what is said to be the first commercially installed atomic standard in the world.

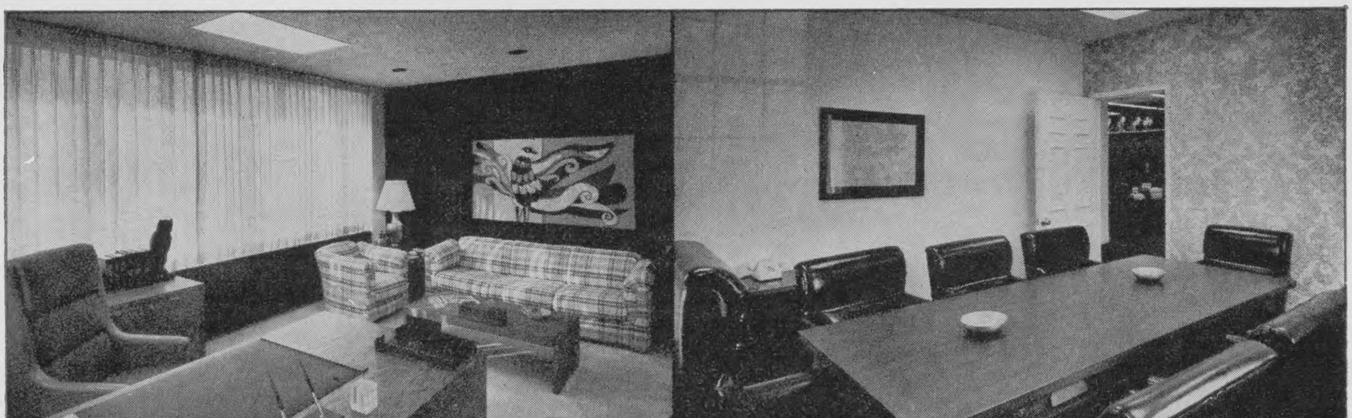
The clock, built by Hewlett-Packard, Inc., Industrial Instrumentation, Inc., and Time-O-Matic, Inc., was initially started via a data link to the National Bureau of Standards, Boulder, Colo.

Accuracy of the clock is said to be within one eleven-millionth of a second and the clock is expected to maintain that accuracy to within plus or minus one second in 4,530 years. Since the earth's rotation is not uniform, periodic leap second adjustments are required.

The dual-faced jet black displays, located on the east and west plazas of the bank's tower, will depict the time to one-tenth of a second, utilizing specially designed gaseous neon numerals. The electronic clock and atomic standard installed within the bank's security center are provided with 12 hours of standby power in case of electrical failure.

Donald N. Brandin, chairman and president, commented, "The Boatmen's clock has been a landmark for many years. This unique new timepiece, the most modern in the world, becomes a new landmark, one that is in keeping with the character of our new building, Boatmen's Tower, and carries on the tradition of the Boatmen's organization."

New atomic clocks grace east and west plazas of Boatmen's Tower, home of Boatmen's Nat'l, St. Louis.



ATM in Kentucky Hospital Offers 24-Hour Service To Time-Short Employees

COVINGTON, KY.—Covington Trust has installed an ATM in Booth Memorial Hospital and has plans to install another ATM in St. Elizabeth Hospital. The bank claims the installations are the first to be made in hospitals in Kentucky and the Cincinnati area.

The bank assigned a representative to demonstrate the machine during the first three weeks of its operation at Booth Memorial Hospital, which employs 500 people.

The Mosler Teller-Matic Model 6200 ATM permits holders of Covington Trust Key Cards or Master Charge cards to deposit or withdraw money and transfer funds. It also permits withdrawals from Master Charge or checking accounts.

David Herriman, Covington Trust president, conceived the idea of placing an ATM at Booth Memorial Hospital because it's one of the few public places in town that is open 24 hours a day. Also, its personnel have little free time to go to a bank during the day, due to intense time pressure.

The unit is located on the first floor near the elevators. Hospital employees were polled to determine their preference for the machine's location.

The ATM is connected by phone lines with a Mosler Model 6000 Controller at Central Trust Bank in Cincinnati. Covington Trust is a member of the Owl Network of financial institutions originated by Central Trust.

Covington Trust's five off premises ATMs account for 10% of the bank's business and there has been a 20% increase in new accounts since the first units were installed less than two years ago, a bank spokesman said.

Bank employee demonstrates ATM at Booth Memorial Hospital in Covington, Ky.

Pieper Elected SWATCHA Pres. At Annual Meeting in Dallas

DALLAS—J. W. Pieper, senior vice president, Frost Bank, San Antonio, was elected president of the SouthWestern Automated Clearing House Association (SWATCHA) during the association's annual meeting in June. He succeeds George M. Darsey, executive vice president, First City National, Houston.

PIEPER

Elected vice president of the association was David McLelland, vice president and cashier, Fort Worth National. Jeff Geeslin, senior vice president, Austin National, was elected secretary/treasurer.

The association began accepting membership applications from S&Ls and credit unions on July 1, with full membership activities to begin September 1. Two board seats were allocated to thrifts for representation.

SWATCHA covers all of Texas and parts of Oklahoma, Louisiana and New Mexico.

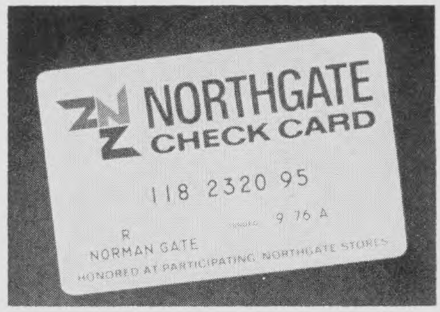
Central Trust of Cincinnati Issues Check-Approval Card For Local Shopping Center

CINCINNATI—Central Payment Systems, a division of Central Trust, has begun issuing the "Northgate Check Card," reportedly the first check-approval card in the U. S. to be introduced by a shopping center, Northgate Mall, Hamilton County's largest shopping complex.

In addition to the Northgate card, "Owl" debit cards issued by Central Trust and other financial institutions in the Owl regional ATM and check-guarantee network will gain access to the Central Payment Systems program.

Either the Northgate Check Card or the Owl card may be used by a shopper, in conjunction with the shopper's personal identification number, to enable a store clerk to obtain a check verification in a few seconds. Texas Instruments' Tinet check-authorization terminals are used in the system.

Plans for the fall of this year call for use of the Tinet terminals in on-



line credit authorizations for Master Charge and Visa.

To stimulate interest in the check-verification system and encourage card usage, Central Trust has run a promotion in connection with the Northgate card, whereby a shopper using the card will win a 1977 Pinto station wagon. The automobile has been displayed at the mall, and the Northgate promotion has been publicized as "The Smart Way to Shop at Northgate" on radio, billboards, mass transit and with door-to-door flyers. In addition, a local radio personality was on hand at Northgate Mall to stimulate interest in the program.

Automatic Banking Launched With 23,000 Telephone Calls

LANSING, MICH.—American Bank knew prior to introducing its "Ready-Teller" automatic banking service that most of its checking-account customers not only approved of the idea, but were anxious to use the service.

No, the bank didn't use a crystal ball to find out that information. A letter from President H. Andrew Hays announced the imminent arrival of automatic banking service and described the advantages the service would offer its users. That letter was followed by telephone calls to 23,000 checking customers asking whether or not they wanted a ReadyTeller card. And 82% of the customers answered in the affirmative.

Results of the survey were part of newspaper ad copy American Bank used to publicize the new service. Booklets and folders explaining Ready-Teller also were used to tell the public about the new service, as were billboards and bus cards. In addition, the bank used as incentives four color television sets, which were given away in a drawing of customers' names who had taken part in a demonstration of the operation of the ReadyTeller machines, which are Diebold TABS units.

Although HCs Have Had Growth Pains, They Will Not Disappear From Scene

By WILLIAM C. HATFIELD
President
Republic of Texas Corp.
Dallas

CONCEPTUALLY, bank holding companies are far from new. As a matter of fact, a number of the present multibank holding companies—and especially those that operate across state lines—trace their beginnings to the 1920s and 1930s. When businesses begin to get big, fears are generated among many of the uninformed who equate bigness with evil. Bank holding companies are no exceptions. As some of the bank HCs expanded into other states and other fields, pressure began to develop for greater regulation. As pressures increased from vocal minorities and special-interest groups, Congress responded with the Bank Holding Company Act of 1956.

That act required registration of multibank HCs and provided for limited regulation by the Fed's Board of Governors. It also prohibited further expansion across state lines and restricted multibank HCs to banking activities. One-bank HCs were excluded from coverage by the act, and before long, many conglomerates recognized the advantage of having a bank among their holdings.

Again, cries were raised that common ownership of banks and nonbanking companies by a holding company gave an unfair advantage that should be removed. Fears also were expressed that banks were being endangered by such association, with severe risks to their depositors. Despite a lack of evidence to support these conclusions, Congress amended the Bank Holding Company Act in 1970 to bring one-bank HCs under regulation by the Fed and to require prior approval by the Fed before a holding company could acquire ownership of a bank. Ownership of more than 5% of the voting stock of a corporation was set as the guideline for determining whether a bank or other activity required prior approval. Congress also set out basic criteria to be considered by the Fed in determining whether acquisition of a bank should be allowed. Although pressure to legislate a "laundry list" of permissible nonbanking activities was resisted, the Fed was directed to determine such a list after suitable public hearings.

The Fed was poorly equipped to handle the heavy load placed on it by the 1970 amendments to the act. Regulations required under the act have been routinely late in being promulgated. Decisions as to whether certain activities might be retained under "grandfather privileges" have been months beyond the due date set by Congress. What should have been routine decisions as to acquisitions have been long delayed by the Fed. The "91-Day Rule" under which an application is deemed accepted unless a denial is published by the Fed was routinely ignored until a flurry of court cases approving applications that had been past the deadline forced action. Even today, action on applications is delayed as long as possible, and filing requirements vary from application to application if our experience is typical. I am led to believe by my associates in other HCs that our experience is not unique. As the number of applications has declined, response has improved slightly, but much improvement, greater improvement, is needed.

Initial Changes. Many people predicted that the diversified multi-bank HC was the wave of the future and that such companies would become major factors in mortgage lending, factoring, consumer finance, credit life insurance, etc. That still may happen, but, as a matter of fact, it has not occurred to date.

Many HCs ventured off into the mortgage-company field just in time to get caught in the decline in the real estate market and to suffer earnings declines as a result.

Others that acquired consumer finance companies found that area to be no panacea. Factoring companies also have had an adverse impact on some companies' consolidated earnings.

The message is clear that while the fluctuation in earnings traditionally attributed to banks may be moderated by these other activities, they are different from what we ordinarily are familiar with in banking and require special management expertise and talents not readily available in banking. The bank HC that expects to acquire a large company in one of these so-called "bank-related" areas and staff it with bank personnel had better think long and hard before it acts. It's not a new lesson, but we need to be reminded—as we so often have reminded our customers—that there's no substitute for good management, whether it be in banking or in other activities.

Bank HC Oversold? In some ways, the multibank holding company concept was oversold. In other areas, it just has not been properly applied!

There's no doubt that earnings can be more stable and growth more consistent if the source of those earnings includes a wide spectrum of activities. Thus mortgage lending, consumer lending, factoring, leasing and a host of other activities should be just as much a part of a holding company as is the commercial-lending, the bond portfolio and other traditional banking areas.

It's equally true that substantial cost reductions are possible through combined purchasing, coordinated legal and accounting activities and other operating areas.

Furthermore, the HC is justified from the "convenience-and-needs" standpoint on the basis that we can provide broader and better services to a larger group of consumers. I don't doubt that that, too, is possible.

What we must do is be certain that those services are made available and the expense savings realized through proper planning and clearly imple-

". . . the multibank holding company has matured. It's no panacea, but it's not a complete failure either. It will continue to have its place."

This article is adapted from remarks given by Mr. Hatfield at the recent BAI 28th Southern Regional Convention in Dallas.

"I've used every correspondent service First National offers. And after 35 years, success has proven the wisdom of it."

The Farmers Bank of Clinton, Missouri is a true success story. A correspondent relationship with First National Bank of Kansas City has given it valuable extra time and expertise to concentrate on serving its growing community.

Mr. and Mrs. Harry Finks, Jr., president and vice president, know that size determines a bank's method of operation. Farmers Bank has the advantage of a community where each client and his business needs are known intimately.

But the community is not large enough to support a computer and specialists for just one bank's daily needs.

Ten years ago, Harry Finks, already established in full correspondent relationship with the First, was one of the first to take advantage of our computers and other related specialized services.

For his demand deposits, savings accounts and certificates of deposit, daily statements from the First save his people time and help insure accuracy.

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

We take pride in the success of the Finks and the Farmers Bank of Clinton. Our correspondent banking tradition has been built on help like this.

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

Harry Finks, Jr., President
Mrs. Harry Finks, Jr., Vice President
Farmers Bank of Clinton
William O. Weis, First National Bank of Kansas City

Your success is our tradition.

First National Bank of KANSAS CITY, MISSOURI

An Affiliate of First National Charter Corporation

Member FDIC

mented policies. I don't mean that every bank or other firm that's a part of a holding company must do exactly the same thing in an identical manner. If a manager is given proper responsibility, and authority, he will decide to do what's best for the corporate whole. If he doesn't, he isn't a good manager and should be replaced.

What of the Future? This is an exciting time to be in banking. There are perhaps more changes afoot now in banking than at any time in the past half century.

Branching. I have been interested to notice that many of the New York bank HCs merged their subsidiary banks once statewide branching was allowed. Is this a signal that bank HCs are obsolete where statewide branching is allowed? I don't think that necessarily follows. In some small homogeneous states, bank HCs may be superfluous where statewide branching is allowed. I'm convinced that in geographically larger, more diverse states, bank HCs will remain the preferred method of doing business even if statewide branching is allowed. A certain amount of provincialism remains, and a relatively local bank will retain an advantage.

Also, multibank HCs remain the only realistic way of entering these "bank-related" fields. While they're not a "cure-all," they will continue to be a source of diversification and strength.

Multi-State Branching. Efforts have been revived in recent years to allow HCs and banks to cross state lines. It's true that our country has shrunk and that the old prohibitions against interstate branching are based on obsolete information. However, I don't expect to see legislation allowing such interstate activity in the near future. The small city bankers who are afraid of big city banks simply have too many votes.

EFT. The one exception to multistate banking could be in the area of electronic funds transfers. We have botched this area of banking as, initially, we have most areas. Many people are afraid of it and few, if any, of us recognize the full potential. Ultimately, I believe we may have nationwide electronic banking, at least on a limited-activity basis. It probably will come by evolution rather than revolution.

National Banking. We have heard a great deal about amending the Glass-Steagall Act to allow national banks to offer full services in states where state legislatures have restricted bank activities. It is, of course, by the grace of this act that national banks are subjected to the same restrictions as state banks. Were the act to be amended to allow national banks to branch and offer other services, state banks would be at a disadvantage, and state legislatures undoubtedly would respond with changes allowing state banks to compete. Should this happen, unit-banking states would disappear. I don't expect those changes to be made during this Congress, but I do expect them to occur during the next couple of years. (I remember how remote the "Townsend" proposals to grant old-age pensions seemed when I was a child.)

I also believe we will see a change in what constitutes a branch. The old idea of a fully capitalized brick-and-mortar branch location is outmoded. The branch of the future should be a "retail-type" location, either manned and with electronic tellers or solely with electronic tellers. Electronic tellers will be available on a 24-hour basis and bank personnel—if any—will be there only during certain hours. This will reduce costs and provide maximum service availability.

Reduction of costs—and above all a knowledge of real costs—will be crucial to our industry in the future. If we are to pay interest on demand deposits, and I feel sure we will, we must have true costs. Too often in the past, we have given our services away because we really didn't know what they cost us. (I cringe when I hear someone say demand deposits cost us nothing.) We can't afford that in the future. We even need to develop "standard costs" for nonrevenue-producing areas that will allow them to show a "profit."

In summary, the multibank holding company has matured. It's no panacea, but it's not a complete failure either. It will continue to have its place. We will be forced to undergo continued and frustrating regulation and will be faced with new challenges, but that is what makes our industry so interesting.

C. W. Howlett Named Pres. Of Ohio Valley RMA Chapter

Clyde W. Howlett, vice president, Old National, Evansville, Ind., has been named 1977-78 president, Ohio Valley Chapter, Robert Morris Associates.

Two bankers from Ohio were elected to top posts in that chapter. Named vice president was Barry L. Zerkle, assistant vice president, Fifth Third Bank, Cincinnati, while Wesley F. Cleaves, vice president, Winters National, Dayton, O., was elected chapter secretary/treasurer.

The chapter covers an area comprised of banks from Indianapolis to Dayton, to Louisville, to Lexington, Ky., to Evansville, Ind.

At last, a look at the unheard-of: an actual overline ad.

You may have noticed that not many banks exactly advertise the fact that they offer overlines to their correspondents.

But Continental Bank does. In fact, we're running this ad to make a bid for overlines—from our correspondent banks, and from a lot of other banks we'd like to have as correspondents.

We have a simple approach to each overline request we get: if our correspondent values a customer enough to lend its legal limit, we think its overline deserves some pretty serious consideration on our part.

At Continental Bank your credit requests don't go from committee to committee to committee. They go to your account manager—one officer who has the authority to say "yes" or "no" on most loans. So you get your decision fast—direct from the person who made it.

Call John Tingleff at 312/828-2191 with your request. If we can get together with you over an overline, Continental might just become more important to you overall, as a correspondent. And that's exactly what we're trying to do.

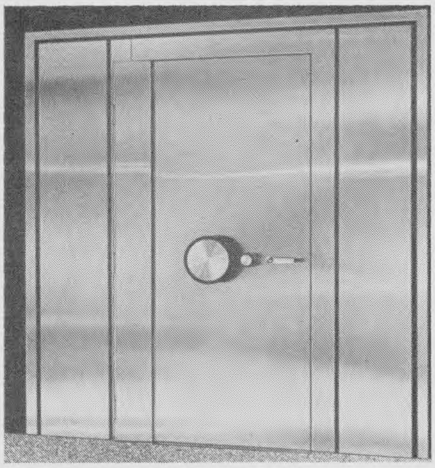
We'll find a way.

CONTINENTAL BANK
231 SOUTH LA SALLE STREET, CHICAGO, IL 60693

Continental Illinois National Bank and Trust Company of Chicago.

New Products and Services

• **Mosler.** This firm, based in Hamilton, O., has introduced its 432 insulated vault door. The door is similar in design to Mosler's American II series vault doors and is UL certified for four-hour fire protection and meets UL's four-hour hose-stream test. The 432 features a "counterspy" three-tumbler, hand-change combination lock that is UL tested for resistance to manipulative



and radiological attack; a full clear inside opening handle; an automatic interlock and a "no-stoop" open lever. The 432's wall flanges will clasp a 7½-10-inch-thick wall without shims or extensions, according to the manufacturer. In addition, the door is offered with designer-styled day gates in acrylic or rod type. Write: Mosler, Department PR-107, 1561 Grand Boulevard, Hamilton, OH 45012.

• **American Bankers Association.** "Bank Strategic Planning: A Guide for Organizing and Managing the Process" is a new publication from the American Bankers Association, Washington, D. C. According to an ABA spokesman, the guide was written with the realization that every bank is unique and has individual needs. The guide introduces the central question, "Why does a bank need long-range planning?" and then discusses what constitutes a planning program and provides a framework for bankers to use in developing the planning process. The guide includes sample forms and an example of an actual long-range plan. The guide, publication #084900, is available at $10 for 1-3 copies, $8 for 4-10 copies and $7 for more than 10 copies. Write: ABA Order Processing, 1120 Connecticut Avenue, N. W., Washington, DC 20036.

• **Sillcocks-Miller Co.** Silcomag$_{tm}$ has been announced by this Haworth, N. J., printer and fabricator of plastic banking and credit cards as a new development in the area of magnetic stripes for EFTS. Silcomag is over-laminated for protection and is said to be scratch proof and to eliminate head bounce. A company spokesman indicates that, with Silcomag, no pocket covers are needed by card customers. The Silcomag panel is a "super stripe" carrying all tracks and meets all industry specifications for encodability. Write: Sillcocks-Miller Co., 310 Snyder Avenue, Berkeley Heights, NJ 07922.

• **Bank Marketing Association.** "Your Bank—a Service for All Seasons" and "Financial Planning for the Family—the Pinch" are two full-color, sound filmstrips from the Bank Marketing Association, Chicago. The filmstrips have been designed to enhance a bank's community-relations and public-service programs and may be used for in-bank training purposes. The former filmstrip concentrates on helping consumers perceive how various bank services can help them easily and effectively, while the latter dramatizes how three families who found themselves in a financial pinch were able to resolve their problems through financial-planning advice from their community banks. Both filmstrips are available for purchase to BMA members for $140, or for $80 each. Write: Bank Marketing Association, 309 West Washington Street, Chicago, IL 60606.

• **Florida Software Systems, Inc.** A new common trust fund enhancement has been announced by Florida Software Systems, Inc., Orlando, for its existing personal trust system. The new Common Trust Fund System option is said by the firm to be the only system of its kind to offer master note processing with automated income accruals and distributions. The system can handle up to 99 banks at the same time with an unlimited number of funds per bank and also features single-entry input and automatic income reinvestment. Write: Florida Software Services, Inc., P. O. Box 2269, Orlando, FL 32802.

Marketing School Professor Honored for Literature

Dr. Jerry Wind, faculty member, Graduate School of Bank Marketing, has received the Alpha Kappa Psi award for outstanding contribution to marketing literature. Dr. Wind is professor of marketing at the Wharton School of the University of Pennsylvania, Philadelphia.

The first session of the Graduate School of Bank Marketing was held last April at Louisiana State University, Baton Rouge.

Information about the school is available from Dr. William F. Staats, associate director, Box 17390, Baton Rouge, LA 70893.

Corporate News Roundup

• **Bradford National Corp.** Robert J. Sywolski, senior vice president/marketing, Bradford National Corp., New York City, has assumed the additional responsibilities of national sales manager of Bradford National Corporate Service, Inc., a wholly owned subsidiary. He succeeds W. Howard Lester, who continues as marketing consultant. Bradford National Corp. provides financial record-keeping and computer/clerical processing services to financial institutions, industrial and governmental organizations. Mr. Sywolski joined the firm in 1975, having formerly been senior vice president and a director, Wood, Struthers & Winthrop, Inc., an institutional-oriented money-management firm.

SYWOLSKI

• **Scarborough & Co.** J. Cornel West has joined Scarborough & Co., Chicago-based insurance counselor to banks. He is in the special risks department. Most recently, he was fire and package policy underwriter for the Kemper Insurance Co. He holds a B.S. degree in insurance from the University of Connecticut.

The ABC's of Credit Insurance.

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To find out more, just place a collect call to J. Wayne Williard, Jr., Vice-President, Credit Insurance, at 919/725-7261. Or write him at Integon Life Insurance Corporation, P. O. Box 3199, Winston-Salem, N. C. 27102.

And get him to give you the rest of our alphabet.

J. Wayne Williard, Jr., Vice-President

INTEGON®

Security

Can You Spot Safe-Banking Rules That Were Broken in This Case?

By OSCAR W. JONES

THE PARADOX of modern-day banking is that expanding operations and pressing help problems leave little time for instituting internal control systems. Yet, ironically, these are the very factors making controls necessary.

Since your situation may be similar, we want to tell you what happened recently to a bank that couldn't find time to follow the suggestions of its outside auditing firm. The resulting embezzlement could lead you to believe that rules are made to be broken.

Test yourself to see if you can spot the rules of safe banking that were violated, not by the embezzler, but by the bank in allowing its employee too much freedom of operation. Write your answers in the space provided and then check them against the answers on page 56 of this magazine.

One foggy Tuesday night not long ago, a blond, bony bank cashier scrawled his signature on a document, dropped his pen in the drawer and flicked off his desk lamp. Through the shadowy darkness he groped his way to his car parked out back, then sped down the westbound asphalt of the freeway toward a river.

Back on his office wall hung a diploma from a school of banking and various photos of his activities as a public-spirited citizen. On the left hand corner of his desk lay his confession to an embezzlement of $372,-615.

Hired in 1972 as an assistant cashier, this man—we'll call him John Doe—had limited authority, but because only four of the 14 employees in his bank were men, Doe's duties soon encompassed most of the bank's operations. He assisted in the teller cages, helped the bookkeepers in posting, cleared the cash letters and reconciled the correspondent bank accounts.

Rule I

Some of his abstractions were concealed in the correspondent bank account with the national bank in the state capital. To keep his own bank's records straight, Doe would send a cash letter covering his shortages. However, the items would not be included in the sending to the national bank. At the monthly reconciliation, the national bank naturally would charge back the items not received, and there would be a discrepancy.

Since Doe had the job of reconciling the correspondent bank's statement, he would ignore this discrepancy if it was the amount of his peculation and file away the statement as correct and proved. No other officer had occasion to recheck.

Rule II

It was easy for Doe to withold checks for deposit by bank customers because some large companies deposited by mail, and Doe normally went to the post office to pick up the mail. Over the years, he used various accounts for his large-scale operation. For example, Doe gave the customer a deposit slip, yet withheld the deposit and, therefore, it was never entered by bookkeeping. At statement time, to cover up the discrepancy between the customer's balance and the bank's ledger balance, Doe typed a statement for the customer showing the correct balance. Naturally, since the deposit was not in the books, the bank's ledger actually was off by the amount.

To convert his transactions into negotiable form, Doe put through a fictitious check payable to himself, drawn on a nonexistent account in an out-of-town bank. After the check cleared proof and went into the cash letter, he removed it and substituted the checks from a customer that he previously had withheld from deposit.

Rule III

The defalcation began November 12, 1973, in the note department when the following entry was made in the books:

Sundry Banks	$2,800.00	
Cash		$2,400.00
J. D. Crawford Account		400.00
On November 16, 1973		
National Bank	$2,800.00	
Sundry Banks		$2,800.00
By Debit-Credit Tickets		
On February 1, 1974		
Notes Receivable—Max Wiler	$3,300.00	
J. D. Crawford Account		$ 500.00
Sixth National Bank		2,800.00

Those figures show how the shortage was switched from the correspondent-bank account into the notes. The Wiler note was secured by a savings account in the bank, approximately double the amount of the loan at that time. However, Wiler had absolutely no knowledge of this transaction, and so the note was a definite forgery. By May of that year, Doe cleared out Wiler's note with a fictitious note of J. D. Crawford.

Rule IV

To avoid any chance of an embezzlement, the bank used controls for its two bookkeepers. One of them took care of the ledger from A to M and the statements from M to Z, while the other handled the ledger from M to Z and the statements from A to M. But this was a wasted precaution because

Oscar W. Jones is director of loss-prevention services for Scarborough & Co., Chicago-based bank insurance specialists. In this capacity, he works closely with banks throughout the nation in the areas of general bank-accounting practices and procedures, internal controls and physical security. Formerly an agent with the U. S. Treasury Department, he investigated bank-oriented frauds and embezzlements for a number of years in that capacity before joining Scarborough. His background also includes eight years in banking and eighteen years in public accounting. Mr. Jones is a member of the ABA Audit Task Force and is the author of numerous other articles on the subject of bank auditing, internal controls and physical security.

DETROITBANK CORPORATION CONSOLIDATED BALANCE SHEET JUNE 30, 1977

ASSETS

Cash and due from banks	$ 301,784,000
Time deposits with other banks	608,817,000
U. S. Treasury securities	230,888,000
U. S. Government agency securities	31,374,000
State and municipal securities	497,635,000
Other securities	114,741,000
Total securities	874,638,000
Federal funds sold and securities purchased under agreements to resell	18,831,000
Commercial loans	897,067,000
Real estate mortgage loans	616,070,000
Consumer installment loans	200,565,000
Total loans	1,713,702,000
Less valuation portion of reserve for loan losses	22,001,000
Net loans	1,691,701,000
Premises and equipment	38,772,000
Customers' liability on acceptances	17,140,000
Other assets	69,794,000
TOTAL	$3,621,477,000

LIABILITIES

Demand deposits	$ 800,703,000
Savings and personal time deposits	1,898,508,000
Other time deposits	181,976,000
Deposits in foreign offices	62,713,000
Total deposits	2,943,900,000
Federal funds borrowed and securities sold under agreements to repurchase	259,152,000
Commercial paper outstanding and other borrowed funds	72,403,000
Acceptances outstanding	17,140,000
Other liabilities	82,750,000
Total liabilities	3,375,345,000

SHAREHOLDERS' EQUITY

Preferred stock—no par value; 500,000 shares authorized, none issued	—
Common stock—$10 par value; 10,000,000 shares authorized, 4,250,934 shares issued	42,509,000
Surplus	114,373,000
Retained earnings	89,250,000
Total shareholders' equity	246,132,000
TOTAL	$3,621,477,000

On June 30, 1977 securities having a par value of $111,379,000 were pledged where permitted or required by law to secure liabilities and public and other deposits totaling $41,181,000 including deposits of the State of Michigan of $10,389,000. Standby letters of credit amounted to $17,233,000 as of the same date.

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DETROITBANK CORPORATION

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

the bank allowed Doe to have charge of mailing the statements and to have access to the records.

If an entry was unorthodox, the other employees were reluctant to question what Doe did since he was "their boss" with the power of hiring and firing.

Rule V ______________________________

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By June of this year, the bank's president found enough time to arrange for an outside auditor to implement a system of internal controls in the bank. When Doe heard the news, he hopped in his car and drove westward, leaving a confession on his desk. Although he has not been heard from since, his confession clearly indicates his intentions.

> ". . . I tried to save my wife and children from this mess, but now it's too late. Please tell them I did this all for them. I can't pay back the money I have taken, and I can't look anyone in the eye any more. By tomorrow, my body should be at the bottom of the river. . . ."

(On page 56 you will find the rules of safe banking broken in this case.)

Nat'l Bank Card Convention Set for Atlanta in Sept.

WASHINGTON—The 1977 National Bank Card Convention, sponsored by ABA, will be held September 11-14 at the Peachtree Plaza, Atlanta. Theme of the meeting is "Change—A Positive Force."

Emphasis of the convention will be on duality, legislation and EFT. Among the speakers will be ABA President-Elect A. A. "Bud" Milligan, president, Bank of A. Levy, Oxnard, Calif.; John Reynolds, president and CEO, Interbank Card Ass'n, New York; Dee W. Hock, president, VISA, USA, San Francisco; Reverend Norman Vincent Peale; Lewis Taffer, counsel to the U. S. Senate Consumer Affairs Subcommittee; and former Comptroller of the Currency James Smith, executive vice president, First Chicago Corp.

For information, contact Valerie Puryear, Bank Card Division, ABA, 1120 Connecticut Ave., N. W., Washington, DC 20036.

National Organization Is Formed To Reduce Bad-Check Crimes

"WRITING bad checks is the best job I ever had. I ripped off $60,000-$70,000 in less than a year. Now they convict me for a few checks, but they drop all the other charges—like the ones I write waiting for the trial. So I do a few months and when I get out, I'll go right back to it."

The speaker is a young man about to be convicted after a nine-month spree of check frauds. In a moment of candor outside the courtroom, he already is speaking of returning to the street after a brief jail term. The time behind bars won't be long enough for him to relive all his memories of $250 suits, alligator shoes and new cars, all financed by bad checks.

Why is writing bad checks so easy and so lucrative a crime? Partly because of the lack of policies and procedures at some banks and partly because the law on paper crime does not serve the public.

Some banks fail to take simple precautions before issuing a book of starter checks. As a result, they are blamed for much of the bad-check problem experienced in the nation today. Many merchants cling to the belief that anyone with a minimal amount of cash can open a checking account at most banks and receive from 200 to 400 printed checks. Certainly, much of this criticism is unfounded because many banks, in an effort to protect themselves as well as the communities they serve, feel it's incumbent on them to verify the honest intentions of a new account holder before issuing starter checks and submitting an order for printed checks.

Systems have been devised to help a bank employee determine an account opener's intentions. However, the employee can verify just the information provided by the account opener. The individual with dishonest intentions is going to relay only that information that would enhance his cause. He hardly would indicate that "this is the eighth bank account I've opened this month."

Bad-check crime is growing at an alarming pace; much higher, it's said, than the national crime rate. For instance, some estimates are that bad checks will increase more than 25% this year and will result in losses exceeding $1.2 billion.

What can be done? Telecheck believes it has the answer. Telecheck is a national computer-oriented organization with operations in 27 major United States and Canadian metropolitan areas. Its primary function is to help reduce risk of loss from personal checks accepted as cash in payment for goods or services, but Telecheck also offers a *specialized service exclusively for banks*. This special service reduces risk of loss on new accounts by screening applicants through Telecheck as part of the account-opening process. Clearing new accounts with Telecheck permits banks to refuse to open or at least "flag" a potentially troublesome account and eliminate a large accumulation of service charges and other related types of profit draining.

On a conservative basis, it would be assumed that each bank in the nation closes a minimum of 10 accounts for cause each month, with the cost of opening, servicing and closing each such account estimated to be $43. Where do holders of these accounts go after their accounts have been closed for cause? Quite simply, they go down the street to another bank and open another checking account. That same bank down the street also is closing accounts for cause. Where do those account holders go? Some of them even may go back up the street to the original bank and open new checking accounts. Banks in the nation then are trading undesirable checking accounts each month in much the same manner sports teams trade players. The bad-check writers are still in the league; they're just carrying different checkbooks.

Telecheck's computerized data bank maintains a list of those individuals with previous accounts closed for cause at other banks. A quick, 30-second telephone inquiry by a participating bank avails it of this information. Should the inquiry reveal a previous undesirable history, then, obviously, the inquiring bank doesn't open the account.

If an account holder was not profitable to another bank or banks, it's not logical to assume he suddenly will become profitable for the inquiring bank. Because of this vast interchange of information, no longer is it necessary for a bank to wait until it has experience with an account holder to determine his desirability. By sharing the experience of other banks, a bank can learn whether an account is a good one *before* it's opened.

This unusual exchange of information is warranted by Telecheck. Should it become necessary to close an account for cause, after having received an approval from Telecheck, the bank then is reimbursed for its losses in keeping with its preestablished agreement.

All this serves to enhance a bank's public image. Merchants appreciate the fact that banks screen applicants to determine their intentions prior to opening the account. Participating banks are pleased in that short-term unfavorable accounts virtually are eliminated; time-consuming paper work associated with bad-check activity becomes less of a problem, and collection expense and write-offs are greatly reduced, resulting in greater profits for the bank. In addition, many old debts are recovered by the bank. For the first time, an undesirable account holder has an incentive to pay his previous banks their uncollected service charges. Telecheck refuses to approve their checks and checking accounts until they have made restitution. Free skip-tracing information on charged-off loans also is provided participating banks.

According to a Telecheck spokesman, its services are being used by large, medium-size and small banks. He adds that fees Telecheck charges banks are nominal and are set individually by the Telecheck franchise in each city.

As bad-check passers find it increasingly difficult to open checking accounts with which to perpetuate their bad habits, they tend to "clean up their act" or seek another city in which to operate. Either way, the entire community benefits. • •

Sullivan Named MACHA Head; Rossan Elected Its V.P.

KANSAS CITY—John J. Sullivan Jr. has been elected president, Mid-America Automated Clearing House Association (MACHA) for 1977. Mr. Sullivan is president and CEO, MidAmerican Bank, Roeland Park, Kan.

Paul B. Rossan, senior vice president, First National, Kansas City, is the new MACHA vice president. Robert E. Hogue, senior vice president, Liberty National, Oklahoma City, continues as treasurer.

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To look further into the profitable FIMO story, just mail the coupon to: Mr. Gil Rosenwald, Director of Money Order Sales Development, American Express Company, American Express Plaza, New York, N.Y. 10004. Or call him collect at (212) 480-3226.

Bm 8

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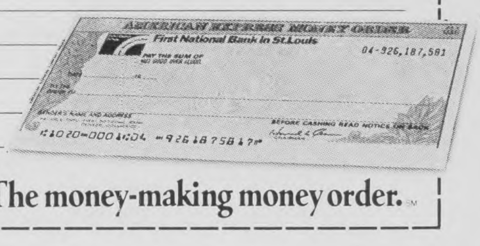

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The Tax Reform Act of 1976

How Does It Affect Agriculture?

By NEIL E. HARL*

FARM PEOPLE were in the forefront last year when the Tax Reform Act of 1976 made it through Congress and to the President's desk on October 4. Many farm wives had become irate over what they viewed as unfair federal estate tax treatment of jointly owned property (joint tenancy or tenancy by the entirety). Others were pushing for an increase in the $60,000 exemption to the $200,000 level.

Neither survived in proposed form. The $60,000 exemption was eliminated, and a new *credit* took its place. The joint-tenancy rule was changed—*but only for new joint tenancies created after 1976.* Those are only two of the many changes in the 1976 tax bill.

In general, the federal estate tax part of the legislation raised the threshold of tax pain for small and medium-sized estates—especially those under a half-million dollars in size. Large estates—over $1,000,000—gained little from the new bill.

For all estates—especially farm estates—the big minus is the new set of rules for handling gain on property at death. This one promises eventually to offset a large part of the benefit from the new tax rates, higher marital deduction and the new unified credit.

The Joint-Tenancy Problem. Perhaps the greatest single problem in farm estate planning in recent years has been joint tenancy. It's been almost epidemic in many states for ownership of farm land.

The chief distinguishing characteristic of joint tenancy—right of survivorship with the survivor owning the entire property—means the order of death can be crucial. That's especially true for joint tenancies between persons other than spouses.

But the big traps of joint tenancy come from federal estate and federal gift tax complications. And that's not likely to change much under the new tax bill. First, a look at the old rule for federal estate tax—and the old rule continues to be applicable except where the new rule applies.

- One hundred percent of the value of joint tenancy (or tenancy by the entirety) property is subject to federal estate tax in the estate of the first to die except to the extent the survivor can prove contribution toward acquisition of the property or payments on indebtedness. And that may be difficult to do, especially if the wife survives. The survivor may be able to show contribution from outside employment, a gift or inheritance. Otherwise, it tends to be an uphill battle.
- At the death of the survivor, the property is hit again with federal estate tax. For many couples, if the husband dies first, joint-tenancy ownership means 100% of the value taxed at the first death and 100% at the survivor's death. The second time around is the painful one—the big tax bite nearly always comes at the death of the survivor.

The new rule on joint tenancy removes the part about the survivor's previous contribution toward acquisition of the property. There's a new "fractional-interest" rule—half is taxed at the first death for husband-wife joint tenancies *created after 1976.* There's another requirement—the transaction creating the joint tenancy must have been subject to federal gift tax. Most are. The big exception is land (bank accounts and U. S. government savings bonds also are exceptions). Husband-wife acquisitions of land in joint tenancy haven't been subject to federal gift tax since 1954—unless reported as a gift on a timely filed gift tax return.

That's why it's important for a question to be raised in all husband-wife acquisitions starting in 1977 as to whether joint tenancy should be used and, if so, whether it should be reported as a gift in order for the "fractional-interest" rule to be available at the first death.

After a close look at joint tenancy, many find it's not the best co-ownership choice after all. For those with estates likely to grow into taxable ter-

Figure 1

Land owned in joint tenancy
by Husband and Wife
(Husband provided funds)

severed into

	Husband's alone	Tenancy in Common	Wife's alone
Pre-1955 Acquisition	Gift of 50% from W to H	No gift	Gift of 50% from H to W
Post-1954 Acquisition	No gift	Gift of 50% from H to W	Gift of 100% from H to W

* Neil E. Harl is Charles F. Curtiss distinguished professor in agriculture and professor of economics, Iowa State University, Ames. He is an attorney and a member of the Iowa Bar.

ritory, tenancy in common often looks like a far better bit.

Severing Joint Tenancies. Along with raising the question on new property acquisitions, there's the matter of existing joint tenancies. Should they be terminated? That may appear to be a sound planning move. But watch the possible gift tax problems on breaking up or severing old joint tenancies.

For personal property in joint tenancy except for bank accounts and U. S. government savings bonds, there's a gift on creation of the joint tenancy if contributions are unequal. In those instances, the joint tenancy can be severed into tenancy in common without a further gift.

For land, the situation is a bit more complex. As noted in Figure 1 on page 33, it depends on whether the property was acquired after 1954 (no gift on creation of a joint tenancy by a husband and wife unless specifically reported as a gift on a timely filed gift tax return) or before (the gift, if any, took place on acquisition).

That means land acquired and paid for before 1955 in joint tenancy can be severed into tenancy in common without a gift. Moving the land into the husband's name alone would trigger a gift of 50% of fair market value from the wife to the husband. Shifting title to the wife's name alone would involve a gift of 50%—from husband to wife.

Acquisitions after 1954 come under a special rule. For husband-wife joint tenancies, it wasn't a gift at the time unless reported as a gift. And most weren't. With no gift reported, severance of the joint tenancy triggers a gift unless the land is returned to whoever provided the funds. So if the husband paid for the land out of his income, the joint tenancy could be severed into his name without a gift as shown. Creating a tenancy in common would mean a 50% gift to the wife. Placing title in her name alone would result in a gift of 100% of fair market value from husband to wife.

Severance of joint tenancies often occurs as a deliberate move after considerable planning. But it can happen inadvertently. Transfer of joint-tenancy land in exchange for a partnership interest or corporate stock may trigger a severance. Sale of land in joint tenancy may lead to severance even though the note and mortgage taken back by the seller are in joint tenancy. The same result appears likely for sale of joint-tenancy land under a land contract that also is in joint tenancy. Remember, the special rule for no gift on husband-wife joint tenancies after 1954 applies only to land. And corporate stock, partnership shares, notes and mortgages and land contracts aren't land.

Planning Property Ownership to Save Death Tax. As noted above, one of the major tax problems with joint tenancy is that it loads the survivor with the property and runs up the federal estate tax bill the second time around. At the first death, even with property in joint tenancy, availability of the marital deduction (now the greater of $250,000 or 50% of the estate less settlement costs and debts) keeps the federal estate tax liability down. But at the second death, with no marital deduction (unless the survivor remarries), the federal estate tax liability skyrockets.

By severing joint tenancy, for those with estates likely to be in tax territory, it's possible to do some planning to reduce the federal estate tax at the second death. Basically, there are two ways to do it—with a third variation that's generally the safest and surest way to end up with the most dollars after both estates are settled.

Model I—This one operates with two assumptions: The husband must own the property, and he must die first. Figure 2 on this page shows how it works:

(*Continued on page 66*)

Figure 2. Model I

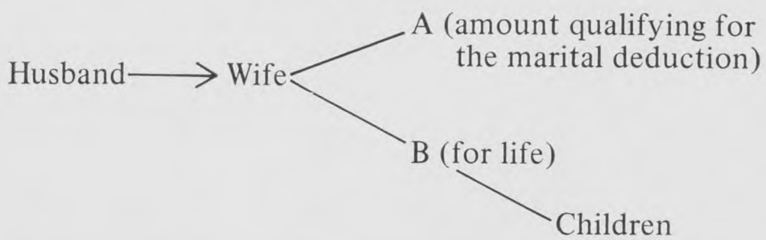


Figure 3. Model II

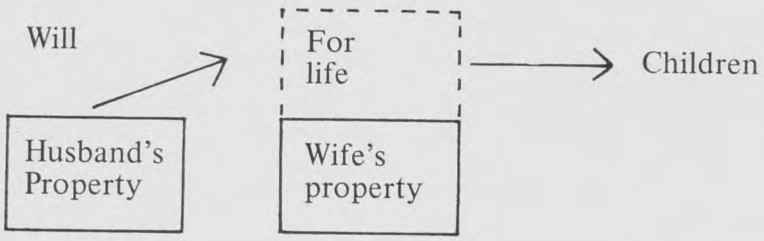
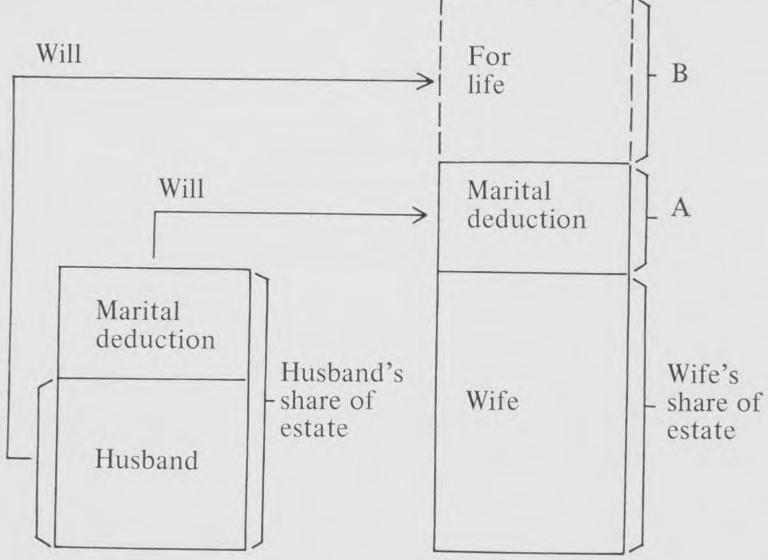


Figure 4. Modified Model II

(Assumes husband's and wife's shares are equal during their life, and husband dies first with property passing by will to the wife, as indicated).



C. A. Vines (l.) and A. M. Feland III, two prime movers behind Commercial of Little Rock's entrance into agri-market, stand in front of Mr. Feland's Southern Farmers Assn. warehouse.

Commercial Nat'l of Little Rock's agribusiness department head, Everett Tucker III (r.) and Lonoke County, Ark., farmer John Tull are pictured in one of Mr. Tull's top rice fields.

Bill Estes (l.) of Commercial Nat'l of Little Rock's trust department examines soybeans with J. P. McRae of Scott, Ark., as tractor (in background) sprays for grass and weed control.

At Commercial Nat'l of Little Rock

Officers, Directors, Trust Department Involved in Commitment to Agriculture

By EVERETT TUCKER III
Agribusiness Liaison Officer
Commercial National Bank
Little Rock

AGRICULTURE is vitally important to the economic well-being of Arkansas. There are 69,000 farms in the state, occupying about 18 million acres, or over half the land area. The value of production from Arkansas crops and livestock exceeds $2 billion every year, placing Arkansas 15th in the country.

The state ranks first in production of rice and commercial broilers, third in production of eggs, fourth in cotton and fifth in soybeans. Six of the products—soybeans, broilers, rice, cattle and calves, cotton and eggs—bring in over $100 million annually.

With this in mind, Commercial National of Little Rock, in late 1975, made a long-term commitment to serve agriculture in a big way in Arkansas. The next year, the bank underscored this commitment when William H. Bowen, CNB president, announced formation of an agribusiness department to provide specialized financial services for farmers and agribusinessmen. In making the announcement, Mr. Bowen declared that "we would neglect about 50% of our economic spectrum if we did not make a service commitment to agriculture."

Board Strong in Agriculture. Commercial National was no stranger to agriculture, however, and the launching of the new department was facilitated by the contribution of the agricultural expertise and leadership serving on its board. One board member from the agribusiness section is A. M. Feland III, executive vice president and general manager of Southern Farmers Association, an organization that supplies farm products to 82 farmer co-ops in Arkansas and Louisiana. Mr. Feland, a prime mover behind formation of the department, is optimistic about the future of agriculture and banking in Arkansas. He stresses that "the use of capital in agriculture has grown faster than in any other industry and will continue to do so. Serving agriculture should be a natural inclination for a commercial bank."

Other directors involved in agriculture include Vice Chairman William H. McLean, chief executive officer of the 2,600-acre Rob Roy Plantation in Jefferson County, Ark.; James M. Dunaway, president, Thibault Milling Co., a manufacturer and distributor of feeds and grain products; and Richard Hiendlmayr, vice president, Olin Corp. Olin maintains the international headquarters of its giant agri-division in Little Rock.

A Consultant Retained. To this reservoir of talent, CNB added the services of C. A. Vines, a leader with unparalleled stature in Arkansas' agricultural community. Mr. Vines served as director of the state's Cooperative Extension Service for 25 years. He believes that agriculture will be the world's principal growth industry during the last quarter of this century.

Mr. Vines has commented that "two recent world food conferences in Rome, Italy and Ames, Ia., have shocked the public with facts on the food situation. As world population continues to increase, agriculture will play a role more important than ever dreamed of before. The United States cannot insulate itself from the world problem of food. We must and will emerge as the world leader in exporting both food and technology to other countries." Mr. Vines has shared his experience in agriculture by counseling with many of the bank's customers.

Farmer's Chief Concern: Credit. The overwhelming financial concern of today's farmer is his source of credit. Mr. Vines explains that "the American farmer has continued to substitute capital for labor. This has taken place in the form of machinery, chemicals, fuel, land and buildings. Production costs have advanced to the point that the investment per farm is staggering. These changes have brought about a

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Everett "Rett" Tucker III, a CPA, heads Commercial Nat'l of Little Rock's agribusiness effort by serving as liaison between agricultural customers and the various services offered by the bank. He holds a B.S. in commerce from Washington and Lee University, Lexington, Va., and an M.B.A. from the University of Arkansas.

completely new role for agricultural credit. A dependable source of credit is for many farmers their most important asset."

Just as farm credit has grown in volume, it has become more complex. These complexities challenge banks to join hands with other credit institutions and together help the American farmer continue to be the most efficient in the world. CNB demonstrated its support of the Farm Credit System early in 1977 by putting together a $10-million backup line of credit for the Federal Intermediate Credit Bank of St. Louis. The FICB is the parent bank that serves the 14 Production Credit associations in Arkansas.

Ed Henry, senior vice president, heads agricultural lending at CNB. Through managerial involvement and part ownership of a substantial farm operation near Altheimer, Ark., he can call on actual farming experience in giving financial guidance to customers. It's his conviction that a farmer and his banker must have a mutual respect for each other before they can progress in attacking the credit question. He says, "We look at a farmer's managerial ability and integrity, in addition to his financial strength and farming history."

One of the state's top cotton producers is Edward P. Mahaffy of the Lakewood Plantation at Swan Lake. His 5,000 total acres make his credit needs immense, just for crop production. Add to that a cotton gin operation, an anhydrous ammonia bulk plant and an insecticide formulating plant and the complexity of his financial picture increases. Mr. Henry and I worked with Artie Seidenschwarz, president, and Don Underwood, vice president, of CNB's correspondent bank, Farmers & Merchants of Stuttgart, to arrange a financing package to fit Mr. Mahaffy's needs.

In March, 1976, the farm community of Cabot, Ark., was ravaged by a tornado that destroyed many of the town's buildings. Strapped by increased loan demand to rebuild, the Bank of Cabot looked to Commercial National for loan support. CNB has taken, on a participating basis, a number of agricultural loans, including dairy, livestock and crop production. Cabot banker Randy Minton says his bank turned to Commercial National because of its "total understanding of the agri-sector."

John E. Tull Jr. of Lonoke, Ark., grows rice and soybeans on his 1,800-acre operation for the purpose of selling the seeds to several hundred farmers in the area each spring. His financing needs are such that he requires a production loan until his crops have been harvested, at which time he secures a commodity loan to carry him until the seed is sold in May. Mr. Tull, whose family has farmed near Lonoke since 1914, is a customer of CNB's trust, money management and safekeeping departments, in addition to being a borrower and depositor.

Commercial Nat'l of Little Rock's Ed Henry (r.) visits with farmer Ed Mahaffy (c.) and Don Underwood, v.p., Farmers & Merchants Bank, Stuttgart, Ark. Picture, taken July 1, is indicative of kind of cotton yield Mr. Mahaffy has enjoyed over the years.

Three of the credit deals described —the FICB line of credit, Mr. Mahaffy's financing package and the loan support for the Bank of Cabot—could not have been possible without CNB's strong relationship with many banks throughout Arkansas. Norman Farris, executive vice president of Commercial National, has watched correspondent bank deposits grow 50% since 1972, when he assumed responsibility for correspondent banking. He contends that "by working closely with our correspondent banks and making funds available for crop overline loans, it brings us closer to them and serves a dramatic need." With bank relationships in every county in Arkansas, CNB can serve farmers in every corner of the state.

Estate Planning Important. Next to lending, the service area where banks can be most helpful to farmers is the trust department. Estate planning probably is more important to farmers than to any other segment of the population. Over a lifetime, they accumulate large amounts of fixed assets (land and equipment) and often relatively small amounts of liquid assets (cash, stocks and bonds, etc.) with which to pay estate taxes. With proper planning, a professional can help minimize these taxes so that a farm estate can be kept intact for future generations.

Bill Estes, senior vice president of CNB's trust department, has worked in farm estate planning and farm trust management for 13 years. He says that he "believes in the farm unit as a trust investment." CNB's trust department is available for farm management either through direct operating supervision or through use of qualified tenants on either a cash-rent or crop-share basis.

One farmer with whom Mr. Estes has worked closely is J. P. McRae of Scott, Ark. An estate plan was structured to suit Mr. McRae's desires and placed in the hands of an attorney. An investment plan was devised to give him a maximum, yet secure, return on some idle funds. Mr. McRae, whose cotton and soybean farm is only 15 miles from downtown Little Rock, was also in need of a retirement plan, which Mr. Estes established in his name.

In addition to active farmers, Mr. Estes has worked with several owners of farmland who are out of farming and have no heirs interested in pursuing it. Another example of his efforts in the trust field is the profit-sharing plan he set up for a large implement dealer. CNB also will serve as trustee of a pension plan for the concern. Mr. Estes believes the potential for trust services in agriculture is unlimited.

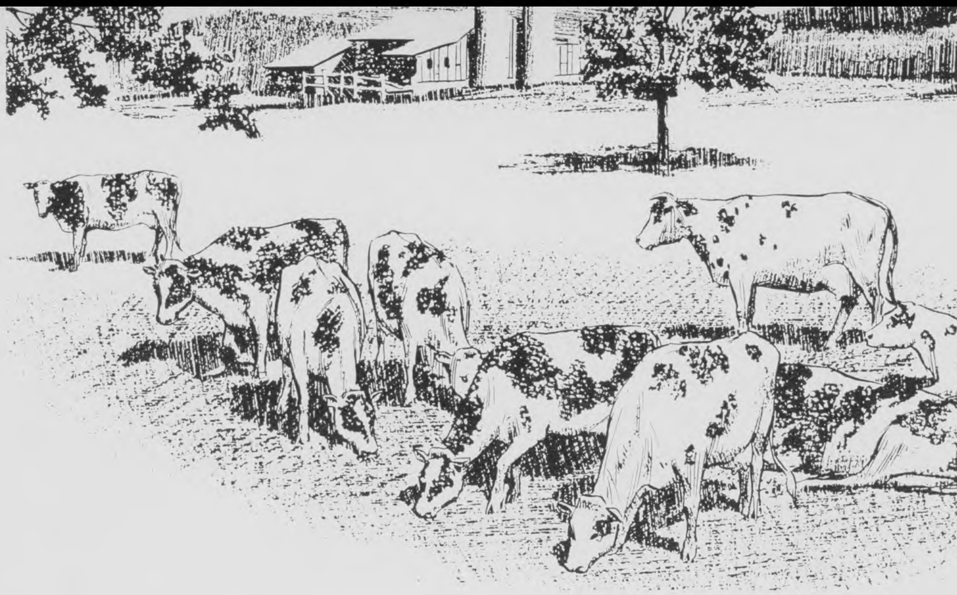
Future Bright. After spending one year in the agricultural banking business, Commercial National is well on its way to becoming a leader in the field. Mr. Vines, consultant to the department, commented that "Commercial has accepted a great responsibility in this important area of our total economy. The bank is expanding services on a sound basis to assist farmers and agricultural businesses with their many complex needs."

Because of board leadership and the experience and expertise within the bank, Commercial National obviously has the capability and capacity to serve agriculture. Most importantly, however, CNB has made the necessary commitment to serve agriculture. It is on this foundation that the bank intends to grow. • •

Commerce of Kansas City Signs CU as VISA Agent

KANSAS CITY—Commerce Bank has signed the Public School Employees Credit Union as a Visa agent, marking what is reported to be the first such relationship between a commercial bank and a state-chartered CU.

Commerce Bank's sponsorship of the Kansas CU's Visa program came after a series of revisions in membership bylaws of Visa U. S. A., Inc., over the past few years allowing CUs to become sponsored members. As a member sponsored by Commerce Bank, Public School Employees CU will be able to offer its 6,000 members Visa cards and to solicit merchant business on behalf of Commerce Bank's bank card center.



Federal Land Banks Fill Financing Gap By Providing Long-Term Farm Loans

By JIM FABIAN
Associate Editor

THE 12 Federal Land banks in the U. S. have a history of providing dependable long-term credit with repayment terms tailored to fit the needs of individual farmers.

Through their affiliated Federal Land Bank associations, the banks make first mortgage loans on farms or ranches with terms ranging from five to 40 years. In addition to individual farmers and ranchers, agricultural corporations, partnerships and rural residents may qualify for Land Bank loans. However, the bulk of the loans are made to family farming operations. For example, barely 2% of the loans closed last year by the Federal Land Bank of Wichita were made to corporations, and most of those were family owned.

The Land banks enjoy a solid reputation among potential customers. As one farmer put it, "The Land Bank will go farther with a borrower than any other source of credit." Apparently his peers share that belief, at least in Kansas. Preliminary estimates for 1977 show that more than 39% of all farm real estate debt in Kansas is held by the Federal Land Bank. Nationally, Land banks account for almost 33% of farm real estate debt.

The Federal Land banks obtain the major portion of their loan funds through the sale of securities to investors in the nation's money markets. These securities are backed by mortgages held by the banks and are not insured or guaranteed by the federal government. They are sold through a fiscal agency in New York City with the aid of a nationwide group of securities dealers.

Through issuance of these securities, the Land banks provide their borrowers with direct access to capital which helps assure a continuing source of funds.

Temporary loan funds, between security issues, are obtained through borrowings from commercial banks as well as other Farm Credit banks and other financial institutions.

Thus, Federal Lank banks fill the gap that exists between commercial banks, insurance firms and other financial groups. Without the services of the Land banks it is quite possible that many of the larger farms in the nation would be broken up into smaller units because of inheritance taxes levied on estates of farmers.

Just how have the Land banks helped farmers? One instance is quoted by R. L. Smay, president, Federal Land Bank Association, Ottawa, Kan. Mr. Smay will soon retire, completing 44 years with the system.

"I recall one farmer," he said, "who came in one day during the drouth years and told me, 'Dick, I want you to take a deed for my farm. I just can't make it.'

"Well, I told him to sit down, think it over and see if we couldn't work out a repayment schedule he could handle.

"About 10 years later, he came in to make the final payment on his loan and he sat down and cried because we had given him a way to save his farm, the place of his birth. He must be 80 years old now, but he's still one of our biggest boosters."

Similar stories of a Land Bank loan preserving a family farm could be repeated many times over. In several instances, a farmer and his family may have spent a lifetime building an impressive agriculutral enterprise only to see it threatened by a forced sale in order to pay inheritance taxes on the death of the owner. Oftentimes, a Land Bank loan can help cover the tax bill and keep the unit together.

Federal Land Bank loans are made for a variety of purposes, including pur-

Land Banks in MCB Area

Five Federal Land banks serve the Mid-Continent Banker area. They are located in Louisville, New Orleans, St. Louis, Wichita and Houston.

The Louisville bank serves farmers in Ohio, Indiana, Kentucky and Tennessee. The New Orleans bank serves Alabama, Mississippi and Louisiana. The St. Louis bank covers Illinois, Missouri and Arkansas. The Wichita bank serves Oklahoma, Kansas, Colorado and New Mexico. The Houston bank confines its coverage to Texas.

chases of farms, ranches, farmland, refinancing existing mortgages and paying other debts, constructing and repairing buildings and financing other farm and family needs.

According to Monte Reese, director of public and member relations, Federal Land Bank of Wichita, the bulk of the Wichita bank's loans are for traditional purposes—purchasing land or refinancing indebtedness. Last year, 35% of the district's loans went to farmers who used the money to buy land, and 32% of the money loaned helped refinance existing real estate debts.

A relatively new service is the availability of loans to finance nonfarm rural homes in communities of 2,500 or less.

Mr. Reese says the loan volume of the Wichita bank is increasing at a rate of $300 million a year, but Kansas land values are increasing faster than the farm real estate debt.

The Federal Land Bank of St. Louis helped a husband and wife in Illinois make the transition from factory work to dairy farming.

Neither partner had a family farm on which to get started, yet the couple has been able to link an ambition to farm with hard work, good management and use of Federal Land Bank financing to systematically put together the successful dairy farm they have today.

The couple's loan is said to be typical of the 44,000 loans outstanding on the books of the St. Louis Land Bank. The bank serves Illinois, Arkansas and Missouri.

The couple's growth into farming started in 1954, when 40 acres of land were purchased on contract. The contract later was refinanced with a long-term Land Bank loan.

After several acquisitions, the couple was able to quit their factory jobs and move to the farm, where they had built a three-bedroom house.

"We couldn't have built the house or made the progress we did without the financing obtained from the Land Bank," the couple says. "We would usually have the loan paid down some and refinance the balance each time we undertook a new project."

The couple points out that the 331 acres they now own is only a part of their farming investment. A large machinery and equipment inventory is needed in addition to their 100-cow herd and replacement heifers. Short-term and equipment financing was obtained from the local Production Credit Association, which is a part of the Farm Credit System.

Every farmer helped by the Federal Land Bank system is a potential customer of the local commercial bank. Although most banks don't try to compete with the Land banks, they benefit from other types of loans to farmers. Farms that are "saved" by Federal Land banks help provide continuity of family ownership, which helps ensure income for the community and stable deposits for commercial banks. • •

Avoiding Inflation Havoc Topic of New Publication By Harris Bank Economists

Winning With Money, by Dr. Beryl W. Sprinkel and Dr. Robert J. Genetski. Dow Jones-Irwin, Homewood, Ill. $10.95.

Inflation doesn't have to bring havoc to a financial institution, say Drs. Sprinkel and Genetski, economists at Harris Bank, Chicago.

Various groups in society fare differently when inflation develops, they write. Those who receive the fruits of inflationary policies—the winners—do so at the expense of others—the losers. Through knowledge of economic policies and investment strategies, individuals can position their finances to be on the winning side of inflation.

The book explains that much of the investment advice given during periods of inflation or economic turmoil assumes that such developments are unique and that unique explanations are needed to understand them. "Nothing could be further from the truth," the authors write.

The U. S. has had rapid rates of inflation for a fifth of the years since 1900, the two economists write, with falling business activity only slightly less frequent.

The authors examine the causes of inflation and recessions, trace the effect of these factors on various types of investments and define strategies for both the cautious and aggressive investor. They make the point that, although economic instability is costly for the nation as a whole, inevitably there are winners and losers.

During inflationary periods, they write, income is redistributed and the rise in the general price level changes the value of various assets. Those who receive the fruits of this redistribution are the winners, and include debtors, owners of real assets, workers with job mobility and government tax collectors.

Those who lose, they continue, include creditors, owners of financial assets, individuals on fixed incomes and most taxpayers.

Debtors gain because they can pay off their debts with dollars that are worth less than they had anticipated.

Land Bank Associations Owned by Borrowers, Are Supervised by Farm Credit Administration

WHEN a farmer, grower or rancher borrows through a Federal Land Bank association, he purchases stock in the association in proportion to the amount of his loan. Other classes of borrowers are issued participation certificates instead of stock.

Funds paid in for stock and participation certificates help capitalize the association, which then buys an equivalent amount of stock or participation certificates in the land bank. The stock and participation certificates are retired at par value when loans are repaid.

The land banks, after providing for reserves (as required by law) and for net-worth objectives, may distribute any net earnings among the associations in the form of dividends. The associations, in turn, may pass dividends on to their members.

The portion retained by the associations is used for expenses and to establish appropriate reserves to meet their endorsement liability on loans and maintain satisfactory net-worth positions.

The associations also defray expenses from loan service payments made to them by the banks.

Each association is a separately chartered organization operating under its own bylaws and controlled by a board of directors elected by and from its stockholders. Each stockholder has one vote regardless of the amount of stock he owns.

The banks were initially capitalized by the federal government, but the Federal Farm Loan Act of 1916 provided for a means by which they would ultimately be owned by their borrowers. All federal "seed money" was repaid by 1947 and the banks became completely owned by their borrowers.

Because both the banks and associations are chartered by the federal government, they are subject to federal supervision, provided by the Farm Credit Administration. They do not lend government funds nor are their loans guaranteed by the government in any way. The banks pay for supervision through assessments.

Present authority for the activities of the banks and associations is found in the Farm Credit Act of 1971. • •

How Banking, Commercial Finance Combine To Aid Communities' Economic Growth

By ROBERT J. KATCHA
Vice President
Aetna Business Credit, Inc.
East Hartford, Conn.

THE OPENING of a new business or the expansion of an existing firm has a substantial impact on the community in which it is situated.

One of the most obvious effects of a new company on a community is the production of additional income in the form of payroll dollars, added as new jobs are created. Also conspicuous is the additional income created in the form of dollars paid to the employees of local firms from which the company purchases its supplies and services.

But that's only the tip of the iceberg.

Individual wages benefit not only the employees and their families but also other people in the local communities where they live and work.

There is an increase in retail sales as the consumption of locally offered goods and services goes up in proportion to the increase in the amount of payroll.

Employees and their families deposit money in savings and checking accounts in local banks, and this money is loaned—often to start or expand other new businesses which in turn hire additional people.

Thus, the initial beneficial effect of new jobs is magnified many times over.

Two case histories will serve to provide actual examples. One involves Algoma Hardwoods—a new company created from the remains of an operation that had been closed down by a major corporation; the other involves All American Nut Co.—a company that was in serious financial difficulty and in jeopardy of closing but was able to continue its operations and became successful.

In June, 1976, Champion International announced phase-out plans for its U. S. Plywood plant in Algoma, Wis. The largest industry in that city, and by far Algoma's largest employer, U. S. Plywood Division of Champion was an important manufacturer of plywood, doors and firedoors.

During the next several months, production dwindled as a result of sales not being solicited or accepted. Almost 400 hourly and office employees were laid off from their jobs as plant operations, in effect in Algoma since 1892, ground to a halt.

Residents of Algoma were aware of the value of the plant. They knew the fold-up of this key industry would be an economical setback of near-disaster proportions.

Wendell "Whitey" Ellsworth, plant manager, began to devise a strategy to get the outfit back on its feet. His plan was to form a corporation that would buy and continue to operate the plant in Algoma.

News of Algoma's situation spread rapidly and soon negotiations were underway between Mr. Ellsworth and Aetna Business Credit, Inc., a commercial finance company that is a subsidiary of the largest diversified financial corporation in the country.

Aetna examined the situation, conducted an audit of the manufacturing operation and, by mid-January, approved a \$3.5 million credit limit and extended a \$700,000 loan to help put the operation back on its feet. A group of local investors provided an additional \$174,000, while several area banks and an area firm added another \$300,000 for the purchase. Peterson Builders, Inc., Union State Bank and State Bank of Kewaunee provided some of the financing along with Bank of Luxemburg, and First National, Sturgeon Bay. Both Algoma banks, First State and Community State, also participated.

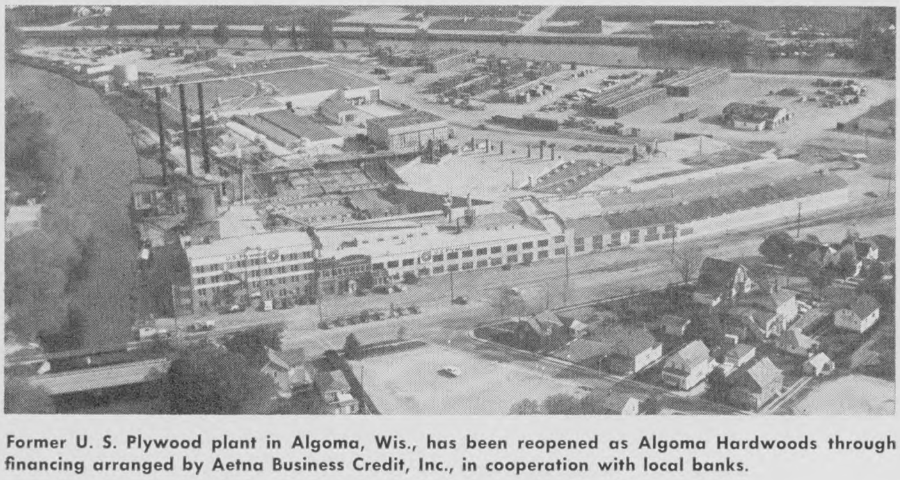
"Aetna Business Credit was first with the most," said Mr. Ellsworth, president of the newly formed company. "It was the only source with whom we were able to make an arrangement at a time when we really needed it. Aetna believed my story and believed that we could make a success of the venture."

With the help of a start-up crew of maintenance and supervisory workers, Algoma Hardwoods resumed operations on March 1, 1977. New orders were taken and production commenced. The plant began calling back workers on a seniority basis—at a rate of about 12 per week—a practice that has been continued. Over 250 Algoma employees are already back to work.

Mr. Ellsworth says the plant will resume its business in solid core doors, firedoors and plywood for the non-residential market. He reports Algoma's sales volume has risen sharply from \$100,000 in April to \$200,000 in May to over \$525,000 in June.

Mr. Ellsworth said that of the first 200 plant employees asked to return to work, 170 came right back, noting the large percentage that had not found new jobs.

With door sales now the majority of the business, Algoma Hardwoods has initiated a nationwide field sales force. Currently, Algoma is one of the few



Former U. S. Plywood plant in Algoma, Wis., has been reopened as Algoma Hardwoods through financing arranged by Aetna Business Credit, Inc., in cooperation with local banks.

companies in the country marketing a 90-minute, wood-covered fireproof door approved for safety by the Underwriter's Lab.

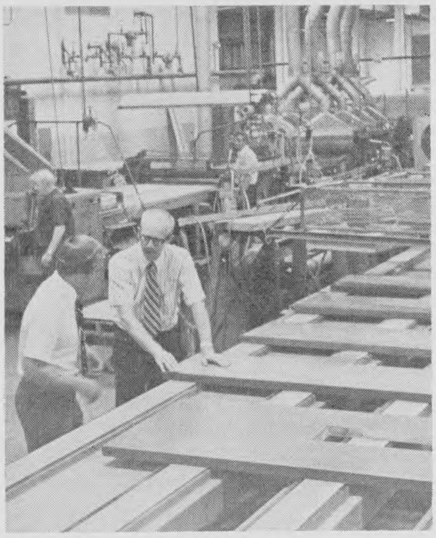
Subsequently, Algoma Hardwoods received additional financial assistance from the Department of Economic Development in the amount of $1 million.

This spells improvement in cash flow in the Algoma community, and Mr. Ellsworth estimates that of the $9 million sales figure expected for fiscal 1977, approximately $2 million will be disbursed in payroll.

A significant study published recently by the Chamber of Commerce of the United States makes it possible to estimate the impact of Algoma's operations on some other functions of the community. On the basis of a formula evolved from this study, Algoma's 250 jobs supported 242 families with a total of 197 children of school age.

The Chamber formula indicates that Algoma's employees will spend over $1 million in retail stores, and deposit over $1 million in local banks.

Operations at All American Nut Co. were never closed down and no employees were laid off from their jobs. At one point, however, All American Nut Co. of Cerritos, Calif., was experiencing significant financial stress arising from a variety of sources, including commodity prices and expansion programs.



The author (l.) and Wendell Ellsworth, mgr., Algoma Hardwoods, inspect doors on assembly line. More than 250 jobs were saved at plant that was reopened with help of financing from Aetna.

Aetna was able to give All American Nut the financing it needed to get through this difficult period. The help that Aetna provided enabled All American Nut to sustain operations, allowing 120-125 employees to continue to work.

The translation into dollar amount, says All American Nut Co. President William Ritchie, is over one million payroll dollars for community residents. That and other contributions of the industry make it clear that if operations at All American Nut had ceased, there would have been a severe adverse effect on the community and on the city of Cerritos.

Aetna's financing, which subsequently was in participation with a local bank, enabled All American Nut to obtain and carry contracts with large-chain grocery stores. And equipment financing extended by Aetna allowed

(Continued on page 87)

Financing for Leveraged Acquisitions Helps Communities

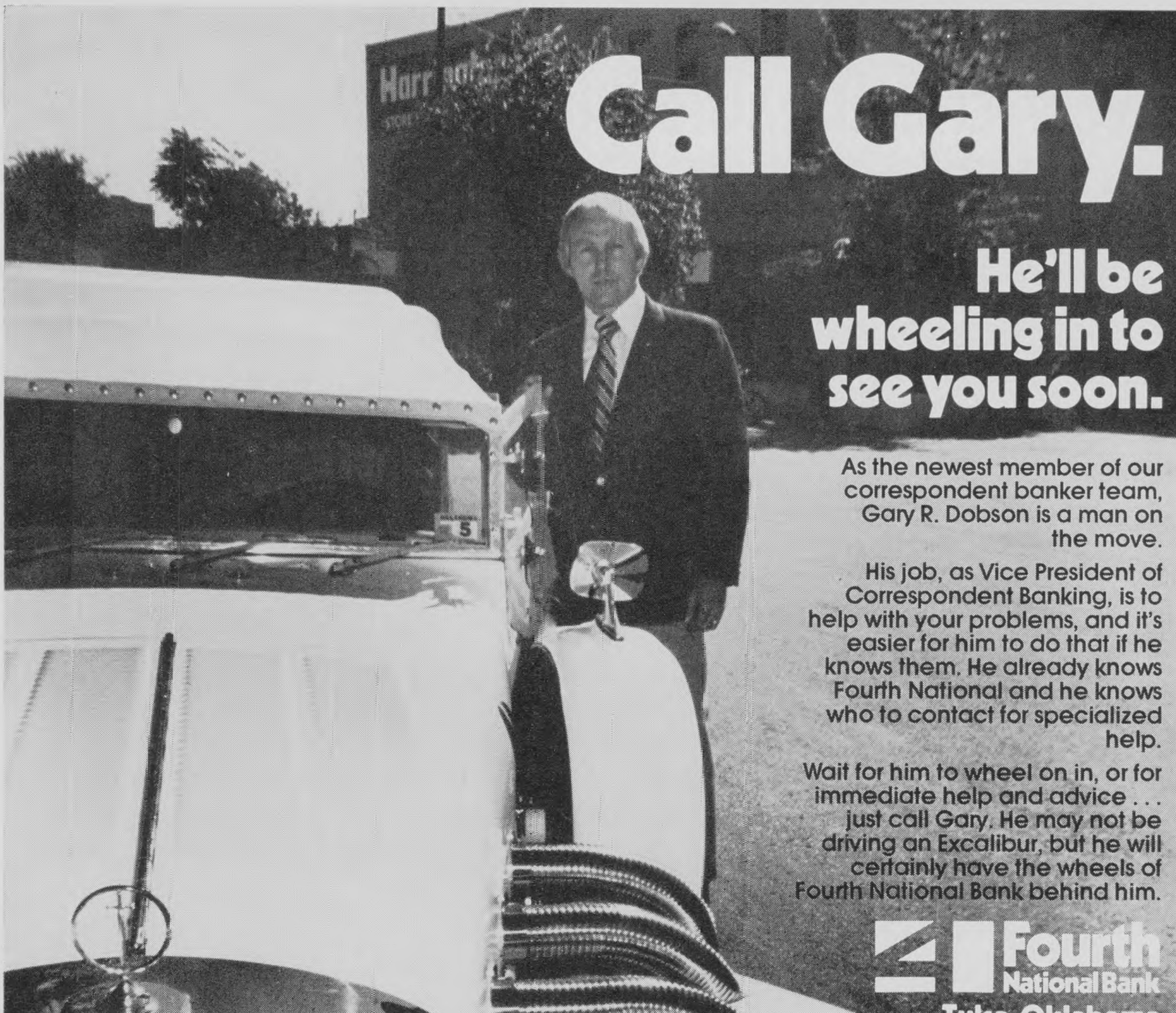
FINANCIAL assistance in leveraged acquisitions—made by firms such as Walter E. Heller & Co.—has often made a major contribution to the development of a community. Mostly the result of spin-offs by major corporations, the acquired units have ranged up to $300 million in annual sales. Usually, however, they have been smaller subsidiaries whose profits didn't reach the conglomerate's expectations, or dipped, and the parent may well have lost interest in the holding.

Often it's because conglomerates have a built-in problem. The burdens of responsibility to corporate management tend to dampen the entrepreneurial drive that makes smaller businesses good businesses, and in many cases the subsidiaries are being run by former owners or managers. The smallest member of the corporate mix is obliged to follow the general corporate rules, and that means conforming with controls geared to monitoring the largest subsidiaries. This regimen is foreign to the way most smaller companies had run their affairs before being acquired; it involves more paper work than they can handle, and it's frustrating for them to wait for approvals from "upstairs."

So it's a fair and welcome exchange when the huge firm divests and redeploys its assets elsewhere while the managers of the smaller firm buy a going company that most likely will do better for itself and its community tending its own affairs.

However, the financial arrangement for the turnover doesn't evolve as easily as the mutual desire to change ownership. Normally, the deal cannot be made through "ordinary" financing; typically, it's leveraged to the practical limit, and normally the seller cooperates in ways that protect the company's standing with suppliers and customers.

Equally important, of course, is the fact that the Heller financial program provides not only purchase funds, but also the working cash needed to maintain a viable new company. Most often, a bank is a participant in the Heller loan. • •



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.
Wait for him to wheel on in, or for immediate help and advice . . . just call Gary. He may not be driving an Excalibur, but he will certainly have the wheels of Fourth National Bank behind him.
Fourth National Bank
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Excalibur courtesy of A. Blaine Imel A.I.A. Tulsa.

New Life Breathed Into Blighted Areas With Assistance of Local Banks

Until recently, most major housing developments were concentrated in the outskirts of cities, but the trend toward inner city development, brought about in part by the energy crisis, has resulted in numerous efforts to revitalize blighted areas close to downtown areas. Banks, sometimes accused of neglecting the financial opportunities of inner-city development, are becoming increasingly involved in urban redevelopment programs that are breathing new life into blighted neighborhoods. In this way, they are helping to contribute to the reversal of population migration to suburbs and making inner cities more viable.

Nine St. Louis Banks Assist With Financing Of Urban Development

MORE THAN 220 acres of blight close to downtown St. Louis are being turned into desirable sites for new and rehabilitated housing, thanks to efforts to secure financing by Bank of St. Louis.

According to James M. O'Flynn, executive vice president, Bank of St. Louis and eight other local banks have pledged a total of $1.5 million to ensure acquisition of blighted property during the 10-year development of the project that is expected to produce $65 million in construction work.

Other participants are Boatmen's National, First National, Mercantile Commerce, Chippewa Trust, South Side National, Tower Grove, Southern Commercial and Southwest Bank.

Ground-breaking ceremonies were held in June on the first phase of construction of Lafayette Towne, the name of the project. Initial new housing will be for the elderly and those living in the project area who must be moved out of substandard housing to permit new housing to be constructed.

Serving as developer of the project is Home Builders Association, with Pantheon Corp. providing management and planning expertise.

Not more than 20% of the project

(Continued on page 46)

Bank Spurs Redevelopment By Erecting New Quarters In City's Downtown Area

IN THE early '60s, downtown Lawton in southwestern Oklahoma was suffering from old age and the ills of urbanism. However, residents faced the problem squarely by approving creation of the Lawton Urban Renewal Authority to handle the job of revitalizing the downtown area.

Located in the center of the area in question was City National, said to be the city's oldest bank (established in 1901) and, in fact, an institution older than the city itself. Relocation of the bank became inevitable, but its management's deep conviction in the future potential of downtown Lawton prompted the decision to remain there. Also, management believed the bank should lead others to a new downtown.

As a result, in September, 1972, land was purchased from the Urban Renewal Authority for a new building site. It was cleared of old structures, with title to the building delivered June 1, 1973. Ground-breaking ceremonies were held in August, 1975. Then, last December 5, the hopes and dreams of the late J. R. "Dolph" Montgomery, former chairman and president of City National, became a reality as the bank held the building's grand-opening ceremonies on the site, called Montgomery

(Continued on page 44)

Memphis' Riverfront Is Being Revitalized With Help of Local Bank

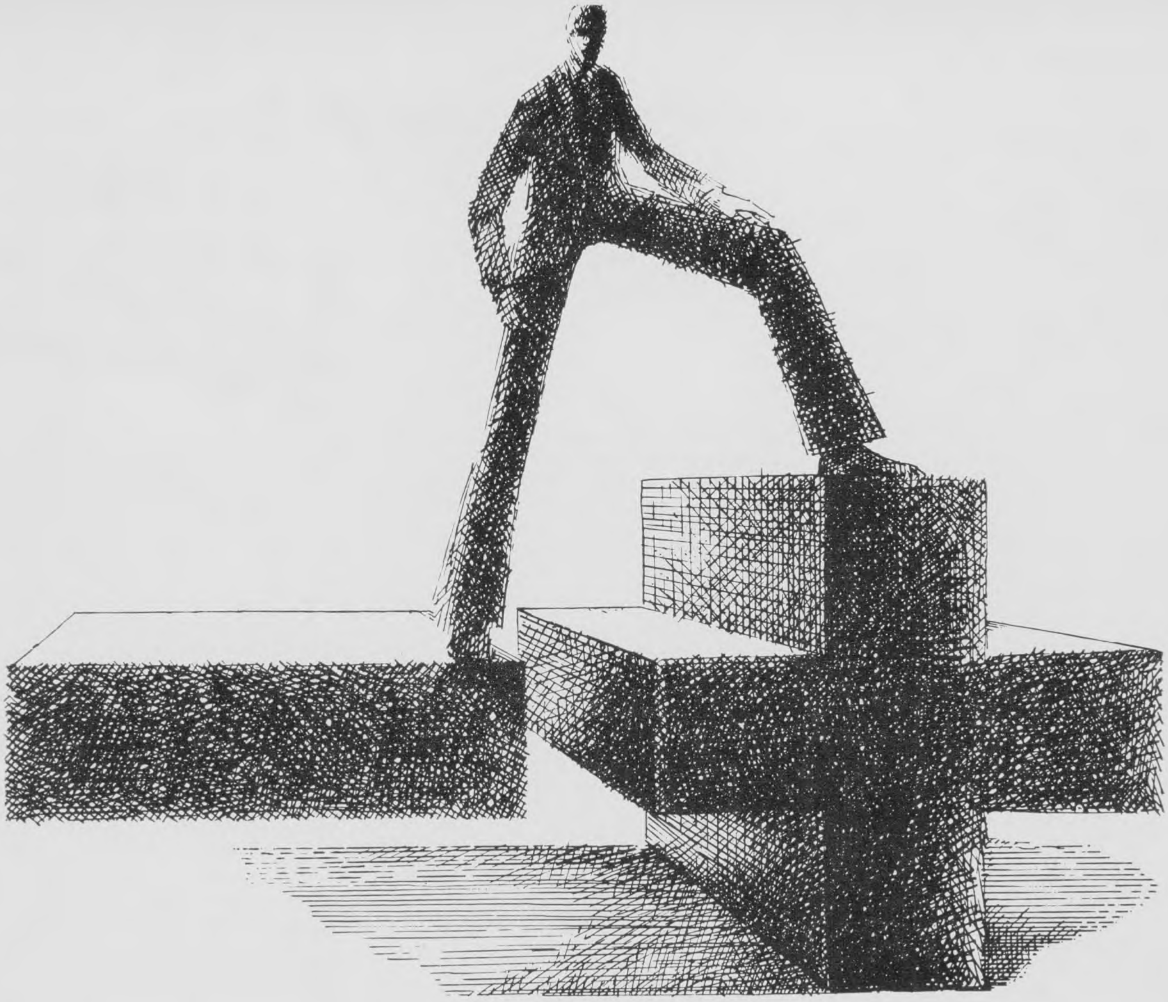
A SECTION of Memphis' riverfront area will come alive again with the help of that city's Union Planters National. Called Beale Street Landing, the area being redeveloped consists of three 70-year-old former warehouses, which, according to plans, will be transformed into attractive apartments, shops (some of them outdoor markets), restaurants and bars.

"The whole concept," explains Albert C. Sewell III, "is to bring life back to downtown." Mr. Sewell has been hired to serve as president of the Memphis Development Foundation, a nonprofit organization that is sponsoring the redevelopment, and to direct the project. Mr. Sewell is a historical, restoration and development consultant from Atlanta, where he was instrumental in designing Underground Atlanta.

"Beale Street Landing," Mr. Sewell continues, "is intended to recapture the flavor of those times when trading was rampant on Beale Street, and riverboats docked at its foot. Through that rich past, it is hoped that Beale Street Landing will rekindle the legacy of Memphis into a bright future for this area of the city."

Of course, the matches for this rekindling take the form of money, and

(Continued on page 44)



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Redevelopment

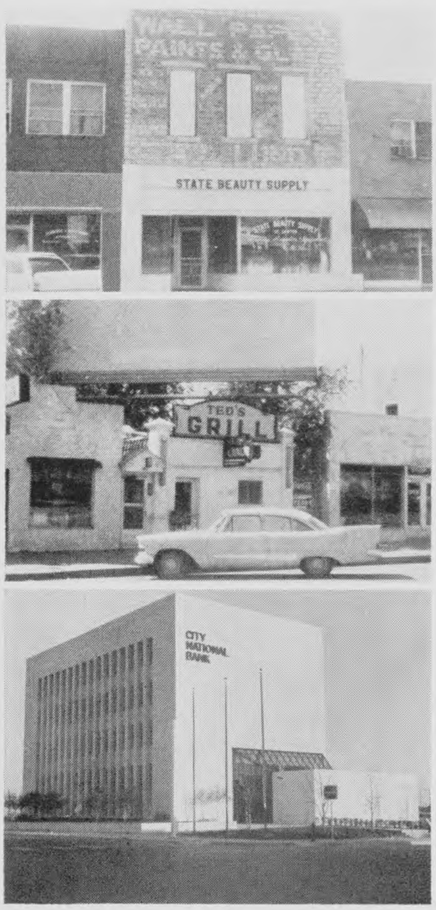
(Continued from page 42)

Square.

Mr. Montgomery had been chairman and president from 1931 until his death on February 3, 1975. When he took the two posts at the age of 25, he was the youngest president of a national bank in the country, according to a bank spokesman.

Working closely with architects from Omniplan of Dallas, Mr. Montgomery and then Jerry Barker, who was named president following Mr. Montgomery's death, refined the nearly 35,000 square feet of floor space into a smoothly arranged, functional banking house. The bank's management believes the modern, four-story, $2-million structure embodies the latest in banking technology and customer convenience.

In addition to contributing an attractive building to downtown Lawton, the bank has landscaped its entire square block with 60 live oaks, 21 pin oaks, crab apple trees, crape myrtle, flowering shrubs and ground cover.



Old-fashioned, unattractive storefronts like those pictured in top and center photos were replaced by new home of City Nat'l, Lawton, Okla., shown in bottom photo. Four-story structure, which cost $2 million, is located on what is now called Montgomery Square. Building program was dream of bank's ch. & pres., late J. R. "Dolph" Montgomery.

Montgomery Square was honored by the city's McMahon Foundation, which presented its 1976 Urban Design Award to the bank for its building and landscaping.

Four reasons were given for selecting the bank: 1. A demonstrated faith in the future of the central business district. 2. A design that recognizes that vehicular parking need not be visually unappealing, but, instead, can include screening and elements such as berms, landscape planting and outdoor lighting, which render it aesthetically valuable. 3. Introduction of mature trees and abundant shrubbery to achieve an immediate effect that contributes to the community scene. 4. Attention to the economic benefits to nearby properties produced by preservation of adequate open space along with its visual extension.

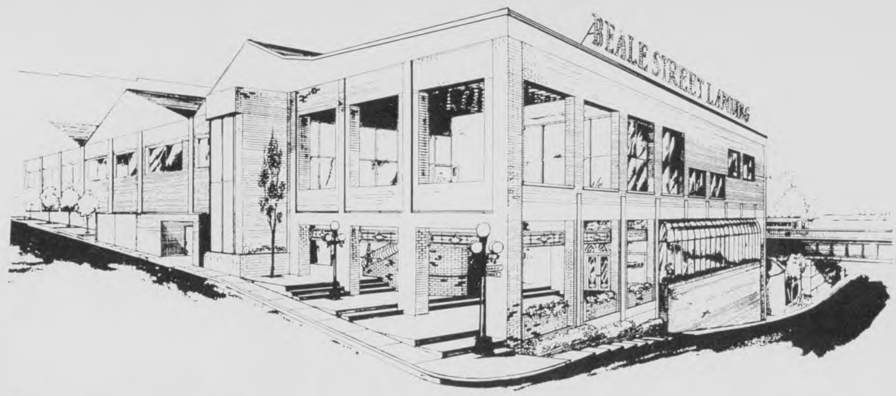
According to a foundation spokesman, it's hoped that such attention to environmental enrichment is emulated by other institutions if they're presented with similar opportunities.

The award includes a $1,000 check which was given to a qualified and deserving recipient of the bank's choosing.

The bank's management is extremely proud of the new facilities and hopes the community-minded decision to remain downtown will serve as a stepping stone to completion of the area.

Memphis Riverfront

(Continued from page 42)



Old warehouse on Memphis riverfront will be transformed into attractive apartments and shops, as shown in this artist's sketch. Structure, which will become known as No. 1 Beale Street, will be part of Beale Street Landing redevelopment project. City's Union Planters Nat'l is putting together financing for project, which will include converting two other former warehouses into building similar in design to one pictured here. It's also hoped that adjacent railroad tracks can be used for trolley (background), which would take visitors to shops and restaurants in area.

that's where Union Planters enters the picture. Says Executive Vice President L. Quincy McPherson, "We think it is important to get one project moving in downtown Memphis that will, in effect, be a rallying point for the business leadership in Memphis. No one has been willing to take the lead and get something started. That's what we're doing."

The bank is the principal founder of the Memphis Development Foundation and is putting the financing together for the $6.5-million redevelopment project.

Last fall, the foundation bought 6.4 acres of urban renewal land from the Memphis Housing Authority. The area, bounded by Main, Pontotoc, Wagner and Beale, represents a cornerstone for future development there.

For a number of practical reasons—the foremost being financial and another being security—early stages of development of Beale Street Landing will be confined to the three adjoining warehouse buildings. Collectively, they contain about a half-million feet of space.

The first phase of the project—40 apartments to be built loft style in what is known as the Bell warehouse—was announced July 3. The apartments, scheduled for occupancy in 12-14 months from start of construction late this summer, will have monthly rentals ranging from $250 for a one-bedroom apartment without a view of the river to about $500 for a two-bedroom apartment overlooking the Mississippi. The market for tenants is believed to be young couples without children, single persons who work downtown and older couples whose children have left home. However, children will not be excluded.

Applications already are being taken for the apartments, with Mr. McPherson heading the list of those already signed up to live there. Those applying must deposit $100 with the foundation, and this money is placed in an escrow account that draws 4½% interest. The deposit will be refundable 60 days before the apartments are completed if

applicants decide they don't want to live in them.

On the ground floor of the apartment complex, there will be "high-quality" tenants such as clothing stores, wine and cheese shops, a drug store and a quick-service grocery outlet.

The other two warehouses will be redeveloped later. In addition, the Illinois Central Gulf Railroad tracks on the west side of the warehouses will be used as a trolley line stretching from the Everett R. Cook Convention Center on the north to the Holiday Inn Rivermont on the south. As envisioned, the trolley could make stops in between at the restaurants and shops that would be developed along Front Street.

"It can be negotiated to where traffic on those tracks can be reduced to almost nothing so we could run our trolleys," says Mr. McPherson.

As part of the Beale Street Landing project, Memphis' largest movie theater, the Malco, was bought by the foundation with funds supplied by the bank. It has been given its original name, the Orpheum, and will be reconditioned and, hopefully, be turned into a performing-arts center, according to Mr. McPherson.

Mr. McPherson and Union Planters believe there must be people working *and living* downtown to bring it back to life.

"We see this (Beale Street Landing) as the first major project to accomplish this goal. If it is successful, and we are confident it will be, it will stimulate other developers to come downtown."

Nine St. Louis Banks

(Continued from page 42)

will be federally subsidized housing, Mr. O'Flynn said. Private redevelopment will be encouraged and letters of intent are on file from numerous S&Ls and private builders, the former to provide financing and the latter to do construction work.

Once the blighted land has been cleared and the area converted by city agencies to conform to the development's plans, lots ready for building will be offered to contractors, Mr. O'Flynn said.

Demolition of substandard housing units is expected to take four years and will involve relocating about 750 families. However, Mr. O'Flynn said, new housing units are expected to become available on an accelerating basis, beginning with 50 units during the third year and peaking at almost 500 units during the sixth year. A potential 2,530 housing units are anticipated, including single-family dwellings, town houses, garden apartments and a high-rise complex. Almost 300 units will be rehabilitated, since they are in reasonably good condition, Mr. O'Flynn said.

Over the years, the project area has been going downhill, he said, with up to 15% of the population moving out each year. The energy crisis in 1973 helped trigger plans by the Home Builders Association to develop property close to the downtown area instead of concentrating activity in the increasingly far-flung suburbs. Initial attempts to get the project started foundered. One of the difficulties was securing bank financing.

Mr. O'Flynn was called on to gain the support of financial institutions to finance the acquisition portion of the project. He had been instrumental in raising more than $17 million earlier to finance a downtown hotel project in connection with the newly opened St. Louis Convention Center.

Banks were reluctant to invest in the Lafayette Towne project on their own, due to losses suffered on real estate ventures in previous years, not to mention apprehension about a project in a blighted area. But when Mr. O'Flynn secured letters of intent from various interests, including the city of St. Louis, the banks agreed to take on the project on a cooperative basis. Considerable sums also were pledged by various non-financial organizations participating in the project.

Lafayette Towne, which comprises some 60 blocks, is about a mile from downtown St. Louis. It will include a shopping center, library, parks and schools. Streets are being rerouted to break up the former block pattern, and many streets are either being eliminated or made into cul-de-sacs.

The entire project is under the direction of a special corporation, named "Lafayette Towne Redevelopment Corp." The two principal objectives of the corporation are "to provide a development environment that will encourage builders to begin large-scale residential construction in the city and to create a living environment that will attract people to buy and rent units in a new residential development in the city."

According to Mr. O'Flynn, there is every reason to expect the corporation to be successful in its objectives. Other rehabilitation projects in the near-downtown area are attracting residents who are dedicated to revitalizing older sections of the city. These sections are blessed with well-built residences that hark back to the 19th century. Many up-and-coming executives are interested in preserving the flavor of old St. Louis, and projects such as Lafayette Towne provide opportunities for them to participate in restoration projects.

Although the housing in Lafayette Towne will be mostly of new construction, a number of older homes have been found that are in good enough condition to be preserved and rehabilitated.

Lafayette Towne, as well as other similar projects in the St. Louis area, is providing financial institutions with opportunities to help save their city as well as expand their operations. • •

Second PACE Study Begun To Identify Likes, Dislikes Of Consumers About EFT

CHICAGO—The Bank Marketing Association has initiated PACE II (Payments Attitude Change Evaluation), a research study designed to identify specific benefits and concerns expressed by consumers about several EFT services.

The study is being made, a BMA spokesman says, to aid banks in proper marketing of EFT services, so that those institutions may realize a return on heavy investments in electronic banking.

PACE II will provide firsthand information from the consumer regarding perceptions of benefits and concerns, from which a bank marketer will be able to extrapolate which market groups in his area might be potential EFT users. The study results, the BMA spokesman says, also will help marketers reinforce the public's positive attitudes and decrease potential misgivings through appropriate advertising. PACE II findings will indicate the most suitable way to package and deliver EFTS in a satisfactory manner.

The BMA published PACE I in 1973. It was a study based on an extensive questionnaire on consumer attitudes about automatic pay deposit, automatic bill paying and consolidated statements. PACE II will update portions of the 1973 study and also will reveal indications of current levels of consumer awareness.

The new study will investigate at least three EFT services, including ATMs, direct deposit of payroll and POS services. It will be sent to a sample of 3,000 U. S. households.

Serving as PACE II committee chairman is William M. Fackler, senior vice president and marketing director, First National, Birmingham, Ala.

The price of the report, which is expected to be published in September, will be $25 to BMA members and $50 to nonmembers. Advance orders may be placed with Order Department, Bank Marketing Association, 309 West Washington Street, Chicago, IL 60606.

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Left to right: Doug Keffer, Bill Suliburk, Rob Rainey, Charles Rice

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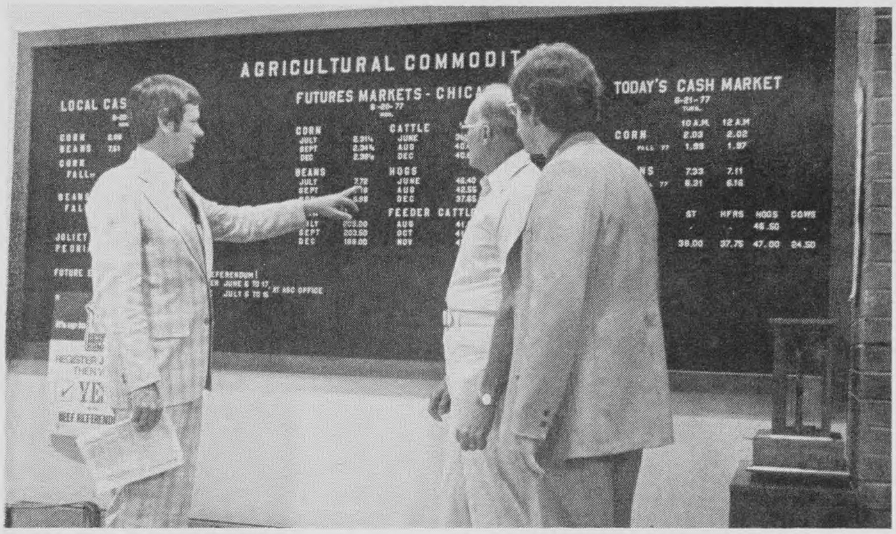


Pointing to current market on board in commodity room of Smith Trust, Morrison, Ill., is Paul C. Young, e.v.p. With him are Don Dyke (c.), bank customer, and Donald D. Beswick, a.v.p.

Commodity Room Offered to Customers Of Bank in Agricultural Area

A COMMODITY ROOM in a $37-million-asset bank in northwestern Illinois? There is one in the new home of Smith Trust in Morrison, and, according to Betty Woodson, who handles marketing for the bank, the uniqueness of such a room in a small bank has generated quite a bit of interest. It also was the subject of a program commentary by a nearby radio station.

The main function of the room is to illustrate market trends on the commodity board and to make available as much pertinent agricultural information as possible. The board is changed several times daily to keep market quotes current. Agricultural and business magazines and papers are available for agri-finance information, as well as sales notices and meeting announcements. The bank hopes soon to have a daily "condition of market" report available by telephone after banking hours.

The room also serves as a social gathering place for customers when they stop in to look at the board or wait to see an agricultural officer. Thus, Mrs. Woodson points out, they have an opportunity to discuss new ideas or market trends or just enjoy a cup of coffee in a pleasant and friendly atmosphere.

Mrs. Woodson says the bank hopes the market information available in the room will not only be a service to its customers, but also help its loan officers determine lines of credit.

The room was installed to remind the community of Morrison of the great contributions and advancements made by agriculture and of the resulting successes it has brought all businesses surrounding that agrarian area.

Standing in front of commodity room of Smith Trust, Morrison, Ill., are (l. to r.): Donald D. Beswick, a.v.p.; Don Dyke, bank customer, and Paul C. Young, e.v.p. Mr. Young indicates sign welcoming public to commodity room.

A lobby sign at the commodity room door bears this message: "Whiteside County farmers for years have contributed to a better way of life for all Americans. We at Smith Bank hope the future of agriculture will always remain bright. We trust that our agricultural customers will use this room often for up-to-date commodities information. Welcome." • •

ABA Offers Free Pamphlets Identifying Banking Relationships

WASHINGTON, D. C.—The ABA has announced two related publications concerning agricultural-correspondent-banking relationships. The publications are available at no charge.

The pamphlets were prepared in response to the current farm credit situation, according to an ABA spokesman, particularly in the Plains and Corn Belt regions, where a number of agricultural banks are in a "loaned-up" position.

"An Agricultural Correspondent Banking Relationship: Guidelines" was written for the ag lender and discusses the responsibilities of the ag banker in his relationship with a correspondent banker. A how-to booklet, this publication deals with primary data needed to provide a workable loan participation arrangement, including types of financial information needed, types of collateral documents to be furnished, types and amount of financing, methods of advances and repayments, and supervision agreements. Samples of basic forms used by a regional bank in its correspondent relationships are included.

"Message to the Management of Correspondent Banks: The Opportunities for Financing Agriculture" is intended for correspondent bankers. It deals with the changing needs and opportunities of farm credit. This publication notes that failure of the banking industry to meet the needs of farm borrowers can result in increased government involvement and suggests a plan of action.

Requests for either one or both of the pamphlets should be made to the American Bankers Association, Agricultural Bankers Division, 1120 Connecticut Avenue, N. W., Washington, DC 20036.

More Farms Made Eligible For SBA Loans This Year

DES MOINES, IA.—The Small Business Administration has made an additional 22,000 small farms eligible for SBA loans.

Recently published regulations state that a small farm, for the purpose of SBA loans, is one with average annual receipts of not more than $1 million for the preceding three fiscal years.

The former standard was $275,000 and covered 99% of the farms in the U. S. The new size standard will bring coverage to 99.9% of U. S. farms. The change was made because the conventional statistical analyses the agency has used for farms in the past were inadequate.

On a nationwide basis, the SBA has made 817 loans totaling $84 million from October through mid-June.

Loan Repayment Ability Decline Problem Faces Banks Extending Ag Credit

THE FLOW of capital supplied by banks and other sources has and will continue to have more impact on agriculture than other important influences, said Leslie Peterson, chairman, ABA Agricultural Banking Division, recently.

These other influences on agriculture, he said, include government, farm labor unions, consumer groups, foreign investors and the growth of enrollment in colleges of agriculture.

He said that banks are a vital part of the agriculture credit situation. "Banks are actually holding their own at a little over one-half of the farm operating credit extended in this country," Mr. Peterson said. The banks' share of farm credit outlays is growing, with other sources of credit being Production Credit Associations, commercial credit corporations and the Farmers Home Administration.

Mr. Peterson, who is also president, Farmers State, Trimont, Minn., outlined current problems in farm credit.

"We're seeing loan repayment ability declining," he said. More bankers are reporting that, while the money supply is good, "they have borrowers in trouble and can't extend more credit."

He pointed to a U. S. Department of Agriculture survey in a nine-state drouth area in the Midwest, with up to 18% of farmers having problems paying back loans.

This problem is one of the reasons why the Carter Administration has improved price support proposals, Mr. Peterson said.

Bankers are also "becoming a little complacent," he added. While real estate value may be high on rural property, "we haven't looked hard enough at repayment capacity.

"We find lenders willing to place more debt on land than that land has productive capability to service," he said.

Another possible problem arises from the fact that the agricultural area as a healthy field for investment is attracting big banks and life insurance companies not traditionally in the field.

"However, many of these new lenders don't understand agriculture and they don't understand the perpetual credit needs in agriculture," he said.

He referred to the cattle business in the depressed year of 1975, when many new investors not used to agriculture got out because they had been burned.

"We can't have lenders who are going to get in and out of this on a short-term basis if we're going to look for any stability or growth," he said.

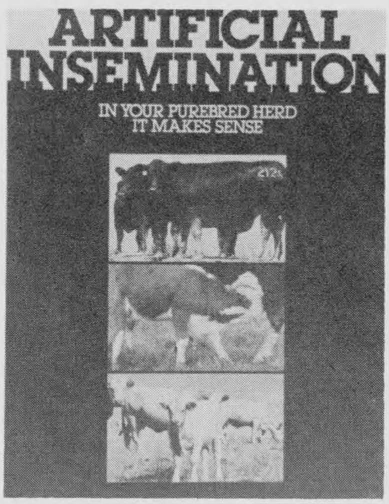
Noting that most banks that extend farm credit are small, with individualized relations with farmers, and that these banks are "the short-term lenders and down-payment lenders," Mr. Peterson listed some questions that farm lenders and borrowers should ask themselves in loan decisions:

- Have you exhausted the entire profit potential in the current operation? Existing assets should be used to the maximum before any additional investments are made.
- Do you have the management ability for the expanded operation? Mr. Peterson said farms often develop into complex operations and farmers then may feel overwhelmed by the decisions they have to make. Bankers have to help farmers make such crucial decisions, he added.
- Will the proposals be profitable? Can you project it out on paper? Can the farmers avoid a cash-flow bind?
- What is the "riskability" of the proposal? How much risk is the lender and the farmer willing to take?

"The key to success is a good working relationship and cooperation between a knowledgeable lender and a good, efficient farm operator," Mr. Peterson said. • •

Brochure for Beef Breeders

"Artificial Insemination in Your Purebred Herd" is the title of a new brochure published by American Breeders Service, DeForest, WI 53532.



The brochure shows how artificial insemination can be used in the purebred beef herd to breed superior livestock for show, sale and growth. It discusses the whys and hows of artificial insemination, including heat detection, handling cattle, simple breeding facilities and registration procedures.

Copies are available from the above address.

Connally, Hope, Brothers To Appear on Program Of 1977 BAI Convention

HOUSTON—John Connally, former Secretary of the Treasury and Texas governor, entertainer Bob Hope and Joyce Brothers, psychologist and syndicated columnist, are scheduled to speak at the Bank Administration Institute's 53rd national convention here November 6-9. Nat S. Rogers, president, First City National and First City Bancorp. of Texas, Houston, is general chairman of the convention. Mr. Rogers is a former ABA president.

The four-day meeting, to be held at the Houston Convention Center, will have 59 technical sessions divided into the major areas of general administration, automation, accounting, auditing, operations, community banking, personnel, security and trust.

The convention's theme is "New Directions." It will begin November 6 with registration and a reception in the Nieman Marcus store in the Galleria Shopping Center. In addition to general and technical banking sessions, the program will include two other receptions, entertainment, continental breakfasts and a closing luncheon, as well as an extensive nondelegate program.

CONNALLY

ROGERS

First Commerce Corporation and First National Bank of Commerce

AND SUBSIDIARIES. NEW ORLEANS/SIX MONTHS ENDED JUNE 30, 1977

FIRST COMMERCE CORPORATION COMPARATIVE CONSOLIDATED STATEMENT OF INCOME

	Six Months Ended June 30, 1977	1976
OPERATING REVENUES		
Interest income:		
Loans	**$20,448,000**	$20,563,000
Investments	**3,183,000**	3,636,000
Funds sold and balances with banks	**2,263,000**	2,130,000
Total interest income	**25,894,000**	26,329,000
Service charges, exchange and other fees	**2,962,000**	2,831,000
Trading account income	**198,000**	316,000
Gain on sale of interest in real estate	**971,000**	
Other operating revenues	**1,384,000**	1,297,000
Total	**31,409,000**	30,773,000
OPERATING EXPENSES		
Interest expense:		
Deposits	**8,457,000**	9,038,000
Other	**3,774,000**	3,951,000
Total interest expense	**12,231 000**	12,989,000
Salaries and employee benefits	**6,555,000**	6,358,000
Net occupancy expenses	**1,594,000**	1,521,000
Equipment expenses	**1,725 000**	1,795,000
Provision for possible loan losses	**1,805 000**	1,614,000
Other operating expenses	**5,538,000**	5,227,000
Total	**29,448,000**	29,504,000
INCOME BEFORE INCOME TAXES AND NET SECURITIES GAINS OR LOSSES	**1,961,000**	1,269,000
APPLICABLE INCOME TAXES (BENEFIT)	**192,000**	(34,000)
INCOME BEFORE NET SECURITIES GAINS OR LOSSES	**1,769,000**	1,303,000
NET SECURITIES GAINS OR LOSSES, after related income taxes of $(5,000) and $10,000, respectively	**(7,000)**	11,000
NET INCOME	**$ 1,762,000**	$ 1,314,000
EARNINGS PER SHARE		
Primary		
Income before net securities gains or losses	**$0.84**	$0.62
Net income	**$0.84**	$0.62
Fully diluted		
Income before net securities gains or losses	**$0.76**	
Net income	**$0.76**	
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	**2,106,463**	2,105,455

FIRST COMMERCE CORPORATION COMPARATIVE CONSOLIDATED STATEMENT OF CONDITION

	June 30, 1977	1976
ASSETS		
Cash and due from banks	**$118,026,000**	$ 99,801,000
Due from banks—time	**19,840,000**	22,000,000
Investment securities	**106,551,000**	117,643,000
Trading account securities	**477,000**	1,915,000
Funds sold	**126,778,000**	115,325,000
Loans, less reserve for possible loan losses of $5,260,000 and $6,268,000, respectively	**494,367,000**	473,147,000
Premises and equipment	**16,320,000**	22,346,000
Accrued interest on securities & loans	**7,287,000**	7,791,000
Other real estate	**15,173,000**	2,680,000
Other assets	**29,479,000**	12,134,000
	$934,298,000	$874,782,000
LIABILITIES		
Demand deposits:		
Individual and business	**$227,210,000**	$241,793,000
Banks	**66,573,000**	72,700,000
U.S. Government and other public funds	**13,207,000**	12,539,000
Total demand deposits	**306,990,000**	327,032,000
Time deposits:		
Savings	**157,589,000**	133,417,000
Foreign branches	**14,445,000**	13,486,000
Other	**168,027,000**	136,683,000
Total time deposits	**340,061,000**	283,586,000
Total deposits	**647,051,000**	610,618,000
Funds purchased	**165,485,000**	162,882,000
Other borrowings net of discount	**39,546,000**	41,499,000
Accrued interest payable	**4,883,000**	3,517,000
Accrued taxes and other liabilities	**21,159,000**	4,787,000
Total Liabilities	**878,124,000**	823,303,000
STOCKHOLDERS' EQUITY		
Common stock, $5 par value		
Authorized—10,000,000 shares		
Issued—2,178,248 and 2,176,973 shares		
Outstanding—2,106,730 and 2,105,455 shares	**10,891,000**	10,885,000
Capital surplus	**25,311,000**	25,281,000
Retained earnings	**21,668,000**	17,009,000
	57,870,000	53,175,000
Less—71,518 shares of common stock in treasury, at cost	**(1,696,000)**	(1,696,000)
Total stockholders' equity	**56,174,000**	51,479,000
	$934,298,000	$874,782,000

CORPORATE OFFICERS

RODGER J. MITCHELL
President and Chief Executive Officer

HARRY M. ENGLAND
Chairman of the Board

THOMAS S. DAVIDSON
Vice Chairman of the Board

WALTER B. STUART III
Vice Chairman of the Board

JOHN H. PALMER
Secretary of the Corporation

SENIOR VICE PRESIDENTS OF THE BANK

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Loan Administration Division

SAMUEL D. HUGHES
United States/International Group

CHARLES C. LeBOURGEOIS
Bond and Money Market Group

DOUGLASS R. LORE
Correspondent Banking Department

FRED M. SMITH
Trust Division

CHRISTOPHER B. YOUNG
Metropolitan Group

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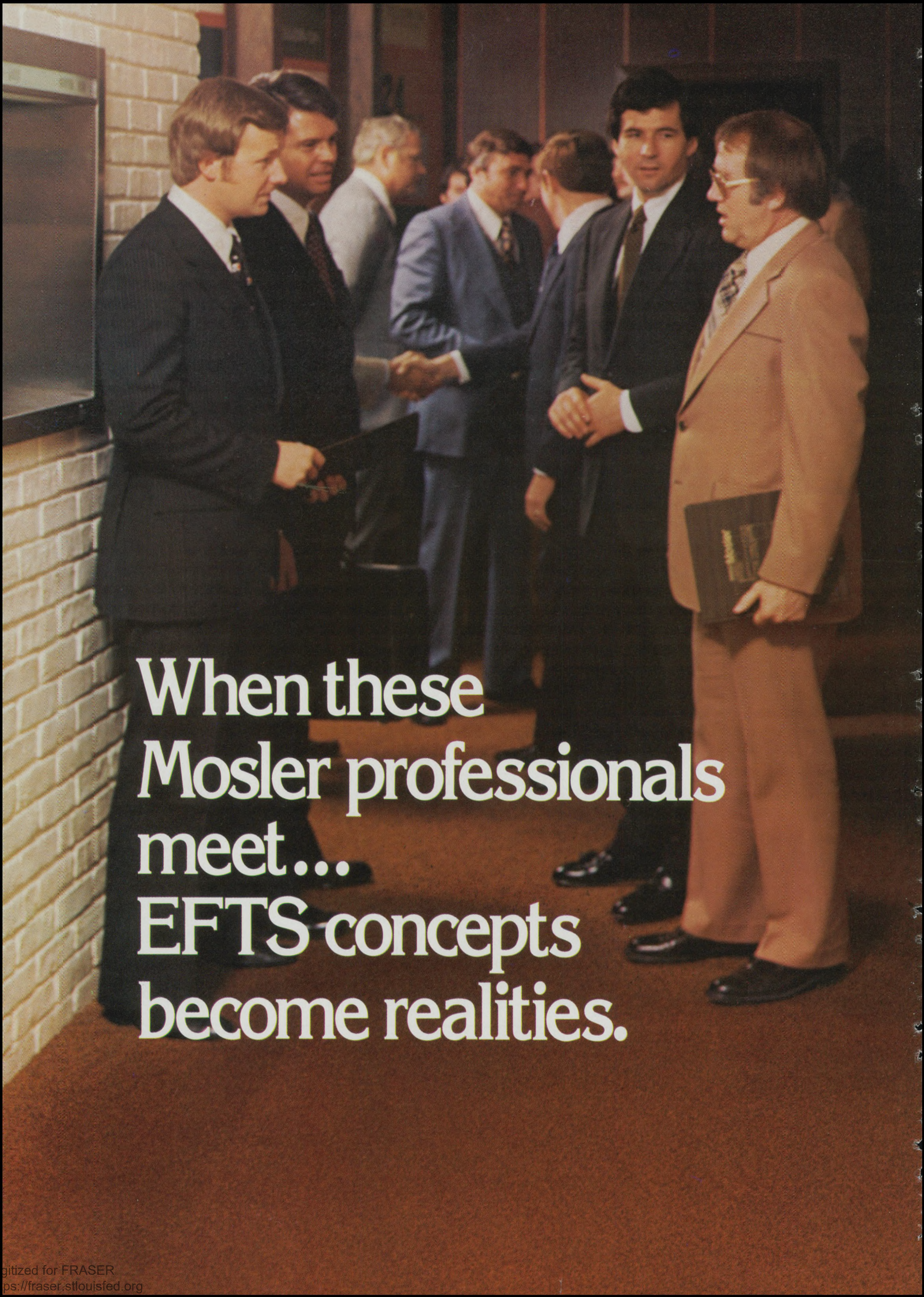
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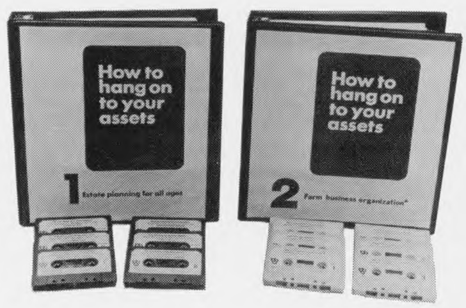

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   2. Essential features of a partnership.
   3. Partnership—taxation and use in estate planning.
   4. Uses of the corporation.
   5. What incorporation means.
   6. Forming the corporation.
   7. Income tax effects and the regular way of taxation.
   8. The tax option or sub-chapter S corporation.
   9. The corporation employee status.
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Full-Time Post of Community Development Officer Is Created by Bank in Village of 1,700

By ANDREW P. ADSIT
Community Development Officer
Citizens State Bank
Milford, Ill.

COMMUNITY DEVELOPMENT makes it possible for a community to project and control the kinds of future growth it believes is best suited to it. Such development requires effective planning and management of a comprehensive development program that ties all community action to a foundation of integrated plans, each a specific strategy in itself.

As the complexity and magnitude of these goal-directed strategies escalate, communities have to take a more professional approach to community planning and management. Critically important to the development plan is involvement of citizens who really want to make their community better than it is.

Prior to 1969, community-development activity in Milford occurred sporadically, and efforts were independent of one another. The only project the community had joined together for was construction of a municipal swimming pool. (The village of Milford is a rural farming community of 1,700 located in east-central Illinois. Like most small towns, it's run by a few full-time employees under the direction of an elected mayor/board working on a part-time basis.)

In 1969, the new owner/president of Citizens State came to Milford and became involved in various civic organizations. What Art Murray found was a lot of desire to improve the livability of Milford, but little consensus on how to do it and how to integrate these activities.

The bank president and other civic leaders decided to get together and conduct a survey of citizen attitudes to find out just what improvements were desired. A local woman's club conducted the survey, and then public meetings were held to consolidate survey results into 15 general objectives that became the "goals for Milford."

It soon became apparent that reaching these goals would require more time, expertise and finances than the civic leaders themselves could provide. The bank then made a commitment to hire a community involvement officer to serve full time in pursuit of these goals.

Ron Monts, the bank's first community development officer, spent most of his time working with various state agencies to determine what grants were available and what types of assistance these agencies could offer the village of Milford. These contacts led to Milford's being selected as one of the towns in a pilot community program that the state was starting. The purpose of this program was to recognize a few small communities that showed evidence of trying to better themselves. All state agencies were to give these communities a high-priority rating for grant funding and technical service.

Before the program got off to a good start, it was tabled. The bank's community development officer, however, was able to secure a million-dollar highway redevelopment project for widening and topping the major east-west road coming into the community. These contacts also led to Milford's receiving a grant for partial funding for the salary of a village administrator. With the combined efforts of the bank's community development officer, the new village administrator and a steering committee (a group of civic leaders and concerned individuals created as a result of the pilot program), the community began a strong effort to reach the "goals of Milford."

Three major projects that the second community development officer, Dennis Neal (now a bank vice president), worked with were plans to make a farm that the village owned into a residential/recreational area and to develop comprehensive plans for a downtown-area remodeling program and a new waste-water system.

Milford now has the comprehensive plan for its downtown area, and the concept of developing a combined residential/recreational area is still being worked on. This project has been off to a slow start because we also are trying to integrate the development of the new waste-treatment plant with it. The intent is to use the water from the treatment lagoons for spray irrigation on a proposed golf course, with new housing to be built around the course. The first effort was to receive Environmental Protection Agency (EPA) funding for part of this irrigation system, but the EPA hasn't been very cooperative. Therefore, plans now are being worked out to build this same integrated concept, but to fund it locally.

Besides the above-mentioned projects, when I came to Milford last November, I worked with the Village Board and convinced its members to create a village-sanctioned Milford Planning Commission.

Because the community has its "goals for Milford," the Planning Commission's work has been to design specific projects that will meet the other objectives. This master plan (which never was put into writing prior to the commission's efforts) now is in rough-draft form. Once completed, it will give the community a comprehensive set of integrated projects that define what should be done to reach each goal, who should be involved and how the funding can be obtained. I found this master-plan idea outlined in the city of Dallas' "Achieving the Goals" book.

A lot of time also has been spent setting up contacts with state agencies. This effort is to assure a better response from them when the technical and funding aspects of these projects require state assistance.

Other projects I've been associated with include working with the village administrator in setting up an industrial site for new manufacturing companies. Last winter, we thought a factory was going to locate here because of our effort to secure land and to arrange for

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Andrew P. Adsit holds a master's degree in public administration from East Texas State University in Commerce. He has been an administrative assistant to the city manager of Commerce and a personnel officer for the Texas Rehabilitation Commission. He lived in Milford, Ill., before leaving for college in 1969. His work at the bank consists solely of acting as community development officer. He doesn't handle any other bank functions. Locally, he is chairman of the Planning Commission, a member of the Chamber of Commerce, Milford Improvement Association and chairman of the annual "fun days," a weekend event in which all organizations in Milford sponsor various activities, parades, etc.

industrial revenue bonds. But when the company turned us down because of our community's cannery waste odor, we began looking for a way to eliminate the problem without adversely affecting the cannery, which is one of Milford's oldest businesses.

By working with a Chicago consulting firm, we came up with a design for an anaerobic digester that can convert wastes into bio-gas of a quantity and quality to supply the village-owned gas system. The side benefit of this project is that, hopefully, it will free for irrigation the land the canning company now is using. This land then can be used to develop longer runways for the airport, with the remaining ground for an airport-related industrial park. This designed system also allows the gas to be converted into electricity, with the heat from the generators being sold to any business in the adjoining industrial park. The background work on the industrial park and airport are being done now, and the integration of them with the digester is pending federal approval of a development grant.

To help the village gain a better understanding of the possible wastewater-system alternatives approvable by the EPA, I attended a national conference on "Less Costly Waste-Treatment Systems for Small Communities." This effort didn't convince the agency to approve our design plan, but it did point out the many crisscross roads any new idea must travel if a community is willing to spend the time and money to get its point across.

I also work with the Milford Improvement Association, a nonprofit organization, to redevelop housing and building areas. This generally is a local involvement, but at times we have to deal with federal housing agencies to help buyers secure proper government assistance. This same type of aid is offered anyone willing to start a needed business.

Another project on which I'm working is designed to create the necessary funds to remodel a portion of the newly acquired Village Hall for use as a community meeting room. The village bought a former railroad station and has remodeled part of it for use as village offices. A planned fund-raising project will involve designing a paint-by-number mural on the wall of a building facing the community's main thoroughfare. What we intend to do is to encourage fund-raising projects and, for each set amount of donations made toward the restoration project, we will have a certain section of this mural painted.

While Milford has a long way to go, growth and change are possible because most of the residents want them. Without this involvement and desire to improve the community, no development activity can be successful.

Citizens State remains confident that its community development officer position is a good investment for itself and for its community because it provides a resource person for the community to use as it desires. I believe the involvement of the bank and that of other civic-minded residents will keep Milford from losing its positive momentum.

How Did You Do On Your Test?

(Here are the five rules broken by the bank as described on page 28).

Rule I:

In smaller banks, it's frequently difficult to achieve adequate distribution of duties and responsibilities from the standpoint of internal control. *Weaknesses sometimes result where functions of authorization, transaction processing and ledger recording are given to one employee.* Thus, it's dangerous to permit a teller to act as bookkeeper or an officer who signs bank drafts to reconcile correspondent-bank statements. The degree of exposure depends on how well this fundamental principle is observed.

Rule II:

If correspondent-bank statements are reconciled regularly by the same employee and reconcilment schedules and supporting data not reviewed by another individual for clearance of reconciling items, statement balances, outstanding drafts, etc., concealment of large shortages is quite simple. In fact, the only protection against embezzlements depends on the reconciler's fundamental honesty and conscience.

Rule III:

When a would-be embezzler knows he can intercept a depositor's statement prior to its delivery, he has unlimited opportunity to forge checks and withhold deposits. Concealment is a simple matter of removing and destroying the items or entering the amount of the deposit on the statement only. Statement balances are restored to the proper amounts while ledger accounts continue to reflect the embezzlement. Protection against these situations can be developed by: 1. Restricting access to the file of depositor statements awaiting delivery—particularly bookkeepers and tellers should not be permitted to handle the files. 2. Establishing a rotation plan in statement preparation so that an employee cannot anticipate the accounts that will be assigned to him. 3. Mailing uncalled-for statements to customers at least on a quarterly basis.

Rule IV:

"Wash entries," debit and credit amounts offset and cleared from an account, always must be subject to question when their explanation is not readily apparent. Some embezzlers have transferred their shortages in and out of accounts as a means of disguising their presence. This is done with the knowledge that all accounts customarily are not reconciled simultaneously—thus, by careful scheming, wash-entry transfers can be scheduled just prior to account verification and shortages moved on to temporary concealment elsewhere. The first step in preventing these situations is to require official approval of all entry tickets—tickets should bear an officer's initials and contain a brief explanation of the transaction. Additional precautions include processing all entries through the tellers and central proof system and instructing bookkeepers not to post unapproved entry tickets or those that are not fully explained.

Rule V:

It's difficult to find an answer to the problem in smaller banks where accounting is under control and direction of one or two individuals. The tendency of most employees is to follow instructions without question. Often, this is because of a lack of understanding of principles. *Perhaps the best protection is to develop and maintain a training program for all employees, as, in the last analysis, unless they have knowledge and understanding of what they are doing, there's little hope of developing a sound system of internal controls.*

Association of Bank HCs. Elects Officers at Convention

Harry Hood Bassett, chairman, Southeast Banking Corp., was elected chairman, Association of Bank Holding Companies, during the association's recent 19th annual meeting in Colorado Springs, Colo. He will serve as the ABHC's chief executive officer during the coming year. Donald L. Rogers, Washington, D. C., was reelected association president and continues as chief administrative officer. Forrest J. Prettyman, also of Washington, was reelected secretary. Donald R. Grangaard, chairman, First Bank System, Minneapolis, was advanced to chairman-elect and is in line to succeed Mr. Bassett next year. Frederick Deane Jr., chairman and president, Bank of Virginia Co., Richmond, was elected vice chairman. Continuing as treasurer is Spencer F. Eccles, president, First Security Corp., Salt Lake City.

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NATIONAL BANK OF NEW ORLEANS

CONDENSED STATEMENT OF CONDITION

AS OF JUNE 30, 1977

RESOURCES

Cash and Due from Banks	$ 146,265,903.68
U. S. Treasury Securities	443,786,604.76
U. S. Government Guaranteed Securities	63,407,546.25
Obligations of States and Political Subdivisions	60,765,330.13
Stock in Federal Reserve Bank	1,500,000.00
Federal Funds Sold and Securities Purchased Under Agreements to Resell	5,400,000.00
Loans	622,899,423.76
Less: Valuation Portion of the Reserve For Possible Loan Losses	6,982,097.12
	615,917,326.64
Bank Premises and Equipment	9,637,457.48
Other Real Estate	29,664.31
Customers' Acceptance Liability	523,795.96
Accrued Income Receivable	15,412,422.88
Other Assets	10,798,320.95
TOTAL	$ 1,373,444,373.04

LIABILITIES

Deposits	$ 1,124,703,341.26
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	111,930,000.00
Acceptances Outstanding	523,795.96
Dividend Payable July 1, 1977	1,343,442.50
Special Dividends Payable	2,886,866.94
Accrued Taxes, Interest and Expenses	16,676,537.75
Deferred Income Tax Portion of the Reserve For Possible Loan Losses	1,932,027.20
TOTAL LIABILITIES	$ 1,259,996,011.61

CAPITAL ACCOUNTS

Capital Stock	$ 2,800,000.00
Surplus	47,200,000.00
Undivided Profits	60,493,239.19
Capital Portion of Loan Loss and Securities Reserves	2,955,122.24
TOTAL CAPITAL ACCOUNTS	$ 113,448,361.43
TOTAL	$ 1,373,444,373.04

Mimi Hall, ombudsman for Nat'l Bank of Commerce, Memphis, discusses problem with customer, Virgil File. In her role as customer's advocate at NBC, Miss Hall spends her days visiting with complaining customers, then checking problems out with bank employees involved. Objective is to show customers bank does want them to be happy and to continue doing business with NBC.

Customer-Complaint Problems Handled by Bank's Ombudsman

By **ROSEMARY McKELVEY**
Managing Editor

CUSTOMER COMPLAINTS—what business doesn't have them? Banking, of course is no exception. These complaints may not always be valid, but it's important they be handled to the satisfaction of the customers making them without costing banks a lot of time and money.

Memphis' National Bank of Commerce believes it has solved the customer-complaint problem by creating the post of ombudsman. As defined in Webster's New Collegiate Dictionary, this means "one who investigates reported complaints (as from . . . consumers), reports findings and helps achieve equitable settlements." Actually, the word is Swedish in origin and means a commissioner appointed by a legislature, as in some Scandinavian countries, to hear and investigate complaints by private citizens against government officials or agencies.

NBC's ombudsman is Mimi Hall, who was appointed to the post in October, 1975, and works out of the media and community relations division. She describes her role as a listener, troubleshooter, investigator, researcher, reporter and diplomat who takes the customer's viewpoint to bank management for closer scrutiny. However, she remains objective, stays in the middle without taking either the customer's or the bank's side. She looks at a situation from both the viewpoint of the complaining customer and the employee or employees involved. Then, she tries to find a solution amicable to both sides.

Miss Hall spends her days visiting with complaining customers, then checking either by telephone or in person with the employees involved, writing reports on the complaints and sending them to management and, finally, but most importantly, sending personal letters to the complaining customers telling them about the bank's reactions to their problems. The writing part of her job comes easily to Miss Hall because she is a journalism graduate of Memphis State University.

Since NBC began its ombudsman program nearly two years ago, there have been close to 300 formal complaints lodged with Miss Hall, just over one per working day. She says they have ranged in dollar amounts from as little as $1 to several thousands, but to the complaining customers, each was of major importance.

The No. 1 source of complaints for NBC is difficulty in cashing a check. Running a distant second, Miss Hall continues, are complaints about service charges, but, she explains, these are to be expected. "They're like taxes," she says. "No one likes them, but everyone pays them." Not far behind service charges come complaints about overdrafts. In this category, says Miss Hall, are customers who simply have recorded their checks incorrectly in their check registers and want to find their mistake; there are customers who insist they could not be overdrawn, and there are customers whose complaints have a different angle. Like the customers complaining about difficulty in cashing checks, these customers, she says, have basically one message: Nobody at the bank seemed to care about their problems. These customers explain their problems in detail to Miss Hall and then tell her that it isn't the *specifics* of the problem that bother them; it's the *manner* in which the problem was handled. As Miss Hall puts it, "It wasn't the fact they had to show identification or pay a $7.50 overdraft charge. It was that nobody at the bank wanted to listen to *their* problems. No one took the time to treat them as individuals."

What can an ombudsman do to show a customer that the bank cares about him or her? Let Miss Hall describe how she does it: "The first thing I do is listen. I take notes on everything the customer tells me and let him or her give me every last detail on what's bugging the customer. I then contact the person the customer has complained about and I listen again, this time to


CAFS

the employee's side of the story. Next, *I* start talking, asking questions based on what the customer has told me. I look for ways to solve the customer's problem. Can we refund the service charge? Can we get her a copy of last month's statement? Can we take another look at his Master Charge application to see if he might meet our qualifications? Then, specific actions are taken to resolve the problem, and I notify the customer of the action taken.

"This investigative process takes an average of 1½ days. Averages in this instance can be misleading because of the individual nature of each complaint. Some require minutes; some take days to resolve.

"Then comes the hard part. I try to evaluate what happened fairly and objectively, not to assess blame, but to try and establish if we did all we could to serve that customer and, if not, why not. I write a full account of the complaint, my research, the resolution of the complaint and my evaluation and report this to NBC's chairman and president, Bruce E. Campbell Jr., and those senior officers and department heads whose areas were involved in the complaint. Then, if Mr. Campbell believes that a complaint can be attributed to a policy or procedure that can be altered, he calls together all parties involved in both the complaint and the administration of the particular policy, and we try to iron out the problem cooperatively."

Miss Hall says that many problems have been worked out by just such a format. One example she cites: When the bank first became involved in the direct deposit of social security checks, she received a complaint from an older customer who was upset because he didn't get a receipt when his monthly check was deposited for him. This left him with no record of the deposit until his statement arrived, and he was afraid that he would not be notified if, for some reason, the check failed to reach his account. This complaint was taken under consideration by top management and officers in the deposit-services area, and they decided the customer was right. After all, the bank sends receipts to other mail-deposit customers. Why slight senior citizens? As a result, NBC now issues receipts to these direct-deposit customers and, according to Miss Hall, is one of the few financial institutions in the area that does.

In situations like this, Miss Hall describes her ombudsman role as that of a catalyst, bringing together the specifics of an issue, based on information gathered from those who have problems and those who can solve them.

The problems don't always come from customers. For instance, a branch officer asked Miss Hall to check into the possibility of adding the date of an account's opening to the bank's computer-verification system so that an employee calling to get information on a balance could know instantly when the account was opened. This suggestion was directed at two somewhat contradictory, but composite, problems. On the one hand, the bank was experiencing far too many bad-check losses and, on the other hand, customers were becoming irritated at having to wait long periods at the branches to have their accounts checked out fully. It was observed that most of the bad on-us checks came from accounts opened for only six months or less. Therefore, given this information quickly and with only one call to the computer, a teller or officer could make a better and faster decision whether to cash a check. Miss Hall passed this suggestion on to Mr. Campbell, who thought it had merit, and, with the enthusiastic cooperation of the deposit-services area and the bank's data processing subsidiary, Commerce General, the addition was made.

As a result of a mid-year review of complaints received by Miss Hall, Mr. Campbell set up a "complaint task force," composed of the ombudsman, Jane Mahan, head of the media and community relations division, Walter Howell, director, customer service group, and Fred de Roode, business development officer. This committee examined the bank's procedures for accepting stop payments, problems with duplicate demand-deposit-account numbers and reasons for lost statements and lost deposits and then made some effective recommendations on these subjects.

Miss Hall also alludes to the quarterly rap sessions held with tellers and account-information clerks that are a part of the ombudsman program. These meetings are the outgrowth of complaints from customers about the personal treatment or lack of it they receive from NBC employees. Miss Hall discussed with Mr. Campbell the problem that the bank's employees seemed to be having in communicating with customers. Mr. Campbell suggested that Miss Hall organize meetings with what she calls NBC's "front-line troops" so that they understand customers' needs better and so that Miss Hall might better understand employees' problems in relating to customers. These rap sessions are informal: Miss Hall speaks first, outlining complaints she's heard from customers; then, the employees discuss these complaints from their perspective. After that, ideas are shared on how NBC can better serve its customers without imposing hardships on individual employees.

According to Miss Hall, the sessions have been beneficial in several ways: They give management a good feel for employees' temperament at a particular time. They have produced some positive procedural alterations. Most importantly, they give employees the feeling that someone in management cares and is willing to listen to their side of a story.

Would an ombudsman program work at any size bank? Miss Hall believes there are some problems common to all banks and that an ombudsman can identify and address them effectively. The person named as ombudsman doesn't have to be full time, she suggests. At a small bank, this person could be part-time or serve as a special assistant to the president and have other duties.

What are some problems common to all banks? "First," says Miss Hall, "there's the 'us-against-them' dilemma. It is characteristic of all institutions, be they utilities, government agencies or banks. Employees of institutions have to deal with the general public on a daily basis, and they see it all. They constantly have demands made of them, are witness to rude and aggressive behavior by their customers and are exposed to human nature that is most unrefined. Often after this kind of exposure, institutional employees tend to turn inward to their fellow employees, 'to circle the wagons 'round the campfire,' so to speak, and to begin to view the customer as the 'enemy.' When this happens, every customer request, every complaint, no matter how gently expressed, is viewed with suspicion. The employees begin to *assume* that the customer is wrong, that the customer is at fault. Overlooked in the employee's frustration is the fact that the sole reason he or she continues to have a job *is* the customer. He's not our enemy; he's our paycheck! And he or she can serve as a constant reminder to the employees that their priority *always* should be to serve the customer, whether he's sloppy or well dressed, whether he's friendly or rude and whether we like him or not."

Another problem referred to by Miss Hall is buck-passing. As she puts it, "Employees tend to pass an irate customer on faster than greased lightning. The only difference between buck-passing in a large bank and in a small-to-medium-sized one is the distance the buck has to travel. An ombudsman offers relief to this problem because he or she provides a focal point for complaints. I think one of the biggest benefits I offer a customer is that once he contacts me, he won't be referred to anyone else. I'm the *only person* he deals with. If anyone is to be transferred from department to department or put on hold for interminable lengths of time, it's *I*, not the customer. Sometimes I go home with a severe case of

'telephonitis,' but I figure I get paid for it; the customer does not."

A third and more modern problem shared by all banks, continues Miss Hall, is that of government regulation. From Regs B to Z, she says, the banking industry is being deluged by consumer dos and don'ts from the federal government. She cites these statistics: In 1976, the FDIC received 1,200 consumer complaints and 2,800 inquiries regarding practices of state banks that aren't members of the Fed. In 1975, the FDIC received only 500 complaints.

In 1975, the Fed began reviewing consumer complaints, even before the Fed adopted Regulation AA, inviting consumers to take their complaints to the Fed. Early this year, says Miss Hall, the Fed put its complaint mechanism on computer and put into its new system more than 3,500 consumer complaints. Most of these complaints, she continues, are simple breakdowns in communication between banks and their customers.

Where does the ombudsman fit in with these regulatory problems? NBC has added to the ombudsman's initial responsibility as customer advocate the task of monitoring and, more importantly, interpreting the new consumer legislation. Miss Hall believes this is a natural extension of the function because the ombudsman certainly should be aware of any legal liability on the bank's part when he or she first discusses a complaint with a customer. On the flip side of the coin, the ombudsman can bring a more realistic understanding of the customer's interest to any in-bank discussion of consumer legislation. According to Miss Hall, the ombudsman can advise department heads about their responsibilities in complying with specific regulations, can make recommendations for changing policies and procedures to assure the bank's compliance and can point up, for corrective purposes, possible violations existing in the bank.

Another benefit from the ombudsman program, she adds, is that of goodwill and gives this example: Last fall, NBC became one of the first banks in the country to be checked by the new consumer legislation examining team from the Comptroller's Office. During the team's examination, several members commented favorably on the bank's ombudsman program, which conveyed to them the impression that NBC was acting in good faith to comply with all the new legislation. Miss Hall believes the program would make the same favorable impression if NBC were taken to court for possible violation of a regulation.

Naturally, Miss Hall is sold on the ombudsman program. As she put it, managing a bank's financial resources is mighty important, but "unless you manage your *human* resources properly, you need never worry about your financial ones, because they'll be severely limited." • •

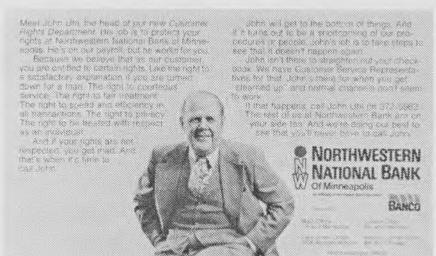
'Troubleshooter' Appointed at Minneapolis Bank To Hear and Take Care of Customers' Complaints

WHEN CUSTOMERS of Northwestern National, Minneapolis, "get mad," they have someone at the bank they can call, someone on whom they can unload their problems. That person is John Uhl, head of the customer rights department. In fact, the bank, through newspaper ads, statement stuffers and other media, encourages anyone with a "beef" to contact Mr. Uhl, who, the bank promises, "will get to the bottom of things."

Mr. Uhl's job is not to straighten out a customer's checkbook. The bank points out that it has customer service representatives for that. He's there, say the bank's ads, "for when you get 'steamed up,' and normal channels don't seem to work."

For instance, there was the woman customer who called him to ask, "Why do you have to punch those holes in my envelope? Someone can snoop and see how much I deposit." Mr. Uhl tried to explain that the holes help bank personnel make sure they don't overlook something in the envelope. However, the caller wanted the envelope style she had used for years, the one without the two small holes. Mr. Uhl assured her she would get what she wanted.

Mr. Uhl even straightened out an account of a customer in Madrid, Spain. The latter wrote the bank that he had sent a deposit to the bank in March and then, weeks later, had written a check to cover an insurance policy, but the check bounced. Northwestern National didn't have a record of the deposit, but Mr. Uhl set about to see what happened. He cleared it up for the customer and even had two $4.50 charges reversed that had been levied on the customer in Madrid, even though the trouble was not the bank's fault. The quick action brought a letter from the overseas customer, who admitted that his average balances have been low and have cost the bank more than it has received in return from his account over the last nine years.



This statement stuffer tells customers of Northwestern Nat'l, Minneapolis, about its customer rights officer, John Uhl. Similar ads are used in newspapers.

"All this," the letter continues, "makes me all the more delighted that you are willing and able to give the same personal treatment to a small account that you give to a much bigger, and presumably more profitable, one."

The post of customer rights officer is part of an ongoing personal banking program started 15 years ago by the bank. In fact, Mr. Uhl reports to the head of the personal banking division.

Like the ombudsman post at National Bank of Commerce, Memphis (see page 58), Mr. Uhl's job is to hear out an angry or upset customer, then cut through red tape to find out what went wrong and what can be done to set the matter right. Mr. Uhl says he tries to feel empathy with a customer "because I'm supposed to represent him first of all." He also points out, "We sell our customers about 100 kinds of services, but we shouldn't be so busy selling them things we can't talk with them and help them if something's wrong."

Northwestern National has based an entire ad campaign around its personal banking program, and its theme is

"We're on Your Side." This campaign is being seen in TV commercials, on billboards and in newspapers and is being featured on radio commercials. It's also used in print ads centered around Mr. Uhl. These ads feature his picture, and copy in them reads, in part: "Meet John Uhl, the head of our new *customer rights department*. His job is to protect your rights at Northwestern National Bank of Minneapolis. He's on our payroll, but he works for you.

"Because we believe that as our customer, you are entitled to certain rights. Like the right to a satisfactory explanation if you are turned down for a loan. The right to courteous service. The right to fair treatment. The right to speed and efficiency in all transactions. The right to privacy. The right to be treated with respect as an individual.

"And if your rights are not respected, you get mad. And that's when it's time to call John."

Mr. Uhl works well with people and can write effective letters, both requisites for his job. He calls himself a "frustrated actor," who has appeared in about 20 plays. This probably explains his clear and well-modulated speech. He also is described as easygoing, which is a big asset when dealing with unhappy and upset people.

In addition to soothing irate customers, Mr. Uhl plans to make a study of persons who close their accounts at Northwestern National. He plans to ask them why they do so and, if any similar reasons are given, the bank will take steps to correct the situation. • •

Employees Volunteer:

Free Speakers' Bureau Created by St. Louis Bank For Talks on Banking

To promote a better understanding of the role of banking and free enterprise in the business world and everyday life, St. Louis' First National has established a speakers' bureau. Called "First Speakers' Forum," the new service is available, without charge, to civic groups, schools and business organizations.

"Each day, banking and financial services, and the organizations which provide them, grow more complex as new legislation and regulations cause them to change," says the bank's chairman, Clarence C. Barksdale. "Recognizing that few people ever have had the opportunity of studying the banking role in society, First National has developed the First Speakers' Forum bureau to broaden the public's understanding of banking, including our services to the community, the interdependent role of banking and business and the role of business in general in the community."

Among programs currently available are "The Business of Banking," a discussion of full-service banking and popular misconceptions about banking; "Banking and the Economy," which discusses America's financial system, inflation and what makes interest rates; "Personal Money Management," which covers such topics as getting the most out of money and tips on home buying and credit; and "Banking in the '70s," which discusses employment opportunities in banking.

"While we have these specific programs currently available," notes Mr. Barksdale, "we are prepared to develop others, such as how to balance a checkbook, the value of wills and trusts and others of similar nature if we are requested to do so."

Forum speakers are bank employes who are volunteering their free time to make the presentations.

Besides the First Speakers' Forum presentation, First National has available numerous 16 mm color and sound films dealing with other aspects of banking as well as America's free-enterprise system.

At Continental Illinois:

Bank's 'Social Investment' Averages $3 Million a Year

For the past five years, the "social investment" of Continental Illinois National, Chicago, has averaged about $3 million annually. That "investment" has been made in Chicago-area programs and activities in which the bank and its staff have taken leadership positions.

"Social investments" by the bank, according to a Continental spokesman, include direct contributions from the Continental Bank Charitable Foundation, general community support, educational lending and staff support to community groups.

In its third biennial report on public-responsibility projects, ". . . Because We Live Here," the bank's participation in 111 separate projects was discussed: education, consumer services, employment, minority enterprise, area development, housing, health, citizen assistance, civic participation, urban communications, culture and the arts, and staff "loaned executives" to community groups.

According to the Continental spokesman, the bank "must earn the opportunity to remain in business through corporate good citizenship. Serving and strengthening the Chicago community in every way that we can obviously is in the bank's own vital interest."

Singled out in the report as groups that have received much assistance from Continental Bank were the Economic Development Commission, which the bank helped establish to attract and retain business and industry in Chicago; the Dearborn Park Corp., which will develop an area south of the Loop into a "new town" residential community; the Woodlawn Organization's community redevelopment program and Jackson Park Hospital's fund drive.

During 1976:

Bank Grants of $350,000 Go to Chicago Agencies

The Harris Bank Foundation, Chicago, has announced that during 1976 it awarded grants totaling $356,374. The philanthropic foundation of Harris Bank made its largest grant, $143,500, to the Chicago Metropolitan Crusade of Mercy.

The foundation benefits agencies covering a broad range of the Chicago area's cultural, educational, civic, social and health services.

The Harris Bank Foundation made a total of $120,624 in educational awards during the past year, it was announced. This figure includes allocations to building funds, capital campaigns and contributions to 79 colleges and universities under the bank's employee matching-gift plan.

Grants for support of minority and youth programs included those to Chicago youth centers, the Latino Institute, the Chicago Alliance for Collaborative Effort, Casa Central and the Association House of Chicago.

Heading the foundation is John L. Stephens, senior vice president and corporate and employee relations administration head for the bank.

Conservation:

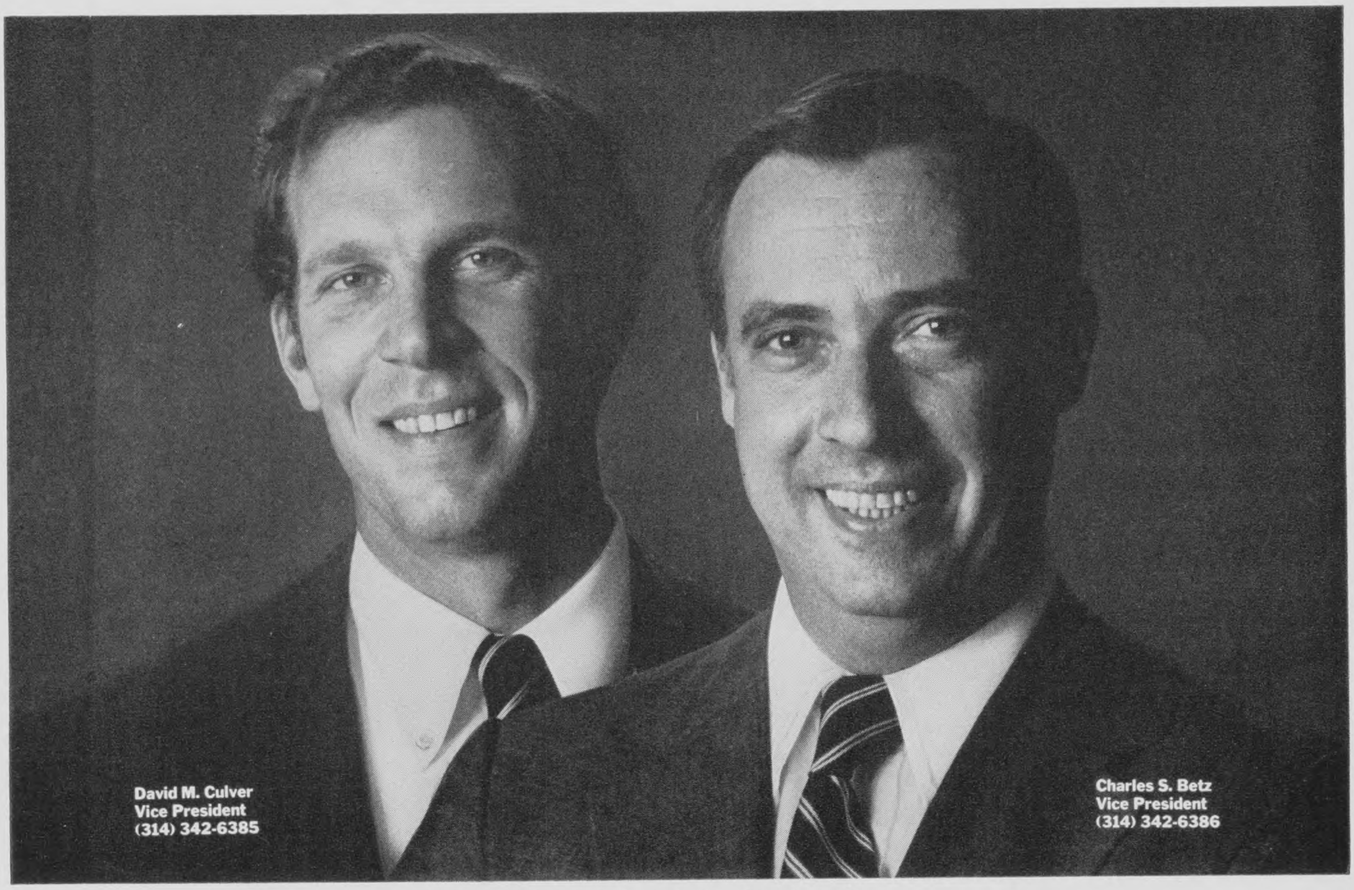
'Energy-Wise' Exhibit Held by Chicago City Bank

"Energy Saving and Safety" was the title of two free displays held at Chicago City Bank in cooperation with the Peoples Gas Light & Coke Co. during regular banking hours.

Visitors to the exhibit were able to view films and obtain pamphlets on energy conservation, home management, meal planning, furnace maintenance and kitchen and residential safety.

The display was held as part of the bank's ongoing community-service program. Visitors to the exhibit were encouraged to learn how to save time, energy and money.

Work with a banker who knows what his bank can do for you.



At First National Bank in St. Louis, our correspondent bankers are trained in what our bank can do for you. Across the board. Department by department.

The result is men with solid experience and individual authority. So they can make fast decisions for you on their own.

They're backed by a bank with strong, steady growth. And total banking capabilities including overline loans, bond department services, computerized check collection, cash management systems. Plus our annual correspondent seminars where you can exchange ideas and learn about new profit opportunities.

Get to know your First National correspondent banker. He knows his bank. He'd like to put us to work for you.

First National Bank in St. Louis First Union Group
Member FDIC

"Spring Tune-Up":

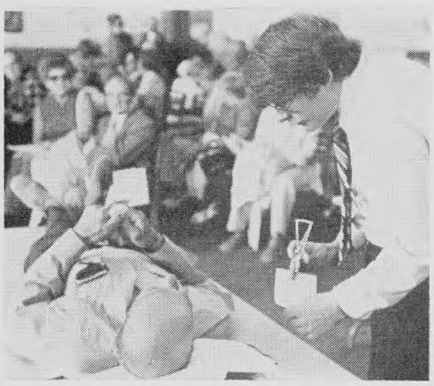
Bank Aids Older Citizens, Sponsors Health Clinic

After research disclosed that health and nutrition were major concerns of Denver-area senior citizens, Central Bank became involved by sponsoring a "Spring Tune-Up," a day-long fair and seminar on health and nutrition.

It was held in cooperation with Volunteers of America and the University of Colorado Medical Center, and a capacity crowd of 550 senior citizens was on hand for the event. More than 45 health-related organizations provided information on smoking, visiting-nurse services, Medicare, arthritis, mental-health services and a variety of other topics.

During the seminar, the American Lung Association gave free screenings for respiratory function; the Society for the Prevention of Blindness tested for glaucoma, and the American Red Cross and other agencies checked the senior citizens' blood pressure. In addition, speech pathologists were on hand to provide hearing tests.

A number of physicians and a nutritionist addressed the seminar on arthritis, cancer, exercise and nutrition for older people. Elderly participants also received box lunches and free transportation.



Doctor from University of Colorado Medical Center performs glaucoma test during "Spring Tune-Up," health fair sponsored for area senior citizens by Central Bank of Denver.

'Porta-Printer':

Bank's Special Equipment Enables Deaf to 'Hear'

Special communications equipment has been installed at Olathe (Kan.) State that allows its deaf customers to "hear." The "Porta-Printer," as the equipment is called, connects directly into telephone lines and provides a printout of a message transmitted to or from another such device.

The equipment's primary use is to give deaf customers information about accounts and other bank services. A customer can find out his account balance, transfer funds or discuss a loan through use of the "Porta-Printer."

"We know that several hundred persons in the Olathe area have needed this kind of banking service for a long time," says Norman E. Herrington, bank president and CEO. "In addition, we plan to expand the use of the 'Porta-Printer' to provide a number of nonbanking services, for example, to arrange medical and business appointments, make reservations for entertainment events or to take care of shopping by telephone for our deaf customers."

Serving as Olathe State's director of public relations for the deaf is Stanley D. Roth Sr., who served for 30 years as superintendent of the Kansas State School for the Deaf.

■ JAMES D. BERRY, chairman and CEO, Republic of Texas Corp., Dallas, has been elected a director of Republic National, Dallas, a subsidiary of the HC.

■ RIO GRANDE VALLEY BANK, Albuquerque, has named Karl Juric vice president and Timothy R. Fischer cashier.

Tax Reform Act

(Continued from page 34)

The husband, by will, leaves his property to his wife in two packages. Package A qualifies for the marital deduction, usually at the maximum level. Package B holds the rest of the property in a life estate. After the husband's death, the wife has the income from both packages and generally the right to dip into the principal of package A. Her right to invade the principal of package B is limited. A trustee could be given the power to invade principal according to an "ascertainable standard" such as for her care, support and maintenance. And she could be given the right to request the greater of $5,000 or 5% of principal each year.

At the wife's death, package B property goes on to the holder of the remainder interest—usually the children—without further federal estate tax. The residue of package A is taxed in her estate.

In effect, about half the property (package B) is taxed at the husband's death—package A was deductible under the marital deduction—and the rest (package A) is taxed at her death.

The big drawback with Model I is the assumptions—the husband must own all or most of the property to make it work, and he must cooperate and die first. If he doesn't, a Model I plan may mean a larger federal estate tax bill at his death—unless he remarries and leaves some property to the new spouse.

Model II—This approach assumes balanced estates as shown in Figure 3 on page 34. Half the family wealth is owned by the husband and half is in the wife's name. That's possible with tenancy in common ownership (each has an undivided half interest in each asset) or with individual ownership kept in balance.

Each spouse leaves the other a life estate by will in the property interests owned. That means half is taxed at each death, and the order of death is unimportant. There's no marital deduction claimed. Note that the survivor receives all the income from all the property and can dip into the principal of the portion in that person's name.

A pure Model II may not be optimal in terms of maximizing wealth. But it usually comes close.

Modified Model II—This one (see Figure 4 on page 34) starts off with balanced estates, as with a pure Model II. But at the first death, the estates are "unbalanced" by reducing the size of the deceased's estate by claiming a partial marital deduction. That boosts the size of the survivor's estate, of course. But that may be a wise move. It means interest-free use of deferred tax dollars. And that can be a big factor.

The size of the marital deduction for optimal results depends on five key factors: (1) life expectancy of the surviving spouse, (2) subjective estimate of health of the survivor (disregarded if normal for age, but it overrides life expectancy if condition is poor), (3) return expected on deferred tax dollars, (4) expected rate of inflation (or deflation) and (5) expected changes in the tax system. The effects of inflation can be striking. With inflation at 5%, after eight years a $550,000 estate grows to $895,950. That's why, with balanced estates, it often is not advisable to claim a full marital deduction at the first death.

Conclusion. It's especially important for young couples to give serious thought to how property should be owned. If it's thought the estates eventually will move into the range of serious federal estate tax liability, a careful look at the two basic choices—balanced estates or all in one spouse's name—makes sense. • •

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Mosler Service Centers are staffed with pros to help you operate at maximum efficiency. They know Mosler equipment, literally, inside and out. They spend hour after hour in "hands-on" classroom training in laboratories second to none in the industry. In addition, service technicians are backed up by service specialists should an unusual service problem arise.

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HOURS
SAT. & SUN.

If you sell your customers an ordinary brand of travelers cheques, be sure to tell them not to lose them on a weekend.

Or on a holiday. Or even at night.

Why? Because ordinary travelers cheques have ordinary refund systems. Which are only open during normal banking hours, Monday through Friday.

If a customer loses ordinary travelers cheques on a weekend, he could be out of funds for quite some time.

And that's enough to ruin a perfectly good vacation.

Your customer deserves better than this. He deserves American Express® Travelers Cheques.

With American Express, your customers can get an Emergency Refund℠ 24 hours a day, 365 days a year, for up to $100 at Holiday Inns across America and Canada.

Our Emergency Refund system alone is enough to rescue a vacation from disaster. But it's just one of the reasons why American Express is the world's number one brand of travelers cheque.

Here are a few more.

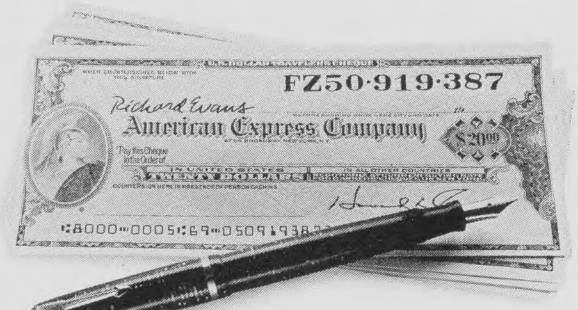
1. Your customers can get *full* refunds during normal business hours. Usually on the same day. In addition to Emergency Refunds at odd hours.

2. American Express Travelers Cheques are good at thousands more hotels, motels, restaurants and gas stations across America than any other brand.

3. Only American Express Travelers Cheques are supported by the world's largest network of travel offices. Helpful places around the world where your customers can go with a problem.

Good customer relations are priceless. You can protect them with the world's number one brand of travelers cheques: American Express.

AMERICAN EXPRESS®



American Express Travelers Cheques

". . . I think a multinational commercial bank with a well-conceived branch structure and an alert, flexible management should have nothing to fear from increasing refinement of the competitive process that's underway and that will continue. Commercial banks, with their substantial capital base, are well positioned to hold their own and, in fact, to benefit from the continuing erosion of barriers to the free flow of funds among expanding world financial markets."

Two Multinational Banking Trends: More Competition; Less Regulation

By ELLMORE C. PATTERSON
Chairman
Morgan Guaranty Trust Co.
New York City

THERE are two trends in the international-banking field that seem to me to be constructive. One is the prospect of more intense, but, at the same time, more evenhanded, competition all over the world. The other is the possibility of better-conceived and, on balance, *less* regulation of multinational banks' activities. The latter trend has a lot further to go than the former, but I think both are, in fact, already underway and that the forces propelling them are relentless and bound to win out in the end.

I would be among the first to admit that competition in world financial markets is far from perfect, but it's easy to let our frustration with some of the imperfections blind us to the tremendous change that has taken place. Multinational commercial banks today are competing effectively with one another and with other financial institutions all over the world. For the most part, this competition is healthy and highly beneficial to credit users.

It's demonstrative of the capacity of the free-enterprise system to ferret out and destroy pockets of imperfect competition wherever they exist. The process, of course, is not altogether painless for those who have benefited from the existence of these pockets and the profitability associated with shelter from competition.

There's evidence that borrowers all over the world are being afforded access to the more efficient—and, therefore, less expensive—sources of funds that are appropriate to their needs. In many cases, this is true because of the innovative activities of multinational commercial banks, which not only have extended the maturity range over which they're prepared to accommodate their customers credit needs, but also are increasingly able and willing to tailor credits in a multitude of other ways to borrowers' requirements.

Perhaps the most dramatic development is the increase in size of the credits groups of banks are able to put together.

There are other examples of banks' increased flexibility. One is their ability to combine their lending activity with their already substantial involvement in the spot-and-forward exchange markets to offer to those who need them credits that can be drawn or repaid in a variety of currencies.

Another example: Commercial banks, initially in response to competition from other lenders, have developed markets for matching sources of funds that permit them to prudently offer fixed-rate loans to borrowers who prefer loans on such terms.

Also, they have acquired a capacity to participate in resource-development financing on the basis of an assessment of the project's economics rather than simply its sponsors' financial statements.

Further, not just U. S. banks, but many non-U. S. multinational banks now are providing backup lines to large private and nationalized offshore companies that wish to take advantage of the relatively low short-term borrowing costs in the U. S. commercial paper market. I would not pretend that we are exactly jubilant about this particular innovation, especially because we're not sure all the new entrants are fully aware of the extent of the obligation they have assumed. But, nonetheless, we welcome this development, along with all others that will add to the efficiency of financial markets.

In short, I think a multinational commercial bank with a well-conceived branch structure and an alert, flexible management should have nothing to fear from increasing refinement of the competitive process that's underway and that will continue. Commercial banks, with their substantial capital base, are well positioned to hold their own and, in fact, to benefit from he continuing erosion of barriers to the free flow of funds among expanding world financial markets.

I have only one misgiving with respect to the intensification of competition in financial markets. Free competition is constructive only so long as all competitors have the good sense to compete in an effort to improve their earnings. If this focus on earnings is blurred by other objectives, such as asset and liability growth at the expense of return on capital, then the system does not function to produce the results of which it's capable.

Here again, I like to think that I see a constructive trend emerging. I know that banks have improved their ability to evaluate the earnings impact of various competitive strategies, and I also believe that the importance of earnings growth, rather than volume growth for its own sake, has been re-emphasized by recent experience. I think there's a fresh realization that banks must be operated so as to provide an ample flow of earnings to add to the capital base and establish adequate loan-loss reserves. Moreover, this seems true in the case of nationalized as well as privately owned banks.

Thus, I look forward to a period in which competition among banks and with other institutions will intensify, but at the same time improve in quality and operate to the benefit of borrowers and lenders alike as the efficiency

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The talk on which this article is based was given by Mr. Patterson at the 1977 International Monetary Conference in Tokyo.

of markets is enhanced.

I expect most bankers would agree with me that there's a trend toward more competitive financial markets, whether or not they would go along with my constructive appraisal of that trend. I suspect, however, that they are skeptical—or worse—about my observations with respect to regulatory trends. Let me acknowledge that there's a lot of dismantling to be done throughout the world before we get to an optimum level of bank regulation.

Still, I see a major, but subtle, development in this area. It is a growing recognition on the part of government officials that detailed regulatory intervention in financial markets is neither a necessary nor even a desirable adjunct of economic stabilization policy. The authorities seem increasingly aware that, in most instances, growth of monetary aggregates relevant to stable economic growth can be adequately controlled by general policies that effectively regulate expansion of the monetary base. Here I am using terminology that is current in the United States, but the same basic trend is observable in many countries—the authorities are relying more and more on availability of central bank reserves to regulate the growth of money and credit and less and less on quotas, ceilings and special taxes on specific loans and investments.

We are prone to remember most vividly specific regulatory actions that have been taken and to overlook the wisdom embodied in restraint by the authorities—restraint that sometimes has had to withstand a good deal of ill-advised pressure.

Perhaps the best example is the resistance of the Bank of England, and Lord O'Brien in particular, to the considerable clamor for regulation that would have halted or even reversed the growth of the Eurodollar market. It's hard to imagine how much more difficult the whole petro-dollar recycling would have been had the bank not perceived, correctly, that the growth of the London Euromarket did not in any way interfere with the conduct of U. K. monetary policy.

One ready opportunity for the application of such wisdom in the U. S. is the so-called Regulation M reserve requirement. On reflection, Federal Reserve authorities might recognize that this reserve requirement is not a necessary adjunct of monetary policy, but just a discriminatory tax that should be withdrawn. That would make a contribution to more efficient international credit competition.

I want to make clear that I'm not suggesting that measures designed to maintain the financial strength of the banks or appropriate actions to promote economic stability either should or will be abandoned. Such measures and actions by the authorities should be continued, with—we can hope—improved wisdom and success.

What I believe can be seen gradually but surely developing is an understanding on the part of monetary and financial authorities that the national interest is not served by propounding regulations that simply hobble competition and lead to narrower, less-resilient financial markets.

I pointed out in my remarks to this conference last year some lessons banks appeared to have learned from lending experience of the recent past. It would be an error to assume that regulators did not learn some lessons as well. For one thing, we have observed a significant improvement in the quality of bank supervision in the U. S. I'm also pleased with the progress toward assembling and making available to banks information that will be helpful to them in arriving at sound judgments with respect to the credits they grant. This, rather than direct participation in the decision-making process on credits granted by banks, obviously is the best way for the authorities to improve and ensure the soundness of the banking system. It's gratifying that they appear to be moving in this direction.

Putting these two observations together, I see a pair of reinforcing trends. First, there appears to be a tendency for banks, of their own accord, to broaden, both geographically and structurally, the areas in which they compete. More efficient financial markets, better able to accommodate financing needs of business, will result from that enhanced competition.

At the same time, I see increasing recognition on the part of national authorities that the growth of multinational banking—and the broader, more efficient, more flexible financial markets that go with it—is a thing to be nourished in their own national interest, not encumbered by counterproductive restrictions. • •

Honor Students Benefit In Bank-Sponsored Event

Tulsa-area junior members of National Honor Society chapters from city high schools were given the chance to benefit from a seminar on higher education sponsored by First National. It was the 11th annual College Board the bank has sponsored.

A number of Tulsa-area educators were on hand to address the students on various aspects of college life, including success in school, how to apply for a school and extracurricular activities.

SBA Offers Loan Guarantees To Speculative Contractors For Construction, Rehabs

The U. S. Small Business Administration now can guarantee loans to speculative building contractors for construction or rehabilitation of residential or commercial property for future sale on their own account.

To qualify as a small business, general contractors must have annual receipts of less than $9.5 million.

These SBA loan guarantees must involve the private sector, commercial banks, for example. The SBA can guarantee to one borrower total loans of up to $500,000 at one time. The maximum interest rate the SBA can allow a lender to charge at present is 9¾%. However, two additional points may be charged for extraordinary service requirements, such as construction inspections, etc., an SBA spokesman says.

These loans are repayable within 18 months, plus time for construction or rehabilitation, and may include costs of underground connections to water, sewer or gas mains, underground or above-ground connections for electric and telephone service, septic-tank construction and landscaping of the property.

Loans are secured by a first lien on the land and any improvements to the land. Liens on other property may be required, and the borrower must have an adequate investment in the property and be able to demonstrate ability to repay the loan.

For new construction, loan proceeds may be used for labor and materials. Funds may be used to assist in acquisition of existing structures and to provide labor and materials for repair, conversion, extension, renovation, rehabilitation or improvement.

Loan proceeds cannot be used for raw-land purchases for construction or to construct or rehabilitate buildings to be held as rental property for investment or speculation. Proceeds also may not be used for landscaping, street and sidewalks or for utility costs benefiting more than property under construction or rehabilitation.

In addition, the SBA spokesman says, evidence is required that a market exists for the structure being built or rehabilitated and that permanent mortgage money is available in the area where the property is located. This evidence may be given by certification by the lender, which may certify that it will provide permanent financing to a qualified purchaser or that other lenders will provide such financing.

HARRIS BANK®

Consolidated Statement of Condition

ASSETS	June 30, 1977
Cash and Due from Banks	$ 812,865,804
Time Deposits in Other Banks	568,926,440
Federal Funds Sold and Securities Purchased under Agreement to Resell	336,750,000
Investment Securities:	
U.S. Treasury Securities	752,390,169
State and Municipal Securities	402,820,960
Other Securities	16,077,881
Trading Account Securities	199,386,034
Loans, Net of unearned discount	1,826,655,807
Less: Reserve for Possible Loan Losses	(24,322,207)
Direct Lease Financing	54,940,017
Customers Acceptance Liability	62,544,169
Bank Premises and Equipment	93,413,808
Other Assets	89,458,417
Total Assets	$5,191,907,299
LIABILITIES	
Demand Deposits	$1,257,530,729
Savings Deposits and Certificates	879,751,402
Other Time Deposits	922,938,758
Deposits in Foreign Offices	781,046,011
Total Deposits	$3,841,266,900
Federal Funds Purchased and Other Short Term Borrowings	836,169,306
Acceptances Outstanding	62,530,843
Accrued Interest, Taxes and Other Expenses	60,441,156
Mortgage Payable	2,885,355
Other Liabilities	88,933,840
Total Liabilities	$4,892,227,400
EQUITY CAPITAL	
Capital Stock ($16 Par Value) Authorized and Outstanding 3,137,815 shares	$ 50,205,040
Surplus	110,313,660
Surplus Arising from Assumption of Convertible Capital Notes by Parent Company	7,666,200
Undivided Profits	131,494,999
Equity Capital	$ 299,679,899
Total Liabilities and Equity Capital	$5,191,907,299

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Louisville Gets Internat'l Trade Through Efforts of Banks, Others

By JAMES L. JERNIGAN

LAST YEAR, America's exports amounted to more than $100 billion, and official estimates are that this volume of business was directly responsible for providing at least three million jobs for Americans.

Businesses in the inland city of Louisville were responsible for about $350 million, with nearly 20% of manufacturers being involved in exporting and importing.

Louisville-made products find their way into every industrialized country in the world, and both raw materials and finished goods from many of these countries, in turn, find their way to Louisville.

For example:

1. Industrial catalysts manufactured in Louisville are used in refined petroleum products in Venezuela that later are used in fuel oil in the U. S.
2. A local manufacturer of industrial lawn mowers ships about 18% of its total production to international markets.
3. The largest importer of wine and distilled spirits in the state, and one of the largest exporters as well, runs its international operations from its Louisville offices.
4. Peanut butter produced in Louisville is spread on sandwiches in Saudi Arabia.
5. Vinyl gutters and downspouts made in Louisville are built into houses in the Virgin Islands.
6. A company that's probably the country's largest corporate exporter headquarters a major part of its $3.75-billion international trade operation in Louisville.

The list could go on and on. From plumbing fixtures and whiskey barrels sold overseas, to projection equipment parts, to brass and copper bought overseas. From exports of truck decals and coffee grinders, to imports of dental equipment and baler twine. From outgoing shipments of filing cabinets and baseball bats, to incoming freight of barbed wire and newsprint paper.

JAMES L. JERNIGAN is publicity chairman for the Kentuckiana World Commerce Council, headquartered in Louisville, and also is regional manager, Virginia Port Authority.

Declaration of International Trade Week is signed by Kentucky Governor Julian M. Carroll. Looking on are (l. to r.): George Collin Jr., pres., Kentuckiana World Commerce Council, Louisville; William Savage, director, internat'l div., Kentucky Department of Commerce, Frankfort; and Walt Forster, representing District Export Council. Mr. Collin is v.p., internat'l div., Liberty Nat'l, Louisville.

Another giant step forward for international trade in Louisville is the recent grant of authority from the Foreign Trade Zone Board to the Louisville and Jefferson County Riverport Authority to construct and operate the first foreign trade zone to be authorized in Kentucky and in the Ohio River Valley.

A foreign trade zone is an area where foreign products, raw materials or component parts can be brought into the country free of import duties. The imported goods or parts are not taxed until they leave the zone for distribution in this country. Locally produced goods can be placed in the zone for eventual export without being assessed an inventory tax.

As an extreme example, component parts could be brought into the zone; the product could be assembled there and then exported to another country without import or export taxes ever being paid.

Mainly because of the transportation system, international banks and international services were located primarily along coastal waterways. As international trade grew and industry moved inland, the banking community realized it could provide a valuable service to its customers by establishing international departments and developing international trade relationships with other banks, both foreign and domestic. The convenience and personal service the banks provide for local clients who conduct business internationally enhance the bank-client relationship and enables international trade to be conducted while keeping documentation problems and discrepancies to a minimum. Banks active in international trade in Louisville include: First National, Liberty National, Louisville Trust and Citizens Fidelity.

International traders in the inland area also realized a need for a forum to discuss common problems. Therefore, beginning in 1963, a group of about 20 international enthusiasts, who had ventured into this mysterious world marketplace, joined to discuss mutual problems and solutions. From these informal discussions emerged an organization known as the Kentuckiana World Commerce Council, Inc. (KWCC), headquartered in Louisville, to:

1. Provide a means of mutual assistance for development of foreign commerce in the Kentuckiana business community through a free exchange of information and ideas.
2. Promote programs calculated to inform the membership and the public of the incidence and importance of world trade.
3. Encourage advancement and extension of trade between business located in the Kentuckiana area and business of other countries.
4. Encourage government policies sympathetic to world commerce and trade.

KWCC membership has grown to about 150 individuals engaged in international banking, marketing, steamship operations, foreign freight forwarding, customhouse brokers, railroading, trucking, barging, chambers of commerce, state and federal government commerce departments and port authorities. A major catalyst for the KWCC, however, has been the international banking expertise drawn from the above-mentioned Louisville banks plus American Fletcher National, Indianapolis; Bank of America Interna-

tional, Chicago, and Commerce Union, Nashville.

To achieve its objective the KWCC developed informal discussions into monthly educational programs, annual seminars, workshops, conferences and joint meetings with other organizations active in international trade. Typical of the monthly dinner meetings was the March, 1977, speaker, Manfred Damgen, vice president, UBS-DB Corp., New York City, securities and investment banking affiliate of Union Bank of Switzerland, Deutsche Bank-New York. Mr. Damgen spoke for about 20 minutes on investment opportunities in Europe and the European economic situation. Then, he opened the floor for a lively discussion from the membership and guests concerning their problems and experiences in this market.

Annually, the KWCC helps organize the Ohio Valley World Trade Conference. This conference was conceived 12 years ago by the KWCC as a two-day educational workshop for individuals interested in entering or increasing their export and import trade. International trade clubs from Louisville, Cincinnati, Dayton, O., and Indianapolis host the conference every fourth year.

The annual Kentucky International Trade Conference was started by the KWCC to cover all aspects of international trade. This conference appeals to firms investigating the potential of international trade, as well as firms currently exporting and importing, but seeking better services. Firms encountering problems with their international trade programs or seeking information on developing new markets also find this conference beneficial. This conference held its second annual session last February and attracted about 200 individuals from firms throughout Kentucky.

The KWCC's activities in education and its effort to create an awareness of international potential can be seen in the number of international divisions in local banks, offices established in the city by several steamship lines, foreign freight forwarders, customhouse brokers, export management companies and port authorities.

Also, establishment of the Foreign Trade Zone can be credited to the efforts of KWCC members, who planted the idea and continued to nourish the seed for five to six years until it materialized in June, 1977.

George Collin Jr., KWCC president and vice president, international division, Liberty National, Louisville, attributes his bank's involvement in the KWCC to the mutual desire of both institutions to serve both internationally oriented customers and those who perhaps are not, but who could be, involved profitably. The ability of many people to engage profitably in international trade is directly related to the availability of services at the local and regional level. Firms in Louisville and throughout the area became involved in export sales long before such services were available at a local level, and as a result, encountered difficulties in getting paid because of inexperience, distance, and lack of communications.

Bankers agree that one of their biggest jobs in developing their own international business has been to educate the customers at home. Often, this is done at a loss, too, since the profit for banks is in loans, not in developing paperwork for an international transaction and educating a local manufacturer who's decided to become an international trader. Yet, there are profits down the road, and the banks are headed for a successful journey.

Because of organizations like the KWCC, more manufacturers are made aware of untapped markets abroad. Local banks had the foresight to develop expertise in this field and are anxious to help Louisville expand its international market. • •

G. H. Vorhoff Named to Post In World Trade Club of N. O.

NEW ORLEANS—Gilbert H. Vorhoff, senior vice president and manager, international banking section, Hibernia National, has been named honorary life member, World Trade Club of Greater New Orleans. The award is conferred only in cases of unusual merit and achievement to an individual who has distinguished himself by outstanding contributions to the development of foreign trade and closer relations between the peoples of the U. S. and foreign nations.

Mr. Vorhoff is the 17th recipient in the 34-year history of the club, of which he is a past president.

For the past 35 years, he has been active in international trade, has traveled extensively abroad and has been a lecturer and consultant on foreign trade. He served five years as chairman, Louisiana-Mississippi Regional Export Expansion Council, and as a member of the National Council in Washington, D. C. Mr. Vorhoff is a past president, Mississippi Valley World Trade Council, past president and chairman, Foreign Relations Association of New Orleans, and a director and treasurer, Bankers' Association for Foreign Trade, Washington, D. C. Currently, he is a director on the executive committees of both the International Trade Mart and International House, New Orleans.

Internat'l Banking Group Headed by V. J. Chalupa

CHICAGO—V. J. Chalupa, second vice president, American National, Chicago, was elected chairman, Mid-America Committee on International Banking, at its recent annual meeting here. The group is an organization of operations officers representing some 75 mainland international banks. Mr. Chalupa succeeds William O. Schinagl, assistant vice president, Harris Trust, Chicago.

Elected vice chairman was Peter Poolos, assistant vice president, American Fletcher National, Indianapolis. William Spolec, assistant treasurer, Bankers Trust International (Midwest) Corp., Chicago, was elected secretary.

The Mid-America Committee on International Banking is one of three regional committees in the U. S. comprising the membership of the National Council of Committees on International Banking, whose headquarters are in New York City. The group actively participates in standardizing, clarifying and providing training in international operations.

The Mid-America Committee on International Banking also helps the worldwide endeavors of the International Chamber of Commerce in Paris to define international banking practices in the area of letters of credit, collections international payments, terminology and other areas of basic relevance to international banking practices.

Comptroller to Monitor Overseas Bank Lending

WASHINGTON—The Comptroller of the Currency plans to begin regular monitoring of overseas lending by U. S. commercial banks. A detailed survey of existing foreign loans by the banks is currently being made.

National and insured state nonmember banks with assets over $300 million and state member banks with assets of more than $1 billion have been asked to respond to the survey, which was sent to the banks last month. The banks are to complete the survey to the best of their ability as of June 30 and return it to their supervisory agencies, along with comments regarding any difficulties encountered in preparation of the survey.

The survey is designed to provide bank supervisory agencies with complete information that will permit regular systemic monitoring of overseas lending by commercial banks.

Concern has been expressed about the ability of U. S. banks to continue foreign lending on the same scale as in recent years due to the increase in world oil prices.

International Scene Spurs Confidence For Lenders for the Next Few Years

THE INTERNATIONAL banking community is viewing the next few years with confidence, said Roger E. Anderson, chairman, Continental Illinois National, Chicago, recently.

His statement is based on the continuously improving world economy and the prospects of greater financial assistance to developing countries through the International Monetary Fund, World Bank and OPEC nations.

"As the industrial countries of the world are coming out of the recession," he said, "they are creating added demand for exports from developing countries. This, in turn, helps the economies and balance-of-payments situations of the less-developed countries and facilitates the adjustment to higher oil import costs."

He noted that international commercial and central bankers he had talked to during a trip to foreign business capitals agreed that, while there was no alarm about the loans to developing countries, in contrast to the concern expressed by some regulatory bodies, there was general agreement that the rate of increase experienced over the last three years cannot continue and must slow down.

Mr. Anderson said bankers are looking to the IMF and the World Bank to play a greater role in assisting developing nations. Traditionally a source of funds for countries in times of trouble, the IMF needs to establish a greater role as a provider of credit to ease developing countries' adjustments to higher energy costs.

"It is unreasonable for us to think and undesirable for us to hope that most developing countries will reduce their foreign debt," he said. "It should continue to grow as countries go through their development and industrialization process and only then will it become a smaller percentage of their GNPs. Major industrial nations, including the U. S., have gone through this process. It is the means by which nations develop.

"In the shorter term, however, we should be concerned about the ability of LDCs to service their debt, the nature and structure of their debt and the level of their international reserves. In this respect, most banks have developed formal systems and sound experience over the years to prudently guide the management of their international loan portfolios to LDCs," Mr. Anderson said.

"Furthermore, those who would criticize banks for their loans to countries have failed to look closely at what actual debt is, and I believe most have vastly overestimated the risk," he said.

Yuska, Jones Get Top Posts In Foreign Exchange Group

Joseph A. Yuska, second vice president and chief foreign exchange dealer, Continental Bank, Chicago, has been elected president, Midwest Chapter, Foreign Exchange Association of North America. William K. Jones, assistant vice president, international department, First National, St. Louis, is the group's new vice president.

Two of the newly elected executive committee members are located in the Mid-Continent area, and both are from Chicago: Robert Goetter, assistant vice president, international money management division, Harris Bank; and Maurice LaFrance, Credit Lyonnais.

Internat'l Sales/Mkt. Group Elects Mobile Banker RVP

MOBILE, ALA.—Richard M. Pennington Jr., senior vice president, First National, has been elected regional vice president, Sales and Marketing Executives-International. This is a professional society of 22,000 persons in 49 nations.

Mr. Pennington will supervise activities in the southern region of the U. S. and will serve on the group's executive committee. He is a past president and a member, Sales and Marketing Executives of Mobile, an affiliate of the international group.

Mr. Pennington also is vice president/marketing, First Bancgroup-Alabama, a Mobile-headquartered bank HC, of which First of Mobile is an affiliate.

Bank Donates Azaleas

HOUSTON—Southern National has continued its city-beautification program by donating 130 azaleas to the city. The flora were planted along Houston's Memorial Drive.

In 1974, the bank donated five large oak trees to the city, which planted them on Allen Parkway.

Guide for International Loan Policy Published by RMA, BAFT Organizations

A MONOGRAPH intended to help a bank put its international lending policy in writing has been published jointly by Robert Morris Associates (RMA) and Bankers' Association for Foreign Trade (BAFT).

The two organizations have long supported the concept of banks' committing their lending policies to writing. For the past year, the associations have been compiling a booklet entitled, "Preparing a Bank's Written International Lending Policy."

An RMA spokesman said, "Every business has objectives and accepted procedures in pursuing them. It just makes sense for its management to set to writing as many of these guidelines as possible. It's the best way to eliminate confusion and to ensure that all personnel are following the same course."

A spokesman for BAFT said, "Levels of international exposure have grown to the point where careful control is required to avoid excessive risk. The benefits of a written international lending policy guide are numerous. Among some of the more obvious considerations are those involved in establishing policies governing lending terms, pricing and those questions arising in connection with interbank credits, including foreign exchange lines and deposit placements."

The 48-page booklet provides an examination of the risks and demands of multinational banking. It discusses strategy and tactics for banks to consider in drafting their individual lending policies.

The contents include an outline and explanation of the elements that a written policy statement should cover, such as: lending authorities, evaluation of risks, approval procedures, administration of problem credits, selection of priority lending areas, country exposure limits, pricing and loan syndications.

In an appendix, the booklet contains a sample loan policy of a major regional bank.

Copies are available for $6 each from the RMA Order Department, 1432 Philadelphia National Bank Building, Philadelphia, PA 19107. • •

NATIONAL DETROIT CORPORATION

Parent Company of
NATIONAL BANK OF DETROIT
June 30, 1977

CONSOLIDATED BALANCE SHEET (dollars in thousands)

ASSETS

Cash and Due from Banks (including Foreign Office Time Deposits of $824,061)		$2,055,531
Money Market Investments:		
Federal Funds Sold		763,500
Other Investments		230,366
		993,866
Trading Account Securities—At Lower of Cost or Market		10,361
Investment Securities—At Amortized Cost:		
U.S. Treasury		644,197
States and Political Subdivisions		808,711
Federal Agencies and Other		39,860
		1,492,768
Loans:		
Commercial		1,917,320
Real Estate Mortgage		759,945
Consumer		296,066
Foreign Office		431,148
		3,404,479
Less Reserve for Possible Loan Losses		51,762
		3,352,717
Bank Premises and Equipment (at cost less accumulated depreciation of $45,027)		65,484
Other Assets		173,982
Total Assets		$8,144,709

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits:		
Demand		$1,972,679
Certified and Other Official Checks		392,682
Individual Savings		1,481,513
Individual Time		845,234
Certificates of Deposits		433,634
Other Savings and Time		171,459
Foreign Office		1,035,299
		6,332,500
Other Liabilities:		
Short-Term Funds Borrowed	$1,017,855	
Capital Notes	95,304	
Sundry Liabilities	215,810	1,328,969
Total Liabilities		7,661,469
Shareholders' Equity:		
Preferred Stock—No Par Value	—	
No. of Shares		
Authorized 1,000,000		
Issued —		
Common Stock—Par Value $6.25	75,953	
No. of Shares		
Authorized 20,000,000		
Issued 12,152,465		
Capital Surplus	178,743	
Retained Earnings	230,861	
Less: Treasury Stock—102,808 Common Shares, at cost	(2,317)	483,240
Total Liabilities and Shareholders' Equity		$8,144,709

Assets carried at approximately $384,000,000 (including U.S. Treasury Securities carried at $46,000,000) were pledged at June 30, 1977, to secure public deposits (including deposits of $86,919,681 of the Treasurer, State of Michigan) and for other purposes required by law.

Outstanding standby letters of credit at June 30, 1977, totaled approximately $15,600,000.

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Pricing, Funds Management Critical Issues As Nationwide NOW Accounts Anticipated

ABA workshops present track records of New England banks

By JIM FABIAN
Associate Editor

BANKS CAN LIVE with interest-bearing transaction accounts provided they can get on top of pricing and funds management issues.

This is the word that was given to more than 500 Mid-Continent area bankers attending the third of four workshops on NOW account operations sponsored by ABA.

The tone of the meeting gave the assumption that such accounts are inevitable despite the fact that enabling legislation in Congress is tentative at best.

Three New England bankers presented the experiences of their institutions in coping with the NOW situation. Their track records indicate that commercial banks can expect to lose many accounts to competitors, assuming the competitors can offer higher interest rates; yet commercial banks can expect to garner the lion's share of NOW account balances.

In other words, if bankers play their NOW-account cards correctly, they can weed out low-balance, low-profit accounts and retain high-balance, high-profit accounts.

Principal participants during the morning session were Edward E. Furash, senior vice president, Shawmut Corp., Boston; Peter L. Hood, senior vice president, Industrial National, Providence, R. I.; and Stephen J. St. Clair, assistant vice president, Hartford (Conn.) National.

Mr. Furash, who was also workshop moderator, stressed the fact that the people of New England like NOW accounts. And, he added, there is no doubt among the citizens of the six New England states where NOWs are authorized that the accounts are "simply interest-bearing checking accounts."

He traced the history of the controversial accounts from their introduction in 1972 and told how banks fought tooth-and-nail to discourage the public from opening such accounts. However, he added, when the accounts were made available to commercial banks, the banks reacted with a variety of responses, many of which tended to confuse the public.

This confusion made consumers slow to react, resulting in many customers doing nothing. Hence, there was no pell-mell rush into NOWs in most instances.

Mr. Furash said that NOWs will be the dominant financial product by the end of this year and banks had better get their acts together regarding plans to offer the accounts. The ABA prefers to call them "interest-bearing transaction accounts."

Factors to be taken into consideration when offering NOWs, he said, include advertising, consumer understanding and pricing.

Fielding questions during luncheon session at ABA Interest-Bearing Transaction Accounts Workshop in Chicago were (from l.) Peter L. Hood, s.v.p., Industrial Nat'l, Providence, R. I.; Edward E. Furash, s.v.p., Shawmut Corp., Boston; and Stephen J. St. Clair, a.v.p., Hartford (Conn.) Nat'l. More than 500 Mid-Continent area bankers attended meeting, third of series of four held throughout U. S.

He stated that the following policy assumptions were made by Shawmut when it was preparing to enter the NOW market:

- The free checking experience had made the quest for market share unprofitable. Thus, the bank was willing to lose some customers—those maintaining unprofitable accounts.
- A bank's marketing efforts tend to affect its own customers first, not just prospective customers. Thus the bank adopted pricing policies designed to force unprofitable accounts to leave. The new policy: "Each customer group must pay its own way."
- A bank should emphasize its service, the value of its services and its name. The latter should be treated as reverently as a brand name is by a prestigious manufacturer.
- A bank should realize that it doesn't have to be all things to all customers. Thus, it can eliminate subsidies, such as free checking, with no regrets.
- It's easier to lower prices than to raise them. NOWs gave the bank an opportunity to reprice its services so that none were unprofitable.
- A Bank should strive to "do its own thing," despite its competition.

The result for Shawmut was an increase in total deposits and a decrease in total accounts, Mr. Furash said.

In the area of planning, Mr. Furash said there is no substitute for continuous monitoring of consumer attitudes. A banker must know what his customers think about the bank.

Product cost data is essential when making decisions, he said. Bankers must be consistent when making decisions and they should run profitability analyses across a full-rate cycle in order to achieve consistency.

Banks must get their asset and liability models in place so options can be tested regarding their impact on the bottom line, he continued. This can

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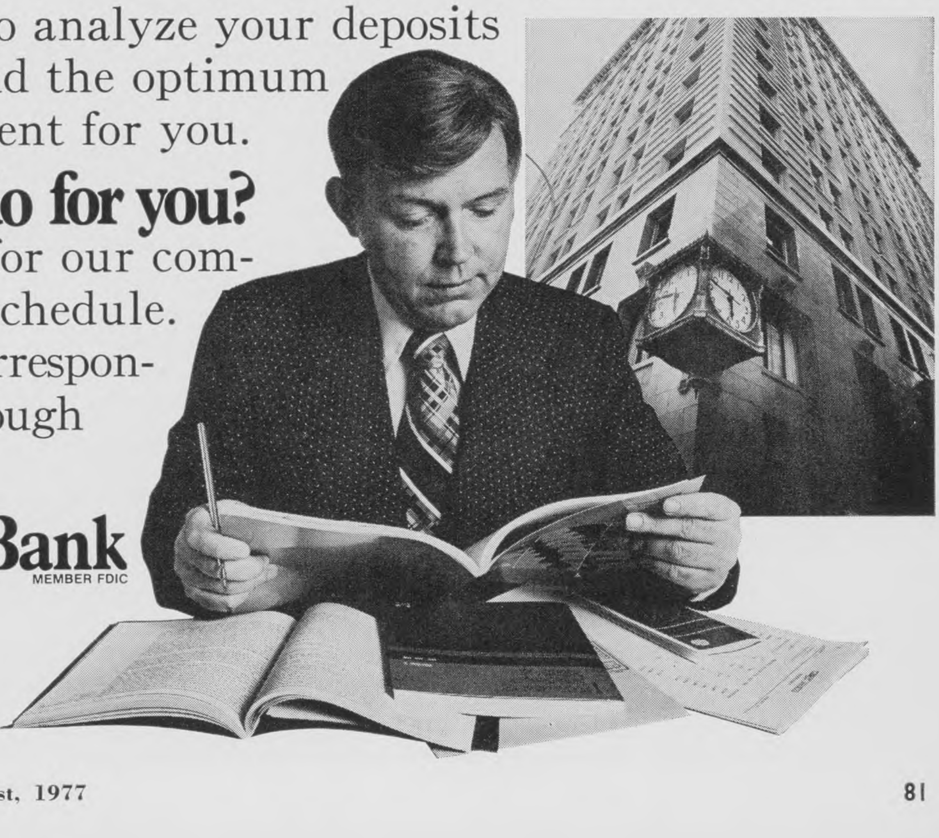

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be the greatest challenge facing bankers.

They must analyze their customer base and segment it for customer usage, he said. NOW accounts force banks to determine what customers they want.

In the strategy area, Mr. Furash advised bankers to refrain from overlooking the obvious; to take their time in promoting NOWs; to sell services for their value, not their commodity factor; and to remember that pricing doesn't always work as expected.

He said pricing differences among institutions in New England resulted in a 50% turnover in the marketplace. NOWs do not provide an opportunity to change a bank's market share, but to change its customer mix, he said.

"Retail banking has become less and less profitable for each of us each year and I think we have got to do something about it," said Mr. Hood. "Banks are watching their fixed costs escalate without receiving an adequate return," he continued.

Electronic banking ventures undertaken by institutions in various parts of the country represent in some cases "huge capital outlays" that somehow must be recouped, he said.

"We must do something different in the retail field or otherwise banks will go broke," he said. "You have an unparalleled opportunity, not only to plan ahead for NOWs, but to benefit directly from others' experience. In effect, New England serves as a test market for you, to the degree you are able to discern markets, plans and profiles which approximate your own situation," he said.

After tracing his bank's record with NOWs, Mr. Hood said the experience taught him that sound decisions must be based on precise market research and analysis and that NOWs can be profitable if handled astutely. One astute policy is to make customers ask for NOWs rather than automatically converting DDAs to NOWs, a move that would be extremely expensive for a large bank.

Also, he said, pricing is the key to profitability and customer balance mix is the key to maximizing profit opportunities. Training of tellers is important to attracting the right balance mix. Tellers can encourage customers with accounts in various banks to consolidate the accounts in your bank, often turning the customer from the status of an unprofitable account to a profitable one.

He said that more than 200 financial institutions offer NOWs in New England. "One or more of these institutions should have a constituency, an operating profile and a philosophy of doing business that approximates your own. If you can identify that institution or that market, you will have an unparalleled opportunity for planning insights. In effect, that institution or market will have conducted a stand-in test for you," he said.

Presenting the legislative picture for nationwide NOWs was Philip C. Meyer, senior associate, Golembe Associates, Inc., Washington, D. C. He said interest-bearing transaction accounts (IBTAs) are the hottest thing in Washington today in the banking arena.

He predicted a showdown on the Carter bill by August 1, assuming that the Senate Banking Committee succeeds in writing a compromise bill that includes the best portions of the various bills already introduced by the various special interest groups, including the Fed, Treasury and ABA. (See box.)

"It will take astute handling to get a good bill through the Senate this year, much less the House," Mr. Meyer said.

Although the NOW-account issue is hot in Washington and among bankers, he said, it isn't very appealing to the nation. Outside of New England, which already has the accounts, the public is ignorant of NOWs. There is little support for legislation.

It boils down to a consumer issue, he said. All legislators will support any bill that helps the consumer. Each legislator seems to be climbing aboard the NOW bandwagon and adding a tidbit of his own to sweeten it.

Mr. Meyer said it is impossible to predict the final form of the bill, although it is expected that the portion authorizing the Fed to pay interest on reserves will not be in the final version, due primarily to the opposition of Senator William Proxmire (D.,Wis.), chairman of the Senate Banking Committee.

Mr. Meyer said the trend is to pay interest on demand deposits, either through the NOW vehicle or some other. "The time has come for an orderly expansion of bank services in this area," he said.

"Congressional inaction will not stop payment of interest on demand deposits, but will further the haphazard practices going on now," said Arthur Burns, Fed chairman, in defense of the Administration bill, which he favors.

Mr. Meyer predicted that share draft authorization will soon be a reality for all federally chartered credit unions. The authority will come by administrative, not legislative, action, he said. If it comes, it will be tested in the courts, and could have an effect on NOW legislation since credit unions would have an unfair advantage. He warned that credit unions are the new "darlings" in Congress, enjoying great accessibility to legislators. • •

NOW Bill Proposed; Vote Set for Aug. 2

A bill authorizing nationwide NOW accounts has been drafted by the staff of the Senate Banking, Housing and Urban Affairs Committee, with the cooperation of the Fed and the Treasury. At press time, the committee was scheduled to begin voting on the bill August 2.

The bill, which would go into effect one year after passage, calls for all institutions to be allowed to pay interest on NOW accounts up to the bank passbook rate, which is 5%. After two years, all financial institutions could pay the 5.25% rate. This would eliminate the interest rate differential now enjoyed by thrifts.

Under the new bill, federal regulators would have no control over interest rates paid on NOWs. The first maximum rate automatically would go to a 5% limit, and then jump to 5.25% at the end of two years.

The bill also proposes a special low reserve requirement for smaller Fed-member banks and would permit the Fed to pay interest on required reserves. These provisions are designed to make Fed membership more attractive, slowing down the rate of banks dropping their Fed memberships.

The reserve requirement on NOW accounts would be the same for all financial institutions regardless of size and type. It would be set by the Fed and could be no lower than 3% and no higher than 12%.

The ABA does not support the bill.

Morgan Guaranty Trust Company

OF NEW YORK

Consolidated statement of condition
June 30, 1977

Assets	*In thousands*
Cash and due from banks	$ 4 423 536
Interest-bearing deposits at banks	4 769 647
U. S. Treasury securities	1 456 545
Obligations of U. S. government agencies	184 258
Obligations of states and political subdivisions	1 279 575
Other investment securities	510 659
Trading account securities, net	1 039 715
Federal funds sold and securities purchased under agreements to resell	419 573
Loans	13 767 333
Real estate	76 003
Total loans and real estate	13 843 336
Less: reserve for possible loan losses	149 944
Net loans and real estate	13 693 392
Premises and equipment, net	124 810
Customers' acceptance liability	814 548
Other assets	734 269
Total assets	$29 450 527
Liabilities	
Demand deposits	$ 7 806 318
Time deposits	2 901 806
Deposits in foreign offices	11 140 204
Total deposits	21 848 328
Federal funds purchased and securities sold under agreements to repurchase	3 201 620
Commercial paper of a subsidiary	108 435
Other liabilities for borrowed money	1 014 643
Accrued taxes and expenses	391 836
Liability on acceptances	816 706
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)	79 055
Mortgage payable	14 313
Other liabilities	313 137
Total liabilities	$27 963 073
Stockholder's equity	
Capital stock, $25 par value (authorized and outstanding: 10,000,000 shares)	$ 250 000
Surplus	518 385
Undivided profits	719 069
Total stockholder's equity	1 487 454
Total liabilities and stockholder's equity	$29 450 527

Assets carried at $2 552 697 000 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, Toronto*

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

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

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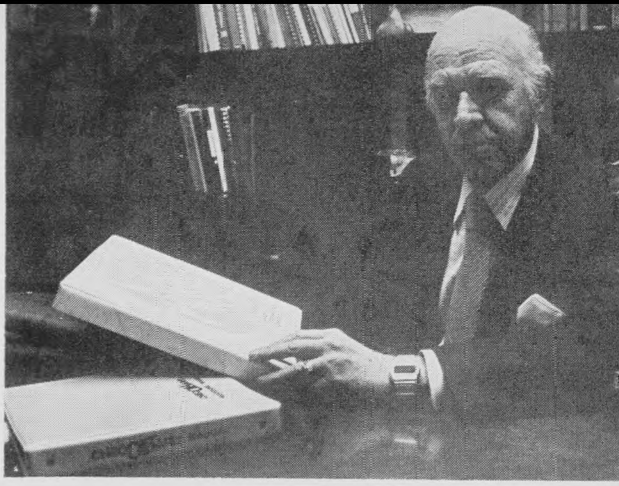
Customer Convenience Is a Major Reason For Offering EFTS



By WILLIS J. WHEAT
Senior Vice President
Marketing
Liberty National Bank
& Trust Co.
Oklahoma City

OUR MARKETING studies showed that the most important reason given by customers who switched banks after moving is convenience. Many people move accounts to banks that are closer to where they live or work or are open during more convenient hours.

These studies were central to our decision to move into providing electronic funds transfer services at Liberty National. Oklahoma is a unit banking state. However, we have personal banking customers who live in a 50-mile radius of our downtown office.

EFTS provides a way for us to do business with people no matter where they live or work within our trade area. Furthermore, in addition to our own operations, our bank, with assets of over $1 billion at the end of 1976, is also correspondent for 386 other financial institutions. We have an obligation to provide these correspondents with services they need to compete effectively.

During our initial state-of-the-art studies regarding EFTS, we decided that the newest generation of automatic teller machines (ATMs) and point-of-service (POS) terminals could provide the convenience that customers want. This became feasible in March, 1976, when the state passed legislation allowing banks to utilize these devices for providing EFTS from remote locations.

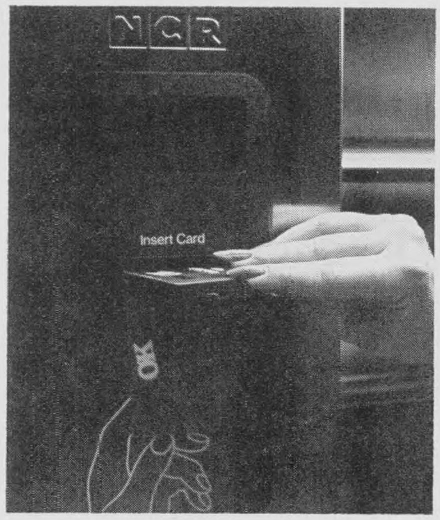
However, we didn't believe that prospective and current customers were just waiting for us to plug in terminals so they could start banking from remote locations. We had a lot of educating to do first.

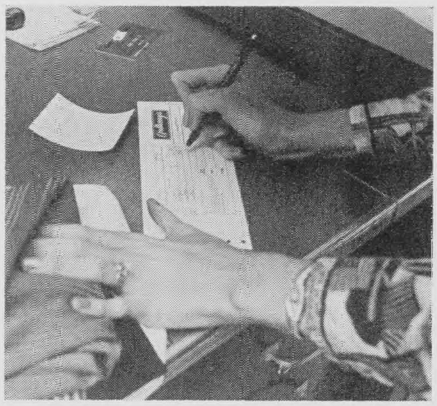
The industry consensus seemed to be that ATMs are the logical first step for a bank getting into EFTS. The feeling is that it is more difficult getting customers used to banking through POS terminals at retail outlets.

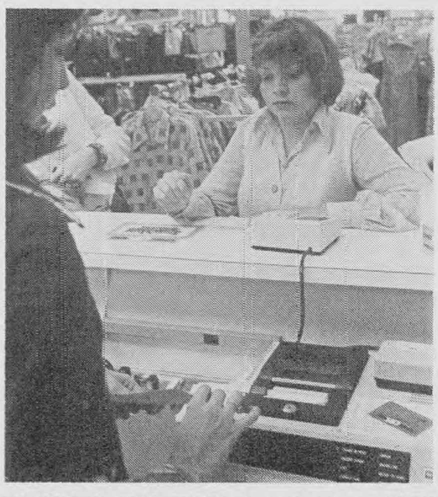
However, there were strong financial reasons for us to question this conventional wisdom. The fact is that it cost between $35,000 and $60,000 to set up an ATM, while a POS terminal can be installed for around $2,000.

We felt this made it well worth our while to educate consumers regarding the connection between plastic cards used for EFTS and the payment process. Our objective was to build the confidence needed for them to use the card for traditional banking from retail outlets.

We had a head start in that most of our current and prospective customers already were accustomed to using plastic cards to pay for everything from travel and entertainment to gasoline purchases and department store shopping. In addition, we had issued our own check-guarantee and verification "checOKard" starting in November, 1975. We started the checOKard program with EFTS in mind, though there was no assurance that the legislature would allow banks in Oklahoma to get







TOP: Willis J. Wheat, s.v.p./marketing, Liberty Nat'l, Oklahoma City, believes availability of EFTS allows banks to provide more convenient service for their customers.

SECOND FROM TOP: Liberty Nat'l of Oklahoma City's checOKard is inserted in slot on NCR 770 ATM to activate machine. If customer is unable to respond with correct code, card is not accepted.

SECOND FROM BOTTOM: Customer can use checOKard to make purchase in same way checkbook is used. Here, clerk fills in form that serves as receipt and accounting document.

BOTTOM: Through arrangement with C. R. Anthony Co., department store chain, Liberty Nat'l of Oklahoma City customers can make deposits and withdrawals at any Anthony store just as though they are at bank. Anthony clerks have been trained and are as highly motivated toward customer service as Liberty Nat'l tellers.

into EFTS.

Merchants expressed a willingness to participate in the check-verification and guarantee program only if it would replace the systems they already had in use. Most had no interest in another system to further complicate their procedures.

This was feasible since 12 Oklahoma City banks, all using the same data processing service, joined us in issuing checOKards. One immediate result was a reduction in bad checks. Oklahoma City has a problem of looming proportions. We had more than 19 bad checks out of each 1,000 processed, compared to only 11 per 1,000 in areas such as New York City. The first impact of checOKard was a reduction of the bad-check ratio.

Four months after the November, 1975, start-up of the checOKard program, the legislature made it possible for us to move into EFTS with ATM and POS terminals.

In May, 1976, we installed the first on-line automatic teller machine in Oklahoma City at the concourse of Liberty National Tower. Our correspondents since have added two other ATMs —one in Oklahoma City and one in Tulsa.

We use NCR 770 self-service financial terminals, which are fully automated and designed for controlled customer processing of a wide range of teller-oriented services.

CHECOKARD T.M.

This logo is used by Liberty Nat'l, Oklahoma City, in connection with its checOKard program, which is described in accompanying article.

The machine has an access door that protects it between uses and an ability to issue a variety of dollar denominations. Other important features include flexibility in transfers to and from savings and checking accounts to loans, credit cards and other accounts. Customers also can check account balances without making transactions.

The NCR 770 is also flexible in its rejection or capture of improperly used cards. The machine checks for stolen, expired or damaged cards and rejects or captures them based on the bank's policy. If an incorrect customer-identification number is entered repeatedly, the card also can be retained.

After we began using these sophisticated ATMs, we began looking for suitable retailers for our POS program. Our surveys soon uncovered a whole spectrum of feelings among merchants.

One common feeling was the "I don't make loans, you don't sell groceries" approach. These merchants did not want to get involved in the program in any way. They felt that serving as a banking center was entirely beyond their area of expertise, and they weren't eager to learn.

Others were amenable to our suggestions, but at a price. If we wanted them to serve as our "branch offices," we would have to lease space and pay them for their time.

Still others looked further ahead and felt that the enormous amount of advertising we would have to do to educate customers would benefit them. If they served as one of our banking centers, we would, in effect, be bringing traffic into their doors.

But we were looking for something more. We wanted the retailers who view EFTS as a means of cutting costs and reducing bad checks. EFTS provides the means for tighter financial management. For example, retailers can take instant cash-position readings at each of their stores at the close of business, so they can move money faster and more efficiently.

The C. R. Anthony Co., a department store chain headquartered in Oklahoma City, met all these requirements. In addition, it's been well known for a long time—providing a high degree of credibility—and has stores in over 100 communities around Oklahoma. Unlike most discount chains, where the customer is on his own, Anthony's sales people are as highly trained and oriented toward service as our own tellers.

In November, 1976, we began using the on-line NCR 279 financial teller terminal at 13 Anthony's stores. The first step was training sales personnel to use them. We held intensive training programs at our offices and followed up with field visits that ensured that the terminals were being used properly.

Anthony's personnel were able to effect EFTS for customer purchases, writing sales slips that served as "checks" issued on customers' accounts, as well as make deposits and withdrawals or transfer funds on behalf of the customer. A security key pad, used by the customer to enter his or her personal code, blocks misuse of the cards. This has worked extremely well.

The NCR 279 terminal features automatic validation of documents both for internal audit and customer receipt, and it has a master journal that provides a chronological listing of all entries and control data by the terminal. On-line responses from the central processor also are recorded.

The terminal also maintains its own accumulating control totals for transactions defining entries and batch totals for releasing items to proof. In short, it allows Anthony personnel to function as one of our own tellers in performing traditional banking transactions within the Anthony's stores.

We have been monitoring the checOKard program closely and frankly were surprised by the high ratio of deposits to withdrawals through the POSs, which runs at about six to one. Obviously, this has validated many of our premises about EFTS. We were not surprised when the heaviest use of the ATM and POS terminals was during evenings, Sundays and holidays.

As a next step, we plan to make these EFTS services available to correspondents. We are encouraging them to issue their own checOKard for use at Anthony's stores in their trade areas.

We don't believe that every correspondent will respond to this opportunity immediately or that they will take advantage of all of our EFTS services. However, we believe that a number of them will find that the extended banking hours and additional locations are an attractive service for many customers. • •

How Banking

(Continued from page 40)

the peanut processor to purchase modern equipment and to design its own techniques to improve the quality of its products in order to keep pace with competition.

Some of the new equipment the company has installed in its test lab is the most modern available in the industry.

"This has helped us improve the quality of our product," said Mr. Ritchie. "We regard the new equipment as a long-term investment and we expect to feel the effects in the way of increased sales as time goes on."

By improving operations within the company, All American Nut is staying up with or ahead of the industry and with the needs of the consumer. Mr. Ritchie said that the concentration on production has also allowed All American Nut to create more jobs.

Mr. Ritchie reports that the company was careful to add equipment that meets EPA standards, since the environment is important to Cerritos and its residents as well as the rest of the country.

Applying the Chamber of Commerce formula in this case shows that the steady employment of the approximately 100 workers at All American Nut will help to support over 97 families (or about 351 people of which 79 are school children). It will also save 68 non-manufacturing jobs.

In addition, the formula dictates that the All American Nut employees will have over $1 million in personal income that year of which $565,000 will be reflected in retail sales and over $490,000 will be deposited in banks.

In both cases, there are taxes to be considered. New industry generates tax revenue, which can substantially reduce a town's tax base, thus lessening the burden on community taxpayers. Lower personal taxes result in an increase in the amount of disposable income for town residents.

Furthermore, when the income and social security taxes paid by employees dependent for their wages on newly created jobs is added to other taxes, such as sales and unemployment, the total tax revenue generated amounts to a substantial sum paid to governmental agencies, which provide services supporting the well-being of an area.

When a commercial finance company, such as Aetna Business Credit, Inc., is instrumental in the creation of a new company or the expansion of an existing company, the activity not only makes more jobs for more people but produces a great many desirable social and economic results and contributes directly to the economic growth of the community. • •

Kentucky Convention Sept. 11-13 To Feature Fed Governor Burns

ARTHUR F. BURNS, chairman of the Fed Board of Governors, will speak at the Kentucky Bankers Association's 83rd annual convention, which will be held September 11-13 at Louisville's Galt House. Governor Burns is scheduled to appear on September 12.


DORTON

ABA Treasurer Roger Lyon, Donald L. Bower, president and CEO, Chevron, U. S. A., San Francisco, and Terry McBrayer, Kentucky commissioner of commerce, are among other convention speakers. Mr. Lyon, president and chief administrative officer, Valley National of Arizona, Phoenix, will appear during the ABA portion of the convention.


JUETT

Registration will begin at 1 p.m. Sunday, September 11, and continue throughout most of the convention.

KBA Officers. Officers of the KBA are: president, O. T. "Trigg" Dorton, president, Citizens National, Paintsville; president-elect, T. A. Juett Jr., president and chairman, Citizens State, Wickliffe, and treasurer, Homer Profitt, president, National Bank of Lancaster.


PROFITT

Mr. Dorton holds a B.S. degree in commerce from the University of Kentucky and is a graduate of the Stonier Graduate School of Banking, Rutgers University, New Brunswick, N. J. He is a past president, Kentucky Chamber of Commerce. His son, Dennis T. Dorton, is cashier, Citizens National.

Mr. Juett also holds a B.S. degree in commerce from the University of Kentucky. He entered banking in 1947, joining Union Bank, Lexington, Ky., as assistant cashier. In 1952, he became cashier at his present bank and, in 1959, moved up to president and chairman. He is a graduate of the KBA School of Banking, University of Kentucky, and the Graduate School of Banking, University of Wisconsin, Madison. Mr. Juett is mayor of Wickliffe.


BURNS

Mr. Profitt joined National Bank of Lancaster in 1967, going from Lincoln County National, Stanford, Ky., where he had been employed four years. He advanced to president of the Lancaster bank in 1974. Mr. Profitt is a graduate of Eastern Kentucky State College and holds a master's degree from there. He also attended the KBA Banking School at the University of Kentucky and is a graduate of the School of Banking of the South, Louisiana State University, Baton Rouge. • •


LYON

Truth-in-Lending Amendments Require Variable Rate Disclosure

The Fed has amended Regulation Z (Truth-in-Lending) to require advance disclosure of any variable rate clause in a credit contract that may result in an increase in the cost of credit to the customer.

The new rule will become effective October 10 and is substantially similar to a proposal issued for public comment last October.

Main requirements of the new rule include disclosure of:

- The fact that the annual percentage rate on the transaction is subject to increase.
- The conditions under which the rate may increase, including identification of any index to which the rate is tied and any limitation on the increase.
- The manner in which an increase may be effected, including an increase in payment amounts, a change in the number of scheduled payments or an increase in the amount due at maturity.
- Numerical examples (in the case of home mortgage transactions only) based on a hypothetical immediate increase of one quarter of a percentage point in the annual percentage rate, effected through a change in the number of scheduled payments, or an increase in the amount of those payments.

The requirement for numerical examples for residential mortgages applies to transactions in which a security interest is taken in real property used or expected to be used as the customer's dwelling and need not be made in transactions primarily for agricultural purposes, the Fed said.

'Roots':

United of Denver Donation Helps Library Buy Film

The Denver Public Library has purchased the hit film "Roots" with funds donated by United Bank. The movie version of Alex Haley's best-selling book was aired on nationwide television last January.

The film has been made available to the public by the library in 12 one-hour segments.

The movie, which reportedly gathered the largest prime-time audience in TV history, concerns the story of Mr. Haley's ancestors beginning with the birth of Kunta Kinte in a West African village in 1750.

As part of the celebration surrounding the purchase of the film, the Denver Public Library held in-person appearances by John Amos, the actor who played the adult Kunta Kinte in "Roots."

Energy Use and Costs Can Be Cut By Following Conservation Plan

By **ALBERT L. BEERMAN**
Alexander Grant & Co., CPAs
Chicago

THE energy crisis got to Americans a few years ago when they had to wait in line, sometimes for an hour at a time, to buy gas for their cars.

Today, we're concerned about energy once again, but for another reason. Today, the energy crunch is felt in the pocketbook and we, who always have been willing to waste a little—or a lot! —of our cheap energy, are suddenly able to see some merit to conserving it.

It is a fact that, for many years, the United States has followed a cheap energy policy but world economics is changing that. The price of energy has escalated dramatically. Natural gas that cost a dollar in 1950 now costs $1.80. Electricity we could buy for a dollar then costs $1.62 now. In some localities, the cost of energy has risen even higher.

There's little doubt that this trend will continue and accelerate. With limited fuel to supply energy (unless we learn to tap the sun's power effectively) and with an ever-increasing demand, the cost of energy will continue to go up. It can pose real problems for banks, large or small.

The effect will be felt in many sectors, of course. One of the most critical will be the impact of higher costs for energy that heats and cools our homes, business establishments and industrial plants. But for all the savings that householders, business and industry can garner through energy conservation, equally important savings may be available to banks, where energy conservation will be a must in years to come. Because, in spite of increasing energy costs, bank profit margins tend to be inflexible.

Still, these are areas in which banks can achieve meaningful savings, because energy costs, like other costs, can be managed. The requirement simply is to initiate an energy-management program with these basic parts:

- A plan with responsibility for performance.
- A system for monitoring and evaluating the results.
- Feedback to make sure the savings are maintained.

Each part is vital to the success of an energy-management program. Fortunately, each part also yields quite readily to common sense.

The first is mostly an engineering problem, but a wealth of not too technical advice on energy conservation is available. ("Energy Conservation Program Guide for Industry and Commerce," U. S. Department of Commerce, National Bureau of Standards, Washington, DC 20234. "Energy Conservation in the Food System: A Publications List," Federal Energy Administration, Washington, DC 20461.)

The second focuses on accounting and controls, where we CPAs have proved to be capable. To be meaningful, of course, the accounting must provide insight into results and proof of performance.

The third is administrative—and vital, because without feedback and prompting from the executive level, old habits inevitably will creep in again to send costs up once more.

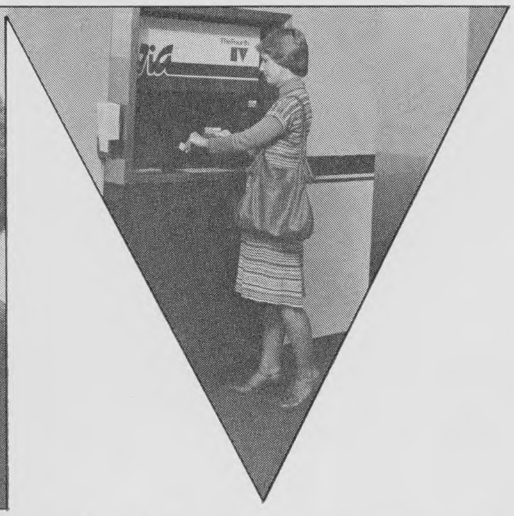
In many respects, the engineering aspects of energy control are less complex than they may seem at first glance.

Most modern bank buildings, of course, were not built for energy conservation. Economies in heating or cooling are not achieved in a setting of soaring ceilings, marble counters and walls of windows—no matter how firmly reinforced! Older masonry structures are more satisfactory than those in which steel and glass let heat escape in winter and overheat in summer.

Still, it takes little more than imaginative interior design to reduce the effects of such problems. Newer build-

Albert L. Beerman is a partner in and nat'l director of practice development for Alexander Grant & Co., CPAs. He received a degree in business administration-economics from Rice University, Houston, in 1956, when he joined Arthur Young & Co. as a staff accountant. He received his CPA certificate in Texas the same year. In 1957, he went to Farb, Miller & Co., which became Farb, Miller & Beerman in 1958 and was merged with Alexander Grant & Co. in 1968.

There's a lot going on in the neighborhood.



In the last quarter, we've all made a lot of progress helping the Kansas and Wichita economy grow. And The Fourth is proud to be part of it.

We're particularly pleased with the increased usage of Via, the cash card. The 24-hour banking convenience it provides has helped make our system the ninth largest in the nation.

Another noteworthy and important change occurred with the introduction of the Kansas BankCard Center. It is the only facility in the state which provides total "home town" service for both Master Charge and Visa, the new BankAmericard.

And we've played an important part in all the new homes and new cars you've been seeing with a substantial increase in consumer loans. In all, loan volume was up over 21% in the last year.

Take a close look around our neighborhood. The era of modern banking for Kansas has just begun.

Statement of Condition...June 30

	1977	1976
ASSETS		
Cash and due from banks	$ 91,741,000	$ 87,148,000
Investment securities:		
U.S. Government obligations	11,498,000	11,496,000
Federal agency securities	6,997,000	10,000,000
Obligations of states and political subdivisions	53,647,000	53,018,000
Trading account and other securities	8,755,000	28,872,000
Federal funds sold	20,300,000	15,300,000
Securities purchased under agreements to resell	30,480,000	16,500,000
Loans	**284,497,000**	234,773,000
Bank premises and equipment	25,964,000	26,800,000
Other assets	5,844,000	6,434,000
	$539,723,000	$490,341,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand	$219,313,000	$198,221,000
Time	212,153,000	173,432,000
Total deposits	**431,466,000**	371,653,000
Federal funds purchased	24,625,000	27,350,000
Securities sold under agreements to repurchase	24,884,000	36,475,000
Other liabilities	6,077,000	4,901,000
Capital note	10,000,000	10,000,000
Total liabilities	497,052,000	450,379,000
Stockholders' equity	42,671,000	39,962,000
	$539,723,000	$490,341,000

A neighborhood bank as big as Kansas itself.

TheFourth

Fourth National Bank & Trust Company, Wichita, Kansas 67202

Member FDIC

ings may make use of still more advanced techniques, recapturing heat from sunnyside windows and from lighting fixtures or utilizing exhaust heat to make steam or for snow and ice removal from walks, driveways and parking lots.

Yet, even where sophisticated systems are in effect to preheat and precool air and water, additional savings can be generated by an enterprising energy-conservation program.

For example, cooling systems for banks may be shut down during the late afternoon without noticeable discomfort since they have little evening occupancy. (Engineers can demonstrate that, while internal temperatures may rise in summer until 11 p.m., they will peak around midnight and drift downward after that, because of the cooler night air outside. No extra energy will be required to establish comfortably cool temperatures in the morning.)

It also pays to consider the amount of cooling needed. Setting the thermostat at 78 degrees rather than 75 degrees may achieve substantial savings with only moderate discomfort to customers or employees.

The same case can be made for heating. Often, it's effective to lower the desired temperature during the afternoon, even when it may not be possible to shut down the heating system entirely overnight.

Substantial savings can be made in periods of little or no use: weekends or holidays, for example.

When data-processing is done in off-hour periods, it may be well to consider spot or area heating or cooling for the department, segregating it from the bank as a whole. When several off-hour functions are involved, it may be possible to combine them for additional savings; heating or cooling one part of a building is less expensive than heating or cooling several parts.

Many other techniques can aid in the performance part of an energy management program:

- Reduce lighting in hallways, stairwells and closets to the lowest *safe* level and turn off electric typewriters and other business machines when not in use.
- Turn down the hot water thermostat and make sure no faucets are leaking. (One drop per second amounts to 2,500 gallons per year—a costly reservoir, especially if it's been heated.)
- Installation of timers will automatically adjust heating and air-conditioning for off-peak periods and control light switches in little-used areas.
- Automatic door-closers may be installed to save both heat and cool air.

• Recovery of heat from exhaust air to preheat incoming air effects good savings.

• Reduction of elevator and escalator services during non-peak hours will cut costs; so will reducing light levels in elevators.

• Maintaining pilot lights can waste energy. They may be turned off entirely, for manual operation, or replaced with electric spark devices.

• Lower the lighting fixtures in high-ceiling areas, and reduce exterior illumination of buildings and grounds to the minimum safe level.

While all these techniques—and others—can help reduce costs, none will provide an effective, lasting solution unless it's coupled with careful monitoring.

Keeping a careful record of costs will help avert the usual tendency to relax efforts and let costs creep back upward. A good, simple monitoring system would involve these procedures:

• Collect utility bills for each meter station for the past year; gas, electric and other fuel should be included.

• Use the detail available; post to record the energy used both in units (MCS, KWH, etc.) and in dollars—according to the billing period, which may or may not be a calendar month.

• Study the cost patterns to distinguish areas where the greatest costs seem to be present.

• After developing and putting into operation the energy-management program, continue to obtain and post the data and establish a regular schedule for comparison.

• The person designated to collect the data should produce consolidated statistics and make regular reports on results.

It may be worthwhile to spot-check both the use of given areas and the cost of heating or cooling those areas for test periods throughout a day or week. It's possible to arrive at cost per circuit, of course, and this intensive focus may offer useful lessons for further conservation.

Given the correct engineering, careful monitoring of energy costs in a bank building is sure to show savings after a conservation program goes into effect.

Feedback is the final, essential element in maintaining those savings. Without continuing attention, the old practices are bound to take over once again, and costs will creep up to previous levels.

The program won't work unless employees and management know it works. So there must be periodic comparisons—of energy and of costs—for every segment of the bank that is affected—and they must be given the widest possible airing. Only in this way will the bank actually enjoy the long-term savings possible through energy conservation. • •

Market Day Set for Sept. 7 By First Midwest Affiliates

ST. JOSEPH, MO.—The 21st annual Market Day, cosponsored by First Stock Yards and First National banks, affiliates of First Midwest Bancorp., will be held September 7.

Registration will begin at 9 a.m. in the lobby of First Stock Yards Bank and will be followed by a tour of the Steven Hat Manufacturing Co. A luncheon will follow at the Hoof and Horn Steakhouse and will feature a report on the current day's market.

The afternoon program will begin at 2 at the St. Joseph Country Club. Principal speaker will be J. Marvin Garner, executive vice president, National Pork Producers Council, Des Moines. His topic: "This Little Piggy Went to Market." Following the speaker, a panel will present the current and future trends in livestock and grain marketing.

The traditional social hour and steak dinner will conclude the event.

R. M. Klingler Elected V.P., Central Bancorp., Cincinnati

CINCINNATI—Robert M. Klingler has been elected vice president, Central Bancorp., Inc. He will head the HC's marketing and EFTS programs.

Mr. Klingler joined the HC's anchor bank, Central Trust, Cincinnati, in 1965. He was elected assistant cashier one year later, assistant vice president in 1968 and vice president in 1971. He currently heads the bank's marketing and electronic banking division.

New Credit Assn. Officers

Three bankers have been elected to posts in the Retail Credit Association of Greater Kansas City. They are: president, Robert W. Chenoweth, vice president and assistant to the president, Commercial National, Kansas City, Kan.; first vice president, W. M. Dull Jr., vice president, First National, Independence; and second vice president, Ralph Little, assistant vice president, Commerce Bank, Kansas City.

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• **So Your Husband Is a Bank Director.** 2 pages. Outlines for the bank director's wife the "sensitive" nature of her husband's directorship. Stresses the confidential nature of the banking business; discourages bridge-table gossip! **No. 115, 3 copies for $1.**

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• **Capital Adequacy.** 4 pages. When does a bank have enough capital? Should a bank resist supervisory pressure to increase capital? Should a committee of board members keep abreast of capital requirements for their bank? These and other questions discussed. **No. 117, 3 copies for $1.**

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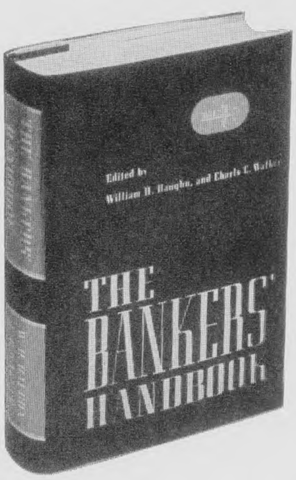

• **Bank Audits and Examinations.** This study, written in non-technical language, is designed to be helpful (1) to an independent accountant engaged to conduct an opinion audit, (2) to an internal bank auditor who wishes to make his work more effective and (3) to a *bank director* who wishes to compare procedures followed by his bank with the modern methods outlined. **No. 121, $32.**

• **What Every Bank Director Should Know About Bank Counsel.** A pithy discussion of the advantages and disadvantages of a bank maintaining full-time counsel, and whether that counsel should be an elected director. The counsel-director relationship is also covered—a vital relationship in these days of complicated legal maneuvering. **No. 129, 3 copies for $1.**

• **Management Policies for Commercial Banks.** 2nd edition by Howard D. Crosse and George H. Hempel. Substantially revised edition dealing with major policies of liability and asset management in banks. Includes examples of major policies and the relationship of policy makers and the issuing of policy. Examines lending practices, personnel, marketing management and portfolio management and capital structure. **No. 131, $16.95.**

THREE NEW STUDIES

• **Risk Management for Bank Directors.** An outline of what bank directors should know about risk management in order to adequately protect their bank and themselves in light of their position of fiduciary trust. **No. 140, 3 copies for $1.**

• **Bank Ethics and the Board.** A hypothetical case study called "The Watergate Bank," which outlines various unethical practices engaged in by a "fictitious" management. Problems are presented; questions asked; and potential solutions offered. **No. 141, 1 copy for $1.**

• **What Every Director Should Know About Employee-Stock Ownership Plans (ESOPs).** Ever since the Employee Retirement Security Act (ERISA) became law in 1974, a tremendous amount of publicity has been given to pensions, particularly the use of ESOPS. What is an ESOP? Is it for your bank? This study poses some questions and answers. **No. 142, 1 copy for $1.**

• **Management Succession.** 8-page study. This has been termed the number one problem in banking. Directors have the legal duty to staff their banks and this publication provides invaluable aids to assist directors in this area. Includes a comprehensive *checklist* for management development. **No. 133, $1.**

• **Bank Stock Prices.** How the price range of a bank's stock should be determined is discussed in this four-page study. The pros and cons of high and low stock prices are examined so directors can determine where to set the price of their bank's stock. **No. 134, 3 copies for $1.**

• **What Every Bank Director Should Know About Public Relations.** A veteran journalist and PR man describes what PR is and how a message can be relayed to the public: how the good works of your bank can be publicized. Includes an example of a deposit-building program that worked; also describes how the bank's personnel were "sold" on the program, thus insuring its effectiveness. **No. 135, 3 copies for $1.**

• **What Every Director Should Know About Personnel Management.** One important aspect: evaluation of employment policy . . . the director should understand this. Also, each bank should have a recruitment policy and a general policy with respect to the role of fringe benefits. **No. 139, 3 copies for $1.**

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The manual also is helpful in updating annual shareholders' meetings at a time when stockholders are becoming more insistent on receiving meaningful information at annual meetings and in annual reports. **No. 102, $7.75 each.**

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• **Deferred Compensation Plan for Directors.** Explanation of an important IRS Ruling that will allow your directors to collect directors fees after retirement, thus offering substantial tax savings. **No. 108, 3 copies for $1.**

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• **Planning The Board Meeting** (Revised edition). This 64-page booklet provides some workable agenda, suggestions for advance planning and also lists type of reports a board should receive monthly and periodically. It emphasizes the need for informing the board as *quickly* and *concisely* as possible. An excellent supplement to plans your bank already has. **No. 111, $4.50 per copy.**

• **Policy Statement for Equal Employment Opportunity.** 4-page study, contains suggested Equal Opportunity Program aimed at preserving a bank's eligibility to serve as federal depository. **No. 112, 3 copies for $1.**

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NEWS
From the Mid-Continent Area

Alabama

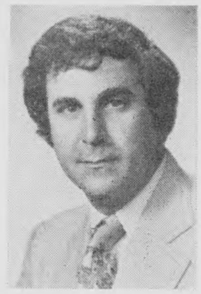
■ FIRST NATIONAL, Mobile, has opened the permanent offices of its Mount Vernon Branch at the intersection of Military Road and Highway 43. The building's exterior is of white marble chip stucco. The office features two drive-up windows, night deposit and safe deposit boxes. The bank's lobby is decorated in shades of rust and beige and accented in blue. A conference room is available for community use. Stephen E. Pollman, branch officer, is the branch's manager, while Harry McMullen is acting assistant manager.

■ MAURICE R. COX has joined Alabama Bancorp., Birmingham, as vice president and national division manager. He also has been named vice president of the HC's lead bank, First National, Birmingham. In his HC post, Mr. Cox will have calling and credit responsibility for national companies and correspondent banks outside Alabama and will be responsible for contacts with prospective customers. He formerly served Arizona Bank, Phoenix. In other news at First of Birmingham, Lynette Guin has been named vice president, international department, while Nell Bryant has been elected assistant cashier, personnel department. Byron Chew, vice president-financial affairs, Birmingham-Southern College, has been named to the bank's western area advisory board and William W. McTyeire III, vice chairman in charge of sales and marketing, Birmingham Ornamental Iron Co., has been named to First National's northeast area advisory board.

■ GROUND has been broken for the new office of First Colbert National, Sheffield. Located at the intersection of Jackson Highway, Second Street and Cox Boulevard, the $200,000 structure will feature six drive-up lanes and extended banking hours.

■ DON GIARDINA has been named sales engineer, LeFebure Corp., Cedar Rapids, Ia. He is associated with the firm's Atlanta branch and concentrates on the Birmingham, Gadsden and Huntsville market area. He is a sales specialist in the institutional-market field.


JOHNSTON


GIARDINA

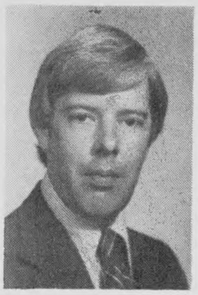
Ken Lott Honored


Ken Lott (r.), pres., Merchants Nat'l, Mobile, has been named distinguished alumnus of the School of Business, Auburn University. He is shown with the school's dean, George R. Horton. Mr. Lott, a past president of Auburn's national alumni association, is only the fifth person to receive the award. It was presented to him during Honors Day ceremonies.

Arkansas

■ DR. GAITHER C. JOHNSTON JR., Hot Springs, has been elected a director of Arkansas Bank, Hot Springs. He is vice chief of staff, St. Joseph's Hospital, Hot Springs. Also elected to to the bank's board was C. Everett Fulgham, banker and businessman. He is a director of First National, Lubbock, Tex., and a former chairman and CEO, Union National, Little Rock.

■ JOE TAYLOR III has been named president and CEO, Fidelity National, West Memphis. He succeeds Wayne W. Pyeatt, who resigned July 1. Mr. Taylor was executive vice president. He is a past president, Junior Bankers Section, Arkansas Bankers Association. Mr. Pyeatt joined Fidelity National in Au-


STEVES


ESTES


LIGNOUL


WASHBURN


HELLMICH


FIX

gust, 1976, as chairman and president, coming from National Bank of Commerce, Memphis, where he also was chairman and president. He continues as a Fidelity National shareholder.

■ WILLIAM E. ESTES has been named senior vice president, Commercial National, Little Rock, while Thomas E. Steves has been elected president, Consumer Services, Inc., and senior vice president and division manager at the bank. Consumer Services is a wholly owned subsidiary of the bank. Mr. Estes is trust department manager and went to the bank in 1976 from a bank in Memphis. Mr. Steves has been with Commercial National 16 years and has had primary responsibilities in the marketing and public relations area. He is a former president, Greater Little Rock Clearing House Association.

Illinois

Hubert 'Lionizes' Mayor

Hubert the Harris lion presents the "key" to Harris Bank of Chicago's new convenience banking facility in Chicago's Board of Trade Building to the city's mayor, Michael Bilandic (2nd from l.), and Warren W. Lebeck (l.), board pres. At r. is Charles M. Bliss, bank pres. The street-level facility, which opened July 12, provides personal banking services, including cashing and issuing checks, drafts and money orders and receiving deposits and loan payments. It also has a 24-hour automated teller machine. It is the second off-premise personal banking facility allowed Harris Bank under Illinois banking laws. The bank's first such facility has been housed in the Harris Operations Center, 311 West Monroe Street, since 1970.

■ RICHARD K. LIGNOUL, former Illinois commissioner of banks and trust companies, has joined Edwardsville National as vice chairman and chairman of the executive committee. Mr. Lignoul joined the state government in 1971 as administrative assistant to then State Treasurer Alan J. Dixon. In June, 1973, former Governor Dan Walker appointed Mr. Lignoul first deputy commissioner of banks. In June, 1974, he moved up to commissioner and held that post until last May 1.

■ PHILIP A. WASHBURN has been elected assistant vice president, Harris Bank, Chicago. A member of the bank's Midwest group, Mr. Washburn is responsible for services to correspondent banks and businesses in an area including Illinois and Missouri. He has been with Harris Bank since 1972.

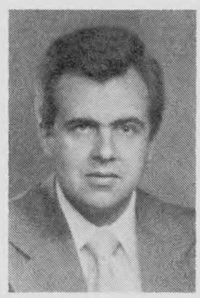
■ ERNEST K. HELLMICH has been named assistant cashier, National Stock Yards National, National City. He is a traveling officer in the correspondent division and calls on banks in Illinois.

■ CENTRAL NATIONAL, Chicago, has announced the following promotions: to senior vice president and executive trust officer—Thomas E. Beck; to senior vice president and manager, international banking group—Denis R. Chevaleau; to senior vice president—Thomas W. Hoagland; and to second vice president and international operations manager—Andrejs Racenis. Mr. Beck joined Central National in 1973; Mr. Cheveleau, in 1974; Mr. Hoagland, in 1964; and Mr. Racenis, in January, 1977.

■ JOHN N. FIX has joined Continental Illinois National, Chicago, as vice president, to head the bank's Illinois financial institutions division, correspondent banking. He goes there from Northern Trust, Chicago, where he had been a vice president in the commercial banking department. Continental Bank also has announced the following promotions: to vice presidents—Terrence M. Overholser, Susan D. Oliver, Frederic K. Sinker Jr., Donn S. Smith, Robert L. Champion Jr., Edward H. Hard Jr., William J. McGirr, Ronald F. O'Connor, Edward L. Harris, Robert D. McKnew, Thomas R. Durham, John G. Nestor, Paul O. Savard, Bruce A. Simons, Robert W. Williamson and John R. Rucker; to second vice presidents—Carol N. Johnson, Challis M. Lowe, William D. Giese, William H. Minihan Jr., Raymond J. Reid and Cornelius A. Twomey.

■ RICHARD C. PETERSEN has been promoted to vice president and bond department head at National Boulevard Bank, Chicago, while Susan M. Ruwitch has been elected assistant vice president, personal bank department.

■ DONALD L. MacNEIL has been named executive vice president, Heritage Bancorp., Inc., Evergreen Park. He joined the HC in 1966 and continues in his positions as director, general counsel and corporate secretary.


MacNEIL

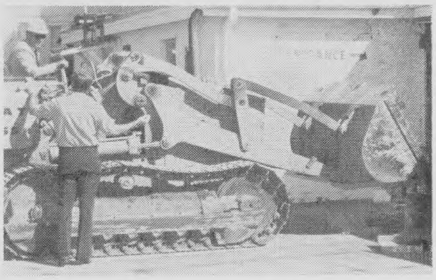

HOAGLAND


CHEVALEAU


BECK


PETERSEN

Gangway!



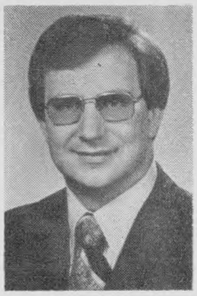
Harry E. Cruncleton, pres., Bank of Belleville, seems anxious to complete his bank's expansion program as he dons a hard hat and operates a bulldozer to demolish a wall of the last standing building on the site. Mr. Cruncleton ran a similar giant Caterpillar as a youth on summer jobs to earn school money. He was a member of Local No. 520. Directing the operation is Jim Hayden of Jim Hayden Construction Co., builder of the new banking complex, which was scheduled to be completed early last month.

Indiana

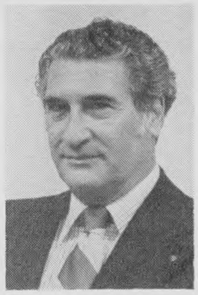
New to Linden

Linden State held the grand opening of its new building early this summer. The 3,900-square-foot structure has an exterior of brick and stone, and the interior is done in brown, beige, orange and yellow tones. There are three private offices, three tellers windows and a loan-area window, two vaults, a storage room and directors room. The bank also has a drive-up window.

■ PEOPLES SAVINGS, Evansville, has promoted Ronald H. Kirsch to cashier, Chuck Becker Sr. and Keith Wright to assistant vice presidents and Terence J. Keil to auditor. Messrs. Kirsch and Becker joined the bank in 1974, Mr. Wright in 1971 and Mr. Keil in 1976.

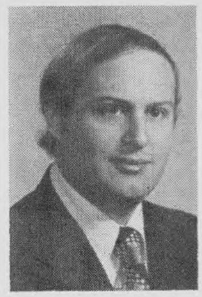


PARRISH



SAM BLASCO

SHEARS



CINNAMON

Kansas

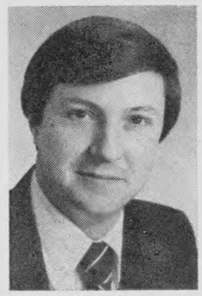
■ SAM BLASCO has been named chairman, Mark Plaza State, Overland Park. He succeeds A. J. (Al) Blasco, who has retired after serving as chairman since the bank opened five years ago. Succeeding Sam Blasco as president is Billy D. Parrish, who is new to the bank. Sam Blasco was formerly in the correspondent department of United Missouri Bank, Kansas City.

■ MRS. NANCY SHEARS has been elected an assistant vice president at First National, Hutchinson. She has responsibilities as marketing and real estate lending officer. Kent Longenecker, formerly responsible for marketing, has assumed new duties in commercial and correspondent banking.

■ COMMERCIAL NATIONAL, Kansas City, has promoted Allan Cinnamon from trust officer to vice president and trust officer, Earl D. Tjaden to trust officer and Shirley A. Mattox to assistant trust operations officer. Mr. Cinnamon joined the trust division in 1975, Mr. Tjaden in 1977 and Miss Mattox in 1970.

■ BOB LIDA has been named director of marketing programs and communications at Fourth National, Wichita. He was formerly vice president of Associated Advertising, which he joined in 1975 following service with Cessna Aircraft Co. In other action, the bank has elected Tom Baggett assistant vice president, trust division; Martha A. Butler operations officer, check collections; and Catherine A. Schoenecker operations officer, Kansas BankCard Center.

BLACKBURN



■ STEPHAN P. BLACKBURN, who travels in Kansas for United Missouri Bank, Kansas City, has been promoted from assistant vice president to vice president. He joined the bank in 1973.

Died: Gordon W. Lindley, 82, former state bank examiner and assistant commissioner, Kansas State Banking Commission, Topeka.

Kentucky

■ CITIZENS FIDELITY, Louisville, has named Charles F. Wood III a vice president and raised Milton L. Schroerlucke and Ethel Bromley to assistant cashiers. Michael P. Currier, assistant vice president and director of corporate communications, has resigned to join a group of family owned radio stations in Maine. He is succeeded by Jane A. Pickering, who has been named assistant director of corporate communications. She is new to the bank.

■ MICHAEL E. WILLIAMSON has been named loan officer at Fort Knox National. He joined the bank in March and has been undergoing officer training.

First of Louisville Raises 3

First National, Louisville, has made promotions in its regional banking department. From l.: Robert G. Dorris and Ballard W. Cassady were named associate regional banking officers and Marie A. Cooper was named regional banking officer.

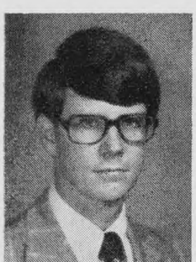
Louisiana

■ BANK OF NEW ORLEANS has elevated Mrs. Althea Cuccio and James Rooney to assistant vice presidents and named the following to assistant cashiers: Gregg Burmaster, Mrs. Earlene Carman, Mrs. Gloria Rowell, Otis Durel, Mrs. Betty Lala, William Ryan and Mrs. Linda Salvage.

■ FIRST NATIONAL BANK OF COMMERCE, New Orleans, has promoted John A. Fields and Pierce W. Hance to vice presidents and William S. Culver Jr., Pamela R. Delamore, Linda Cook Earle and Karl D. Zollinger to assistant vice presidents. Hermann K. Gelpi, William B. Wisdom Jr. and E. L. Lowder have been elected to the board of First Commerce Corp., the bank's HC.

Mississippi

■ DEPOSIT GUARANTY NATIONAL, Jackson, has promoted M. Hunter Cade Jr. and W. Stanley Pratt to vice presidents and named James H. Jackson and Joseph Lee McCarty Jr. assistant vice presidents. Messrs. Cade and Pratt joined the bank in 1973. Mr. Jackson has been with the bank since 1967 and Mr. McCarty joined the bank in 1971.



PRATT

CADE

■ CHARLES H. JOHNSON has been elected to the advisory board of Hancock Bank, Gulfport. He succeeds the late W. Ray Gordon. Mr. Johnson is in the general contracting business in Waveland.

Jackson AIB Officers

These are the new officers of the Jackson AIB Chapter. L. to r., they are: sec., Ellen Beckham, Deposit Guaranty Nat'l; pres., Beal Everett, a.v.p., Mississippi Bank; v.p., Jimmie Ishee, First Nat'l; and treas., Joyce Henderson, Deposit Guaranty Nat'l.

Missouri

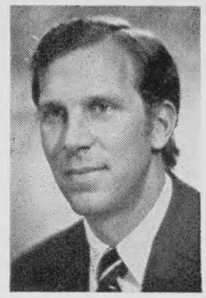
■ W. RAY CLUBB has joined Bank of Marquand as cashier and CEO, going from Bollinger County Bank, Lutesville, where he was vice president and loan officer for the past nine years. Controlling interest in Bank of Marquand was purchased by Curtiss Anderson and Pauline E. Clubb. Mr. Anderson was elected its president, and Mrs. Clubb was named executive vice president. Mr. Anderson continues as president and Mrs. Clubb as executive vice president and cashier, Bollinger County Bank.

■ DON REYNOLDS has been elected president, Salisbury Savings. He was formerly vice president, Commerce Bank, Kirksville.

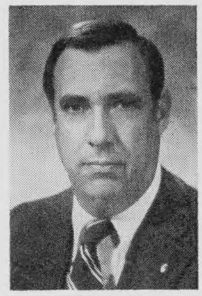
Barret Heddens Jr. Dies

Barret S. Heddens Jr., 52, died at his home June 23, an apparent suicide. Mr. Heddens was ch. & CEO, First Nat'l Charter Corp., and ch., First Nat'l Bank, both of Kansas City. He left a note indicating he was suffering from unbearable pain in his back and neck. He had undergone surgery several times in recent years. Mr. Heddens entered banking in 1949, joined First Nat'l in 1952 and became pres. in 1961. He was named CEO in 1969 and ch. in 1971. He was the founding ch. of the multibank HC when it was formed in 1968 and had continued to serve as its ch. & CEO. Mr. Heddens' late father also had been an officer of First Nat'l.

FOX



CULVER



BETZ

RATHGEB

■ FIRST NATIONAL, St. Louis, has named Charles S. Betz, vice president, head of an expanded correspondent banking department. Mr. Betz will continue to report to David M. Culver, vice president, head of the regional banking division. Glen M. Kayser and R. Quinn Fox have joined the correspondent department as assistant vice presidents. Mr. Fox recently joined the bank, going from the St. Louis Fed. Richard M. Rathgeb has assumed new duties as vice president, First Union Bancorp., parent of First National, where he will serve as assistant manager, affiliate administration. David A. Dierks has been named head of the national accounts department. Dr. Rachel Balbach and John S. McCarthy have joined the bank as assistant vice presidents. Dr. Balbach also goes from the St. Louis Fed and Mr. McCarthy was formerly with Cass Bank, St. Louis.

■ MRS. BARBARA J. LAMMERT has been promoted to executive assistant, a newly established position, at Bank of St. Ann. She has been with the bank since 1971 and is an officer of Santa Ana Bancorp., HC controlling Bank of St. Ann.

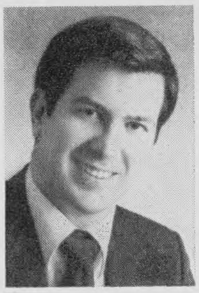
■ ROBERT K. CRUTSINGER, executive vice president, Wetterau, Inc., has been elected to the board of Florissant Bank.

■ COMMERCE BANK, Kansas City, has promoted James D. Steeples and George L. Hiller to assistant vice presidents and named Laura L. Kemper assistant vice president and marketing department director. Paul W. Jensen was elected a commercial banking officer. Mr. Steeples joined the bank in


TOCZYLOWSKI


WELLS


BURCH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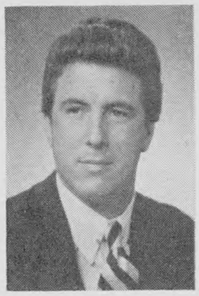
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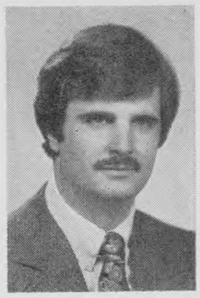

HOFMANN

1973; Mr. Hiller in 1975. Miss Kemper first joined the bank in 1972, but has been an assistant vice president and advertising director for Commerce Bancshares since 1976. Mr. Jensen has been with the bank since 1974.

■ EDGAR M. RATLIFF became president, Butler State, August 1, succeeding W. Darrell Meyer. Mr. Meyer has gone to Thornton National, Nevada, as president. Mr. Ratliff, a banker for 22 years, formerly was executive vice president, Commercial Bank, Lexington.

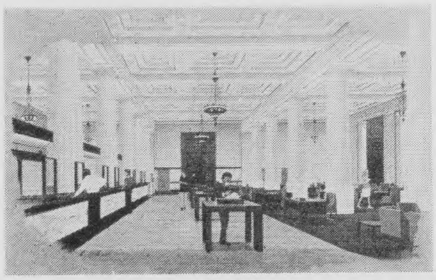
■ BOATMEN'S NATIONAL, St. Louis, has elected Matthew Toczylowski vice president and auditor. He has assumed similar duties with Boatmen's Bancshares, HC controlling the bank. In other action, Allen J. Grieve was promoted to vice president at the bank. He was formerly an assistant vice president and has been with the bank since 1972.

■ UNITED MISSOURI BANK, Kansas City, has named E. L. Burch and Michael T. Fleming, both vice presidents, to head the correspondent and commercial divisions, respectively. Mr. Burch joined the bank in 1965. Mr. Fleming has been with the bank since 1970. Nancy E. Lewter was promoted to assistant vice president, Stephen F. Capron was named assistant comptroller and Billy Ray Smith was promoted to assistant cashier and manager, discount division.

■ GORDON E. WELLS has been named chairman, First National Charter Corp., Kansas City-based HC. He succeeds the late Barret S. Heddens Jr. Mr. Wells was formerly vice chairman of the HC and continues as president, First National, Kansas City, the HC's lead bank. In other action, the HC has elected Earl R. Fell vice president and personnel director. He was formerly with First National, Lincoln, Neb.

■ WILMA DOSENBACH has taken early retirement from St. Louis' Mercantile Trust, where she was assistant cashier, new accounts center. She joined the former Mississippi Valley Trust in 1932 as temporary help. She worked in several positions before being assigned to new accounts in 1967. At one time, Miss Dosenbach headed a special women's department using the name, "Margaret Thompson."

■ FIRST NATIONAL, Kansas City, has begun an extensive remodeling of its main banking lobby. Construction will be undertaken in three phases over a period of several months to minimize inconvenience to customers. The first major remodeling since the bank was built in 1906, the project will include new carpeting, painting, furniture and drapes as well as lighting. The traditional design will be retained but it will be given a more open look. The bank is also replacing parking structures across Baltimore Avenue to the west with self-service surface parking.



Architect's concept of remodeled main lobby of First Nat'l, Kansas City. View is toward main entrance on Tenth Street.

New Mexico

■ FIRST NATIONAL, Albuquerque, has announced plans to build the state's largest full-service motor bank near Coronado Shopping Center. The branch will be called the Coronado Office and will include 12 drive-up lanes and 200 safe deposit boxes. It also will include a 5,600 square-foot office and will cost more than $1 million. The office is expected to open in February, 1978.

Oklahoma

■ FIDELITY BANK, Oklahoma City, has promoted Roy Remmert and Robert P. Hofmann to vice presidents and Vernon Bowen and J. Steven Porter to assistant vice presidents. Mr. Remmert joined the bank in 1975 and Mr. Hofmann is new to the bank. Mr. Bowen has been with Fidelity since 1972 and Mr. Porter since 1975.

■ FOURTH NATIONAL, Tulsa, has named Keith Wiegand and Larry F. Wells vice presidents, David Lamb assistant vice president and Kathryn Freeman assistant cashier and central information officer. Mr. Wiegand joined the bank in 1975, Mr. Wells in 1970, Mr. Lamb in 1976 and Miss Freeman in 1956.

Tennessee

■ JAMES J. CROWLEY has joined Nashville's First American National as senior vice president and group manager, consumer banking group, with responsibility for all consumer lending activities at the bank. He formerly was senior vice president, Central National, Richmond, Va., where his duties were in consumer lending and real estate. In other action at First American National, Cornelia Matthews was made assistant manager, Main Office division; and Cheryl Truitt was appointed manager, discount department. In the latter post, Mrs. Truitt succeeds Mrs. Matthews.

■ THIRD NATIONAL, Nashville, has announced these promotions: from assistant vice president to vice president, John R. Braden Jr.; from commercial officer to assistant vice president, James W. Anderton; from administrative assistants to commercial officers, W. Barry Britton and Ellen R. Kemp; and

P. B. Overfield Dies

P. Bruce Overfield, 52, died recently of an apparent heart attack. He was 1st v.p./retail and services div., Third Nat'l, Nashville. He joined the bank in 1948, was promoted to v.p. in 1967, s.v.p./operations in 1971 and to his last post January 8, 1976. He was a 1963 graduate of the Stonier Graduate School of Banking at Rutgers University, New Brunswick, N. J.

from administrative assistant to operations officer, C. R. Dunford.

■ NATIONAL BANK OF COMMERCE, Jackson, has formed a bank HC called NBC Corp., which owns 100% of the bank's stock and 83% of the stock of First National of Gibson County, Humboldt. The latter bank recently was acquired. Simpson Russell, president of the Jackson bank, is the HC's president and is on the Humboldt bank's board. Serving with him in dual capacities as officers in the HC and NBC of Jackson are Evan Davis, executive vice president, and Gerald E. Milton, vice president-finance and operations. Wallace Kimberlin has been elected president and a director of the Humboldt bank, and Jim Harrell continues as executive vice president and a director. Genie Alsobrook is vice president and cashier at Humboldt, and Eddie Hays has been named vice president and manager of the Humboldt bank's Milan Office.

Texas

■ BILL R. DEREBERY has been promoted to senior vice president, Bank of the Southwest, Houston, where he is manager, international credit and relations department. The bank also advanced William Cumberland Jr. to vice president, energy division, and Kenneth Teusink to vice president, commercial banking division. Southwest Bancshares, HC to which Bank of the Southwest belongs, has elected three new vice presidents: Kenneth Krupski, financial planning and analysis; Michael E. Patrick, loan coordination; and David C. Deyhle, property management.

DEREBERY PATRICK KRUPSKI CUMBERLAND TEUSINK DEYHLE

■ FIRST CITY NATIONAL, Houston, has appointed Richard T. O'Rourke senior vice president and chairman, trust investment committee. He had been with New York City's Manufacturers Hanover Trust as vice president and senior portfolio manager, employee benefit division. The bank also elected John G. Marshall assistant vice president and Richard G. Rundell assistant vice president and trust investment officer. Newly elected bank directors are James R. Whatley, president, Kaneb Services, Inc., and Wallace S. Wilson, president, Wilson Industries, Inc. First City Bancorp. of Texas, Houston, has elected these vice presidents: Travis E. Kandall, Eugene F. Oncken and James C. Waldrop. The HC is First City National's parent. Mr. Kendall is the HC's auditor and vice president and auditor of the bank. Mr. Oncken is the HC's treasurer and vice president and cashier of the bank. Mr. Waldrop is the HC's tax manager.

■ FIRST NATIONAL, Brownwood, has named Don Tankersley a vice president and Judy Oliver an assistant vice president. Mr. Tankersley had been agricultural loan officer, Brownfield State, and Miss Oliver was services officer, Citizens National, San Antonio. First of Brownwood also promoted three assistant cashiers to assistant vice presidents: Gayle Burnum, Joyce Thompson and David Wilson.

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