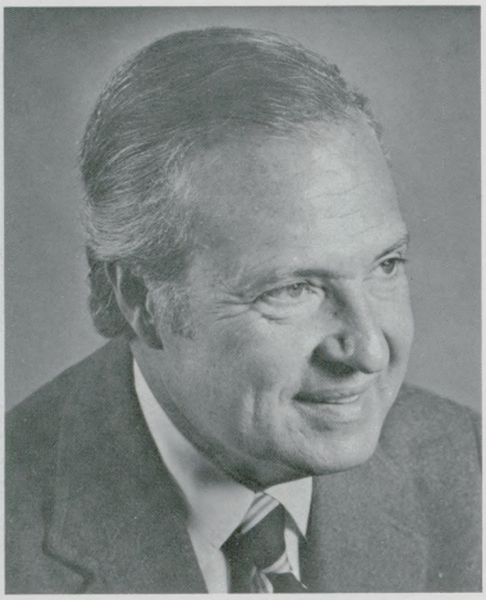
MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

SEPTEMBER, 1977



W. Liddon McPeters
ABA President

ABA Returns to Houston After 39-Year Absence

Here are six reasons why you're never out-on-a-limb if your Liberty Correspondent Officer is out of the office. With the staff people pictured here, you're always in touch with all the benefits of experience, knowledge and courtesy. People on call who know how to answer your call... another reason you can count on Liberty's Correspondent Banking Department.

Top row, left to right
Eunice Bachman
Mary Ann Lieber
Elaine Elliott

Bottom row left to right
Shelley Clark
Erma Woods
Ruth Kortemeier

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MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 73, No. 10 *September, 1977*

FEATURES

SPECIAL SUPPLEMENT (Between Pages 62 and 103)

DEPARTMENTS

STATE NEWS

Editors

Ralph B. Cox
Publisher
Lawrence W. Colbert
Assistant to the Publisher
Rosemary McKelvey
Editor
Jim Fabian
Associate Editor
Daniel H. Clark
Assistant Editor

Advertising Offices

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

MID-CONTINENT BANKER (publication No. 346 360) is published 13 times annually (two issues in May) by Commerce Publishing Co. at 1201-05 Bluff, Fulton, Mo. 65251. **Editorial, executive and business offices, 408 Olive, St. Louis, Mo. 63102.** Printed by The Ovid Bell Press, Inc., Fulton, Mo. Second-class postage paid at Fulton, Mo.

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

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

Convention Calendar

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.

MCB Staffer Promoted

Rosemary McKelvey was promoted last month from managing editor to editor of MID-CONTINENT BANKER, which she joined in 1952 as assistant editor. She became associate editor in 1958 and managing editor in 1968. Ralph Cox remains publisher.

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Bank's Campaign 'De-Litters' City, Brings in Dollars for Local Hospital

WHAT BEGAN as a community-oriented program to clear a city's streets of unsightly cans blossomed into a full-blown fund-raising campaign for a local hospital.

United American Bank is quartered in Knoxville, Tenn., a city surrounded by five Tennessee Valley Authority lakes. Knoxville, furthermore, is at the foothills of the Smoky Mountains and at the intersection of three major highway systems. Therefore, the town has great numbers of tourists, who add to its normal litter problem.

Because of that, United American initiated its "De-Can Knoxville" campaign. The bank worked with a local radio station, which handled the logistics of the cleanup campaign. The three-month "De-Can" program was advertised via radio, newspapers, posters and outdoor signs. Citizens were asked to collect cans (steel and aluminum)—United American provided free litter bags to collectors—and turn the cans in at specified points. Fifteen of the bank's branches were used as collection points, as well as other local businesses that participated.

When a collector turned in a can, he could fill out a raffle ticket to try to win a fully equipped van worth $10,400. The more cans a collector turned in, the better his chances for winning the prize!

Rex Moon (r.), pres., United American Bank, Knoxville, Tenn., is joined in litter pickup duties by Vic Rumore, WKGN radio station gen'l mgr. Duo was performing deed as part of contest sponsored by bank and radio station to "De-Can Knoxville," rid city of metal cans littering streets. Free litter bags were given away at all bank-branch locations.

Just a few weeks into the promotion, 10,000 cans had been collected; by the program's end, more than 400,000 cans —that would have wound up as litter on the street—were turned in for recycling, and the proceeds were donated to Knoxville's Children's Hospital.

At about the promotion's midpoint, a second program was initiated in conjunction with the "De-Can" campaign: "Dump on the Chamber." Sponsored by the Knoxville Chamber of Commerce beautification committee and using the slogan, "Bury the Chamber of Commerce with litter and make Knoxville a cleaner city," the "Dump" campaign enlisted the aid of United American and other businesses to distribute litter bags to the city's children. Each child bringing a bag of litter to a collection point was given a chance to pet or ride an elephant, llama or donkey from the Knoxville Zoo. United American contributed a savings bond prize to the "Dump" effort.

United American officials are enthusiastic about the results of the cleanup campaigns, noting that members of the community were delighted at receiving free cleanup bags, which simplified the "de-litter" task. Another benefit to the bank was that of having the collection van driven to branch locations week after week, which resulted in the institution getting continual radio and newspaper coverage! • •

Old and New:

'Big Band' Sound Returns When Bank Holds Concert

The "big band" sound returned to Evanston, Ill., recently when State National sponsored a free, outdoor lunch-hour concert by the Roger Pemberton Group.

The group is comprised of 16 professional musicians under the direction of Mr. Pemberton, a local resident. The band plays musical styles ranging from dixieland to swing to contemporary jazz.

The concert was the first outdoor event to be presented by State National on its re-landscaped plaza, which was designed to be "more of a 'people' place and have easier access for customers," according to a bank spokesman.

From Down Under:

Zoo's Newest Residents Honor Ex-Bank Director

Philip and Elkin are two of the Atlanta Zoo's newest residents. Formerly residents of Australia, the duo are wallabies and were presented to the zoo by Citizens & Southern National in honor of Philip H. Alston Jr., who recently was appointed U. S. ambassador to Australia.

The animals were named for Mr. Alston, Atlanta lawyer and former C&S director, and his wife. Mr. Alston resigned his directorship on being named ambassador.

The wallaby is as well known in Australia as the kangaroo, to which it is nearly identical in appearance, except for the wallaby's smaller size.

'Contributors':

Director-Solicited Business Results in Charitable Gifts

A number of Oklahoma City-area nonprofit charities and civic organizations have received contributions—a total of $38,625—from Liberty National via its "Contributors" program.

The Liberty Contributors program offers contributions by the bank to pre-designated organizations in proportion to new bank business solicited by individual directors.

This year's largest donation, $7,500, went to the Uptown Kiwanis Club of Oklahoma City and will be used to expand its youth-service activities. That donation was the result of the achievements of C. A. Henderson, a banker, Liberty National director and real estate investor. For his efforts, Mr. Henderson won the Sewell and Simmons Award, one of six achievement levels named for deceased Liberty directors who were leading "Contributors" to their bank and community.

'Fraud Proofing':

Houston CHA Program Plots End to 'Con' Artists

An end to the activities of "con" (confidence) artists and others who would defraud consumers and businesses in its area is the hoped-for result of a planned program of the Houston Clearing House Association.

The association has formed the Alert

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

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

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

Jackson, Mississippi Member FDIC

Security Task Force to carry out a wide-ranging information program on a continuing basis. Task-force members include representatives from Houston-area banks, the district attorney's office, the U. S. attorney's office, the FBI, the local police and sheriff's departments and the American Institute of Banking.

The project, a city-wide cooperative effort by the area's banks, is designed to inform consumers and businesses on methods to use in avoiding fraud, how to train bank management and personnel in spotting fraud schemes and developing an efficient alert system for the Houston banking community.

This information will be distributed to the city's consumers and businesses via films, leaflets and public-service announcements on radio and television.

According to a project spokesman, "All a smart con man needs is the account number, and the bank account is vulnerable. In one well-run scheme, trash cans in a certain neighborhood were being searched for deposit slips and signatures. Checks then were being forged, and thousands of dollars were obtained illegally from bank checking accounts."

Averting Energy Crunch:

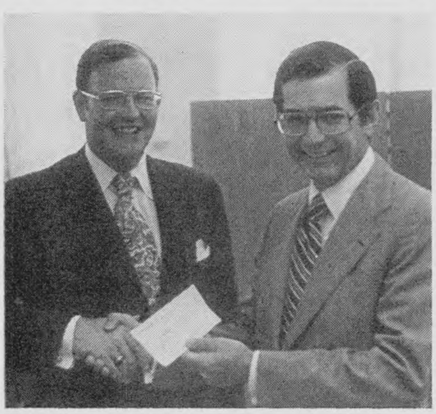
70-Bank Coop in Okla. Finances Electric Plant

A 70-bank cooperative, led by Tulsa's Bank of Oklahoma and Oklahoma City's First National, are financing a $30-million bond anticipation note for the Grand River Dam Authority (GRDA), Vinita.

The Authority will use the funds to initiate construction of a $400-million, coal-fired, steam electric generating plant near Pryor. According to a GRDA spokesman, the 490,000-KW capacity of the proposed plant is essential to averting an electrical shortage by 1981.

The GRDA provides electrical power to 42 industries, 13 cities, four rural electric coops and three state agencies in northeastern Oklahoma

According to a Bank of Oklahoma spokesman, the loan is believed to be the largest ever made solely by in-state banks to an Oklahoma entity. Bank of Oklahoma and First of Oklahoma City, the two co-agents, together took $15 million, with the other 68 institutions participating on a pro rata basis according to the individual bank's loan limit. The anticipation note will be repaid from long-term, tax-free revenue bonds to be issued in 1978.



Leonard J. Eaton Jr. (r.), pres., Bank of Oklahoma, Tulsa, presents $30 million check to James Sneed, board member of state's Grand River Dam Authority.

'Summer Safety':

Bank Hosts Free Show On First Aid, Lifesaving

Chicago City Bank, in cooperation with the American Red Cross, has hosted a three-hour outdoor "Summer Safety" show, in which Red Cross personnel demonstrated procedures for first aid and lifesaving.

Red Cross member demonstrates bandage technique on Chicago resident during "Summer Safety" show held at Chicago City Bank. Three-hour event was free to public.

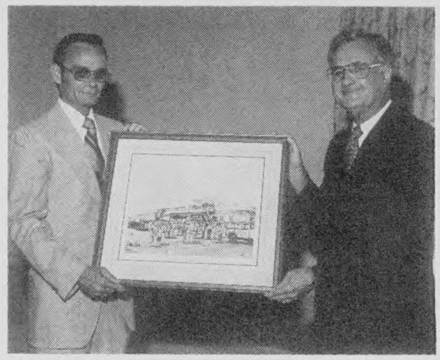
The show paid special attention to simple bandage techniques, artificial respiration and airway obstruction due to food or liquid and was free to the public.

Historical Drawings:

Bicentennial Art Project Ends With Evening Event

The bicentennial art project of National Bank of Commerce, Pine Bluff, Ark., ended with a reception and special viewing at the Pine Bluff Country Club.

Invited guests were able to view the six historical pen-and-ink drawings in the series, meet artist Richard DeSpain and receive limited-edition copies of the works. Framed first prints of 100 of each drawing were presented to selected area organizations and agencies,



William H. Kennedy Jr. (r.), pres., Nat'l Bank of Commerce, Pine Bluff, Ark., presents framed portrait of Cotton Belt Locomotive, which was built in city in 1937, to Mayor Charles E. Moore. Presentation of drawing to city was part of ceremonies marking completion of bank's bicentennial art project.

which previously had displayed the original drawings before their retention in the bank's private art collection.

Purpose of the project was to have a locally oriented bicentennial celebration; to provide something of significant historical interest to the public; and to contribute to the community's artistic climate.

The bank commissioned the creation of a series of historical sketches illustrating key places and events in the history of the Pine Bluff area. With the assistance of the Jefferson County History Commission, the following subjects were selected for inclusion in the project by the artist: the Quapaw Treaty signing of 1824; an 1890s Arkansas River scene at Pine Bluff; a view of St. Mary's Church; a reproduction of the 800-series Cotton Belt Locomotive, built in 1937; the Pine Bluff High School campus as it appeared a few years ago; and the Jefferson County Courthouse as it looked the day before it was destroyed by fire.

Estate Analysis Seminar

Pictured are participants in the "Estate Analysis for the Single Person" seminar held by Webster Groves (Mo.) Trust. From l.: Warren Druschky, bank pres. and chief admin. off.; Anita B. Butler, guest speaker and trust officer, First Nat'l, Kansas City; and Janet Mahl, a.t.o., host bank. About 50 persons attended the seminar, which was held in Webster Groves Trust's community room.

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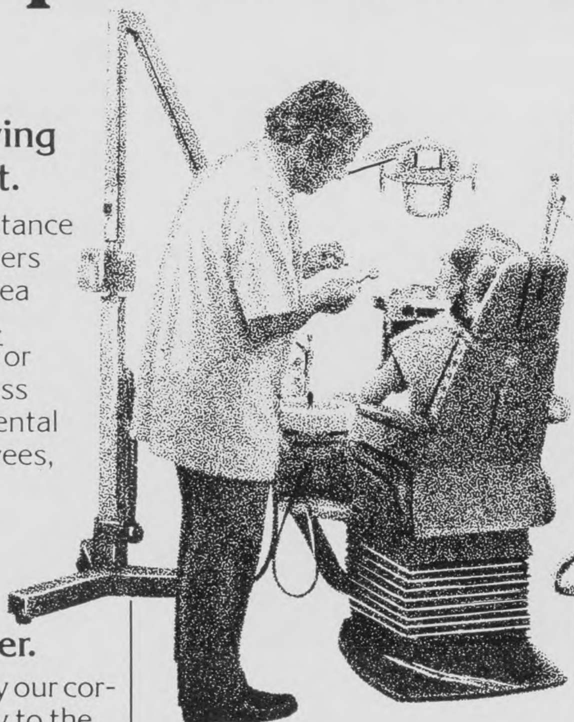
group dental insurance.



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The new Dental Assistance Plan from Manufacturers Hanover Trust is an idea whose time has come. Everybody benefits. For your bank, it means less absenteeism due to dental disorders. For employees, it's a "fringe" that nearly all can put to use.

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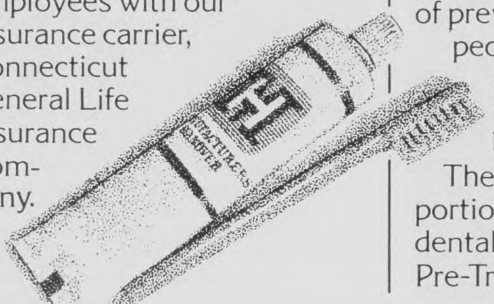
Group participation by our correspondents is the key to the reasonable costs of our Dental Assistance Plan. Also, rates are based on regional dental charges. And everything you put into the Plan is tax deductible. You're not saddled with administrative chores, either; claims are filed directly by employees with our insurance carrier, Connecticut General Life Insurance Company.



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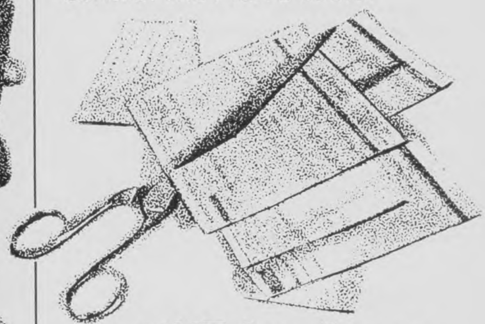
To motivate your employees to seek regular dental checkups, the MHT Plan pays all "reasonable and customary" costs for preventive services. An ounce of prevention today keeps people on the job tomorrow.

Reduces bills for major work.

The MHT Plan foots a hefty portion of the costs for over 400 dental procedures. Through a Pre-Treatment Review of benefits, employee and dentist know in advance who's responsible for how much. And because the Plan provides benefits in specific dollar amounts, you are able to control the Plan's costs.



MHT, for all your benefit needs.

The Dental Assistance Plan, which provides DENTAL insurance only, is just the newest headliner from Manufacturers Hanover, the leading supplier of Correspondent Benefit Plans. These include group life insurance, group major medical, long-term income protection, pensions. What can we do for you?

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MANUFACTURERS HANOVER

'Mr. Cub':

Ernie Banks Joins Bank To 'Strike Out' Diabetes

Two Chicago "banks" have joined forces to help "strike out" diabetes. Ernie Banks, former Chicago Cub star and baseball Hall-of-Famer, has teamed with Chicago City Bank and the American Diabetes Association to generate deposits at the bank for the ongoing fight against the disease.

Ernie Banks, former baseball star, is one of two "banks" in Chicago area that have teamed with American Diabetes Association in fight against diabetes. Anyone mailing donation to Chicago City Bank for diabetes fund is entered in drawing for prizes held by Mr. Banks—personally autographed baseball trading cards containing his photo.

The bank has donated a number of old baseball trading cards picturing Mr. Banks, which "Mr. Cub" autographed, and has offered the cards as prizes for a drawing of names of people making donations to the bank's diabetes fund.

Bank Sponsored:

Dodgers 'Dodge' Little In Youth Baseball Clinic

The San Antonio Dodgers did little dodging as more than 1,500 youngsters fired questions during the season's second Youth Baseball Clinic co-sponsored by the ball club and Frost National.

Children aged 14 and under were invited to meet with the Dodgers for the 30-minute clinic by obtaining tickets in the lobbies of Frost National, Citizens National, Colonial National and Liberty National. After the clinic, the kids received a team photo and were invited to attend the Dodgers-Jackson Mets game at no charge.

'Evening Magazine':

Local-Events TV Show Is Sponsored by Bank

"Evening Mazagine" is a Pittsburgh-based television show about local personalities, places of interest in western Pennsylvania, consumer tips and entertainment in the area. The show is being sponsored by Equibank.

The program is shot on location throughout Pittsburgh and the tri-state area and is seen on a Pittsburgh television station each weeknight.

According to an Equibank spokesman, "'Evening Magazine' is a wholesome, entertaining program that will appeal to all segments of the community. Equibank is sponsoring the show because it offers lively, educational television viewing for the entire family as an alternative to other types of programs shown in the early evenings."

William E. Bierer (c.), pres., Equibank, Pittsburgh, discusses on-site filming of "Evening Magazine" television program with Edward Wallis (l.), area v.p., Westinghouse Broadcasting Co., and Donna Hanover, show's co-host. Program, sponsored by bank, is shot on location throughout Pittsburgh area, airs each weeknight and features local personalities, interesting places and consumer tips.

Ronald O. Gorland, v.p., Heritage Standard Bank, Evergreen Park, Ill., assists customers in choosing a gift for dad on Father's Day. Institution offered choice of box of three golf balls or package of five fishing lures as premium with $50 deposit.

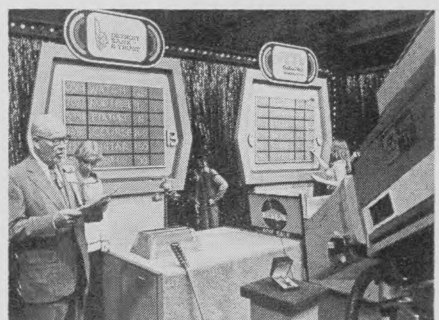
Remembering Dad:

Fathers Have Their Day At Chicago-Area Banks

At least two Chicago-area banks remembered dads on their day, June 19, by presenting gifts to all men who went to Heritage First National of Lockport, Ill., and Heritage Standard Bank, Evergreen Park, Ill.

Men who visited the former institution were presented with five-in-one knives of chrome-finished steel, while dads who went to the latter bank and made a $50 deposit were given a choice of a package of three golf balls or a box of five fishing lures.

Celebrity Auctioneer



Rodkey Craighead, pres., Detroit Bank, steps into a "new" role, that of a "celebrity auctioneer." Mr. Craighead was performing auctioneering duties as a volunteer for a fund-raising event for the local public television station, WTVS. This year's auction was the sixth in which the bank took part, donating 20 savings accounts to the cause, in addition to the efforts of Mr. Craighead, who also serves as a trustee of the Detroit Educational Television Foundation.

Commercial Lending

Accelerated Promotions to Top Posts Call for Formal Training for Lenders

By BRUCE ADAMSON
Chairman & President
First National Bank
Joplin, Mo.

DURING the past 10 years, many rookies with varying backgrounds have vaulted into prominence in bank management. Until a few years ago, top management positions were traditionally held by veteran bank officers who had risen from the ranks of commercial lenders after being thoroughly steeped in line-lending experience and long credit department training.

But times have changed. We have seen many of the new breed of officers come on the scene well-equipped with multiple degrees from prestige schools, exhibiting unlimited ambition—and possessing absolutely no previous experience! Many of these people have been given unusually large responsibilities in lending and in bank management, and, understandably, this has produced problems. Perhaps we put these young people into positions of responsibility far too rapidly. We depended too much on their academic and intellectual achievements, rather than on firing-line experience.

I strongly suspect that many of us have suffered loan losses which, in the final analysis, could be directly attributed to loan officer inexperience. However, not all of the blame can be placed in this area. Top management also has been derelict by not providing ongoing and in-depth training for all its people. As a result, managers must share the responsibility for creating some of banking's problems.

This article is based on remarks made by Mr. Adamson at the 1977 ABA Credit Conference, and is taken from a recent edition of "The Journal of Commercial Bank Lending," published by Robert Morris Associates, Philadelphia.

One of my continuing concerns has been that too many (in fact, most) present commercial lending officers have gained their banking experience in only one specialized area. As a result, many of them lack the broad background experience and knowledge of other major bank areas. We have tended to breed specialists, a trend that is probably detrimental to the overall well-being of both the individual and the bank. This overspecialization, in the long run, produces top managers who have no detailed and knowledgeable grasp of banking's problems outside of their own small sphere of experience. Consequently, when problems develop, some top people are not equipped to cope with them.

If deficiencies in training and lack of broad, general banking backgrounds are actually causing loan losses, then how should we be training commercial lending officers today? What should we be doing to avoid unnecessary future tapping of the valuation portion of our reserves for bad debts?

In our medium-sized bank, we became concerned that our officers lacked broad general banking backgrounds. In 1972, we instituted a formal management training program. The basic objectives of this program are to furnish a well-trained reservoir of talent to replenish officer ranks and to provide trainees with a broad learning experience in all areas of the bank.

Some may think that their bank is too small to consider such a program and that may be true for the smallest banks. But if you intend to grow, add additional services and expand existing services, then you should seriously consider such a program. We have found it has saved our proverbial necks time and time again over the years.

The end result of our efforts is the assurance of a continuing supply of trained people with a working knowledge of all areas of the bank. Management, on the other hand, gains a clear indication of the trainees' abilities and suitability for filling specific positions at the end of the training period.

The foundation for loan officer training should be clearly stated in the basic loan policy of the bank. If that policy is sufficiently flexible and specifies the continuing need for loan officer training and education, then bank management can proceed from there. It has not only the necessary tools, but the direct obligation and responsibility to achieve and maintain a well-trained, competent and high-quality commercial lending staff.

The actual training program begins with the selection process when potential loan officers are hired. The selection process includes an analysis of officer candidates' prior business and credit experience. From that analysis, individual deficiencies are carefully noted and appropriate training programs are devised.

After the selection process, management trainees in our program are required to work, for a time, in each major department of the bank. During a 15-month period, these people gain experience in all of the lending and operations areas. They also spend time in the trust and data processing departments.

We cap off the entire training schedule by sending each trainee to one or more of our smaller country bank affiliates for a month or so. This enables trainees to see how the various elements they have studied during the training program fit together into one complete overall bank operation.

"I strongly suspect that many of us have suffered loan losses which, in the final analysis, could be directly attributed to loan officer inexperience."

After the trainee has completed the formal training schedule and is tapped to become a member of the commercial lending staff, the in-depth education process begins. I am still old-fashioned enough to believe that credit department experience is an invaluable training ground for the potential commercial lending officer. However, commercial lending is partly a science and partly an art. The scientific aspects (financial statement analysis, ratios, etc.) can be taught easily to anyone of reasonable intelligence with a desire to learn.

The portion that is art—intuitive judgment—is learned through actual experience, by dealing "eyeball to eyeball" with the bank's customers. Consequently, I don't advocate requiring the future loan officer to spend an inordinate amount of time in the credit department. So, after a suitable period of time spreading statements, answering routine credit inquiries and hounding customers for up-to-date statements, I like to see trainees move to a lending desk and begin to get their feet

wet. Now, this is a major move, as new loan officers leave the relative security of the credit department and begin to face the requests, needs and demands of commercial loan customers. Here is where an atmosphere of both constraint and flexibility is absolutely vital.

I don't believe in a high lending limit for a new loan officer. However, I do feel that management should carefully monitor an officer's progress and should raise lending limits on a continuing basis as the officer gains more and more experience and expertise on the job. This is where a flexible lending policy is of great help. It should provide management with the ability to change lending limits without further reference to the board.

As one of our young MBAs recently put it, loan officers must have the opportunity to fail or they can't succeed. Another one said that probably the difference between the new officer and the more experienced one is the size ponds they are allowed to flounder in! Of course, at this critical stage of the game, the new loan officer's supervisor must continually monitor the officer's progress. The supervisor must ensure that the new loan officer is not only becoming more proficient in his duties, but learning additional skills.

One valuable concept employed by many banks is the so-called "buddy" system whereby the new officer is paired with a more experienced senior officer. This arrangement has the advantage of providing the junior officer with a place to go for guidance and counsel. It greatly strengthens the supervision of the new officer's loans, and it allows the officer to participate in the more complicated credits being handled by his senior partner. From the bank's standpoint, this system also provides a backup officer familiar with most of the credits handled by the senior officer.

Aside from the normal training in the purely technical aspects of commercial lending, several specific techniques and routines have been used that have proved most helpful.

First, there is the question of background lending training for future commercial loan officers. Should they spend some time in the consumer or personal loan field? Although some of our younger lending officers disagree with me, I feel time spent on a personal loan desk and in the personal loan collection area provides the future commercial lender with a background not available elsewhere. Through this experience, trainees have the opportunity to make relatively minor credit decisions on a volume basis. More important, they have a chance to perfect interviewing techniques and methods of handling a variety of types of customers.

"The training of a commercial loan officer isn't a one-time affair; it has to be an ongoing thing."

The self-confidence a young loan officer gains from dealing with personal loan customers will make the future commercial lending job easier. The officer will be more at ease and more confident about dealing with the borrowing public on a direct-contact basis.

Another specific training technique involves junior commercial loan officers in working up and preparing written loan reviews. Although large banks have specialists in this field, the technique can be used rather successfully in a medium-sized bank. Most banks in that size range can't justify the expense of a full-time loan review officer. Consequently, loans in our bank, for instance, are continually reviewed by several teams of two officers each, one of which is not familiar with nor handling the actual line.

Our loan reviews are presented to our executive loan committee on a bi-weekly basis, and we want junior officers to make the presentations. This has proved to be an excellent training tool, and it has also helped senior management make continuing evaluations of the abilities and progress of the younger loan officers.

When I started lending money, I was always disturbed by never having the opportunity to sit in on the bank's discount committee meetings. I recall seeing those elderly gentlemen disappear into a conference room, close the door, and, after a suitable period, emerge with the gospel truth straight from the summit. Observing this exercise always left me with a sense of helplessness and frustration!

When we consider the psychological makeup of today's young, well-educated lending officers, we must realize that they, above all, want to be in on the decision-making process. They ask questions and they demand to know the answers. Consequently, I am a firm believer in not only allowing, but actually requiring, younger loan officers to attend meetings of our executive loan committee.

One specific technique we have developed is the appointment of a non-permanent loan committee secretary. This duty is assigned, on a rotating basis, to all junior loan officers, who each serve a month at a time as the official committee secretary. They are expected to set up the agenda, schedule the presentation of new loan requests and loan reviews and prepare the minutes for eventual submission to the board. We encourage their active participation in the credit discussions and often their views give us new insights into areas that we had overlooked.

This technique is quite effective in training and developing the younger officer. He has an opportunity to learn how major credit decisions are made and how to participate in the discussions. He becomes familiar with the major credit lines of the bank and his morale is improved because he isn't left in the dark.

Another important aspect of training is to provide the less experienced loan officer with the opportunity to observe and participate in loan workout sessions, often with the bank's attorneys present. Exposure to these problems and their possible solutions can be an excellent learning experience. It can add immeasurably to the loan officer's knowledge and lending ability.

Training for *all* levels of officers must be on a continuing basis. As new regulations are issued, as laws are changed or amended and as economic conditions change, top management has an obligation and a responsibility to see that the lending staff is well-informed, up-to-date and in compliance with the various changes. With the flood of new regulations and reports, it can be fatal to allow this type of training to be placed on the back burner or relegated to a lower spot on the bank's list of priorities. Overlooking the continuing training of senior officers is just as serious as not providing the younger officers with training in the basic skills of lending!

Because we operate in a climate of continuing, sudden and often oppressive change, bank management should always take advantage of the numerous excellent schools, workshops and seminars presented by banking associations, colleges and universities. Although the cost is high, money spent in these areas almost always pays dividends to the bank in the form of increased staff efficiency and expertise.

We all attempt to do a good job managing the bank's assets. If we can do an equally good job managing, teaching and developing our human resources, banking is going to benefit. The training of a commercial loan officer isn't a one-time affair; it has to be an ongoing thing. The bank that fails to provide an atmosphere conducive to continual learning today is the bank that will almost certainly face a host of problems in the future. • •

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NEWS OF THE BANKING WORLD

• **Archie R. Dykes,** chancellor of the University of Kansas, Lawrence, has been elected to the board of First National Bank, Kansas City. He has been on the bank's directors' advisory council since February. He has been KU chancellor since 1973 and is a former chancellor of the University of Tennessee at both Knoxville and Martin.

• **Charles M. Bliss** has been elected CEO and president, Harris Bancorp., and CEO of Harris Bank, both in Chicago. He has been president of the bank since July, 1976. He will succeed William F. Murray, who has been chairman and CEO of the HC since 1971. Mr. Murray plans to retire this month after being with the bank for 43 years. Stanley G. Harris Jr. has been elected chairman of both the bank and HC. Messrs. Bliss and Harris both joined the bank in 1944.

• **Conrad E. Lawlor,** certified commercial lender (CCL), has been named regional director for the Small Business Administration for Missouri, Kansas, Iowa and Nebraska. The appointment took effect July 31. Mr. Lawlor, who had been acting regional director since last March, has been with the SBA 13 years and has held various key executive positions in Region VII, which is composed of the four states listed above.

• **Leonard W. Huck,** executive vice president, Valley National of Arizona, Phoenix, is the new chairman of the Foundation of the Southwestern Graduate School of Banking (SWIGSBIE), Southern Methodist University, Dallas. He succeeds B. Finley Vinson, chairman, First National, Little Rock. Mr. Huck is immediate past dean for bankers at SWIGSBIE and has been associated with the school since 1963, when he entered Class VI as a commercial banking major. He was graduated in 1965.

• **Walter F. Gray** has joined St. Louis' Mercantile Trust as executive vice president, trust division, and as a member of its advisory board. Mr. Gray was executive vice president and a director, Mercantile Safe Deposit & Trust Co., Baltimore, and a director of the bank's parent organization, Mercantile Bankshares Corp. He went to Baltimore in 1969 following 16 years with First National, Chicago, where he was vice president, trust department. He belongs to the Chicago and American Bar associations.

• **Donald D. Folks** became vice chairman and CEO September 1 of two Missouri banks—Farmers State, St. Joseph, and Farmers & Merchants Bank, Huntsville—and a Kansas bank, Farmers & Merchants State, Dexter. Mr. Folks had been with American National, St. Joseph, Mo., since 1949, most recently serving as senior vice president in charge of operations and systems. The three banks Mr. Folks joined are owned by Robert Loughrey, a Liberty, Mo., rancher. Mr. Folks also has an interest in and is a director of two other banks: Linn County State, Linneus, Mo., and Union State, Everest, Kan.

• **John Samuel "Sammy" O'Donnell,** vice president, Pioneer Bank, Shreveport, has been elected president, Freshman Class XX, Southwestern Graduate School of Banking (SWIGSBIE), Southern Methodist University, Dallas. Other new class officers are: first vice president, John L. O'Brien, president, American Bank, Tulsa; second vice president, Bruce W. Reeves, assistant cashier, City National, Wichita Falls, Tex.; secretary, Charlotte P. Bellamy, assistant vice president, Mercantile National, Dallas; and treasurer, William F. Hankins, senior vice president, Mississippi Bank, Jackson.

• **Frank R. Rosenbach** has been elected president, Morgan Guaranty International Bank, San Francisco. He succeeds Richard C. Starrett, who has returned to New York City to head the banking group that specializes in the British Isles and Scandinavian area. Morgan Guaranty International is an Edge Act institution that performs international services for clients in the western U. S. and Far East/Pacific area. Mr. Rosenbach formerly was vice president in charge of Morgan Guaranty's Rockefeller Center Office in New York City.

• **Theses** written by three Mid-Continent-area bankers have been accepted by the Stonier Graduate School of Banking, Rutgers University, New Brunswick, N. J., for circulation in the permanent collections of three libraries—at ABA headquarters, Washington, D. C.; at Rutgers and at Harvard University Graduate School of Business Administration, Cambridge, Mass. The bankers and titles of their themes are: William J. Renfro, vice president, Corpus Christi (Tex.) State National, "The Mobile Offshore Drilling Industry in the Southwest and the Financing of Mobile Offshore Drilling Units"; Hall McAdams, executive vice president, Union National, Little Rock, "Griggs V. Duke Power Co.: The Aftermath," and Sheldon L. Morgan, senior vice president, Merchants National, Mobile, Ala., "Foreign Direct Investment in the United States: An Opportunity for the Local Bank."

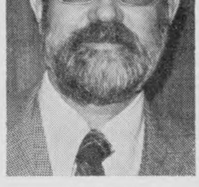
• **William A. Longbrake** and Sherwin R. Koopmans have been named special assistants to FDIC Chairman George A. LeMaistre.


BLISS


HARRIS


MURRAY


GRAY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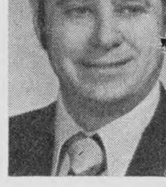
FOLKS

Operations

Forms Management Policy for Banks Can Eliminate Deadwood, Save Money

By JULES KROLL
President
Kroll Associates, Inc.
New York City

TELL A banker that he's wasting money and his hackles will rise. After all, a bank is a citadel of fiscal prudence.

When talking about granting a loan or establishing interest rates or paying out dividends, prudence within the bounds of competition and regulations does indeed predominate. But there are areas where costs are often permitted to proliferate through habit or inertia or simply because the bank's management doesn't realize how much money is being spent unnecessarily.

One such area involves the printing and storage of business forms. Individually, these forms may represent a relatively small expense, but cumulatively and through the year, the total budget can be substantial.

A relatively small bank could use as many as 1,200 different forms, spending at least a quarter of a million dollars on their production. Larger banks, especially those with many branches, could use as many as 12,000 forms, spending well over a million dollars annually for them.

It's true that many of these forms are required for the proper pursuit of business. It's also true, however, that there can be substantial duplication, that many forms are unneeded and that others are there just because they have always been used.

Based on experience with banks across the nation, it has been projected that a program of forms management and control can reduce the number of forms by at least 10%—and more likely by 30%. Equally important, an integrated forms management system can save between 20% and 60% within three to six months of the time the system is instituted, depending on how much the forms had proliferated over the years.

Imagine, the average bank can save $1 out of every $5 spent for forms simply by eliminating obsolete forms, aligning purchases of similar forms and a variety of similar steps!

Specifically, we have seen many cases where financial institutions spending as little as $200,000 per year for forms and stock paper could reduce costs in this area by $50,000 annually—or 25%—through a forms management program. A bank spending over $1 million a year was able initially to cut costs by $150,000 and ultimately will reduce annual expenditures by between $200,000 and $300,000 per year in this way.

Obviously, the desire to effect such savings is not enough to make it happen. It's vital that the institution's management recognize that greater attention must be given to the area of forms and understand that what has always been done in the past may not be in the best interest of the organization today.

Any change, to be effective, must start at the top. A "real" forms control program must be established as a company policy. Each form should have to fight for its own survival. Top management must give it priority and should communicate all related policies to the full bank staff. To make sure that proper controls are instituted and maintained, a key person should be appointed by management to develop the program, to carry out policies and to coordinate all activities and practices in this general area. The ultimate success of such a program depends not only on management's support by establishing policies and naming an executive to carry out those policies, but by its willingness to supplement a forms control program with the necessary tools and appropriate techniques. For example, computer time will be required to maintain adequate control over inventory and the number of forms that are in use, and bank management should be willing to make this investment.

Following are suggestions to help management establish an effective forms management program:

The ultimate success of such a program depends on management knowledge of the number and types of forms in use, where they can be located and the number of copies of each used annually. When one recalls that the number of different forms can approach 20,000, stocktaking and analysis can be cumbersome. Our organization has worked with institutions on such analyses through integrated compilations of each form currently in use, and analysis and discussion with user departments to understand actual current needs.

We have also found that detailed specifications can be developed and used for each form. This makes it possible for the purchasing agent to be precise when he places orders for various forms. Once the specifications are established, they can be checked when competitive bids are sought or when existing forms are duplicated. As a check, specifications should include—but should not be limited to—the form number, size, type of paper and width of the margins.

If the institution were to establish a forms catalog—which could consist of copies of each form assembled in a loose-leaf binder—the requisition process would be simplified. In addition, two different files should be established. One would be the form number file, which would contain the forms arranged numerically according to the control number assigned to each. The other would be the development of functional files, which would separate and classify each form according to its use. Proper establishment and maintenance of these two files would help prevent duplication. More than that, however, they would help in the design of new forms and would help to identify forms when the numbers or their titles were not known.

A periodic review of forms usage would permit easy determination of which forms have been discontinued

"Specifically, we have seen many cases where financial institutions spending as little as $200,000 per year for forms and stock paper could reduce costs in this area by $50,000 annually—or 25%—through a forms management program. A bank spending over $1 million a year was able initially to cut costs by $150,000 and ultimately will reduce annual expenditures by between $200,000 and $300,000 per year in this way."

at various branches of the institution. This would help clear out any deadwood.

The announcement of a corporate forms control policy will trigger suggestions for revising existing forms. This, in turn, will stimulate the design of new forms and these should be done to standard specifications, which would have the dual benefit of making them easier to use and much less expensive to print.

It has been found that, as the need to reorder forms occurs, department heads should analyze how they are used, how often they are used and determine whether they can be simplified, combined or even eliminated. This alone can result in substantial economy.

By utilizing purchase alignment and grid-contract buying, it has been possible to reduce direct costs for major financial institutions by 20% and more. Additional indirect savings also result from increased efficiency and reduced overhead. However, these can't be measured by percentages or by dollar figures.

Regardless of the merits of a new proposal, there is always an inertia—a reluctance to try something new—because the old ways may be so comfortable. But the old ways may also be cutting into the profitability of the institution unnecessarily and should be thoroughly reviewed and analyzed. In most instances, it will become evident that a forms management program has been long overdue. • •

State Laws Not in Conflict With ECOA, Fed Rules

WASHINGTON, D. C.—State laws making contracts enforceable against married people at a younger age than against those who are not married don't conflict with the Equal Credit Opportunity Act (ECOA), the Fed has ruled.

Therefore, creditors may act according to such laws in making credit decisions without violating the ECOA or the Fed's Regulation B.

The ruling came in response to queries on whether sections of Alabama and Nevada laws—Alabama Code 34, sections 76 and 76(1) and Nevada Revised Statute 38, Section 101—were inconsistent with and preempted by federal law.

Those state regulations establish a younger age of majority for married persons than for unmarried persons. The Fed ruled that this does not conflict with Regulation B or ECOA provisions making it illegal to discriminate in granting credit based on age or marital status.

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St. Louis Bank Seeks Long-Term CDs By Offering 'Big-Ticket' Premiums

IN AN EFFORT to attract long-term deposits, St. Louis' First National is conducting a premium campaign featuring a wide assortment of brand-name merchandise that includes a grandfather clock, 25-inch color TV set, swivel wall recliner and large leather sofa.

Called "Super 7," the program offers certificates of deposit in amounts ranging from $1,000 to $15,000, with the money drawing 7% interest, which can be paid annually or at maturity.

The program is unusual in that the bank pays interest on the CDs in addition to giving premiums to the CD buyers. This is possible because First National is paying ½% below the legal CD ceiling of 7½%. When added to the 7% being offered, the value of the premiums brings the total to an equivalent of 7½%. The fair-market value of the merchandise is treated as income for federal tax purposes in the year in which the CDs are purchased.

The premiums offered are divided into categories as follows:

$1,000 CD—Panasonic AM/FM weather digital clock radio; Waterford ship's captain decanter; gumball machine; Hoover super portable canister cleaner.

$2,000 CD—12-inch Magnavox black-and-white TV set; Kodak XL 320 movie camera; Franciscan "Madeira" dinnerware; Oster kitchen center (combination blender, mixer, ice crusher, etc.).

$3,000 CD—Soundesign stereo system; Omega pocket watch with fob; Howard Miller railroad regulator clock; Revere 10-piece limited-edition buffet service.

$5,000 CD—10-inch GE "Porta Color" TV set; Tappan convertible trash compactor; Action swivel wall recliner; Singer "Genie" portable sewing machine.

$8,000 CD—19-inch Toshiba color TV set; Litton microwave oven; GE upright 14.8-cubic-foot freezer.

$10,000 CD—Howard Miller grandfather clock; Singer "Futura II"™ portable sewing machine; Minolta single-lens reflex outfit.

$15,000 CD—25-inch RCA color TV set; Fairfield leather sofa; Kimball piano.

The bank allows CD buyers to "mix and match" their premiums; that is, to select items from several categories as long as they add up to a customer's total purchase. For example, if a person buys a Super 7 CD for $3,000, he can select three items from the $1,000 category or one item from the $2,000 category and one from the $1,000 category or his choice from the $3,000 category.

An attractive display of each premium has been placed in First National's main office lobby, and smaller displays are in the bank's two facilities. Each item bears a card indicating the amount of the CD needed to get it.

Pictured at premium display in main office lobby of First Nat'l, St. Louis, are (l. to r.): Jan Frick, sales promotion mgr., marketing dept.; Marie Bono, a.v.p. & mgr., personal banking center; and Ferd Vogt, v.p. & cash. and head of personal services div., retail banking.

According to Ferd Vogt, vice president/cashier and head of the personal services division, retail banking, the displays have created a lot of lobby traffic. Also, although most of the CD purchasers are choosing items for themselves, some of them are getting them as gifts. For instance, one man, who bought a $15,000 CD, chose a piano as a wedding present for his daughter.

The bank advertises the premium offers through radio commercials and in weekend editions of the two St. Louis daily newspapers.

First National doesn't have to worry about storing or delivering the premiums. Those jobs are handled by Maritz, Inc., Fenton Mo., which arranges with each CD purchaser for pickup or delivery of the merchandise.

The program began July 15 and is scheduled to end September 15, but—according to Mr. Vogt—it has been so successful that it may be extended beyond that date. About halfway through, "Super 7" was right on target, which is a goal of $4-$5 million. Mr. Vogt says the money will be used to fund fixed-rate term loans. • •

What Did They Spend?

BMA Publishes Analysis; Shows Marketing Decline

Bank marketing expenditures for banks of all deposit sizes declined slightly from 1975 to 1976, according to Bank Marketing Association's *Analysis of 1976 Bank Marketing Expenditures.*

A spokesman for the Chicago-based BMA noted that "the 1976 expenditures report reconfirms that banks are holding the line on marketing expenses, a trend that has been detected over the last several years.

"In spite of the decreases in expenditures last year," the spokesman continued, "expansion in various EFT services continues to increase, such as new installations of ATM and POS equipment."

BMA's analysis, which measured debit-card issuance for the first time, shows that 17% of all banks now are offering some form of debit card and that 30% of all banks surveyed will begin or continue to offer debit cards in 1977.

Analysis of 1976 Bank Marketing Expenditures is drawn from a sampling of the entire U. S. commercial banking industry and groups banks according

to deposit size. Banks are arranged in nine categories ranging from under $5-million to over $1-billion.

Marketing expenditures within each size classification are broken down by service and expenditure type. Expenditures also are reported by population size of market served.

Copies of the publication are available at $15 to BMA members and $20 to nonmembers. To order, contact Order Department, Bank Marketing Association, 309 West Washington Street, Chicago, IL 60606.

The State's Oldest:

First Nat'l of Arizona Celebrates 100th Year

Arizona's oldest bank, First National of Arizona, opened in Prescott as Bank of Arizona on August 13, 1877. To mark that event, the institution has held its 100th birthday party and customers and friends were invited.

The style of the party was "circa 1877," with decorations, costumes and other events designed around that theme. Each of the bank's 135 branch offices served sugar cookies baked in the shape of the state of Arizona, while individual offices planned special displays and festivities following the 1877 theme.

When the bank opened in Prescott, the town's streets were 100 feet wide, a dimension necessary to accommodate 20-horse-team wagons. The streets now are a more normal width, but the bank still operates on the same corner.

In 1897 founders Martin Kales and Sol Lewis opened a branch in Phoenix, and Mr. Lewis stayed in Prescott. One year later, he persuaded Will Hazeltine to enter banking, beginning a family banking tradition that was to extend from Moses, Will's younger brother, to Sherman, who retired as bank chairman August 31.

In 1887, Messrs. Kales and Lewis, along with George H. Hoadley, Charles Goldman and John Y. T. Smith, formed a chartered corporation under the name National Bank of Arizona. In 1926 the name was changed to First National of Arizona; in 1937, Transamerica Corp. acquired controlling interest in First National and Phoenix National, consolidating them under the name First National Bank of Arizona. Twenty-one years later Transamerica transferred its controlling interest in its banking facilities to the newly formed Firstamerica Corp., whose name was changed in 1959 to Western Bancorp.

This is how the early days of banking looked when Bank of Arizona, Prescott, now First Nat'l of Arizona, began serving customers in this lobby on August 13, 1877. In this photo are (from l): Judge Edmund Wells, bank v.p.; D. W. Martin, teller; Buckey O'Neill, sheriff, publisher and mine owner; Moses B. Hazeltine, cash. and father of recently retired bank ch., Sherman Hazeltine; and Hugo Richards, pres. Clock over vault was obtained in 1880 when a previous tenent moved out of building one night, leaving timepiece in lieu of rent. Clock has hung on wall of bank since that day and keeps "reasonably accurate" time to this day.

From the BMA:

Proceedings of PR Conf. Include Experts' Texts

The Bank Marketing Association, Chicago, has announced publication of the proceedings of its 1976 Public Relations Conference. The publication is titled "Change and the Public Relations Response."

"Change" includes edited texts of many of the presentations made during the conference by bank public relations people. Included is a panel discussion on the future of public relations, featuring an analysis of the changing role of public relations, technology and change, economic and social changes and the meaning of such changes.

Other topics covered in the proceedings include commercial and retail markets; human resources, financial resources and delivery systems as public relations tools; responses to consumerism in banking; media and government relations; public relations for community banks and investor relations and annual reports.

"Change and the Public Relations Response" is available at $15 to BMA members and $20 to nonmembers from Order Department, Bank Marketing Association, 309 West Washington Street, Chicago, IL 60606.

'Hot' Time:

'Red-Hot Rendezvous' Marks Post-Fire Return

A "hot" time was had by all at the "Red-Hot Rendezvous" of the Donelson Office of First American National, Nashville. The occasion was the bank's return to its permanent quarters 13 weeks after a fire damaged the building heavily.

William H. Tippit Jr., v.p. and Donelson Office mgr., First American Nat'l, Nashville, supervises drawing for winners of smoke detector, fire extinguisher during office's "Red-Hot Rendezvous."

Besides the 300 customers who turned out for the event, employees of the Metro Fire Department were invited as special guests, so the bank could show appreciation for the fire department's efforts on the night of the fire.

The entire event, naturally, was designed around a "fire" theme, with drawings for a smoke detector and a fire extinguisher. Guests were invited to consume smoked cheese balls, toasted crackerlings, water logs (watermelon bits and fruit) and sip fire-engine-red punch.

A highlight of the evening came when the children were given free rides in a fire engine.

Trolley Is Birthday Participant

One of more visible "guests" at 15th anniversary celebration of Bank of Belleville, Ill., was St. Louis' riverfront trolley. Guests at the birthday party were able to travel via trolley to the institution's Swansea Motor Bank, listen to banjo bands and eat popcorn, hot dogs and cotton candy. On display at Bank of Belleville was a museum of antique money, and a highlight of the tour of the bank's expanded building was a "money tree," which served as a prize for the visitor who guessed closest to amount of "fruit" the tree produced—$323.53!

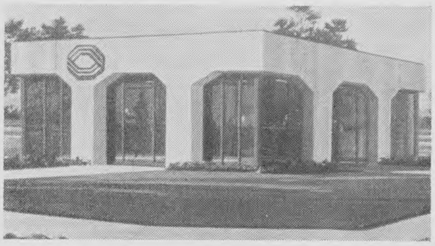
Four Shopping-Center ATMs Planned by Bank of Oklahoma In Freestanding Buildings

TULSA—Bank of Oklahoma plans to add four automated TransFund tellers in major Tulsa shopping areas by early September, thus, according to the bank, making its ATM network the most extensive in the state.

The bank currently operates six ATMs: four downtown; another two miles away at MAPCO, Inc., for that firm's employees; and a public TransFund teller 10 miles out at Resource Sciences Park. The latter, said to be Oklahoma's first off-premises teller, has one of the highest usage rates in the nation, says a bank spokesman.

The new TransFund tellers, Mosler Tellermatic 6100s, will be housed in freestanding 18 x 18-foot buildings resembling the base of the Bank of Oklahoma Tower. Each center will be linked directly by telephone with the tower.

A survey of south and east Tulsans showed 43% of shoppers would patronize an ATM at a retail center they visit frequently. Consequently, the four TransFund sites were chosen for their retail characteristics, competitive environment, shopping and traffic patterns, accessibility and service-area growth potential.



Bank of Oklahoma, Tulsa, will house its four newest TransFund ATMs in 18 x 18-foot buildings resembling base of bank's tower. ATMs are scheduled to start up early in September.

Bank of Oklahoma, Tulsa, is creating public awareness of its planned four new ATMs by sending this TransFund van around Tulsa to show how ATMs operate. Vehicle was outfitted by Mosler and sports Bank of Oklahoma colors.

The bank is creating public awareness of its ATM locations with the TransFund van, a vehicle outfitted by Mosler and wearing the Bank of Oklahoma colors. The van has been traveling Tulsa since June 13 on its educational mission. Fifteen customer service representatives alternately demonstrate the external ATM to consumers. Hundreds of bank customers and non-customers who are visiting the van are able to obtain TransFund card applications and complete information on personal banking services.

When the four TransFund tellers are completed in September, bank personnel will be on hand to introduce customers to the service, says Marketing Director John M. Davis.

"Since Oklahoma statute prohibits branch banking," explains Leonard J. Eaton, bank president, "a far-reaching TransFund system is our primary means of delivering services customers need and want, where they want them."

Supermarket EFTS Conference Set for Dallas Oct. 6-7

A jointly sponsored conference on supermarket EFT services has been set for Dallas, October 6-7, by Bank Administration Institute and Food Marketing Institute.

Conference attendees will interpret and analyze the results of an extensive two-part research project into the design factors influencing consumer acceptance of supermarket EFT services.

Research findings were based on over 1,000 surveys from nine focus groups in three cities. The research examined and measured specific ways in which system design contributed to consumer usage of check authorization, clerk-operated POS terminals and ATMs.

Registration materials are available from the BAI's registrar, P. O. Box 500, Park Ridge, IL 60068.

2-State ATM System Formed Through Interchange Agreement

What is termed the nation's first interchange agreement between independent ATM networks has been developed by First National, Louisville, and Central Trust, Cincinnati.

Under the arrangement, customers of participating financial institutions in each network may receive cash at any machine in either ATM network. The funds can be charged against the customer's checking, savings or credit card account at his home bank.

ATM merger agreement was arranged by this threesome—(from l.) Jerry L. Fessel, v.p., First of Louisville; Robert M. Klinger, v.p., Central Trust, Cincinnati; and William O. Rudd, e.v.p., First of Louisville.

Participating financial institutions of the Owl Network operated by Central Trust include four banks, two S&Ls and one credit union. Seven banks comprise the Card Intercharge Network operated by First of Louisville.

Identifying symbols of each network appear on all ATMs of the two networks and the procedure for withdrawing funds is identical at all locations. A statement of all transactions, regardless of where they originate, will be issued each month from the customer's financial institution. Sixty Mosler ATMs are in service in the two networks.

Henry Stahl Named Exec. Dir., Mid-America Payment Exchange

ST. LOUIS—Henry G. Stahl has been named executive director of the Mid-America Payment Exchange (MAPEX). He succeeds Ed True, who served as executive director during the initial launching of MAPEX. Mr. True is now serving as executive director of RSU, Inc., an organization that recently established a POS network in the St. Louis area for a group of S&Ls.

STAHL

Mr. Stahl was with Boatmen's National, St. Louis, for 34 years prior to his retirement last December. He served as senior vice president and board secretary. Other positions with the bank included senior vice president and controller and vice president and controller of Boatmen's Bancshares.


CAFS

By Dr. Lewis E. Davids

Hill Professor of Bank Management,
University of Missouri, Columbia

The Evolution in Banking Education

I'VE BEEN A PART of banking since the late 1930s, as a student and educator, and in that time I've seen a lot of changes take place. I think an examination of banking education may help many of my younger readers appreciate those changes.

". . . women . . . were not viewed by management as likely to be permanent—career—bankers and thus were considered bad risks for bank-financed higher education. Women were thought to be . . . high school graduates who would spend a few years working in a bank before marriage."

The present American Institute of Banking (AIB) originally was known as the American Institute of Bank Clerks, which has evolved into one of the largest, if not *the* largest and finest, professional educational systems in existence today. When the decision was made to adopt the AIB designation, dropping the term "Bank Clerks," substituting "Banking," ABA policymakers signaled that those in banking shouldn't limit their horizons to the idea that they were frozen into clerical careers for the rest of their working days.

During my early experience as an AIB instructor, most students were young men; relatively few women participated in AIB programs at the time. After World War II, however, that changed and men became the minority, but the more advanced banking schools remained almost exclusively male.

When I was invited to join the newly formed Graduate School of Banking in the late 1950s, I found that its director had made a momentous decision—to encourage women bankers to seek admission to the school. The director had met with substantial opposition from the school's board of trustees, who felt that women would be a distracting element, that they wouldn't be comfortable as a tiny percentage of the student body and that there would be problems in assigning them to dormitory rooms (as well as with extracurricular activities).

The director prevailed and the school recruited about a half-dozen women to enroll in a freshman class that numbered in the hundreds. Problems that had been anticipated by the trustees did not occur, but it was a long time before other advanced banking schools adopted similar stances and encouraged women to attend. (It wasn't that women weren't allowed to attend those schools; rather, entrance requirements were written in terms of educational, professional and responsibility levels the applicant had achieved, with the result that few women met the standards.)

Several reasons for this situation were given by women bankers during that period. Some faulted their banks for not providing clear-cut signals to apply. Or, if they applied, women weren't sure that their bank's management would support their application. Male bankers didn't need such reassurances. Thus, women—many in institutions whose managements took a passive stance on the topic of women entering banking schools—simply lost the opportunity for an education that would have provided management skills, especially if they weren't "pushy."

In addition, women during this period were not viewed by management as likely to be permanent—or career—bankers and thus were considered bad risks for bank-financed higher education. Women were thought to be, typically, young high school graduates who would spend a few years working in a bank before marriage. Although this *may* have been true in earlier times, it wasn't the case in the late '50s: Department of Labor statistics show that women did not—and do not—have significantly higher rates of absence, tardiness or job mobility than males, but the perception by many that they do has continued.

Not until this year, while teaching at the Northwest Intermediate Banking School (NIBS), Lewis & Clark College, Portland, did I recognize just how far—and how quickly—women have moved in banking.

NIBS probably is the first such school to offer an integrated overview of bank operations, administration, credit function and interpersonal skills from a marketing perspective. The school's philosophy encompasses a broad definition of marketing: every bank function that touches the customer or affects

"I suspect that male banking students will have to 'gird their loins' and not matter-of-factly assume that they automatically will find themselves on a faster 'promotion track' than their female counterparts!"

bank profitability.

One of its objectives is to equip promising bankers with the skills and understanding needed for competition in the new financial marketplace, which includes POS terminals, ATMs, nonbank and nonfinancial competition, national debit card and EFT systems, the changing regulatory climate and changing consumer behavior.

Each participant in the school must complete a preschool project that involves submission of a written marketing position assessment of his or her bank. This forces the student—and, many times, the student's bank—to ponder a marketing position.

Following that is an intense schedule. From 8 a.m. to 9 p.m.—sometimes later —students labor in formal classes, lectures, case studies, simulations and role playing. And it isn't unusual to find students discussing banking problems with faculty members until 2 or 3 a.m.!

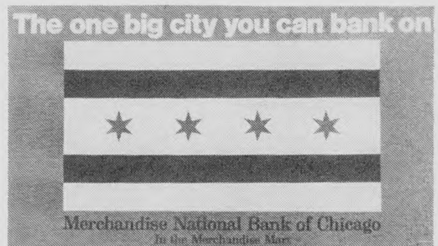
What is my point? Over half the students enrolled in the NIBS program during its first year were women, which is a far cry from the situation of three decades ago when women rarely —if ever—were enrolled in management-oriented banking schools. The NIBS faculty concurred that these women *are* of management caliber, in that they performed with superiority in one of the most grueling two-week sessions they ever will experience.

I think that the above illustration should help lay to rest the mistaken belief that women are in some way lacking in the motivation or physical strength needed to undertake the task of management career development. In view of this, I suspect that male banking students will have to "gird their loins" and no longer matter-of-factly assume that they automatically will find themselves on a faster "promotion track" than their female counterparts! • •

St. Louis AIB Chapter Holds Awards Dinner

The new officers of the St. Louis AIB Chapter gathered for this photo during the annual enrollment and awards dinner at St. Louis' Bel-Air Hilton Hotel (from l.): Judith A. Zeilmann, Hampton Bank, St. Louis—associate v.p.; Thomas M. Noonan, v.p., St. Louis County Bank, Clayton—2nd v.p.; Richard L. Killmon, v.p., Fidelity Bank, Oklahoma City—nat'l v.p.; Michael P. Dolan, e.v.p., Plaza Bank of West Port, St. Louis County—pres.; Rosemarie Stallings, a.v.p. and tr. op. off., Edgemont Bank, East St. Louis, Ill.—1st v.p.; and Joseph G. Steel, exec. dir., St. Louis.

Bank Hails Home Town



Hailing its home town as "the one big city you can bank on," Merchandise Nat'l, Chicago, has installed a 49' by 26' reproduction of the city's flag (top photo) on a building opposite Merchandise Nat'l's headquarters. In the lower photo, Chicago Mayor Michael A. Bilandic (r.) accepts a commemorative photograph of the flag from George B. Everitt (c.), bank ch., and John L. Cooley, pres., during a dedication ceremony.

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Security

Security Techniques Must Be Upgraded To Counteract Sophisticated Fraud

By VERN F. LOETTERLE
Vice President and Director of Security
First National Bank
Reno, Nev.

A TYPICAL branch today spends about $30,000 for security equipment, including vaults, alarms and cameras. It costs another $600 a year to maintain this equipment. Therefore, it's essential that it be in use for the next decade or two and be designed to meet both present and future requirements.

Crimes against banks will continue. Bank robberies now are at an all-time high and, no doubt, will continue as long as unemployment remains high. Bank burglaries have declined in recent years, but the loss potential is extremely high when vaults and safe deposit boxes are attacked.

Bank Protection Act requirements for cash vaults constructed after February 15, 1969, initially called for steel-reinforced concrete walls 18 inches thick. This subsequently was lowered to walls 12 inches thick, with ⅝-inch steel-reinforcing bars four inches apart.

"It should be plain by now that when there are significant assets to be protected, a good vault alarm system is a must."

A U. S. marshals' survey in 1975 disclosed that while most large banks had adequate vaults, 11% of the small banks still had obsolete vaults that didn't meet the new requirements. Banks should not delay bringing obsolete equipment up to these new standards, which likely will remain firm in the future.

Although there will be no drastic technological change in vault and safe equipment, some improvements will continue to be made. For instance, one large safe company now is using a construction material that's said to have excellent resistance to drills and torches. It's made of thousands of small metal fibers embedded in a hard, dense, composite material. If extra drill resistance is required, around combination locks for example, aluminum oxide nuggets, with hardness next to that of diamonds, is added to the material.

Vault walls and doors, no matter how thick or strong, can be penetrated if the burglar has enough time. One of the largest bank burglaries of all time occurred last year in a French bank, which reportedly had no vault alarm and depended on stone walls five feet thick for security.

Even more recently, in January of this year, vaults of the Vancouver (B. C.) Safety Deposit were entered by burglars, who escaped with loot estimated in the "10s of millions of dollars." Over a weekend, the burglars tunneled through 34½ inches of concrete and steel—including an inner lining of armor-plate steel four inches thick. These walls, too, were considered by police and bank officials to be burglarproof.

It should be plain by now that when there are significant assets to be protected, a good vault alarm system is a must. Banking methods may change, but the need for strong, secure vaults to store cash and valuables safely never will change.

Many banks today are "protected" by obsolete alarm systems. Alarm companies for years used the so-called McCulloh circuit in which a number of customers are connected in a series arrangement to form a closed loop. This system is vulnerable to sophisticated burglars who either can knock out the entire loop so that the central station is confused as to which location the alarm is coming from or bypass the circuitry altogether so no signal is transmitted.

It was this type of alarm system that burglars compromised one weekend several years ago at a bank in Laguna Niguel, Calif., resulting in a loss of several million dollars to the bank and safe deposit customers.

Bank security officers certainly should find out whether they are connected to this kind of system and, if so, change either to a direct-connect system with some type of live security or a digital-multiplexing system. In the latter, the central station transmitter/receiver sends a series of random pulses to a similar unit inside the bank vault, which responds with a different series of pulses. Any interruption, delay or change in the signal and response causes an alarm.

The common denominator and Achilles' heel of all alarm systems is the telephone line. The electronic burglar, with the aid of a few tools and a little knowledge, can tap the phone line and feed a properly calibrated signal to the central station, which is unaware that it is not receiving the original alarm signal.

"The increased efficiency of security equipment has caused robbers to resort to kidnap-extortion attempts involving ransom payments."

A possible alternative for the future is transmission of the alarm signal to the central station by microwave, although this, too, has its limitations.

The most significant progress in alarm system technology has taken place in motion-detection, beginning with the ultrasonic systems and followed by microwave with its controlled pattern of radiation and insensibility to air currents, and finally, infra-red body heat detection which can see a 98.6-degree body moving against a normal 72-degree background.

An alarm system is only as efficient as the people who will react when the alarm is activated. Most systems terminate either at a police station or some other off-premise location. A recent trend is the use of a so-called proprietary system in which the alarm lines terminate at a central bank location and are monitored by the bank's guard force.

The increased use of computer systems, in which branch banks are connected on-line with the computer center, provides another alarm system option for the bank of the future. Since the telephone lines are already in place for the computer network, they can be used to transmit the alarm signal to the computer center. There the alarm signal is diverted to a console monitored by the bank's guard force. A major factor in cost-justifying this system is the savings realized through the dual use of phone lines.

As long as bank robbers are active, the surveillance camera will be an important piece of security equipment. Film cameras produce better photos but CCTV systems have been vastly

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improved in recent years and now cost less than in the past. CCTV is also well suited for coverage in sensitive areas of the bank and computer center. Both systems have their place and the security officer must decide which system is best for what he wants to accomplish in a particular location.

A relative newcomer to the field of bank security equipment is the bullet-resistant partition, which isolates the teller from the customer. These partitions have thus far proved to be quite effective as a deterrent in high-risk areas. They are mandatory at all counters where cash is stored in Japan and Germany.

Installation of these partitions in 90 branches of a Detroit bank is credited with reducing holdups from 58 one year to 12 the year following installation.

These partitions eventually may not be needed. A bank designer says banks of the future will have a machine area and a personnel area. All money will be handled by and contained in the machines, which are invulnerable to holdups.

Banking by TV is another concept of the future that offers the ultimate in security. Customers walk up to a station, push a button and are immediately connected with a teller. Teller and customer can see each other on TV screens and talk over an intercom system while cash and transaction materials are sent in pneumatic tubes.

The increased efficiency of security equipment has caused robbers to resort to kidnap-extortion attempts involving ransom payments. While banks do not at present utilize any specific type of security hardware to protect against this type of attack, the need is there as these incidents will continue to occur.

Communication, a vital element in any kidnap-hostage-ransom situation, would be vastly improved if banks had their own two-way radio systems for use in emergencies. A miniaturized transmitter in a wristwatch, necklace or belt buckle could be used in connection with such a system, even if only to transmit a homing-type signal to help locate the kidnap victim. Such devices in some form are available, but cost prevents their widespread use.

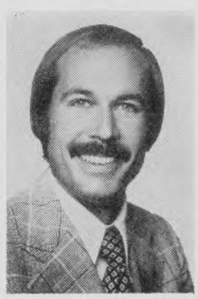
The checkless, cashless society is still decades away. Meanwhile, banks and merchants are sustaining losses estimated at $4 billion annually in forged and fraudulent checks. That's far in excess of losses to robbers and burglars. To stem this loss-tide, merchants and banks have been looking for simple, economical ways to identify check cashing customers. Taking a fingerprint from each customer is simple and fairly economical, but banks have been slow to adopt this technique because of the time required to take a fingerprint and possible customer opposition.

(Continued on page 132)

Corporate News Roundup

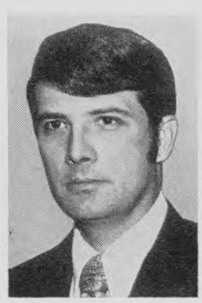
• **Bank Building Corp.** This St. Louis-based firm has announced the following appointments and promotions: John F. Howe, vice president, has been named director of marketing; Jack R. Peat, formerly consultant services manager, southern division, has been promoted to general manager, central division; and Stephen A. Baden has been elevated from program analyst to consultant services manager, central division. Mr. Howe joined BBC in 1973, going from Hickory Valley Farm, Inc., where he served as president. Mr. Peat formerly had served as general manager, Ames Bag & Packaging, while Mr. Baden went to BBC from First Missouri Bank, Creve Coeur.

• **James Talcott, Inc.** Jerry Andress has been appointed assistant vice president, Talcott Business Finance, a division of James Talcott, Inc., New York City. He will be responsible for new business development in the division's St. Louis Office. In addition, James Talcott, Inc., has named Dominick Leavitt assistant secretary. He serves as loan administrator in the Chicago District Office of Talcott's Business Finance Division.



PATRICK

CROW

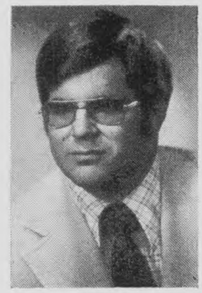


KING

HOWE

PEAT

SCHUSTER



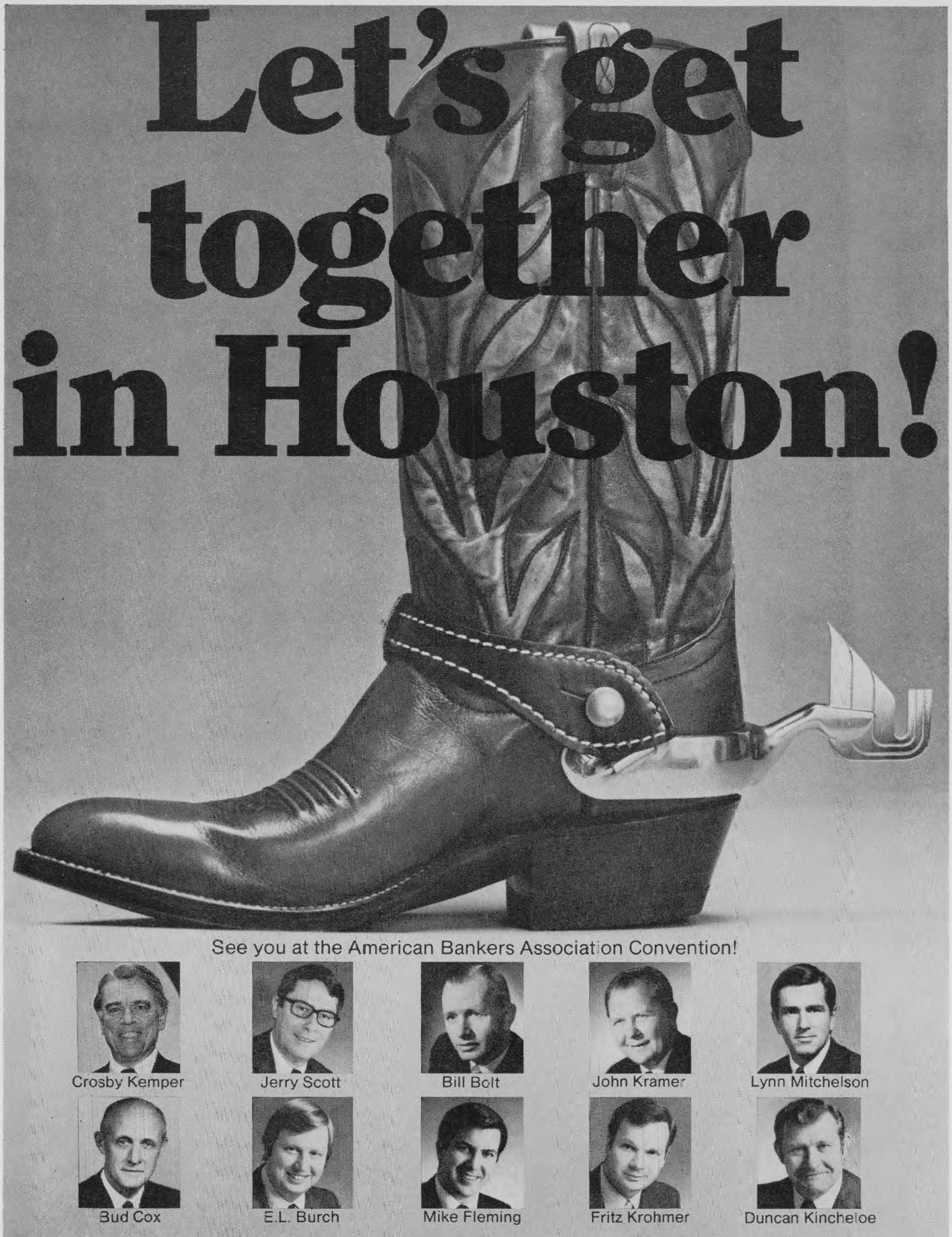
BADEN

• **First Ogden Corp.** Allan Schuster has been named senior vice president, First Ogden Corp., Naperville, Ill., based bank service company. As the firm's second in command, Mr. Schuster will share overall responsibility for corporate operations, concentrating on management of First Ogden's data processing subsidiary, which has undergone expansion. Prior to joining First Ogden, Mr. Schuster was assistant operating general manager, systems technology, Continental Illinois National, Chicago.

• **Associates Commercial Corp.** Francis C. Suarino has been appointed senior vice president and general counsel of this Chicago-based commercial financing subsidiary of Associates Corp. of North America, a Gulf & Western company. Mr. Suarino holds a doctor of laws degree from Fordham University, Bronx, N. Y., and has 14 years' experience in commercial financing and leasing.

• **John H. Harland Co.** Joseph E. "Pat" Patrick Jr. has been named vice president of marketing, John H. Harland Co., Atlanta. Mr. Patrick joined this check-printing company in 1969 as sales representative, later becoming area sales manager in California.

• **Diebold, Inc.** This Canton, O.-based firm has announced two new appointments. Walter Crow Jr., vice president/marketing, has been given the additional responsibility of product management covering the entire Diebold Bank/Systems Division products except automatic banking. Gilman R. King has been made vice president and assistant general manager of that division.


Let's get together in Houston!
See you at the American Bankers Association Convention!
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Lynn Mitchelson
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October 15-19, 1977 • Houston, Texas

Legislation, Competition and EFT To Be Aired at ABA Convention

FOR THE THIRD time in the history of the American Bankers Association, the ABA will hold its annual convention in Houston—October 15-19. The two previous ABA meetings there were held in 1927 and 1938.

The most prominent topics for this year's meeting will be bank profitability and competition, existing regulations and proposed legislation. The whole thing will begin October 15 with dramatic grand-opening ceremonies at the Astrohall in the city's famed Astrodome complex. Then, educational exhibits will be opened, as will an EFT Showcase (see page 50).

That afternoon will be highlighted by two banking forums. The first will focus on the nation's economic and investment outlook, with special emphasis on bank portfolio managers' needs. The second will examine new federal laws and regulations that affect banking.

On Sunday, October 16, Bishop Fulton J. Sheen will speak at a fellowship gathering in the Astrodome Arena. More special events and presentations in the exhibits hall and EFT Showcase will fill out the Sunday program, followed by a reception featuring Renaissance decor at Houston's Galleria Shopping Mall.

On Monday morning, October 17, the ABA will present a program on its new Full-Service Bank ad campaign (see page 42), which is designed to be an essential element of banking's competitive strategy against nonbank competitors.

That afternoon, special-interest sessions—many keyed to community bankers' needs—will be clustered in two separate series. Topics to be covered will include:

- New national bank examination procedures.
- Agricultural lending in a cash-flow crunch.
- Secondary market opportunities for community bankers, including programs of the Small Business, Farmers

ABA Convention Schedule

Saturday, October 15

Grand-Opening Ceremonies.
Opening of Educational Exhibits.
Opening of EFT Showcase.
Two Banking Forums.

Sunday, October 16

Fellowship Gathering: Bishop Fulton J. Sheen, Speaker.
Special Events and Presentations in exhibits hall and EFT Showcase.
Reception in Galleria Shopping Mall.

Monday, October 17

Presentation on Full-Service Bank Advertising Campaign.
Special-Interest Sessions.

Tuesday, October 18

Discussion of Bank Regulatory Issues.
Forum on Community-Bank Profitability.
Forum on New Banking Services.
Gala Reception.

Wednesday, October 19

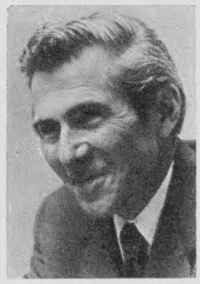
Program on ABA Business.
Noon Closing Ceremonies.

ABA Officers for 1976-77

McPETERS

MILLIGAN

LYON

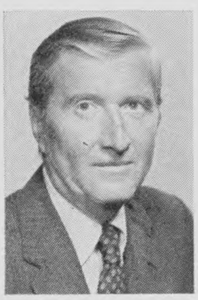


ALEXANDER

Home and Federal National Mortgage associations.

- Community-bank investment management, including special techniques of portfolio planning.
- Role of spouses of community bank CEOs.
- Management skills and techniques applicable in banks of any size.
- Major government relations issues of concern to banking.
- Methods of formulating lending policies and administering credit, keyed to medium-sized and larger banks.
- Role of directors in community banks.
- Employee stock-ownership plans.
- Community banks' capital adequacy.
- Community banks' insurance coverage.
- Marketing for new business and cross-selling in community banks.
- Determinants of loan-portfolio profitability in medium-sized and larger banks.
- Asset and liability management for medium-sized and larger banks.

1977 ABA Candidates



PERKINS

SMITH

John H. Perkins, pres., Continental Illinois Nat'l, Chicago, is the nominee for ABA pres.-elect, 1977-78. Thomas R. Smith, pres., Fidelity Brenton Bank, Marshalltown, Ia., is the nominee for ABA treas. Mr. Perkins joined his bank in 1946, became s.v.p. in 1966, e.v.p. in 1968, v. ch. in 1971 and pres. in 1973. Mr. Smith also is v.p. and a director of Brenton Banks, Inc., a $400-million bank HC, and is on the boards of four other Iowa banks.

The general session Tuesday morning, October 18, will feature a discussion of bank regulatory issues by federal bank regulatory agency representatives.

Two forums will highlight that afternoon's program. The first will focus on community-bank profitability, and the second will examine methods of coping with new services such as NOW accounts.

A second gala reception is scheduled for that night.

On the final convention day, Wednesday, October 19, the general session will include a program segment set aside for ABA business. Noon ceremonies will mark the convention's close.

ABA Officers. W. Liddon McPeters, president, Security Bank, Corinth, Miss., will climax his year as ABA president by presiding at the 1977 convention's general sessions. A magna cum laude (1943) graduate of Vanderbilt University, Nashville, Mr. McPeters also holds a master's degree and Ph.D. in economics from Harvard University.

His banking career began in 1943, when he was made a director of Security Bank. He was its cashier, 1947-48, a vice president the following five years and moved up to president in 1962. He headed the Mississippi Bankers Association in 1967.

A. A. Milligan, now ABA president-elect, will succeed Mr. McPeters as president at the end of the convention. Mr. Milligan is a 1938 graduate of Stanford University, Palo Alto, Calif., and took graduate studies at the Stanford School of Business and Stanford Graduate School of Credit and Financial Management, 1938-39 and 1957-59.

In 1940, he joined the Bank of A. Levy, Oxnard, Calif., which had been started by his grandfather. After serving in the Navy during World War II, Mr. Milligan became assistant secretary of the bank in 1946, director and executive officer in 1950 and moved up to his present posts of chairman and president in 1955.

Mr. Milligan is a former president of the California Bankers Association.

Now ending his second term as ABA treasurer is Roger A. Lyon, president and chief administrative officer, Valley National of Arizona, Phoenix. He entered banking in 1950 at the former Chase National, New York City, now Chase Manhattan, as a member of the head office training force. Later, he was in the correspondent bank portfolio review division and the investment and financial planning departments. In 1972, Mr. Lyon was named executive vice president in charge of the institutional banking department, which included responsibility for correspondent banking relationships. He went to Valley National April 1, 1976.

Mr. Lyon is a graduate of Princeton University, Princeton, N. J., and holds a master's degree from the Graduate School of Business Administration, Rutgers University, New Brunswick, N. J.

Willis W. Alexander, ABA executive vice president, joined the ABA immediately after completing a year as ABA president, 1968-69. He joined Trenton (Mo.) Trust in 1947 and, while serving as that bank's president, he headed the Missouri Bankers Association in 1959-60. • •

Shuttle Buses for ABA

HOUSTON—Three shuttle bus routes will help ABA conventioneers get around "Space City" next month. Each route will serve one of the hotel areas, and convention badges will serve as free passes for boarding any of the fleet of 60 buses, which will take riders from their hotels to the Astrodomain in about 20 minutes. All buses will be marked "ABA Convention."

Buses will depart from hotels at 15- to 20-minute intervals, with service beginning about an hour prior to the earliest morning session. The service will continue throughout each convention day, long enough to provide transportation for everyone leaving the convention center after the last session.

New to the convention this year will be a special evening bus service. The buses will shuttle around the three hotel areas until 10 p.m.

ABA CHRONOLOG-1976-77

A listing of highlights of major ABA activities during the term of office of W. Liddon McPeters, ABA president for 1976-77. Mr. McPeters is president, Security Bank, Corinth, Miss.

OCTOBER

The ABA board of directors approves new procedures for electing ABA officers, "designed to clarify and simplify the selection process and to assure that the entire membership is represented."

Speaking at a meeting of the Iowa Bankers Association, newly elected ABA President Liddon McPeters calls on bankers to "rally around our common objective, which is: what's best for the financial consumer is best for banking."

In testimony before the National Commission on Electronic Funds Transfers (NCEFT), an ABA spokesman says EFT terminals providing supplemental but limited services to established customers should not be considered as branches.

NOVEMBER

The ABA sponsors five regional workshops to review the Tax Reform Act of 1976, each probing the new law's meaning for trust departments.

Over 1,800 farm lenders travel to New Orleans for 25th National Agricultural Bankers Conference and nearly 450 bankers attend the 1976 National Correspondent Banking Conference in Dallas.

An ABA representative tells the Commission on Federal Paperwork that the highest cost of required paperwork often comes from maintenance of records which are unclear, contain questions that lack purpose and that clearly will be put to no use.

Liddon McPeters tells those attending the Southern Conference of State Bankers Associations that the ABA and state bankers associations are mutually dependent on each other to satisfy the industry's three main needs: communication, education and government relations.

DECEMBER

National Commercial Lending Graduate School, sponsored by the ABA at the University of Oklahoma, graduates 108.

ABA Executive Vice President Willis Alexander, testifying before the NCEFT, says there should be a less restrictive environment for EFT terminals than for brick and mortar branches and that federal regulations should apply equally to all who offer electronic banking services. He offered a three-part legislative approach that the commission could recommend to Congress.

JANUARY

Minbanc Capital Corp., the closed-end investment company founded by the ABA to supply capital to minority banks, reports an additional investment of $650,000 in Consolidated Bank & Trust, Richmond, Va., and American State, Tulsa, bringing the corporation's total investment to $2,750,000 in eight banks.

Lawyers for ABA and co-plaintiff Tioga State, Spencer, N. Y., ask U. S. district court to dismiss "without prejudice" their lawsuit against the National Credit Union Administration (NCUA) over the legality of check-like share drafts, stating that NCUA has agreed to hold hearings before authorizing additional credit unions to offer share drafts under the experimental program.

The ABA announces results of an independent survey indicating that the association is communicating with its members to their general satisfaction. Arthur Young & Co. based its findings on interviews with 148 randomly selected bankers.

FEBRUARY

Atlanta is the site of two national meetings—the National Bank Investments Conference, which attracts some 1,500 registrants, and the National Conference for Branch Administrators, with nearly 200 registrants.

Speaking before an audience of nearly 2,000 at the National Trust Conference in New Orleans, ABA President Liddon McPeters says bankers will have to be more unified in presenting industry positions than they have in the past or run the risk of having damaging laws passed.

The ABA sponsors its first banking leadership meeting in Washington. Those attending, including the ABA Governing Council, state association presidents and managers, and representatives of other banking organizations, decide to keep all options open in developing legislative proposals that would establish parity in interest rates paid to bank savers, make consumer savings accounts more useful and make Federal Reserve membership less burdensome.

The ABA asks the House Ways and Means Committee to deny a Justice Department request that certain records-privacy provisions of the Tax Reform Act of 1976 be suspended, saying that the law—for the first time—"guarantees by statute certain procedural rights for taxpayers."

MARCH

In testimony on Capitol Hill, ABA spokesmen oppose one proposal that would give the Federal Trade Commission jurisdiction over banks in certain matters and another that would require disclosure of beneficial ownership of stock.

Appearing before the Senate Banking Committee, ABA president-elect A. A. Milligan says the Community Reinvestment Act would be "a major step toward political allocation of credit" and could weaken rather than strengthen the economies of local communities.

Speaking at the National Installment Credit Conference in New Orleans, Liddon McPeters discusses the consumer confusion and higher costs that result from consumer protection acts such as Truth in Lending, Equal Credit Opportunity and Real Estate Settlement Procedures.

(Continued on page 50)

The 'Lusty Adolescent' City Welcomes ABA

HOUSTON has been described as "a lusty adolescent," a city that "stands ready to take its place among the great cities of the world."

Bankers who attended the last ABA convention in Houston—in 1938—are in for a surprise. There's little of the pre-World War II Houston to be seen today. Rather, what they'll be greeted with is a dramatic skyline of towering buildings and a sprawling urban area spread across the broad Texas plain.

Now the sixth largest city in the U. S., Houston is also recognized as the fastest growing major city in the nation. An average of 60,000 families moves to Houston annually, according to Stephen P. Gubitz, senior vice president-marketing, Houston National.

Among the first sites convention goers will become acquainted with is the Astrodomain, the complex that includes the Astrodome sports arena, the Astroarena meeting hall and the Astrohall exhibition center. Most convention activities will take place in the Astroarena and Astrohall. Seating capacity at the Astroarena is 8,500 and the Astrohall contains half a million square feet of exhibit space.

The convention reception will be held at the Galleria, an enclosed shopping center that features three floors of shops and an ice skating arena, all covered by an arched glass skylight.

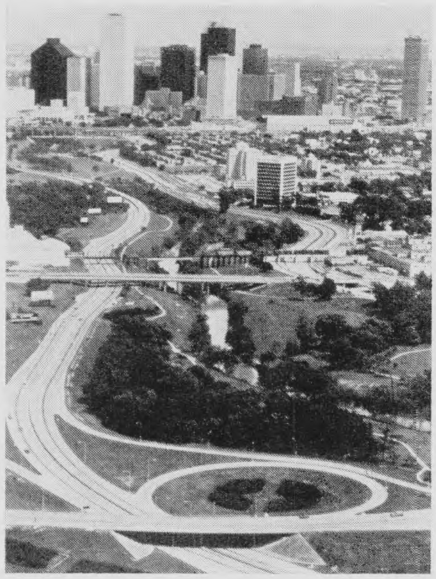
Adjacent to the Astrodomain complex is Astroworld amusement park, a place most convention goers with children will visit.

Those seeking more mature entertainment will head for the Alley Theater, said to be one of the most striking theater buildings in the world. The Alley, recognized as one of the two or three foremost repertory companies in the nation, has played in Houston for 25 years.

An often-visited outdoor attraction is the San Jacinto Monument, the world's tallest masonry shaft. It marks the site where Texas' independence was won in 1836. The monument is on the grounds of a 460-acre wooded state park and stands 570 feet high and bears, at its apex, a 220-ton star, symbol of the Lone Star state. Nearby is the battleship Texas, which lies at permanent berth.

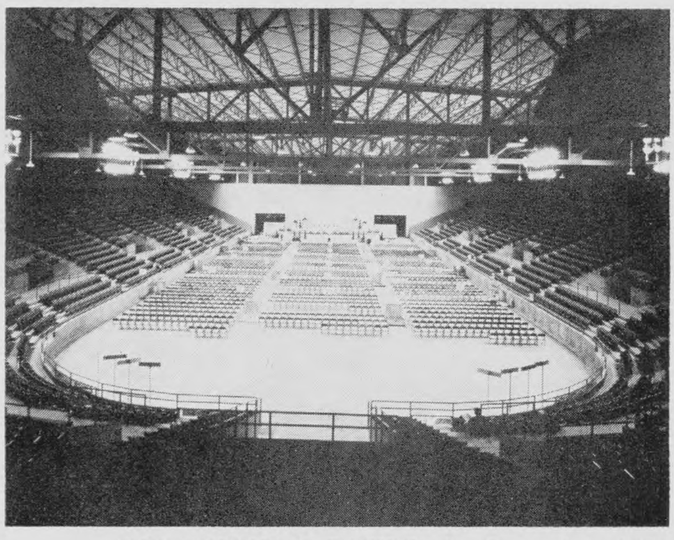
Other places of note in the Houston area include the Museum of Fine Arts, well known for its Remington western paintings; the Lyndon B. Johnson Space Center, headquarters for NASA's man-in-space effort; the Port of Houston, among the top three ports in the U. S. in total tonnage; and the Old Market Square, home of shops, galleries and restaurants.

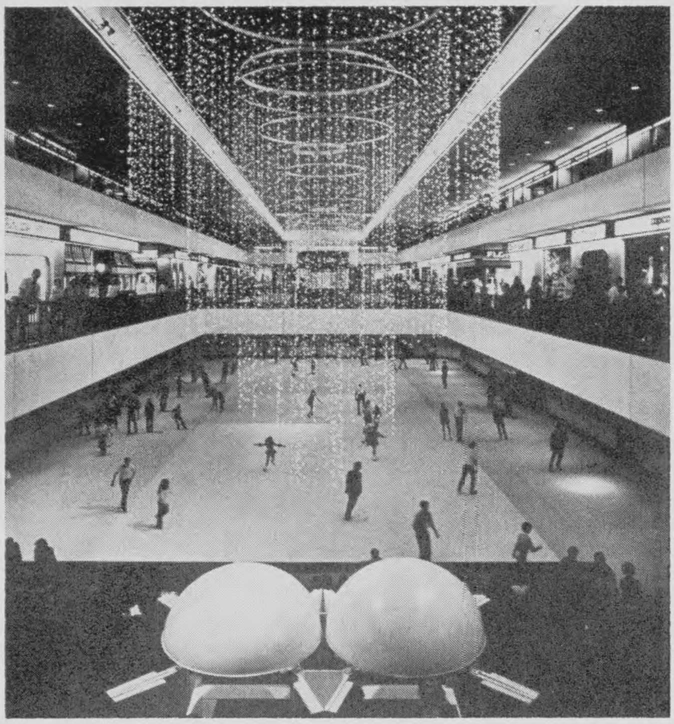
Average temperature in Houston in October is in the 70s, with highs in the 80s and lows in the 60s. • •

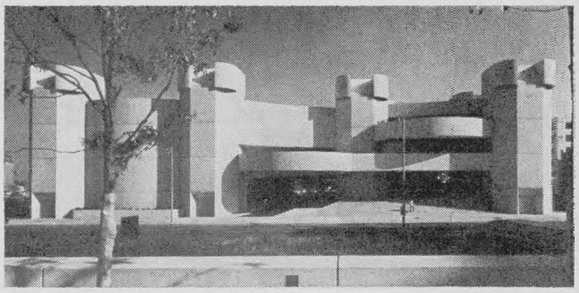


Astrodomain complex features Astrodome (bottom), Astrohall (center) and Astroarena (left), plus parking for 30,000 autos. Adjacent to Astrodomain are Astroworld amusement park and 1,000-room hotel. Most convention activities will be held in this area.

Interior of Astroarena, site of general sessions of ABA convention. Seating capacity is 8,500. Adjacent Astrohall has half a million square feet of exhibit space; will be location of convention registration and exhibits.



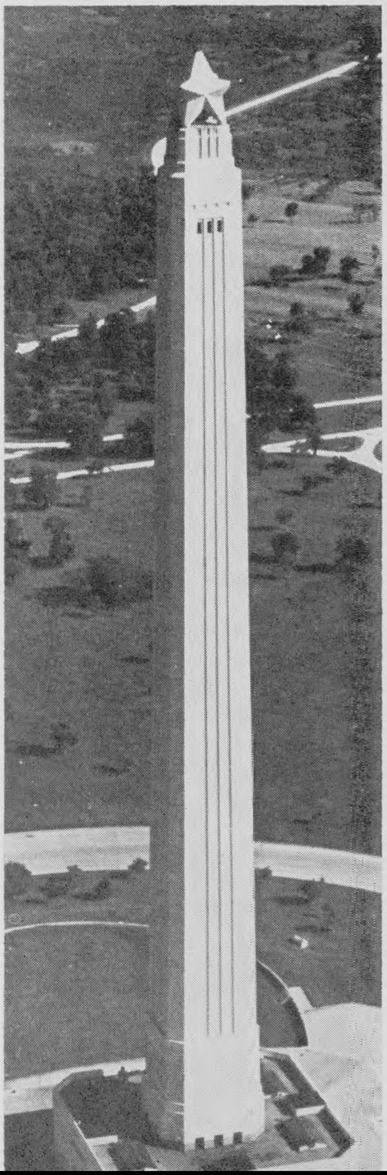




Alley Theater provides example of startling architecture in downtown Houston. Building was designed by Ulrich Franzen.

Ice rink is focal point of Galleria enclosed shopping center, site of ABA convention reception. Shops are situated on three levels and entire area is covered by arched glass roof.

San Jacinto Monument is world's tallest masonry shaft and marks site where Texas won its independence in 1836. Nearby is permanent berth of battleship Texas.



Astroworld amusement park is home of such atractions as Dexter Frebish Electric Roller Ride, Black Dragon, Astrowheel, Astroway and, projecting 340 feet into the air, Astroneedle.

A $4.1-Million Ad Budget:

New ABA Campaign Spotlights Theme Of Full Service

A FULL SERVICE BANK®

THE American Bankers Association is on location in Dallas early this month, sporting a 20-member film crew, a $4.1-million advertising budget and a new message for the American people.

The crew is filming one of three new television commercials scheduled for network airing beginning October 17. (For the schedule, please see "ABA Full-Service Lineup.")

The new budget represents a 40% increase over the 1976-77 budget and has enabled the ABA to cosponsor prime-time top 20 shows, such as "M.A.S.H." and "Rhoda," for the first time.

This activity and commitment underscore the importance of the banking industry's new Full-Service message—"No financial institution can help you and your community more than a Full-Service Bank."

The Full-Service campaign is designed to increase public awareness of the unique, pivotal role banks play in their communities by serving the financial needs of individual borrowers, businesses, municipalities and government.

The rationale for the new advertising approach, says ABA Communications Council Chairman Lee E. Gunderson, is simple: "People who have a good image of banking are more likely to be bank customers and less likely to support government policies detrimental to banking."

Moreover, the ABA hopes the new campaign will help stem the continuing erosion of deposits held by the nation's 14,700 banks.

Part of this problem, the ABA feels, comes from the inability of the public to distinguish between banks and nonbanks. Part of the problem, too, comes from the increasingly unequal competitive advantages that nonbanks are enjoying in the marketplace.

While the ABA is aiming its national advertising at the general adult population, Mr. Gunderson said the key, primary audience "comprises this nation's 96 million bank savers. Ninety-six million people who should be more aware of the integral role of Full-Service banks in their communities. Only then will these depositors realize that discrimination against banks in favor of nonbanks truly is not in their own best interest."

Thus, the long-range goal of the campaign is to generate a collective public opinion strong enough to reach the makers of public policy.

"'Elected and appointed government officials, too, must be made aware of how much the quality of community life depends on the resources of Full-Service banks," Mr. Gunderson stated.

"We are confident," he added, "this awareness will stimulate a reversal of the trend of increasingly unequal competition banks face in the marketplace."

The message itself is most succinctly summed up by the ABA in a full-page magazine ad to its members: "It's time people learned that banks do it all—and do it better."

To illustrate that Full-Service banks "do it all," the ABA commercials will feature documented case studies of Full-Service bankers reinvesting deposits, time and energy back into their communities.

The commercial being filmed in Dallas is based on a revolutionary redevelopment of an older part of the city that was led by a Full-Service bank—Lakewood Bank—and a Full-Service banker, A. L. (Artie) Barnett, senior vice president.

Three miles from the heart of Dallas is an area comprising approximately 200 houses built between 1905 and 1925. It is, perhaps, the largest intact neighborhood of turn-of-the-century houses in the Southwest.

Blue Full-Service symbol, once familiar at many of nation's commercial banks, will appear again. This registered trademark of ABA has been expanded to include full scope of services provided by banks within their communities to consumers, business and government. Full-Service concept is theme of ABA's new $4.1-million national ad campaign.

Problem was, the neighborhood had deteriorated into a classic example of urban blight. Scores of houses had been subdivided. Others had suffered fire, vandalism and lack of concern by owners.

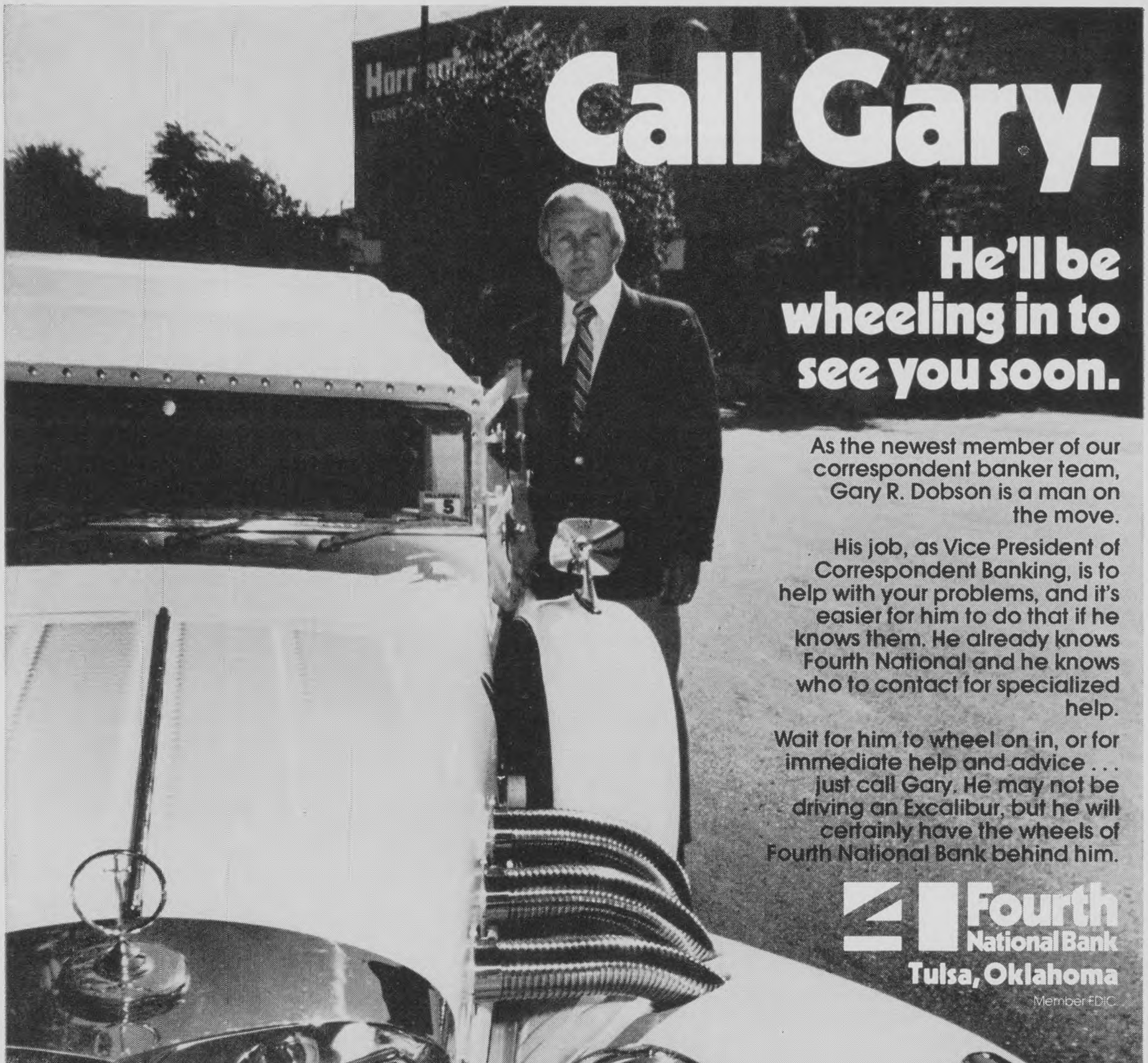
Two key elements came together, however, to successfully restore the neighborhood. First, a group of nine people living in the remaining "best homes" formed an organization to promote restoration of the area.

Second, a Full-Service bank committed $1 million to the heart of the area. Lakewood Bank established four criteria for the mortgage money: The neighborhood must have an organization; the individual owner must be an owner-occupant; the loan must include sufficient funds to restore the property, and the borrower must have an adequate credit rating to carry the loan.

With this commitment, things began to happen rapidly. Other financial institutions approved loans. Young people moved in. Homes were restored and, as the net result, the bank has expanded its original commitment to less-desirable adjacent neighborhoods, which are also now being restored.

The documented Dallas case study is just one example of community involvement by Full-Service banks which the ABA is going to present to the public.

Two other new commercials were


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
Tulsa, Oklahoma
Member FDIC
Call Gary. A Better Banker's Banker.
(918) 587-9171
Excalibur courtesy of A. Blaine Imel A.I.A. Tulsa.

filmed late last month in Ames, Ia., and in Ashtabula, O. Both illustrate the personal involvement of a Full-Service banker in helping a small business grow and provide more jobs within the community.

The new advertising campaign already is scheduled through May, 1978, on TV and includes continuing cosponsorship of National Football League telecasts and various network specials.

Even more than an ambitious advertising campaign, the Full-Service concept will be adopted throughout the ABA, from government relations to public relations.

The campaign will be supported by a national public relations program, by ABA elected officers at public forums and by a broad-scale member communications effort designed to stimulate member bank involvement at the community level. The ABA is supplying Full-Service decals and an information kit to each bank and plans to follow up with a complete array of supporting marketing materials.

The major shift in theme—from the present emphasis on bankers helping people to the Full-Service concept—is designed to supplement more effectively the retail advertising normally done at the local level by individual banks.

Banks spent an estimated $644 million last year on individual consumer advertising programs, but virtually all of this was to promote retail services.

In comparison, the combined advertising expenditures of individual S&Ls, mutual savings banks and credit unions were an estimated $446 million last year. But, the Savings & Loan Foundation spent an estimated $5 million last year on advertising, about twice the ABA's national ad budget for the same period.

Mr. Gunderson, who is president of the Bank of Osceola, Wis., said the new advertising campaign is crucial because, "The overall role of Full-Service banks—using deposits to serve individual customers, commercial customers and government at all levels—is rarely illustrated in individual bank advertising nor experienced first-hand by the general public."

Mr. Gunderson added that every ABA-member bank is, indeed, a Full-Service bank, "even if it does not offer every financial service imaginable.

"That bank is still part of the Full-Service team, and that means bank customers can take advantage of services provided by a bank's correspondents, as well as the bank itself."

It's the ability to be Full Service, says the ABA, that distinguishes banks from nonbanks. The phrase "A Full-Service Bank" and an identifying blue-circle symbol are registered trademarks of the ABA.

"If the banking industry is going to realize the full, potential impact of such a campaign," Mr. Gunderson added, "a large majority of ABA member banks are going to have to actively participate by displaying the blue Full-Service symbol and by marketing the Full-Service concept to their own customers."

It will take time to build such a base of support.

Even during the old Foundation for Full-Service Bank's membership peak in 1970-71, only about 6,500 banks were displaying the Full-Service decals.

Now that the scope and meaning of Full Service has been expanded to include all banks, the association is aiming for Full-Service visibility from each of its 13,252 members. • •

J. Rex Duwe Award Contest Seeks Painting for ABA

The Kansas Bankers Association and the Kansas Arts Commission are cosponsoring a competition among Kansas artists for the J. Rex Duwe Award.

Kansas artists are invited to submit entries of their work for consideration for the award, the purpose of which is to select a painting to be hung in the ABA headquarters in Washington, D. C., to enable Mr. Duwe to "leave a touch of Kansas" at the ABA when he retires as chairman of the ABA governing council in October. Mr. Duwe, who is immediate past president of the ABA, is chairman and president, Farmers State, Lucas, Kan.

The winning artist will receive $1,500 from Mrs. Robert F. Bennett, wife of Kansas' governor, on November 11 at the governor's mansion in Topeka. The award money is being provided by Mr. Duwe.

1978 ABA Candidates

Lee E. Gunderson, pres., Bank of Osceola, Wis., and C. C. Hope, e.v.p., First Union Nat'l of North Carolina, Charlotte, are candidates for ABA pres.-elect for 1978.

Mr. Gunderson was the choice of ABA's Region Five and was unopposed. Mr. Hope won an election in Region Three where he was opposed by Hovey S. Dabney, ch. & pres., Nat'l Bank, Charlottesville, Va.

The two candidates now must vie for selection as the official nominee of the ABA's Governing Council, a choice that will be made at the council's spring meeting next April.

26th ABA Ag Conference Will Meet Nov. 13-16

KANSAS CITY—The ABA's 1977 National Agricultural Bankers Conference will be held here November 13-16. More than 1,000 CEOs, directors and ag specialists are expected to attend.

Chairman of the 26th annual meeting's planning committee is C. N. (Chick) Finson, president, National Bank, Monticello, Ill.

"The conference will feature a full, expanded schedule of forums, special-interest sessions, workshops and smaller breakout clinics," Mr. Finson said. "Detailed workshops on such topics as cash-flow lending, managing the agricultural bank for high performance, agri-business financing, experience factors on Farmers Home Administration and Small Business Administration loans, customer counseling, pricing loans management and a workshop on weather influences will offer bankers opportunities to analyze and adapt new concepts to present ag financing programs," he said.

General sessions are expected to focus on major banking and world trade issues, the ag outlooks and perspectives from Congress. The forums will analyze the legal aspects of ag banking, land strategy, crop marketing management and estate and tax planning.

More information is available from the ABA's Agricultural Bankers Division, 1120 Connecticut Ave., N. W., Washington, DC 20036.

ABA "Full-Service" Lineup

Program (1977-78)	Cosponsorship Months
Alice	Jan., May
All in the Family	Feb.
Ed Asner Show	Oct., Dec., Feb.
M.A.S.H.	Dec., May
Rafferty	Nov., Feb., May
Rhoda	May
Switch	Oct., Nov., Dec., March, May
Tony Randall Show	Nov.
NFL Football	Oct., Nov., Dec., Jan.
Network Specials	Nov., April

Two new Brandt Coin Wrapping Systems deliver convenience and productivity

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

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

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

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

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

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

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

the most for your money

Brandt Systems

Brandt, Inc. Watertown, WI 53094
Brandt® Cashier® Countess®

ABA Convention Director Gives Details Of Staging Annual Meeting in Houston

AN ADVANCE party of 100 people equipped with 10 tons of supplies and using radio control is headed for Houston. It will be closely followed by the main force estimated at 11,000.

This friendly bunch of convention planners and bankers may spend as much as $11 million during the five days it will occupy the nation's sixth largest city. This year, for the third time in its 102-year history, the ABA convention will be held in Houston. The dates are October 15-19.

Heading the logistical side of the convention undertaking is Arthur L. Johnson, director of convention and meeting services for the ABA. Mr. Johnson's description of the event is loaded with boxcar figures: 630,000 printed items, 1,500 purchase orders, a fleet of 70 buses and as many as 200,000 hors d'oeuvres!

In order to appreciate the planning being done by Mr. Johnson's full-time staff of 21, you have to understand the enormity of the convention. Some 11,000 bankers, spouses and guests will occupy rooms in more than 30 hotels and motels. Charter buses—60 to 70 of them—will be used to transport registrants from their hotels to the Astrodomain, location of all functions but one, an evening reception, Mr. Johnson says.

Transportation, admits Mr. Johnson, will receive a lot of attention. "We've worked closely with Houston officials to arrange for one-way streets and special bus lanes during periods of peak movement." In the evenings, when bankers will be more interested in traveling between hotels for special receptions, bus routes will be adjusted.

Houston is unique as a conference city, with good accommodations spread throughout the city. "Normally," says Mr. Johnson, "we look for a site that offers 6,000-7,000 rooms near the convention center. We were able to make an exception in Houston's case, since freeways make it possible to move registrants from almost any hotel or motel to the Astrodomain in 20 minutes or less.

Conventions are big business. Houston's economy stands to gain an estimated $40 to $50 million, according to Mr. Johnson, just from ABA's annual meeting. "That doesn't mean bankers will spend that much," he adds, "but by the time you consider the number of times every dollar spent changes hands, it adds up."

The total is determined, he says, by 11,000 registrants staying five days and spending an average of $200 per day. It is generally believed that every dollar spent by a registrant finally adds $3 to $4 to the local economy.

Our job, says Mr. Johnson, "is to plan as much as we can, as far ahead as we can." As long as two years ago ABA had designed the tentative format for the Houston convention. "We planned on three general sessions, several concurrent forums and another 10 to 20 special-interest sessions," he said.

Detailed program planning, however, can't be accomplished that far ahead. The convention, Mr. Johnson said, has to reflect banking concerns.

But promotion can't wait for the program to be finalized. "We mailed the first promotion, a relatively simple one, in March," says Mr. Johnson, "and followed it up with a more detailed mailing April 15." A third package was mailed in late July.

"We try to get registrations in as far in advance of the convention as we can," Mr. Johnson explains. "That way we're able to get a head start on confirmations with hotels and can let bankers know where they'll be staying as early as possible."

Printing the promotional literature and other conference support material is one of the most complicated and demanding jobs associated with the convention. Mr. Johnson estimates that 630,000 brochures, program guides, registration badges and other items were printed in support of last year's Washington convention.

With promotion almost complete, and registrations coming in, Mr. Johnson and his staff begin the final phases of preparation. Every function is listed separately in the convention "staging guide," a bulging loose-leaf book that is something akin to the convention planner's bible.

The details of every event, whether a coffee break or general session, are listed with unerring precision. Armed with layouts of every room or area that will be used, Mr. Johnson's staff prepares a list of requirements that specify everything from placement of chairs to how tables are to be covered—and they do this for more than 500 separate functions.

During the last few months before the convention, the size of the convention staff begins to grow. "Our full time contingent is augmented by people from other ABA offices," says Mr. Johnson. These staff members will assist in planning and supervising traffic control, security, public relations—and the list goes on.

"By the time we arrive in Houston," Mr. Johnson continues, "we'll have a combined convention staff of nearly 100, just from our Washington office." Additional people will be added once the meeting begins, many coming from the Houston Convention and Visitors Bureau.

If you think the convention/meeting services staff will take a few weeks vacation after the 1977 convention is recessed, consider this: They'll already have mailed the first promotion for the 1978 annual convention in Honolulu!

Correspondent Conference Set for November 28-30

NEW ORLEANS—The 1977 ABA National Correspondent Banking Conference will be held November 28-30 at the Fairmont Hotel here. The sixth annual conference is expected to attract more than 400 correspondent bankers. Its theme is "The Professional—Prepared for Change."

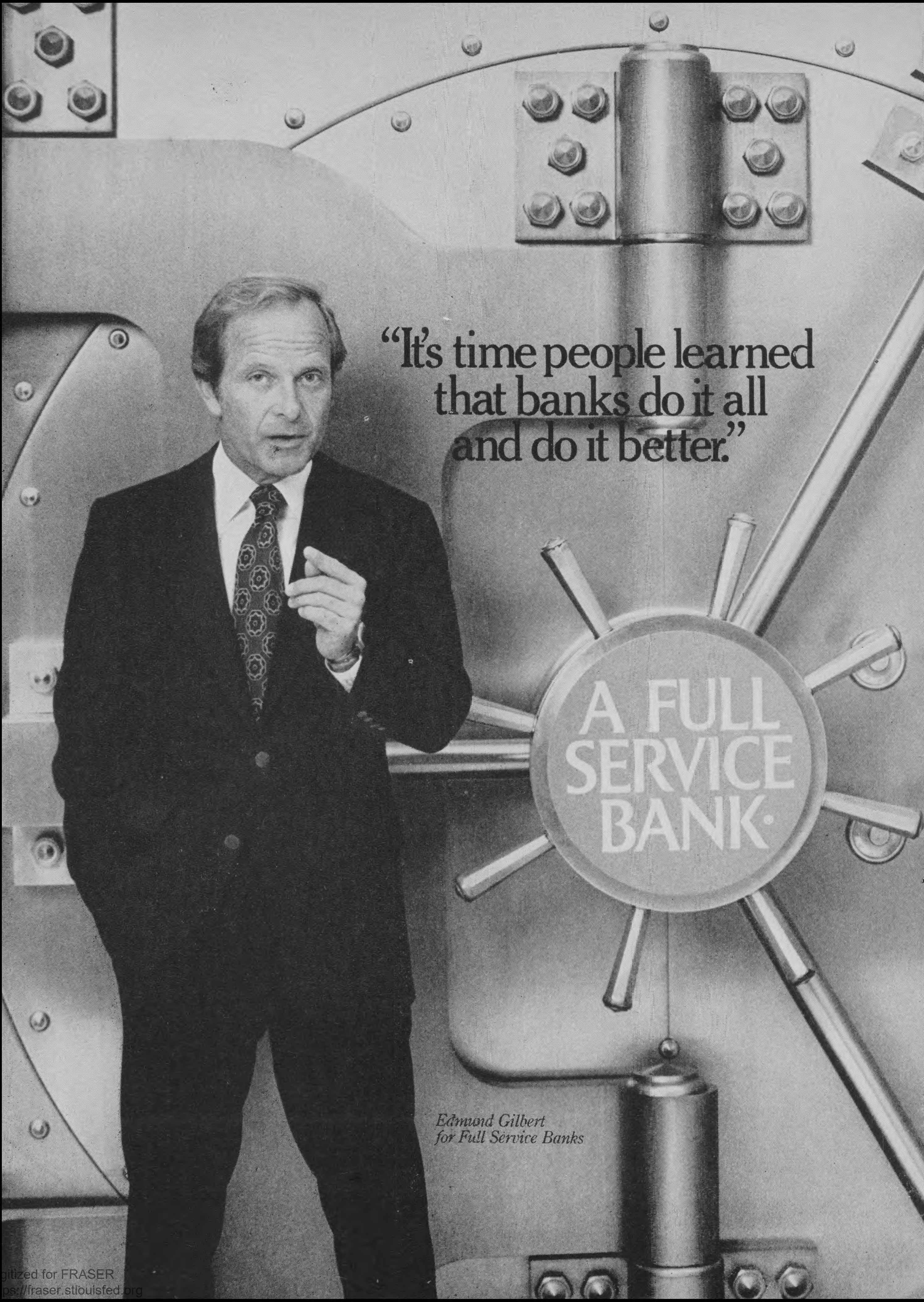
LOOSE

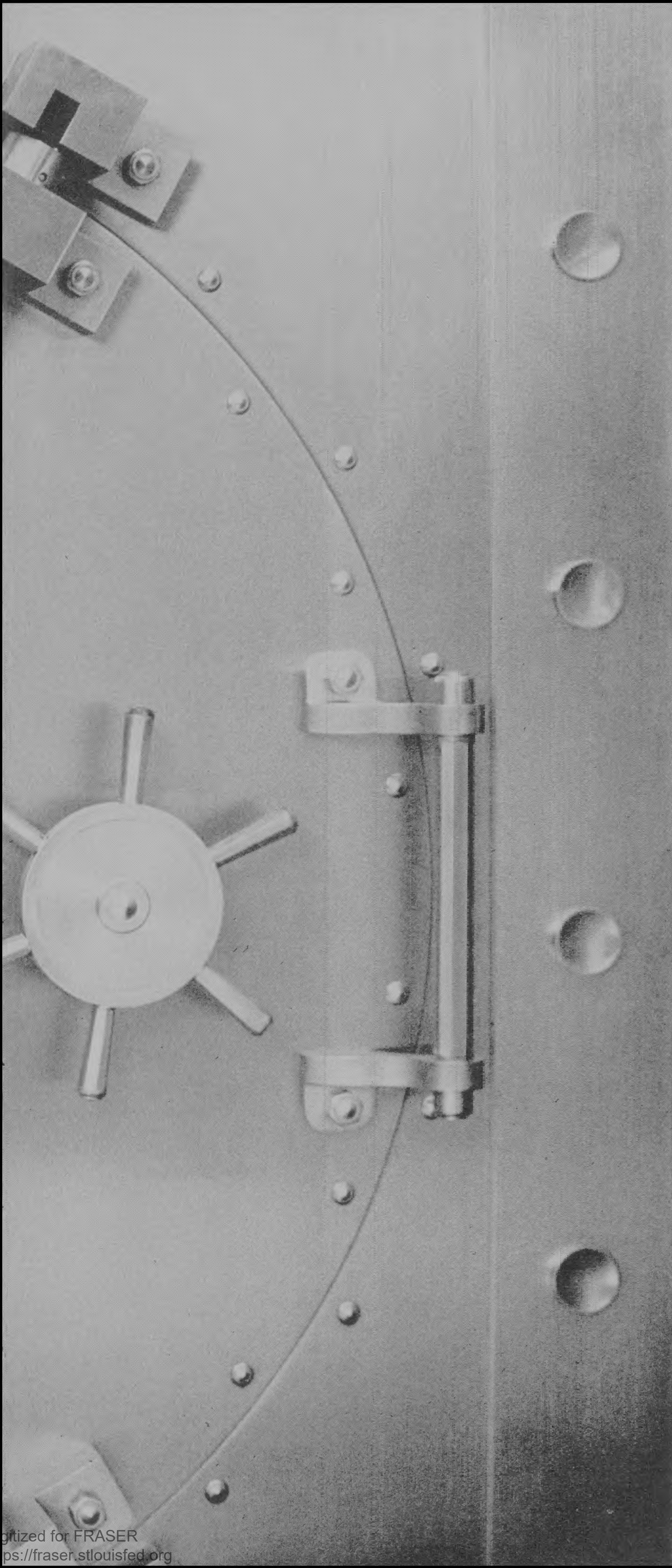
Featured on the program will be workshop sessions, panel discussions, correspondent consulting sessions and general sessions. Conference chairman is Ronald A. Loose, senior vice president, First National, Denver.

Attendees will be brought up-to-date on current banking regulations and legislation, how to meet increasing competition, new correspondent services to offer, how to determine cost of services and other current banking issues.

"Correspondent bankers are faced with an acceleration of change in banking at a level that is a challenge to the industry," Mr. Loose said. "The conference is geared for candid discussion of these changes to aid the correspondent banker to assist their respondent banks in dealing with these issues."

Information about the conference is available from Desdie Withrow, Correspondent Banking Division, ABA, 1120 Connecticut Ave. N. W., Washington, DC 20036.


"It's time people learned that banks do it all and do it better."
A FULL SERVICE BANK.
Edmund Gilbert for Full Service Banks



'EFT Village' Will Be Realistic Highlight Of ABA's 1977 Convention Exhibit Area

AN "EFT VILLAGE" will be a highlight of the ABA's convention in Houston October 15-19. The village—complete with stores, restaurants, snack areas, landscaping, street signs and EFT demonstrations—will be brought to life in the Astrohall.

"This will be the most dramatic EFT event ever developed by the ABA for bankers," says Arthur L. Johnson Jr., director, Convention/Meetings Services Department. "Bankers attending the convention know about the theoretical approach to electronic banking and its potential for banks and their communities. However, many have not had a chance to see EFT in action."

In EFT Village, manufacturers of EFT-related products or services will construct specially created working models of consumer-oriented retail outlets to demonstrate their wares.

The village will include a pavilion with music, a village green offering the only lounge area in the Astrohall and a special theater to present EFT programs and seminars conducted by manufacturers and bankers.

According to Mr. Johnson, the retail environments will be real-life working models of buildings, with exhibitors providing plastic cards for bankers to test the EFT equipment in actual store settings. He adds that bankers will be able to find out for themselves how EFT would work for their customers. He also notes that the small-town setting is designed especially to relate to community bankers, making it easier for them to visualize EFT at work.

Approximately two dozen manufacturers are expected to exhibit in the village. The village will be adjacent to the regular exhibits area in the Astrohall, which will feature the traditional display of banking services and equipment. • •

Consumer Advertising Code Endorsed by ABA Board

The ABA has endorsed a "statement of principle on financial advertising" designed primarily to assist ABA member banks in the new examination procedures recently implemented by the Comptroller of the Currency.

A major portion of the new examination process is known as the "consumer examination," part of which deals specifically with bank advertising content.

"Increasing activity in the legislative/regulatory arena, increasing interest on the part of consumer groups and increasing competition among banks themselves have all called more attention to the way we advertise our services," said Hans W. Wanders, chairman of an ABA task force that considered advertising standards. He is chairman, Wachovia Bank, Winston-Salem, N. C.

The statement, which has been endorsed by the ABA board of directors, states that: "An advertisement is ethical (1) when it is truthful; (2) when the intended audience can reasonably be expected to understand the message. Because of media physical limitations, it is not necessary for an advertisement to contain all the details about a service. However, any features, any terms (including prices), or any purchaser benefits should be presented in a manner that does not mislead. The purchaser should not be misled by what is stated nor have false impressions created by what is omitted."

The major input for the ABA statement came from the Financial Advertising Code of Ethics, formulated by the Bank Marketing Association.

Among those serving on the ABA task force was Gene Edwards, chairman and president, First National, Amarillo, Tex.

ABA Chronolog

(Continued from page 39)

Television special "The Miracle Months" attracts 30 million viewers, a record for an ABA-sponsored program.

APRIL

An ABA spokesman testifies before the Senate Banking Committee in support of two alternative methods of home financing proposed in the Young Families Act.

Liddon McPeters says the rule that would grant share draft powers to federal credit unions would be illegal and create competitive inequity in hearings before the National Credit Union Administration.

The ABA holds its second banking

What can we do for you?

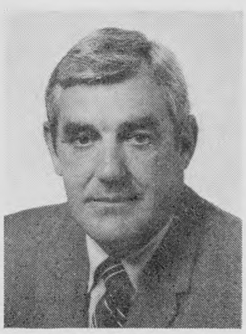
Just ask any one of these Commerce Bankers attending the ABA Convention.

James M. Kemper, Jr.
Chairman

P. V. Miller, Jr.
President

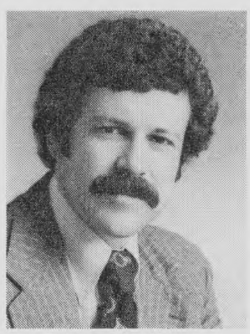
B. M. Lamberson
Vice Chairman,
Commerce Bancshares, Inc.

David A. Rismiller
Executive Vice President



Fred N. Coulson, Jr.
Senior Vice President

Tom C. Cannon
Vice President



John J. Williams
Vice President

Commerce Bank of Kansas City NA

MEMBER FDIC

9th & Main 10th & Walnut 12th & Charlotte
234-2000

leadership meeting in conjunction with the annual spring meeting of the Governing Council. Participants decide that the questions of greatest concern to the industry "all boil down to one thing: fair treatment of bank customers and banks" in areas of rate parity, reserve requirements, service restrictions, regulations and taxation. The ABA is instructed by banking leaders to pursue equality for bank customers.

The Governing Council selects John H. Perkins, president, Continental Illinois National, Chicago, as official candidate for ABA president-elect and Thomas R. Smith, president, First National, Perry, Ia., as official candidate for office of treasurer in the elections to be held during the 1977 annual convention in Houston.

MAY

Agricultural bankers tell the news media at a special seminar in Omaha that drought conditions and the pricing situation of grain and cattle make it difficult to help farmers in many states stay in business.

J. Rex Duwe continues to call for equality for bank customers at a meeting of the Alaska Bankers Association, while ABA treasurer Roger Lyon speaks against the Community Reinvestment Act at a meeting of the Virginia Bankers Association.

The National Operations and Automation Conference opens in New Orleans, and the Housing and Real Estate Finance Conference is held in San Francisco.

JUNE

An Administration-sponsored bill to extend NOW accounts nationwide and allow the Fed to pay interest on required reserves is introduced in the Senate. Also introduced is a bill drafted by ABA that would close the "interest rate gap," and eliminate other inequities that discriminate against bank customers, in addition to authorizing NOW accounts nationwide and allowing the Fed to pay interest on required reserves.

The ABA sponsors workshops on coping with NOW accounts in Dallas, Chicago, San Francisco and Washington, focusing on experience gained by banks in New England.

The ABA board of directors endorses a statement of principle on financial advertising, designed primarily to assist banks in the consumer examination portion of new examination procedures implemented by the Comptroller of the Currency.

JULY

An ABA spokesman endorses the efforts of individual senators and the Federal Reserve to seek simplification of Truth in Lending laws. In testimony before the Senate Banking Committee, the ABA representative says the "time is right to put an end to the spiral of complexity" that has twisted the original intent of the law.

The ABA holds a third banking leadership meeting to evaluate the status of NOW account legislation and provide industry leaders with an opportunity to affirm their drive for equality for bank customers.

Lee E. Gunderson, president, Bank of Osceola, Wis., and C. C. Hope, vice chairman, First Union National Bank, Charlotte, are selected as regional candidates for the office of president-elect for ABA for 1978. • •

Too Early to See Trends, ABA EFT Survey Reveals

It's too early to draw meaningful conclusions about the competitive impact of EFT, said respondents to a survey made by the Payments System Planning Division of ABA.

A report of the survey was submitted to the National Commission on Electronic Fund Transfers. The report stated that since EFT is still in an early state of development, the competitive market is "very volatile." The report also said there are a great number of participants and market experience will be necessary before the preference of consumers, corporations, vendors and financial institutions will be developed and accurately reflected.

The report concluded that: quantification of market impact from EFT is premature; any evidence available, or reasonable speculation leads to the conclusion that shifts in market share will be minimal unless financial institutions ignore the options and opportunities presented by the new service, that smaller institutions will be able to offer EFT as a result of development of an actively competitive environment among service providers.

The report also said that actual involvement of most banks in EFT is generally minimal and limited to a testing phase.

ABA Plots EFT Scenario To Determine Trends

The ABA recently projected an eight-point scenario for EFT development within the financial industry to determine the future shape and pace of EFT growth.

According to the scenario, a number of competing systems offering terminal services will develop, most owners of systems will aggressively seek sharing arrangements with other institutions of all types, some few medium-to-large institutions will elect sole proprietorship of EFT systems in their own market areas, early entry into EFT could cause providers to experience initially some increase in local market share.

The scenario also revealed that some attempts will be made to penetrate new geographic market areas by means of remote terminals; that, eventually, interchange capability among systems in different geographic areas will develop; that there will be some premature market entry and costly learning exercises in the trial-and-error process as a result of inexperience with new systems and services; and as competing systems develop, suppliers will begin to offer a wider range of service packages to financial institutions.

Management Skills Library Available From ABA

A six-part library to help bankers develop their management skills is being offered by the ABA's Bank Personnel Division in cooperation with the Community Bankers Division.

The Management Skills Library is geared to assist the banker who wants to continue to learn and to reinforce previous knowledge in six areas: time management, decision making, planning, communicating, interviewing and coaching/counseling and management by objectives.

Responses to a survey initiated by a task force showed that CEOs recognized that management is "a distinct body of knowledge and practices, quite apart from banking knowledge and ability."

The instructional package is designed to be used for self-study, for group training in a bank and for special seminars. The six modules can be purchased separately or as a set.

To help identify individual management skills, the ABA is sending member banks two separate self-assessment guides: one for CEOs and one for bank managers. The guides allow individuals to score their own experiences and identify their own self-development needs.

Cost of the complete package is $350. It is available from the Order Processing Department, ABA, 1120 Connecticut Ave., N. W., Washington, DC 20036.

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The vitality and energy of Houston is a source of pride to the people of the Southwest. That's why Oklahoma's Bank of Excellence, Fidelity, is especially pleased with the choice of Houston as this year's site for the 1977 American Bankers Association Convention. This year we couldn't find a boat big enough for Fidelity's convention cruise. We'll carry on that tradition next year in Hawaii. However, a view of the Battleship Texas is part of the special evening we have planned for our correspondents and friends at the famous San Jacinto Inn near Houston.

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Banks Can Compete for Consumer Accounts If They Know Their Competition

By DUANE McCULLOUGH
Senior Vice President
Fannin Bank
Houston

SOMETIMES in trying to understand something, you have to back off and take a fresh look at it in an objective manner. Banking is no different and I recently did this. The industry was frustrating me and so to better understand it, I tried to back off and take a new look at the entire scene. You know what occurred to me as I did this?

I realized that there is a great similarity between banking and religion, which helps explain a lot of things. The connection goes back for hundreds of years because it was even written up in the Bible. For example, in Mark 11:15-19, it describes how "Jesus threw the moneychangers out of the temple." This is when bank architecture got its beginning. After being thrown out, our moneychanging ancestors had to go build their own places, and as you might expect, they copied many of the designs from their former places of business—marble pillars, gold leaf ceilings, massive doors, inlaid wood paneling.

Religious beliefs are normally acquired at a very young, impressionable age and they are held against all appeals from reason, changing times, holy people, admonitions of the devil and assorted other attempts to shake those beliefs—valid or not. Banking is very much the same. We form our opinions about how banking is to be conducted early in our careers. We battle valiantly to prevail against any change that might shake our confidence in the basic system and the way we originally learned how it was to be done. (This may be the banking version of "original sin.") For instance, "We've always done it that way" is heard frequently. Why do we do it that way? Because we have always done it that way!

Then there is a tendency to think that my religion is the only religion and that everybody else's has missed the point. *Everyone knows the only religion is Presbyterian!* If you think bankers aren't this way, you haven't been in on discussions between the independent and holding company faiths. There is no question that the holding company believers are all going to the bad place!

Now, most religions tend to rejuvenate themselves from time to time with enthusiastic sessions that we normally call revivals. There are all kinds of vigorous preaching about the evils in the world, the laws from on high and what might happen if you don't do right. A lot of revival preaching is about that "old time religion."

As you well know, banks have revivals also. They go by a lot of different names, but for the sake of a better word, let's call them workshops and conventions. At these conventions, there is a lot of preaching. There is vigorous preaching about the evils in the financial world, the laws from on high and what might happen if you don't do right. A lot of the bank revival preaching is about that "old time banking."

Of course, in religion we think anything this good should be offered to everyone; therefore, we have all kinds of what we call "missionary efforts" in our churches. We send people to the far corners of the world to save the souls of the savage—the heathen and the non-believers—to uplift the ignorant and the downtrodden. We seem to think the most fertile ground for missionary work that will reap the most profitable evangelical rewards is in foreign countries.

Banks, not surprisingly, think very much the same way. We send our missionaries to the far countries of the world to heap economic salvation on the heathen which, more recently, we have come to call *"the lesser developed countries—LDCs."* We export our banking product and message.

Then there is the strongly held conviction that the last real scripture was written eons ago and that there is *no* holy writ being handed down any longer.

And speaking of scripture, both in religion and in banking, people take comfort in their version of the law. "It's in the book!" We like to refer to it as being in the "Good Book." That's because it is good for us if everybody reads the same version. Of course, all good bankers, in the same manner, like to say "it's the law, it's in the book and the Good Book will save us . . . the law will protect us." Notice how both the Bible and Fed regulations are bound in black with gold print! However, some bankers are now wondering what has happened to the protection of the old good law; perhaps we need some new prophets to interpret the law as before. Sometimes the new ways are difficult!

And then every so often there comes a new breed to test our faith. Wild-eyed young people who don't seem to hold tight enough to the old ways. They challenge our churches and the things they preach sound blasphemous to us. Our churches are shaken by the pronouncements of these rebels from the new generation.

The same is true in banking. We see the new generation coming out of the college wilderness wearing beards, long hair, leisure suits, puka shell beads and high-heeled shoes saying blasphemous things.

They attach to themselves new symbols like plastic cards of blue and gold. They seem to discard the old *secured* ways. They speak in tongues—languages they call Cobol and Fortran—and they utter phrases that terrify us and make us wonder what is happening to the order of things. They take the banking pulpits and say things like: EFTS (a four letter word), consumerism, EDP, and right in public they say "women's liberation," CIF, REIT (another 4 letter word), EEOC, data base, ACH and APR (remember

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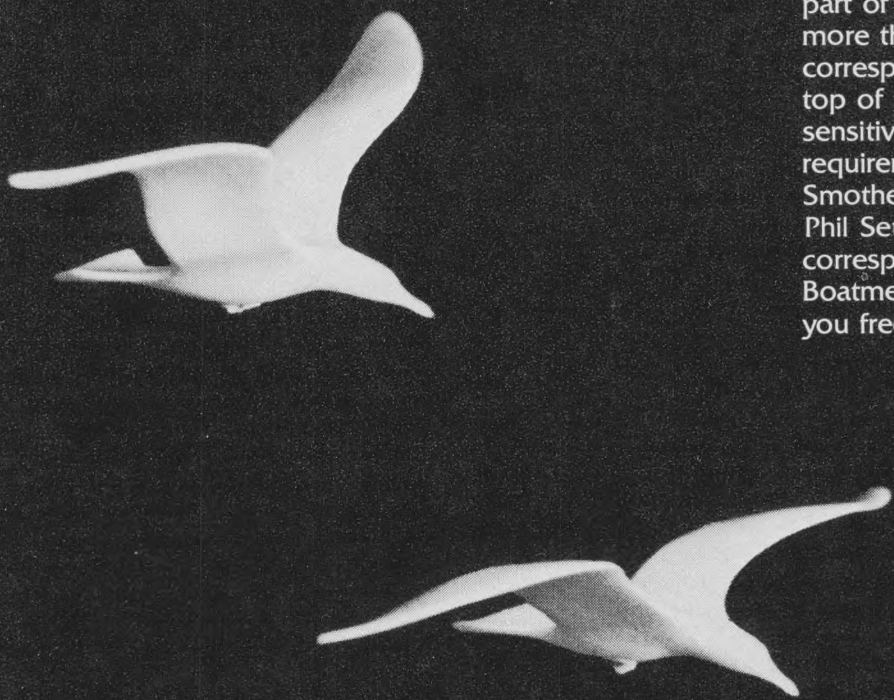
This article is based on remarks made by Mr. McCullough at the 1977 Indiana Bankers Association convention.



". . . at least one major reason the smaller banks continue to be profitable in an area that many large banks seem ready to abandon is that they . . . know their market."

when APR was only an abbreviation for April?)

I'm here to tell you, folks, that these prophets have shaken our very foundations, but I also want to tell you something else. Are you listening, brothers and sisters? The preaching is over and the lessons have begun!

What is the major lesson that we are being taught? It's a very simple one. We, as bankers, have not listened to our prophets, but someone else has and they are doing the teaching. We aren't going to like the teachers, though. I can tell you that! Why? Because they don't use the same "Good Book" that we use. They're heathens!

What's happening when S&Ls can branch all over and we can't?

What are we to do when credit unions put ATM machines in shopping centers and we can't?

What happens when Sears & Roebuck offers more financial services than we do and from more locations?

I tell you it's the work of the devil!

But, knowing this and calling down eternal damnation on these heathens, we still throw some of our most vigorous efforts into combatting a friendlier enemy—other banks. We snipe at each other: holding company versus independent, city bank versus country bank, branching versus non-branching, state charter versus national charter.

It's more fun because they read the same scripture we do. But facing up to the real competition—that's no fun!

Okay, I'll quit preaching at you for awhile, but I hope you get my message that *too many of us look on banking more as a religion or a holy institution of some sort* rather than as a business to be run and managed by good business practices. When we view our banks as *"the blessed or chosen ones,"* it tends to make us think we are above the competitive struggles that are necessary to make us compete out there in that dirty old secular marketplace. But that's where we have to live!

That is where we have to compete with the S&Ls, credit unions, captive finance companies, retail chains and others. Many prophets of doom are wringing their hands and saying we can't compete in this area, that the outlook is bleak, that we had better get out. I want to address this mood that seems to engulf some of our brethren.

All across the country we are hearing a growing chorus of those who say "Retail banking has lost its allure," "We are placing less emphasis on retail banking" or "Consumer banking is more trouble than it's worth." More recently, I heard a banker say, "We are getting out of consumer lending and leaving it to the suburbs." I could go on with many other recent statements from business and bank publications.

Interestingly enough, the rhetoric is coming from the giants and pacesetters of the industry more than from the rank and file banks. Its coming from those institutions considered to be the "smart" guys in the banking field. Yes, it is definitely coming from the same industry leaders we hear from fairly regularly these days.

In the last couple of years we heard the wails and moaning about REIT problems coming from many of the same critters—not from the many banks who were too *"unsophisticated, archaic and conservative"* five and six years ago to see the allure of the REIT creation that was destined to become a Frankenstein. Whether caused by subsidiaries, investments or loans, the cries of anguish over REITs were loud.

And, come to think of it, weren't these the same innovators of the "cap" and "bullet" loans? Many lesser lights in banking could not see the wisdom of this type of lending. During our last monetary bind, so many teeth were lost biting all those bullets that if we get into another crunch of similar proportions, we will have to call them "Jello" loans!

And just prior to those wonderful discoveries was the zippy period of "asset management." We were all going to the promised land of profits from our "trading accounts." They forgot Chisholm's Second Law of Human Interaction—"Anytime things appear to be going better, you have overlooked something."

We have also seen in recent years some major banks charging into disasters related to the credit card business and subsidiary problems stemming from holding company activities. Also, the battles that were fought to keep from flowing loan loss provisions through the income statement, growth for growth's sake and others. I am forced to conclude that, as a respected associate once told me, "Financially, banks are tough organizations and you really have to work like hell to bust one!"

But, with some of these minor debacles aside, our industry leaders have seldom made such a lemming-like rush over the cliff of the unknown as they did after the Booz Allen study of the late sixties. The industry swing toward "consumer" banking probably even surprised some old retailers with its intensity. *Banks in metropolitan areas that had never had retail departments blossomed with fully staffed "consumer banking divisions."* Banks that had *never experienced a funds shortage* raced for additional deposits. Banks with limited credit card penetration *installed automated, card-activated teller machines at $40,000 a whack.* Banks that previously thought a marketing department was where you kept the baseball tickets and key chains suddenly had elaborate marketing staffs. Branches became increasingly in vogue and the race was on for every available street corner. And, adding to all this lunacy, some of the major banks in the country began giving away their most widely used service, the checking account.

Now, after a few years of this helter-skelter, "leap before you think" chaos, we have the chief officers of some of the nations' leading banks saying (in carefully modulated, authoritative banker tones, of course), "We find retail banking to be unprofitable." It's got to be the funniest line since Will Rogers.

Bankers who have made their living on retail business for years must be amused about this entire scenario. They made good profits from consumer banking before 1970, have made good profits during the past six years and I suspect will make good profits over the next several years—contrary to the dire pronouncements of our Chicago and New York friends.

In my estimation, at least one major reason the smaller banks continue to be profitable in an area that many large banks seem ready to abandon is that they, *with a great lack of sophistication,* know their market. Retail business is not a sideline. They know what business they are in and what market they are after. They see the consumer as a customer, not merely a funds supplier or as a panacea to some new wave of the future.

One of the real areas of abuse recently is the installation of automated teller equipment. This equipment is innovative and serves to fill a need of the banking community, both now and in the future. In order for it to be successful in a bank, however, management

and its marketing staff must understand the best use of the equipment. Unfortunately, up to this time, many of those who raced headlong into the purchase of automated teller equipment thought that it could replace live tellers or branch operations. This has not been the case. Those fellows are just shovelling fog.

The fact is that, as of this date, the most effective advantage of ATMs is as a cross-selling tool: *A terrific reason for people to maintain several different kinds of accounts with a bank; i.e., checking, savings, credit card*, etc. Secondly, the machines serve as excellent function in extending banking hours through the evenings and weekends.

To line the lobby with rows or clusters of automated teller machines in order to reduce the number of human tellers or to stick one in the wall of every branch just because the branch is there is ridiculous. The cost of such an operation will not be recouped for a long while, if ever.

It is not surprising that many banks are finding it difficult to market ATMs profitably to the consumer. What is surprising is the lack of understanding the whys. *And to say that it cannot be done at a profit is ignoring the facts*

Analyzing the figures published by the FDIC for year-end 1975 on comparative bank statistics and examining the Fed's "Functional Cost Analysis," we see an interesting fact: Small banks on the average make a higher return on assets and equity than large banks.

What's the point? The small banks (under $50,000,000) normally depend by-and-large on the retail customer for their livelihood. It's the large banks who concentrate on the supposedly very profitable "wholesale" business. *But the numbers say that, on the average, small banks primarily serving the retail customer are more profitable than their larger counterparts serving the corporate customer.* So why do we hear so much about how unprofitable the retail business is? Because in some of the nation's major banks the job has been done poorly, with abominable planning, with little perception of what was to be accomplished and with extremely poor cost control.

Success in operating a profitable retail banking operation is largely a matter of attitude. Management must view the consumer market as a serious segment of the market mix and not as just a bother to be put up with. Once this is accomplished, things begin to happen internally that give the organization the direction and structure it needs to be successful.

And that brings me to the thought I want to leave with you. Banks can compete in the financial marketplace today for the consumer's accounts, but *we must recognize who we are competing with.* Other banks, of course, but, more importantly, *we are competing with those heathens who do not read the same Good Book we do*—those who don't necessarily abide by the same rules. Even with their branch advantages, rate differentials and tax breaks, we can do a better job. If we have to ask for legislative help, let's seek relief by asking for fewer restrictions on banks rather than more restrictions on our competitors.

Marketing or business development is a grass roots endeavor. In banking, the operations area is grass roots. Truly successful bank programs involve the ideas and suggestions of people throughout the bank. *Costly errors—both in dollars and in judgment—can be avoided by having early participation in the planning process by those persons who must carry out the support functions that make a banking service work.* People in the operations area of banks must be encouraged to look for ways to improve services, to improve pricing, to increase fee income and to do a better job of serving the customer.

Maybe, due to the nature of the beast, operations departments quite often seem to do a better job in holding the line on costs than they do on providing a consistent level of good service. *Much of this may be a result of operations personnel not being made to feel a part of the business development programs.* Involvement can come in many forms, some as simple as getting a group of employees together and asking them what they think some good new services might be. In any event, *not* involving the operations department from the beginning of any marketing program is a common failure of many bank marketing officers.

Operations folks needn't get smug, however. *As many good programs have been killed by "hard-headed" operations departments as any other way.* Operations people must take a greater interest in what goes on in their bank's marketing place. They must realize that a customer is our livelihood, not a bother.

Why shouldn't operations people be invited to go out and meet customers and potential customers? I think they would enjoy it and I know the results for the bank would be rewarding, not only in new business but also in attitudes of people throughout the bank concerning the true meaning of marketing and business development.

During the course of a successful

Nationwide NOW Account Bill Passed by Senate Committee

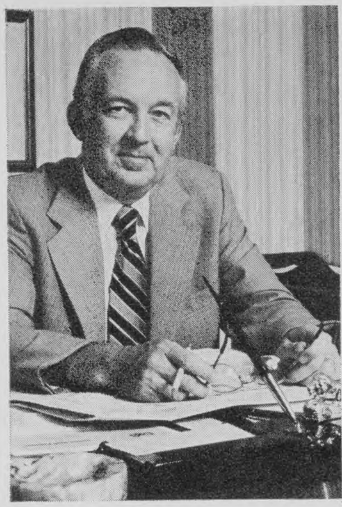
WASHINGTON, D. C.—A bill that would create an interest-bearing checking account is scheduled to be voted on by the Senate sometime this month. The so-called NOW (negotiable order of withdrawal) bill was approved by the Senate Banking, Housing and Urban Affairs Committee August 3 before Congress took a summer recess.

The ABA is holding a leadership meeting this month to decide whether to initiate an all-out drive to kill the bill.

Basically, the Senate bill would extend NOW accounts from the six New England states where they now are permitted to the other 44 states. Rate ceilings on such accounts would be established by a committee of officials from federal financial regulatory agencies. In addition, only individuals would be allowed to have NOW accounts. Businesses would not be eligible.

The proposal would liberalize Fed reserve requirements for smaller banks, authorize the Fed to pay interest on required reserves, extend Regulation Q to December, 1979, provide that state-chartered mutual savings banks could convert to federal charters and authorize an increase in federal deposit coverage from $40,000 to $100,000 on individual retirement and Keogh retirement accounts at all financial institutions.

The bill approved by the Senate Banking Committee was largely the version drafted by the committee staff under the supervision of Senator Thomas McIntyre (D.,N.H.), described as a strong backer of NOW accounts.



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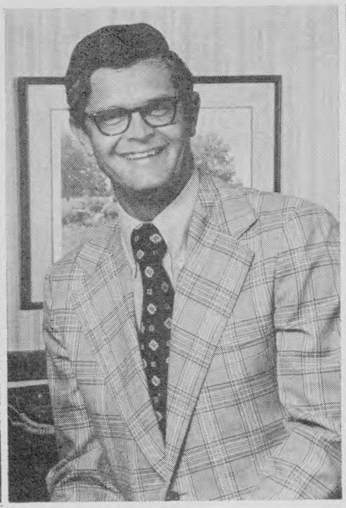

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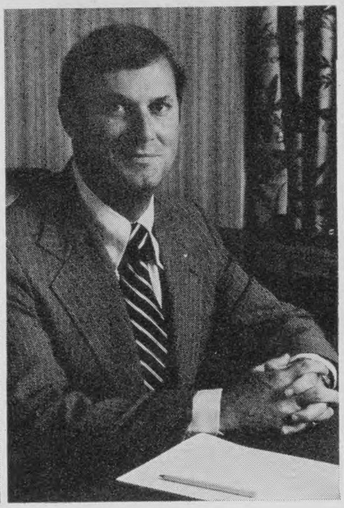

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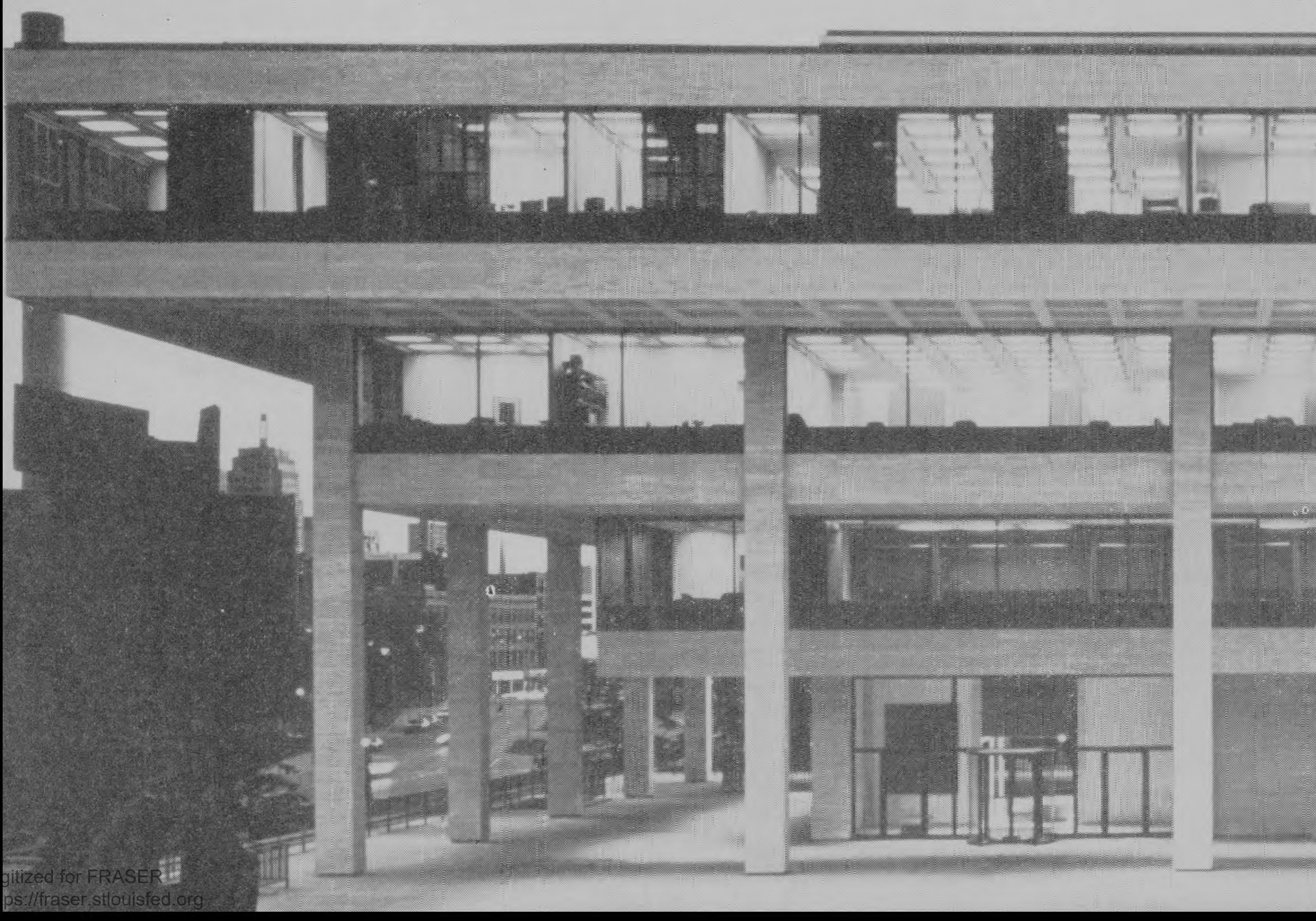

corporate business development campaign in our bank last fall, we uncovered some real salesmen among our operations people. They discovered a whole new world of effectiveness they can have for their bank. One of our top producers was our building manager, our auditor brought in two new accounts, a prospective customer wrote a letter to the president of the bank saying that the personnel manager had made the best bank call on his firm that he had ever experienced. These people have gotten a taste of marketing in the trenches and they like it. Personally, *I think they will be much more effective operations people from now on.*

We must have a good solid interface and mutual respect between these disciplines—marketing and operations. We need each other! I was once told if I wanted to be a good marketing man I should know as much about the balance sheet as the controller does. That may be over-zealous, but the controller conversely should know something about the marketplace.

How do we make consumer business profitable? Do you know where the answer is—the answer to handling retail business profitably, the answer to meeting the competitive struggle we are in? Do you know where this battle will be won or lost—little by little, day by day?

Right in the operations areas of your banks, right in the guts of where customer accounts are handled, right in the invisible part of our banks. *That's where attitudes touch customers.* That's where mistakes are made or not made. That's where efficiencies are achieved. That's where marketing efforts are launched or torpedoed!

If we don't learn these lessons, it will be time for the preacher again, and this time there will be slow walking and sad singing. But rejoice, there is a day of glory coming for those who believe!

Check Processing Program Modification Urged Now

The ABA is urging banks to make simple but essential modifications in their check processing equipment now so they will be prepared to handle a change in the routing number field on next July 1.

The plan calls for the removal of the dash in the MICR line at the bottom of the check and the insertion of a modulus-10 check digit as the last digit in the routing number field.

The new digit can be used to correct any single misread character in the routing number field as is currently done by many banks in the account number field. This is expected to eliminate a major cause of manual processing in check handling.

Use of the new modulus-10 check digit on checks will be voluntary, but banks must be prepared to process checks with the new format by July 1. The voluntary part of the proposal was aimed at the large inventories of checks outstanding in bank customers' hands and inventories of internal checks.

While the new formula is not authorized for use until next July, many banks are planning future check inventories now.

The ABA's recent publication, "Routing Number Excerpts From the Final Report of the ABA/FRS Check Digit Task Force," could be helpful in preparing new programs for check processing reader/sorters. It's available at $5 from the ABA Order Processing Department, 1120 Connecticut Ave., N. W., Washington, DC 20036.

NEW!

Four Fact-Filled Manuals For the Bank Director

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The Bank Director's World.
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"(Many) directors are unable to adopt (an) easy solution to the conflicts dilemma. They must recognize that conflicts of interest always have and always will exist in bank boards . . . the board obviously can't have each director resign whenever a conflict . . . presents itself. Rather, the board should . . . police itself (and) openly discuss factors involving conflicts." That quote illustrates one of many overlooked points of bank board membership that are examined in this book by Dr. Lewis E. Davids, Editor, The BANK BOARD Letter. Director relationships with the HC, CPAs, legal counsel, stockholders, correspondents and advisory boards are covered. Includes models, exhibits.

WOMEN: the "Forgotten" Directors.
$2.00

Could be most helpful to banks contemplating the election of a woman or women to the board. Survey results from women directors across the country show how they view their relationships to other directors of their banks, what they feel are their relationships to men and women staff members of the institution, frustrations and delights encountered in board service and what they see as today's major banking problems. By A. Ruth Davids, Senior Research Associate, with Dr. Lewis E. Davids, Editor, The BANK BOARD Letter.

A Trust Guide for the Bank Director.
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Since introduction of the Keogh Act (H.R.10), many small firms and self-employed individuals have established pension trusts, so the number of banks adding trust functions has increased substantially. Directors of banks with new trust departments or newly elected directors of banks with established trust functions often aren't fully conversant with direction of trust activities. They will find this book, by Dr. Lewis E. Davids, Editor, The BANK BOARD Letter, to be a valuable aid. It delineates trust department examinations, policies. Includes Comptroller's Regulation 9, covering fiduciary powers of national banks, collective investment funds and disclosure of trust department assets.

Behind Board Room Doors.
$6.00

Dr. Lewis E. Davids, Editor, The BANK BOARD Letter, provides insights to fine points of bank board membership. Sample chapter topics: CEO selection, reimbursement; management audits; finding customers; board minutes; director fees, retainers. Typical paragraph: "The chairman . . . receiving an examination report, verbally briefs the board on its contents, not permitting each to . . . review it in its entirety. A top bank supervisor told me of an instance (where) a bank director demanded to see the report. He saw it, but only after the CEO had removed pages containing the examiner's comments and conclusions and violations of law and regulations. Fortunately, the director had the foresight to note the missing page numbers."

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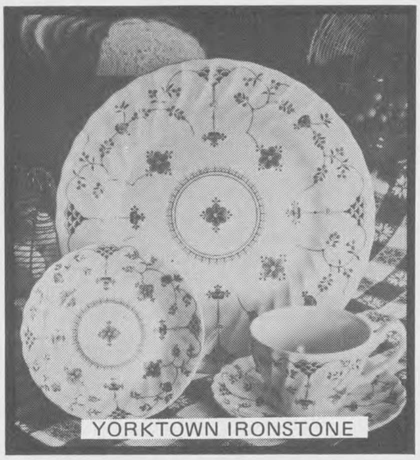

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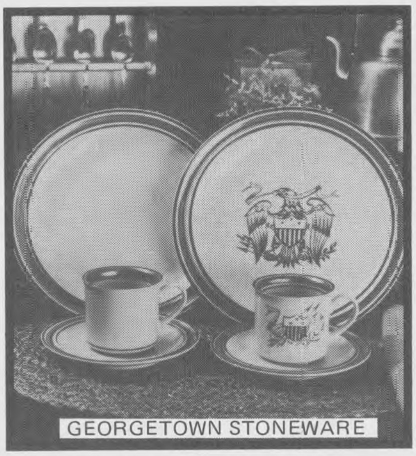

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Salem continually performs effectively and efficiently for many of this country's large, medium, and small financial institutions . . . helping to create new customers, more active customers, more deposits . . . and all at minimal or no cost.

Salem has the experience that helps insure smooth running programs.

We know what makes a good program; we have the product and the collateral material to support a good program; and we can assist you in developing the best one for your particular needs.

Call us . . . watch us perform.
Jay H. Keller (216)332-4655.

SALEM CHINA COMPANY
SALEM SILVERSMITHS
South Broadway Extension
Salem, Ohio 44460

CHRISTMAS SPECIAL

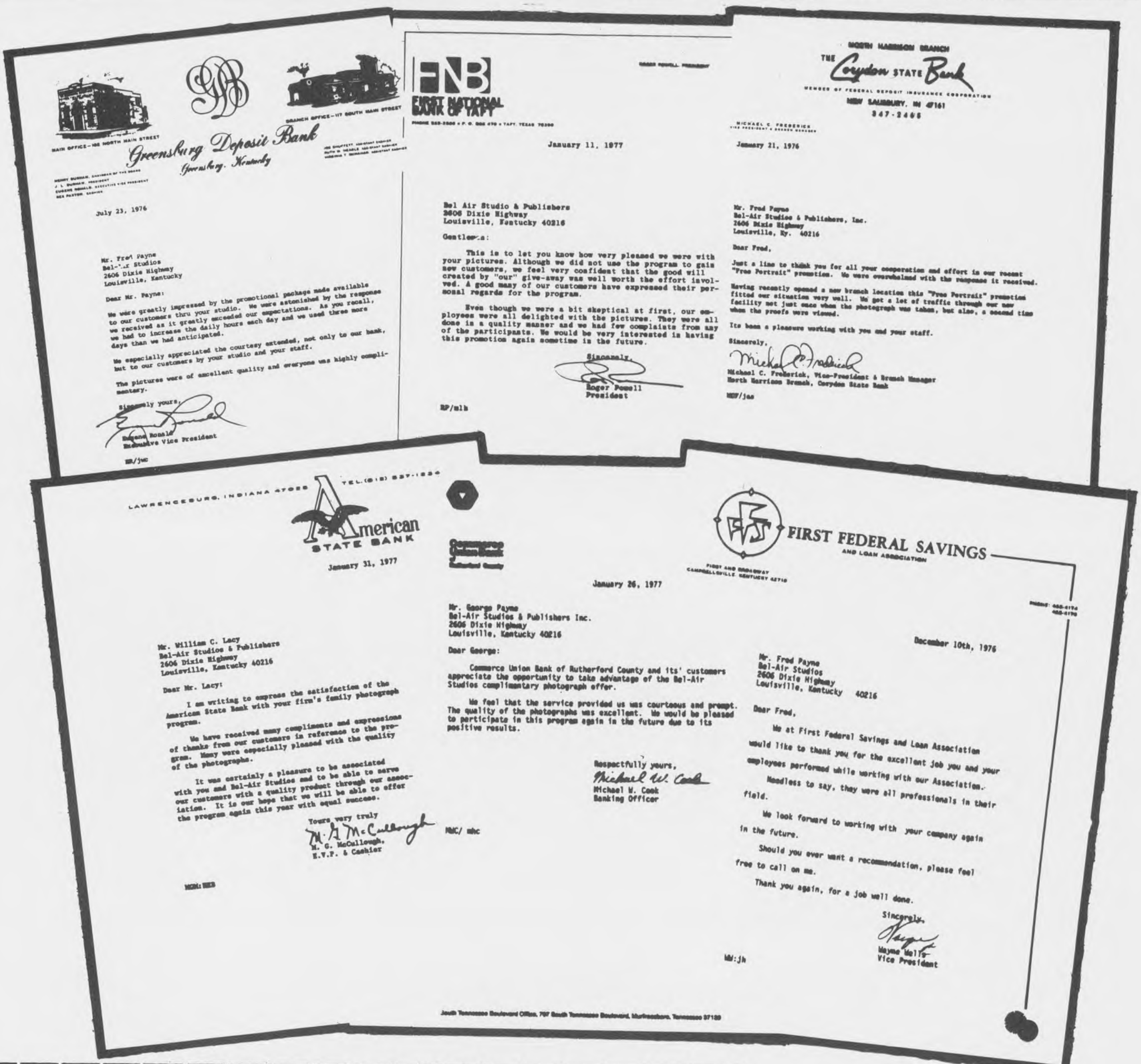
TO: ALL BANKS & SAVINGS & LOAN ASSOCIATIONS

"A UNIQUE PROMOTIONAL PROGRAM"

WITHOUT COST TO YOU

The Bel-Air Company proposes to offer to your customers and your potential customers a FREE "8 x 10" natural color portrait of their family. This program is designed to improve customer relations and add new accounts. We provide advertising material plus trained personnel, you only furnish the location.

A FEW OF THE ACCOUNTS SERVICED BY BEL-AIR



Greensburg Deposit Bank
Greensburg, Kentucky
MAIN OFFICE—102 NORTH MAIN STREET
BRANCH OFFICE—117 SOUTH MAIN STREET

July 23, 1976

Mr. Fred Payne
Bel-Air Studios
2606 Dixie Highway
Louisville, Kentucky

Dear Mr. Payne:

We were greatly impressed by the promotional package made available to our customers thru your studio. We were astonished by the response we received as it greatly exceeded our expectations. As you recall, we had to increase the daily hours each day and we used three more days than we had anticipated.

We especially appreciated the courtesy extended, not only to our bank, but to our customers by your studio and your staff.

The pictures were of excellent quality and everyone was highly complimentary.

Sincerely yours,

Eugene Ronald
Executive Vice President

ER/jwc

FNB
FIRST NATIONAL BANK OF TAFT

January 11, 1977

Bel Air Studio & Publishers
2606 Dixie Highway
Louisville, Kentucky 40216

Gentlemen:

This is to let you know how very pleased we were with your pictures. Although we did not use the program to gain new customers, we feel very confident that the good will created by "our" give-away was well worth the effort involved. A good many of our customers have expressed their personal regards for the program.

Even though we were a bit skeptical at first, our employees were all delighted with the pictures. They were all done in a quality manner and we had few complaints from any of the participants. We would be very interested in having this promotion again sometime in the future.

Sincerely,

Roger Powell
President

RP/mlb

NORTH HARRISON BRANCH
THE Corydon STATE Bank
MEMBER OF FEDERAL DEPOSIT INSURANCE CORPORATION
NEW SALISBURY, IN 47161
347-2465

MICHAEL C. FREDERICK

January 21, 1976

Mr. Fred Payne
Bel-Air Studios & Publishers, Inc.
2606 Dixie Highway
Louisville, Ky. 40216

Dear Fred,

Just a line to thank you for all your cooperation and effort in our recent "Free Portrait" promotion. We were overwhelmed with the response it received.

Having recently opened a new branch location this "Free Portrait" promotion fitted our situation very well. We got a lot of traffic through our new facility not just once when the photograph was taken, but also, a second time when the proofs were viewed.

Its been a pleasure working with you and your staff.

Sincerely,

Michael C. Frederick, Vice-President & Branch Manager
North Harrison Branch, Corydon State Bank

MCF/jas

LAWRENCEBURG, INDIANA 47025 TEL.(812) 537-1234
American STATE BANK

January 31, 1977

Mr. William C. Lacy
Bel-Air Studios & Publishers
2606 Dixie Highway
Louisville, Kentucky 40216

Dear Mr. Lacy:

I am writing to express the satisfaction of the American State Bank with your firm's family photograph program.

We have received many compliments and expressions of thanks from our customers in reference to the program. Many were especially pleased with the quality of the photographs.

It was certainly a pleasure to be associated with you and Bel-Air Studios and to be able to serve our customers with a quality product through our association. It is our hope that we will be able to offer the program again this year with equal success.

Yours very truly

M. G. McCullough,
E.V.P. & Cashier

Commerce Union Bank
Rutherford County

January 26, 1977

Mr. George Payne
Bel-Air Studios & Publishers Inc.
2606 Dixie Highway
Louisville, Kentucky 40216

Dear George:

Commerce Union Bank of Rutherford County and its' customers appreciate the opportunity to take advantage of the Bel-Air Studios complimentary photograph offer.

We feel that the service provided us was courteous and prompt. The quality of the photographs was excellent. We would be pleased to participate in this program again in the future due to its positive results.

Respectfully yours,

Michael W. Cook
Banking Officer

MWC/ mhc

FIRST FEDERAL SAVINGS AND LOAN ASSOCIATION
FIRST AND BROADWAY
CAMPBELLSVILLE, KENTUCKY 42718

December 10th, 1976

Mr. Fred Payne
Bel-Air Studios
2606 Dixie Highway
Louisville, Kentucky 40216

Dear Fred,

We at First Federal Savings and Loan Association would like to thank you for the excellent job you and your employees performed while working with our Association.

Needless to say, they were all professionals in their field.

We look forward to working with your company again in the future.

Should you ever want a recommendation, please feel free to call on me.

Thank you again, for a job well done.

Sincerely,

Wayne Wells
Vice President

WW:jh

THE BEL-AIR COMPANY
2606 Dixie Highway
Louisville, Kentucky 40216

- ☐ Please contact me, I'd like to discuss a portrait program.
- ☐ Please send me additional information on your program.

NAME AND TITLE ____________________

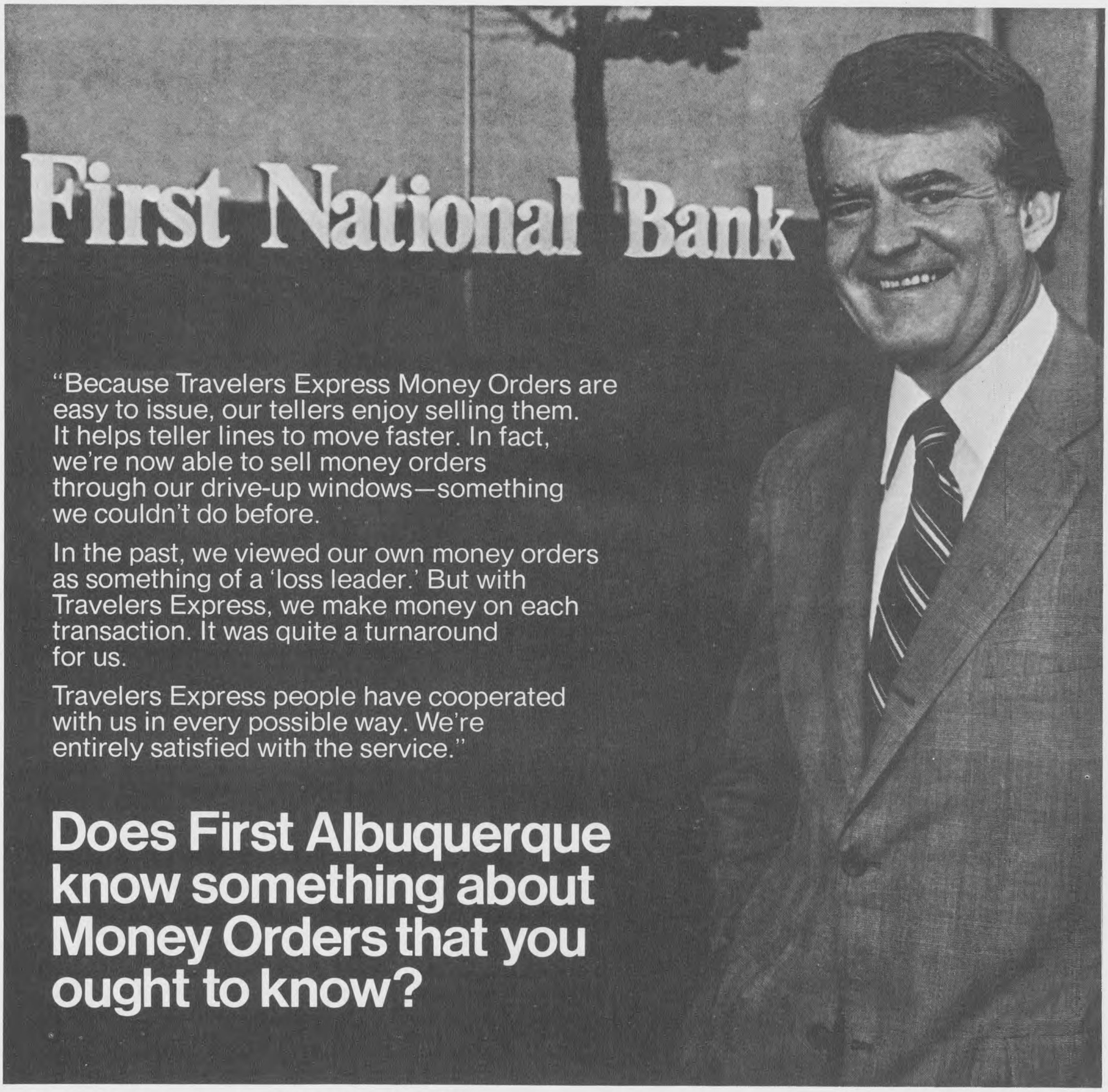
INSTITUTION NAME ____________________

ADDRESS ____________________

CITY ________ STATE ________ ZIP ________ PHONE ________

"With Travelers Express, we make money on each transaction."

J. Larry Carter, President and Chief Executive Officer
The First National Bank in Albuquerque, Albuquerque, New Mexico



"Because Travelers Express Money Orders are easy to issue, our tellers enjoy selling them. It helps teller lines to move faster. In fact, we're now able to sell money orders through our drive-up windows—something we couldn't do before.

In the past, we viewed our own money orders as something of a 'loss leader.' But with Travelers Express, we make money on each transaction. It was quite a turnaround for us.

Travelers Express people have cooperated with us in every possible way. We're entirely satisfied with the service."

Does First Albuquerque know something about Money Orders that you ought to know?

Call us toll-free at 800-328-4800*
*In Minnesota call collect 612-546-6161

Travelers Express

FINANCIAL SERVICES

1400 Lilac Drive South, Minneapolis, Minn. 55416

A Greyhound subsidiary

"FINE ARTS" TRAY/PLAQUES

AN EFFECTIVE "DUAL-PURPOSE" PREMIUM FOR CHRISTMAS CLUB & YEAR ROUND USE

Our exclusive OVAL SHAPE adds an elegance which makes them equally desired as a beautiful wall plaque and as a fine and practical serving tray.

This double-appeal is further enhanced by their limited exclusive availability - ONLY THRU YOU! (none sold in stores anywhere)

A HARD-TO-GET ITEM LIKE THIS IS ALL THE MORE WANTED! IT WILL OUT-PERFORM ALL COMPETITION

JUST A FEW OF MANY TESTIMONIALS

"We more than doubled Christmas Clubs to over 7000 this yr."

"Sold 1500 1st order in two days at $1 ea., 9000 altogether"

"Acceptance of your tray/plaques this year was tremendous"

"Re-ordered two times, completely sold out, people love them"

"Your trays helped us attain a 64% Club increase this year"

(We'll gladly send you copies of original letters)

YOU GET A "DUAL" BENEFIT TOO

A powerful incentive item to begin with, then a residual goodwill advertising benefit, for many years to come.... Unlike Christmas candles, cookie cutters, records, etc., which have a short Holiday life, "FINE ARTS" Tray/Plaques remain in active year-round use, exposed to visitors (as a proudly used tray or wall decoration) and, not seeing the like of them in stores anywhere, they ask where procurred, - your good name then mentioned endless times as THE source, a high-level goodwill advertising BONUS few if any other premium items can offer you!

WRITE NOW FOR EXCLUSIVITY IN YOUR TRADING AREA
(FREE TRAY: send only $1 to defray postage and handling)

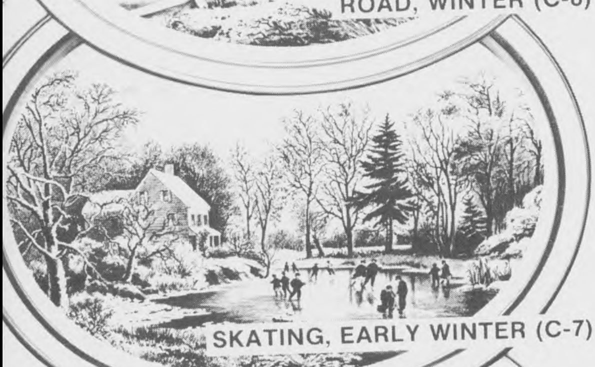
WE RECOMMEND ONE SCENE FOR ANY ONE PROMOTION, "WINTER" OF THE FAMOUS "FOUR SEASONS" FOR YOUR FIRST TIME AROUND.

FABCRAFT, INC., 504 Sixth St., Frenchtown, N.J. 08825 (201) 996-2111

We are the manufacturer, selling to you direct to your advantage QUALITY-WISE, PRICE-WISE, and SERVICE-WISE. We recommend at all times ordering conservatively, we guaranteeing maintainance of ample stocks to assure prompt (often same day) shipments of re-orders. We buy back 25% of any last order. Quality of Product and Quality of Service are our credo. You'll like us.

HOME TO THANKSGIVING (C-5)

ROAD, WINTER (C-8)



SKATING, EARLY WINTER (C-7)

WINTER (C-1)

SPRING (C-2)

SUMMER (C-3)

FALL (C-4)

Watch Incentive Snags Auto Loans; Record Amount of New Business Gained

WHAT DO WATCHES and car loans have in common?

A 53% boost in installment loan volume at New Jersey Bank!

According to James R. Kerr, advertising and promotion manager at the bank, which is headquartered in Paterson, N. J., loan business was pretty scarce last fall. Even though the economy was picking up, customer spending was cautious at best. New-car buying was up, too, but many of those buying autos were paying for them out of their savings.

So an incentive was needed to enable the bank to get a piece of the action through its 43 northern New Jersey offices.

Mr. Kerr mapped out a three-month promotion featuring Helbros watches. Any customer taking out a personal installment loan of $2,500 or more became eligible for any one of eight different watches with suggested retail prices ranging from $80 to $110.

The offer applied to loans other than auto, but since most loans in the $2,500 range fell into the auto category, this aspect was stressed in advertising.

Readers of newspapers were advised to "take out a car loan and take home a watch." They were told in the body of the bank's ads that the bank realized that most people needed time to shop for a new car, so, they were told they could come into the bank, apply for a loan, get it approved and then have up to 90 days to use it. Once the loan was consummated, the customer received his free watch.

Newspaper ads pushed free watches for new auto loan customers.

In addition to newspaper ads, radio and direct mail were used to publicize the offer. Radio spots were geared to reach two different audiences—higher-income, higher-educated adults and the young adult group.

Current loan customers were a prime target for direct mail. According to Mr. Kerr, this category of customer—with loans about half paid up—is among the best loan prospect any bank can have. About 10,000 customers were solicited and every effort was made to contact only those with good payment records. Between 5% and 6% of these customers took out new loans, Mr. Kerr said.

To help promote the program, watch displays were set up in each bank office. A brochure rack was also put into use at each office to enable customers waiting in teller lines to be exposed to the terms of the offer. The watch display was eye-catching and, according to Mr. Kerr, gave a better sense of unity to the promotion than some of the bank's previous incentive programs that featured unrelated premiums.

In conjunction with the promotion, the bank put employees to work by setting up competitions among groups of branches. Employees were given quotas of new loan business and those in the top loan-producing branch in each of four groups received free watches. Periodic memoranda to the branches kept the competition strong.

Cross selling was also emphasized. Each premium order form included space for the employee to include a record of his cross-selling efforts. After the dust settled on the promotion, it became evident that 28% of the customers taking out loans were sold an additional service, such as a checking or savings account or a safe deposit box.

The promotion broke all records for incentive success at the bank. This was quite a feat, since the bank is a frequent user of incentives.

Mr. Kerr said the offer began in late September and loan volume for October rose 13% over figures for the previous year. November was even better, with a 51% gain. December rattled the charts with loan volume a whopping 67% over that of the previous year.

Dollar-wise, the bank registered a 53% increase in direct consumer loans for the year, which translates into $4.5 million in new business.

Of the more than 4,000 individual loans written, more than 2,000 were large enough to qualify their makers for free watches. Men's watches outpulled women's by five to three.

At the outset of the promotion, Mr. Kerr had envisioned a 10% increase in business. The watch incentive provided the bank with $3.6 million *more* than planned! • •

Hunt for New Mortgage Financing Caused by Increased Home Building

HOMEBUILDERS in the United States will start close to 1.9 million new housing units in 1977, economists for the Federal Home Loan Mortgage Corp. (FHLMC) estimate.

And, because mortgage lenders—principally savings and loan associations—will have insufficient new savings to support this level of home-building activity, an expanded fortune hunt for new sources of mortgage financing for homes will develop, they said.

Kenneth M. Plant, vice president-research, said: "Housing starts in March exceeded the two-million-unit annual rate, partially reflecting the deferred starts from January and February. The seasonally adjusted annual rate should . . . total around 1.85 million to 1.9 million for the year.

"This increased housing start level and the continuing strong demand for existing homes will increase total mortgage financing substantially. Total residential mortgage originations equalled $12 billion in 1976, and are likely to increase to $155 billion-$160 billion in 1977," he added.

"S&Ls increased residential mortgage holdings by $46.6 billion in 1976 and in 1977 will probably record a net increase of $52 billion-$54 billion."'

FHLMC was chartered by Congress in 1970 to increase the supply of money available for housing primarily by developing a secondary market for conventional residential mortgages. It buys and sells more conventional residential mortgages than any other institution in America.

Among the options available to a mortgage lender that has insufficient funds to meet mortgage demand in its area is to sell mortgages it has already made to FHLMC or other investors. It can then use the funds realized by such secondary market sales to make new loans.

Financial Economist Ira D. Measell said: "It is evident that (in) 1977 . . . renewed fears of higher inflation, higher short-term interest rates and record demand for mortgage loans will sharply reduce the amount of excess capital that S&Ls carried in 1976. As a result, S&Ls will be more dependent on the secondary mortgage market and Federal Home Loan Bank advances and other borrowings to acquire needed lending capital. . . .

"S&Ls will close a record dollar amount of (mortgage) loans in 1977.

"Loan demand has been strong in the West and is beginning to pick up elsewhere, especially in the South Central, North Central and Florida markets.

"In the first quarter, S&Ls closed $18.9 billion in (mortgage) loans, a 38.7% increase over the first-quarter 1976 level, while mortgage loan commitments outstanding in March were $19 billion, up 33.4% from the March, 1976, level.

"For the year, total loan closings should be in the $95 billion-$105 billion area, up from $77 billion in 1976."

Mr. Measell forecast that the West region will account for about one-third of total mortgage loan closings this year. He forecast that the Northeast and North Central regions will begin to purchase a larger share of mortgage loans and participate in a lower share of mortgage sales. He forecast that the South Central and West regions will increase their share of loan sales and decline in their share of loan purchases.

Traditionally S&Ls, which account for the great bulk of conventional residential mortgages in America, have also been the principal purchasers of mortgage loans in the secondary market.

According to Mr. Measell's analysis, "The reduced levels of excess capital will act to reduce the rate of increase in loan purchase volume by S&Ls in 1977. . . ."

Mr. Measell concluded, "It is likely that S&Ls will increase their efforts to sell mortgages to investors other than thrift institutions, as most S&Ls will have a lower level of funds with which to invest in the purchasing of loans in the secondary market in 1977, compared to 1976."

In his analysis, Mr. Plant concluded that many consumers may have anticipated and pre-spent the income tax rebate proposed and then withdrawn by the Carter Administration.

Mr. Plant commented, "The consumer has been almost single-handedly fueling the current economic recovery, through increased levels of expenditures. Real consumer spending (adjusted for inflation) increased 6.2% in the first quarter, following a 7% rise in the fourth quarter, when real disposable income was increasing only 3.5% and 3.2%, respectively.

"This high-level spending has been supported by a declining savings ratio. In the fourth quarter of 1976, the savings ratio of 5.6% was down from 7% increase earlier in the year and almost 8% in 1975.

"Consumer spending should continue on the upbeat, but not as strong as the immediate past two quarters. . . .

"Savings inflow in the first four months of 1977 has been $1.8 billion less than the inflow in the comparable period of 1976. This reflects the higher level of consumer spending and the lower level of overall personal savings in 1977 versus 1976."

FHLMC's economists concluded that, since S&Ls finance most of their mortgage lending activity from

the savings of their depositors, mortgage financing to support the housing industry recovery in 1977 would have to come in increasing measure from investors who have not previously traditionally invested in housing finance. They forecast greatly increased secondary market activity to reach these investors as well as to circulate available financing effectively within the mortgage finance industry.

Pension Fund Participation in Mortgages Could Be Possible With New Vehicles

NEW VEHICLES now available for investing in home mortgages may permit pension funds to begin participating in this segment of the capital markets, according to Roger F. Murray, S. Sloan Colt professor emeritus of banking and finance at the Graduate School of Business at Columbia University.

Dr. Murray, a scholar in the pension fund field, said the new vehicles of entry into the mortgage market respond to the preferences of investment managers. His remarks appear in the July issue of the MGIC Newsletter, published by Mortgage Guaranty Insurance Corp., Milwaukee.

He said passage of the Employee Retirement Income Security Act (ERISA), emphasizes diversification of risk. "Affirmative steps to diversify a portfolio of pension fund assets involves spreading present and planned holdings among the range of alternatives," he said.

Dr. Murray pointed out that mortgage-backed securities, having a relatively short maturity, appeal to pension fund portfolio managers because they improve the liquidity and marketability of the securities.

"If enough thrift institutions in various parts of the country issue mortgage-backed securities, it will be possible for an investor to obtain geographical diversification."

He said the success of GNMA pass-through certificates has opened the pension fund market to insured and guaranteed loans in a most effective manner.

"The public and private pension fund investment manager has become increasingly interested in this new security form. The secondary market has become more liquid and the repayment schedule provides a pension fund with liquidity over time," he wrote.

He said that, in the past, net yields on residential mortgages have not been generally attractive compared to other investment opportunities.

He also said other elements favorable to greater interest in the mortgage market include the general increase in private pension fund commitment to fixed income securities. "While a strong stock market would undoubtedly create resurgence of interest in equities, the experience of the last decade and the influence of ERISA will tend to keep the commitment to fixed-income securities near the upper end of the range of the last few years," he said.

Value Line looks at . . .

Major Stocks With P/E's *Under* 5 And Yields *Over* 6%

Plus the potential to double in price, we estimate, within 3 to 5 years.

Among 1650 major stocks under its continuing review,The Value Line Investment Survey finds . . .

- 129 stocks are selling at *less than 5 times* estimated current earnings . . . compared with past P/E ratios up to 10 times or *higher.*
- 105 of these low-P/E stocks also offer Appreciation Potentials in the next 3 to 5 years of *more than 100%* . . . based on Value Line's estimates of their earnings and P/E ratios in that future span. (31 offer long-term Appreciation Potentials of more than 200%.)
- In addition, a significant minority of these "combination" stocks currently *yield from 6% to 10%,* based on our estimate of dividends in the 12 months ahead. (In many of these stocks, moreover, we look for sizable dividend increases—from 50% to 100%—in the next few years.)

But we urge you *not* to leap into stocks like these, good as they may sound, without also checking Value Line's current ratings for *Probable Price Performance* and—most importantly—*Safety.* This is easy to do:

UPDATED EVERY WEEK

Every week, Value Line's regular *Summary & Index* presents up-to-date ratings of EACH of 1650 stocks *relative* to all the others, as follows . . .

a) Rank for Probable Price Performance in the Next 12 Months—ranging from 1 (Highest) down to 5 (Lowest).

b) Rank for Investment Safety (from 1 down to 5).

c) Estimated Yield in the Next 12 Months.

d) Estimated Appreciation Potential in the Next 3 to 5 Years—showing the future "target" price range and percentage change from current price.

e) P/E ratio and current price, plus estimated annual earnings and dividends in current 12 months. Also latest quarterly results against a year ago.

PLUS FULL-PAGE REPORTS

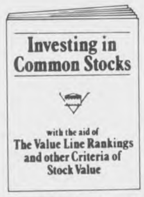
In addition, each of the 1650 stocks is the subject of a comprehensive new full-page *Rating & Report* at least once every three months—including 22 series of vital financial and operating statistics going back 15 years and estimated 3 to 5 years ahead. About 125 new full-page Reports like this are issued each week . . . 1650 every 13 weeks. All this material is so organized in your binder that you can turn to a continually updated report on almost any leading stock.

SPECIAL INVITATION

You are invited to receive the complete Value Line Investment Survey (with 30-day money-back guarantee) for the next 10 weeks for only $29—about HALF the regular rate—if no member of your household has had a Value Line subscription in the last two years.

This invitation will bring you—as a *bonus*—Value Line's complete 2000 page *Investors Reference Service* (available separately for $45) with our very latest full-page Reports on all stocks under review. These will then be systematically updated by new reports to be issued weekly.

(These Pages Are Reduced From Actual 8½" x 11" size.)



And—as an *extra bonus*—you will also receive *Investing in Common Stocks,* by Arnold Bernhard, Value Line's founder and research chief. This 64-page book explains how even inexperienced investors can apply thousands of hours of professional research to their own portfolios by focusing on only two unequivocal ratings,one for Timeliness (Performance in next 12 months) the other for Safety. This book is YOURS TO KEEP even if you return the other material under your money-back guarantee.

This subscription is tax-deductible if utilized to aid in the management of your investments.

To accept this invitation—and to pinpoint the current list of low-P/E "combination" stocks referred to above—mail the coupon today.

The Value Line Investment Survey

Arnold Bernhard & Co., Inc.
5 E. 44th St., N.Y., N.Y. 10017

☐ Begin my 10-week trial to The Value Line Survey (limited once to any household every two years) and send me the two bonuses listed above. Check for $29 is enclosed. (Trial subscriptions must be accompanied by payment.)

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This famous-make pocket-size ELECTRONIC CALCULATOR (with full memory) given to you when you order The Value Line Investment Survey for one year—and send payment now.

☐ 1 year for $285. My payment is enclosed—send me the CALCULATOR as my extra special bonus. (There are no restrictions with this annual subscription.)
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63NE01

Individualized Instruction for Employees Permits Them to Learn at Own Pace

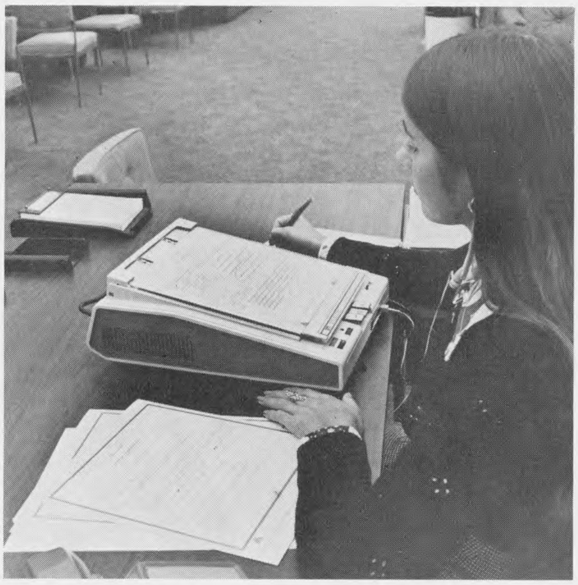
Replaces Costly One-on-One Teaching Method

WHAT IS THE STATE of training in financial institutions today? Is there room for complacency? Do traditional methods meet the need? How can one measure the effectiveness of training? Are financial institutions getting a satisfactory return on their training dollars?

Although it is difficult to generalize, certain observations can be made.

The "sit by Nelly" method—one-on-one training of a new employee by an experienced worker—is widely practiced in financial institutions. On the surface, this method appears to be fairly practical. But, how does one measure the effectiveness of each particular "Nelly" situation? Is it wise to assume that a worker who does a superb job in one skill area will also be an excellent teacher?

How much does this training method cost? If Nelly was hired to operate an accounting machine but spends much of her time training new employees, isn't her lack of productivity a drain on operating costs? If someone else does her work, Nelly's time must be considered a real training cost. And if there is no accurate meaure of Nelly's effectiveness as a teacher, how does a financial institution discover whether its training dollar is being well spent? Moreover, will Nelly's tutoring guarantee that the trainee becomes as productive as he or she is capable of becoming?



Employee of Fifth Northwestern Nat'l, Minneapolis, uses sound page system to review teller job skills. Unit employs pages that "talk" to employee—back side of each page is coated with magnetic material that holds up to four minutes of sound. Unit is manufactured by 3M Co.

Many times, Nelly, the proved worker, is moved into a classroom for group training. Here the great gap between her work skills and her teaching ability is most evident.

This problem, under the best of circumstances, can be serious. Today, when many financial institutions are forced to settle for underqualified, marginally educated people, it can become intolerable. Group lectures, however well prepared, cannot allow for the individual differences found in any group—differences that can cover an extreme range of skills and abilities.

Any school teacher or trainer knows the dilemma this poses. Since a teacher can't teach many ways at once, he or she often aims for some low common denominator, hoping to deal with the differences in abilities that way. The result is usually boredom for most trainees, frustration for the teacher and unsatisfactory results for the financial institution.

Group training also poses the problem of scheduling. It has to be fairly rigid, with fixed times set for the training cycle. This fails to take into account the fact that people usually are not hired in groups or in fixed cycles—especially in urban areas where high turnover is the rule.

Some financial institutions are seeking to sidestep these problems by incorporating modern methods of instruction that allow for the real needs of trainees. In particular, they are looking at proved methods of individualized instruction that replace Nelly with sophisticated audiovisual teaching systems.

Individualized instruction is not new. Long used in schools, the military and many business, industrial and government sectors, it addresses itself to realities.

It recognizes that people possess individual abilities and, therefore, learn at different rates. It lets the individual move through a program at a pace

suited to his or her unique abilities. It also allows a person to begin training when he or she is hired, rather than having to wait for a new training cycle to begin.

Audiovisual systems are used because people are apt to learn better when they can follow a classic learning sequence: see, hear, do. Audiovisual eliminates the problems that a textbook approach creates for marginally educated individuals. Many trainees are turned off by books, often because they can't read well.

If individualized instruction is to be successfully incorporated in a bank training program, care must be taken to acquire audiovisual systems that are simple to operate. When a trainee is going to teach himself a skill, he should not have to struggle with the teaching medium. He should be able to progress comfortably at his own pace and move forward or backward through a program at whatever rate is necessary to insure maximum comprehension.

One example of such a system of individualized training is one that consists of "sound pages," sheets of paper containing text and illustrations on one side and a magnetic coating on the other side that holds up to four minutes of sound. Visual materials and narration are "locked" together. The trainee places a page on a player/recorder—about the size of a portable typewriter—and studies the visual material as a revolving stylus beneath the page plays back the narration.

Because these programs are constructed in individual components, a financial institution can use the system to meet the specific needs of its own operation. Or, supplementary pages can be produced by the financial institution on its own.

A variety of systems lend themselves to in-house production of programs. Basically, in choosing such a system, a financial institution should look for a format that simplifies program creation. At the same time, since forms and procedures change so often in a financial institution, a training system should lend itself to easy revision.

For institutions that prefer to work with slides, another unit being used successfully is a sound-on-slide system. It consists of a compact projector that gives each slide a separate sound track. The slide is mounted on a small plastic frame that contains a re-recordable audio disc that gives each picture its own narrative. The frames are loaded into a slide tray and inserted into the projector.

A single slide or its sound track can be changed or replaced without affecting the rest of a program. Or, a program can be "customized" for a particular trainee simply by adding or rearranging a few slides.

The advantage of this system over conventional slide/audio tape cassettes lies in the fact that a sound disc is easier to edit or revise than is a tape. Moreover, a slide and tape must be synchronized, since they are separate systems, and therefore can get "out of synch," greatly confusing the learner. Also, cassette systems advance an instructional sequence at a pre-arranged rate of speed, which greatly limits the ability of students to learn at their own pace. The machine controls them, rather than they the machine.

Many kinds of audiovisual systems are available in the marketplace: video tape, tape cassette/workbook, movies, filmstrip, sound pages, sound-on-slides, slide/cassette, etc. However, the range of commercially prepared programs that fit these formats is restricted.

To supplement these prepared materials, firms should seriously consider creating their own programs. Unmet training needs or inadequate training methods simply won't go away if an organization ignores them. They will just continue to chip away at productivity and profitability. • •

Training/Motivation Program Developed for Employees

A joint venture combining staff training for financial employees with motivational programs was announced recently by the Sperry & Hutchinson Co. and Hubbard & Associates, Inc.

According to John W. Kreuzburg, general manager of S&H's Financial Promotions Division, the two firms work together to provide clients with a new concept in business development.

"We not only provide the training necessary for financial institution employees to be more effective in cross-selling new business, but we provide the incentive for them to achieve more and the measurement system for management to assess results," Mr. Kreuzburg said.

S&H has contracted with Hubbard & Associates to provide a customized training program the firm has developed for financial personnel. The firm, whose principals are all former bankers, provides training services to banks and thrifts and is noted for its performance in helping them achieve cross sales.

"This concept has evolved from our experiences in providing motivational programs for well over 80 years to hundreds of industries," Mr. Kreuzburg said. "As we've looked at motivational programs that have been most successful, we've always found a key ingredient of their success was well trained employees. Equally important, we've found that once employees are trained, a new business program that rewards them for using their skills helps them retain a cross-sales attitude. Most important, this combined approach helps banks and thrifts acquire new business with a lower acquisition cost. From all our experiences, we definitely concluded that asking employees to develop new business without providing them with the tools is not effective."

Premiums/Incentives: *Profit Builders for Financial Institutions*

LEISURE CLOTHING

Bank: St. Joseph Valley Bank, Elkhart, Ind.
Premium: Variety of "Faded Glory" dress denims.
Offer: Reduced prices on clothing to those opening new checking or savings accounts with $50 or more or taking out an installment loan. Additional deposits of $25 qualified customer to purchase additional garment. Free T-shirt given with each purchase.
Supplier: Faded Glory, 537 University Ave., Norwood, MA 02062.
Results: After the first four weeks of the promotion, the bank reported a 22% increase in the number of new checking and savings accounts over the number of new accounts opened during the same period the previous year. Photo shows bank employees modeling garments at fashion show for bank employees. Bank personnel wear their Faded Glory outfits to work each Friday.

WE'VE MOVED CARDS

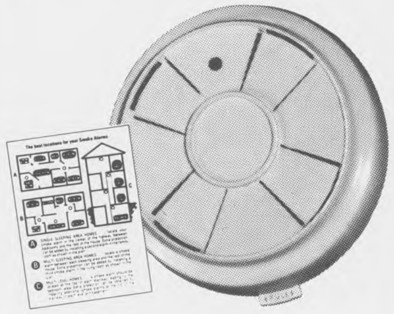
Thrift: First Federal Savings, Albert Lea, Minn.
Offer: Box of cards given as gift to people taking out mortgage loans.
Supplier: Gilbertson Advertising Co., 5277 Lochloy Dr., Minneapolis, MN 55436.
Results: Goodwill established between thrift and customer. The card gift gives the thrift an opportunity to write a thank you letter to the customer. The letter discusses other services the customer can obtain at the thrift. "The idea of a gift of appreciation to our new home owners, we feel, is very good public relations and also convenient to implement. The letter serves as a welcome tool to tell about our other services," said Virginia Gaasedelen, assistant vice president and secretary.

ELECTRIC DRILL KITS

Bank: National Boulevard, Chicago.
Premium: ¼" two-speed drill kit.
Offer: Kits given free to customers taking out home improvement loans of $1,500 or more.
Supplier: Black & Decker Manufacturing Co., 701 E. Joppa Rd., Towson, MD 21204.
Results: National Boulevard gave away 34 drill kits representing loans in amount of $132,900. The money involved is about three times more than any previous nonpromoted period, according to Robert G. Hefner, head of the consumer credit department. The kits are valued at about $32 and include accessories and storage case. Promotional literature called attention to the offer by stating "We've put a hole in your last excuse for not making those home improvements you've been talking about."

HOME DECOR ITEMS

Thrift: Citizens Federal Savings, Matteson, Ill.
Premium: Various gifts with Christmas theme.
Offer: One gift free to those opening Christmas club accounts.
Supplier: R. J. Gaffney Co., 75 E. Main St., Chicago Heights, IL 60411.
Results: A dramatic increase in the number of Christmas clubs during each of the four years the gifts have been offered. The first year, holiday trivets were offered, resulting in 350 additional club accounts. The second year, glass candles were offered, resulting in an increase of 600 accounts. The third year, wind chimes resulted in 1,200 additional accounts. The fourth year, pre-seeded planters resulted in 2,000 additional accounts. The thrift's management feels the expense of the gifts is justified by the results.



SMOKE DETECTORS

Bank: First National Bank, Elkhart, Ind.
Offer: Customer can purchase smoke alarm at reduced cost when he deposits $25 or more in checking or savings account.
Supplier: The Nelson Co., Inc., 220 S. Sixth St., Logansport, IN 46947.
Results: During the two-month promotion, 816 alarms were sold at $23.95 each. The intent of the promotion was not to gain large deposits but to provide a service to the community. Advertising carried this headline: "First National wants you to protect your family. And save money doing it." President Thomas L. Dusthimer said, "We'd like to

(Continued on page BG/37)

New Application Center Promotes Financial Services

"Focal Point" is the name of an application center designed to generate customer action at the point of sale by featuring a service of consumer interest. At the same time, the unit physically permits the means to obtain and complete an application for that service.

Primarily designed for credit card programs, loan promotions and other similar financial service applications, the unit calls attention to the product or service by means of interchangeable graphic headers.

For information, write: Images, Inc., F. W. Ford, national sales manager for "Focal Point," 84 Beacon Street, Worcester, MA 01609.

Low-'Down' Home Mortgages Explained in New Booklet

A new booklet outlining to lenders and realtors the advantages of low downpayment insured loans is available from Mortgage Guaranty Insurance Corp. (MGIC).

Titled "The MAGIC Home Loan Can Cut the Downpayment in Half," the free booklet shows lenders, realtors and their prospects the advantages of a MAGIC loan and explans how a low downpayment loan insured by MGIC can help sell more houses and close on them faster by eliminating government red tape.

The booklet shows how married couples, single men or women, single parents and non-related buyers can buy their dream house through a little-known helper called private mortgage insurance.

Write for a free copy: MGIC Booklet, MGIC Plaza, Milwaukee, WI 53201.

Three Booklets Offered On RV Facts, Financing

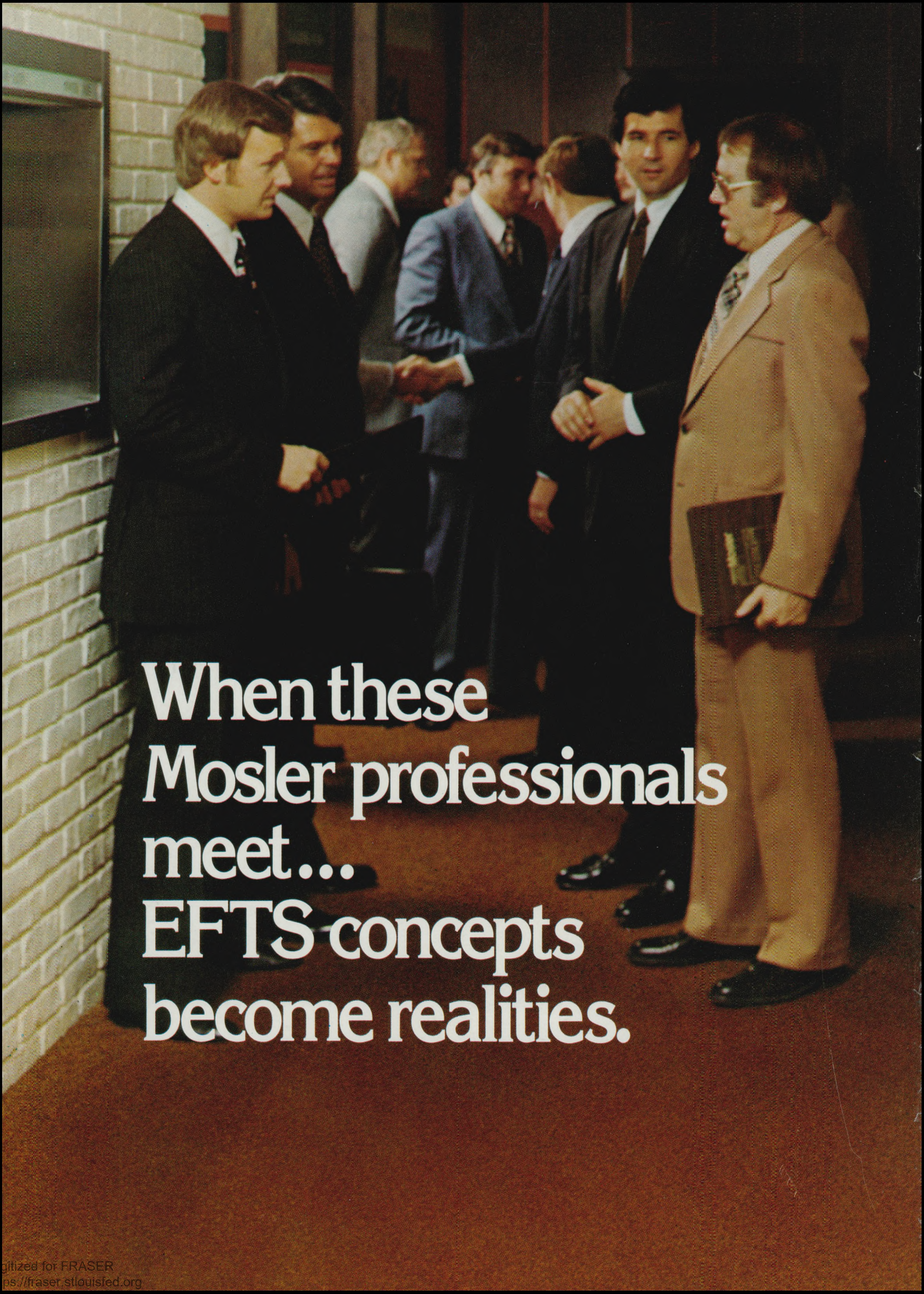
Three booklets on recreation vehicle financing, statistics and consumerism are available from the Recreation Vehicle Industry Association (RVIA).

"RVIA Facts and Trends" contains production and sales statistics on the RV industry from 1961 to the present; a five-year production forecast (1977-1981); RV sales factors; and sales and shipment data for each state for the years 1976-77.

"The Way to Go" is a consumer booklet containing a description and price range on each type of RV, their relative costs, methods of financing, economics, insurance, rent, storage, tips on purchasing, campgrounds and other information.

"RV Financial Facts" is a quarterly publication that gives up-to-date reports on RV production, delinquencies, economic trends and other financial information on the industry.

The first two booklets are available for $1 each, the third is free. Write: RVIA Public Relations, Box 204, Chantilly, VA 22021.


When these
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meet...
EFTS concepts
become realities.

When the Mosler marketing, systems and service professionals meet, they represent more than 150 years of cumulative experience in all facets of EFTS. About as many years as Mosler has been servicing the financial industry. These professionals fly in from all over the United States and Canada to share and discuss the newest concepts concerning the burgeoning world of EFTS. They know this latest information will affect the financial industry. Many of them come to Mosler from the marketing, data processing and operations departments of all types of financial institutions.

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MOSLER MARKETING PROFESSIONALS ASSURE YOUR SUCCESS FROM THE WORD "GO."

Much of the success of any EFTS program revolves around your marketing efforts. The Mosler marketing group offers you the most experienced consulting team in the financial industry. This experience allows them to help you plan your long-range EFTS strategy, starting from a base of Teller-Matic® automated tellers.

To get you started off right with a successful Teller-Matic program, Mosler offers you another first—total ATM responsibility. Mosler continues where other vendors leave off. Mosler goes beyond basic sales, installation and service, with complete marketing implementation programs, including cards and supplies and advertising/promotional campaigns. We call it "complete, single-source program assistance"—something no other ATM vendor offers today.

MOSLER SYSTEMS PROFESSIONALS GUIDE YOU ALONG THE WAY.

Buying an ATM system is a lot easier than selling it to your customers. There's more to EFTS than equipment alone. A lot of attention to details and follow through are necessary to fit the ATM smoothly into an existing operations and data processing system.

Mosler provides you with a systems coordinator with in-depth knowledge of EDP equipment and operational requirements to assist you every step of the way. He helps you establish an "EFTS Critical Path" for implementing your Teller-Matic program. And what's more, he can help you plan for orderly expansion of your ATM system into a full EFTS network, from introduction to implementation to expansion.

MOSLER SERVICE PROFESSIONALS HELP PREVENT COSTLY DOWNTIME.

Mosler has a service organization committed to excellence. ATM's are sophisticated electronic systems, and as such, require service by skilled specialists to maintain reliability. We provide a nationwide service team, the largest in the industry, that responds to your needs 24 hours a day, 7 days a week.

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BANKING 1985: ARE YOU READY FOR IT?

There are startling, new developments about to occur in the banking industry which could dramatically affect your success or failure.

BANKING 1985: A FORECAST, is an 85 page booklet which describes and summarizes data of pertinence to the financial industry. It includes dozens of examples and charts depicting past economic and operational projections plus trends for the future. Copies of this very important study are available to you postpaid, at $15 each. For your copy write Mosler: Banking 1985, 1561 Grand Blvd., Hamilton, Ohio 45012

Mosler brings you the People...the System ...and the knowledge to get you ready for banking 1985.

Share the knowledge of the Professionals

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Survey of Christmas Club Customers Shows Better-Than-Average Loyalty

Premiums Can Help Boost Number of Accounts

SINCE THEIR INCEPTION 67 years ago, Christmas clubs have chalked up continual growth records. Today, approximately 12% of all households in the U. S. maintain a Christmas club with some type of financial institution. Currently, more than 19 million accounts are held nationwide, representing about $4 billion.

A recent study of the Christmas club market, conducted by Unidex Corp., Bloomington, Ind., demonstrated that almost 80% of the dollars in Christmas clubs are used strictly for Christmas shopping.

The study also demonstrated that Christmas club users are more loyal to their financial institutions than non-users. More than 70% of the users of Christmas clubs stated that they had been with their financial institution for more than six years, while only 61% of the non-users had been with their financial institution for that period of time.

The Unidex study also demonstrated that users of Christmas clubs are more likely to avail themselves of other major services offered by financial institutions than non-users.

As Table A illustrates, in seven of the eight major services listed, a higher percentage of Christmas club savers made use of the services. In six of these categories (indicated by asterisks), the greater utilization by Christmas club users as opposed to non-users is statistically significant.

Demographically, the study illustrated that users of Christmas clubs tend to be young to middle aged, medium income and blue collar; but, surprisingly, high percentages of users are in the white collar and professional categories.

While the study showed that almost 12% of the nation's households presently use Christmas clubs, it also demonstrated that there is another 12.5% of the households that consider themselves likely to participate.

An indication of where this 12.5% is most probably located is shown in Table B on page BG/24.

Those areas indicated with an asterisk are below the national average and must be viewed as market areas with great potential.

However, averages are misleading. Since the Northeast is where Christmas clubs began and where now over one-in-five households participate, it is reasonable to expect the other areas of the country to eventaually reach that level.

This means that the Midwest and Pacific areas, as well as the South and Mountain areas, have excellent growth potential.

Christmas clubs offer an incentive to save. The decrease in the number of payments that are left in the coupon book as the months go by provides inspiration for the club user to continue to completion. But what better way to assure both an in-

TABLE A

Service Usage of Christmas Club Users as Opposed to Non-Users

Service	User	Non-User
Checking Account	92.4%	92.9%
Savings Account	85.7%*	79.9%
Certificate of Deposit	29.9%*	22.6%
Installment Loan	39.3%*	34.4%
Overdraft Checking	18.6%*	18.2%
Other Savings Clubs	11.0%*	2.9%
Bank Credit Card	57.0%*	50.0%
Other Credit Card	40.2%*	35.8%

NEW! NEW! NEW!

LOOKING FOR NEW CHRISTMAS IDEAS?

To build savings accounts. Put added sizzle in Holiday selling. Create valuable publicity opportunities. Collect public relations dividends for your bank.

Then put this new, profit-building publication to work now. Its 80 pages are packed with tested Holiday ideas used by banks, large and small, coast to coast — PLUS brand new ideas built from sound selling techniques.

It even gives a formula for creating your own ideas — custom-fitted to your bank's image and personality.

AN INVALUABLE AID FOR THE PERSON IN YOUR BANK RESPONSIBLE FOR CHRISTMAS PROMOTION PLANNING

To give your bank the most out of Christmas, start with a sound plan. Use this manual for a complete, step-by-step outline of how to go. Here are a few samples of the many practical topics covered:

- How to use lobby decorations most effectively.
- The many ways banks promote Christmas savings.
- Selling other bank services to Holiday shoppers.
- What your bank can do for children at Christmas.
- Most effective ways to remember employees in Christmas planning.
- How to cash in with Holiday direct mail.
- Using the "good will" season to build bank good will.
- Getting the most benefit from Holiday publicity opportunities.
- A tested way to create your own Christmas ideas.
- Planning — with a step-by-step schedule from midsummer to New Year's.

Here is a timely reference you can use right now and for many years to come. It deserves a place in your reference file.
Successful Christmas promotions are born early.

Now is the time to start planning. Here is the tool that makes this job easier and more resultful. Send for it today.
It is the best "gift" Santa can bring your bank this Christmas!

MONEY BACK GUARANTEE — If not completely satisfied in every respect, return within 10 days for full refund.

MID-CONTINENT BANKER
408 Olive St., St. Louis, Mo. 63102

Please send ____ copies @$7.00 of your 80-page manual, PROFIT-BUILDING IDEAS FOR BANK CHRISTMAS PROMOTIONS.

I enclose our check* for $ ____________________

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crease in new accounts and the completion of present accounts than the offering of premiums?

As anyone who has taken an elementary psychology course knows, people tend to avoid behavior that has been punished and tend to continue behavior that has been rewarded.

That, in essence, is the principle behind the incentive industry. For new customers, the message transmitted through advertising describes the exact behavior required to obtain this reward. Ads read, "By depositing X number of dollars in a new account you can obtain an electric blanket, a toaster, a watch, etc."

TABLE B

Percentage of Christmas Club Users in Regions of Country

Region	User %
Northeast	21.2%
South Central	8.2%*
Midwest	14.3%
South Atlantic	8.8%*
Mountain	6.7%*
Pacific	12.8%*

For present customers, use of premiums by your institution will be rewarding behavior they have done in the past and will continue to do in the future. What the reward has done is to reinforce that behavior.

Studies have shown that random reinforcement is as effective as scheduled reinforcement. Paychecks are scheduled reinforcements. If a paycheck comes every other Friday, there is little question the worker will show up. But if the paycheck suddenly stops, the behavior is likely to cease just as suddenly.

In random reinforcement, on the other hand, the person has no way of knowing when the reward is coming. Even though there hasn't been a payoff in a long time, the person knows he is due and will stick around a little longer. Purely random reinforcement is the principle on which the gambling industry operates. Of course, it wouldn't work for paychecks, but it works well for premiums.

Purely random reinforcement, however, might defeat one of the main purposes in offering a premium—picking the right time to attract new customers.

Several factors determine when a premium should be offered as well as what premium should be offered. Consider these questions:

• What is your competition doing? If it has been scoring big with several premiums, the time is ripe to start investigating what premiums are available.

• What do customers want? Since one of the reasons your institution will be offering premiums is to reward ongoing behavior on the part of customers, it makes sense to find out what these customers want. Of course, it won't be possible to please them all, but at least it will help in making a choice of premiums.

• What do potential customers want? Some projections can be made from present customers. Since people choose financial institutions primarily because of convenience, it stands to reason that potential customers are similar to present customers in many ways—neighborhood, socio-economic background, etc.

• What types of premiums are available for what price? It would be a mistake to decide on a marketing program without considering cost. One of the simplest ways to decide what should be offered is to seek the highest quality merchandise available for the lowest possible price.

In making a choice of a premium, choose a recognized name brand with a good reputation. The reliability of the firm manufacturing the premium is particularly important in repairing or replacing defective merchandise. Retailers can tell you that, despite the warranties and guarantees against defective merchandise that direct the purchasers to take complaints to suppliers, a dissatisfied customer will always complain at the point of sale. In the case of premiums, this means your institution. Irate customers do not make for a pleasant scene.

There is always a danger when a financial institution desires to have the inventory available at the point of deposit. This requires large inventories, which, in the case of large items, can be a real hassle. Compact premiums, such as wrist watches, can keep inventory problems to a minimum.

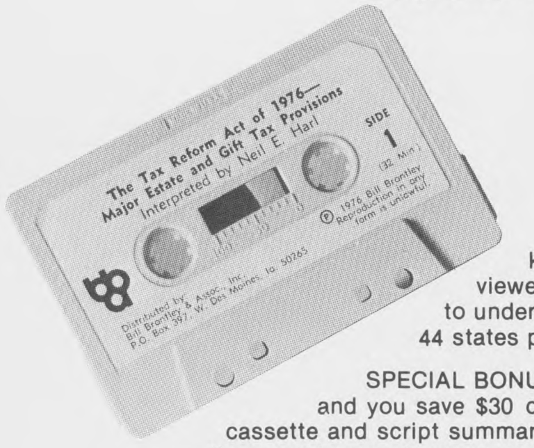
Timing of self-liquidating premiums offered in conjunction with Christmas clubs is relatively simple. Many financial institutions offering premiums do so either at the opening of a new club term to attract new business or at the successful completion of a club to reward those who have made all their payments. In either case, the self-liquidating premiums are offered in the autumn around gift-giving season.

Another option is to offer premiums to club users during the payment year at either regular intervals or randomly. The regular intervals could be quarterly or semi-annually or could coincide with gift-giving holidays such as Mother's Day, Father's Day or Valentine's Day.

All of these marketing decisions take time and expertise. Not all bank and thrift officers—not even marketing directors—have the time—and in some cases, the expertise—to make all the decisions.

It would probably be a good move to let professionals handle it. A good agency can handle your local advertising and survey marketing potential. A national firm with expertise in the field can offer prepared campaigns and promotional material for a variety of customers. • •

FREE: 1976 TAX REFORM ACT CASSETTE



This 65 minute tape free when you buy NEIL HARL'S cassette and script programs— "How to Hang on to Your Assets"

MID-CONTINENT BANKER is happy to offer educational materials by Iowa State University Lawyer-economist Neil E. Harl, a nationally-known authority on estate planning and business organization. We've reviewed Dr. Harl's materials and find them among the most complete and simple to understand of any we've seen. His educational recordings are already in use in 44 states plus Canada.

SPECIAL BONUS: Order both updated programs 1 and 2 described below and send check and you save $30 compared to buying programs singly, **plus** we'll include Harl's 65-minute cassette and script summarizing the major estate and gift tax changes in the Tax Reform Act of 1976 —the most far-reaching estate and gift tax legislation in 35 years.

Harl's educational materials have wide usage in your banking organization:

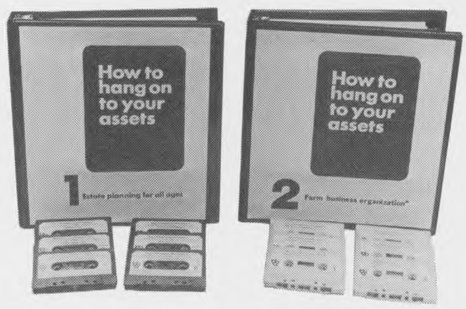
- Useful to train new representatives or as a refresher for experienced bank officers.
- Helpful as a sales aid to alert your customers to the real dangers of poor planning.
- An excellent resource for conducting customer seminars or meetings.
- Save your time by letting prospective trust customers hear or read in Harl's materials how a trust may be useful in their estate plan.
- All materials are current—incorporate changes you and customers need to review in updating estate plans due to the Tax Reform Act of 1976.

Harl's materials come in both tape cassettes and printed form—you can either listen or read them to make most efficient use of your time.

But don't take our word for it . . . listen to two of your peers already using these helpful materials:

Carl Bowman, Trust Officer at Western Ohio National Bank and Trust Co.: "I surely appreciate Dr. Harl's clear, concise exposition on 'Estate Planning for All Ages' as well as 'Farm Business Organization' . . . these recorded messages from an unbiased authority such as Dr. Harl can help many farm families see the urgent need to plan for their future . . .We have a waiting list of people who are anxious to absorb the fundamentals the messages outline . . . Thank you for making these helps available! I surely can recommend them. They have greatly assisted us in helping our customers and providing them with that personal service that they truly deserve."

Cashier Terry Conner, Citizens State Bank, Oakland, Iowa: "The recorded programs are a valuable training aid to familiarize lenders with many principles of estate planning that they need to know to help customers. With land prices high now, thousands of farmers need and are seeking estate planning help . . . the Harl programs are a fine tool to help answer all the customers' questions . . . The tapes have greatly enhanced our marketing program in the trust area."



Programs 1 & 2 tapes and all printed materials come in neat durable binders as shown.

HOW TO HANG ON TO YOUR ASSETS COMES IN TWO PARTS:

1. **Estate Planning for All Ages** . . . 12 messages running over 3 hours on 6 cassettes, with printed text, checklists, inventory forms, tax tables, worksheets, written examples and sample estate analysis. Here are the topics Harl discusses:
   1. Introduction and need for estate planning
   2. Ways to own property.
   3. Death with no will.
   4. Making a will.
   5. Settling an estate.
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   7. How the Federal Estate Tax is calculated.
   8. Ways to minimize Federal Estate Tax.
   9. Federal gift tax.
   10. Income tax angles, settlement costs and liquidity concerns.
   11. How to use trusts in estate planning.
   12. Final pointers on gifts to minors, life insurance, and installment land sales.

2. **Farm Business Organization** . . . aimed at the specific concerns of organizing the farm or other small business, this is uniquely helpful to you and other members of the estate planning team. 12 messages run over 3 hours on 6 cassettes, with written text and examples, questions and checklists to use before incorporating, glossary, inventory forms, sample incorporation, federal tax dates and comparison of federal income taxes for a farm taxed under 3 types of organization. Message topics are:
   1. Basic choices in business organization.
   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.
   10. Relationship of employees to the corporation.
   11. Financing considerations and doing business across state lines.
   12. Estate planning features of the corporation.

Order now to insure prompt delivery—

( ) Send me How To Hang On To Your Assets, No. 1, Estate Planning for All Ages . . . . price $89.95

( ) Send me How To Hang On To Your Assets, No. 2, Farm Business Organization . . . . price $89.95

( ) Send both programs at special price (a $30 saving) and include the 65-minute Tax Reform Act cassette and script—all for $149.90

SHIP MY ORDER TO:
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City ______________ State ________ Zip ______

Make check payable to and mail order to: **Mid-Continent Banker,** Book Dept., 408 Olive St., St. Louis, Mo. 63102

How Quality TV Programming Can Bring Tangible Benefits

Assets Rise 80% at Houston National

By STEPHEN P. GUBITZ, Senior Vice President-Marketing, Houston National Bank

WHEN TV is good, there is nothing better. But when TV is bad, nothing is worse.

I invite you to sit down in front of your TV set when your station goes on the air—without a book, magazine, newspaper, profit-and-loss sheet or rating book to distract you—and keep your eyes glued to that set until the station signs off. I can assure you that you will observe a vast wasteland.

You will see a procession of game shows, violence, audience participation shows, formula comedies about totally unbelievable families, blood and thunder, mayhem, violence, sadism, murder, western badmen, western good men, private eyes, gangsters, more violence and cartoons.

And endlessly, commercials—many screaming, cajoling and offending. And most of all—boredom. True, you will see a few things you will enjoy, but they will be very, very few. And if you think I exaggerate, try it.

Given a choice between the "vast wasteland" and quality programming, enough people will choose the quality to make it profitable to the sponsor and therefore the medium.

Before I get into the details of the whys and hows of our TV experiment, let me position Houston National:

We're located in the major downtown business section surrounded by Harris County's 2.8 million residents.

Houston has an average of 60,000 new families moving in annually.

Competitively, we're fourth in assets and fifth in deposits; there are 154 individual banks with no branches, as Texas is a non-branch banking state; there are 40 S&Ls with 198 locations; 147 credit unions; 152 finance companies with 270 locations; Sears; Penney's; GMAC and others.

So you can see that creating meaningful noise in our market is quite a challenge.

Fortunately, there happened to be a TV station in Houston operated by a man who shared something in common with us—a belief in quality programming. The result: our first venture as a sponsor in 1973 with the introduction to Houston's commercial TV of two critically acclaimed British Broadcasting Corp. (BBC) series—"The Six Wives of Henry VIII" and "Elizabeth R." We ran these programs during the summer at 7:30 p.m. following "Sanford and Son," at that time the number one-rated show in America.

The results: 21 rating points and a 38 share of the viewing audience, hundreds of letters and phone calls and a knowledge that we were right in our premise.

1974 saw our second venture into quality programming. Armed with the success of "Henry" and "Elizabeth," and the desire to continue building on our image, we decided to experiment with three new dimensions—fringetime, another TV station and local programming involvement.

For 14 consecutive Sundays, we aired Kenneth Clark's "Civilisation" series at 5 p.m. In addition to the series, we produced 14 five-minute segments filmed at the Houston Museum of Fine Arts paralleling Lord Clark's episodes with artwork compatible

(Continued on page BG/28)

TV Programming Policy

- Consider TV as an excellent vehicle for cross-promoting other activities, cultural and civic endeavors, as well as products.
- Do not participate in any joint ventures or co-sponsorships.
- Put the shows together yourself, allowing commercials where you want them. Limit spot commercials to one-half the norm. Audiences appreciate this policy.
- Local programming helps satisfy Federal Communications Commission requirements on the part of the station. This is a positive negotiating point.
- Programming can cost significantly less than equivalent spots, while providing many pluses and few minuses.
- The right TV station management is a must. Management must exercise foresight, judgment and understanding.
- Encourage the TV station to run promotional spots about your programs on its own during the day.
- The best sources of programming are Time/Life Films, Inc., BBC and Thames TV Ventures.
- Consistent hours are critical from audience and control standpoints.
- Audience loyalty builds during a season and summer audience loyalty is outstanding.

Customer-Oriented Jingles, Single Voice Help Make Radio Advertising Better Buy

ONE OF THE LEAST UNDERSTOOD, most misused forms of advertising is radio, says Allan Horn II, vice president, marketing manager and chief account executive for Barbara Allan Financial Advertising, Inc., Kalamazoo, Mich.

"Since the cost of radio is generally quite low compared to newspaper and TV," he says, "most people believe that it isn't as effective and don't do it justice. Radio, when utilized properly, can be the strongest medium in your marketplace."

People listen to radio primarily for entertainment and news, he says. Therefore, the radio advertising of a financial institution should be interesting or entertaining in nature. People are not listening to radio for facts and figures in mind-boggling quantities; such statistics should be clearly outlined in newspaper ads, not in radio.

Mr. Horn, who counsels more than 300 financial clients for Barbara Allan, recommends musical jingles as a means of identification. When choosing a jingle, he says, certain important factors should be considered.

"First, it must be customer oriented; it must convey what the customer wants to hear.

"Next, it should appeal to your potential customer's style preferences, bearing in mind that, as a banker or S&L officer, your tastes may be considerably more sophisticated than your average customer's taste.

"Finally, a good musical jingle has strong retention factors built in: Your institution's name is sung in, the melody is catchy, the orchestra is large enough to give a quality impact and there are certain instrumental 'cues' built into the music so the announcer comes in at the proper time."

Mr. Horn says no single factor is the most important in creating good broadcast advertising, but one factor that is absolutely necessary to effective advertising on radio is the believability of the announcer.

A good announcer does not sound as though he is reading a script, Mr. Horn says. A good announcer must sound relaxed, sincere and persuasive. He should exude confidence, enthusiasm and sincerity through the airwaves. He should possess a solid mature male voice, or, when humor is desired, multiple voices can be used, including female voices.

"Even though a local radio station

may have a good announcer on its staff, bear in mind that he is probably heard locally for numerous other business firms, possibly including that of your competition. Such an announcer often loses much of his audience credibility," Mr. Horn says.

He advises against using the services of a well-known personality as an announcer. Few people in a small city will believe that a national personality comes to that city each week to make a savings deposit, he says. "Your announcer should be a professional outside voice, one that becomes the voice of your institution alone!"

Placement of times in radio is also important, Mr. Horn says. Most radio stations suffer an ambivalence about their own commercial time. The station must have sponsors to survive, however, and the station manager knows that if he loads the airwaves with back-to-back commercials, his audience ratings will suffer.

Mr. Horn advises the use of 60-second commercials, since research reveals that such commercials are nearly three times as effective as comparable 30-second spots. Costs are usually better with a 60-second time, he says. For only 20% to 30% more money, an advertiser can get twice as much exposure.

The best time to air a commercial is during the morning rush hour, Mr. Horn says. Second-best time is during the evening rush hour. If the station charges an excessive premium for such prime time, it's usually better to "float" commercials within the regular programming day.

"Don't forget the midday times," he says, "since the housewife controls many of the financial decisions and midday exposure usually has greater impact since there are generally fewer commercials aired that time of day."

No advertising material, no matter how good it is, can work for its sponsor if it's not exposed, Mr. Horn says. Quantity varies from market situation to market situation. He advises a minimum of 18 to 20 exposures per week in most cases, more if the budget can stand it.

Up to 50% of a financial institution's advertising dollar can be budgeted for radio—but only if the commercials are of professional quality.

He says that today, even the smallest markets are exposed to much quality advertising through TV and network radio. As a result, more radio listeners than ever before are skeptical about advertising that is not of high caliber.

Quality TV

(Continued from page BG/26)

to his discussion.

The results, for the time period were most acceptable—nine rating points and a 33 share. Additionally, the press coverage, publicity and consumer response were most exhilarating.

Unfortunately, this particular experiment taught us a valuable lesson. In the process of airing "Civilisation," we preempted "60 Minutes" for 14 weeks! Our target audience being similar to this fine show made the letters and phone calls all the harder to take.

We broadened our choice of previously produced programming in 1975, added a number of locally produced specials and began Houston-area sponsorship of local and national elections. This was our first so-called "Houston National Bank Television Season."

Our prime-time entries included "The Commanders," a series about World War II leaders; a number of entertainment specials featuring well-known musical stars; and two locally produced specials: "Cures to Come," a documentary about the work done at the Baylor Medical Center; and "Seven Days," a special highlighting Houston high school students' involvement in the national Close-up program. Additionally, on Sundays at 5 p.m., we gave an encore to "Henry" and "Elizabeth."

1976, in addition to being our nation's bicentennial, was the centennial year for Houston National. Therefore, it was only appropriate to present Alistair Cooke's "America" series.

This BBC/Time-Life co-production had won four Emmys and a Peabody Award. We feel it was the ideal bicentennial program—our gift to the Houston community.

An unforeseen community relations opportunity presented itself when Rice University proposed a joint venture with the "America" series: mini-courses to feature all facets of American life from architecture to fine arts to government.

We underwrote the cost and ran five-minute mini-programs in each "America" segment to cross-promote these public events. "Interpreting America" was a grand success for Rice University and a project we were pleased to be involved in. The ancillary public relations benefits are still being felt.

We sponsored a NBC News World Public Affairs special held at Rice University and aired locally; as well as coverage of the primaries and election returns.

We also presented for 26 consecutive Sunday nights Thames Television's "World at War." This program afforded us a great deal of personal feedback from the consumer. The three following excerpts from letters typify the reaction of the viewing public:

- "I intend to bring as much of my banking business to Houston National as possible. I think your choice in sponsoring this sort of programming indicates that you are a serious, clear-thinking, responsible institution."
- "I would like to take this opportunity to tell you how very much our family has enjoyed the 'World at War' series you have sponsored. . . . With the conclusion on tonight, it was like saying good-bye to a friend we shared each Sunday night with for quite some time."
- "I have never written any company before or expressed my opinion in writing to any group. . . . I was so moved by the military documenting films and the startling sights of war and destruction that I think it would be a good series to televise about every five years to let our children, as they grow older, see how startling and cruel war can be."

Now for 1977. After four years of what started as an experiment, our TV venture has blossomed into a full-fledged love affair with TV. This year we have our own Houston National Bank Television Hour, shown each Sunday night.

This last summer we began 13 consecutive weeks of the premiere showing of "The Fall of Eagles," a series documenting the three European ruling dynasties and their ruination by World War I.

We also presented "We Are What We Build" last January, an excellent documentary covering Houston's architecture; where it's been and where it's going.

Since we started our programming venture in 1973, our assets have risen 80%, deposits 51% and earnings 68%. However, I must leave the last word to the TV viewer:

- "To whom it may concern. I have been planning to write to express to you how much we appreciated your sponsoring 'World at War.' It has been the only program on TV recently that I have looked forward to and made efforts to arrange my schedule around.

"I am 28 years old, a housewife, pacifist and dairy goat herdsman. I believe the 'World at War' series was informative and valuable. I never paid attention in school when it came to wars. They were never presented from a human or understandable viewpoint.

"Although I am absolutely opposed to violence, I believe a great service was performed when you offered 'World at War.' I have appreciated the series that you have run so far.

"Since we moved to Houston about three years ago, the Houston National Bank has impressed us as one business in Houston that gives thought to what it sponsors and that tries to offer programs of value to the community.

"I believe you should consider running 'World at War' again at some point in the future. Meanwhile, I am really looking forward to what interesting and educational thing you may have planned.

"You have been thoughtful." • •

Customer Attitudes About EFT Services Revealed in Study by Thrift Institution

INDIVIDUALS making use of electronic funds transfer systems (EFTS) offered by financial institutions are much more people-oriented than nonusers, according to a study made recently by American Federal Savings, Des Moines, Ia., in association with Grey Matter, Inc., also in Des Moines.

The study revealed that consumers in general are satisfied and comfortable with the traditional ways of handling their money and feel that EFTS may give them less control over their financial affairs.

Customers using certain types of EFT services, on the other hand, think they have more control over their money because of the ability to make timely deposits and withdrawals from interest-bearing accounts.

Financial organizations that position EFTS programs as being different are causing latent anxieties on the part of much of the adult banking population that is comfortable with the status quo.

The study also revealed that many people are using EFTS for avant-garde reasons—being the first in their group to use the service. They derive satisfaction from telling others about it.

There is a definite vocabulary that certain market segments are more comfortable with in connection with EFTS. Nonusers tend to have a traditional vocabulary, using words such as "bank," "cash," "checks," "deposits," "loan" and "receipts," while EFTS customers talk about their "accounts," "cards," "codes," "money," "payment," "transactions" and "transfers."

The study shows that people select their financial institutions and financial services as much on emotional as practical bases. They are more likely to be influenced by positive or negative feelings associated with the personalities in the financial institution or the personality/appeal of the financial institution or product—as opposed to choosing the institution or product for convenience (location and hours) and price (interest earned and charged).

The analyses were obtained from a series of personal interviews using a copyrighted word analysis program that evaluated and compared the attitudes of persons (1) who did not use any EFT services and (2) who used a variety of those services, including bill-paying by phone, automated teller machines, remote service units, automatic transfer of funds and direct deposit of funds.

The main purpose of the research projects was to uncover the latent attitudes—ranging from positive characteristics to negative concerns—that certain market segments focus on when they discuss specific EFT products and concepts.

"It is only when we know what is turning one group on and/or another group off that we can really begin to understand the things that can change nonusers into users," spokesmen for the two firms said.

It is in this context, they added, that it becomes important to know that EFTS users are more people-oriented than nonusers.

"On the surface, it may seem contradictory to say that people who use machines to do their banking are more people-oriented than those who do not use automated programs, but it is really quite logical after you closely examine consumer attitudes," they said.

EFTS users—who, in most instances, are under 40 years of age and have graduated from college—are more trusting and less suspicious of unfamiliar persons, institutions and situations. They are less rigid about the way they do things and are more willing to consider change. They are more mobile, encounter more new friends and new situations and are less concerned about losing control over situations—mostly because they are more focused on the immediate than the future, the spokes-

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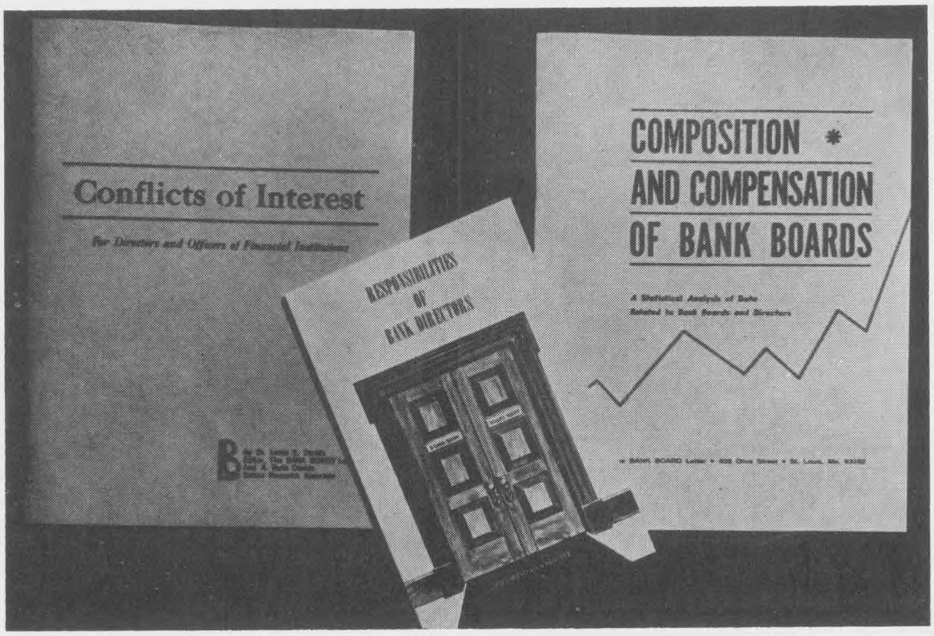

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man said.

"In addition, many of them work in positions where the computer provides the answers to their everyday office problems. EFTS is a comfortable extension of the situation they work with and what they grew up with—the electronics and automated eras.

The bottom line is that EFTS customers—younger people—are willing to let others (including personal bankers and machines) help them with their financial affairs if they feel comfortable with the situation, if it is perceived as something that fits into a need and lifestyle.

"Our analysis of the situation is that to most effectively market EFTS, the financial institution must show people that these services are not so different that they challenge current established methods of handling financial affairs, but complement them and fit into an already existing lifestyle.

"In terms of having EFTS fit into their lifestyles, our research determined that words like 'time' and 'money' were quite significant. Many persons see the use of machines and electronic services as things that allow them to spend more time on themselves, doing the things they really want to do.

"Further, those who use more than one or two EFT services also believe that they have more control over their financial affairs because these services allow them to leave money in one account where it can earn interest until the last minute when it can be transferred to another account." • •

New-Car Displays Used by Banks To Stimulate Automobile Loans

NASHVILLE—As the fall season approaches, so does the time for introducing 1978 models of automobiles. Thus, this also is a time when banks should promote new-car loans.

A promotion that's growing in popularity is to invite local car dealers to display their products on bank lots or in their lobbies. Last October, the Eighth & McGavock Office of Nashville's First American National displayed a new Pontiac Firebird in its lobby and four additional Pontiacs of various models on the branch's parking lot. On a Friday during the promotion, live entertainment was offered in the form of a bluegrass band, and the tellers, secretary, Manager Thomas A. Wright and assistant manager all dressed in blue jeans and flannel shirts to carry out the hoedown theme. In addition, the 500 visitors were treated to apple cider and doughnut holes.

By the way, Mr. Wright reports that his branch has seen a significant increase in auto loans, and he intends to repeat the new-car display this fall.

Mr. Wright received the 1976 Andrew Benedict Salesman of the Year Award from First American National. The award, named for the chairman of First Amtenn Corp., is given for exemplary salesmanship, and each bank affiliate of First Amtenn is asked to submit a nomination. Since being named manager of the Eighth & McGavock Office in April, 1976, Mr. Wright has launched several promotions to stimulate customer interest, such as the new-car display.

'Summer '77':

Bank Aids Community; Helps Finance Guides

For the third consecutive year, a grant from Avenue Bank, Oak Park, Ill., has covered distribution costs of "Summer '77," a 24-page activity guide published jointly by the local park district and recreation department.

Due to the organizations' savings from Avenue Bank's participation in the program, the organizations used those funds to expand summer services to community residents.

"Summer '77" lists such regular services as swimming, fishing, golf, gymnastics and handicrafts and offers information on stress clinics, belly dancing and discotheque dancing, genealogy, crime prevention, assertiveness training, wig styling and make-up application, how-to-quit-smoking classes and others.

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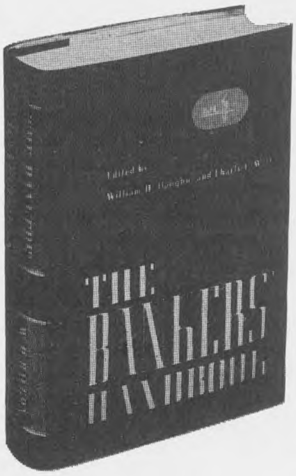

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• **What Every Bank Director Should Know About Bank Counsel.** A pithy discussion of the advantages and disadvantages of a bank maintaining full-time counsel, and whether that counsel should be an elected director. The counsel-director relationship is also covered—a vital relationship in these days of complicated legal maneuvering. **No. 129, 3 copies for $1.**

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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.**

• **A Model Policy for the Bank's Board of Directors.** 24-pages, reviews typical organizational chart, duties and responsibilities of managing officers and various standing committees, loan, investment and collection policies, and an outline of a suggested investment policy. **No. 103, $3.00 per copy.**

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'Smoke Signals'

Bank Provides Record Of Grand Opening Activity

Sometimes the best-laid plans of bank marketers go awry, forcing a revision. That's what happened after the grand opening of Housatonic Bank, Ansonia, Conn.

The new bank had planned on a modest number of people attending its open house celebration. Its president was going to send personal letters to everyone who entered the drawing for a new car that was awarded during the festivities.

But, alas, more than 6,000 people registered—not exactly a modest number of people! The president would have gotten writers' cramp if he had tried to correspond with each person attending.

So, the bank's stockholder publication "Smoke Signals" was utilized. A special issue was printed that included four pages of candid photos of the people attending the event. The publication provided a diary of the grand opening and a thank-you message from the president was included. The name of the winner of the drawing was also printed.

The publication provided a means for the bank to contact all its customers and friends and give them a record of the grand opening. It also served its original function well, as it provided the bank's 900 stockholders with a permanent pictorial record of the important day their bank opened.

The management at Housatonic Bank is aware of the benefits of keeping stockholders informed of bank activities—not only at annual meeting time, but throughout the year!

Premiums

(Continued from page BG/18)

see a smoke alarm in every Elkhart home. So we're making it as easy and inexpensive as possible for our customers to get this early warning Guard-All smoke alarm."

COLORFUL METAL TRAYS

Bank: Tri-City Bank, Bristol, Tenn.
Premium: Metal serving trays.
Offer: One tray free to each person opening or renewing a Christmas club account.
Supplier: Fabcraft, Inc., Frenchtown, NJ 08825.
Results: More than 2,500 Christmas club accounts opened, resulting in almost $200,000 in deposits. The promotion ran at the bank's six offices for almost two months. "This was a very successful promotion, not only from the standpoint of club savings, but from the excellent goodwill garnered from showing our customers how to save systematically through the use of Christmas clubs," said Bruce D. Martin, vice president.

FARMERS' ALMANACS

Bank: Northeast Bank, Lewiston, Maine.
Premium: Farmer's almanacs.
Offer: One almanac free to each person opening or renewing a Christmas club account.
Supplier: Farmers Almanac, Lewiston, ME 04240.
Results: A 9.1% increase in number of clubs for 1977 over 1976. The bank distributed 50,000 Almanacs and utilized radio commercials made by the Almanac's editor to announce the offer. The commercials were played on 19 AM and FM stations. The bank chose the Almanacs because of their low cost and usefulness throughout the year. The bank's management felt the Almanacs were more useful than most other Christmas-oriented premiums.

Bank's $100,000 Grant Provides Work for Youth

Morgan Guaranty Trust, New York City, through its Charitable Trust, has provided summer jobs for 162 needy boys and girls aged 14-19. The trust made grants totaling $100,000 for the project.

This is the third year that Bedford-Stuyvesant Restoration Corp., Children's Aid Society and Jobs for Youth, Inc., nonprofit agencies in New York, have received grants from Morgan Guaranty.

The youths involved in the program will do a number of jobs, including painting, welding, carpentry, maintenance, clerical and other work.

Honors:

Top Students' Photographs Displayed in Bank Foyer

Following a longtime tradition, First City Bank, Hopkinsville, Ky., has honored the top 10 graduates from each of the area's two high schools by displaying the students' photographs in the foyer of its Main Office.

As part of the tradition, the portraits will remain on display until they are replaced by photographs of 1978's top 10 graduates from Christian County High School and Hopkinsville High School. At that time the 1977 students will receive framed photos from First City Bank.

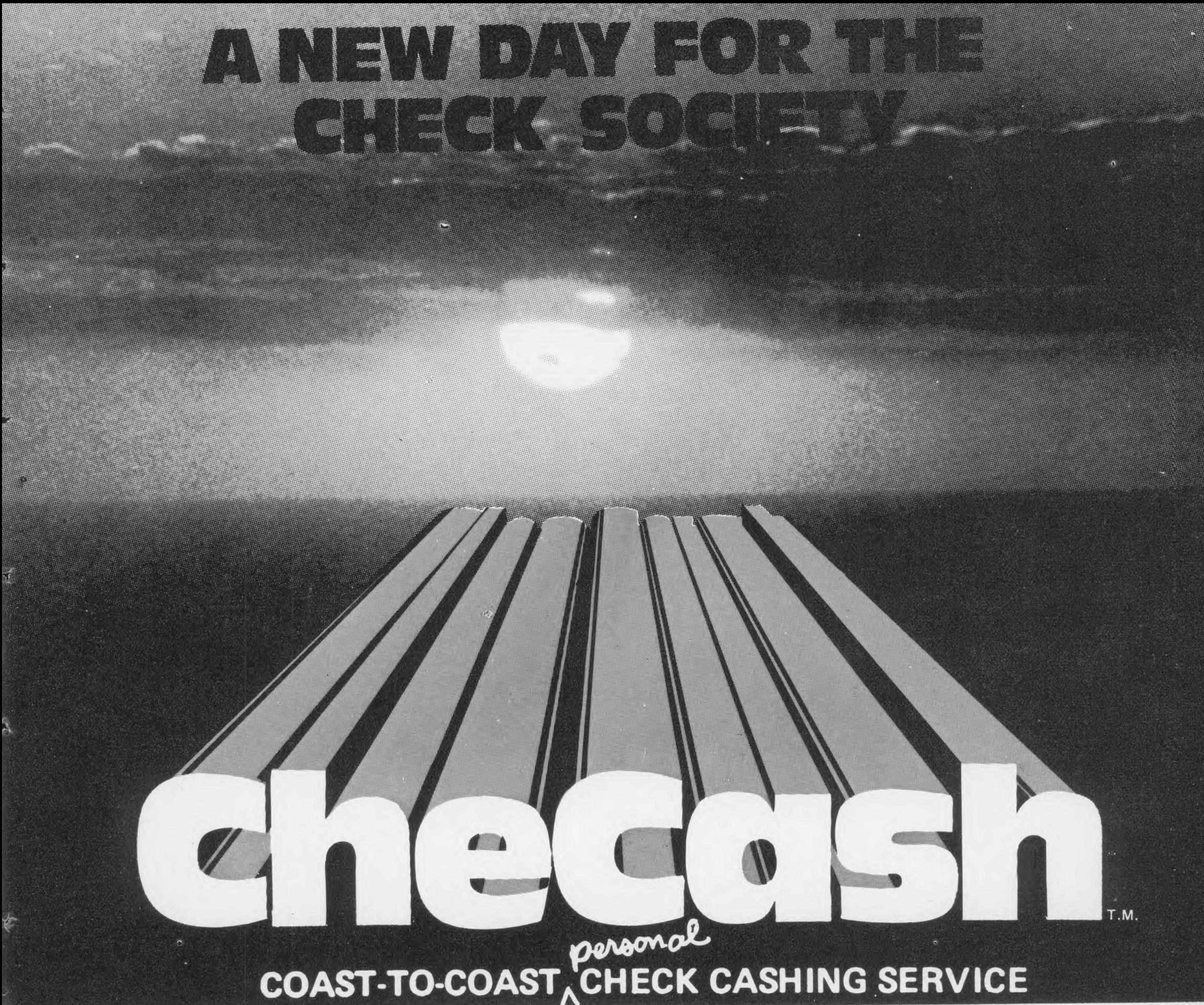
Thrift Starts Energy Newsletter; Offers Gas Stove Igniters

Saving energy and money is the theme of a newsletter entitled "Saving Your Money," published quarterly by Niles (Ill.) Savings.

The first issue presented ways to save energy in the home. This can be done by turning off the pilots on gas ranges and using igniters instead. The institution offered the igniters free to all comers while a supply lasted.

Subsequent issues will tell readers how to save money on taxes and food in addition to energy.

LaVerne Sampson, a.v.p., Niles (Ill.) Savings, demonstrates use of gas range igniter that takes place of pilot lights. Igniter can cut gas consumption from 35% to 47% by eliminating use of fuel to keep pilots burning.



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Now you can pre-program up to eight messages or simple pictorials that will travel or change thousands of times each day—developing the full market potential that's right outside your door.

Your newest promotion . . . special sale . . . public service message . . . featured attraction or package is in front of your customers' eyes, within easy access of your business.

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'Managing Marketing for Profits' Is Theme Of 62nd Annual BMA Convention

Association to meet in Honolulu Oct. 29-Nov. 2

"MANAGING Marketing for Profits" is the theme of the 62nd annual convention of the Bank Marketing Association, which will convene in Honolulu from October 30 to November 2. Headquarters hotel is the Hilton Hawaiian Village.

Three full days of meetings are scheduled, with general sessions each morning followed by workshops, rap sessions and departmental meetings.

Convention keynoter will be former NBC news correspondent Robert Goralski, currently public relations director, Gulf Oil Corp., Washington, D. C. He will be followed on the platform by Carter Golembe, Golembe Associates, Washington, D. C., who will speak on the future of banking. Continuing the future theme during the first general session will be a panel moderated by Jack W. Whittle, chairman, Financial Marketing Group, Chicago.

Workshops on the first day will cover plastic cards, cross-selling and retail banking and customer needs and wants.

Four luncheon rap sessions for community banks will address NOW accounts, officer calls, premiums and press relations. Six raps will be held for large banks covering direct mail, staff training, employee incentive programs, marketing department organization, NOW accounts and premiums.

Most of the afternoons and all of the evenings of the first two days of the convention will be free time.

Tuesday's events will begin with the Golden Coin awards and Best of TV film during the general session. Three departmental sessions will follow that will feature panel discussions covering the changing competitive environment, marketing research and planning and the future of EFT. Four workshops will round out the morning program and will cover bank positioning, public relations, staff motivation and evaluating a marketing department.

A Hawaiian "punch" reception will be hosted by exhibitors prior to luncheon.

Another set of luncheon rap sessions will be held—six for community banks and five for large banks. The community bankers will have a choice of attending sessions on bank contributions, direct mail campaigns, the Financial Advertising Code of Ethics, holding companies, director power and how BMA can help its members.

Large banks will discuss debit cards, institutional advertising, investor relations, in-house market research and how BMA can help its members.

Wednesday's program will begin with a general session featuring John E. O'Toole, president, Foote, Cone & Belding, New York. His topic will be the implications of advertising in the years ahead. Also on the program is a progress report on the Financial Advertising Code of Ethics given by Thomas D. Rogers, vice president and director of corporate marketing, State Street Bank, Boston.

A series of departmental discussions will focus on EFTS, advertising and marketing strategies for the small business market. The last item on the program is three workshops covering new marketing ideas, retail banking and measuring consumer understanding and response to electronic services.

The convention will close with a reception and luau.

New BMA officers were elected in August by mail ballot. At press time, final results were not in, but Martin J. Allen, senior vice president Old Kent Bank, Grand Rapids, Mich., was expected to be elected president. New first vice president is expected to be Arthur B. Ziegler, executive vice president, Marine Midland Bank, Buffalo. Norwood W. Pope, vice president, Sun Banks of Florida, Orlando, is expected to be elected second vice president, and Ronald E. Hale, senior vice president, City National, Bryan, Tex., is expected to get the treasurer's post.

Three bankers from the Mid-Continent area are expected to be elected to the board of directors. They are Robert M. Maddox, president, Peoples Bank, Meridian, Miss.; Alex W. Hart, senior vice president, First National, Elgin, Ill.; and Marshall Tyndall, senior vice president, Texas Commerce Bancshares, Houston. • •

1976-77 BMA Officers


DAVIS


ALLEN


ZIEGLER


WHITTLE

1976-77 BMA officers are Clifford Y. Davis Jr., v.p., City Nat'l, Memphis—pres.; Martin J. Allen Jr., s.v.p., Old Kent Bank, Grand Rapids, Mich.—1st v.p.; Arthur B. Ziegler, e.v.p., Marine Midland, Buffalo, N. Y.—2nd v.p.; and Jack W. Whistle, Financial Marketing Group, Chicago—treas.

Financing Via Gov't Guaranteed Loans Explained at Hibbard, O'Connor Meeting

By LAWRENCE W. COLBERT
Assistant to the Publisher

INDIVIDUALS interested in, and qualified for, loans to start small businesses, obtain franchises that require investment or for making improvements to farms or rural community homes can do so without going into short-term indebtedness, installment debt, finance companies or lease programs.

This is the message presented by Hibbard & O'Connor Government Securities, Inc., Houston, at a recent seminar for representatives of financial institutions, government agencies, franchise reps and others. Title of the program was "New Directions in Profitability."

Those attending learned that the problem today is that not enough people understand how to go about getting proper financing for their businesses or farms. Also, too many think getting a government-guaranteed loan is too complicated. Hibbard & O'Connor says this isn't so.

The purpose of Hibbard & O'Connor Government Securities, which is a subsidiary of Hibbard, O'Connor & Weeks, is to provide the service whereby the small businessman and farmer can obtain proper long-term debt that will give him the best opportunity at making a success of his business.

Among the speakers at the three-day conference was Robert Marshall, acting director, Office of Program Development for the Small Business Administration (SBA).

He said there are 10 million small businessmen and three million farmers in need of loans. However, the SBA can't guarantee a loan if the borrower has adequate funds of his own, if the money is used to repay owners' investment or creditors, if the loan is for speculation or investment, if it is for a non-profit organization or if it is for the news media.

He said many bankers don't know how to use the SBA to full advantage to satisfy the loan needs of their customers.

Requirements to qualify for an SBA loan include good credit risk, adequate collateral and management ability. The SBA requires of the borrower an application form, a personal history, a personal financial statement and a collateral statement.

SBA loans don't require a lot of time, Mr. Marshall said. Normally, four months is the time between the application and loan approval.

He presented the following statistics about small businesses in the U. S.:

- 96.7% of all businesses in the U. S. are classified as "small businesses."
- 55% of the private, non-ag work force is employed by small businesses.
- Small businesses generate 43% of the gross national product.
- Small business accounts for 64% of the dollar volume of wholesaling, 73% of the dollar volume of retailing, 57% of the dollar volume of service industries and 76% of the dollar volume of the construction industry.
- 100 million Americans earn their living from small business.

An impetus for increased interest in guaranteed loans has come from the availability of a stronger secondary market into which financial institutions can sell their guaranteed portions of loans.

Spokesmen for Hibbard & O'Connor said their firm has been a pioneer in the concept of secondary lending markets for government guaranteed loans. The firm operates a lender locating service that finds buyers for the guaranteed portions the financial institutions wish to sell.

Alton Bathrick, vice president and manager of the government guaranteed loan department at Hibbard & O'Connor, told the audience how a bank can increase its yield through a government guaranteed loan.

A bank, he said, lending $100,000 at 10% can sell off the guaranteed portion, which is $90,000. Assuming the bank can get 8% on the $90,000, the 2% spread will make the bank $1,800 on that portion of the loan. The bank will also be making 10% on the $10,000 portion of the loan that is not guaranteed, resulting in total gross earnings of $2,800—or 28%.

He said the Comptroller of the Currency has ruled that only the non-guaranteed portion of a bank's loan goes against its legal lending limit, so the bank not only earns 28% in the above illustration, but it uses only $10,000 of its loanable funds.

Lower rates is a principal advantage to small businesses taking out guaranteed loans, Mr. Bathrick said. "If we don't pass the benefits on to the borrower in ways of lower rates and longer terms, the sources of such funds, such as the SBA, will dry up."

The differences in characteristics of SBA and Farmers Home Administration (FmHA) loans were spelled out at the meeting.

SBA loans have a maximum limit of $500,000, while FmHA loans have no limit. Terms for real estate loans can extend as long as 20 years under SBA rules and up to 30 years under FmHA regulations.

Working capital loans can extend only seven years under terms of both agencies.

FmHA loans are distributed through the agency's business and industry program, which was designed to improve

Participants at Hibbard & O'Connor "New Directions in Profitability" program included (from l.) Miles MacIntyre, counsel, U. S. House of Representatives, and Robert Marshall, SBA, both from Washington, D. C.; Alton M. Bathrick, v.p., host firm; Ky. Congressman John B. Breckenridge; and Michael R. Thomas, SBA consultant, Washington, D. C.

YOUR BANK'S LOSS?

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

No follow-up system requiring borrowers to continue primary insurance is foolproof. That's why the policy available through Scarborough is vital. It provides positive, continuous protection. Protection on a blanket basis for all individual auto loans (dealer or direct).

Single Interest Insurance through Scarborough & Company can:

- Reduce installment loan charge-offs.
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- Provide protection for extended auto loan terms up to 48 months.
- Include towing and storage.

Because you deal **directly** with Scarborough on claims, you receive prompt, fair and professional service, with a minimum of red tape. Another reason to think of Scarborough for Lender Single Interest Auto Insurance.

Call or write Bob Marshman or clip the coupon below for more information.

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Fill in this coupon to receive the free booklet "Lenders Single Interest Automobile Insurance".

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MC 9/77

the quality of rural life by boosting the economic climate. FmHA loans can't be offered in towns with more than 50,000 inhabitants.

Both types of loans enable medium-sized banks to serve their business communities directly through leveraging the loans and promoting jobs, said John B. Breckenridge, congressman from Kentucky. He said the loans were a great way for banks to help create jobs in the private sector.

Referring to the numerous job bills introduced in Congress, he said, "Most of these jobs are public works jobs that absorb tax revenues, increase the federal deficit and thereby contribute to our inflation problems.

"To resolve our economic difficulties, we need to concentrate more on increasing private-sector rather than public-sector employment, particularly in small business. You people here today by your contribution to this important conference can contribute to this process."

He said he believes strongly that the guaranteed loan programs of SBA and FmHA are the key to solving the nation's employment and inflation problems.

"Only through your aggressive and active support and participation in the SBA and business and industry and the guarantee programs can this country ever hope to achieve a balanced budget and preserve the economic freedom and future of America," he said.

Mosler Anti-Crime Seminar Set for KC Oct. 12-13

KANSAS CITY—A two-day anti-crime seminar is set for October 12-13 at Ramada Inn Central, sponsored by Mosler. The program will include presentations on executive kidnap and hostage/extortion by FBI agents as well as bomb threats and search by members of the U. S. Army Bomb Disposal Unit. A special session will be devoted to an explanation of the Bank Protection Act of 1968 as it relates to the requirements of the Insurance Services Office.

Also included on the program will be an exhibition of safecracking, the use of a burning bar to enter a safe, a demonstration of electronic alarm defeats and the showing of safes that have been peeled, ripped, core drilled, punched and water bombed.

The program is designed for anyone concerned with crime prevention. For information, write: Robert Rosberg, Mosler, Hamilton, OH 45012.

Classified Board Measure Approved by First Charter

KANSAS CITY—Stockholders of First National Charter Corp., parent HC of First National, Kansas City, voted recently to divide the board into three classes of five directors each.

The meeting was the completion of the annual meeting of last April which had adjourned pending disposition of litigation involving the classified board proposal.

The HC is said to be the third major bank HC in Missouri having a classified board. One class of directors will be elected each year under the system.

Newly elected to the board is Stanley H. Durwood, president, Multi-Cinema, Inc.

Frank P. Syms Dies

Frank P. Syms died recently. Before his retirement several years ago, Mr. Syms was eastern advertising representative for MID-CONTINENT BANKER and several other regional banking journals.

NORGE
SUOMI-FINLAND
BELGIQUE
COLOMBIA
ESPAÑA
DANMARK
singapore
HELLAS
SVERIGE

New headquarters building of Texas Bankers Assn. in downtown Austin is located directly across street from governor's mansion. Designed in Texas colonial style, $1.2-million structure is TBA's first home of its own in its 92-year history.

New Texas Bankers Assn. Headquarters Formally Opened by Governor Briscoe

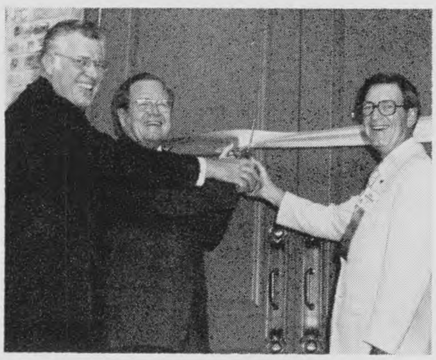
THE TEXAS Bankers Association not only has a home of its own for the first time in its 92-year history, but now one of its neighbors is the governor of Texas, Dolph Briscoe. In addition, the new structure, located at 203 West 10th Street in Austin, is just a short distance from the capitol.

Governor Briscoe crossed the street to cut the ribbon July 23 officially opening the new headquarters, which has two stories and a basement parking and storage area and is designed in Texas colonial style, conforming to the historical neighborhood in which the building is located.

The 75 x 75-foot structure is surrounded by porticos with tall brick pillars. Shepherd and Boyd of Dallas was the architectural firm, and interior decorating was provided by Corporate Designs, Inc., Dallas.

The cost, including land, furnishings, landscaping and other facilities, was $1,240,000, which was fully funded by the TBA's membership.

C. Truett Smith, president, First State, Wylie, is credited with proposing that the association have a home of its own when he was TBA president in 1973-74. Mr. Smith, fittingly, was chairman this year of the committee that planned the grand-opening ceremony and festivities.



Texas Governor Dolph Briscoe (c.) snips ribbon formally opening new headquarters building of Texas Bankers Association. Assisting him are TBA Pres. Charles L. Childers (l.) and immediate Past Pres. S. R. Greenwood. Mr. Childers is pres., Tyler Bank; Mr. Greenwood, pres., Temple Nat'l.

Intensive studies were made of the feasibility and desirability of the undertaking, and it was explained to Texas bankers in a series of district meetings. A building or "new-facilities" committee was appointed, with S. R. Greenwood, president, Temple National (later TBA president, 1976-77), and Edward A. Wood Jr., senior vice president, Preston State, Dallas, as cochairmen.

A ground-breaking ceremony was held December 30, 1975, and, except for some landscaping and other last-minute work, the building was completed last May.

At the opening ceremony in July, TBA President Charles L. Childers (president, Tyler Bank) presided and introduced the governor and other guests, including Austin Mayor Carole McClellan. Several past association presidents attended the festivities, as did former Governor Preston Smith of Lubbock, State Treasurer Jesse James and Ernest T. Baughman, president, Dallas Fed.

The TBA, said to be the oldest state banking organization in the nation, was formed in 1885 at Lampasas. The administrative staff is headed by Sam O. Kimberlin Jr., executive vice president.

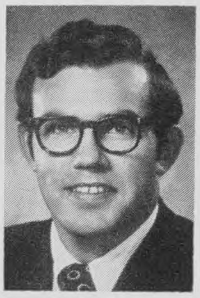
Energy Division to Finance Coal Industry Formed by Citizens Fidelity, Louisville

FORMATION of a new bank division, called Citizens Fidelity Energy Co., has been announced by Citizens Fidelity Bank, Louisville. The new company is an extension of the bank's expanding commitment to the region's coal industry, according to J. David Grissom, chairman.

"As the consequences of the current energy crisis become more and more apparent, it becomes clear that Kentucky, as the No. 1 coal-producing state, has a special responsibility to the nation," Mr. Grissom said.

"The coal industry requires a unique kind of financial expertise and we at Citizens Fidelity have been acquiring this special knowledge over the past several years. It is a natural transition for us to set up a special division that will be devoted to serving the financial needs of this region's coal industry," he said.

Joe M. Rodes, president, Citizens Fidelity Corp., will also assume the presidency of Citizens Fidelity Energy Co. George M. Bigg, currently vice president and manager, special industries division, will become senior vice president of the bank and the new division. Tabb Hazelrigg, currently an assistant vice president with special industries, will join the new division, and Rick



GRISSOM

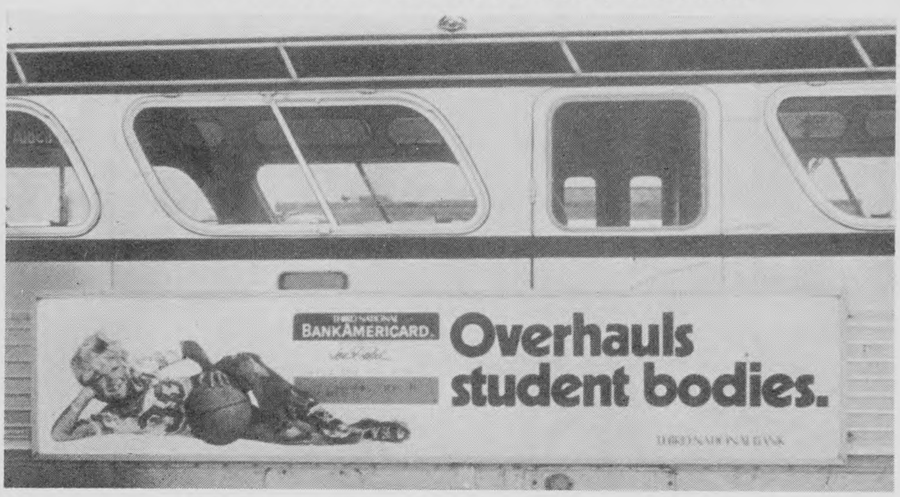
RODES

Bartholomew has joined the bank and will be assistant vice president of the new division.

One of the primary goals of the new division, according to Mr. Rodes, will be to better serve the needs of the regional coal producer who wishes to expand his mine, undertake a new production project, build a coal processing facility or otherwise improve his access to economical transportation.

He said the new division will continue to rely heavily on the correspondent banking network that it has established throughout the region. "Our correspondent bank partners will continue to be one of our best sources of information and aid in assessing our loan or leasing prospects in the coal industry," he said. • •

Ad Wins Award for Third Nat'l, Nashville



This transit poster for BankAmericard service offered by Third National, Nashville, won the bank a national "Addy" award from the American Advertising Federation, Washington, D. C. The poster featured a photo of the son of bank Vice President Donald F. Schleicher. The back-to-school promotion was featured on 20 city buses from late July to early September last year. The same concept was used on outdoor, TV, radio, newspaper and magazine advertising and on statement stuffers. A similar campaign featuring the new Visa card ran this summer.

MARKETING SEMINAR

ST. LOUIS—The annual marketing seminar sponsored by the Missouri Bankers Association and the Illinois-Missouri Bank Marketing Association will be held September 19 at the Cheshire Inn here.

The day-long meeting will include general sessions, workshops and rap sessions. Among the speakers and topics will be Alex Sheshunoff, Sheshunoff & Co., Austin, Tex.—"High-Performance Banking"; Robert J. Bennett, senior vice president-planning and development, Boatmen's Bancshares, St. Louis—"NOW Accounts"; Mrs. Marcie Massie, vice president, Bank of St. Louis—"Advanced Staff Training"; R. Ted Pepple, vice president, American National, St. Louis—"Public Relations"; and Jim Weitzel, Keller Crescent Advertising Co., Evansville, Ind.—"Market Share Analysis."

Luncheon speaker will be Dr. George M. Dupuy of the University of Virginia. His topic: "Bank Marketing—Where It's Going." Wrap-up speaker will be Jerry R. Thornton, vice president and director of marketing, National Bank of Commerce, Lincoln, Neb.

Registration fees ($60 for association members and $75 for nonmembers) should be sent to: Bonnie Booten, First National Bank, P. O. Box 517, Alton, IL 62002.

FDIC Examination Policy Changes Promote Dialogue With Directors

WASHINGTON, D. C.—Policy changes by the FDIC encourage more frequent meetings between examiners and bank officials and the duplication of examination reports by banks for their directors.

The revised policy on meeting with directors requires, as a minimum, the examiner-in-charge to meet with the board or a committee of the board at each full-scope examination. In banks that have significant problems, the regional director or his representative will attend either the board or committee meeting held during the examination or a meeting of the entire board held at the request of the regional director subsequent to the examination. The state banking authority will be invited to participate and a written summary of the meeting will be furnished to the board, along with corrective commitments and/or reactions of those in attendance.

Even though the FDIC examination report is confidential, it will be made available to each director for review. Duplication of the report for this purpose is encouraged by the FDIC.

"Our bank is a family bank and always has been. And we look to the First for help just like one of the family."

The Farmers Bank of Blairstown, Missouri is a true success story. A correspondent bank relationship has added financial strength and a team of specialists.

The Whitaker family, two brothers and a sister, continue modern day banking into the second family generation. They understand and study each customer's personal and business needs in the best traditions of the old-fashioned, small town family bank.

In a town with a population of 161, their customers are their friends and neighbors. And they can give them most services they might require.

But the Whitaker family bank has a correspondent relationship with the First National Bank of Kansas City to help them handle those services their customers may need from time to time that they cannot give.

Together, with the First, the Farmers Bank of Blairstown has the added strength of both economic and manpower resources.

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 Whitaker family and the Farmers Bank of Blairstown.

Our correspondent banking tradition has been built on becoming part of the family.

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

V. S. Whitaker, President
Jane Whitaker Jones, Assistant Cashier
H. D. Whitaker, Executive Vice President

Your success is our tradition.

First National Bank of KANSAS CITY, MISSOURI

An Affiliate of First National Charter Corporation

Member FDIC

Merrill Lynch and Columbus, O., Bank Unveil New Kind of Brokerage Account

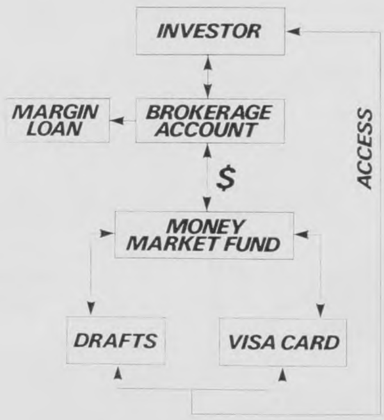
A NEW KIND of brokerage account has been announced by Merrill Lynch, Pierce, Fenner & Smith, Inc., New York City-based securities firm. Called Cash-Management Account, it will combine interest on investment in a money market fund and direct access to margin loans and free credit cash balances through bank drafts and use of the Visa card issued by Visa/Bank Americard.

The account will be introduced initially this month in Atlanta, Denver and Columbus, O., with special Visa cards to be issued to Merrill Lynch customers in those cities through City National of Columbus. The latter is the only commercial bank in the country that will be associated with Merrill Lynch in the program.

After a test period, Merrill Lynch offices throughout the country are expected to offer and promote the service.

Here's how the program will work: Customers who qualify will be able to open a Cash Management Account (CMA) by leaving securities in a margin account at Merrill Lynch. Although a minimum amount has not been established for opening an account, the firm has indicated that the account could be opened for as little as $2,500. After the account is opened, all securities transactions and services will continue in the normal manner.

Each CMA customer's securities, including money market fund shares, will be protected up to $300,000, the same as the coverage provided all Merrill Lynch customers. This protection consists of the Securities Investor Protection Corp. (SIPC) coverage of up to $50,000 (including up to $20,000 in cash) and the supplemental securities protection of up to $250,000 per customer, arranged by Merrill Lynch with Aetna Life & Casualty, Inc., for the balance.



Funds in the account will be invested automatically once each week in a money market fund where dividends will be earned daily, based on prevailing short-term rates.

Balances invested in money market fund shares can be utilized at any time by writing drafts or using Visa cards to be issued to all CMA customers (as noted above by City National of Columbus). Sufficient money market fund shares will be sold automatically to release the necessary monies. The Visa cards will be honored at any of 50,000 worldwide branches of the 8,700 banks in the Visa/BankAmericard system, as well as at all establishments accepting the card.

Checking and card transactions also will be backed by a direct line of credit, based on the margin value of the securities in the account. With the securities as collateral, the customer's interest loan rates will be at Merrill Lynch's regular margin-account rates, which, according to the firm, are substantially below those commonly available on other cards or revolving or installment plans.

This collateral-based loan is available on a standby basis to cover drafts, bank-card purchases or securities transactions, but is put in effect only after all investment funds in the account—including those invested in the money fund—have been utilized.

Merrill Lynch will charge a nominal monthly service fee. All standard brokerage commissions and margin interest charges will apply to securities transactions.

City National will provide banking services to Merrill Lynch customers in the form of check and credit-card processing, immediate debiting of charges against accounts and record keeping. In turn, Merrill Lynch will effect payment for CMA holders and provide a consolidated-account statement.

Why is Merrill Lynch offering such an account? Here's the answer given at a press conference announcing the program: "Frequently, securities investors leave cash balances resulting from securities sales in their accounts. Generally, these balances do not earn interest. Through the Cash-Management-Account agreement, Merrill Lynch will invest these cash balances and any other cash in the account in money market shares and thus earn daily dividends for the account holder. This eliminates the need for customers to transfer funds out of their accounts, wait for the mails and re-deposit the funds before they have access to the money or are able to earn interest."

According to Merrill Lynch and City National, "CMA holders will be able to carry the financial power of all their liquid assets in their pockets, rather than leave them in a number of separate accounts. And all transactions—purchase and sale of securities, dividends received or interest due, drafts and credit-card purchases—will appear on a single convenient monthly statement. That statement will present a financial picture showing the holders getting maximum convenience for all their liquid assets." • •

New Orleans Bank Fails

NEW ORLEANS—Republic National, chartered in 1974, was declared insolvent July 29 by Comptroller of the Currency John G. Heimann. The FDIC was appointed receiver for the bank, which had $4.9 million in deposits.

The FDIC announced that First City Bank of New Orleans, a newly chartered state nonmember bank, has assumed the failed bank's liabilities. The new bank was organized by a group of investors headed by R. Preston Wailes and Elton A. Arceneaux, Jr., bankers in this area, and opened August 1. Initial capitalization is $600,000.

According to the Comptroller, Republic National "has never operated on a profitable basis, sustaining net operating losses for each year of its existence. Net losses for 1974, 1975 and 1976 were $29,000, $107,000 and $76,000, respectively. In addition, the percentage of classified assets to gross capital funds increased from about 4% in 1974 to 171% as of April 29, 1977. During the next three months, the bank experienced a sharp deposit decline, which, when combined with the bank's fixed and poor-quality asset structure, forced a severe and continuing liquidity crisis. A special portfolio examination, commenced by national bank examiners July 25, 1977, and concluded July 29, disclosed loan losses in excess of the bank's capital and reserves."

When you can't offer Profit Sharing and Retirement Trust Services of your own... offer ours.

Call on our experience.

Now, through the Correspondent Banking Division of Third National, you can offer your customers the complete Trust Services they need, including Profit Sharing/Retirement Plans developed individually to fit each company situation. We relieve you of almost all responsibilities, including management of the ongoing investment, legal work relative to IRA, and various other time consuming functions. We save you the expense of developing a full-service Trust Department of your own while helping you to remain competitive in your community. Get full information on the many and varied services from the largest Trust Division in Tennessee. Talk to the Third National Correspondent Banker who serves your area today. Our Tennessee WATS line is (800) 342-8360. In neighboring states, dial (800)251-8516.

THIRD NATIONAL BANK

IN NASHVILLE
Member FDIC

Celebrating 50 years of service.

Telephone Transaction System Expanded by Continental Bank

CHICAGO—Continental Illinois National has added 46 telephone units to its transaction telephone system, bringing to 79 the total number of transaction telephones installed in the Chicago area as part of the bank's computer-linked credit verification network.

The new installations are at a variety of retailer and merchant locations, including auto service stations, a flower shop, an auto dealership, a car rental agency, hotels and a gift shop.

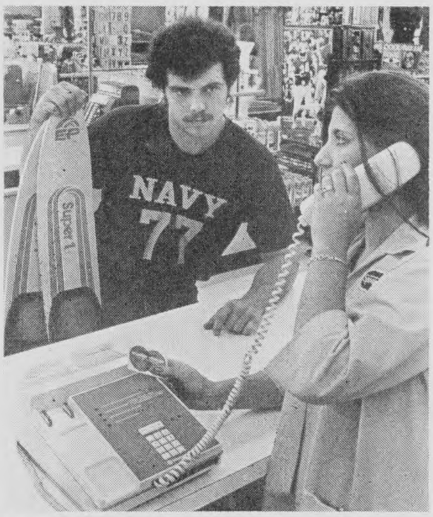
Continental signed the first 13 merchants to its transaction telephone system in December and currently has a total of 38 merchants with 54 locations on its system.

The phones, which tie into regional credit card authorization centers, offer computerized, voice-response authorization for credit purchases. Merchants may obtain authorization for Master Charge, Visa or American Express credit card purchases.

Participating merchants are processing 1,300 transactions per week through the system. Each authorization takes an average of 20 seconds. The system eliminates the need for a printed list of revoked or lost cards, since the computer notifies the merchant if a card being presented by a customer has been revoked or reported lost or stolen.

If a card being presented has been reported lost or stolen, the computer will automatically switch the merchant's telephone call to a bank security officer who works with the merchant to determine whether the customer presenting the card is an authorized user of the card.

Also, if the intended purchase would put the customer over the credit limit for his card, the computer will give the merchant a phone number for credit clearance.



Salesclerk uses transaction phone to verify purchases made with Master Charge, Visa or American Express cards on Continental Bank of Chicago's computer-linked transaction phone network. Bank has expanded the system and added new services.

ABA Publishes Information On Tactics of Swindlers

The ABA is offering for bank use a statement stuffer describing the activities of con artists or swindlers.

Entitled "Don't Be Swindled," the leaflet outlines nine of the more common schemes—actual cases of swindles that are perpetrated on the public.

The material came from material created by Detroit Bank, which gave ABA permission to make it available to all ABA members.

The folder points out that Americans suffer thousands of criminal fraud offenses annually. It is estimated that for each reported swindle two others occurred but were not reported because the victims were too embarrassed to admit they had been taken in.

The publication notes that, although elderly people are the principal target of swindlers, others are also susceptible. The best defense against swindlers is an awareness of their tactics, the statement stuffer advises.

Voters Favor Branching, AMBI Survey Shows

SPRINGFIELD, ILL.—Illinois voters favor giving banks the right to have branches like federally chartered S&Ls, by a margin of 4½ to 1, according to an A. C. Nielsen survey conducted for the Association for Modern Banking in Illinois (AMBI).

Nielsen surveyed voters in all 59 legislative districts in this midwestern state and found that 66% of those polled favor branches; 14.5% didn't know, and only 8.1% expressed no opinion. The poll, which covered 2,447 persons in the state, is said by Nielsen to be accurate to within 6.7%.

Nielsen interviewers asked the make-up of each household called, whether the family had a bank account and the following key question: "We would like your opinion of branch banking. By branch banking, we mean the ability of a bank to be able to offer a full range of financial services at more than one office or location. Would you favor or oppose a law permitting Illinois banks to have branches within the county in which the bank is now located?"

To avoid bias, the order of "favor or oppose" was changed in every other interview.

A branching bill in the state senate (SB 1051) had been amended shortly before the poll to permit branching within a county or 25 miles from the bank if the branch is in another county.

Bank's 'Dog-Gonest' Problem Solved by 'Puppy Power'

Gene Harkey, property and purchasing engineer at Merchants National, Mobile, Ala., was in the dog house recently. He was installing electronic banking equipment designed to help speed up customer transactions at a tellers window when he realized that there wasn't enough room for him to squeeze between a false ceiling and the roof to install some wiring.

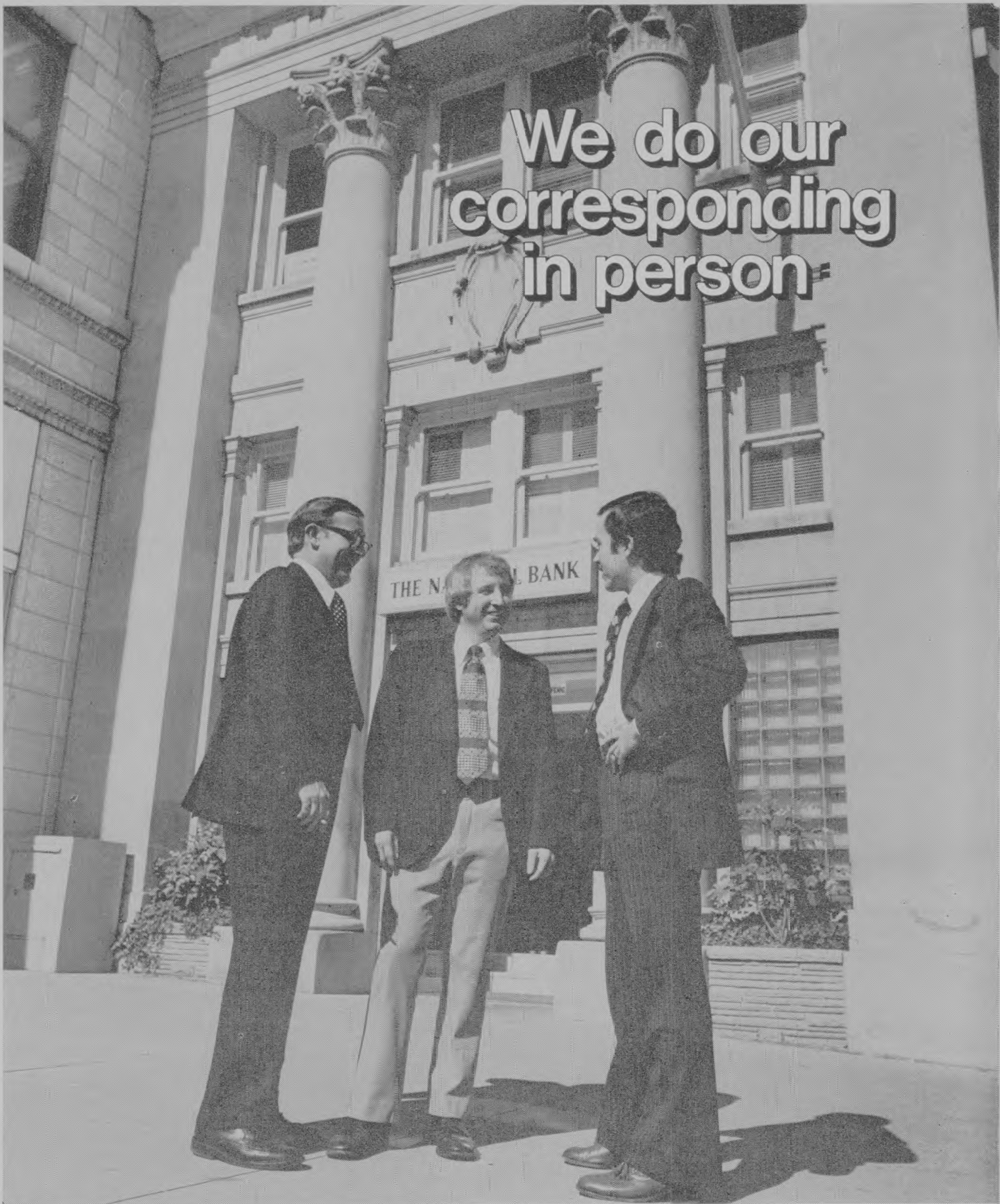
But it was "puppy power" to the rescue when Mr. Harkey called on the services of his miniature dachshund, Friskey. The wires were tied to the dog's collar and then the canine was hoisted into the area above the ceiling. Mr. Harkey went to the opposite end of the building, raised a ceiling tile, called his dog and waved a flashlight for direction. Friskey pulled the wires through, enabling the installation to continue on schedule.

"Puppy power" comes to rescue at Merchants Nat'l, Mobile, as Gene Harkey (r.), property and purchasing engineer, and Russell Harris, v.p. and br. mgr., place Mr. Harkey's dog, Friskey, in area above ceiling to run wiring for automatic teller. Space above false ceiling was too small to admit human, so Friskey was called on to assist.

Commercial Finance Institute Set for Marquette University

MILWAUKEE—Current business credit developments will be given major emphasis in the Commercial Finance and Factoring Institute course being offered by Marquette University's Continuing Education Division and the National Commercial Finance Conference, Inc., with classes starting September 12 at the university campus.

Director of the course is Robert J. Katcha, vice president, Aetna Business Credit, Inc. The course will employ a practical approach to providing applicable, up-to-date information on commercial financing, its impact on working capital and its role in business credit availability.



Murphy Brock (at left), Vice President and Jim McKenzie (at right), Asst. Cashier of Liberty Bank, correspond personally with Bobby M. Jenkins (center), Vice President and Cashier of the National Bank of Middlesboro, at the bank's main office.

Liberty National Bank

and Trust Company of Louisville

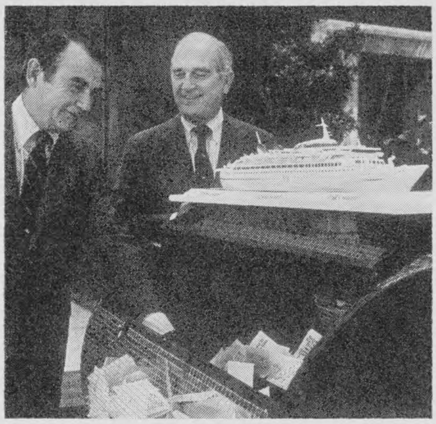
Third Nat'l, Nashville, Celebrates 50th Year With Week-Long Program

NASHVILLE—A week-long celebration was held in July to commerorate the 50th anniversary of Third National. The bank was founded July 18, 1927.

Special events included a dinner for about 300 correspondents and spouses with entertainment by the bank's "Third Dimension" choral group and the Opryland USA's Dixieland band.

Open house celebrations were held in all of the bank's 30 branches on July 18 and a luncheon for a group of original shareholders was hosted by Charles J. Kane, chairman and president. All bank directors were entertained by Mr. Kane at his home. Among the original directors being honored was Sam M. Fleming, former ABA president, who served as CEO from 1950 to 1973.

Sampling 50th anniversary cake during week-long celebration at Third Nat'l, Nashville, are (from l.) Charles J. Kane, ch. & pres.; Nashville Mayor Richard H. Fulton; and John W. Clay, bank sr. ch.



Charles J. Kane (l.), ch. and pres., Third Nat'l, Nashville, draws winning entries in customer giveaway program celebrating bank's 50th anniversary. Looking on is John W. Clay, senior ch. Top prize in drawing was a Caribbean cruise for two; second prize was a 25-inch color TV. More than 100,000 entries were submitted.

Third National was the idea of the late Frank M. Farris, who resigned from another Nashville bank in 1927 to organize Third National, which operated out of the lobby of the then-Independent Life Building at Fourth and Church streets. More than $1 million in deposits was taken in on the first day of business—a record at that time for a new bank in the South. Banking quarters were enlarged in 1938 and the bank's present building was opened in 1967. The bank became the flagship bank of Third National Corp. in 1972. The HC now has eight bank affiliates.

From Life:

Eisenstaedt Photo Show Draws Crowds to Lobby

An exhibit of more than 100 photographs by *Life* magazine photographer Alfred Eisenstaedt in the lobby of Frost National, San Antonio, has proved to be an excellent drawing card for the bank.

"Witness to Our Time," as the display was titled, covered subjects from Hitler to Will Rogers. The photos are part of a larger collection assembled by Time-Life, Inc., and were on loan to Frost National from the Smithsonian Institution.

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Continental Illinois National Bank and Trust Company of Chicago.

Lenders Liable for Tax Consequences From Delinquent Commercial Loans

LENDERS involved in resolving delinquent commercial loans should be aware of the tax consequences and liabilities because of two often overlooked provisions in the Internal Revenue Code (IRC), according to Edward A. Dauer, associate professor of law, Yale Law School.

Mr. Dauer's warning is included in the current issue of "Counsel," quarterly publication for directors' and officers' liability insurance policyholders of MGIC Indemnity Corp., Milwaukee.

Mr. Dauer notes that lenders—and even individual employees of lenders—have been held liable by the IRS for delinquent taxes of the borrower.

He cites the 1962 case of Mueller v. Nixon, whereby an officer of a finance company approved a loan to a machinery company that failed to remit federal income taxes. Following the machinery company's bankruptcy, the IRS sued the finance company and the lending officer for the back taxes and won.

"This case was decided under section 6672 of the IRC, which provides that 'persons required to collect and pay federal taxes, but fail to do so, are liable for a penalty equal to 100% of the unpaid tax,'" he notes. This section normally applies to corporate officers who fail to remit the taxes of their own corporations, but the wording can be misleading.

Mr. Dauer says that since the finance company had put two of its own officers in charge of the machinery company's troubled financial operations, the court ruled the lender had knowledge of the tax delinquency and authority or control over the decision to pay it, and thus was liable.

He pointed out that, although this case was decided under section 6672, another similar section, 3505, is even more ambiguous.

"Under this section, if a lender (or surety or other person) pays the wages of its borrower's employees directly, the lender is liable to the IRS for any FICA and FIT wage withholdings the borrower fails to pay," Mr. Dauer says. This situation is not uncommon with construction firms that delay paying taxes due to cash-flow problems.

Mr. Dauer notes that part (b) of section 3505 covers the case of a lender who merely provides funds to a borrower to meet a payroll. "If the lender knows the borrower cannot or did not pay the withholding taxes, the lender may once again be liable to the IRS for the unpaid amounts," he writes.

The practical significance of these examples is not a question of placing liability, he says, but involves paying the huge sums of defending the lawsuits.

Lenders involved in the construction loans, especially those made directly to the contractor-developer to finance the project, should be aware of the liabilities resulting from tax delinquencies of the borrower, Mr. Dauer says.

A copy of the article is available from MGIC, MGIC Plaza, Milwaukee, WI 53201, attention Edward Berger, communications department. • •

Investment Guide Published For State Housing Bonds

CHICAGO—A state housing finance and mortgage finance agencies guide has been published by Continental Bank. The publication is said to be the securities industry's only complete guide to state housing authority bonds.

The guide gives detailed, comparative evaluations of 77 bond issues and provides a framework for judging the overall credit quality of these types of securities.

The comparative evaluation of each issue contains an analysis of significant credit features, an appraisal of its principal strengths and weaknesses and a ranking of credit quality relative to other housing bonds issued under similar programs.

The guide provides a basis for the review and analysis of new issues as well as secondary market offerings, highlights the inherent strengths and weaknesses of each agency's bond issue, provides a basis for making credit decisions, allows for the review of investment holdings and provides information for credit files and gives investors an independent appraisal of the underlying credit quality of each issue.

Stonier Registration Open

WASHINGTON, D. C.—Applications are now being accepted for the 1978 session of the Stonier Graduate School of Banking. The two-week resident session will be held June 11-23 at Rutgers—the State University, New Brunswick, N. J.

Brochures and application forms have been mailed to CEOs, personnel officers and training and development officers of banks. Applications must be returned by October 15 to be considered for next year's session.

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The Changing Future of Commercial Banking: A Matter of Alternatives

By CARTER H. GOLEMBE
Chairman
Golembe Associates
Washington, D. C.

IS THE FUTURE for retail banking so dim that alternative types of banking business—primarily in the corporate and government sectors—must be sought? Evidence of disenchantment with the prospects for retail banking is becoming more noticeable, and concern has been expressed that a kind of bandwagon philosophy is developing, on which unwary bankers may jump, to their ultimate dismay.

Bankers should not make precipitous changes in plans on the basis merely of industry talk or gossip. Banking has a long history of herd-like reactions to changing circumstances or new developments. Many bankers have come to regret the acceptance of intriguingly simple explanations of movements that were in reality much more complex.

The issue of the future of retail banking and of the alternatives open to commercial banks is real and it is important. In this situation there may indeed be more fire than smoke, at least as one looks down the road. I would like to explore this subject which, for shorthand purposes, we can pose as "commercial or retail?," not with the thought that really specific answers can be provided but, rather, with an idea that perhaps some of the more important questions may be asked, and some of the basic trends identified.

Perhaps we should dispose first of the troublesome matter of definitions. By "retail" business, I mean depository and credit services provided for individuals or households, who select their banks largely on the basis of convenience. By commercial business, I mean depository and credit services provided for business entities and governmental units. Locational convenience is not a primary factor in the selection of a bank by these customers, who are typically more concerned with the bank's ability to handle their needs and with professional relationships with individual bank officers. Between these two broad categories is an important "gray" area, consisting of customers who may, depending on the whims of the definer, fall into the "commercial" or "retail" categories.

It seems inevitable, particularly as one grows older, that the past is viewed as having been a more orderly and more pleasant time than the present. Nevertheless, it does seem that not so long ago commercial bankers resided in a rather tidy world. A principal characteristic of that world was functional specialization among financial institutions, reflecting in part the workings of the marketplace, but in a much more important way, the workings of government regulation.

Two of these kinds of specialization should be of particular interest and concern now. One involves the drawing of lines between commercial banking and the functions that have been mainly the province of thrift institutions; the other involves the line dividing commercial from investment banking.

For individuals and households, a variety of thrift institutions have traditionally specialized in the business of collecting savings and relending them in various ways to the same constituency. S&Ls and mutual savings banks, for example, invested their funds primarily in residential real estate loans, while credit unions, industrial banks and similar organizations focused on consumer installment lending. Various inducements and restraints were devised by government to further this kind of specialized activity, and for most of the institutions involved, separate supervisory and regulatory systems were maintained.

Many of the credit needs of corporate business and government were taken care of by another set of specialized institutions, the investment bankers. To the extent that these customers have to tap the market for funds—usually but not always of a long-term nature—they were served by investment bankers who, through private placements or public underwritings, brought together those with surplus funds and those who had the need for their use. Securities services of the brokerage type were also available from a well-defined group of institutions, and many firms providing this service also provided investment banking services. Again, a separate and distinct regulatory system was established, which regulates the securities business primarily for the protection of the investing public.

The unique position of commercial banks is that they offer all of these services, whether on the funds-collecting side, or the funds-disbursing side, or acting as "matchmakers" between borrowers and non-bank investors. Indeed, it is not the easiest thing in the world to identify a commercial bank, but there have been two characteristics that have been useful, at least until recently.

First, although commercial banks were never the only suppliers of short-term credit to business—the commercial paper market is only one of a wide variety of alternatives—the banks engaged in this activity during their entire history.

Second, and again until recently, only commercial banks possessed the ability to offer demand deposit facilities to the general public.

It is therefore not surprising that even today, when the legislature or the courts seek to identify commercial banks with some specificity in order to carve them out from the many types of other financial institutions, the ability to lend to business firms and to offer demand deposit services over the entire spectrum of economic activity are, in combination, the characteristics deemed sufficient to describe commercial banks.

It might be observed that the demand deposit function was not always unique to commercial banks. Many investment bankers, for example, also used this tool until 1933, when the Glass-Steagall Act took deposit powers away from those firms at the same time that it took certain investment banking

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This article is based on remarks made by Mr. Golembe at the recent convention of the New York State Bankers Association.

powers away from commercial banks.

There is no question that the ability to provide demand deposit facilities has been a powerful competitive tool for commercial bankers. At times it has appeared to be more powerful than it really was, since the prohibition of payment of interest on demand deposits seemingly gave banks access to "free" money. The fact is that in order to compete for deposit balances commercial banks have had to pay implicit interest, in the form of a variety of services provided to depositors free of charge or at less than cost. Thus it is not clear at all that the prohibition on demand deposit interest has been advantageous for the banks and, as a matter of fact, at least in some respects it has been disadvantageous. But in any event, it was not the prohibition of interest that made the offering of demand deposit services so valuable to commercial banks but, rather, the fact that they were the only depository institutions permitted to offer this service.

The world of yesterday was not only tidily arranged with respect to the various functions that financial institutions might perform but was rather neatly arranged geographically. Through a variety of interlocking federal and state statutes, this country has managed to construct a set of imposing limits on the geographic expansion of commercial banks. State lines were intended to serve as the ultimate barrier to geographic expansion (domestically), and in many states the boundaries were even more tightly compressed, encompassing single counties or groups of counties, or single cities, or even just one single banking office. The result has been a balkanization of the commercial banking industry and, to a considerable extent, of the other depository industries. However, in the latter cases, the degree of balkanization was less.

It requires no great insight or intelligence to say that the neat and tidy world I have described has come unglued. In fact, it has been crumbling for at least a decade, and although one should not anticipate any cataclysmic series of events that will reshape the world, it would be unrealistic if not downright foolhardy to ignore the fact that the crumbling is continuing, and at an ever-increasing pace. Functional specialization is disappearing, as the depository thrift institutions obtain checking account powers—previously one of the hallmarks of commercial bank identification—and doubtless many of them look forward to achieving at some future date the full range of commercial bank powers. Geographic boundaries are crumbling within states and even state lines are under assault.

The explanation for these developments is fairly simple. Obviously, the consumer movement has played a major part in bringing about change, primarily by challenging limitations on deposit interest which, although possibly useful for distinguishing among classes of financial institutions, nevertheless have discriminated against the holders of small- to moderate-sized savings accounts. And consumerism also is an important factor in eroding the geographic limitations on bank expansion, primarily because of the adverse effect such limitations have on customer convenience.

While consumerism has been and is likely to continue to be a driving force in effectuating change, we cannot overlook some other important factors. High on the list would have to be technology. Because technological developments have begun to change the very nature of the processes by which transactions are accomplished, they have pointed up the anachronistic nature of the McFadden Act, which supports the crazy-quilt pattern of limitations on geographic expansion maintained among the states.

Another factor, frequently overlooked, arises out of the combined effect of deposit insurance and of the relative strength of the economy that has now lasted nearly 40 years since the economy began to emerge from the Great Depression of the early 1930s. Congressional attitudes (as well as the attitude of the courts) toward competition among financial institutions have changed markedly. In the 1930s there was a kind of anxious solicitude over exposing depository institutions to the rigors of competition. Today, however, there is a strong belief that financial institutions should compete vigorously, and that deposit insurance enables the economy to withstand the shock of the occasional failures that must result.

My major point is that none of those I have mentioned or could mention appears to be a transient phenomenon. All are deep-rooted so that it would be unrealistic to assume that somehow or other the process of change can be stopped. Indeed, as an economist I must applaud much of what has happened and what appears likely to happen, since—however difficult it may be—we do seem to be moving toward a more competitive environment.

In any event, it is not too difficult to see why commercial bankers are faced with some knotty choices, particularly as they seek to shape their plans and plot their strategies for the next several years. Given the wide diversity of powers available to commercial banks, the problem is not so much the attaining of new powers but, rather, knowing where to put their business emphasis in the future, where to allocate the always scarce resources of capital and managerial talent and where it may be necessary to fight off efforts to restrict or even eliminate some of the powers now held by commercial banks.

There are precious few guidelines available to aid in this process—a circumstance that undoubtedly accounts for the tendency to embrace any formula or prescription that may seem to have general acceptance. In the early 1970s, one such road map for the future argued rather persuasively that whereas individuals in the 1960s had been major suppliers of funds to the banking system while business firms had been net users of funds, by the end of the 1970s individuals would surpass businesses as the major customers of the banking system. The implications of projecting this trend were that the banking system would be heavily consumer oriented, with individuals dominating both the supply and use sides of the banking system's balance sheet. Put another way, the future of commercial banking, it was argued, was to be found on the retail side of the business. Meanwhile, some of the traditional elements of the commercial side, such as demand deposits and short-term business credit, were expected to become relatively less important in commercial banking.

Acceptance of this proposition would have important implications for a bank's planning process. If one believes that the future lies in this direction, then decisions with respect to deposit gathering—for example, through retail branches rather than through corporate balances—and about marketing, training of personnel, recruitment practices, etc., would all be strongly influenced.

One might argue that there is nothing essentially wrong with this particular road map; that it is still essentially valid. However, my argument with this scenario is with the one-dimensional nature of the forecast. It did not take into account the crucial environmental changes that are underway or in the offing, particularly those changes relating to the single most important environmental factor affecting banking—government. For example, it is impossible, it seems to me, to say anything meaningful about the future of demand deposits without taking into account the question of paying interest on such balances.

When we take a cold and dispassionate look at the nature of change, there appears to be some reason for thinking that, for commercial banks at least, the long-run prospects for growth or expansion in the retail banking area are not entirely favorable. Consider three quite likely developments:

- The gradual erosion of functional distinctions among depository institutions means, in effect, that the number of such institutions competing over a broad range of commercial banking services is almost certain to increase markedly. Indeed, changes in the powers of the depository thrift institutions alone over the next several years could have the same effect as that of adding many thousands of new commercial banks to the financial structure, as credit unions and S&Ls enter the checking account business and obtain expanded loan and investment powers and, in some instances, trust powers.
- Demand deposit interest clearly seems to be on its way, and although one may assume that the market will eventually straighten out questions of pricing, there is little doubt that the transition to explicit payment of interest on demand deposits will require a costly adjustment process.
- The continued relaxation of geographic restrictions on bank expansion in many states seems almost a certainty, and there is at least the possibility of even further relaxation of these limitations with respect to state

line barriers because of technological change. Developments of these kinds are going to require substantial additional expenditures by banks, particularly in those states that now have restrictive laws.

The significant feature of the changes that I have just described is that their impact would seem to be primarily—if not wholly—upon the retail side of the commercial banking business. The new competition for commercial banks will come from institutions that are already operating on the retail side of the financial business and these institutions can be expected to use their enlarged powers to expand their individual and household business, rather than to attempt to obtain the commercial business done by the banks. Unless all present signs are incorrect, the elimination of the prohibition of interest on demand deposits is likely to begin with household accounts, rather than with all demand deposit accounts, although the latter may be expected eventually. And the relaxation of geographic restrictions on banking is intended primarily to allow banks to gather deposits at retail over broader areas. This is a power eagerly sought by banks in many states, but it is also one that involves substantial startup costs.

A bank planning officer contemplating the future must be weighing the various new opportunities available to him as the process of change unfolds. For example, in the long run some of the competitive impediments on banks will almost certainly be removed, such as the present interest differential between savings at banks and at thrifts, which in any event gives signs of eroding in the case of IRA and Keogh accounts. Yet the planner must balance this favorable possibility against the fact that there will be a substantial increase in the number of competitor institutions and that there will be strong upward pressures on the cost side of the retail banking business.

One of these pressures, which I have not emphasized before, is the basic shift in the nature of regulation of financial institutions by government. Much of the legislation enacted in the 1920s and 1930s had to do with restraints on competition for the purpose of assuring bank soundness. Today the emphasis has shifted to protecting consumers—resulting in new requirements for disclosure, credit reporting, etc. One need not argue here the merits or lack thereof of these various pieces of legislation or of proposed additional legislation. It is sufficient to observe that, merited or not, the new requirements add to the cost of doing business. And the business in this instance is, for the most part, on the retail side.

It should not be surprising, therefore, that there is renewed or fresh interest on the part of commercial bankers in the non-retail side of banking. This is, after all, the less-regulated portion of the banking business. It is the portion least affected by the multiplicity of consumer protection statutes, including usury statutes. It is the portion where adequate spreads between interest paid and interest received appear more likely to be maintained. It is the part of the business where commercial banks of all sizes already enjoy a comparative advantage in terms of experience and expertise.

There is still another attraction to dealing with business and governments. Fee income is almost certain to become a more important part of bank earnings in the future than in the past. Perhaps as never before in our history, capital is acting as a restraint on bank expansion so that fee income provides a means of bolstering earnings (and capital) without at the same time enlarging the asset and deposit bases against which the adequacy of capital is measured. And, for the most part, fee income is more likely to be generated out of the commercial than from the retail side of the banking business.

Some banks, of course, are doing

more than just looking at the idea of shifting the focus of their energies. Several have moved to expand their activities aggressively in the corporate side of the banking business. But in so doing they have touched off a controversy with the investment banking industry. That industry is reacting by beseeching Congress to extend the reach of the Glass-Steagall Act in order to serve a purpose for which it was never intended—to protect investment bankers against commercial bank competition.

The emerging controversy between commercial bankers and investment bankers deserves more treatment than is possible here. Of primary interest, however, is the basic thrust of the investment banking industry's efforts, which is to persuade Congress that commercial banks, in their dealings with business enterprise and governments, should be restricted to the narrowest possible role. Investment bankers interpret the Glass-Steagall Act as having had a broad purpose of excluding commercial banks from doing any kind of business in which investment bankers are allowed to engage. This is what they call the "spirit" of the act. They therefore argue that even where the actual act of the 1933 Congress does not explicitly call for such restrictions, its "spirit" certainly does—and that Congress should do something about putting some flesh and bones into that "spirit."

The position of the investment banking industry is set forth clearly in materials it has already submitted to the Congress. That industry is asking, for example, that commercial banks be precluded from rendering financial advice or assistance to customers, when such advice or assistance involves such things as long-term credit needs, mergers, or acquisitions. It is questioning whether certain types of term loans should be permitted for commercial banks. It is insisting that commercial banks not be permitted to underwrite or deal in revenue bonds issued by states and municipalities, although the volume of such bonds has become quite important, rivaling in importance the general obligation issues for which commercial banks may act as underwriters, distributors and dealers. It is demanding that a banker be prohibited from assisting a customer in obtaining funds from other sources—say life insurance companies or pension funds. In short, the investment banking industry would have Congress draw a narrow circle around commercial banking, so that, with only a few exceptions, banks may engage only in the business of providing short-term financing to business and government.

In the immensely complex process of change through which we are now moving at an accelerating rate, it seems clear that the impact will differ for various segments of the commercial banking industry, and this impact will occur at various times. This inevitably will lead to divisions within the industry which, if allowed to persist, can be especially harmful.

It is irrational to assume that change can be stopped. Not only is this virtually impossible, but also, we may lose sight of the fact that change can be beneficial to commercial bankers. For example, attempts to halt payment of interest on demand deposits, particularly on household accounts, are doomed to failure. But it is not unrealistic to believe that such change, which is in the public interest, can be made to bring with it an elimination of the competitive inequities that commercial banks now face on the retail side of the banking business. Thus, such change also would be in the interest of bankers. I have in mind not only the spread of NOW accounts, but also such inequities as the differential in interest ceilings now contained in Reg Q and the higher rates that credit unions can pay while offering share-draft facilities that are close substitutes for checking

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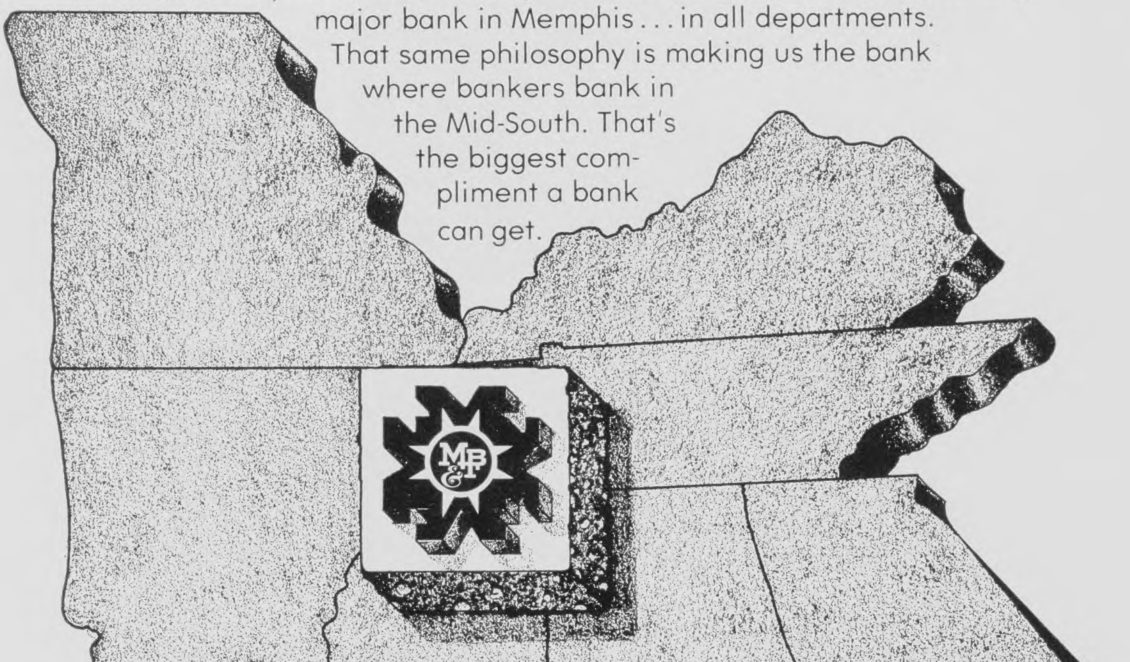

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THE BANKER'S BANK

accounts.

Among some larger banks—particularly those already heavily in the commercial side of banking—there is a tendency to dismiss the importance of the proposed NOW account legislation. But for those banks heavily dependent on household customers, most of which are small banks, the issue is of major importance. The position taken by the ABA on this issue is pragmatic and in the long-run best interest of the industry. So far as I can determine, it is beginning to gather substantial support. More support will be needed in the future from all banks.

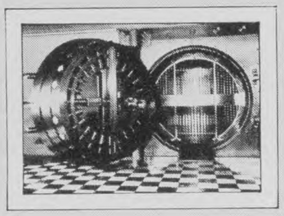
It is also of the utmost importance that organized banking recognize that the controversy just now emerging between a handful of large commercial banks and the investment banking industry involves a matter that affects virtually every commercial bank in the country. Indeed, if the investment banking industry were ever successful in attaining its legislative goals, the alternatives of retail or commercial business might never really be available to most banks, for the investment bankers would have Congress eliminate many of the things that any commercial banker, large or small, might do in handling the credit or depository needs of business and government.

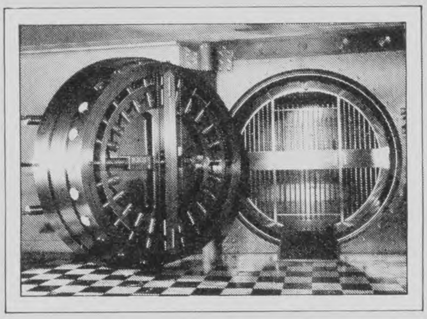
It is unfortunate that this particular controversy seems to be a battle among the giants. It is not just the giants who deal with business customers and provide advice or assistance; who have active trust departments; who finance municipalities and school districts and public hospitals; who participate in term loans; or who engage in the other activities that the securities industry wants Congress to preclude for commercial banks.

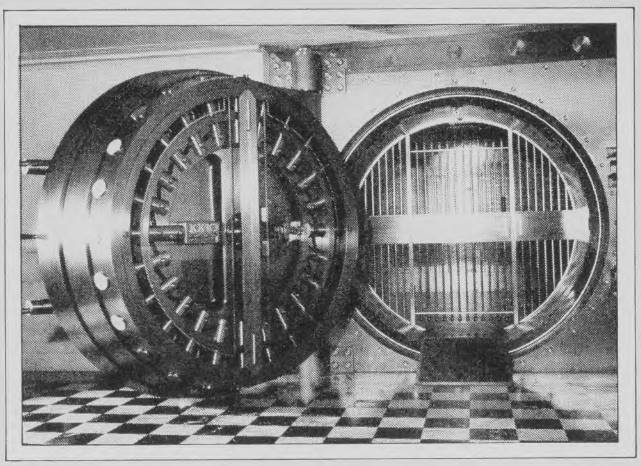
Assume, however, that the securities industry is unsuccessful and that commercial banks continue to be limited only by the express provisions of the Glass-Steagall Act that prevent acting as underwriter or dealer in corporate debt and equity issues. Does this mean that, with today's freedom to move away from retail banking and toward the wholesale side of the business, commercial banks are likely to do just that?

This seems to me extremely doubtful. Retail banking is far from "dead." Moreover, it will always be an important part of commercial banking. For many banks the retail banking business is all that is available, at least for the present, and to give it up as a lost cause is to give up being a bank altogether.

But this is not the same thing as saying that, at the margin, commercial bankers should not begin to tilt quite







heavily toward the commercial side of the business. Retail and commercial is not an "either-or" proposition; it is a matter of the proper mixture. I suggest that the mixture in the future may be somewhat heavier on the commercial side. The underlying economic forces seem to point this way. And if in fact we are moving into a more competitive environment, where specialization may be expected to reflect comparative advantage, commercial banks in large numbers may tend to draw more on the expertise and experience they have accumulated in serving the needs of business and governments, while competing depository institutions can be expected to draw on their backgrounds in dealing with consumers and households.

Perceptive bankers may have noted a bit of "fudging" on my part; I said that the "tilt" to the commercial side is likely to become necessary "in the future." But just what does this mean? Well, for some banks it may mean more than four or five years out. Further, a proper analysis of individual cases may suggest that while the "future" may call for much more attention to the commercial side of the banking business, the near-term may call for increased emphasis on the consumer side. The opportunity to build the kind of "core" deposit base available from the retail side of the banking business may never be better than at the present. Those banks that do not move firmly and aggressively now to stake out their market shares may find the task impossible a few years hence, as some of the developments I have described come into play.

The implications of the environmental and structural changes I have mentioned are significant for banking. If time permitted, other possible changes could be mentioned. The point is that they deserve extensive study by individual banks concerned about the future; and such study will not be easy nor facilitated by simplistic analysis. Some banks are doing their homework; many others are not.

For the latter I would leave the message that the old, regulated, compartmentalized world is eroding out from under you. Hard choices will have to be made. They ordinarily will not involve anything so radical as the abandonment of one kind of business or the embracing of another. Rather, they will involve determining for each period of time the most effective allocation of capital and human resources among different uses, at the margin, as banking moves through a most challenging period. • •

Security Techniques

(Continued from page 34)

However, Security Pacific National, Los Angeles, recently began using an inkless fingerprinting system in all its branches. The result? A 3% drop in forgeries during a test period, compared to a 26% increase on a bankwide basis. Banks in New York are investigating installation of the system and other banks may have to follow suit as a defensive measure.

The maturing of EFTS is expected to reduce the number of banks in the nation—especially the number of branches. One would think that security problems would decrease as a result. This is not necessarily so. A report published by the Institute for the Future predicts losses of $52 million annually in the early 1980s from credit card fraud, automated transaction fraud by programmers and interbank transfer-of-funds fraud.

Four vulnerable areas exist in an EFT environment, according to the office of the Comptroller of the Currency: Fraudulent cards, message security, computer hardware and terminal security and file and record security. The most critical area is communications or message security. A funds transfer system dependent on electronic impulses and account information stored in computer files will be susceptible to theft and fraud.

When a national EFT system becomes operational, most banks will be using on-line systems that are vulnerable to live taps, message modifications and systems interruptions. Even further in the future, EFT will be accomplished by satellite communications, opening the system to compromise on an international scale.

Communications integrity will not be accomplished by any security equipment purchased or installed by the security officer. The only practical method will be data encryption or message scrambling accomplished by building such capability into equipment.

The security officer will need to be concerned about safeguarding access to the bank's computer facilities and improving customer identification procedures. Both involve identification of people and a fast, accurate, low-cost means of doing this is one of the great needs of security today and in the future.

One technique receiving much attention now is the use of physical-attribute systems in which distinctive personal characteristics are codified. These include fingerprint, face, hand geometry, signature and voice systems.

Face systems range from simply comparing a TV picture of a person with a photo on file to the programming of a computer that can see, recognize and remember a human face.

One fingerprint system compares a live fingerprint with one stored in a central computer file. In another system, the individual places a card containing a holographic image of his fingerprint into a terminal and then places his own finger in the terminal at the same time. Positive identification or rejection takes about five seconds.

Hand geometry involves a comparison of fingertips to finger webbings and measurement of light transmission through the skin.

A new technique that measures the angle and pressure of a signature reportedly has great potential as an ac-

cess technique. Signatures can be forged quite easily, but the pressure one puts on the pen as he writes his name is much more difficult to duplicate.

Voice identification is accomplished by a person speaking into a terminal. This sound is converted into a digital code that is compared with information stored in the computer.

None of these systems has been in use long enough to determine if they will stand up under hard use or if they can be defeated by persistent effort. Of all, the fingerprint systems would seem to have the best chance of survival.

The day has come when the security officer needs to be better equipped to cope with electronic-age security problems. He needs more than a law enforcement background. Some knowledge of electronics and possibly physics is a must if he is to make an intelligent decision in selecting security equipment in the future. Training in psychology in order to enable him to deal with people and to establish cost/benefit ratios and justify security as a profit operation may also be necessary.

Like General MacArthur and other old soldiers, present-day security officers will just fade away! • •

Work Begins on Central Trust Center; 27-Story Tower Will House Bank, HC

CONSTRUCTION has begun on a 27-story office tower to house the headquarters of Central Trust and Central Bancorp., Cincinnati. Completion is set for spring, 1979.

The tower will include about 545,000 square feet of executive floor space, about half of which will be utilized by the bank and HC. The project is a joint venture of Centralbanc Realty Co. (an affiliate of Central Bancorp.) and Gerald D. Hines Interests, Houston.

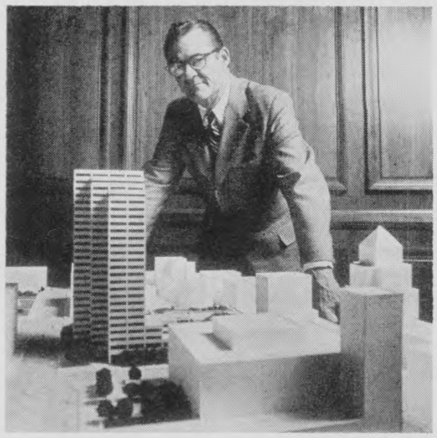
The bank's future headquarters is the first phase of the redevelopment of an entire urban renewal block by Central Bancorp. to be known as Central Trust Center. Total square footage of the project will be about one million. A four-story, 500-car garage adjacent to the bank is part of the initial phase of development.

The energy-conserving building will feature bronze dual pane glass window units that enclose dry air chambers that insulate the building and reduce heat loss in winter and heat gain in summer. It is said to deflect 80% of the sun's glare. Glass surfaces are minimized by widening the building columns and introducing insulated aluminum panels that rise 30 inches from the floor. These panels reduce the size of the windows to a slight extent while increasing the insulating properties of the building.

In addition to energy efficiency, architectural criteria for the tower include complementing existing downtown buildings as well as achieving a unique appearance for the tower. The building's exterior wall will be a warm earth-toned travertine marble, which, with the bronze-tone glass, will complement surrounding structures.

The new tower will feature an offset roofline of the upper floors and a series of carved-out setbacks at the corner of Fifth and Main, where the main entrance to the building will be located. The setbacks are intended to create unusual floor plans and interior spaces, while simultaneously increasing the number of corner offices. A bay window effect is being used to replace the traditional flat building surface.

A 3,000-square-foot plaza at the corner of Fifth and Main, extensive landscaping and 18-foot-wide sidewalks are planned. A continuity of interior and exterior decor will be effected by coordinating exterior landscaping and architectural materials with interior design, which will be visible from the outside through large panes of glass.



Oliver W. Birckhead, pres. & CEO, Central Bancorp. and Central Trust Co., Cincinnati, examines model of 27-story tower that will house two firms in downtown area. Construction has begun and will be complete by spring, 1979. Central Trust's present building is represented by pyramid-topped structure at far right.

The plaza will be paved in flame-cut granite, the same stone that will be used throughout the ground floor of the tower. Planters rimming the exterior of the ground floor will feature ivy cover as well as seasonal flowers.

Permanent mortgage financing in excess of $26 million will be provided by Western Southern Life Insurance Co., Cincinnati. The Centralbanc Mortgage Co., another HC affiliate, will provide construction financing. • •

Bank Directors' Assembly Planned for Nov. 3-6

Registration is underway for the 29th Assembly for Bank Directors, which will be held November 3-6 at the Fairmont in San Francisco. The assembly is co-sponsored by the Foundation of the Southwestern Graduate School of Banking and the California Bankers Association.

Topics to be discussed will include "The Public Assignment of Bankers," "Changing Standards of Bank Regulation," "Qualifications of Directors of Financial Institutions," "Selecting Management," "Managing Bank Costs" and "Financial Management in 1978."

The 30th assembly will be held January 26-29, 1978, at the Riviera in Palm Springs, Calif.

For information on both assemblies, write: Richard Johnson, SMU Box 214, Dallas, TX 75275.

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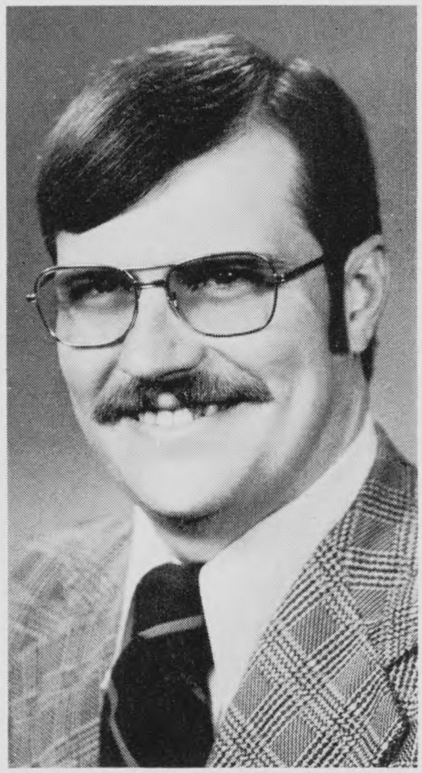

Paul Richmond

We believe it will be to your advantage to visit with one of us for five minutes at one of the regional meetings in Kansas or the ABA Convention in Houston.

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Lending Opportunities, Customer Relations On Agenda for KBA Regional Meetings

LENDING opportunities and customer relations are two of the main topics to be discussed at the upcoming Kansas Bankers Association regional conferences to be held the last two weeks of September.

Highlighting the sessions for CEOs at each of the six afternoon meetings will be Byce Bonham, manager of Venture Capital, Inc., Topeka, whose topic will be "Increased Lending Opportunities With Kansas Venture Capital, Inc." Venture Capital is a subsidiary of the Kansas Development Credit Corp. Other topics on the agenda are "Political Opportunities We See" and "Costing Your Bank Services."

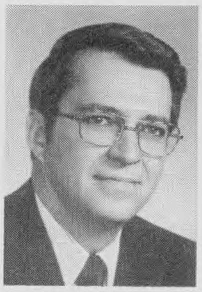
Concurrent with the CEO sessions will be sessions for other officers. Overall topic is "Profitable Customer Relations and Selling." Kent Stickler, executive vice president, Financial Shares Corp., Chicago, will speak on such things as the changing banking environment, implications for tellers and other contact personnel, a word for supervisors and how to measure the quality of service at your bank.

Each regional will feature a social hour and dinner following the concur-

Regional Meeting Dates

Region 1—Sept. 22—Overland Park
Region 2—Sept. 21—Chanute
Region 3—Sept. 29—Manhattan
Region 4—Sept. 20—Wichita
Region 5—Sept. 28—Hays
Region 6—Sept. 27—Dodge City

Regional Vice Presidents


HEGARTY


BODLEY


MAXWELL


WILLIAMS


BERKLEY


RECKNOR

Regional Speakers

DELANEY

STICKLER

rent sessions.

Banquet speaker at the first week's conferences will be Mick Delaney, Seattle. His topic will be "A Change—A Challenge—A Choice!" Mr. Delaney is well known for his talks on private enterprise and individual freedom, his humor and challenging inspiration.

Evening entertainment without a speaker will be presented during the second week of regionals.

A KBA president's breakfast will be held in Wichita at the Royale Hotel on September 20, with another breakfast set for September 28 at the Silver Spur Corrall Room in Dodge City.

The program for each meeting will open with registration at noon and a luncheon sponsored by the KBA Agricultural and Commercial Lending Commission for county agricultural key bankers. The afternoon general sessions will open at 2 p.m. and will run until 4:30.

The meeting schedule is as follows: September 20: Region Four, Century II, Wichita; September 21: Region Two, Chanute; September 22: Region One, Overland Park; September 27: Region Six, Dodge City; September 28: Region Five, Hays; September 29: Region Three, Manhattan.

Eugene C. Hegarty, president, Farmers & Merchants State, Effingham, is Region One vice president. He joined his bank in 1950 as a bookkeeper and has served on the Kansas State Banking Board.

Vice president for Region Two is W. G. Bodley, president, Bank of Commerce, Chanute. He joined his bank in 1958 as vice president and was elected to his present post two years later. He is a former KBA treasurer and is a graduate of the Graduate School of Banking at the University of Wisconsin. Prior to his banking experience, he was in the petroleum and aircraft industries.

George Maxwell, president, Citizens State, Osage City, is vice president for Region Three. He has been in banking since 1966. Prior to that, he was in the

life insurance business. He joined his bank as assistant vice president and was named president in 1971. In 1976, he assumed the duties of CEO. He is a past president of the Osage City Chamber of Commerce.

Vice president for Region Four is C. A. Williams, chairman, Halstead Bank, and president, State Bank, Bentley. He has seen service with Haven State and Home State, McPherson. He is a former member of the Kansas State Banking Board and has served on the banking committee of the Kansas House of Representatives.

Jack B. Berkley, president, Stockton National, is vice president for Region Five. He joined Bank of Tescott as cashier in 1948 and moved to Stockton National in 1956, where he served as cashier. In 1960, he was named president of the bank.

Mrs. Helen Recknor, first vice president, Peoples National, Liberal, is Region Six vice president. She joined Peoples National in 1942 as a bookkeeper, became an officer in 1949 and a director in 1963. She is a former Region Six secretary and has served as a member of the KBA Banking Education Committee. She is a past president of the Southwest Chapter of BAI and has served in many capacities with the National Association of Bank-Women.

■ WILLIAM J. CRAWFORD has been named vice president and installment loan division manager at Kansas State, Wichita. He joined the bank August 1 and was formerly with Jasper County Savings Bank, Newton, Ia.

■ JIM WILL has joined the staff of Halstead Bank as cashier. He was formerly with State Bank, Bentley, and has had experience as a public accountant.

■ RICHARD C. KING has been named president, Planters State, Salina, moving up from executive vice presi-


Kansas is
our kind of country....
And, we'd like to be
your kind of
Correspondent
Bankers
Dean Johnson
LuAlan Willems
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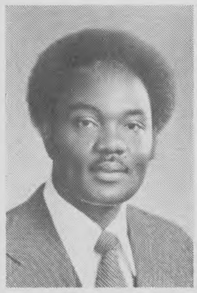
dent. William M. Cole, who was chairman and president, remains chairman.

■ FIRST NATIONAL, Hutchinson, has received supervisory approval to open an extended facility at 2501 North Main Street. The structure on the site will be remodeled to include four drive-up lanes, 2,500 square feet of lobby space and safe deposit boxes. It is expected to be in operation around the first of next year.

■ GERALD W. HALL, who was senior vice president, Douglass State, Kansas City, has moved up to president. He succeeds Sharnia "Tab" Buford, who resigned to become president and CEO, Freedom National, New York


HALL


BUFORD

City. Mr. Buford has been with Douglass State since 1967 and is a former president of the National Bankers Association. Mr. Hall joined the bank in 1968. In other action, Douglass State promoted Michael Sanders to vice president and cashier.

It's Your Nickel:

Lobby Is 'Phone Booth' During Historic Display

Mission (Kan.) State turned its lobby into a "telephone booth" during a 2½-week display of antique telephones.

The collection is the result of the 15-year-old hobby of Jerry Wilhelmi, a local resident, and consists of 100 early telephones, including wooden and steel wall telephone sets; a phone designed as a piece of furniture called a "vanity"; and a 1913 city telephone book.

The oldest telephone in the collection is an 1882 Kusel, which was built only six years after Alexander Graham Bell made his famous call to his assistant, Thomas Watson. Other items in the display include a 1915 switchboard, intercoms, European telephones and others.

The display was held during regular banking hours and the public was invited.

Competition From Financial Institutions To Be Discussed at Missouri Regionals

COMPETITION from other financial institutions and the latest word on such topics as NOW accounts, EFT and legislation are on tap for the eight regional meetings of the Missouri Bankers Association. The meetings are scheduled for September and October throughout the state.

Each meeting will be called to order by the regional vice president; minutes of the last meeting will be read or waived and committee appointments will be announced. Mills H. Anderson, MBA president, will speak at each meeting on "Competition With Other Financial Institutions." He is president, Bank of Carthage.

Also scheduled for the business portion of each meeting is the latest word on NOW accounts, EFTS, grass root politics and the MBA's legislative program for 1978. Presenting these topics will be MBA Executive Vice President Robert Crawford and MBA staffer Wade Nash. Question-and-answer sessions are expected to be held following these presentations and various committee chairmen will give reports.

Following the meetings, a social hour and banquet will be held at each regional. After-dinner speaker this year will be Joe Griffith, humorist and raconteur, Dallas.

As usual, the Region Three meeting in St. Joseph will have an expanded program. Following the men's luncheon and the regular business meeting, a livestock outlook will be presented by Glenn Grimes, livestock marketing specialist at the Department of Agricultural Economics, University of Missouri, Columbia. Also scheduled is "A Grain Man's Opinion of the Market," to be given by John A. Dotson, manager, Far-Mar-Co., Inc., St. Joseph. The traditional awarding of the hat will conclude the St. Joseph program.

Regional Meeting Dates

Region 1	Sept. 12	Kirksville
Region 2	Sept. 13	Trenton
Region 3	Sept. 14	St. Joseph
Region 4	Sept. 15	Kansas City
Region 5	Oct. 3	St. Louis
Region 6	Oct. 4	Poplar Bluff
Region 7	Oct. 5	Springfield
Region 8	Oct. 6	Columbia

Regional Vice Presidents


BURCH


CLUBB


JOHNSON


SIMS


BOATMAN


DRESSEL


HOLT


SINGLETON

Following is background information on the MBA regional vice presidents:

Region One: The meeting will be presided over by Will Ben Sims, president, City Bank, Moberly. He joined his bank in 1946 as assistant cashier, was promoted to cashier and elected a director in 1951, was named vice president in 1958, executive vice president in 1967 and president in 1975. He is a former mayor of Moberly and is a graduate of the Graduate School of Banking at the University of Wisconsin.

Region Two: Vice president is Edward E. Holt, vice president, Trenton Trust. He holds a BS degree in business administration from the University of Missouri-Columbia, a standard certificate from AIB and is a graduate of the Graduate School of Banking at the University of Wisconsin-Madison. He has served on the young bankers and public relations committees of the MBA and is a member of the board of trustees of the Missouri Council on Economic Education.

Region Three: Harold L. Boatman, first vice president, Farmers & Valley Bank, Tarkio, is regional vice president. He joined his bank in 1962 as vice president. He and his two sons purchased Iowa State, Hamburg, in 1975, and he is chairman of that bank.

Region Four: Vice president of this region is E. L. Burch, vice president and head of the correspondent division at United Missouri Bank, Kansas City. Mr. Burch joined the bank in 1965 after graduating from Northwest Missouri State University, Marysville. He is a director of the Platte County banks in Dearborn and Camden Point, Bank of Lancaster and the MBA.

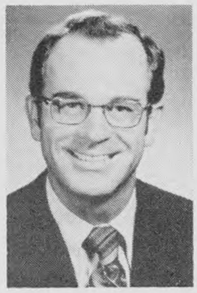
Region Five: John H. Dressel, president, Gravois Bank, St. Louis, is vice president. He joined his bank in 1938 and has served as president since 1967.

Region Six: Vice president is Mrs. Pauline E. Clubb, executive vice president and cashier, Bollinger County Bank, Lutesville. She joined the bank in 1945 as assistant cashier, advanced to cashier in 1964, vice president in 1967 and executive vice president in

Regional Speakers

ANDERSON

CRAWFORD



GRIFFITH

NASH

1973. She has been board secretary since 1950 and is a director. She is a past president of the Tri-County Bankers Association and has served on several MBA committees.

Region Seven: Darrell W. Johnson,

executive vice president, Sac River Valley Bank, Stockton, is vice president for this region. He joined his bank in 1959 as an assistant cashier and has been executive vice president since 1974. He is a past president of the Ozark Bankers Association.

Region Eight: Vice president is Don L. Singleton, vice president and cashier, Century State, Columbia, which he joined last year. Prior service was with Columbia National (now Commerce Bank of Columbia), which he joined as a teller in 1962. He was promoted to assistant cashier in 1963, cashier in 1967 and vice president in 1972. He is a past president of the Little Dixie Chapter of BAI and the Columbia CHA. • •

■ THE FIRST LOT in the new Airport Industrial Park in south Kansas City has been purchased by United Missouri Bancshares, headquartered in Kansas City. The land was bought for future expansion of the HC's banking facilities, but no definite plans have been made yet. The site is located near United Missouri Bank of Hickman Mills' motor bank. The Airport Industrial Park is a 181-acre, master-planned industrial-business park, with full development expected to take about 10 years.

MARKETING SEMINAR '77

The Missouri Bankers Association and the Illinois-Missouri Bank Marketing Association jointly invite you to attend the 1977 MBA/BMA Marketing Seminar September 19, at the Cheshire Inn, St. Louis.

Seminar Highlights

General Sessions

"HIGH PERFORMANCE BANKING" . . . ALEX SHESHUNOFF

Some of the topics that will be discussed in rap sessions and workshops:

- Automatic Tellers . . . Are They For You?
- Public Relations Programs For Rural Banks
- Installment Loan Advertising
- Community Banking
- Market Share Analysis
- Advanced Staff Training
- Bank Marketing—Where We're At In 1977 And Where We'll Be In 1980

NEWS
From the Mid-Continent Area

Alabama

■ FARMERS & MERCHANTS BANK, Centre, held an open house to celebrate its 60th anniversary, completion of its new building and the birthday of its president and chairman, Mary George Jordan Waite. Alabama Congressman Tom Bevill saluted the $1-million structure by saying that the bank is "one known throughout the nation as a prime example of private enterprise." Howard Morris, executive vice president, Alabama Bankers Association, paid tribute to Mrs. Waite, a former association president. Other speakers were Orrin Swayze, former director, School of Banking of the South, Louisiana State University, Baton Rouge; State Representative Kerry Rich; Cherokee County Commission President Tom Wade Hampton and Rex Dunlap, vice president, Bank Building Corp., Atlanta. The FFA String Band of Hokes Bluff, recently named No. 1 in the state, played during the festivities, which included an exhibit of prize-winning cars by the Gadsden Antique Automobile Association. The new red brick quarters have a colonial design. The cupola is topped by a metal figure of Leo the Lion, signifying Mrs. Waite's zodiac sign.

Mary George Jordan Waite, pres. & ch., Farmers & Merchants Bank, Centre, and Alabama Congressman Tom Bevill are shown at ribbon-cutting ceremonies that opened bank's new home.

■ COMMERCIAL GUARANTY, Mobile, has named Edward L. Hilliard and Erby D. Long assistant cashiers and elected Robert L. Ray III assistant comptroller. Mr. Ray was formerly with Jacksonville (Fla.) National and Citizens & Southern National, Atlanta.

■ NATIONAL BANK OF COMMERCE, Birmingham, has named seven new assistant cashiers. They are Patricia Cooper, Alneada S. Hill, David LeGrand, Jean Norris, Marie O. Martin, Julie A. Wesson and Patricia A. Wood.

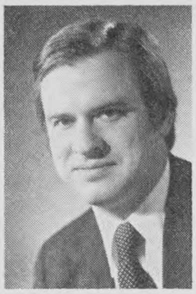
■ WILLIAM C. YOUNGSTROM has joined First National, Mobile, as vice president and investment officer. He was formerly with an investment firm in Montgomery.

■ FIRST NATIONAL, Birmingham, has added Dave Hall to its staff as vice

COX

SMART

OLSON



SPAHN

GARNETT

KENNEDY

ABELT

president and regional branch manager in the branch administration department. He was formerly with North Carolina National. Maurice R. Cox has joined both the bank, as vice president, and the parent HC, Alabama Bancorp, as vice president and national division manager. He was formerly with Arizona Bank, Phoenix.

Two Branches Opened

Merchants National, Mobile, opened two branches recently as part of an expansion program. TOP: opening of Pritchard Branch was attended by (from l.) John Myrick and John Sanderson, Pritchard councilmen; Ken Lott, Merchants National president; Mayor A. J. Cooper; and Leighon Stone, branch manager. BOTTOM: Open House week at new Semmes Branch was highlighted by visit from local postmistress. From left: Ronnie Harrison, assistant vice president and branch manager; Mrs. Sims, postmistress; Mr. Lott; and Roger Geil, executive vice president, branch administration.

Arkansas

■ ROBERT A. HAMMERSCHMIDT JR. has been appointed marketing officer at Arkansas Bank, Hot Springs. He was formerly with First National, Russellville.

■ BANKSTOCK ONE, INC., Ozark, has had its application to become a holding company approved by the Fed. The HC has acquired Bank of Ozark.

■ JAMES N. KENNEDY JR. has been promoted to senior vice president at Commercial National, Little Rock. He joined the bank in 1974 as a trust officer.

Illinois

■ JACKSON D. SMART JR. has been elected president and CEO, Central National, Chicago, and the HC to which it belongs, Central National Chicago Corp. Joseph G. Lutz, chairman and president of the bank and HC since 1976, remains chairman. In other action, Paul D. Olson was promoted to senior vice president and is responsible for the bank's correspondent banking, Central automated financial systems and personal banking departments; Gary F. Spahn was advanced to vice president and manager, correspondent banking department; Ronald D. Garnett was made senior vice president, agribusiness, foods and commodities banking department, and Frank L. Dwojacki was named vice president and manager, retail banking. Mr. Smart formerly was chairman of the finance committee and on the executive committee of Federal Express Corp., which he joined earlier this year. Before that, he had been president and CEO, Delos International Group, Inc., Princeton, N. J. Messrs. Olson, Spahn and Garnett joined the bank in 1974. Mr. Olson had been vice president and group head, correspondent banking, since 1975. Mr. Spahn was made second vice president that year. Mr. Garnett became vice president a few months after going to the bank. Mr. Dwojacki joined Central National in 1968 and became second vice president in 1973.

■ THOMAS S. HARDIN, Clifford M. Lind and Craig H. White have been elected vice presidents, Harris Bank, Chicago. Elected assistant vice presidents were: Larrance M. Noel, James M. Deegan III, Stephen W. Theobald and Mildred T. Sass. Mr. Hardin is national sales manager, municipal bond division. Mr. Lind is in the trust department, and Mr. White is in the government bond division. Messrs. Noel, Deegan and Theobald are in the investment department, Mr. Noel in the New York City office. Miss Sass is in the personnel division.

■ RALPH W. ABELT, formerly a vice president in Continental Illinois National of Chicago's correspondent banking division, joined Lake County National, Painesville, O., August 11 as president, chief administrative officer and a director. Mr. Abelt joined Continental Bank in 1953 and became manager, correspondent banking/midwestern division, in 1973. He traveled in Illinois and Indiana.

■ RICHARD D. NOWATKA has been promoted to assistant cashier, Central National, Sterling, which he joined in 1976 as loan officer, consumer credit department. In his new post, he retains loan responsibilities and also is assistant administrative officer in that department.

■ C. W. WOLF has been elected chairman and CEO, Bank & Trust Co. of Arlington Heights. He succeeds the late John Henricks as chairman and has been president since the bank opened in 1960. The bank is undergoing an ex-

Henry Karandjeff Honored

GRANITE CITY—Henry D. Karandjeff, officer of two banks here, has been cited by the Illinois House of Representatives for his more than 60 years of work to have Horseshoe Lake designated a state park. Mr. Karandjeff is chairman and president, American Heritage Bank, and honorary chairman, Granite City Trust.

A House resolution, dated June 30, and signed by William C. Redmond, House speaker, and Joe Lusso, Mr. Karandjeff's representative, was presented to Mr. Karandjeff. It pointed out that Mr. Karandjeff was an immigrant boy who made good, that he has called his Horseshoe Lake project his "labor of love" and that he continues as chairman, Horseshoe Lake Area Commission.

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pansion program, which will cost almost $1 million.

■ JAMES W. BEUTEL has moved up from executive vice president to president, Community Bank of Edgewater, Chicago. He once was a vice president, National Boulevard Bank, Chicago.

■ ROBERT B. REW has joined First National, Danville, as president and CEO, going from Union National, Chicago, where he was president. Albert N. Schrishuhn, who was chairman and president, continues as chairman. In other action, First National named Kenneth J. Koerber vice president, trust officer and head of the trust department. He was trust officer and vice president, Plymouth (Ind.) Branch, State Exchange Bank, Culver, Ind.

Indiana

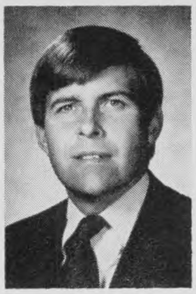
■ JAMES U. MASON has been named president, Union Bank, Delphi, succeeding John F. Klepinger, who has retired but continues as a director. Mr. Mason was formerly executive vice president. Mr. Klepinger joined the bank in 1938 and was elected president last year.

■ KENNETH J. KOERBER has resigned from the State Exchange Bank, Culver, where he was vice president and trust officer at the Plymouth Branch, to join First National, Danville, Ill. At the latter bank, he is vice president, trust officer and head of the trust department. He has been a banker 21 years with trust experience at various banks.

■ GEORGE A. SCHRAMM has moved up from executive vice president to president, American National, South Bend. He succeeds Lex B. Wilkinson, who was chairman and president and now is chairman and CEO. Mr. Schramm joined the bank in 1967, is a director and chairman of the lending committee.

Kentucky

■ PHILLIP R. HAYES, president and CEO, Citizens Bank, Elizabethtown, has bought controlling interest in the bank through a stock purchase made by a tender offer, completed July 11. Before the offer was made, Mr. Hayes controlled about 32% of the stock, and his recent purchase gives him 74% of ownership. Before becoming president of the bank in February, 1976, he was a senior vice president and head of the correspondent banking department at Louisville's Liberty National.


IRVIN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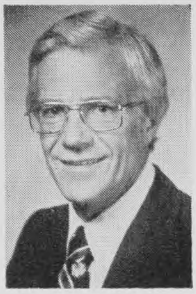

SHERWOOD


NOEL

■ WILLIAM G. EARLEY, vice president, First National, Louisville, has been appointed head of the coal industries department. He was formerly a vice president in the metropolitan banking division. He serves correspondent banks and other customers in Kentucky and adjoining states. He joined the bank in 1962.

■ WILLIAM M. WALTERS has been named an assistant vice president at Bank of Danville. He was formerly a credit analyst at Richmond Bank.

■ CITIZENS FIDELITY, Louisville, has named S. Terry Irvin senior vice president and retail division manager, succeeding R. Gene Smith, who has resigned. Mr. Irvin joined the bank in 1974. James N. Proffitt Jr. has joined the bank as a vice president in the marketing division. He was formerly with First Tennessee Bank, Memphis, where he served as manager of marketing research, planning and advertising. Richard A. Bartholomew joined the bank as an assistant vice president in the special industries division. He was formerly with C.I.T. Corp.

Louisiana

■ AMERICAN BANK, Baton Rouge, has named Ron Sherwood head of its correspondent bank department and given W. J. "Dub" Noel, vice president, the additional title of cashier. Mr. Sherwood is a former correspondent bank officer with Chase Manhattan, New York, and is taking over the department from Merle Davis, vice president, who is expected to retire next year. Robert "Skee" Songy, vice president, has asked for an assignment that does not require traveling. Mr. Noel joined American Bank in 1964.

■ CHARLES A. DAVIS JR. has been named senior vice president in charge of commercial lending, United Mercantile Bank, Shreveport. He also has been elected a director. Mr. Davis is a past chairman, Northwest Group, Louisiana Bankers Association.

■ ALAN R. MEADOR has joined Bank of New Orleans as assistant vice president, commercial loan division. He formerly was assistant vice president, commercial loan division, Bank of the Southwest, Houston.

Mississippi

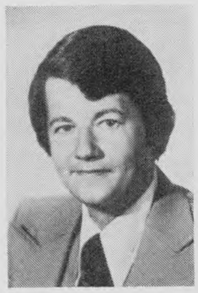
■ JERRY M. HALL has joined Bank of Greenwood as executive vice president and advisory board member. He was formerly president, Amite County Bank, Gloster/Liberty.

■ W. RALPH SHURTLEFF has been named president, Amite County Bank, Gloster/Liberty. He was formerly with First National, Jackson.

Missouri

■ MERCANTILE TRUST, St. Louis, has named Donald B. Wehrmann executive vice president and elected John E. Ashenfelter a vice president. Mr. Wehrmann joined the bank in 1959 and now is in charge of the regional banking department, which includes correspondent banking. Mr. Ashenfelter serves in the bond-investment department, heading the money/central division.


WEHRMANN


ASHENFELTER

■ COMMERCE BANK, Kansas City, has elected Virginia Carrington a trust officer. She was formerly with Boatmen's Bank of Kansas City. The bank has elected Fred W. Lyons Jr. and Jack W. Steadman to its board. Mr. Lyons is president and chief operating officer, Marion Laboratories, Inc., and Mr. Steadman is president of the Kansas City Chiefs Football Club and Mid-America Enterprises.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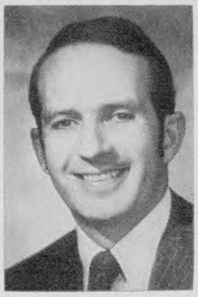
CHAPMAN


PIERCE


BEAL


HAHS

■ THE ST. LOUIS FED has named Donald W. Moriarty Jr. first vice president, Joseph P. Garbarini senior vice president and controller and Robert W. Thomas vice president. Mr. Moriarty is now chief operating officer and is next in authority to Lawrence K. Roos, president. He joined the bank in 1968. Mr. Garbarini succeeds Mr. Moriarty as controller and joined the bank's Memphis Branch in 1960. Mr. Thomas joined the bank in 1967 and is responsible for the money department.

■ FIRST NATIONAL, St. Louis, has elected Lawrence R. Chapman a senior vice president and James A. Beal a vice president. Elected assistant vice presidents were William J. Barnett Jr., Edward L. Campbell, Michael E. Murphy, James E. Welzbacher and Joseph C. White. David C. Farrell, president, May Department Stores Co., was elected an advisory director. Mr. Chapman joined the bank's HC in 1971 and continues as HC vice president. Mr. Beal joined the bank in 1975.

■ J. A. CACY has been promoted to vice president and senior economist at the Kansas City Fed. He joined the bank in 1964.

■ UNITED MISSOURI BANK, Kansas City, has promoted James J. Waterman, Jerry B. Holder and Mrs. W. Maxine Hahs to assistant cashiers. Mrs. Hahs is in the correspondent bank division and has been with the bank more than 25 years. Messrs. Waterman and Holder joined the bank in 1973.

Farm Credit Maintained

Missouri banks maintained their leadership in ag credit services in 1976, providing $1.3 billion in loans to farmers.

Of that amount, almost $900 million was in nonreal estate loans (up 20% over 1975) and $380 million was in farm real estate loans (up 13% over 1975).

PCAs provided $280 million and the Farmers Home Administration granted $117 million in nonreal estate farm loans in 1976. In real estate loans, Federal Land Banks provided $588 million, life insurance companies $222 million and the FHA $118 million.

■ COUNTY NATIONAL BANCORP., Clayton, has announced an agreement to acquire Bank of Louisiana. It will be the HC's fifth acquisition.

■ JOE J. CURTIS has been elected chairman, president and CEO of Commerce Bank of Mound City, St. Louis, but continues as president and CEO, Commerce Bank, Florissant. He joined the latter bank in 1965. He succeeds John L. Chleboun Jr., who resigned recently to join State Farm Insurance Co., Bloomington, Ill. Commerce Bancshares, parent of Commerce Bank of Mound City, has announced a stock exchange offer to minority shareholders in which 1.2 shares of HC stock will be exchanged for each share of Commerce Bank of Mound City stock.

■ GAYLE P. PIERCE has been elected assistant vice president at Chippewa Trust, St. Louis. He is manager of the Gravois Facility and recently rejoined the bank following four years with Citizens Bank, Jonesboro, Ark.

■ THOMAS H. BROUSTER has been named president and chief operating officer at Jefferson County Bank, Hillsboro. He joined the bank in February following service with Tower Grove Bank, St. Louis.

New Mexico

■ SOUTHWEST NATIONAL, Hobbs, a new bank capitalized at $1.5 million, is scheduled to open next spring on Bender Boulevard.

■ MARION HERLIHY, senior vice president, First National, Belen, retired July 1 after spending 51 years in banking. She joined the bank in 1925 as a stenographer and bookkeeper. She is a member of the 50-Year Club of the New Mexico Bankers Association.

■ D. W. CLIFFORD, who was executive vice president, Western Bancorp., Los Angeles-based bank HC, has been elected chairman and CEO, Bank of New Mexico, Albuquerque. Bill Craig, formerly executive vice president of the bank, has been named president and a director. Bruce J. Pierce, former president and CEO, resigned July 12. H. L. Galles Jr., Albuquerque auto dealer, stepped down as Bank of New Mexico's chairman, but continues on its board. A new bank director is John F. Harrigan, HC president.

■ DOUGLAS MOORE has been promoted from vice president to senior vice president, First National, Roswell. He joined the bank in 1973 and specializes in agricultural lending.

■ BANK OF SANTA FE plans to construct a full-service branch in the DeVargas Mall. The opening of the facility is scheduled for December.

Oklahoma

■ SIX TRUSTEES have been elected by participants of the Oklahoma Bankers Association insurance program. They are: N. L. McClain, president, Republic Bank, Oklahoma City; Thomas W. Treadwell, chairman, Peoples State, Holdenville; Tracy Kelly, chairman and president, American National, Bristow; Ralph McCalmont, chairman and president, First National, Guthrie; Royce C. Rochell, president, Security State, Comanche; and Robert

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Left to right: Charles Rice, Bill Hellen, Russ Snow

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L. Moser, president, Quail Creek Bank, Oklahoma City. Mr. McClain is chairman of the organization.

■ HAROLD C. PRICE has been elected a director, First Bancshares, Inc., and First National, Bartlesville. He is director and CEO, H. C. Price Co., and a director of Price affiliated companies.

■ FOURTH NATIONAL, Tulsa, has promoted Susan Birks Brown from auditor to vice president and auditor, Patricia C. Anderson from trust officer to vice president and trust officer and Anthony D. Allen to assistant cashier and credit analysis officer. Mrs. Brown joined the bank in February, 1976; Miss Anderson in August, 1976, and Mr. Allen in September, 1975.

■ BANK OF OKLAHOMA, Tulsa, has named Samuel Banks Hayes executive vice president, Jack C. Vanderburg vice president for agricultural loans, Steve Britland assistant vice president and trust officer, Sue White trust officer and Sterling McHan assistant vice president. Mr. Mayes formerly was regional credit officer, Australia-Oceania region, Citibank, New York City. In his new post, he has charge of the commercial and metropolitan divisions and reports directly to President Leonard J. Eaton Jr. Mr. Vanderburg formerly was vice president, correspondent banking, Mercantile National, Dallas. Mr. Britland went to Bank of Oklahoma about three years ago; Miss White has been there seven years and Mr. McHan a year. The HC to which the bank belongs—BancOklahoma Corp.—has a new director, Robert Curtis Lindstrom, newly appointed vice president and general manager, McDonnell Douglas Corp., Tulsa.

High-Powered Shovelers

Fidelity Bank, Oklahoma City, broke ground this summer for a $575,000 modernization and expansion project at its Express Bank. The facility is remaining open during the expansion, which is scheduled to be completed in the first quarter of 1978. Pictured wielding shovels are, l. to r.: Oklahoma City Mayor Patience Latting; Jack T. Conn, bank ch.; W. A. Clarke, bank pres.; Ralph Adair, county commissioner; Dean A. McGee, corporate and civic leader; and Paul Strasbaugh, e.v.p., Oklahoma City Chamber of Commerce. In a switch in banking trends, the modernization project will replace automation with people. Four tellers positions will be added, for a total of seven drive-up tellers and six inside tellers, all people. To provide round-the-clock service, the Express Bank will keep its ATM, called the Anytime Bank.

MAY

KELLY

■ KEITH MAY has been promoted from vice president to senior vice president, Fidelity Bank, Oklahoma City, which he joined in 1970. He has taken the post of division administrator, commercial/retail banking division.

■ TOM DUNLAP has been named senior vice president, First National, Oklahoma City. His promotion is part of the reorganization of the bank's marketing functions. He now has direct responsibility for the marketing department and the bank's community relations programs. Barney Lehmbeck, who was the marketing and advertising director, has moved into First Oklahoma Bancorp., where he coordinates the HC's advertising program. First National also elected the following officers: vice presidents, Johnnie Cassady, Jerald D. Koehn and Charles A. Viane; assistant cashiers, Judy Harmon and Delories Hensley. In other action, the bank elected Dale E. Mitchell to its board. He is executive vice president and trust officer. The HC has two new directors, Gary M. Gray, executive vice president of the bank, and Bob Bowers, an independent oil and gas producer.

Tennessee

■ THOMAS V. LUCK JR. has been named president, Moscow Savings Bank, succeeding Howard Moore. Mr. Moore resigned the post after having held it 10 years. Mr. Luck formerly was manager, Airways Branch, Union Planters National, Memphis, which he joined seven years ago. Mr. Luck also was elected a director of the Moscow bank.

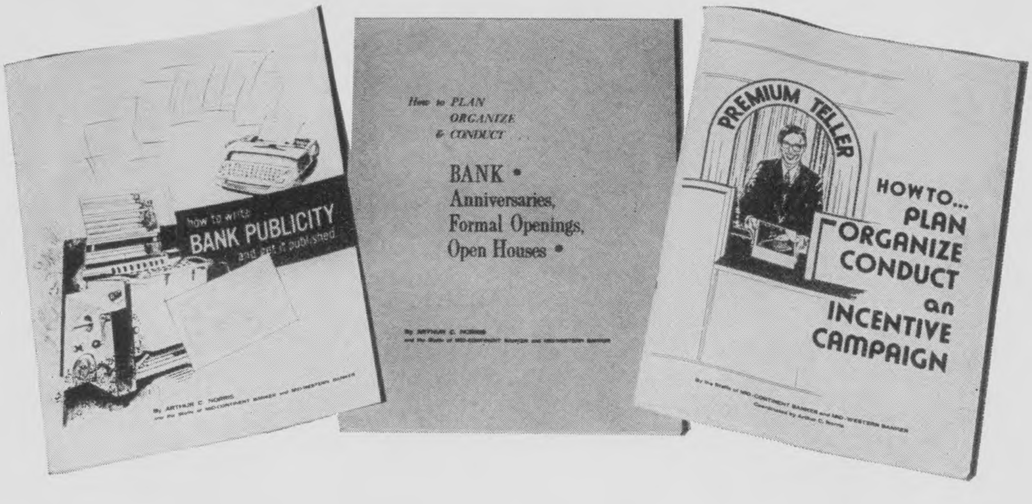
■ THIRD NATIONAL, Nashville, has elected Raymond Zimmerman and Monson Hayes Jr. to its board. Mr. Zimmerman is president, Service Merchandise Co., and Mr. Hayes is president, Northern Telecom.

■ THEODORE L. LAMB and Larry D. Pack have been promoted to vice presidents, United American Bank, Knoxville. Mr. Lamb, formerly assistant vice president and assistant director of marketing, now is director of marketing functions. He went to the bank in January from American National, Chattanooga, where he was director of advertising and public relations. Mr. Pack, with the bank since 1968, is responsible for commercial loans in the special loan division. In other action, United American elected Charles R. "Burt" Jordan vice president and trust officer, John D. Lambdin vice president and Robert M. Adams assistant vice president and manager, Western Plaza Branch. Mr. Jordan has been in banking 19 years, including service at Valley Fidelity Bank, Knoxville, C&S National, Atlanta, and Flagship First National, Miami Beach, Fla. Mr. Lambdin joined the correspondent banking division in June, going from City & County Bank, White Pine, where he was executive vice president. Mr. Adams formerly was assistant manager, Fountain City Branch.

Texas

■ CARTER B. KELLY has joined First National, Amarillo, as senior vice president and controller. He succeeds James Cox, who resigned to enter public accounting practice. Mr. Kelly was president of an Amarillo data processing service the past seven years.

■ REPUBLIC NATIONAL, Dallas, has announced these promotions: to vice presidents, Ronald C. Wolfe, Robert E. Schlette, Jerry M. Watson, Michael F. Schiff and Stephen Ray Inman; to vice presidents and trust officers, Allen B. Clark Jr., John L. Johnson and Fred Zimmerman; to assistant vice presidents, Donald Moore, R. Dale McKinney, Floyd D. Holland, Jean Paul Samuel and Joan Kelly; to assistant vice presidents and trust officers, Gary B. Williams and Joanne North; and to trust officers, Mary E. Capps, Webb M. Holbert Jr., Weldon J. Newsom, Lorenzo Ortiz Jr., Arledge Brashers Jr. and David C. Wilson. Two vice presidents were promoted to group managers: A. G. Avinger Jr., metropolitan department's executive and professional lending group, and Jack E. Bishop, metropolitan department's commercial



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FULGHAM


MASON


PRESLEY

lending group. Republic of Texas Corp., multibank HC to which the bank belongs, has a new director—Wilton E. Scott, chairman and CEO, Tenneco, Inc., Houston.

■ CITY NATIONAL, Austin, has been acquired by First City Bancorp. of Texas, Houston, a multibank HC.

■ WALTER WORTHINGTON has joined First National, Brownwood, as a vice president and loan officer. He formerly held the same posts at Coleman Bank.

■ W. DEWEY PRESLEY, president and chief administrative and financial officer, First International Bancshares, Dallas, will take early retirement May 31, 1978, but will serve as a consultant to the board for five years—June 1, 1978-May 31, 1983. This move is in line with policy previously established by the board that neither the CEO nor the president of the corporation should serve in those posts after their 60th birthdays. Mr. Presley will be 60 next May. On Mr. Presley's retirement, Elvis L. Mason is scheduled to be elected First International's vice chairman and Rawles Fulgham, president. Mr. Mason is president and CEO, First National, Dallas, and Mr. Fulgham is vice chairman, First International.

■ GENE S. PIRRECA has been named vice president and chief financial officer, Coronado State, El Paso.

■ LUBBOCK NATIONAL has promoted five officers: to vice president, real estate loan division, Joe Mays; and to assistant vice presidents, Mary Jane Alberding, Gary Cocanougher, Tommy Ogden and Nick Williams.

Texas Goes Par

All commercial banks in Texas now remit checks at par, following conversion to par on August 15 by Lott State.

Houston CHA Reorganized; Houk Elected President

HOUSTON—The Houston Clearing House Association was reorganized at a recent meeting of the membership to meet the changing needs of the greater Houston area banking community, according to Executive Vice President Fred J. Redeker.

In addition to the new-accounts system, which helps area banks avoid checking-account losses, the CHA has announced plans to start a program to inform consumers and businesses of ways to avoid being defrauded.

Four at-large board members were elected: Ernest Deal, president, Fannin Bank; Jerry E. Finger, chairman, Republic National; John W. Hazard, president, North Side Bank; and Thomas W. Wren, president, University State.

Directors from the eight CHA-member banks are: Ronald Brown, chairman, Houston National; John T. Cater, president, Bank of the Southwest; Allen R. Houk, president, Southern National; Walter E. Johnson, president, Allied Bank of Texas; Ben F. Love, chairman, Texas Commerce; Gerald R. Marshall, chairman, Capital National; Nat S. Rogers, president, First City National; and Marvin L. West, chairman, First International.

The board elected the following officers: president, Mr. Houk; vice president, Mr. West; executive vice president, Mr. Redeker; and secretary, James A. Haralson.

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Index to Supplement

(For Advertising Appearing Between Pages 62 and 103.)

For Marketing Officers:

BMA Slates Seminars For Atlanta Sept. 12-15

The Bank Marketing Association, Chicago, has slated four one-day, self-contained marketing seminars, to be held at Atlanta's Omni International Hotel. Dates for the series are September 12-15.

The seminars will focus on four major areas of concern to financial marketing officers: "How Your Bank Should and Must Advertise," "Compliance, Consumerism and Communications," "Banking With NOW Accounts and Share Drafts" and "Corporate Bank Marketing for Profitability."

During the first seminar, September 12, subjects of discussion will include "How to Produce Newspaper Advertising That Makes Your Competitor Drool," "How to Use Radio Advertising to Meet Your Mark" and "How to Use Direct Mail the Way It's Supposed to Be Used."

September 13's seminar will study problems that consumerism poses for bank officers in charge of public relations, consumer compliance, media relations, etc. Special emphasis will be placed on preparation for the Fed's consumer law compliance examinations and new examinations launched by the Comptroller's Office.

The third seminar will be held on September 14 and will examine the various aspects of interest-bearing "checking" accounts and will conclude with a session on free checking.

On September 15 the final seminar will be held. It will investigate such topics as "How Does a Small Bank Go After a Commercial Market?," "Banker/Salesman—Winning the Business" and "Improving Cash Flow for Small Business—a Marketing Approach."

For registration information, write Conference Administrator, Education Department, Bank Marketing Association, 309 West Washington Street, Chicago, IL 60606.