MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

YEAR-END STATEMENT ISSUE FEBRUARY, 1978

Miller Nominated To Be Fed Chairman

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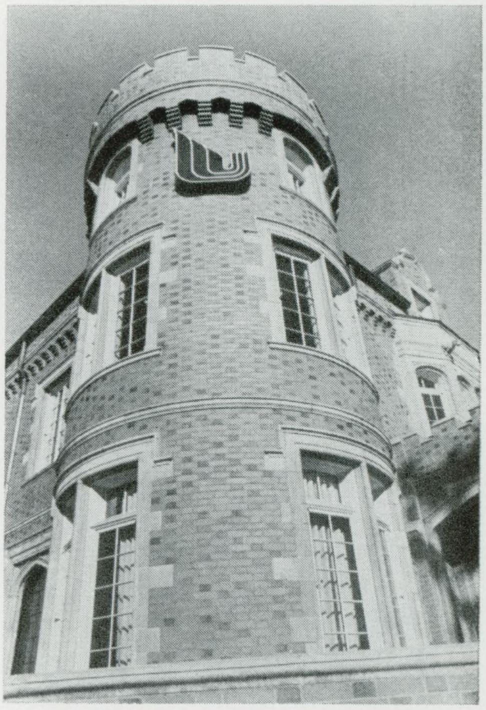

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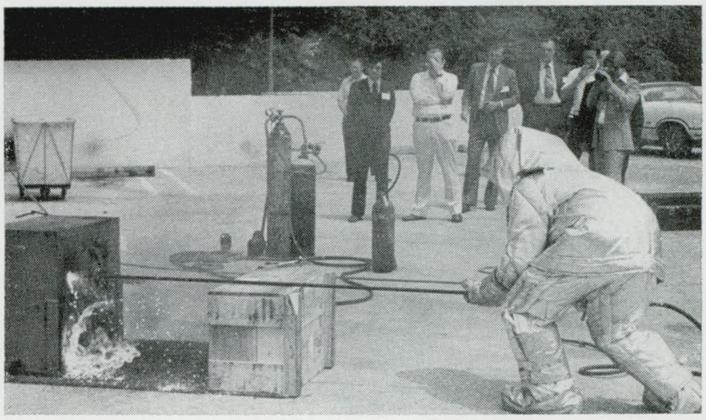

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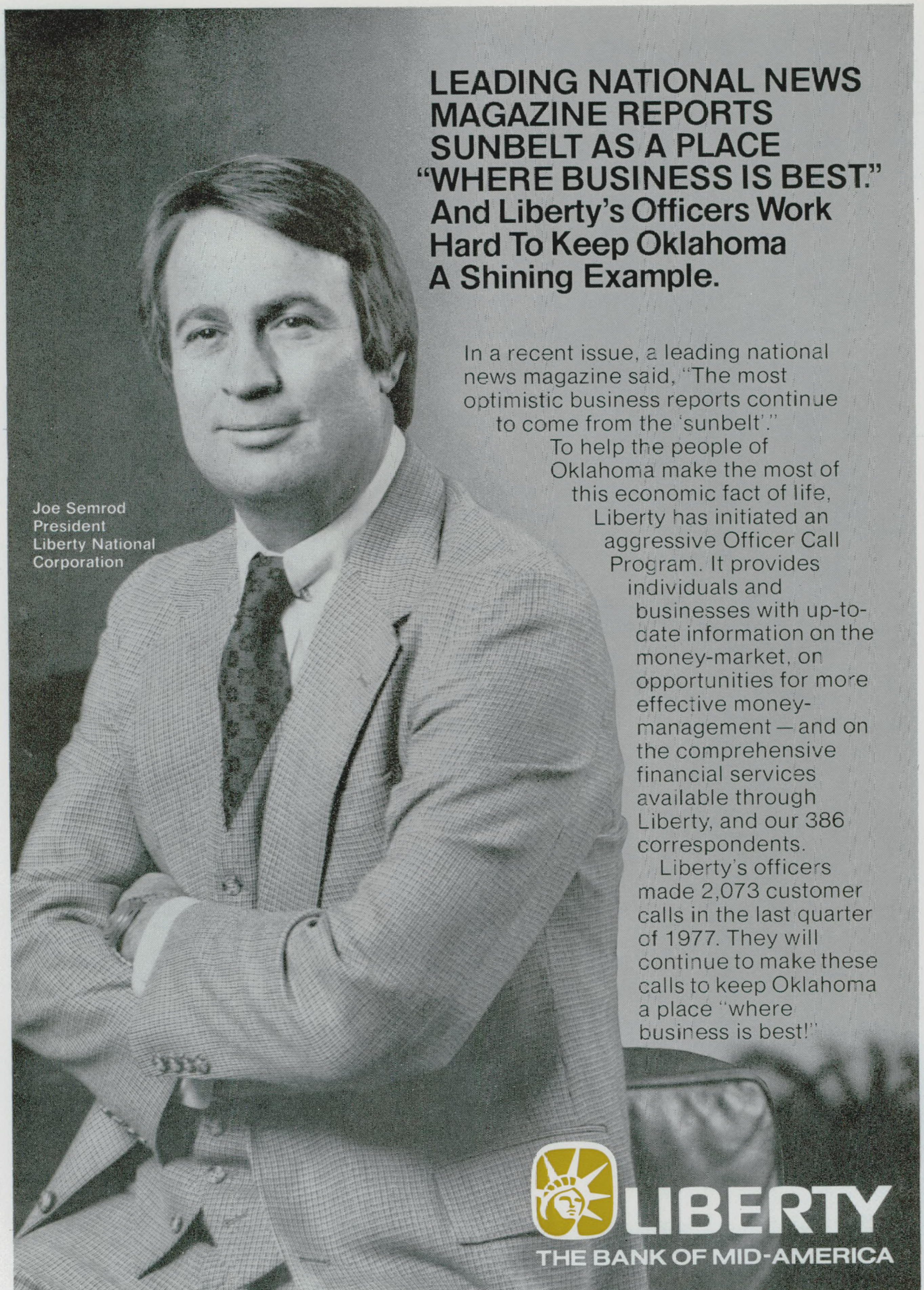

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MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 74, No. 2 ***February, 1978***

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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. Foreign subscriptions, 50% additional.

Commerce Publications: American Agent & Broker, Club-Management, Decor, Life Insurance Selling, Mid-Continent Banker, Mid-Western Banker and The Bank Board Letter.

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Convention Calendar

March 19-22: Bank Administration Institute, Bank Security Conference, Hollywood, Fla., Diplomat Hotel.

March 19-23: ABA Trust Operations and Automation Workshop, San Francisco, St. Francis Hotel.

March 19-24: Graduate School of Bank Marketing, New Orleans.

April 1-4: Association of Reserve City Bankers Annual Meeting, Boca Raton, Fla.

April 2-4: National Automated Clearing House Association Annual Conference, New Orleans, Hyatt Regency.

April 2-5: ABA National Installment Credit Conference, San Francisco, San Francisco Hilton.

April 2-5: Bank Marketing Association Research Conference, Atlanta, Omni International Hotel.

April 4-6: National Assn. of Bank Directors Annual Conference, Chicago, O'Hare Inn.

April 6-7: Robert Morris Associates Managing Your Loan Examination Workshop, St. Louis, Stouffer's Riverfront Tower.

April 6-9: National Association of Bank Women Southwestern Regional Conference, Tyler, Tex., Sheraton Inn.

April 9-12: ABA Southern Regional Bank Card Workshop, San Antonio, Tex., Palacio del Rio.

April 9-12: Conference of State Bank Supervisors Convention, San Francisco, Hyatt Regency Hotel.

April 11-12: ABA Fiduciary Standards Workshop, Chicago, Hyatt Regency O'Hare.

April 13-16: 31st Assembly for Bank Directors, New Orleans, Fairmont Hotel.

April 15-17: Louisiana Bankers Association Annual Convention, New Orleans, New Orleans Hilton Hotel.

April 16-19: Bank Marketing Association Staff Sales Training Workshop, Chicago, Holiday Inn Mart Plaza.

April 16-27: ABA National Commercial Lending School, Norman, Okla., University of Oklahoma.

April 23-25: Bank Administration Institute City Conference, San Francisco.

April 26-28: ABA Governing Council Meetings, White Sulphur Springs, W. Va., The Greenbrier.

April 30-May 3: ABA National Conference on Real Estate Finance, Washington, D. C., Capitol Hilton Hotel.

April 30-May 3: Bank Marketing Association Marketing Planning Conference, Washington, D. C., Hyatt Regency.

April 30-May 4: Bankers Association for Foreign Trade Annual Meeting, Tarpon Springs, Fla., Innisbrook Resort/Golf Club.

May 4-6: ABA Southern Trust Conference, Nashville, Opryland Hotel.

May 7-8: ABA/Insurance Industry Conference, Arlington, Va., Crystal City Marriott.

May 7-9: Texas Bankers Association Annual Convention, San Antonio, San Antonio Convention Center.

May 7-10: ABA Northern Regional Bank Card Workshop, Chicago, Continental Plaza.

May 7-10: Bank Marketing Association Advertising Workshop, New York City, The Biltmore.

May 7-12: ABA National Commercial Lending Graduate School, Norman, Okla., University of Oklahoma.

May 8-12: Bank Administration Institute Introduction to Bank Auditing Short Course (Under $75 million), Iowa City, Ia., University of Iowa.

May 8-9: Robert Morris Associates Import/Export Workshop, Washington, D. C., Stouffer's National Center Hotel.

May 10-12: Alabama Bankers Association Annual Convention, Mobile, Municipal Auditorium.

May 10-12: Kansas Bankers Association Annual Convention, Topeka, Downtown Ramada Inn.

May 13-17: Arkansas Bankers Association Annual Convention, Hot Springs, Arlington Hotel.

May 14-16: Missouri Bankers Association Annual Convention, St. Louis, Sheraton-St. Louis Hotel.

May 14-16: Tennessee Bankers Association Annual Convention, Memphis, Holiday Inn-Rivermont.

May 14-19: ABA National Personnel School, Atlanta, Marriott Hotel.

May 14-19: Louisiana Banking School for Supervisory Training, Baton Rouge, Louisiana State University.

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By Dr. Lewis E. Davids

Hill Professor of Bank Management, University of Missouri, Columbia

Is It Later Than We Think?

SEVERAL INCIDENTS have caused me to wonder whether it is "later than we think" in banking:

The first incident occurred when I visited an executive vice president of a medium-sized bank. He holds a master's degree from Harvard University and is considered to be quite knowledgeable about banking. However, he told me that he's planning to retire at the end of the year.

We discussed his retirement decision and what it would mean to his bank, and, as I rose to leave, he remarked, "You know, banking isn't fun for me anymore. The regulations are so complex and don't make much sense. It's time for me to get out before I'm found guilty of inadvertently breaking some law or regulation—and being sued for all I have managed to save over a lifetime."

Since the legal counsel of at least one bank regulator has misinterpreted regulations, I wonder just where "experts" are to be found!

The second incident to which I referred occurred at the University of Missouri. My graduate-level bank administration students conduct case research, and the cases are discussed in class. One student had interviewed and discussed with the president of a new bank the loan policy of that institution. The student quoted the banker as saying that he probably violated—although not knowingly—some regulation or other every day the bank was open!

The president of that bank had a record of being a good officer of another well-run bank, so the student wondered if the violations really were that bad.

By coincidence, I had a copy of the new *Compliance Manual for the Consumer Protection Act* and asked the student to read it and Regulation Z and then report back to the class on the problem of good-faith compliance.

In his report the next week, the student agreed completely with the previously mentioned bank president!

Regarding the third incident to which I alluded, I have corresponded with bank regulators about the complexities of a number of the newer regulations, such as the legality of requesting a spouse's signature on the security instrument, but not on the debt instrument, and joint access of assets in event of default. An interesting facet of this is that the regulators are increasingly likely to mention that the average bank legal counsel probably is not able to give a good opinion on the topic—one should seek the advice of an attorney who is an expert on the subject.

Since the legal counsel of at least one bank regulator has misinterpreted regulations, I wonder just where such "experts" are to be found! And what about the "reasonableness" of this for our nation's 15,000 banks?

Banks aren't the only institutions confronted with the morass of well-intended but dysfunctional regulations. At the University of Missouri, increasing proportions of the budget are being allocated for compliance with federally dictated regulations, not for education. These funds should be directed to improve minds and conduct research, but are used to make sure that the school has complied with Washington's regulations, which have little or nothing to do with education, but represent the ambiguous values of the bureaucrats.

Juanita M. Kreps, U. S. Commerce secretary, a wonderfully fresh figure in the Washington quagmire, has stated the problem very clearly:

"Our steel industry for years has been struggling to compete with stiff foreign competition, yet we have asked (our steel industry) to comply with 5,600 separate regulations imposed by . . . 27 different government agencies.

"The cost of simply determining what compliance requires is staggering. . . . The Consumer Products Safety Commission classifies auto batteries as *household items* and requires manufactures to attach a label to each battery warning the public not to drink its contents. This regulation cost consumers $5 million in 1975. . . .

"The litany of regulatory absurdities is long and continues to grow. Last year alone, the *Federal Register* published 60,000 pages of proposed rules, final regulations and other documents. The businessman wishing to find out which, if any, applied to him would have had to read the equivalent of 120 District-of-Columbia telephone directories, most of it in comprehension-defying 'legalese.'

Society cannot expect to turn back the hands of time and have a complex, highly technical industry operate under pastoral ground rules.

"How have we come to this pass? There are several contributing factors. To begin with, we Americans have an inordinate faith in government as our problem solver. . . . Our historic indifference to uninternalized costs must share the blame for our regulatory problems. . . . Our regulatory problems are also attributable in part to the nature of the bureaucracy. Congress spells out the objectives. The agencies take care of the details. This arrangement has inherent in it some problems."

Secretary Kreps rightly notes, ". . . business must share some responsibility for growth in regulations. Business

complains of regulation when it is a nuisance, but businesses have been among this country's ardent supporters of regulation when it has been profitable for them to be so. When one raises the possibility of deregulating the trucking or airline industry, protests come from the truckers and airlines. After protection, competition is, to many of them, quite threatening."

Secretary Kreps has made some interesting suggestions that probably will *not* be adopted in Washington. One is that all regulations automatically expire after a period of years unless an actual reintroduction of the regulation takes place. This "sunshine" concept certainly deserves a trial.

All regulations should automatically expire after a period of years unless an actual reintroduction of the regulations takes place.

I wonder how many years we can continue without a reversal in the growth of regulations and their attendant costs. Society cannot expect to turn back the hands of time and have a complex, highly technical industry operate under pastoral ground rules. One political scientist has, perhaps jokingly, suggested that the beginning should be with a regulation or law that requires the abolition of two regulations or laws for each new one that goes on the books.

I still think there is a lot of "fun" to be had in banking today and that this will continue to be true in the days ahead. It's a vital industry and one that is changing rapidly in technology and in personnel policy. Banking probably has no more regulations governing it than railroads, airlines and the steel industry, but those aren't grounds for complacency and avoidance of working for more rational and streamlined regulations and efficient government.

• **Rudolph R. Fichtel,** director, American Institute of Banking, has retired from the American Bankers Association. He had served in his AIB post for 14 years and has joined United Student Aid Funds, Inc., New York City, as regional vice president. That firm is a not-for-profit corporation serving education. His assignment there will involve relations with lending institutions, business corporations, students, parents, colleges and universities and government.

Corporate News Roundup

• **UMIC Securities Corp.** This Memphis-based investment banking firm has bought the Houston branch of Marcus, Stowell & Beye, whose main office is in Fort Lauderdale, Fla. UMIC now operates the branch, where Warren Wester is office manager and Fred Raby, sales manager. Dave Furnas, senior vice president and director of marketing for UMIC, is liaison between the Houston office and UMIC headquarters in Memphis.

• **Southeastern Financial Corp.** Alfred P. Chambliss III and Jerry G. Jones have been promoted to assistant vice presidents of this Charlotte, N. C., firm. Mr. Chambliss was an account executive, and Mr. Jones was a client contact officer. Southeastern Financial is engaged in factoring and commercial financing.

• **Scarborough & Co.** This Chicago-based bank insurance firm has promoted three account executives—Jon Q. Groth, Frank A. Beranek and John P. Heupel—to newly created posts as underwriting managers. Mr. Groth has been named underwriting manager, administrative services, and also oversees Illinois accounts. Mr. Beranek is underwriting manager, eastern region, and Mr. Heupel is underwriting manager, western region.

In other action, Scarborough has named Walter Sawkiw and Thomas Jasper account executives. They are concerned principally with sales, installation and administration of bank employee-benefit plans through a much-expanded operation of Scarborough. They are servicing banks chiefly in Illinois and surrounding states.

Both men had similar posts for the Banks of Illinois Insurance Trust Employee-Benefit Program before joining Scarborough. Mr. Jasper also spent two years as brokerage consultant, Connecticut General Life Insurance. Mr. Sawkiw once was with American Home and CNA in sales and service capacities.

BAKER

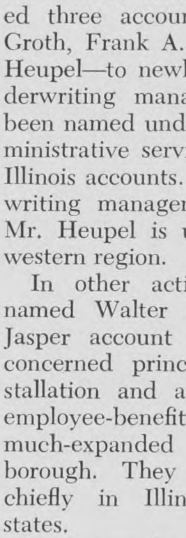
FARRIS

• **Bank Consultants of America.** Douglas F. Baker has been promoted from vice president/operations to president, Bank Consultants of America, Denver. David J. Kirby has joined the firm as controller, going from May D&F, Denver, where he was accounting manager. Mr. Baker joined Bank Consultants five years ago.

• **Bunce Corp.** Gary Farris has joined Bunce Corp., St. Louis, as a contract manager in Oklahoma and southwestern Missouri, with an office in Tulsa. He formerly was vice president/marketing, Advance Duplicating Systems, Inc.

• **Doane Agricultural Service, Inc.** This St. Louis-based firm has purchased controlling interest in Agland Investment Services, Inc., an international and domestic agricultural consulting firm in San Francisco. Doane's president, J. W. Hackamack, and chairman, F. L. Goetsch, have been elected directors of Agland, as has N. E. Nichols, manager of estimating and scheduling in Doane's marketing research division.

In other action, Doane has named Donald R. Matteson a farm and ranch manager at its St. Louis headquarters. He services Doane clients in the south central Illinois area. Mr. Matteson formerly was a field representative for the United States Testing labs in Rochelle, Ill. He also was self employed in Fulton, Mo., where he handled farming and working of cattle sales.



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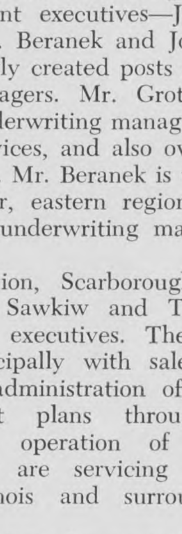
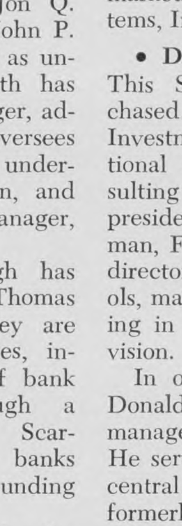


JASPER



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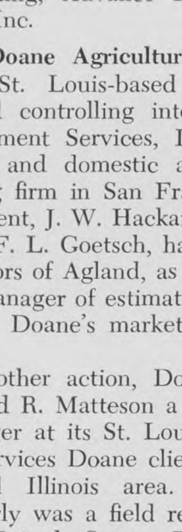

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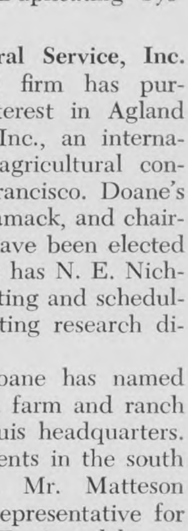

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They're leaders. Marshall and Stevens is a professional evaluation and consulting company known for integrity and dependable quality work. They appraise both tangible and intangible assets such as patents and total business enterprises for any purpose through offices in 19 U.S. and 3 Canadian cities; and a European Division in Rotterdam.

Both companies are experts in their specialities. Both Bank Building Corporation and Marshall and Stevens are financially strong. And this combination offers you an even wider range of services to help build your business. For more information, call us.

We'll build you a business.

Selling/Marketing

In New Orleans:

Bank Marketing School To Hold Second Session

The second session of the Graduate School of Bank Marketing will be held March 19-24 at the International Trade Mart and International Hotel, New Orleans.

SLATTERY BUSKIRK SHETH

Among faculty participating at Graduate School of Bank Marketing in New Orleans next month are Anne Slattery, v.p., Citibank, New York, who will speak on marketing at Citibank; Richard H. Buskirk, professor of business management, Southern Methodist University, Dallas, who will speak on principles of salesmanship, effective sales training and marketing policy; and Jagdish N. Sheth, professor of business administration and research, University of Illinois, who will lecture on strategic marketing and marketing research as well as data analysis and product positioning.

Each banker enrolling in the school attends two intensive one-week sessions held a year apart. Between sessions, each student completes a comprehensive marketing plan for his or her bank as part of the course work.

Instructors for the school come from the University of Southern California, Pennsylvania State University, J. Walter Thompson advertising agency, the University of California at Los Angeles, Brigham Young University, IBM Corp., Citicorp and Crocker National Bank, Los Angeles.

Associate director of the school is William F. Staats, professor of Banking at LSU.

Information on the school is available by mail from Box 17390, University Station, Baton Rouge, LA 70893.

Local Color:

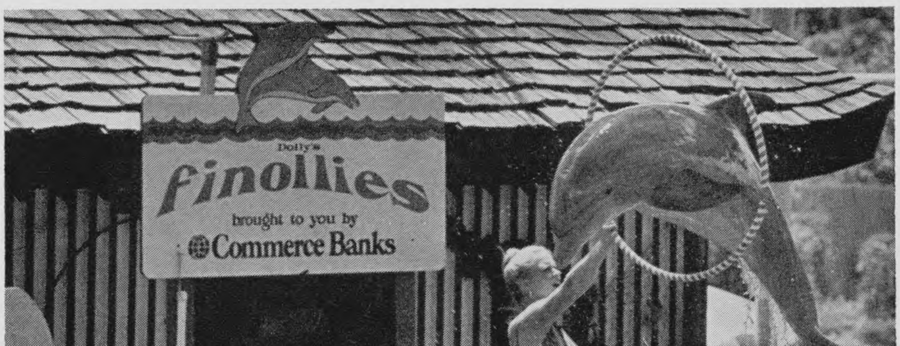
Bank's Calendar, Plate Feature Students' Work

When First National of Franklin County, Decherd, Tenn., wanted an illustration for its free calendars, it enlisted the aid of area art students via a contest. Local high-schoolers were asked to submit oil paintings of the old Terrill College building; other students wrote short essays on the school's history.

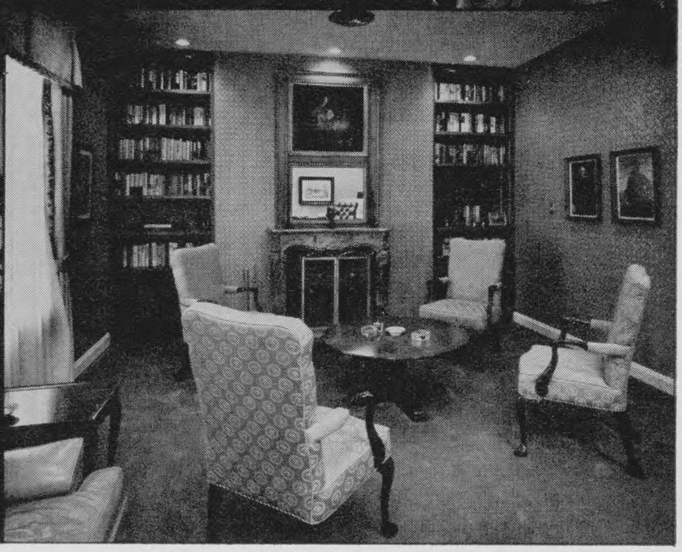
Winning entries were used on the calendar and on a limited-edition plate that was used as a self-liquidator for depositors at the bank. Customers received the calendars free. The offer was advertised in radio spots and newspaper ads.

The campaign was a great success, according to a bank spokesman. Many of the calendars' recipients framed the pictures of the old school, while the plates created such great demand that a second edition was considered by bank officials.

HC Sponsors Dolphin Show



As one of the answers to its question, "What Can We Do For You?," Commerce Bancshares, Kansas City, sponsors the "Fins and Flippers Dolphin Show" at Kansas City's Worlds of Fun amusement park. It's estimated that more than 1.2 million guests of the park see the show annually.



Regulatory News

FTC Bans Director Interlocks Between Thrifts, Banks

The Federal Trade Commission (FTC) has ruled that S&L directors can't serve as commercial bank directors. The decision could lead to the end of what has been termed by the FTC as a common practice in the industry.

The ruling came as a result of an FTC proceeding against Perpetual Federal Savings, the largest federally chartered S&L in the Washington, D. C., area. When the proceedings were inaugurated, seven of the S&L's 11 board members served as directors of three local commercial banks that competed with the S&L for savings deposits and mortgage business.

The FTC upheld, by a four-to-one vote, an earlier ruling by an FTC administrative law judge who said that the potential for anticompetitive behavior in such interlocking directorates is so great that they violate federal antitrust laws, even if there is no evidence that they actually reduce competition.

During the proceedings, the Federal Home Loan Bank Board issued advisory guidelines restricting director interlocks involving S&Ls. The guidelines prohibit more than a third of an S&L's directors from serving on bank boards. Perpetual took steps to comply with the guidelines, claiming that S&Ls are subject only to FHLBB rules.

The FTC claims that it has concurrent jurisdiction with the FHLBB over S&Ls and ruled that Perpetual's directors can't serve on boards of corporations that provide financial services in competition with Perpetual.

The decision is final unless appealed to the Federal courts.

Funds Transfer Aid Plans Offered by Federal Reserve

The Fed has proposed two plans to facilitate transfers of funds among banks.

Under one plan, the agency's 33 automated clearinghouses would be united in a nationwide system.

Under the other plan, the Fed will allow member banks to use their reserve accounts on deposit with the Fed to make payments transfers among themselves conducted on a communications wire owned by an association of banks.

The two plans are expected to encourage private-sector development of competitive payments services and to encourage broader use of electronic funds transfers as a more efficient, lower cost means of payment, a Fed spokesman said.

The Fed currently provides settlement services for member banks within Federal Reserve districts by charging and crediting net entries into the member banks' reserve accounts. Under the first plan, by the end of this year the settlement services would be offered among districts, resulting in same-day funds availability.

Under the second plan, the Fed would allow settlement services to member banks for wire transfers they conducted on Bankwire.

Comments are invited until February 28.

Lease Accounting Standards Issued by Federal Reserve

New standards for lease accounting by state member banks have been issued by the Fed. The standards are in conformity with a policy statement by the Financial Accounting Standards Board (FASB) concerning accounting for leases.

The Fed said that banks on an accrual basis should conform fully to the new lease accounting standards of Financial Accounting Standard No. 13. Banks not on an accrual basis could choose whether or not to conform to the new lease accounting standard.

The Fed also dealt with the implications of a retroactive feature of the FASB lease accounting standard that applies to all existing capital leases entered into prior to January 1, 1977. FASB asked that such leases be retroactively accounted for, according to the new FASB standard's requirements, not later than the end of 1981.

The agency said it will give state member banks directions as to how to report lease transactions under the new standard in the quarterly call reports.

Bank Accounting Division Established by CofC

A Bank Accounting Division has been established by the Comptroller's office.

The new division is responsible for providing professional accounting leadership and bank-related accounting operations expertise to senior officials as well as technical counsel in bank accounting.

Director of the division is Douglas F. Ward, who was formerly with a CPA firm in Denver.

Comptroller Proposes Ruling On Loans to Foreign Govts.

The Comptroller of the Currency has proposed an interpretive ruling concerning the limits on loans that national banks make to foreign governments, their agencies and instrumentalities.

Under existing law, a national bank generally can't lend an amount in excess of 10% of its total capital to any single borrower. However, the Comptroller previously ruled that certain situations warrant treating separate borrowers as one borrower for legal lending limit purposes.

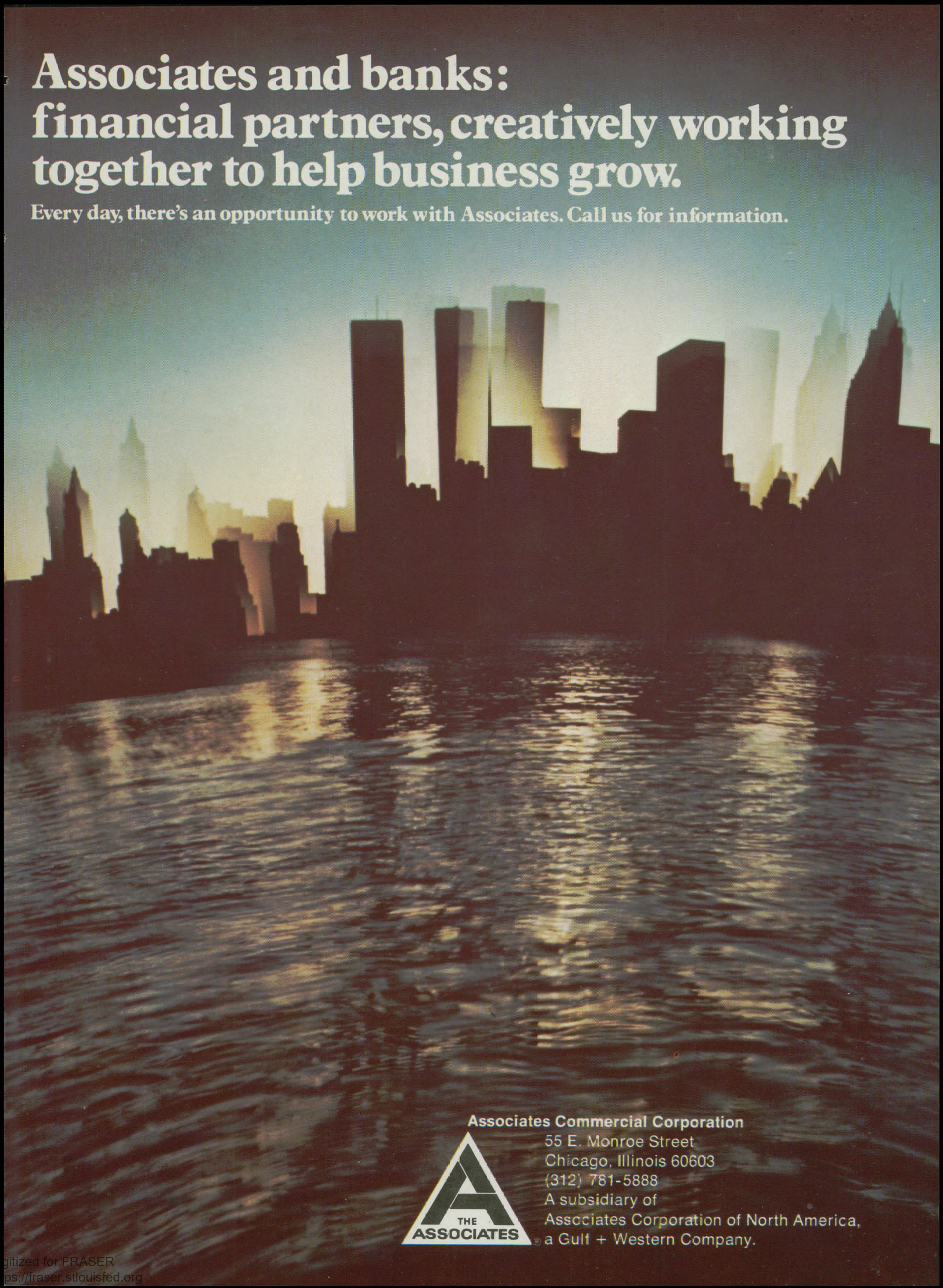
Several of these rulings have involved agencies related in one way or another to foreign governments. The proposed ruling would combine loans made to agencies and instrumentalities of foreign governments as loans to one borrower unless the borrowing agencies and instrumentalities, individually, use the loan proceeds in the conduct of their general business and have the financial means to service their own debt obligations. The ruling requires certain minimum documentation to evidence a borrower's use of proceeds and means of payment.

Comments can be made prior to March 9.

Directors of Problem Banks To Be Notified by FDIC

The FDIC is notifying directors of banks when the banks are being considered for placement on the agency's problem list. Affected directors are required to acknowledge receipt of the notice as well as see to it that the notice appears in the board minutes of the bank.

In announcing the new policy, FDIC Chairman George LeMaistre said, "We want to do all we properly can to assist bank directors with the effective discharge of their duties and responsibilities. Directors must be fully informed regarding the condition of their bank. We believe that having the regulator's evaluation will be extremely helpful to them and that the evaluation should receive their special attention."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THE ASSOCIATES

Significant Marketing Gains From ATMs Cited by First National, Birmingham

AFTER A YEAR in operation, the ATM network at First National, Birmingham, Ala., has been found to be paying dividends beyond giving customers the convenience of round-the-clock service.

First National's 12 "William Tellers" have boosted the bank's recognition in the Birmingham market and, according to William A. Powell Jr., executive vice president, "have given us the opportunity to strengthen our position in the retail banking market."

The bank's studies show that William Teller has given the bank appeal to those under 35 years of age, "and we feel we now have young people talking about our bank," Mr. Powell said.

William M. Fackler, senior vice president of marketing, said studies show that in the seven months from January to July, First National's ATM recognition increased to first place among younger families, having more than doubled in percentage of awareness within this target group. The bank is also first among families 35 years of age and older.

To gain the improved recognition and ensure that customers were aware of the services offered by the automated tellers that comprise the system, Mr. Fackler said First National used a phased marketing program that began with the selection of the William Teller characters.

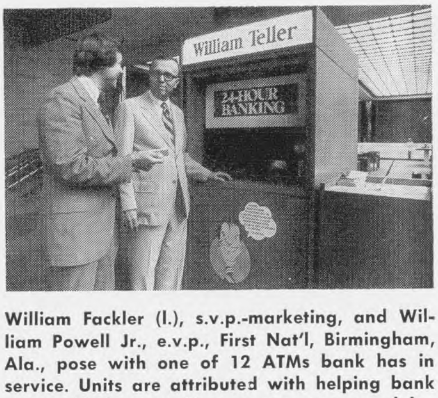
"William Teller gave us a symbol for the system that was easy to recognize and remember," he said, "and it was also a symbol that we could personalize and integrate into our overall theme, which is, 'Do business with a First National banker instead of just a bank.'

"When we introduced William Teller we aimed at having the system recognized," Mr. Fackler said. "Our second campaign was designed to explain the benefits of the system."

TV and print ads coupled with a T-shirt iron-on and other promotions resulted in significant gains. The percentage of card holders using the system has increased by 35% and transactions increased 15% a week as a result of a June-July campaign. Currently, transaction volume is well in excess of national averages, Mr. Fackler said.

Another result of the campaign, he added, is that requests for William Tellercards also increased significantly.

As the network moves into a second year of operation, the bank expects continued increases in both the number of transactions and the number of customers using the system. It also expects that, as a symbol, William Teller will continue to attract new customers to the bank. • •



William Fackler (l.), s.v.p.-marketing, and William Powell Jr., e.v.p., First Nat'l, Birmingham, Ala., pose with one of 12 ATMs bank has in service. Units are attributed with helping bank gain added recognition among young adults.

Interregional Pilot Stage Over, Says NACHA Spokesman; Seeks OK for Nat'l Expansion

WASHINGTON, D. C.—"The pilot stage is over," said Virgil M. Dissmeyer, president, National Automated Clearing House Association (NACHA), "interregional exchange is continuing and, pending a final agreement between the Fed and NACHA, will work toward a nationwide EFT capability."

Those were the words of Mr. Dissmeyer, who also is executive vice president, Northwestern National, Minneapolis, after submitting NACHA's request to the Fed to provide initial capabilities for expansion of the interregional exchange pilot to national capability in 1978.

According to the NACHA spokesman, it is anticipated that the Federal Reserve System will adopt a pricing schedule in the future so expansion doesn't preclude private-sector alternatives as they become viable. Mr. Dissmeyer estimated that all ACHs will be phased into a national delivery network by late August, 1978.

"Expansion is expected to proceed gradually and will allow additional companies to initiate entries with the 10 original pilot ACHs," he said, adding, "Later, ACHs with some transmission experience will be added, resulting in the eventual connection of all 31 operational ACHs."

The interregional exchange pilot was begun in February, 1977, with 10 ACHs, all time zones and 22 companies. Conducted jointly by the Fed and NACHA, the program resulted in the exchange of 45,000 entries, with a total value of more than $4 million, for October, 1977. It is estimated that at least 2,000,000 entries will be exchanged interregionally by year-end 1978.

According to a joint Fed/NACHA Interregional Exchange Task Force evaluation, such a program is feasible, both operationally and technically; there is much interest in the project from the corporate sector; and "expansion will allow further developments without restraining future options."

It was emphasized by the report that the will of the consumer will be carried out in such a program, guaranteed by features and rules. The report also recommended a continued review of the program over the next two years. It was stressed that great progress has been made during the pilot program, but work remains to be done prior to conversion to operational status, including:

- An educational effort by NACHA at the local ACH level to prepare for hookup and to correct a number of procedural shortcomings identified during the pilot.
- Staff training by the Fed to prepare additional sites for interregional operations.

According to Mr. Dissmeyer, "The expansion will allow banks and corporations to capitalize on previous investments made by the industry to adequately serve users, corporations and individuals who need a national system to benefit fully from the ACH capability."

Insurance

Comptroller's Credit-Life Ruling Takes Effect Despite Litigation

THE CONTROVERSIAL credit-life-insurance ruling of the Comptroller of the Currency went into effect January 1 despite efforts of the Independent Bankers Association of America to stop its implementation. Under the ruling, no proceeds from sales of credit life insurance at national banks can go to their officers, directors, employees or principal shareholders.

On December 23, the IBAA filed suit against the Comptroller in federal court in Washington, D. C., to stop the regulation from becoming effective. On December 29, Judge Louis F. Oberdorfer denied the IBAA's request to prevent the ruling from taking effect January 1. However, the IBAA still has a suit pending against the Comptroller.

Pending the suit's outcome, the IBAA has suggested that its national-bank members place all proceeds from credit-life-insurance sales in trusts and adopt two model resolutions. However, the association says the trusts and resolutions *must not be used* without advice of each bank's attorney with respect to such matters as state insurance-agency laws and applicable banking and tax laws. Also, the IBAA says it cannot guarantee that the trust agreement and resolutions will avoid complaints by regulators or by minority stockholders, nor can the association assume any responsibility for avoiding such complaints.

Model Resolution No. 1 relates to the fact that in all cases in which a bank director, officer, employee or principal stockholder operates a separate insurance agency on a bank's premises, the bank's directors and shareholders should approve the arrangement, and the insurance agency should reimburse the bank for the net value of bank space, equipment and personnel it utilizes.

Model Resolution No. 2 relates to approval by a bank's board of the selection of an insurance underwriter for the sale of the credit life insurance, to the agreement between the underwriter and insurance agency and to allocation of income.

A spokesman for the Comptroller's Office told MID-CONTINENT BANKER that cease-and-desist orders will be issued against all national banks found violating the credit-life-insurance ruling. He added that no special examinations will be made to uncover such violations, that national-bank examiners will be checking out banks' credit-life-insurance activities in their regular examinations.

The Comptroller's spokesman also warned that even if the Comptroller loses the IBAA suit and another suit now before the Fifth Circuit Court of Appeals filed by five Texas banks, the Comptroller would not sit by idly and let credit-life-insurance proceeds held in trust be distributed to individuals. According to the spokesman, the Comptroller then would insist on court approval of the termination of each trust and distribution of proceeds to individuals.

The five Texas banks acting as plaintiffs in the second suit are: First National, La Marque; Texas National, Baytown; First National, Deer Park; First National, Bellaire; and Madison-Southern National, Houston. They filed the suit in response to a letter from the first deputy comptroller, subsequently affirmed by then Comptroller James E. Smith, in which the banks were asked to cease paying credit-life-insurance income to insiders. The banks were told that, in the Comptroller's opinion, they could legally receive this income, but that, in any event, their directors had a fiduciary obligation to find a means of selling the insurance so that insiders would not incur a personal benefit.

In supporting its position on disposition of credit-life-insurance income, the IBAA maintains that operation of a privately owned insurance agency on bank premises is permitted by the FDIC as long as there's disclosure to directors and stockholders of the precise arrangement, plus reasonable reimbursement by the agency to the bank for all costs properly chargeable to the agency.

The IBAA told MID-CONTINENT BANKER that the Comptroller rejected its recommendation that the FDIC system be adopted by his office.

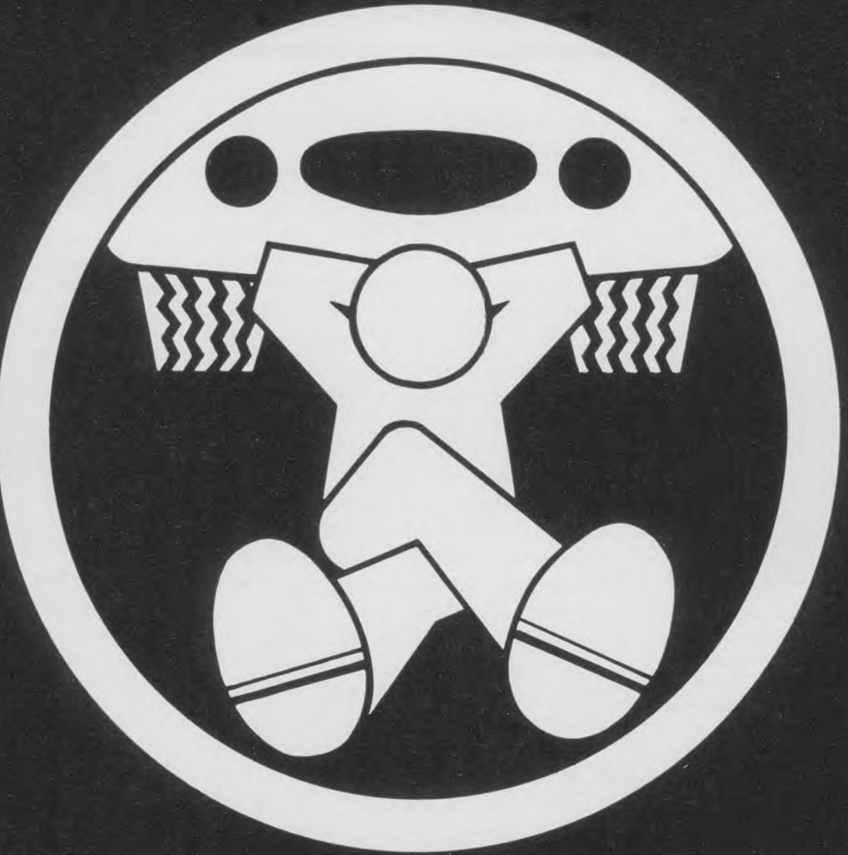
The association believes if there is abuse of credit-life-insurance commissions, the Comptroller should proceed to remedy these individual cases rather than try to make all banks pay for the abusive practices of a few. The IBAA's position is that there must be an orderly resolution of conflict between the Comptroller's regulation and an array of state laws regulating insurance.

CofC Changes Equity Regs To Conform to SEC Rules

The Comptroller of the Currency has proposed a regulation that would rescind 12 CFR Sections 9.101, 9.102, 9.103 and 9.104.

At present, the CofC requires national banks that hold equity securities of $75 million or more in their trust departments to file two reports relating to those securities. However, under Section 13(f) of the Securities Exchange Act, the SEC now has authority to require somewhat similar reports from all institutional investors.

The CofC's regulation will ensure that unnecessary duplication and reporting burdens are not imposed and will bring the Comptroller's regulations into relative conformity with those of the SEC.



Community Involvement

Help for Minorities:

Small-Business Seminar Attracts 400 Participants

First Mississippi National, Jackson, sponsored its state's first small business and minority assistance seminar, drawing more than 400 participants from across the state.

The one-day seminar featured addresses by Mississippi's Governor Cliff Finch and Randolph Blackwell, national director, U. S. Commerce Department's Office of Minority Business Enterprise (OMBE).

Paul W. McMullan (l.), ch., First Mississippi Nat'l, Jackson, takes time out during bank's small-business seminar to chat with Randolph Blackwell of U. S. Commerce Dept.'s Office of Minority Business Enterprise, featured speaker at event.

Besides assisting minority group members in business enterprises, OMBE provides counsel to persons who want to begin new businesses and identifies areas in which new businesses are needed. The office also helps with establishment of those businesses.

During the seminar, Governor Finch declared December 15 as Small Business Day in the state and pledged support of state government in establishing new industry in Mississippi.

South-of-Border Award:

Mexican Americans Aided By First Nat'l, Dallas

Because of its leadership in financing Mexican-Americans' business endeavors, Dallas' First National has been named Financial Institution of the Year by the Dallas Mexican Chamber of Commerce. Criteria for the selection by the 300-member organization were number of loans, total capital involved and, above all, the bank's general attitude and willingness to help, says Rene Gutierrez, chamber representative.

According to Mr. Gutierrez, of the many financial institutions in the Dallas area, only a few were considered for the award. Of those few, he continues, First of Dallas has taken the most definite leadership in the area of providing financing to minority-business persons.

"Even in cases where they were not able to negotiate the loan," says Mr. Gutierrez, "First in Dallas' employees tried at least to provide information about other institutions or ways the customer might be able to qualify for financing at a later date."

Jack Hays, senior vice president and head of the regional banking division at the bank, explains that in the past several years, First National has intensified its efforts toward the middle and small-business sectors in the Metroplex area. He believes this award is an example of the results of that effort, adding, "Employees of the Metroplex, factoring and retail groups are principally involved in the effort, and we anticipate making a significantly greater impact in this market in the future."

In receiving the award, the bank's executive committee chairman, Harry Shuford, said: "I am especially pleased that the chamber, in making the award, commended our people's attitude and helpfulness in providing information and assistance. Our loan officers are to be particularly commended for their efforts."

Harry A. Shuford (r.), ch., exec. comm., First Nat'l, Dallas, accepts Financial Institution of Year plaque from Fred Avila (l.), pres., Dallas Mexican C. of C. Looking on is Texas Governor Dolph Briscoe.

An Extra Service:

Post Office Branches Located in Bank Lobbies

It's as easy to buy stamps and mail packages or letters at St. Louis' Southwest Bank as it is to conduct banking business. The latter has not one, but two full-service U. S. post office branches in the lobbies of its main bank and a facility. The bank believes it's the only one in the country to have two post offices.

Mayor James Conway of St. Louis (c.) cuts ribbon opening post office branch in newly expanded lobby in Southtown Facility of Southwest Bank, St. Louis. Pictured, l. to r., are: Nick Rallo, pres. of St. Louis construction firm; Virginia Patton, St. Louis alderwoman; Fred Giacoma, v. ch. of bank; Mayor Conway; Leonor K. Sullivan, retired Missouri congresswoman, St. Louis; I. A. Long, ch. & CEO of bank; and Morton L. Huff, ch. & CEO, Famous-Barr department store, St. Louis.

Both post offices are operated entirely at the bank's expense. The original one, in the main lobby, is called Eagle Station in honor of Southwest Bank's eagle symbol. The second post office, which was officially opened December 27 by St. Louis' mayor, James Conway, is called Eagle Station South. It's part of the newly expanded lobby at the bank's Southtown Facility.

The new bank facility also has easy accessibility for the handicapped.

In Chicago:

First Nat'l Takes Part In Pollution Bond Sale

First National, Chicago, has underwritten five revenue bond issues totaling $1,115,000. The funds will be used by the Illinois Industrial Pollution Control Financing Authority to finance construction of water-pollution-control facilities for five Chicago-area businesses.

The issues are said to be the first of their kind in the state and only the second in the U. S. under a program enabling small and medium-size businesses to secure low-cost, long-term financing for pollution-control equipment.

Under separate installment sale agreements, each company agrees to make purchase payments sufficient to pay principal and interest on the bonds. Purchase payments are guaranteed by the U. S. Small Business Administration.

A First National spokesman explains that, in the past, only large firms had been able to enter the tax-exempt bond market for financing such equipment.

Within Bank of Oklahoma Tower...

Seated left to right: Charles Rice, Marvin Bray
Back Row: Phillip Hoot, Bill Hellen, Lee Daniel

financial capabilities you can convert to profits.

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Correspondent Bankers
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Department Manager
588-6254

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Important Banking Issues Drag On As Congress Debates Pros and Cons

THE PEOPLE'S business should be resolved by the people's Congress. The validity of that principle may go without saying, but putting it into effect can be a long and arduous process, as bankers realize who follow such issues as credit union share drafts, NOW accounts and the federally imposed interest rate gap between what banks and others can pay for savings deposits.

Although the Congress frequently acts on its own to take up certain issues, other matters that could be potentially divisive within congressional constituencies are not eagerly embraced by most members of Congress. The question of competition between different types of financial institutions is one such issue. But for the same reasons that it is politically explosive, it also will not go away.

S. 2055 would permit NOW accounts nationwide with a uniform interest rate ceiling for all financial institutions.

Because new aspects of bank versus nonbank competition have opened up, and because such competition has spread virtually nationwide in one form or another, strong pressure has been building for congressional resolution of competitive issues among different types of financial institutions.

Congress set a recent precedent in New Engalnd for at least partial resolution of competitive inequality. Several years ago, when NOW accounts for thrift institutions had spread throughout New England and all sense of competitive balance had been lost, Congress acted to grant NOW account powers (with the same interest rate ceiling) to all financial institutions in that region. Of course, that action did nothing to address the interest rate gap on other types of accounts, but for the time being, at least, the NOW account question had been resolved for New England.

Regrettably, Congress has not been able to achieve any resolution of these competitive issues on a nationwide basis. And, undeniably, the problem is national in scope. In Texas, a major issue seems to be credit union competition and share drafts. In Minnesota, S&Ls are campaigning heavily on the supposed merits of the interest rate differential. In six states, credit unions have been granted checking account powers, and in other states S&Ls' competitive strength is enhanced by the freedom to branch at will, while banks are permitted little or no branching at all.

Regardless of the specific twist that competition may take in one state or another, on a nationwide basis competition between different types of financial institutions generally boils down to third-party payment (checking) powers, noncompetitive interest rate restrictions—or a combination of the two (NOW accounts).

The 94th Congress attempted to resolve the NOW account issue, but without success. Last year, in the first session of the 95th Congress, a second attempt was made in the form of the Consumer Financial Services Act (S. 2055). This time, because of competitive pressures and a belief that issues such as interest rate discrimination, which affects all the people, should be resolved by Congress rather than piecemeal on a state-by-state basis, ABA's Banking Leadership Conference decided to support that NOW account bill. But that support is predicated on amendment of the bill so that it not only addresses the NOW account issue but also closes the interest rate gap and ensures that the solution to the Fed's membership problem is fair to all banks.

S. 2055 as presently written would permit NOW accounts nationwide with a uniform interest rate ceiling for all financial institutions and would allow the Fed to pay interest on the required reserves it holds. The bill is awaiting Senate debate, having been approved by the Senate Banking Committee. An amendment, which would meet the banking industry's goals, also has been introduced and will be considered during that debate. The success of that amendment is essential to continued banker support of the bill.

The inexorable thrust of these competitive issues continues to demand congressional resolution, but as of this writing there is some doubt as to whether S. 2055 has sufficient momentum to move along through the legislative process. The NOW account bill is the vehicle for the amendment that would close the interest rate gap, and as such it is a prime concern for bankers. Any number of factors—changing economic conditions, the outcome of ABA's pending lawsuit that would bar credit union share drafts, a change in the degree of the Fed's membership problem—could either improve the bill's chances or make it certain that these competitive issues will have to wait another year for congressional action.

Oral arguments in ABA's lawsuit against the National Credit Union Administration (NCUA) concerning share drafts are scheduled to be presented February 21 before the U. S. District Court for the District of Columbia. The ABA is seeking a permanent injunction against a rule that would permit federal credit unions nationwide to offer the interest-bearing check-like accounts. The accounts could pay up to 7¾% interest.

In the meantime, implementation of NCUA's rule was delayed from February 6 to March 6, or whenever the court decides the case, whichever comes later. No additional credit unions will be authorized to offer share drafts while the case is pending.

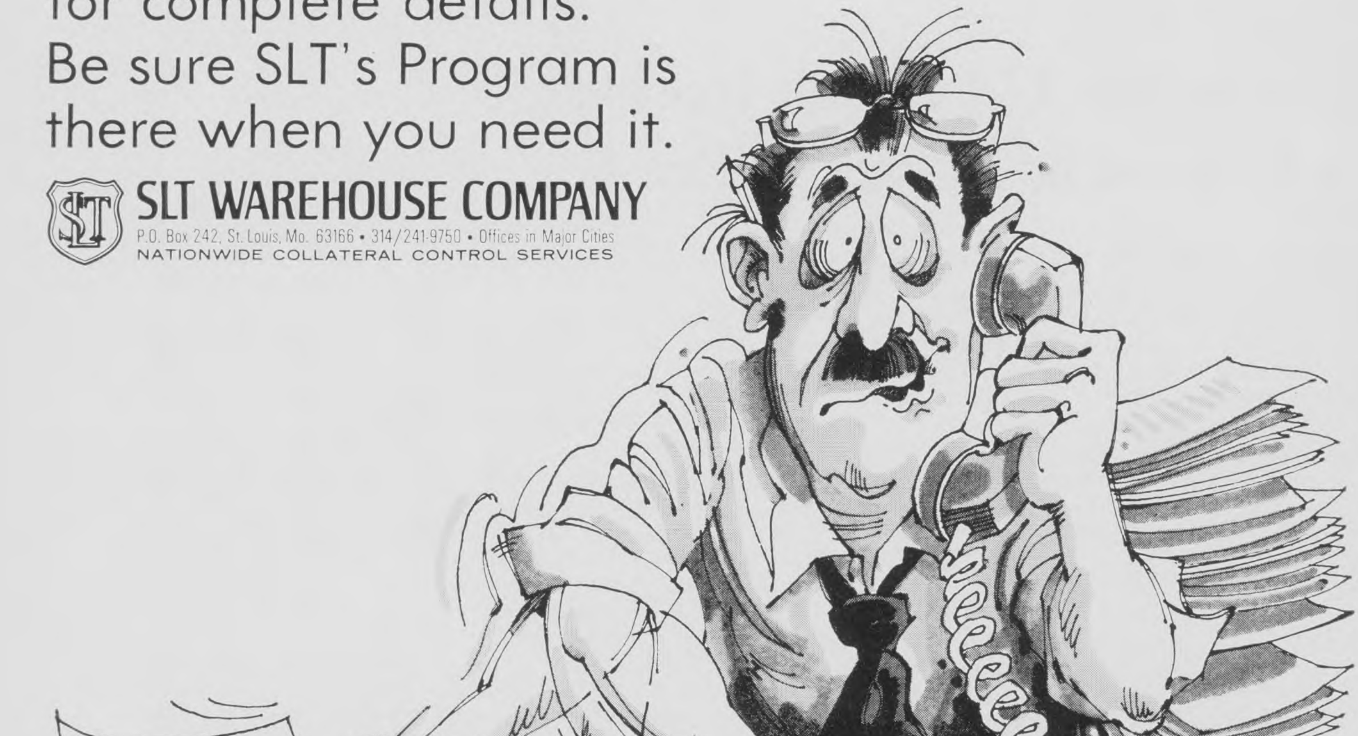
The ABA is seeking a permanent injunction against credit unions issuing interest-bearing check-like accounts.

The FDIC has extended to February 28 its deadline for reporting to the Congress the results of its special survey on banking practices. It is thought that lack of opportunity for the FDIC to pre-test the survey questions resulted in misunderstandings and errors in banks' responses to the survey. The FDIC, therefore, is contacting as many as 10,000 banks to clarify their responses.

Misunderstandings regarding the survey question on bank stock loans apparently prompted many bankers to report every bank stock loan made over the past several years, rather than bank stock loans outstanding as of last September 30.

A separate survey of national bank examiners concerning banking practices and the quality of bank supervision and examination also was conducted during December and January by staff members of the House Financial Institutions

Editor's Note. This article was prepared by the Public Relations Division of the American Bankers Association.


K. DOWD

Supervision Subcommittee. Old issues invariably are carried over into the new year, and it's reasonable to expect a new round of media scrutiny of banking practices. Efforts to simulate a "crisis atmosphere" may already be under way by the time this article is published—efforts intended to improve the chances for passage of the so-called Safe Banking Act.

Although headline issues tend to attract the most attention, it should not be forgotten that even while major battles are waged over the "big" matters, less-controversial legislation is continually being enacted by Congress and signed into law by the President.

For example, while perhaps half a dozen banking issues were the subject of intensive public discussion last year, literally scores of other questions with potentially significant impact on banking also were being considered. As of the conclusion of the first session of the 95th Congress, ABA was actively involved in some 46 legislative issues, 47 federal regulatory matters, nine bank tax questions or proposals and 10 matters of litigation.

Ironically, the headline issues in Washington are those that seldom are resolved quickly. While the NOW account bill and the so-called Safe Banking Act drew attention, the Congress enacted the Community Reinvestment Act and (as part of another bill) legislation intended to make the Fed more responsive to Congress' wishes. The Community Reinvestment Act, far from being the innocuous measure that its sponsors said it was, could have wide-ranging repercussions, depending on the way in which the regulatory agencies implement it. The act requires regulators to take into account a financial institution's record of meeting credit needs in its deposit area when regulators consider any application by the institution for a charter, insurance, branch (including electronic terminal), holding company acquisition, merger, or home or branch office relocation (see article on page 78).

At the same time, other important measures moved forward, though they have not been finally enacted yet. For example, the House of Representatives approved a bill to reform the nation's bankruptcy laws, the Labor Reform Act and a measure to establish a National Bank for Consumer Cooperatives. These House-approved bills are now before the Senate for its consideration. • •

Rules on New T&L-Account Legislation To Be Issued by Treasury by Nov. 6

HEARINGS held by the Treasury Department on the new tax-and-loan-account legislation were concluded last month, after testimony from representatives of the financial industry, including the ABA. The Treasury now must put together rules and regulations implementing the legislation and have them out to financial institutions by November 6, 1978.

Under the legislation, signed last October by President Jimmy Carter, Treasury will earn interest on demand funds in the banking system by requiring financial institutions to buy its deposits if they want to hold them longer than a day. Also, S&Ls, credit unions and mutual savings banks are authorized, for the first time, to compete with commercial banks for these funds.

The new law says that financial institutions may select one of two methods for handling Treasury deposits, and any change from one method to another requires 28 days' advance notice to Treasury.

The first method is to maintain a tax-and-loan open-end note. Loans to depositories will bear an interest rate determined by Treasury, effective one day after the date of the tax deposit. This reportedly will be a rate of about 21 basis points below the current day's fed funds rate.

The second method is to deliver Federal Reserve Bank advices of credits processed to tax-and-loan accounts no later than one business day after such deposits are received. Financial institutions will receive interest-free use of funds for one day before reporting such totals, but repeated late reports will result in penalties to large institutions submitting late reports. Such institutions then will be required to change to the open-end-note method.

Treasury proposes payments for these services as follows:

A 50¢-per-deposit reimbursement fee to the participating institution.

A 70¢ fee for issuing a savings bond over the counter; 30¢ for issuing one on a payroll plan without a computer and 10¢ for issuing one on a computer.

A 50¢ fee for redeeming a savings bond.

An analysis credit to smaller institutions because of their higher-than-average costs of handling T&L accounts. This will cover any institution handling less than $1.5 million annually in government T&L accounts.

The ABA's Position. The ABA was represented at the hearings by D. Dean Kaylor, senior vice president, National Bank of Detroit, and Jerome L. Chandler, president, Farmers State, Chandler, Kan., and chairman of the ABA's Community Bankers Division.

Mr. Kaylor pointed out that the ABA endorsed the enabling legislation permitting Treasury to earn interest by investing its operating cash balance, but that the association was offering recommendations it believes will improve the proposed rules.

In summary, the ABA—through Messrs. Kaylor and Chandler—strongly urged consideration and adoption of the following recommendations:

1. The interest-rate formula applying to note-option funds should be changed to 95% of the seven-day average fed funds rates. The ABA regards this change to be necessary as a matter of equity to all note-option depositories and, indeed, to ensure a fully unbiased and objective market-based rate of return to Treasury. The ABA firmly believes this formula also will promote Treasury's objectives of preserving the present tax-collection system and minimizing the effect of federal tax flows on Fed monetary operations.

2. Note-option depositories should be permitted to set a reasonable maximum on the amount of funds they must retain. This provision clearly is needed, said the ABA, to protect depositories against shortages of acceptable collateral in the event of an unforeseen flood of tax deposits. Such a maximum would be aside from the amount of additional funds Treasury may offer as "redeposits" from time to time. If Treasury intends such offerings to be made only to Class "C" banks, the rules should so state.

3. In the matter of fees for costs: Treasury should initiate its promised independent study of costs involved in handling FTDs and maintaining T&L funds. An independent study of costs of issuing, redeeming and otherwise handling savings bonds also should be initiated at once. The universal opinion among depositories is that the fee schedules proposed by Treasury are wholly inadequate.

4. In the definition of "note option" and elsewhere in the proposed rules, the word "purchases" with regard to Treasury funds should be replaced by "retains."

5. Remittance-option depositories that find it impossible to make timely

(Continued on page 79)

Changes in Holding Company Supervision Needed to Check Serious Inadequacies

Lead bank's supervisor would check entire HC system

By GEORGE A. LeMAISTRE
Chairman
Federal Deposit Insurance Corp.

EVENTS of the past three years have demonstrated that the fragmentation of bank holding company supervision is a serious inadequacy of the present bank regulatory framework. A single bank holding company may be supervised by as many as one state and three federal banking agencies.

As I testified recently before the Senate Banking Committee, it makes little sense for several agencies to have jurisdiction over various operating units of a single integrated business enterprise. Inevitably, coordination among the agencies has been a problem, and conflicting approaches frequently have occurred. In fact, the existing regulatory framework has not only been inefficient because of the overlapping and conflicting jurisdictions involved, but also simply has not functioned properly in some notable instances.

These problems have been recognized by others besides myself. For example, early this year the General Accounting Office criticized the present structure of bank holding company supervision. Moreover, during the same September hearings of the Senate Banking Committee before which I appeared, Comptroller of the Currency John Heimann and Deputy Secretary of the Treasury Robert Carswell also were critical of the existing system of bank holding company supervision.

When we examine a bank, we need to know the situation in the other affiliates in the HC.

In discussing bank holding company supervision, I intend to consider two issues. The first is the necessary extent and method of holding company supervision. The second is the assignment of supervisory responsibility among the three federal bank regulatory agencies.

During the congressional debate that preceded the passage of the 1970 amendments to the Bank Holding Company Act, which not only brought one-bank holding companies under the act's jurisdiction but also expanded the kinds of activities in which holding company subsidiaries could engage, holding company safety and soundness supervision and regulation were seldom discussed. The emphasis at that time was on providing safeguards against undue concentration of economic power stemming from bank holding company acquisitions of banking and nonbanking subsidiaries.

After passage of the amendments, the Federal Reserve System, which was charged with the responsibility of administering the Bank Holding Company Act, focused its attention on determining the kinds of nonbanking activities in which holding companies could engage and on establishing the criteria and procedures to be used in evaluating applications, both to form bank holding companies and to acquire banking and nonbanking subsidiaries. Although the Bank Holding Company Act required the Fed to consider several factors in evaluating applications, preeminence was given to competitive factors.

Immediately following the passage of the 1970 amendments, debate developed, primarily centered in the Fed, as to the appropriate degree of regulation of bank holding company organizations. Some argued that the HC should be treated as a single integrated enterprise. They reasoned that the linking of nonbank and bank affiliates through a holding company would result in certain efficiencies in organization and operation. In other words, the total system could be operated more efficiently as a single integrated unit than as a consortium of independently operated affiliates.

Proponents of a second line of argument virtually ignored economic and management considerations and dwelled almost exclusively on legal considerations. They reasoned that the operation of the corporate veil would effectively insulate all other bank HC affiliates from any troubles that might develop in any single affiliate. Many took exception to this view, arguing that a holding company could not disavow the obligations of any of its affiliates and expect to retain market and public confidence. Subsequent events did prove that the expectation of legal insulation of an affiliate from the troubles of related affiliates was inconsistent with the realities of the business world.

The three federal regulatory agencies are critical of the existing system of bank HC supervision.

In any event, at the outset attention was devoted to processing applications while safety and soundness supervision of nonbank affiliates and of the parent HC organization was permitted to languish. Then in 1973, default by Beverly Hills Bancorp. on its commercial paper obligations—when loans made by various of its nonbank subsidiaries to a single firm were not repaid—resulted in a confusion of identification between the HC and its subsidiary, Beverly Hills National, which ultimately culminated in the sale of the bank. This established the link between an affiliated bank, its parent HC, and the nonbanking affiliates. At about the same time, the Fed began more serious development of supervisory procedures. It established a policy of visiting (or inspecting) all bank HCs at least once every three years. The first to be inspected were those that were known to be experiencing some kind of problem.

The collapse of the real estate market in 1974 and the subsequent severe economic recession placed stresses on many bank HCs. Several were not able to survive. Perhaps the most graphic case involved Hamilton Bancshares in Chattanooga. Hamilton Mortgage Corp., based in Atlanta, got into difficulty during 1974 when its borrowing capacity evaporated and it was unable to fund its loans or commitments to lend. More than $130 million out of a portfolio of over $200 million in real estate loans, concentrated primarily in speculative land acquisition and construction loans, were funded by Hamilton banking subsidiaries through the purchase of loan participations.

Many of the loans originated by the mortgage company were of inferior quality and when the real estate market collapsed in 1974, Hamilton banking affiliates, particularly Hamilton National of Chattanooga, were left holding a large volume of bad loans. Hamilton National eventually failed as a direct consequence of the essentially unsupervised activities of the nonbanking mortgage company affiliate.

In addition, massive unsafe and unsound lending practices occurring in the essentially unsupervised environment of the nonbanking HC affiliates of American City Bank, Milwaukee, and Palmer First National, Sarasota, Fla., were among the factors that led to the eventual demise of both banks and created difficulties for other bank affiliates in both HC systems.

The problems of one affiliate can't be insulated from those of other affiliates of an HC.

These cases have demonstrated that one segment of a holding company organization cannot easily be insulated from the remainder of the system. These cases also have shown that because a holding company tends to be operated as an integrated enterprise, it's simply a form of self-deception to assume that the lead bank, or any other HC banking affiliate, for that matter, is in a safe and sound condition just because its last examination was satisfactory. The ease of transferring assets among affiliated companies can change a banking affiliate's soundness abruptly.

As we have gained experience with bank HCs, it has become increasingly apparent that each HC should be regulated as a single enterprise and not as a conglomerate of individual, independent firms. Although this fact has long been recognized by the capital market, bank regulators have come around only gradually. However, to the extent possible given the strictures of existing law, there is increasing momentum toward supervising a bank HC as an integrated organization.

This does not necessarily mean that the activities of the nonbanking subsidiaries must be subject to the same degree of regulation and supervision as the banking subsidiaries. It does imply, however, that the activities of nonbank affiliates and the parent HC should be monitored through frequent reports and analyses of intracompany payments and transfers of assets and periodic on-site examinations or inspections. Moreover, we are now well aware of the importance of simultaneous, on-site examinations and inspections of all system components.

This brings me to my second point. The implementation of an integrated approach to HC supervision dramatizes the current incongruous arrangement whereby oversight of any one HC may be shared by the three federal banking agencies. If the HC contains national bank affiliates and insured state-chartered nonmember bank affiliates, the parent organization and the nonbanking affiliates, with certain exceptions, are legally subject to examination by each of the three federal banking agencies (and by state authorities, too).

To understand how the present situation came about, it is instructive to review the legislative history of the 1970 amendments to the Bank Holding Company Act. During the Senate hearings on these amendments, one issue was the assignment of supervisory authority over the companies. As originally introduced, the bill would have completely dispersed the regulation of the HCs among the three federal banking agencies, even as to determining the permissible nonbanking activities and approving the formation and expansion of HCs. Administration would have been assigned to the agency that supervised the largest proportion of banking assets within a given system.

However, it was eventually decided that administration by a single agency would be more conducive to uniformity in developing guidelines for HC formations and acquisitions. At those hearings, former FDIC Chairman Frank Wille recognized that although this was probably the easiest solution to the problem, "it could be disruptive of established supervisory relationships over the subsidiary banks. . . ." This was a prophetic statement. Nevertheless, it was decided to vest supervisory power in one federal agency and, because of its experience in administering the 1956 Bank Holding Company Act, that agency was the Fed.

Initially, cooperation among the agencies was informal, occurring most often when a serious problem was discovered. However, in the last two years more strenuous efforts have been made on all sides to improve the supervision of a bank HC system. Early in 1976, the Fed developed written guidelines for on-premise visits and more in-depth inspections of the operations and condition of all parent companies and significant nonbanking subsidiaries. Beginning January 1, 1978, the Fed is extending this policy to include the annual inspection of most HCs with more than $300 million in total assets. Also, all Fed banks will use a standardized "report of bank HC inspection" for about 225 large bank HCs, which represent 90% of total bank HC assets. The new report will contain considerable detail, particularly with respect to the quality of the assets of the parent company and the nonbank subsidiaries. This report will be supplemented by analysis of financial statements. The Fed plans to develop a standardized report for approximately 1,730 small bank HCs sometime in the future.

At the present time, the Fed routinely provides copies of its inspection reports of HCs to the other two agencies, and we furnish the Fed copies of our examination reports of the HC-member banks that we supervise. In addition, all three agencies have established written procedures for advising each other as soon as information is uncovered about significant problems in HC components over which another agency has jurisdiction.

Each individual HC system would have to deal with only one federal regulatory agency.

Despite these cooperative efforts, the FDIC has found that it has not always been able to obtain information of the quality or timeliness that it requires in reaching an informed decision about the condition of a bank it is examining. When we examine a bank, we need to know the situation in the other banking and nonbanking affiliates in the HC at that time. A concurrent, in-depth examination of all affiliates is not always necessary, but in some cases nothing else will suffice. In the past, the FDIC has participated with the Fed, conducted its own independent examinations, or requested information from various holding companies, but only when problems or potential problems have been uncovered during normal supervision of state nonmember banks

(Continued on page 41)

The Promise of Mortgage-Backed Securities

Can eliminate long-term mortgage-loan risks

SEPTEMBER, 1977, may long be looked to as a particularly important month in the annals of mortgage lending history.

On September 21, after much delay of the type customarily associated with pioneering in finance, Bank of America became the first private mortgage lender to issue marketable, pass-through securities backed by conventional home loans without overcollateralization. A month later, on October 20, First Federal Savings of Chicago followed suit as the first mutual thrift institution to issue conventional mortgage-backed certificates.

Priced at 100, the BofA certificates sold out quickly in amounts well above the required $25,000 minimum to a variety of large investors, with 80% of the issue going to non-traditional mortgage investors such as bank trust departments, pension funds, insurance concerns and investment counselors. At 8⅜%, the return on the BofA certificates was substantially higher than the 8.02% yield provided by Ginnie Maes (Government National Mortgage Association mortgage-backed certificates) the same day.

The same was generally true of the $75 million First Federal issue. Market yields rose sharply during October and Ginnie Maes yielded 8.20% on October 20. The First Federal certificates yielded 8.75%, priced at 100. The certificates also sold to thrift institutions, life insurance companies and bank trust departments.

Given the acceptance of the historic BofA and First Federal issues, it's easy to forget that only a decade or so ago monetarists and economists talked about the general capital markets and the home mortgage market as separate entities. In fact, in the early 1960s, it was widely accepted that the two markets marched to different drummers.

But as disintermediation hit institutions with increasing frequency, capped by the strong savings outflows of 1973-74, ties between the general capital and mortgage markets became very

By LEON T. KENDALL
President
Mortgage Guaranty Insurance Corp.
Milwaukee

evident. Treasury bills, commercial paper and other competing investments pulled money from savings accounts. The drain affected the supply of mortgage money, creating one of the most severe slumps in the housing market since the 1940s.

Fortunately, housing has made a spectacular recovery. And, during that recovery, home financiers developed a number of weapons to fight the specter of disintermediation in the future. Variable-rate mortgages are one tool. But the conventional mortgage-backed security is even more important. Housing should fare much better in the next "down cycle" because the mortgage-backed security exists.

Indeed, the success of the pioneering issues described earlier indicates that this new mortgage-financing tool has finally come into its own.

It's well known that in the past commercial banks have been reluctant to make long-term, fixed-rate home loan commitments. But mortgage-backed securities can change this and present commercial banks with a fuller opportunity to become true full-service banks. They can make home loans without having to assume long-term risks by packaging the loans and selling them in an active, receptive and potentially huge mortgage-backed securities market.

The development of mortgage-backed securities is a logical extension of the evolution of the mortgage market. Home lending has progressed from "originate and hold" in the 1950s, to 50% participations in the early 1960s, to 90/10 participations, to whole loan sales. Then, in 1970, came the first Ginnie Mae pass-through securities utilizing as collateral FHA-insured and VA-guaranteed mortgages.

The advent of conventional mortgage-backed securities brings the advantages of Ginnie Maes to the biggest sector of mortgage originations—the conventional home loan. They open home lending to vast new and growing pools of financial assets, which are not subject to disintermediation. In short, the mortgage-backed security effectively converts single-family instruments into efficient investment securities designed to give the investor what he wants—a high quality, trouble-free financial asset with a respectable return.

Benefits of these securities are numerous:

- For homeowners: Steadier supply of funds, lower interest rates, more funds available in traditionally capital-short areas.
- For realtors and builders: Increased supplies of mortgage money, less cyclicality in the supply of mortgage money, ability to qualify more buyers.
- For lenders: New funds other than savings for home lending, increased capacity to sell home loans, opening of pension and bank trust funds to home loans, minimal government red tape.
- For investors: Ownership of a "blue chip" security, which history demonstrates improves with age, attractive yield and faster payback than expected, marketability and tradeability of mortgage-backed securities, default risk insurable at minimal cost.

Another benefit of mortgage-backed securities that has great significance for the housing industry is that this is a private enterprise program. It raises funds for housing at market interest rates without government guarantees or strings attached. It's not based on government programs or money, but is fueled by private demand met by private supply.

Of course, mortgage-backed securities also mean mortgage markets will be more competitive. We will move from a local and regional, 50-mile lending-limit market, to a national and international market. A national prime mortgage rate now becomes a distinct possibility. Savings flows in a state or region may no longer dictate local mortgage institutions' lending posture.

Life insurance companies (and some mutual savings banks), which "closed" their home loan departments in the 1950s and '60s, can now get back into the game via their securities investment departments.

Credit unions now have the power to make 30-year home loans and a secondary market security could make good sense to them.

Mortgage bankers, sighting a pool of institutional capital-seeking home loans at attractive rates, will also be working to develop merchandise to convert to securities. Private placements of mortgage securities may become their strength, with forward commitments their goal.

And finally, investment bankers will become increasingly involved in mortgage finance. As participants and competitors, they have considerable strength since they control the contact with the investor, sell what customers want to buy and strive to create further values for themselves as they do. Salomon Brothers, Morgan Stanley, Goldman Sachs, Blyth and Merrill Lynch are among leading Wall Street houses that are enthusiastic about developing the conventional mortgage-backed pass-through security into a standardized, highly liquid, readily tradeable instrument. Competition over who gets what in the placement of mortgage securities is bound to intensify.

Private mortgage insurance also has a vital role to play in the development and sale of mortgage-backed securities since it can eliminate the need for over-collateralization in mortgage-backed investment instruments. Mortgage insurance can "spread the risk" and enhance the quality of the issue in the eyes of potential investors. Investors must also be assured that mortgages purchased in a trust pool meet certain standards of quality. The mortgage insurance company provides this by underwriting each loan individually, based on traditional standards.

Furthermore, mortgage insurance indemnifies the trust under the terms of the contract for any losses on home loans that default. The policy covers loss of interest, taxes, repairs and maintenance, real estate commissions, attorney's fees and similar items, as well as loss of principal and interest on a timely basis, but is reimbursed at time of claim settlement by the insurer. There is also the prospect that casualty insurance will be provided to cover uninsured physical hazards such as earthquakes, floods and the like.

Like other investment securities, mortgage-backed bonds and certificates are rated by Standard & Poor's. The character of the mortgage insurance and the financial strength of the insurer are vital elements in determining whether the security gets the desired AA or AAA rating.

The importance of these factors was emphasized recently by Standard & Poor's. Their criteria include the insurer's underwriting record, distribution of risk, adequacy of capital, company age and management and ownership.

Obviously, the potential for commercial banks in mortgage-backed securities is great. Some observers envision a potential of $100 billion in outstanding Ginnie Mae securities and $250 billion in outstanding conventional securities within five years. That adds up to a market over three-fourths as large as the entire S&L business. If commercial banks compete aggressively for home loans, this forecast can come true.

In sum, 1977 has seen the coming together of two great markets—the domestic home mortgage market and the nation's capital markets. Neither is totally sure of the other at this point, but the passage of time and the issuance of more securities should eventually provide many new values for homeowners, home builders, lenders and investors. Your private mortgage insurers, functioning as matchmakers, intend to participate fully in the process.

Panel Discussions, Reports And Talks Are Planned For Independents' Meeting

"Production and Price Outlook for Agriculture in 1978" will be one of the topics to be discussed at the Independent Bankers Association of America's 48th annual convention March 5-9 at the Diplomat Resort and Country Club, Hollywood-by-the-Sea, Fla. The subject will be handled by Roby L. Sloan, vice president and associate research director, Chicago Fed.

Mr. Sloan's talk will be part of an economics panel, which will be moderated by Donald M. Carlson, former IBAA president and president, Elmhurst (Ill.) National. The other part, "Economic Outlook and Forecast," will be given by Robert G. Dederick, senior vice president and economist, Northern Trust, Chicago.

"Increasing Service-Charge Income" will be discussed by Alex Sheshunoff, president, Sheshunoff & Associates, Dallas. James H. Sammons, M.D., executive vice president, American Medical Association, Chicago, will have the topic, "The Impact of Medical-Care Costs on You and Your Bank."

The following IBAA committee reports will be given by their respective chairmen: agriculture/rural America, Don F. Kirchner, president, Riverside (Ia.) Trust; bank education, Rod L. Parsch, president, Lapeer County Bank, Lapeer, Mich.; bank operations, James R. Taylor, president, McKeesport (Pa.) National; federal legislation, Charles O. Maddox Jr., president, Peoples Bank, Winder, Ga.; resolutions, Frank Finui, executive vice president, Peoples Bank, Jennerstown, Pa.; and nominating, Mr. Maddox.

TRAUTZ

FUGATE

A federal legislative panel will be moderated by Richard W. Peterson, IBAA chief legislative counsel, Washington, D. C. Participants will be two congressional committee staff members and two financial association representatives.

The keynote address will be given by IBAA President Edward A. Trautz, president, East Lansing (Mich.) State, who also will call the first business session to order. The second business session will be called to order by IBAA First Vice President Ivan D. Fugate, president, Western National, Denver.

The registration desk will be open 8:30 a.m.-4:30 p.m. March 5, 8:30 a.m.-4:30 p.m. March 6-7 and 8:30 a.m.-2 p.m. March 8. Entertainment will include a festive dinner March 6, featuring a vocalist, comedian and orchestra and dancing; men's and women's luncheons March 7; a program for bankers' wives March 8 and the closing convention banquet March 8.

A CODE OF ETHICS

Who should write it? What should it cover?

By **CHARLES B. JARRETT JR.**
Vice President / Counsel
Mellon Bank
Pittsburgh

"THE BANKING INDUSTRY as a whole is very much in the center of public attention these days, and congressional spokesmen in particular are addressing themselves to problems—real or alleged—in the banking industry and the regulatory structure of banking."

This was said by James H. Higgins, chairman and CEO of my bank, in a letter to a committee of his directors in March, 1976.

We are indeed under the gun, and it is incumbent on us to run our business in a manner above reproach—to be good stewards of the trust placed in us.

What are the alternatives? What are the courses open to us to achieve this high purpose? I suppose some of us could continue to "play the game," to look on our business activities as some sort of a grown-up version of cops and robbers. The underlying theory here is to get away with as much as we possibly can, to bend the rules to the fullest, to stretch the limits as far as possible. People do operate in this manner, but the tenor of the times will not permit this kind of attitude or activity to continue very long. It's precisely this sort of reaction that has created much of the unfavorable business climate existing today.

The second alternative is to do nothing, to take the position that there are laws on the books, and so long as we obey them, we need do no more. I suggest this is akin to the ostrich's sticking his head in the sand, hoping the real world will go away. Internal self policing is required and, in the long run, will be more successful and effective than anything that can be accomplished by laws and regulations. I also suggest that the absence of self policing will have the long-range effect of more laws, more regulation.

In fact, the banking industry is facing the prospect of a considerable amount of new legislation, at least partially as a reaction to "l'affaire Lance." These bills are long and complex and include similar, but stricter, provisions to many of those in the supervisory powers bill (S.71) introduced by Senator William Proxmire. Among these provisions are severe limitations on "insider" loans—directors, officers, 5% shareholders and all their companies, political committees and family members—5% of capital accounts per borrower and a 50% aggregate limit on all insiders, their affiliated companies, political committees and family members.

This could have a devastating effect on a bank with a large number of outside directors who, or whose companies, are large borrowers. There are many other equally restrictive and burdensome features.

In view of these sorts of responses to business and banking activities, we cannot take the position that mere compliance with existing law is enough. We must settle our own affairs internally to avoid further restrictive measures. In short, we may wait for governmental action, making specific acts unlawful and perhaps restricting legitimate business activity, or we can conduct our own investigations and monitor our own activities.

A third, and more viable, alternative is establishment of preventative measures, including a statement of corporate policy, a heightening of management awareness, internal controls and internal audit. All these are important, but I would like to deal particularly with the statement of corporate policy—a code of conduct, if you will. I attended a conference of attorneys dealing with the question of directors' duties, responsibilities and liabilities. Almost without exception, the panelists agreed that a cornerstone of any corporate endeavor in this area was formulation and implementation of a policy statement setting forth a high ethical standard, which, among other things, would protect the corporation from claims by employees or agents that they did not know what the standards were or that they even existed.

A bank's policy statement should:

1. Establish criteria for standards of business ethics.

2. Define and monitor conflicts of interest.

3. Provide for a system of compliance, including control and reporting of fraudulent acts to the proper persons.

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1. Establish criteria for standards of business ethics.

2. Define and monitor conflicts of interest.

3. Provide for a system of compliance, including control and reporting of fraudulent acts to the proper persons.

Before going into details of these three areas, we should respond to the question, "Who is going to do it?" Obviously, no code is going to be effective without the full support of a bank's top management—the CEO must favor it actively and give unlimited support to those working on the code. He cannot write it himself. He has neither the time nor, in many instances, the expertise to deal with many of the technical and legal points to be covered. However, the CEO must approve the finished product and let the world know in no uncertain terms that it has his full and complete blessing.

The actual mechanics of drafting a corporate code are best left to a group of senior-management people—the bank's legal counsel, chief financial officer and chief personnel officer. Of course, considerable input is required from many other areas: lending, credit policy, operations, trust, but it's the above three, particularly legal counsel, who are best able to see the code from an overall corporate point of view—what the law requires or permits, applicable financial and accounting principles, personnel considerations that must be taken into account and how all this can be blended into a viable, workable program.

There are numerous examples. Many banks have long had statements covering some phases of their operations, and many more today are expanding these statements into full-blown codes covering all aspects of banking. The

Bank Administration Institute has prepared and circulated to all members *Guides for Management on Bank Business Ethics and Conflicts of Interest.* This is not a rigid document telling a bank exactly how it should operate, but, rather, sets forth as guides various ways of dealing with the many problems.

I had the privilege and pleasure of serving on the task force that drafted those guides, and they are simply that —a statement or compilation of various ways in which problems of business ethics and conflicts of interest may be treated. None of us can dictate to all banks what should or should not be in their codes, but we can offer suggestions and guidelines and point out areas of real concern.

With that in mind, let's turn to some specifics that should be covered in a policy statement. As I noted earlier, the first thing is to establish criteria for ethical standards. What's included will vary from bank to bank, but there are some specific areas that seem indispensible.

Careful scrutiny should be given gifts to or from customers, suppliers or public officials. Discretion and common sense are needed.

First, the statement should provide that information about a customer is privileged and must be held in the strictest confidence. Such information should be used for corporate purposes only and under no circumstances for personal gain. Misuse of customer confidential information could have a materially adverse effect on that customer, subjecting the bank to liability for damages. Similarly, information about the bank itself should not be released unless published in reports to shareholders or otherwise made available to the public. Any questions on disclosure should be approved by legal counsel and the chief financial officer. Furthermore, use of confidential information quite often is subject to federal or state securities laws, and misuse could result in severe penalties.

Next, the area of gifts to or from customers, suppliers or public officials should be scrutinized carefully. The policy should emphasize the necessity for discretion and common sense. Obviously, gifts of a nominal value on special occasions or legitimate entertainment for proper business purposes are all right. However, they should not be of such value or frequency that they're construed to be gratuities for doing business with a bank.

The same restrictions would apply to accepting a legacy through a will. Of course, there are exceptions, such as a gift or legacy based on a family relationship. Remember, too, it's a crime under federal statutes for any employee of a federally insured bank to require or accept any gift or commission for granting an extension of credit.

Third, the policy statement also should set forth, clearly and precisely, limitations on political activity. We all know it's illegal under laws of the U. S. and many states to use corporate funds for campaign contributions or for other political purposes.

What constitutes "political activity" and "corporate funds?" Questions on employees' time, use of office equipment, advertising, etc., must be carefully considered and precisely answered. A bank's policy on granting leaves of absence for political purposes should be spelled out, as well as its attitude on political-action committees. The statement should reflect that no attempt to circumvent the law will be condoned, and even those activities legally permissible will be carefully delineated. This whole area of political activity has been one of the major bones of contention and must be given utmost attention.

Of equal importance is the next question—loans to officers, directors and employees and interest rates charged for such loans. Subject to limitations imposed by regulation on amounts a bank may lend to its executive officers, there really is no restriction on loans to or rates charged employees. Nevertheless, the bank should have a policy applying uniform standards on loans to *all* officers and employees as to amount, rate and credit considerations. Recognizing that special rates may be given as part of overall employee benefits, a bank must make sure those special rates are the same for all members of a class. Similar criteria should be established for loans to directors and to companies they head. Under no circumstances should directors participate in decisions on loans to them or to their firms. Such loans should carry interest rates equal to comparable credit risks.

Finally, of paramount importance in any statement is the necessity for separation of the trust and commercial departments. It's not enough to say that a "Chinese wall" exists; it must be emphasized that credit and related information available to lending officers cannot be given to trust personnel who make investment decisions. Each must be responsible for his own decisions arrived at independently. Our code must make it clear that a bank acting in a fiduciary capacity must administer trust assets solely in the best interests of the beneficiaries. This requires a higher standard and cannot be colored by a divided loyalty.

There are many more areas that are properly included in a statement of business ethics. Among them are charitable contributions, indemnification of directors and officers, reciprocity with other financial institutions, advertising and public relations, employment of relatives and community responsibilities. Each is to be considered, and, once again, each institution must decide for itself what's necessary in view of its own activities, goals and community situation.

Leaving the area of business ethics and turning to the second major area of our code—conflicts of interest— again, there are almost numberless topics to be covered, but I'll limit myself to some of the more important and obvious ones. These include outside interests and personal investments, business opportunities of the bank, referral of customers to attorneys, accountants

A bank's CEO must fully support an ethics code and those working on it. He cannot write it himself, but must approve the finished product.

and the like, borrowing from customers and purchase of assets from the bank. Officers and employees can and should have outside interests, but none that would conflict with the interests of the bank or of its customers. There's nothing wrong with a bank employee serving as a director of another company or having a financial interest in a family business, but that relationship must be disclosed and such employee should not represent that firm in its dealings with the bank.

Certainly, employees should not engage in activities that are in competition with the bank. Similarly, investments by an employee should be disclosed if they are in an entity such as a customer borrower, supplier or competitor of the bank. An employee cannot make an investment in a security under circumstances that would indicate reliance on information obtained in the course of his or her employment and not generally known or available.

Bank employees often are asked to give legal or tax advice or to refer customers to attorneys, tax experts, accountants, stockbrokers or real estate agents. A bank is limited by law in kinds of services it can provide a customer, but it's permissible to refer a

(Continued on page 79)

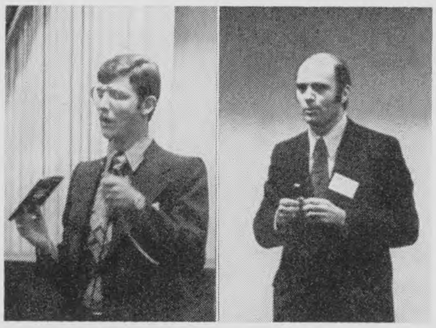
Anti-Crime Seminars:

They Show Good and Bad Points Of Security Equipment, Methods

HOW SAFE is a safe? Are electronic alarm systems dependable? What are the chances of being a victim of an executive kidnap plot? How do you search a room or a building for a bomb? What do you do if you find it? What does the Bank Protection Act of 1968 require a bank to do?

These questions and many more are answered in two-day, anti-crime seminars that will be presented by Mosler, an American-Standard Co., in five major cities during 1978. According to Robert Rosberg, Mosler director of communications, the seminars began almost 20 years ago in response to requests from law-enforcement agencies. Since that time, literally thousands of people concerned with crime prevention have attended these seminars from many groups, including hundreds of financial institutions, most major insurance companies, dozens of colleges and universities, scores of state and local police departments and federal government agencies such as the FBI, CIA, FHLBB, Department of Interior, Nuclear Research labs and Naval Security Group Command. Major associations such as the BAI, S&LL and CUNA also have sent representatives to seminars in previous years.

The current two-day format was initiated in 1977 and will be continued in 1978. Locations and dates for this year's meetings are as follows:



LEFT: Different types of "homemade" bombs are shown and described at Mosler anti-crime seminars by member of U. S. Army bomb-disposal unit. RIGHT: Special agent of FBI discusses probability of executive kidnap/hostage emergencies and what FBI's role is in such cases.

New York City	April 19-20
St. Petersburg, Fla.	May 24-25
Montreal, Quebec	September 13-14
Chicago	October 18-19
Las Vegas, Nev.	November 15-16

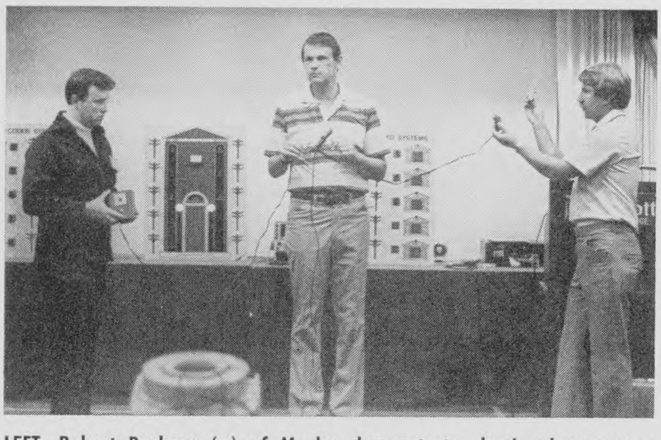
"Our objective," Mr. Rosberg explains, "is to demonstrate the relative weaknesses and strengths of physical and electronic-security equipment so that security directors of banks and others concerned with crime prevention will know the true value of the protection they think they have."

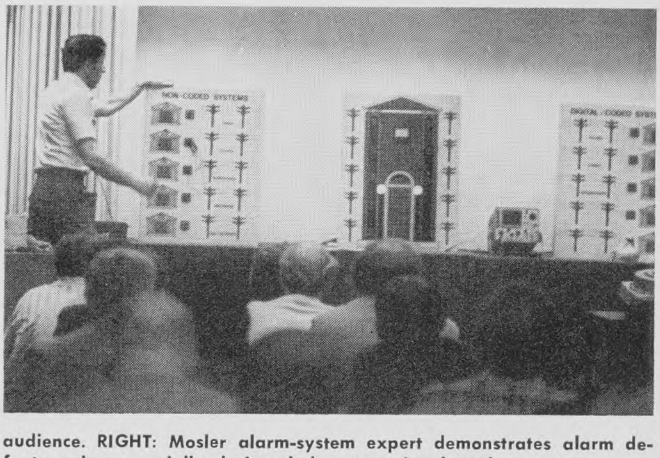
Mosler experts accomplish this in lively sessions liberally sprinkled with demonstrations, films and slides both inside the hotel meeting rooms and (for a spectacular "burning bar" demonstration) out in the parking lot.

The first day starts out with Mr. Rosberg asking the question, "Do any of you in the audience know the difference between a money safe and a record safe?" Only one or two in the audience can give a complete answer. He goes on to illustrate construction and design concepts of both types of safes and then, with slides showing dozens of examples of safes ripped open, drilled, punched and torched, shows why it's not a good idea to keep valuables in a record safe. This leads to a discussion of the meaning of UL safe classifications and relative merits of various types of safes and record vaults.

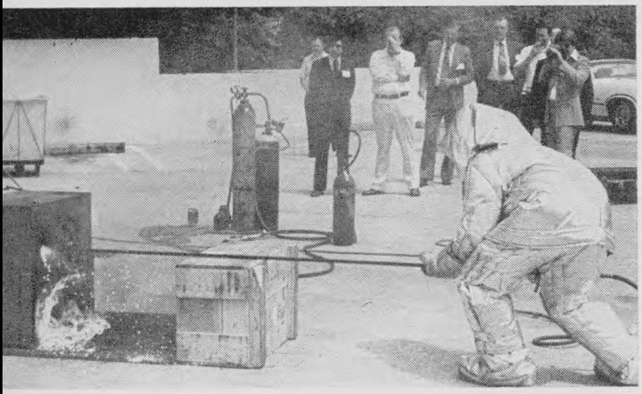
Then, just to make sure the audience gets the message, a safe is wheeled out on stage, and a technician cracks it open in less than a minute—less time than it takes to work the combination dial in most instances.

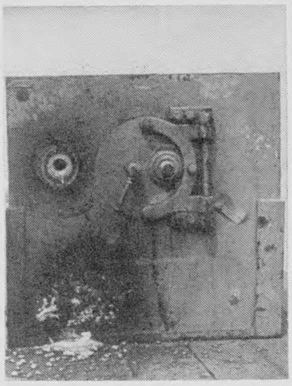
After coffee, Mr. Rosberg launches into a discussion of the "burning bar" and its effectiveness as a burglar tool. There's an interesting movie of an actual "burning-bar" attack on a vault in a bank building that was being torn down. Then all troop out to the parking lot to watch the real thing. A man in a silver suit, looking like an astronaut, fires up a long pipe and, with





LEFT: Robert Rosberg (c.) of Mosler demonstrates basic alarm-system principle at his firm's anti-crime seminars with help of volunteers from audience. RIGHT: Mosler alarm-system expert demonstrates alarm defeats, using especially designed demonstration boards.





LEFT: Man in heat-resistant suit shows how quickly burning bar can penetrate four inches of steel and concrete. Demonstration is part of Mosler anti-crime seminars. CENTER: Neat, round hole in this money safe was made by burning bar in about 90 seconds. RIGHT: "She's open!" Technician "punches" record safe on stage in record time of 42 seconds.

flames and sparks spewing into the air, burns a hole through the wall of a large safe. It's an awesome sight.

The lunch that follows is a welcome break as these sessions feed the audience great gulps of information at a fast pace.

If possible, the afternoon is even more informative than the morning. A Mosler expert in alarm systems states flatly that 98% of alarm systems in use today, including those in banks, can be compromised with less than $15 worth of equipment that could be picked up in any electronic-supply store. Then, using a blackboard and special demonstration panels, he proves what he says by compromising a dozen different types of alarm systems.

"The idea is not to denigrate alarm systems," he says, "but to show that different types provide different levels of protection. In alarm systems, like anything else, you get what you pay for." To anyone in the audience who thought he had a foolproof alarm, this session is a bit unnerving.

The afternoon winds up with a discussion of surveillance camera systems and silent robbery alarms and procedures. A motion picture showing actual bank and store holdups taken by holdup cameras is highly educational as most viewers, fortunately, never have been involved in a robbery attempt. Another film that Mosler produced for training tellers in holdup procedures provides basic information about what they are expected to do, and just as important, what they are not expected to do, during a robbery emergency.

The second day, after being fortified by a hot breakfast, the "students" settle down for a session that delves into the mystery of the Bank Protection Act of 1968. The discussion that follows, illustrated by a slide program, provides an insight into the act's requirements and non-requirements that is sorely needed in the industry.

The second part of this session deals with vault, safe-deposit-box and night-depository design and construction correlated with BPA and Insurance Services Office requirements. Several bank security directors (who presumably have a better-than-average grasp of security equipment and systems) have commented that this session on the BPA was the most enlightening part of the entire seminar.

The next hour is a change of pace from the artificial world of the Bank Protection Act to the real world of the con-game artist. A representative of the city police department's "bunco squad" says that the confidence schemes that were old in Cleopatra's time are still bilking bank customers of hundreds of thousands of dollars a year. It's incredible that people still fall for the "pidgeon drop" or the "bank examiner" schemes; or that tellers still cash checks for strangers who say they are "old friends of the bank manager." Each new generation is new prey for the con man or woman. It seems as though an educational effort is needed here.

The afternoon sessions wind up the two-day seminar in a dramatic fashion. First, a U. S. Army bomb-disposal unit representative, assisted by motion pictures, shows what some typical bombs look like and how they are constructed—and, more importantly for a security director, how to cope with a bomb-threat emergency. A demonstration of just how to search for a bomb in a room and in a building is the harrowing highlight of this session. Unless the search is conducted properly, it's too easy to overlook the obvious—as the speaker so effectively demonstrates.

The last, but probably most thought-provoking, session deals with executive-kidnap and family-hostage emergencies, which, fortunately, are not so prevalent in this country as in other parts of the world. Still, the threat is something that should not be overlooked in a comprehensive security program, especially for financial institutions. As Willie Sutton once said, "Banks are where the money is." This is something that political terrorists and criminals are also well aware of. A film dramatizes the emergency and demonstrates how best to cope with it. Then, in typical quiet, FBI style, a special agent of the FBI explains from personal experience what happens in kidnap/hostage situations and how the FBI and local police can help—if given cooperation by the firm involved. When this agent talks, everybody listens.

Mosler levies a $210 charge for the two days or $125 for just one of the days. The proceeds, according to Mr. Rosberg, cover seminar expenses and a portion of the cost of producing educational and training films and printed materials on anti-crime subjects. Some of these materials are part of the student training material kit given to each attendee.

One "student," asked to assess the value of these seminars, put it this way: "I never knew how much I didn't know—before I sat in on one of these sessions."

Information about the 1978 anti-crime seminars can be obtained by writing Robert R. Rosberg, Mosler Anti-Crime Bureau, 1561 Grand Boulevard, Hamilton, OH 45012, or by calling 513-867-4336. • •

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How the experts

No matter how aggressive or innovative a mortgage insurance company may be, there is no substitute for time to build real financial strength. A strong basket is not built in a day.

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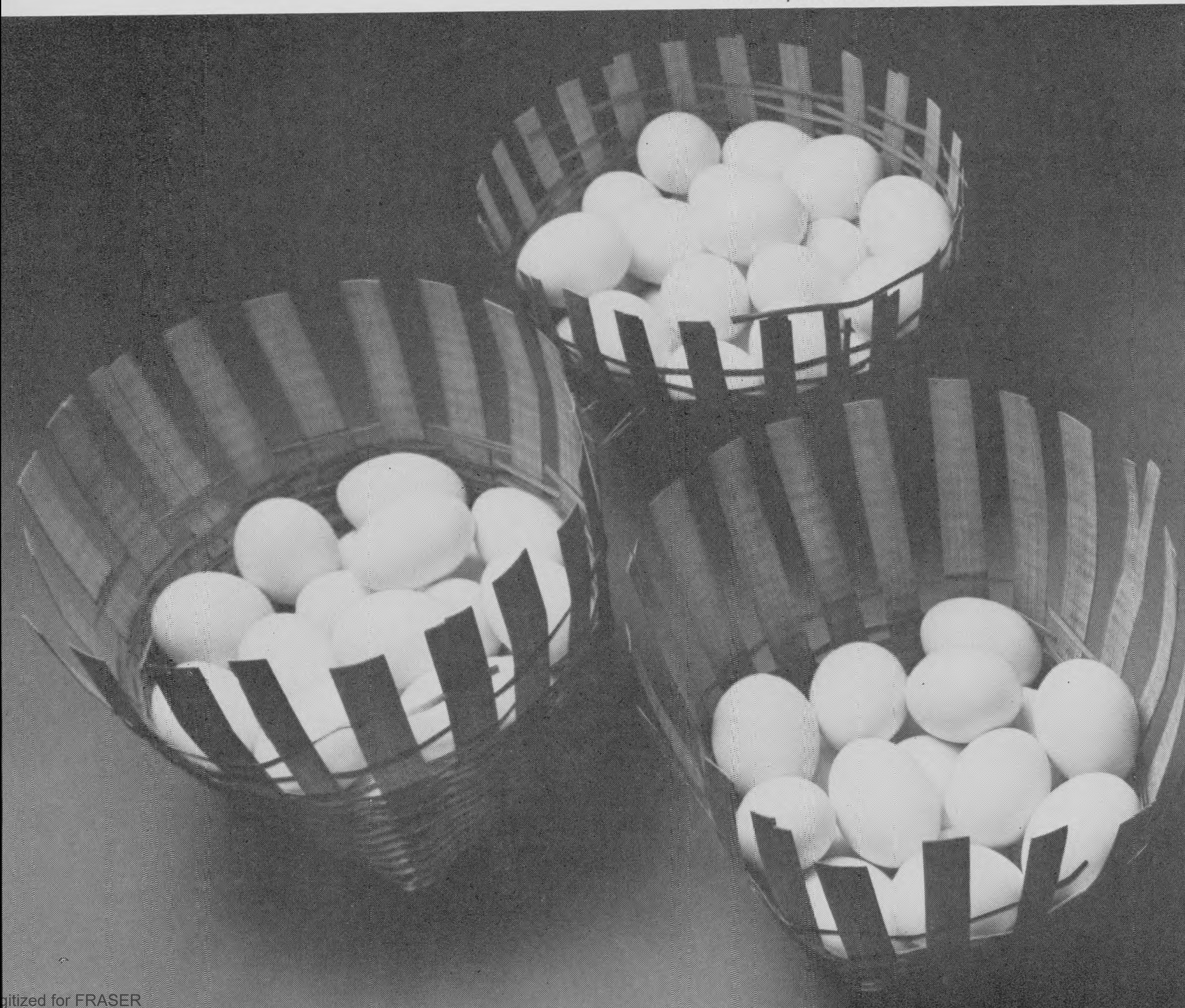
MGIC's unassigned surplus is $74.8 million*, 24 times larger than any other

* As of September 30, 1977.



view our industry.

mortgage insurer. Similar to a lender's retained earnings, this surplus is also a measure of how well a company manages its balance sheet. And it proves that MGIC consistently lives within its premium dollar.

MGIC was the founder of the private mortgage insurance industry, and we've been building our financial strength for 21 years.

While it's conventional wisdom not to put all your eggs in one basket, in mortgage insurance it may be greater wisdom to put them in the biggest and strongest basket.

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For a more detailed look at MGIC and the subject of financial strength, contact your local MGIC representative. Ask him for a copy of the special Standard & Poor's report.

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Manufactured Housing Industry Grows Up; Old Stigmas Are Proved to Be Fiction

ONE OF the major myths about manufactured housing, according to the Manufactured Housing Institute (MHI), is that terms for financing units are highly unfavorable.

On the contrary, the MHI says, a revolution in financing has taken place over the years. A variety of government loan programs and mortgages is available to make mobile home financing more attractive to lenders.

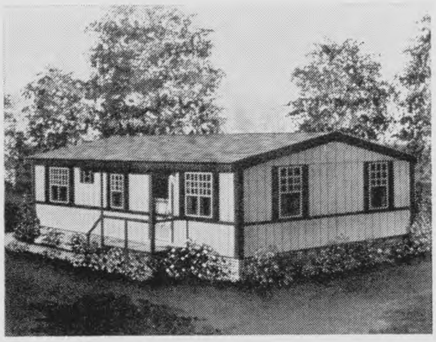
Another myth states that manufactured housing depreciates by 50% in five years. The MHI says that improved construction has diminished depreciation factors. A well-maintained, landscaped and well-located manufactured home will usually increase in value.

It is generally believed that regulations discourage moving a manufactured house. The MHI says that the movement and cost of transporting a manufactured house is carefully regulated by the Interstate Commerce Commission and/or state highway rules regarding the length, width and time of movement. At present, 49 states permit the movement of homes that are 14 feet wide. Doublewide units are usually moved in sections.

Are manufactured home dwellers mostly unemployed or dropouts? The MHI says the owners of mobile homes and other manufactured units comprise one of the most stable sectors of society. They are considered good credit risks by most banks and other lending agencies.

Is the incidence of fire greater in manufactured housing? Fires in manufactured houses have decreased 8% to 10% in recent years while fires in other types of residences have increased, the MHI says. As part of its self-regulating policy, the industry has funded a $50,000 research program in conjunction with the National Bureau of Standards to ensure owner safety.

Manufactured housing communities are often thought to be inconvenient and out of the way for residents.



This is a mobile home? Recently introduced model by Champion Home Builders features site-built look with use of wood exterior siding, pitched shingled roofs, large windows, front porches and fire-resistant gypsum-drywall interior walls and ceilings. Partially or fully furnished models retail from $7,000 to $13,000.

The MHI disputes this contention. Today's developers are creating planned communities to attract a more affluent public and are considering convenience to shopping, schools, transportation and recreation when they choose a location.

Does manufactured-home living mean yesterday's seedy trailer park environment?

Today's community represents a substantial investment of money, the MHI says. Its planners, following the manufactured housing industry's lead, are incorporating facilities and buildings similar to those found in large-scale real estate subdivisions.

The MHI says that manufactured housing families aren't transients. Rather, they are people who move once every seven years, a figure that is in line with the national average for all home dwellers. Mobile homes are generally moved only once—from factory to site.

Are older people without children the principal owners of mobile homes? No, the MHI says. Well-rounded families are now turning to manufactured housing as the answer to modest-cost home ownership. Half are couples under age 35 and about 25% are retirees.

The MHI says that mobile home construction is not shoddy and the lifespan of a manufactured home is not short, contrary to popular belief. A quality manufactured house is constructed with the same materials as a site-built house, lacking only a foundation, the MHI says. According to a 1970 census of housing, 85% of the manufactured houses built in 1949 are still in use.

Another myth about mobile homes states that the units are all alike. Not so, says the MHI. There's a choice of size, floor plan and furnishings in manufactured homes to accommodate each buyer's special needs.

Is there a particular convenience in buying a manufactured home? Yes, the MHI replies. Manufactured homes provide complete housing, fully equipped and furnished, within three weeks from date of order, as opposed to the more than six months' wait necessary for site-built construction.

What quality of appliances come in manufactured housing? Are they "brand X" or "mini" versions? The MHI says that every manufactured home is equipped with a 30-inch conventional or counter-top range and a 12- or 14-cubic-foot refrigerator—and all appliances are brand name.

The MHI says that taxation methods for mobile homes are changing and tax assessments are being equalized, facts that are encouraging jurisdictions that previously didn't welcome manufactured home owners to begin to do so now.

The MHI was formed in 1975 as the result of the merger of the then-39-year-old Mobile Homes Manufacturers Association, the Trailer Coach Association and the Southeastern Manufactured Housing Institute. MHI represents 80% of the nation's manufactured housing industry and maintains a national headquarters in Washington, D. C. • •

Optimistic Mobile Home Outlook Held by Manufacturers

WHILE mobile homes have been losing their share of the total housing market over the past five years, mobile home manufacturers are looking to 1978 for a reversal of this trend, provided adequate financing is available.

Mobile home shipments in 1977 are estimated at approximately 270,000 units. Predictions for 1978 shipments vary from 293,000 to 310,000, a 9% to 13% increase in sales.

Among the reasons given by manufacturers for increasing shipments this year are the following:

• Rising conventional home prices are convincing prospective home buyers that a new stick-built single family residence is no longer affordable.

• Personal income is expected to rise by about 11% this year. Blue collar unemployment has dropped nearly two percentage points since August, 1976. This group is a principal source of mobile home sales.

• Higher quality mobile homes are being manufactured. Standards promulgated for mobile homes in 1976 by the U. S. Department of Housing and Urban Development have made the units more finance-worthy and more acceptable to consumers.

• Demographics over the next several years should support a high level of demand for housing. Between 1978 and 1980, an additional 1.5 million Americans are expected to reach the age of 65. Many of these people are expected to purchase mobile homes for their retirement years.

Manufacturers state that the trend continues to be toward larger and more expensive mobile homes. Income from sales in 1978 is expected to be up about 20% over 1977 figures, reaching $4 billion, due in part to inflation's effect on mobile home prices.

The biggest single impediment to the resurgence in demand for mobile homes continues to be a lack of adequate bank financing. Even though interest rates are on the rise, prospective buyers of mobile homes are more likely to make their purchases than are prospects for stick-built homes, providing financing is available.

The biggest fear of those in the mobile home industry is not increasing financing rates, but the tightening up of mobile home financing by lenders. • •

In Chicago:

Raised-Print Checks Offered to Blind

Special raised-print checks for the visually handicapped are being offered by Continental Bank, Chicago, in an effort to make check writing easier for handicapped customers.

Blind or visually handicapped customers opening a Continental Bank-in-One account—a combination checking, savings and charge card package—or a minimum-balance checking account will receive 200 of the non-Braille "guideline" checks at no cost.

Lettering on each check is raised so the blind or sight-impaired can feel with their fingers the lines they must fill in with date, amount and signature. The large business size of the checks—about eight by four inches—makes them easier for the blind to use, the bank says.

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We don't believe in prescribing over the telephone. We think it's impossible to counsel you on your portfolio needs unless we can pay you a personal visit where we can sit down and discuss together the steps necessary to get your investment program in top shape. Our UMIC registered representative, a trained professional, will pay you an office visit and give you a free diagnosis of your portfolio problems. UMIC is an investment banking organization that has experience—and expertise—in the fields of fixed income securities, including municipal bonds, Ginnie Maes, Freddie Macs, tax exempt bond funds, U.S. Treasury bonds, and Federal Agency securities. UMIC also offers financial counseling to municipalities. To make an appointment for one of our house calls, you need only telephone (901)761-4500 and one of our specialists will be right over. After listening to what he has to say, we don't think you'll want to bother with getting another opinion.

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Mobile Home Financing Loss Reduction Depends on Sound Methods of Lenders

FOUR PRACTICES that could result in a reduction—or even an elimination—of losses associated with mobile home financing were presented recently to the Indiana Manufactured Housing Association by Jack Kollker, vice president, manufactured housing division, Percy Wilson Mortgage & Finance Corp., Chicago.

• Lenders must select dealers with whom they do business with care, he said. Every dealer must have sufficient net worth and working capital to support a long-term venture into the selling of mobile homes. Each lender must have the ability to analyze financial statements that are prepared by licensed accountants, not by dealers or their employees. Also, he said, the past reputation of a dealer in handling floor plan obligations and assisting in the disposal of repos must be above reproach.

• Lenders must have sound credit underwriting programs. With today's low down payment and extended maturity programs, it's essential that particular attention be paid to two old-time credit factors—willingness to pay and ability to pay, Mr. Kollker said. Lenders should establish the following minimum customer profile for a buyer to qualify for a minimum down payment of all fixed monthly obligations.

All I-1 credit with a high of at least $1,000; at least two years with current employer; an income-to-payment ratio of four-to-one; and a net family income of $100 per family member after payment of all fixed monthly obligations.

If a buyer doesn't totally meet this profile, he said, it should be the lender's policy that a larger down payment and a more limited advance could enable the buyer to qualify. A sound underwriting program is essential and every lender must adhere to its policy—no matter what the competition does, Mr. Kollker said.

• Every lender must have a sound collection program calling for prompt delinquency contact and daily follow-up on broken promises, Mr. Kollker said. "The best credit underwriting in the world will be for nought if it isn't coupled with a sound collection program," he added.

• Lenders must face up to the fact that depreciation and excessive losses on repos must be reduced by utilizing the following methods:

1. Every dealer must be tied to an agreement to resell a mobile home at a retail price for as long as he is actively engaged in the sales of mobile homes. "Any lender who thinks he can finance more than 100% of the manufacturer's invoice on a straight non-recourse basis without the assistance of dealers in the disposal of repos has a questionable future in the industry," he said.

2. The best way to reduce depreciation and loss is to tie the mobile home to the land. The land on which the home is being placed should be taken as additional security, especially in the case of doublewide mobile homes, due to the tremendous cost involved in removing and replacing them.

3. Exclude furnishings from the finance package. Furnishings, excluding appliances, can amount to 17% of a typical doublewide invoice. If such a home is financed and repossessed, the lender can count on an immediate depreciation of that amount, Mr. Kollker said.

He said that dealers are always interested in still lower down payments for mobile homes, in addition to increased finance amounts and longer financing terms.

"As I see it," he said, "there's only one way a lender can offer such a program. The home being financed must be kept with the land on which it is placed so that the word 'location' becomes a meaningful part of the value."

He said this means that a mortgage must be obtained on the land that is owned by the buyer. It also means that no home being placed in a rental park should ever be financed for more than 12 to 15 years, since such a deal could not include the land.

Mr. Kollker said that Percy Wilson is offering dealers that provide FHA and VA financing the following conventional lending program:

• Eligible homes: Doublewides with shingle roof and 14-foot singlewides from manufacturers approved by the lender.

• Eligible locations: Privately owned lots with a written lot appraisal and a first-lien to the lender.

• Term: 20 years on doublewides and 15 years on singlewides.

• Annual percentage rate: 11.74% on 20-year and 12.34% on 15-year loans.

• Amortization: On a simple-interest basis.

• Down payment: As little as no down, dependent on the value of the lot.

• Maximum financeable amount: 80% of retail value, which is determined by taking 125% of the manufacturer's invoice, plus installation, plus sales tax, plus the value of the land.

"We think this program provides the steps that must be taken when financing homes in parks for 10-to-15 years and land and homes in subdivisions for 25-to-30 years," Mr. Kollker said. This program is designed for the buyer who wants to place a home on a piece of private property that he owns, but who doesn't have the resources to pay for both improvements and down payment, he added.

Mr. Kollker said he believes the mobile home industry is on the threshold of great sales opportunities when government-provided financing programs are tied to the price advantage mobile homes enjoy over stick-built housing. • •

HC Supervision

(Continued from page 26)

affiliated with HCs or when an insured bank is in danger of failing.

One resolution of the inadequacies inherent in the present supervisory system would be to consolidate all bank and bank HC regulatory and supervisory powers into a single federal agency such as the Federal Banking Commission that Senator William Proxmire (D.,Wis.) has proposed. On grounds of efficiency and supervisory uniformity, valid arguments can be mustered for such an approach. However, a system that provides regulatory alternatives would be superior to a single agency. It has been my experience that such a system is more responsive to changing conditions and tends to assure responsible supervision and regulation.

A better resolution of the bank HC supervisory problem would be to charge the federal agency that supervises the lead bank in a holding company system with primary supervisory responsibility for the entire system. A comparable alternative, proposed in the original version of the 1970 amendments to the Bank Holding Company Act and recently advocated by the Comptroller of the Currency, would be to assign to the federal agency that supervises the largest proportion of the total banking assets of a given class of banking affiliates the supervision of that HC.

However, I would not alter the Fed's

responsibility for determining permissible activities and for approving HC formations and acquisitions. With respect to the approval of formations and acquisitions, I would recommend that the Fed defer to the judgment of the primary federal supervisor on matters pertaining to the financial and managerial resources and future prospects of the affected banking affiliate. This has been a problem in the past and was highlighted by the recent decision of the U. S. Court of Appeals of the Seventh Circuit to set aside a Fed ruling denying the acquisition of First National, Lincolnwood, Ill., by First Lincolnwood Corp. (No. 560 F.2d. 258, dated July 13, 1977). The court found that affiliation with the HC would not adversely affect the soundness of the bank and stated that the matter of the soundness of national banks was reserved to the Comptroller of the Currency. The Fed has relied heavily on the applications process as a means of regulating bank HCs, and there is potential here for conflict with the other supervisory agencies.

The supervisory change that I recommend is a major one. If enacted, the FDIC would be the sole federal supervisory agency for an entire bank HC system where the lead bank is a state-chartered, nonmember, insured bank. The FDIC would have jurisdiction over all other banks in the group, whether national, state member or nonmember, over the parent company and over any nonbanking subsidiaries. The Comptroller of the Currency would have the same responsibility where the lead bank is a national bank and the Fed where it is a state-chartered member bank.

My proposal would mean that approximately 700 state-chartered banks currently supervised by the FDIC would be supervised instead either by the Comptroller of the Currency or the Fed. On the other hand, fewer than 100 national and state member banks would find themselves examined by the FDIC. The number of banks supervised by the FDIC, thus, would decline by 600, while the Comptroller and the Fed would experience net increases of 480 and 120 respectively. If the Comptroller of the Currency's proposal were adopted instead, the number of banks supervised by the FDIC would be reduced by about 525. Thus, it should be clear that in making this proposal, I do not have ulterior motives, or, stated in the vernacular, I am not merely trying to protect my "turf."

Regardless of which method might be used for the assignment of supervisory jurisdiction, both my proposal and that of the Comptroller would divide bank HC supervision among the three federal agencies. However, each individual bank HC system would have to deal with one, and only one, federal bank regulatory agency. And each would be treated as an integrated organization.

This would be in the best interest, not only of the bank HCs but of the public as well. • •

Dallas HC's Income Up

DALLAS—First International Bancshares has reported 1977 net income of \$65.8 million, a 15.1% increase over the 1976 figure of \$57.2 million. On a per-share basis, this is \$4.35 for 1977 and \$3.78 for the previous year.

PAL's Pal:

Detroit Bank's J. Hyer Heads Athletic League

Detroit's Police Athletic League (PAL) hockey program is "banking" on a successful season this year, because PAL has as its president Jerome R. Heyer, executive vice president, Detroit Bank.

Other executives from Detroit Bank will take part in the PAL program, which is designed to keep area youngsters involved in constructive activities and out of trouble: David Westhoff, vice president and auditor, a PAL director and this year's treasurer; Charles J. Snell, vice president-retail marketing, also a PAL director and chairman of its fund-raising committee; and David L. Conrad, vice president-personnel director, a PAL director.

Jerome R. Heyer (rear, l.), e.v.p., Detroit Bank, is joined by Dick "Night Train" Lane (rear, r.) and group of youngsters in discussing plans for 1977-78 hockey season of PAL—Detroit Police Athletic League—of which Mr. Heyer is pres. Mr. Lane is league's exec. dir.

PAL is structured as a year-round recreation program especially for metropolitan Detroit's disadvantaged youngsters. The league is staffed by off-duty patrolmen and community volunteers.

Textron Officer Chosen by President To Succeed Burns as Fed Chairman

Arthur Burns, Fed ch. since 1970, was not renominated to post by President Jimmy Carter.

By ROSEMARY McKELVEY
Editor

AFTER MONTHS of speculation, President Jimmy Carter announced in late December that he was nominating G. William Miller, chairman of Textron, Inc., to succeed Arthur Burns as Fed chairman. The latter's term was up January 31, although his term on the Fed Board of Governors was to run until 1984. However, Mr. Burns announced January 13 that he planned to resign from the board, effective March 31 or earlier.

Several names had surfaced in guessing games played across the country as to who would be nominated by the President if he decided not to renominate Mr. Burns. However, Mr. Miller's name was conspicuously absent. Despite the fact that he is a top officer of one of the country's first conglomerates (headquartered in Providence, R. I.), his was hardly a household name. After his nomination was announced, however, he received the backing of such diverse persons as George Meany, head of the AFL-CIO, and Reginald Jones, General Electric Co. chairman. Disapproval came from Senator William Proxmire (D.,Wis.), chairman, Senate Banking, Housing and Urban Affairs Committee, who described Mr. Miller as a "rookie," who will need "on-the-job training." However, Senator Proxmire's counterpart in the house—Representative Henry S. Reuss (D.,Wis.), head of the House Banking Committee—said that Mr. Miller "sounds great."

Mr. Miller has ties to the Mid-Continent area, having been born in Sapulpa, Okla., in 1925 and having grown up in Borger, Tex. He has a diversified background: Following graduation in 1945 from the U. S. Coast Guard Academy with a B.S. degree in marine engineering, he served as a Coast Guard officer in the Far Pacific, China and on the West Coast. Incidentally, it was in Shanghai in 1946 that he met and married his wife, Ariadna, who is of Russian parentage and who had lived in Harbin, Manchuria. In 1952, Mr. Miller received his J.D. degree from the University of California School of Law at Berkeley. He then joined the New York City law firm of Cravath, Swaine & Moore.

G. William Miller, ch., Textron, Inc., Providence, R. I., was chosen by President Jimmy Carter to succeed Arthur Burns as Fed ch.

His career with Textron began in 1956, when he joined the firm as assistant secretary, becoming vice president the following year. In 1960, when he was only 35, he became Textron's president and added the title of CEO in 1968. He was named chairman in 1974.

The firm, which employs 64,000 persons, reported 1976 sales of $2.6 billion. Textron operates through five product groups—aerospace, consumer, industrial, metal product and creative capital—and has 180 plants and major facilities in the U. S. and several foreign countries.

Mr. Miller is no stranger to the Fed, having been a director of the Boston Fed the past six years.

Since the President's announcement about Mr. Miller, there have been conjectures, spoken and written, across the country on what kind of Fed chairman the Textron official will be and how he will differ from Mr. Burns. He is described as a registered Democrat, which to many would characterize him as a liberal. However, according to an article in *Time* magazine, Mr. Miller was called frugal both in his personal life and in his work at Textron, which he has kept remarkably free of borrowing. On the other hand, he was an early supporter of the Humphrey-Muskie Democratic ticket in 1968 and has long been a friend and admirer of Vice President Walter Mondale. It was the latter, by the way, who was charged by President Carter with finding a new Fed chairman and who headed the search team that came up with Mr. Miller.

Mr. Miller will face the same problems that confronted Mr. Burns—inflation and unemployment. Mr. Miller has been quoted as saying that price stability and full employment are not incompatible goals. It will be interesting to see how he goes about trying to reach those goals. • •

Package Plan Enables Nashville CityBank To Hone Competition With Big Neighbors

By RALPH B. COX
Publisher

WHY WOULD a bank want to market a package program to its customers? What marketing techniques would be involved in launching such a program? What results could a bank expect from such a program?

These were some of the questions grappled with by management of Nashville CityBank (NCB), fourth-largest bank in Tennessee's capital city, as the sales possibilities of a package program were being considered.

Now that the program has been in place for a year, most of management's questions have been answered, according to Nelson Early, the bank's product manager. And throughout the bank's 10 offices—from president to tellers—there's an enthusiastic appreciation of the bank's package plan and its benefits to both customers and the bank.

NCB was one of several banks in the area to assess checking accounts with a service charge when a package plan was being considered. Thus, the anticipated fees from a monthly service charge for the plan weren't the most important factor in deciding whether or not to offer such a plan to customers. As a matter of fact, the bank's pre-plan service charges were substantial enough that estimated package plan fees would result in only slightly higher revenues for the bank.

The primary reasons the bank opted for a package plan program, according to Mr. Early, were to achieve stabilization and growth in the area of checking accounts. Management realized that these accounts were more volatile than usual, when compared with statistics of banks in similar-size markets. It seemed that NCB was losing checking accounts almost as fast as they were being acquired, for some of the following reasons:

- The bank is competing in the same retail market with three of the state's largest banks, all of which are quite aggressive and each of which offers a package plan of its own. It was obvious that NCB was losing customers to its competitors' package-plan programs.
- The Nashville market is a volatile one, with customers coming from state offices, universities and the music industry. Nashville claims to be the nation's second largest recording center and the city's Opryland draws many artists and workers as well as tourists.

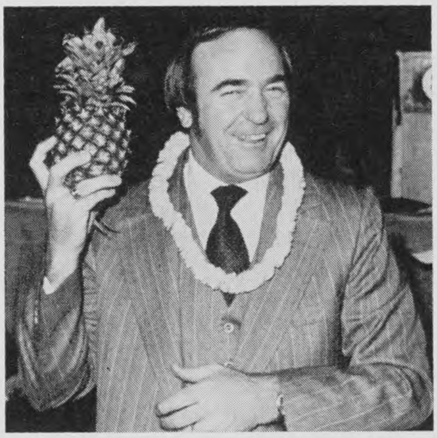
More questions came to mind at NCB: Were customers leaving NCB to "buy" the advantages of package plans offered by competitors? Would it be possible to retain present customers—perhaps even get a larger share of the market—if NCB were to adopt its own package plan? It seemed reasonable to assume an affirmative reply in each case.

NCB management discarded the idea of creating its own package plan. Such a step would be costly, time consuming and undoubtedly would be error-prone, at least at the outset.

The decision was made to join one of the established plans on the market, one that had a good deal of clout. Bank officials studied all the packaged plans and chose BANCLUB, a six-year-old package plan offered by 1,300 member banks spanning the nation. Coincidentally, BANCLUB is located in Nashville.

Fortunately for NCB, BANCLUB didn't have a client in Nashville since each of the banks offering plans had devised its own. BANCLUB offers its plan on an exclusive basis in each market.

NCB's package features include accidental death insurance, travelers checks with no issue fees, discounts on safe deposit box rentals, plastic membership cards and personalized checks. BANCLUB provided the insurance, membership cards, promotional material



Jim Williams, v.p. & personnel dir., Nashville CityBank, gets into swing of things at breakfast bank sponsored to launch its package plan program incentive promotion for employees.

and employee training, and NCB supplied the other features. But the plan also included another important feature, CHECASH, which enables NCB customers to cash checks for up to $200 at any participating member bank (more than 3,000 bank headquarters and branch offices) from coast to coast.

Perhaps even more important was the fact that BANCLUB offered its years of marketing expertise to NCB to both help the bank individualize its package plan and then market it to the public. NCB's management reasoned that this same experience could be used to prevent the bank from making costly advertising errors or from making offers that already had been tried and discarded by other members through the years. This reasoning has proved to be correct many times as the project was launched and marketed.

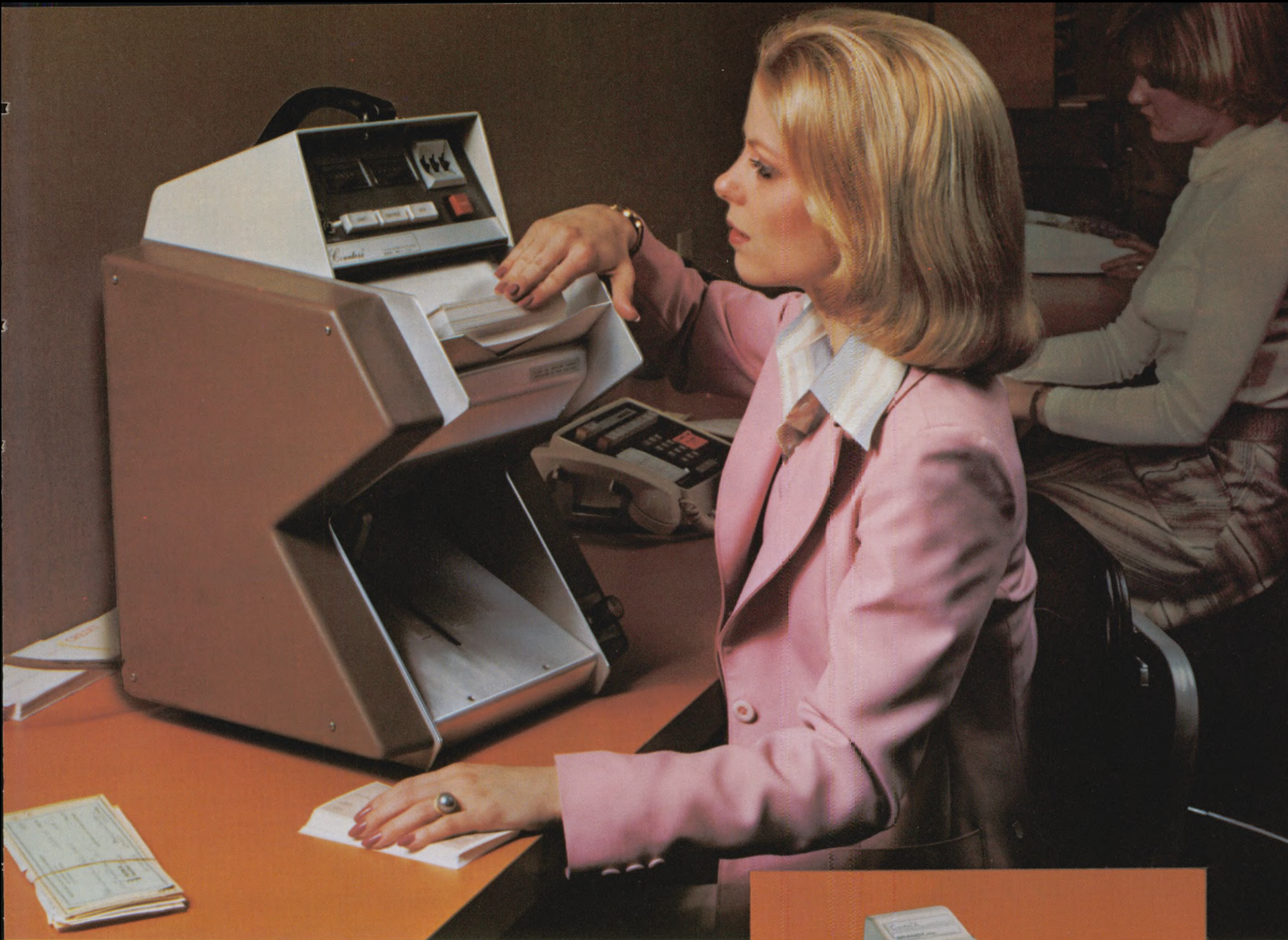
Thus, BANCLUB offered NCB the advantage of a package plan that had been thoroughly tested and proved. The deal included all available advertising literature, aid in developing special offers for the local market, plus the value of personal assistance in introducing the plan to the Nashville market.

NCB signed on the dotted line and launched its package last January. The first activity was a sales breakfast for all the bank's employees. The breakfast had a Hawaiian flavor that set the theme for the promotion. The bank employee who signed up the most business received a free trip to Hawaii. NCB employees were divided into two teams, the Pineapples and the Coconuts, and each group was made up of an equal number of employees who had contact with customers and those who did not. After the breakfast, the energized staff set about to sell and promote BANCLUB.

Mr. Early said employees were so captivated by the program that they literally asked every customer entering the bank if they had heard about the new package plan. They used every sales situation outlined by BANCLUB representatives to sell the new program.

If someone bought traveler's checks, he immediately become a prospect for BANCLUB membership. "Did you realize that if you were a member of BANCLUB, you could purchase these travelers checks without an issue fee?" asked the teller.

Or, when a new savings account was



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Lifestyles are changing. But then our banking systems are changing too.

With that reality in mind, we've been designing for convenience like never before. Like no bank equipment manufacturer has ever designed before. And we think you'll find the results impressive.

Our electronic banking breakthrough. That breakthrough is our Teller-Matic Designer Series 8000, the transaction terminal system that's fired the imaginations of bankers everywhere.

The TDS-8000 is the industry's first modular electronic banking concept. It's a fluid system that flows easily into new configurations with new levels of performance whenever your needs change.

So you can start with the industry's lowest priced cash dispenser. Then upgrade, step-by-step, to the industry's most advanced automatic teller.

Just by adding the appropriate modules.

At every convention and every bank marketing seminar, the hot topic is always the same:

Changing lifestyles, and how they're changing banking.

It's also a hot topic here. At Mosler. Because we've been at work designing products and systems that take those lifestyle changes into account.

New ideas that help you meet the demands of today's bank customer.

What they want is what they get.
Today's bank customer wants convenience. Pure and simple.

And if you can help him make a faster, easier transaction, you're ahead of the game. And ahead of your competition.

This is a Ms. And she's a whole new market, with a whole new set of financial wants. Not just checking and savings, but loans, mortgages, even trust services. Point is, the old-fashioned bank isn't going to appeal to the new-fashioned customer.

In our opinion, a drive-up system doesn't become a real banking convenience until it proves it can move your customers through in a hurry. (We have dozens that can.)

New approaches to drive-up banking.

We think a drive-up system becomes a true banking convenience only when it shows it can really handle customers. Even on the busiest Friday night.

And those are the kinds of systems you'll see from us.

In all, dozens of different system possibilities, each applied with the insights and expertise only Mosler can bring to drive-up banking.

So Friday night in the drive-up lanes seems like Tuesday afternoon.

Your customers want banking with as much speed and convenience as you can give them. So give them the speed and convenience of our Teller-Vue system. And still get direct person-to-person contact.

Banking with the convenience your customers want more than anything else. It all starts with your Mosler representative, so see him soon. Or write Mosler, Dept. 178, Hamilton, Ohio 45012

And find out how Mosler can help you keep up with the changing lifestyles that are changing banking.

You've got new questions. We've got new answers.

Mosler

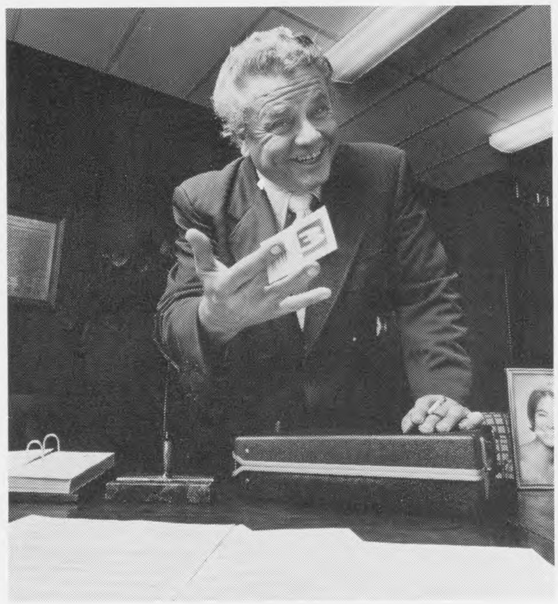
An **American-Standard** Company

Hamilton, Ohio 45012

It's inevitable...

One of these days somebody is going to walk into your bank, hand you his card and tell you how he's going to save "from 15% to 40% on your annual payroll costs."

Fine. Hear him out.
All we ask is that before you decide on anything, call us first. We can prove to you that since 1963 Howard J. Blender Company has performed over 250 assignments in banks such as yours, with proven results. We know that when our bank system proposals are compared with others, more than 9 out of 10 customers choose ours. That has to tell you something.



"Yes, sir, 15% to 40%!"

Compare Us To Others

	H.J.B.	OTHERS	
1. Exclusively work for banks	✓		
2. Over 250 bank assignments	✓		
3. Qualified and experienced staff	✓		
4. Free analysis ("Audit of Operations")	✓		
5. Results guaranteed by written money-back guarantee	✓		
6. Free job checks – after completed	✓		
7. Free weekly audit of results	✓		
8. One time fee – no additions	✓		
9. No extra charge for travel or living/all inclusive	✓		
10. Fee is quoted before project is started	✓		
11. Supervisor training programs	✓		

	H.J.B.	OTHERS	
12. Management information systems	✓		
13. Increased available funds	✓		
14. Cross-training programs	✓		
15. Job enrichment programs	✓		
16. Functional organization charting	✓		
17. Quality control programs	✓		
18. Each program tailored to meet bank's requirements	✓		
19. Tangible results - not simply a manual Program is completely installed	✓		
20. Experienced in every area of banks	✓		
21. Banks from $20 million to the billions	✓		
22. Profit goals established before project is started	✓		

hjb

Howard J. Blender Company
bank management services
2695 Villa Creek Drive ● Suite 240 ● Dallas, Texas 75234 ● 214/241-9444

opened, the teller would immediately advise: "Did you know that if you were a member of BANCLUB you would automatically have $3.50 deposited toward a new savings account?"

These and other sales tips are outlined in an employee handbook prepared by BANCLUB. The handbook thoroughly explains each service so that employees of the bank know what they are selling.

And so it went: Customers and noncustomers were targets for all bank employees, who had something tangible to sell, something they could understand and describe to the prospect.

That they did their selling job well is evidenced by the following:

During the first few months of the program, more than 50% of all new personal checking account customers signed up for BANCLUB memberships. This percentage rose to 62% during the ensuing months as word spread of the plan's advantages. Now, a year later, 75% of all new NCB personal checking account customers are enrolling.

"BANCLUB has been an important element in our overall marketing plan," says Mr. Early. "We have made a concerted effort to attract and retain checking accounts. By offering and promoting a package plan, we added an extra incentive for consumers, and I think it has paid off for us."

Possibly the biggest surprise of the entire program has been employee response. Their enthusiasm understandably was high at the outset of the program, but Mr. Early says it has diminished only slightly during the year.

This newspaper ad tells readers Nashville City-Bank's BANCLUB is "worth changing banks for." Ad then describes club and contains coupon that can be filled in and sent to bank.

Much of the credit for the maintenance of high employee enthusiasm is credited to BANCLUB's insistence at the outset that the bank select a product manager for the program who would channel all information to employees. Any changes in the plan, any new advertising, are quickly relayed to employees by the product manager.

Mr. Early says one of the most popular features of the NCB plan is the $10,000 accidental death insurance feature. Any bank that has a package plan will agree that this is one of the plan's more popular features.

But other features of the NCB plan make it extremely competitive. For example, all members are entitled to discounts on Hertz car rentals anywhere in the U. S. Discounts also are offered at participating Holiday Inns and Rodeway Inns across the country.

A local feature of the NCB plan that the bank added is a discount book that features special deals for club members at local merchants. The book is issued quarterly and includes such things as free food items from fast-food chains, discounts on certain merchandise at retail outlets, etc. Mr. Early says the booklet requires a lot of time on the bank's part, but it has proved to be an effective incentive to encourage club membership. Through participation in the venture, merchants have become enthusiastic about BANCLUB.

A unique feature of the club is free parking privileges at the bank's downtown parking garage. The garage is lighted at night (the privileges extend to midnight) and it is a favorite parking spot for club members, many of whom work in downtown areas at night.

(Continued on page 90)

What Nashville City BANCLUB Offers Members

Nashville CityBank advertises its BANCLUB as "worth changing banks for" (see above illustration). Here are the features of the package plan, according to the bank's newspaper ad:

"Unlimited check writing with no minimum balance. Write as many checks as you need. Never an additional activity charge or need for minimum or average balance on your account.

"Personalized checks and deposit tickets. All you need. Imprinted with your name, address and telephone number.

"$10,000 accidental death insurance. Worldwide, on and off the job, automatic coverage by Fireman's Fund American Life Insurance Co. Age 70 and over, 50% reduction. If joint account, coverage divided equally on all members. Additional coverage available.

"Travelers checks and cashier's checks without issue fees.

"$3.50 savings deposit to your new or existing savings account on presentation of savings certificate within 90 days after its issuance to you.

"Free parking privileges at our downtown parking garage from 6 p.m. to midnight (except Sundays and major holidays).

"Notary service without charge at all bank locations.

"Nationwide CHECASH privileges. Cash your personal check (or company check payable to you) for up to $200 in over 3,000 BANCLUB banking locations coast to coast. Simply show your BANCLUB membership card and driver's license. $2.50 charge deducted from check proceeds.

"Interest refunds on new installment loans. On qualification for a new installment loan of $1,500 or more, you receive a 10% interest refund upon loan repayment where no late charges have been accrued.

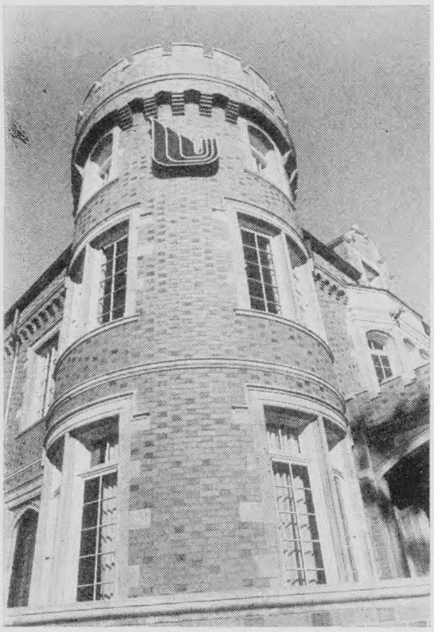
"Save on safe deposit box rental. An annual credit of $3.50 will be applied to the rental or renewal of any size safe deposit box (subject to availability).

"Valuable national discounts on Hertz car rentals, participating Holiday Inns and Rodeway Inns and amusement parks all across America and much more.

"Local discounts. To save you money on everyday goods and services in metropolitan Nashville.

"Informative 'BANCLUB Digest.' A magazine for BANCLUB members only. Three issues each year. Financial, health, safety and travel tips, special merchandise information, listings of all BANCLUB banks nationwide and additional membership services as announced."

Cost of the package plan is $3.50 per month, deducted automatically from the member's account.



Castle-like turret bearing United Missouri logo identifies bank's new facility in St. Joseph, Mo.

St. Joe 'Castle' Bank Preserves Landmark Built in Early 1900s

WHEN United Missouri Bank of St. Joseph bought the home built by Dr. Jacob Geiger at 25th and Frederick, the purpose of converting it to a modern bank was born. At that time the proposition may have sounded overwhelming.

But the bank treated it as an opportunity to take advantage of an excellent location on busy Frederick Avenue and, at the same time, preserve a part of St. Joseph's colorful past. Both the architects and United Missouri Bank worked with one primary goal—redesigning the 1911 home into a modern bank.

"The intent was to restore, not replace," said Dave Lewis, president of United Missouri Bank of St. Joseph. "We wanted to preserve the values of the city's past."

When the bank opened November 7, the preservation was self-evident. The building is virtually the same Geiger mansion that, through a few additions, is now accommodating modern-day banking needs.

The major addition has been built on the east side of the original mansion. A service station on the corner of 26th and Frederick was razed to allow room for the new addition and a bank parking lot.

The brick masonry in the new addition perfectly matches the Tudor brick used in the original house. Four drive-up banking lanes leading into the new addition are covered by stone archways, similar to those on the front porch of the original house.

The bank's lobby and office areas are in what was the original Geiger home. The only major changes are in the teller area, which was Dr. Geiger's library, and the rear of the house, which has been converted to restrooms and a modernized kitchen.

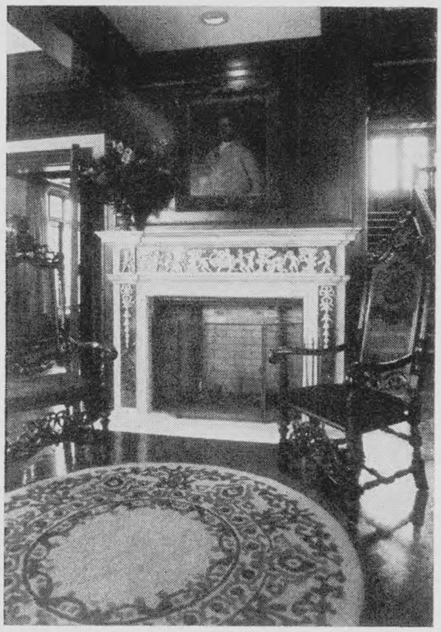
Customers entering the front of the bank from Frederick Street notice the ornate woodwork on the mahogany doors. The doors, window frames and their brass hardware are all original to the building.

The entrance leads to what was once the living room. The chandelier and fireplace were installed by Mrs. Maud Painter after she bought the house in 1940. The fireplace is made of marble and was handcrafted in Italy during the 17th century.

The ceiling beams on the building's first level feature dark mahogany and walnut woods. The beams installed in the teller area were made to match those originally installed in the old living and dining rooms.

To the right of the front entrance is

Dave Lewis, bank pres., occupies office that was once mansion's dining room. Cabinet in background housed expensive crystal set when home was used as residence.



Bank lobby is accented by 17th century Italian fireplace, added to structure in 1940. Oil painting dates to 18th century. At far r. is grand staircase, leading to second floor dining room.

Dr. Geiger's home as it appeared in the 1920s. Construction cost in 1911 has been estimated at $13,000.

the teller area. New lighting systems have been built into the ceilings. Custom-made teller windows and a wall counter are also new to what was once the prized Geiger library. The three teller stations and counter top are accented with marble. Ceramic tile, characteristic of the turn of the century, has been built into the teller windows and counter. The tile was found in an antique shop in Eureka Springs, Ark.

One of the most interesting rooms in the house was the old dining room in the northwest corner of the first level. United Missouri has converted that room into the president's office. The black walnut panels and glass-encased cabinets are apparently original. The panels on two sides of the room are perfectly matched and were cut from the same tree. The cabinets and serving area contained Dr. Geiger's expensive crystal collection and silver tea service.

The office also contains a handwoven cashmere rug and furniture indicative of the Geiger era. Mounted on the walls are the brass sconce lamps installed by Mrs. Painter, each of which is engraved with various birds of the world.

The rear of the building housed the original kitchen and butler's pantry. The kitchen has been completely remodeled and serves as an employee lounge area. The pantry has been converted to restrooms.

The grand staircase off the bank lobby features newel posts and wood-turn bannisters. It leads to a large bay window at the rear of the building, which was originally part of the Geiger home. An antique hanging lamp over the stairway has been added by the bank.

The only room on the second floor used for bank purposes is in the northwest corner. It was originally a bedroom and has been converted to an executive dining room. The room features its original hardwood floor and walnut paneled doors. Brass mounted lamps line the wall and the furniture is again symbolic of Dr. Geiger's period in the house.

The exterior of the original Geiger home has been virtually unchanged, with the exception of the new addition and the parking lot. The roof and some embattlements, damaged by time, have been replaced.

Some interesting features of the exterior include the large bay window at the rear of the house that is clad in its original copper encasement. Two distinctive gargoyles done in a medieval style are hanging over the front window on the second floor. They both serve as a working drainage system for the building.

The bank's asphalt parking lot features old-style lamps commemorative of the original Geiger period. Wall lamps hanging outside the front and side doors were part of the original structure.

The exterior stone for the building foundation and surrounding walls is coarse and roughly squared rubble limestone, native to the St. Joseph area. A wood-and-stone fence also has been built at the rear of the bank to offer privacy to neighbors. The stone in the fence is taken from the foundation of another historic St. Joseph landmark, the Robidoux Hotel, which was demolished recently.

The general architects commissioned by United Missouri were Brunner & Brunner Architects & Engineers of St. Joseph. They are successors to the firm of Eckel and Aldrich, architects, that helped design the original Geiger home in 1911. The interior architects for the bank were Hagemann & Webb Interiors, Inc., Kansas City. • •

Facility's new addition carries out Tudor architectural theme of original building, includes safe deposit vault, private room for personal banking matters, ATM, night depository box, drive-up teller window and four drive-up lanes.

Boardroom News

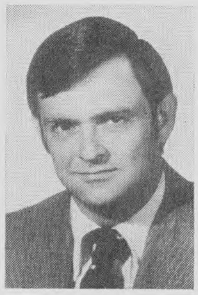
Promotions • Elections • Earnings • Retirements

RIZZIE

VAN AKEN

RIEKE

KINCHELOE



McCLURE

STOECKER

Mercantile Trust, St. Louis, Announces New Assignments For Stoecker and McClure

ST. LOUIS—David T. Stoecker has been elected a senior vice president, Mercantile Trust, and assumes responsibility for the St. Louis group. He reports directly to Donald B. Wehrmann, executive vice president, regional banking. Vice President John W. McClure has replaced Mr. Stoecker as head of the central group and also reports to Mr. Wehrmann.

Carol L. Rizzie has been named an assistant vice president and assigned to calling on correspondent banks and corporations in the metropolitan St. Louis area. Her former post of credit analysis manager has been taken by C. Clinton Ward, who was a banking officer in financial services. Miss Rizzie joined Mercantile Trust in 1967.

Mr. Stoecker joined the data processing department in 1965 and was transferred to the banks and bankers department, now the central group, in 1972. He has headed that department since 1976. Mr. McClure, with the bank since 1971, was assigned to the central group a year later and became a vice president in 1974. Mr. McClure headed the Missouri Young Bankers in 1975-76.

Three Promotions Are Announced At HC and Bank in Houston

HOUSTON—Robert D. Rieke, manager, market analysis department, Southwest Bancshares, has been elected vice president. Before joining the HC last year, he was an economic consultant in the chartering of new banks. He also has been assistant professor of finance, University of Houston.

The HC's lead bank, Bank of the Southwest, has promoted G. G. Beem and Kathy A. Hunt to assistant vice presidents. Mr. Beem joined the bank recently after spending six years in commercial lending and six in the financial management of a large manufacturer. Miss Hunt went to the bank last year from a Chicago bank, where she was a loan representative.

Correspondent Promotions, Other Changes Announced At United Mo., Kansas City

KANSAS CITY—Two members of United Missouri Bank's correspondent bank division have been promoted to vice presidents—Duncan E. Kincheloe Jr. and W. David Van Aken.

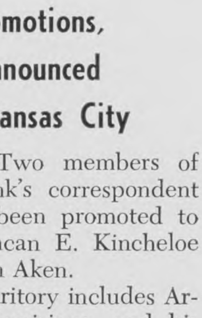
Mr. Kincheloe's territory includes Arkansas, Texas and Louisiana, and his commercial department interests include businesses in the metropolitan Kansas City area. He has been with the bank since 1973. Mr. Van Aken, who joined the bank in 1974, travels in Kansas.

In other action, United Missouri promoted Patrick G. Boyle to vice president, bank card division; Robert E. (Ed) Bolli to assistant vice president, bank card division; and Gene Davenport to assistant vice president and head of the agribusiness division. In the latter post, Mr. Davenport succeeds Joseph D. Henderson, who was elected chairman, United Missouri Bank, Brookfield, in late December.

Mr. Boyle is director of marketing and sales, bank card division. Mr. Bolli is associate bank representative in that division.

E. E. Laird Jr. Promoted

E. E. Laird has been promoted from vice president and senior trust officer to senior vice president and senior trust officer, First Nat'l, Jackson, Miss. He has a law degree from the University of Mississippi.



Promotions, Director Retirements Announced by 1st of Louisville

LOUISVILLE—W. Grier Martin has been promoted from vice president to senior vice president, First National. He heads the metropolitan banking division. The bank also promoted Claude E. Coombs, Ronald J. Grass, Max S. White, Tony R. Garcia and Clyde J. Wells to vice presidents.

James C. Hendershot, chairman and president, Reliance Universal, Inc., was elected to the boards of the bank, First Kentucky Trust and their parent company, First Kentucky National Corp. At the same time, two long-term First National directors retired under the established directors' retirement program and have become directors emeritus. They are Boyce F. Martin, former chairman, Louisville Cement Co., and Dillman A. Rash, a business investment consultant.

Central Trust Promotions

CINCINNATI—J. Eric Lenning and George E. Ries have been elected vice presidents at Central Trust. Mr. Lenning, corporate banking, national division, joined the bank in 1970 and became an assistant vice president in 1976. Mr. Ries, head of the indirect and mobile home installment loan section, consumer finance division, has been with Central Trust since 1948. He became an assistant vice president in 1969.

REGNIER

TRUITT

Regnier and Truitt Head List Of Boatmen's of KC Promotions

KANSAS CITY—Boatmen's Bank has promoted Robert D. Regnier and Mark R. Truitt from vice presidents to senior vice presidents.

The following first vice presidents were named: L. Joseph Archias, Eugene J. Pareira, Ronald D. Roberts, Jacob D. Sanders and Tom W. Waterhouse.

In other action, Boatmen's Bank promoted: to vice president and cashier, Bonnie J. Albers; to vice president and security officer, Joseph G. Peppard Jr.; to vice president and controller, John M. Rejba; to vice president, William M. Schifman; to trust officer, Leslie A. Thompson; to assistant vice presidents, Stephen A. Carano, Susan P. Corson, Anna N. Dugger, L. Maxine Prewitt and Gary A. Remley; to assistant cashiers, Sharon Blevins, Shirley J. Dukes and Ann C. Fritz; to commercial officer, Carol A. Cantrell; to trust operations officer, Larry Cipolla; and to installment loan officer, Randy C. Fetters.

New Group, Promotions Announced At Continental Bank in Chicago

CHICAGO—Continental Bank has formed an investment strategy group in the trust department's investment division, with Vice President Samuel Y. Schuster III as chairman.

In other action, the bank named six vice presidents: Lawrence P. Anderson, Terence P. Garvey and Robert A. Mott, bond and money market services; John B. McVittie and Charles Brummell Jr., multinational banking services; and Alexander Pollock, operations and management services.

Gilbert Named Director

BIRMINGHAM, ALA.—Roy W. Gilbert has been elected to the board of Southern Bancorp., where he is executive vice president. Before joining the bank HC in 1972, he was senior vice president in charge of operations, Birmingham Trust National. Mr. Gilbert is a former president, Alabama Young Bankers Association.

BNO

THE BANK OF NEW ORLEANS

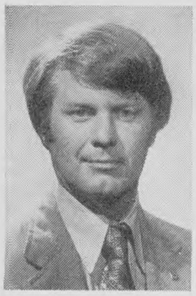
AND TRUST COMPANY
and Subsidiary

Consolidated Statement of Condition

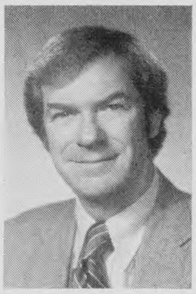
(In Thousands of Dollars)

	DECEMBER 31	
ASSETS	**1977**	1976
Cash and Due from Banks, Including Interest Bearing Deposits of $3,000 in 1977 and $32,500 in 1976	**$ 67,956**	$ 107,569
Securities		
U.S. Treasury Securities	**$ 43,378**	$ 40,937
Securities of Other U.S. Government Agencies	**48,191**	36,173
Obligations of States and Political Subdivisions	**32,119**	42,563
Other Securities	**1,024**	5,271
TOTAL SECURITIES	**$ 124,712**	$ 124,944
Loans Outstanding — Net of Unearned Income of $5,128 in 1977 and $4,086 in 1976	**$ 275,587**	$ 256,264
Reserve for Possible Loan Losses	**(2,600)**	(2,600)
NET LOANS OUTSTANDING	**$ 272,987**	$ 253,664
Federal Funds Sold and Securities Purchased under Agreements to Resell	**$ 43,950**	$ 87,200
Bank Premises and Equipment	**3,465**	3,129
Interest Earned but not Collected	**4,714**	4,506
Customers' Liability on Acceptances	**316**	7
Other Assets	**8,060**	3,512
TOTAL ASSETS	**$ 526,160**	$ 584,531
LIABILITIES		
Demand Deposits	**$ 172,205**	$ 163,533
Savings Deposits	**71,430**	76,260
Time Deposits	**172,330**	231,770
TOTAL DEPOSITS	**$ 415,965**	$ 471,563
Federal Funds Purchased and Securities Sold under Agreements to Repurchase	**$ 64,580**	$ 54,465
Accrued Taxes and Interest	**8,197**	20,497
Quarterly Dividend Payable	**141**	141
Liability on Acceptances	**316**	7
Other Liabilities	**420**	2,607
	$ 489,619	$ 549,280
Capital Note	**4,250**	4,250
TOTAL LIABILITIES	**$ 493,869**	$ 553,530
SHAREHOLDERS' EQUITY		
Common Stock, $12.50 Par Value, 400,000 Shares Authorized, 250,000 Shares Issued and Outstanding	**$ 3,125**	$ 3,125
Surplus	**20,375**	20,375
Undivided Profits	**8,791**	7,501
TOTAL SHAREHOLDERS' EQUITY	**$ 32,291**	$ 31,001
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 526,160**	$ 584,531

Contingent Liability on Letters of Credit Issued but not Drawn Against — 12/31/77 — $3,846
12/31/76 — $3,204

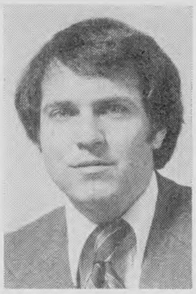


KEFFER



FOSTER

SKAISTIS



SCOGGINS

Eight Promotions Are Announced At Bank of Oklahoma in Tulsa

TULSA—Bank of Oklahoma has promoted Douglas Keffer, investment division, and Woodrow Foster and Bruce Skaistis, service division, to senior vice presidents. Named vice presidents were Monty Butts and Steven Woodley, investment division, and John Davis and Joe Wilkerson, service division. Vincent Myers was promoted from investment officer to assistant vice president, bond department, investment division.

Messrs. Keffer, Foster and Skaistis were vice presidents. Mr. Keffer is manager, municipal bond department. Mr. Foster is manager, bank operations, and Mr. Skaistis, manager, information services. Mr. Butts and Mr. Woodley are in the municipal bond department; Mr. Davis, marketing department, and Mr. Wilkerson, Master Charge department. All formerly were assistant vice presidents.

Fidelity Bank, Okla. City, Makes Several Appointments

OKLAHOMA CITY—Kenneth W. Scoggins has been promoted from vice president and assistant administrator, investment division, to senior vice president and investment division administrator, Fidelity Bank. He joined the bank in 1972.

Jerry H. Swetland has joined Fidelity Bank as vice president, commercial loans. He formerly was executive vice president, Biloxi Branch, Southern National, Hattiesburg, Miss. He entered banking in 1958.

Randy Ferguson, manager, credit-card unit, loan division, and Tim Potts, commercial loan officer, have been promoted to vice presidents at Fidelity Bank. Both formerly were assistant vice presidents.

Five assistant vice presidents were elected: Karen Chapman, utility manager, support division; John Crabtree, supervisor, night data preparation, support division; Charles Millus, systems officer/computer services, support division; Glenda Mote, supervisor, credit-card/credit section, loan division; and James Ornat, director of profit planning, control division.

Nine Promotions in K.C.

KANSAS CITY—Mercantile Bank has promoted the following: from senior vice presidents to executive vice presidents, Jack L. Sutherland, corporate deposit group; David N. Weber, administration and operations; and Norman Winter, lending; from vice president to senior vice president, retail banking, William G. Beard; to assistant secretary, Rose Marie Beyer; to international banking officer, Christian-Ralph Braun; to banking officer, Thomas A. Rieger; to retail operations officer, Cindy C. Phipps; and to systems officer, Kathy M. Chambers.

Morgan Guaranty Trust Company

OF NEW YORK

Consolidated statement of condition
December 31, 1977

Assets	*In thousands*
Cash and due from banks	$ 4 470 563
Interest-bearing deposits at banks	5 735 457
U. S. Treasury securities	876 040
Obligations of U. S. government agencies	165 495
Obligations of states and political subdivisions	1 387 507
Other investment securities	556 997
Trading account securities, net	48 183
Federal funds sold and securities purchased under agreements to resell	386 739
Loans and lease financing	15 713 243
Less: allowance for possible credit losses	148 424
Net loans and lease financing	15 564 819
Customers' acceptance liability	972 909
Premises and equipment, net	124 547
Other real estate	33 430
Other assets	774 995
Total assets	$31 097 681
Liabilities	
Demand deposits	$ 7 595 684
Time deposits	4 053 699
Deposits in foreign offices	12 191 189
Total deposits	23 840 572
Federal funds purchased and securities sold under agreements to repurchase	2 648 185
Commercial paper of a subsidiary	111 015
Other liabilities for borrowed money	778 447
Accrued taxes and expenses	470 551
Liability on acceptances	978 224
Dividend payable	27 000
Convertible debentures of a subsidiary (4¼%, due 1987)	50 000
Capital notes (6⅜%, due 1978)	100 000
Capital notes (5%, due 1992)	77 344
Other long-term debt	31 350
Other liabilities	437 973
Total liabilities	$29 550 661
Stockholder's equity	
Capital stock, $25 par value (authorized and outstanding: 10,000,000 shares)	$ 250 000
Surplus	518 385
Undivided profits	778 635
Total stockholder's equity	1 547 020
Total liabilities and stockholder's equity	$31 097 681

Member, Federal Reserve System, Federal Deposit Insurance Corp.

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

International subsidiaries *San Francisco, Houston, Miami, Toronto*

Banking offices abroad *London, Paris, Brussels, Antwerp, Amsterdam (Bank Morgan Labouchere N.V.), Frankfurt, Düsseldorf, Munich, Zurich, Milan, Rome, Tokyo. Singapore, Hong Kong, Nassau*

Representative offices *Madrid, Beirut, Sydney, Jakarta, Manila, São Paulo, Caracas*

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Chairman of the Board

LEWIS T. PRESTON
President

RAY C. ADAM
Chairman and President
NL Industries, Inc.

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

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

CARTER L. BURGESS
Chairman, Foreign Policy Association

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

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

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

JOHN T. DORRANCE JR.
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Campbell Soup Company

WALTER A. FALLON
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Eastman Kodak Company

LEWIS W. FOY
Chairman, Bethlehem Steel Corporation

HANNA H. GRAY
Provost, Yale University

ALAN GREENSPAN
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Townsend-Greenspan and Company, Inc.

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HOWARD J. MORGENS
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Western Electric Company, Incorporated

JOHN P. SCHROEDER
Vice Chairman of the Board

WARREN M. SHAPLEIGH
President, Ralston Purina Company

GEORGE P. SHULTZ
President, Bechtel Corporation

Twenty-Four Promotions Made at 1st of Dallas

DALLAS—First National has named 13 vice presidents and 11 assistant vice presidents.

The new vice presidents are: Gerald E. Bennett, advertising and public relations; Charles C. L. Boortz, real estate; Thomas R. Carlin, trust; Leland C. Clemons and Frederick D. Waldkoetter, both in U. S. and Canada group; Donald M. Johnston, Donald R. Kuykendall and Gene McElvaney, all in Southwest group; Donald E. Pollock and Barney M. Thames, both in retail; Brian C. Thompson, financial administration; Ruben M. Trevino, real estate; and Jeffrey R. Wheeler, customer services.

Named assistant vice presidents were: Constance Beck and Leland B. White, both in U. S. and Canada group; R. John Davis, Asia/Pacific group; LaQuita J. Lehmann and Robert L. McDaniel, both in auditing; Ralph Luongo Jr. and James E. Rude, both in financial administration; J. Michael McMahon, Southwest group; Dayton W. Martin and John A. Yates Jr., both in credit administration; and Robert R. Montgomery, items processing.

Commerce Bank of KC and Its HC Make Promotions, Appointment

KANSAS CITY—Commerce Bank has promoted Anne M. Palans from commercial banking officer to assistant vice president, national division.

In other action, Kathie M. Arnold and Phyllis J. Sarratt were advanced to bond officers; Harlene E. Cicchese and David L. Farley to consumer banking officers; Deborah A. Morris and Gregory M. Rieke to international banking officers and Jack C. Jarratt to assistant controller.

Gary L. Harstick has joined Commerce Bancshares as a marketing officer. He had been an assistant vice president, Bankers Trust, Des Moines, Ia.

First American Nat'l, Nashville, Announces Eight Promotions

NASHVILLE—First American National has named the following vice presidents: Timoth Comin, John C. Robinson, James O. Williams and Thomas A. Wright; and assistant vice presidents: D. Gary Breshears, Jack D. Gilbert, Samuel A. Mann and Sandra D. Inman.

Messrs. Comin, Robinson, Williams and Wright formerly were assistant vice presidents. Mr. Comin is consumer group operations division head. Mr. Breshears and Mr. Mann were assistant cashiers, and Mrs. Inman was assistant treasurer.

NATIONAL DETROIT CORPORATION

Parent Company of
NATIONAL BANK OF DETROIT
December 31, 1977

CONSOLIDATED BALANCE SHEET (dollars in thousands)

ASSETS

Cash and Due from Banks (including Foreign Office Time Deposits of $930,653)		$2,167,314
Money Market Investments:		
Federal Funds Sold		952,450
Other Investments		108,775
		1,061,225
Trading Account Securities—At Lower of Cost or Market		3,966
Investment Securities—At Amortized Cost:		
U.S. Treasury		541,769
States and Political Subdivisions		739,514
Federal Agencies and Other		45,702
		1,326,985
Loans:		
Commercial		2,132,074
Real Estate Mortgage		796,867
Consumer		351,094
Foreign Office		403,176
		3,683,211
Less Reserve for Possible Loan Losses		50,626
		3,632,585
Bank Premises and Equipment (at cost less accumulated depreciation of $49,805)		67,716
Other Assets		180,276
Total Assets		$8,440,067

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits:		
Demand		$2,207,094
Certified and Other Official Checks		377,696
Individual Savings		1,441,699
Individual Time		861,041
Certificates of Deposits		497,058
Other Savings and Time		165,482
Foreign Office		1,090,850
		6,640,920
Other Liabilities:		
Short-Term Funds Borrowed	$986,278	
Capital Notes	94,559	
Sundry Liabilities	214,850	1,295,687
Total Liabilities		7,936,607
Shareholders' Equity:		
Preferred Stock—No Par Value	—	
No. of Shares		
Authorized 1,000,000		
Issued —		
Common Stock—Par Value $6.25	75,953	
No. of Shares		
Authorized 20,000,000		
Issued 12,152,465		
Capital Surplus	178,746	
Retained Earnings	253,273	
Less: Treasury Stock—186,184 Common Shares, at cost	(4,512)	503,460
Total Liabilities and Shareholders' Equity		$8,440,067

Assets carried at approximately $420,000,000 (including U.S. Treasury Securities carried at $19,000,000) were pledged at December 31, 1977, to secure public deposits (including deposits of $46,211,353 of the Treasurer, State of Michigan) and for other purposes required by law.

Outstanding standby letters of credit at December 31, 1977, totaled approximately $20,000,000.

BOARD OF DIRECTORS

Robert M. Surdam
Chairman of the Board

Charles T. Fisher III
President

Norman B. Weston
Vice Chairman of the Board

A. H. Aymond
Chairman—
Consumers Power Company

Henry T. Bodman
Former Chairman—National Bank of Detroit

Harry B. Cunningham
Honorary Chairman of the Board—
K mart Corporation

David K. Easlick
President—The Michigan Bell
Telephone Company

Richard C. Gerstenberg
Director and Former Chairman—
General Motors Corporation

Martha W. Griffiths
Griffiths & Griffiths

John R. Hamann
President—
The Detroit Edison Company

Robert W. Hartwell
President—Cliffs Electric
Service Company

Joseph L. Hudson, Jr.
Chairman—
The J. L. Hudson Company

Walton A. Lewis
President—Lewis &
Thompson Agency, Inc.

Don T. McKone
President—
Libbey-Owens-Ford Company

Ellis B. Merry
Former Chairman—National Bank of Detroit

Irving Rose
Partner—Edward Rose & Sons

Arthur R. Seder, Jr.
Chairman and President—
American Natural Resources Company

Robert B. Semple
Chairman—BASF Wyandotte Corporation

Nate S. Shapero
Honorary Chairman and Director
and Chairman of Executive Committee—
Cunningham Drug Stores, Inc.

George A. Stinson
Chairman—National Steel Corporation

Peter W. Stroh
President—The Stroh Brewery Company

ADVISORY MEMBERS

William M. Day
Former Chairman—The Michigan Bell
Telephone Company

A. P. Fontaine
Former Chairman—
The Bendix Corporation

Ralph T. McElvenny
Former Chairman—
American Natural Resources Company

Peter J. Monaghan
Monaghan, Campbell, LoPrete & McDonald

O'Leary Among Five Promoted At Comm'l National of KCK

KANSAS CITY, KAN.—Commercial National has promoted Robert D. Rankin from assistant vice president to vice president, Robert C. Carlton to assistant vice president, Michael J. O'Leary from correspondent bank representative to correspondent bank officer, Linda Kurtz to personnel officer and Robert P. Jonas to assistant auditor.

Mr. Rankin joined the bank in 1970 and has administrative responsibility for computer operations, systems/programing, marketing and customer services in the commercial data division. Mr. Carlton continues as purchasing manager and has administrative operations duties in purchasing. He has been with the bank since 1972. Mr. O'Leary went to Commercial National in 1975 and was assigned to the correspondent banking division last year. Miss Kurtz has administrative responsibilities for salary administration, interviewing and testing, insurance and benefits and government reports. Mr. Jonas is responsible for internal auditing of the commercial data division and bank card divisions and assisting external auditors.

O'LEARY

RANKIN

Bank HC Post Goes to Travis, Officer of St. Louis Bank

WEST

TRAVIS

ST. LOUIS—William G. Travis, vice president in charge of retail banking, First National, also has been elected vice president, First Union Bancorp., the bank's parent firm.

As vice president of the HC, Mr. Travis is responsible for Union Finance Co. and Preferred Life Insurance Co., both HC affiliates. He joined First National in 1968 and has been head of the retail banking department since it was formed in 1973.

He is chairman, Credit Systems, Inc., St. Louis-based operating center for Master Charge.

In other action, First National promoted Charles L. Mountz from commercial banking officer to assistant vice president and Robert H. Myers from data processing officer to assistant vice president. Homer W. Keller has joined the bank as assistant vice president, national accounts. He formerly was secretary/treasurer and director, Stephens Press, Inc.

E. L. West Named Vice President At Merchants of Indianapolis

INDIANAPOLIS—Edward L. West has been promoted from trust officer to vice president, Merchants National. He has charge of trust property management, bank building services and bank security at Merchants Plaza.

The bank promoted Richard L. Belser and Stephen L. Plummer from assistant cashiers to assistant vice presidents and Lucy A. Emison from investment officer to assistant vice president.

Two Montgomery Promotions

MONTGOMERY, ALA.—First Alabama Bank has promoted Kay S. Dillard to savings officer and Bruce W. May to credit officer. Mrs. Dillard joined the bank in 1962 and Mr. May, last June.

A Mississippi Appointment

J. H. Hines (l.), ch. & CEO, Deposit Guaranty Corp., Jackson, Miss., is pictured with Warren A. Hood, newly elected ch. of the HC's executive committee. He has been on its board and executive committee a number of years. Mr. Hood is v.p., a director, and a member of the executive committee, Masonite Corp. He built an industrial complex of manufacturing plants that comprised Hood Industries, Inc., a Mississippi mini-comglomerate, which was acquired by Masonite in 1970. He also is a director of Deposit Guaranty Nat'l, lead bank of Deposit Guaranty Corp.

ST. LOUIS COUNTY BANK

CLAYTON, MISSOURI

Statement of Condition

DECEMBER 31, 1977

ASSETS

Cash and due from banks	$ 22,895,696
Due from banks—interest bearing	1,000,000
Investment securities:	
United States Government	38,517,357
States and political subdivisions	40,520,150
Other securities	2,866,275
Total investment securities	81,903,782
Federal funds sold and securities purchased under agreements to resell	22,400,000
Loans (net of unearned discount of $1,600,697 and reserve for possible loan losses of $1,392,540	163,824,051
Bank premises and equipment	2,129,112
Other assets	7,370,006
	$301,522,647

LIABILITIES AND STOCKHOLDERS' EQUITY

Demand deposits	$113,681,612
Savings deposits	94,540,748
Other time deposits	53,453,967
Total deposits	261,676,327
Federal funds purchased and securities sold under agreements to repurchase	14,720,000
Other liabilities	3,150,932
Total liabilities	279,547,259
Stockholders' equity	
Common stock	5,000,000
Capital surplus	10,000,000
Retained earnings	6,975,388
Total stockholders' equity	21,975,388
	$301,522,647

OFFICERS

MERLE M. SANGUINET
Chairman of the Board, President and Chief Executive Officer
ROBERT C. WOLFORD
Executive Vice President

COMMERCIAL BANKING
RODNEY F. HILL
Senior Vice President
C. U. IMBODEN
Vice President
LESTER O. WAGNER
Assistant Vice President
DONALD A. WIBBENMEYER
Assistant Vice President
MARTHA R. SHEERIN
Assistant Vice President
THOMAS C. JAMES
Commercial Loan Officer

MORTGAGE LOANS
THOMAS M. NOONAN
Vice President
PATRICK H. STEVENSON
Assistant Vice President

BUSINESS DEVELOPMENT
RICHARD J. KEMPLAND
Vice President
JOSEPH M. WILSON
Marketing Officer

CORPORATE SERVICES
JERRY DEMPSEY
Vice President
STEPHEN D. GOLDEN
Assistant Vice President

CUSTOMER SERVICES
JERRY E. STAMM
Vice President
THELMA G. SCHLOBOHM
Assistant Vice President
RICHARD H. THOMAS
Assistant Vice President
CECELIA A. HANDLEY
Assistant Cashier
GENEVA A. HELTON
Assistant Cashier
NORINNE HOBBS
Assistant Cashier
PAULINE MITSCHELE
Assistant Cashier

INSTALLMENT CREDIT
KENNETH W. BEAN
Vice President
THERESA S. KRONER
Installment Credit Officer
DENNIS L. HASSLER
Installment Credit Officer
JERRY L. PATTON
Installment Credit Officer

OPERATIONS
LAWRENCE D. ABELN
Vice President and Comptroller
SYDNEY Y. PENDLETON
Vice President, Data Processing
WALTER E. BECKER
Assistant Vice President
JAMES M. MARLER
Assistant Vice President
PAUL L. GIBBONS
Cashier
GERALD P. FAGIN
Data Processing Officer
GILBERT E. FARRELL
Data Processing Officer
WILLIAM E. CARROLL
Assistant Cashier
GERARD J. HOEING
Assistant Comptroller
RICHARD A. MATT
Operations Officer

MARKETING
CURTIS L. GILES
Vice President
JAMES S. WOLF
Marketing Officer

PERSONNEL
KATHLEEN K. WILLIAMS
Personnel Officer

AUDITING
PAUL M. STRIEKER
Auditor

TRUST
GEORGE REICHMAN
Vice President and Trust Officer
CARL ENLOE
Vice President and Trust Investment Officer
WILLIAM L. HOEMAN
Vice President and Trust Officer
JAC E. GRISWOLD
Trust Officer
WILSON F. HUNT
Trust Officer
JAMES R. ALBACH
Assistant Trust Investment Officer
RUTH M. CUNNINGHAM
Assistant Trust Officer
RONALD H. SPICER
Assistant Trust Officer
GERALD L. WEDEMEIER
Assistant Trust Officer

BOARD OF DIRECTORS

DAVID D. CHOMEAU
President
Reliable Life Insurance Co.
J. GORDON FORSYTH
Vice President
Forsyth Carterville Coal Co.
JACK R. HENNESSEY
President
Hennessey-Forrestal Machinery Company
***LEE HUNTER**
Chairman of the Board
Hunter Engineering Co.
JAMES C. LAFLIN
Vice President
Southern Comfort Corporation
JOHN K. LILLY
Vice President and General Manager
Metal Exchange Corp.
BEN PECK
President
Wohl Shoe Company
MERLE M. SANGUINET
Chairman of the Board President and Chief Executive Officer
EDWARD H. SCHMIDT
Former Chairman of the Board
HENRY D. SCHODDE
Vice President
Southwestern Bell
L. EDWARD SMART
President
Imperial Refineries Corporation
JULES Q. STRONG
Attorney
MAHLON B. WALLACE, III
President
Wallace Pencil Company
ROBERT C. WOLFORD
Executive Vice President

* Advisory director.

The County Bank

ST. LOUIS COUNTY BANK • 8000 FORSYTH • CLAYTON, MISSOURI 63105

DeROSIER

PLUMMER

AUSTIN

BORDELON

DeRosier, Correspondent Man, Promoted at Nat'l Boulevard

CHICAGO—H. Peter DeRosier of National Boulevard Bank's correspondent bank division has moved up from assistant vice president to vice president. He joined the division in 1969.

The bank also advanced John V. Aguiar Jr. and Elizabeth E. Gimblett to assistant vice presidents. Mr. Aguiar was assistant cashier, and Mrs. Gimblett was an operations officer.

Appointments and Promotions Announced by Frost National

SAN ANTONIO, TEX.—Frost National has announced three promotions and the elections of Stephen M. Dufilho, Richard W. Evans Jr. and George C. Mead to its executive committee. Mr. Dufilho is senior vice president and controller; Mr. Evans, senior vice president, banking group; and Mr. Mead, senior vice president, investment division.

Jerry S. Austin was advanced from vice president to senior vice president, item processing/customer services; Robert T. Bordelon, from assistant vice president to vice president, bond department; and C. S. Plummer Jr. to assistant vice president. Mr. Plummer continues as correspondent bank relations representative, automated customer services.

Maurice Cox Gets Promotions At Bank and Holding Company

BIRMINGHAM, ALA.—Maurice R. Cox has been promoted to senior vice president, Alabama Bancorp., and the HC's lead bank, First National.

Mr. Cox joined the HC last year as vice president and manager, national division, serving the HC and lead bank simultaneously. He continues to head the national divisions of both and has assumed additional duties in the HC's management.

7 Albuquerque Appointments

ALBUQUERQUE—First National has elected Robert Flynn vice president and manager, Winrock Office, and Nadine Martin vice president and manager, Manzano Branch. Both were assistant vice presidents. Anthony Sandoval and Jo Ann Jones were elected assistant vice presidents, and Robert Dumas, Jesse Eckel and Don Massey were named assistant cashiers.

Bleakley Joins Liberty Nat'l

LOUISVILLE—Liberty National has named C. Hoyt Bleakley an assistant cashier, corporate banking group. He formerly was with Multi-Service Corp., a Louisville insurance agency and lease brokerage firm.

Fourth of Wichita Changes

WICHITA—Fourth National has promoted Leland F. Cox from vice president and controller to senior vice president and controller. Named vice presidents were Joan Hubbard, manager, Towne East Facility, and Keith Isham, credit manager, Kansas Bank Card Center.

The Federal Land Bank of Wichita

Statement of Condition

DECEMBER 31, 1977

ASSETS		
Mortgage loans and contracts (unmatured balance)	$2,315,159,195	
Delinquent installments, etc.	6,812,328	
Loans in process of closing	3,158,417	
Accrued interest receivable on mortgage loans and contracts	86,871,799	
Loans called for foreclosure, judgments, etc.	5,911,495	
Total	2,417,913,234	
Less: Provision for losses	35,928,008	$2,381,985,226
Cash		7,736,723
Investments in Securities and Federal Funds:		
Securities	13,664,551	
Federal Funds	10,650,000	24,314,551
Notes Receivable:		
Federal Land Bank Associations	131,933	
Other Farm Credit Banks	13,882,026	14,013,959
Accounts Receivable		13,830
Accrued interest receivable:		
Notes and investments		403,261
Acquired property:		
Investment and operations	705,674	
Less: Provision for losses	201,715	503,959
Building investment (cost)	2,057,687	
Less: Accumulated depreciation	221,180	1,836,507
Furniture and equipment	402,972	
Less: Accumulated depreciation	186,442	216,530
Other assets		3,483,449
TOTAL ASSETS		$2,434,507,995
LIABILITIES		
Consolidated Federal Land Bank bonds outstanding	$2,098,755,000	
Systemwide Farm Credit Banks bonds outstanding	25,019,000	
Less: Bonds on hand	20,000,000	$2,103,774,000
Systemwide Notes:		
Face amount	10,000,000	
Less: Unamortized discount	311,950	9,688,050
Notes payable: Federal Land Bank Associations		9,031,873
Deferred proceeds of loans		3,119,637
Accrued interest payable		51,259,953
Accounts payable		77,318
Trust accounts		30,178,039
Other liabilities		4,350,513
TOTAL LIABILITIES		$2,211,479,383
NET WORTH		
Capital stock owned by Federal Land Bank Associations		$ 145,758,470
Participation certicates owned by Federal Land Bank Associations		1,360,480
Legal reserve		41,832,610
Earned surplus		34,077,052
TOTAL NET WORTH		223,028,612
TOTAL LIABILITIES AND NET WORTH		$2,434,507,995

NOTES:

Of the mortgage loans $2,282,064,526 are assigned as collateral for unmatured consolidated bonds.

The $2,098,755,000 represents this bank's participation in consolidated Federal Land Bank bonds outstanding in the total amount of $19,374,237,000 for which the twelve Land Banks in the System are jointly and severally responsible.

The $25,019,000 represents this bank's participation in the Farm Credit Banks Systemwide bonds outstanding in the total amount of $962,056,000 for which the thirty-seven Farm Credit Banks in the System are jointly and severally responsible.

The $10,000,000 represents this bank's participation in consolidated systemwide notes outstanding in the total amount of $1,158,550,000 for which the thirty-seven Farm Credit Banks in the System are jointly and severally responsible.

Federal LAND BANK *The Bank of Generations*

The Land Bank The Bank of Generations

The American farmer builds two things better than anyone else in the world. He builds the next generation, passing along a special kind of wisdom . . . respect for the soil, honesty, independence, and faith in the future. And he builds his land, leaving it better than he found it. That kind of building usually requires borrowed long-term capital. That's where we can help.

As the oldest of the nation's 12 Federal Land Banks, we've been providing long-term real estate financing to farmers and ranchers in Kansas, Oklahoma, Colorado, and New Mexico since 1917.

The Federal Land Bank of Wichita required 57 years to reach the one billion dollar milestone of long-term credit service to agriculture. Our unmatured principal balance doubled to two billion dollars in only three years, and is projected to top the three billion dollar mark by 1980.

Such a sizeable commitment to the future of agriculture is solid evidence of our firm confidence in the ability of the American farmer to withstand current adversity and attain new levels of success in the years to come. More and more farmers and ranchers are relying on the Land Bank as a dependable source of long-term capital at the lowest possible cost consistent with sound business practices. In some cases, we are now making loans to fourth generation descendants of those original Land Bank borrowers.

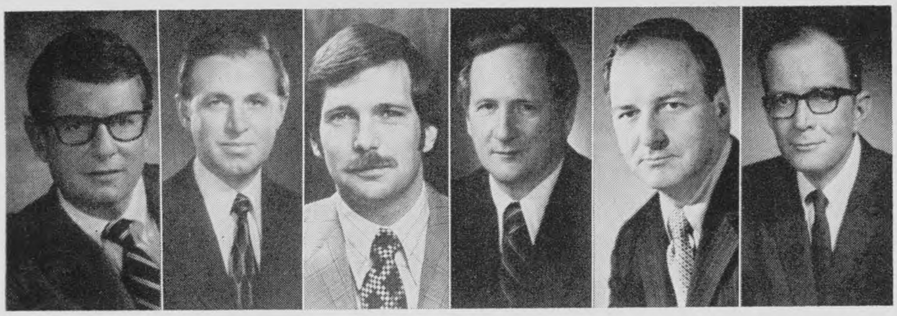
We stake our future on America's real strength—her farms and her farmers. When agriculture needs a dependable source of long-term borrowed capital, we'll be there—generation after generation.

Senior Officers:

WM. S. MAY
President
J. K. PERRY
Vice President and Treasurer
HAROLD B. WOLFE
Vice President-Credit
MAX H. FOSSEY
Vice-President-Field Services
JEROLD L. HARRIS
Vice President and Secretary
MIKE BONE
Vice President-Data Processing and Research
ELVIS C. HOWELL
Regional Vice President
JAMES D. CANNON
Vice President-Reviews

Bank Directors:

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



ADDINGTON LOVELY STUMP WOODFORD GRAYHECK TOBIN

Tobin Is Named President, American Nat'l, Chicago; Six Others Are Promoted

CHICAGO—Michael E. Tobin, formerly president, Midwest Stock Exchange, has joined American National as president. He fills a vacancy that had been occupied temporarily by Chairman Allen P. Stults and takes the post in anticipation of Mr. Stults' retirement this year.

In other action, American National elected Ronald J. Grayheck senior executive vice president; Howard E. Lovely, Charles W. Woodford and Keene H. Addington executive vice presidents; Senior Vice President Perry G. Callas to the additional post of trust counsel and George G. Stump of the correspondent banking division to second vice president.

Mr. Grayheck was executive vice president. Messrs. Lovely, Woodford and Addington were administrative vice presidents, and Mr. Lovely also was cashier. Mr. Callas is deputy head, corporate trust department. Mr. Stump formerly held the title of correspondent banking officer.

Slane Promoted in Wichita

WICHITA—Kansas State has elected Michael E. Slane assistant vice president and operations administration officer. He joined the bank as auditor in 1976, going from the same post at First National, Sioux Falls, S. D.

Boatmen's Names Bond Manager

ST. LOUIS—Carlton A. Sterr has been named vice president and manager, bond department, Boatmen's National. He has 13 years' experience in investment and commercial banking.

Schroeder Joins 1st of Wichita

WICHITA—Gary Schroeder has joined First National as vice president in charge of Bankcard marketing.

Mr. Schroeder has almost seven years' experience in bank-card management, spanning the time since credit cards were introduced into the area. He returns to the city after 3½ years as vice president and managing officer, Bankcharge Corp., Great Falls, Mont.

STERR

SCHROEDER

Rea Gets New Fed Post

ST. LOUIS—Harry L. Rea has been named an assistant vice president of the Federal Reserve Bank here. He succeeds Edward J. Burda, who has retired.

Mr. Rea, with the bank since 1957, formerly was supervisory bank HC examiner. In his new post, he is responsible primarily for bank HC supervision and regulation.

International Appointment

DALLAS—Republic National has named Edgar R. Molina to its international advisory board. Mr. Molina is Ford Motor Co.'s group vice president for Latin American automotive operations, based in Mexico City. The international advisory board was created in 1976 to strengthen Republic National's regional leadership in international banking, according to a bank spokesman.

Krasnicki Is Promoted

ST. LOUIS—St. Louis Union Trust has promoted Roger Krasnicki from assistant vice president to vice president, with responsibility for the income and estate tax department. Before joining St. Louis Union in 1976, Mr. Krasnicki was an appellate conferee with the St. Louis Internal Revenue Service office.

Correspondent Banking Service Since 1883

Whitney

NATIONAL BANK OF NEW ORLEANS

CONDENSED STATEMENT OF CONDITION

AS OF DECEMBER 31, 1977

RESOURCES

Cash and Due from Banks	$ 195,155,072.58
U. S. Treasury Securities	418,852,532.29
U. S. Government Guaranteed Securities	40,005,835.94
Obligations of States and Political Subdivisions	71,874,822.21
Stock in Federal Reserve Bank	1,500,000.00
Federal Funds Sold and Securities Purchased Under Agreements to Resell	43,200,000.00
Loans	728,288,912.93
Less: Valuation Portion of the Reserve For Possible Loan Losses	7,482,097.12
	720,806,815.81
Bank Premises and Equipment	9,931,848.41
Other Real Estate	26,884.17
Customers' Acceptance Liability	193,428.75
Accrued Income Receivable	16,941,314.68
Other Assets	8,184,220.62
TOTAL	$ 1,526,672,775.46

LIABILITIES

Deposits	$ 1,221,432,027.34
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	160,766,000.00
Acceptances Outstanding	193,428.75
Dividend Payable January 3, 1978	1,338,681.25
Special Dividends Payable	2,412,247.44
Accrued Taxes, Interest and Expenses	20,077,010.99
Deferred Income Tax Portion of the Reserve For Possible Loan Losses	1,692,027.20
TOTAL LIABILITIES	$ 1,407,911,422.97

CAPITAL ACCOUNTS

Capital Stock	$ 2,800,000.00
Surplus	47,200,000.00
Undivided Profits	66,066,230.25
Capital Portion of Loan Loss and Securities Reserves	$ 2,695,122.24
TOTAL CAPITAL ACCOUNTS	118,761,352.49
TOTAL	$ 1,526,672,775.46

R. E. Thomas Retires From Kansas City Fed

KANSAS CITY—The Fed here has announced the December 31st retirement of Robert E. Thomas, who was vice president in charge of bank relations, and four promotions: Robert E. Knight from assistant vice president and secretary to vice president and secretary, Robert E. Scott from chief examiner to vice president and chief examiner, Donald A. Slover from assistant vice president to vice president and Thomas B. Williams from assistant chief examiner to assistant vice president.

Mr. Thomas joined the Fed as a messenger early in 1938 after working there part time for several months. For the past 16 years, he has represented the KC Fed in contacts with bankers in Kansas and western Missouri, visiting regularly in all of the more than 900 banks in those two areas. He also represented the bank at hundreds of bankers' meetings, conventions and seminars.

Mr. Knight went to the Fed in 1968; Mr. Scott, in 1956; Mr. Slover, in 1960, and Mr. Williams, in 1963.

R. E. THOMAS

ATKINS

DIXON

ROYAL

Six Promotions Are Announced At C&S National, Atlanta

ATLANTA—Citizens & Southern National has named George W. P. Atkins senior vice president and James D. Dixon and James A. Royal vice presidents. In addition, Victor C. Balestra, Douglas W. Duncan and William L. Meck III were made assistant vice presidents.

Mr. Atkins is manager, Atlanta personal trust; Mr. Dixon is involved in the administration of HC activities; Mr. Royal is a commercial officer, corporate accounts; Mr. Balestra is manager, Latin American division; Mr. Duncan, a new business officer, trust; and Mr. Meck, property management department.

Bank of New Mexico Promotions

ALBUQUERQUE—Bank of New Mexico has named Theodore H. Schneider senior vice president and trust officer and Lawrence J. Puccini auditor. N. W. Gillihan, administrative senior vice president, was named corporate secretary; Vice President Robert E. Gish, manager, Main Office; and Branch Loan Officer Christopher H. Preston, vice president and assistant branch manager.

St. Louis County Bank, Clayton, Announces Four Promotions

CLAYTON, MO.—Thomas C. James and Joseph M. Wilson have been promoted to assistant vice presidents, St. Louis County Bank. Gregor A. Schmucker and Jean Srenco were named commercial loan officers.

Mr. James had been a commercial loan officer and Mr. Wilson, a marketing officer. Mr. Schmucker joined the bank three years ago, and Miss Srenco recently joined its commercial loan department.

Three Hutchinson Promotions

HUTCHINSON, KAN.—Hutchinson National has promoted Richard A. Eberhart from vice president and cashier to senior vice president and cashier, Betty Taylor from director of personnel to personnel officer and Donley B. Bloesser from supervisor, ready-reserve loan program, to personal loan officer.

Kiplinger Joins Liberty Nat'l

OKLAHOMA CITY—Peter B. Kiplinger has joined Liberty National as a senior vice president. He has many years' experience with other Oklahoma City and Stillwater, Okla., banks. Mr. Kiplinger holds a BS degree in business administration from Oklahoma City University.

KIPLINGER

W. B. THOMAS

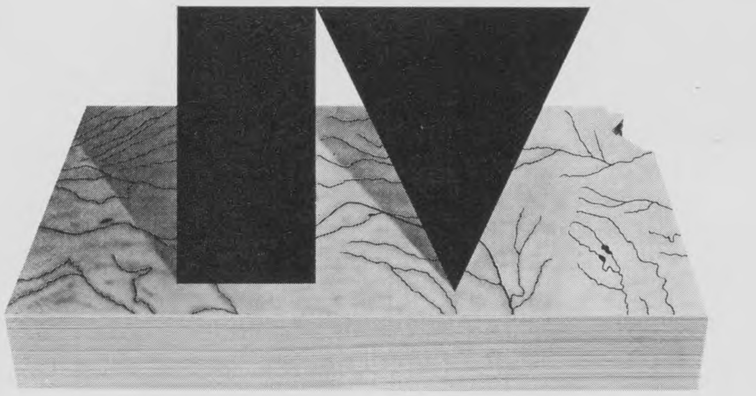
Bank, HC Elect Director

NEW YORK CITY—Manufacturers Hanover Corp. and Manufacturers Hanover Trust have elected W. Bruce Thomas to their boards. He is executive vice president/accounting and finance, United States Steel Corp.

New Citicorp SVP

NEW YORK CITY—Fenton R. Talbott has moved up from vice president to senior vice president, Citicorp. He continues as head of the consumer services group's domestic division, with headquarters in St. Louis. He was given the latter post last October. He once was vice president and trust officer, Lawrence (Kan.) National.

As TheFourth grows...



so grows our commitment to the greater Kansas neighborhood.

The healthy growth of TheFourth in 1977 is a true reflection of the economic strength of both Wichita and the greater Kansas neighborhood it serves.

Total assets at TheFourth increased 20.7 percent for the year...to $664.4 million.

Deposits grew 17.3 percent and passed $500 million for the first time.

Loans went up 19.2 percent, reaching the $321.8 million mark.

In the month of December, transactions with Via, the cash card, more than tripled the number made in the previous December.

Master Charge and Visa cardholders at TheFourth increased 20 percent and credit card purchases increased 40 percent over the year before.

What it all adds up to is a picture of financial strength and growth...not just for TheFourth but for the greater Kansas neighborhood. All employees of the bank are proud to have played a part and repledge continued support and commitment to our customers and the people in business, farming and industry who have made this one of the greatest areas in the nation.

Statement of Condition

	December 31, 1977	1976
ASSETS		
Cash and due from banks	$122,874,000	$ 99,485,000
Investment securities:		
U.S. Government obligations	21,510,000	11,497,000
Federal agency securities	6,997,000	8,997,000
Obligations of states and political subdivisions	55,489,000	52,399,000
Other	1,183,000	1,110,000
Total investment securities	85,179,000	74,003,000
Trading account securities	14,034,000	12,319,000
Federal funds sold	28,325,000	21,600,000
Securities purchased under agreements to resell	59,000,000	40,000,000
Loans	**321,778,000**	269,934,000
Bank premises and equipment	25,311,000	26,709,000
Income receivable and other assets	7,906,000	6,277,000
	$664,407,000	$550,327,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand	$297,027,000	$237,353,000
Time	206,215,000	191,514,000
Total deposits	**503,242,000**	428,867,000
Federal funds purchased	47,885,000	25,150,000
Securities sold under agreements to repurchase	52,465,000	39,825,000
Accrued interest, taxes and other liabilities	6,606,000	5,197,000
Capital note	10,000,000	10,000,000
Total liabilities	620,198,000	509,039,000
Stockholders' equity	44,209,000	41,288,000
	$664,407,000	$550,327,000

Directors

A. Dwight Button
Chairman of the Board

***Dr. Clark D. Ahlberg**
President, Wichita State University

Heber Beardmore
Investments &
Independent Geologist

Olive Ann Beech
Chairman of the Board,
Beech Aircraft Corporation

***Richard J. Boushka**
President,
Vickers Energy Corporation

James R. Boyd
Senior Vice President,
Fourth National Bank and Trust Co.

Virgil S. Browne, Jr.
Investments

***Sheldon Coleman**
Chairman of the Board,
Office of Chief Executive,
The Coleman Company, Inc.

***Mrs. James Davis, Jr.**
Investments

***Willard W. Garvey**
Chairman of the Board
Garvey International, Inc.

***James G. Gould**
Barnett Oil Company

James R. Grier, III
Executive Vice President,
Martin K. Eby Construction Co., Inc.

Jordan L. Haines
President

Lawrence M. Jones
President — Office of Chief Executive
The Coleman Company, Inc.

William T. Kemper
President,
The Kemper Investment Company

Harry Litwin
Chairman of the Board,
The Litwin Corporation

Russell W. Meyer, Jr.
Chairman of the Board and
Chief Executive Officer,
Cessna Aircraft Company

W. R. Murfin
Murfin Drilling Company

Patrick E. O'Shaughnessy
Vice President,
The Globe Oil & Refining Co.

Richard H. Price
President,
Dick Price Motors, Inc.

H. Dean Ritchie
Treasurer,
Ritchie Paving, Inc.

E. B. Shawver, II
Partner
Prairie Land & Cattle Co.

Otis H. Smith
Executive Vice President,
Boeing Vertol Company.

Wesley H. Sowers
Management Counsel

Robert F. Vickers
Trustee and Administrator,
The Vickers Trusts

Dwane L. Wallace
Senior Consultant,
Cessna Aircraft Company

Nestor R. Weigand
Partner,
J. P. Weigand & Sons, Realtors

E. V. Yingling, Jr.
Investments

Lyle E. Yost
Chairman of the Board and
Chief Executive Officer,
Hesston Corporation

*Advisory Directors

Honorary Directors

W. Dale Critser
Financial Consultant

Dwight Ferguson
Chairman of the Board,
Bank of Woodward, Oklahoma

A. W. Kincade
Chairman Emeritus,
Fourth Financial Corporation

J. E. Schaefer
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The Boeing Company

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TheFourth

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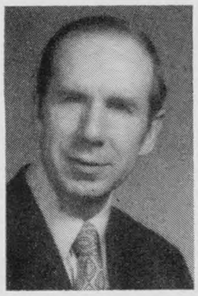
LYONS TURNER THOMSON SNELL GIBSON CONRAD

Thirteen Top Promotions Made at Detroit Bank

DETROIT—Rollo G. A. Fisher, officer in charge of loan control, and James R. Waterston, chief loan officer responsible for all commercial and international loans, have been promoted to senior vice presidents at Detroit Bank.

Advanced to first vice presidents were: David L. Conrad, officer in charge, personnel; Bruce R. Gibson, who is the bank's cashier and has charge of operations; James B. Lyons, officer in charge, data processing; Charles J. Snell, director, retail marketing; Thomas D. Thomson, chief economist and officer in charge, economic analysis; and Charles F. Turner, officer in charge, international banking.

WATERSTON



FISHER

Elected vice presidents were: Henry J. Hajdas, loan control staff; Joseph G. Horonzy, officer in charge, Macomb County loan group, metropolitan division, commercial loan department; Robert N. Olsen, officer in charge, tax section, controller's department; Gerald R. Root, trust investments; and Donald G. Sutherland, officer in charge, bank card section, time credit department.

First Nat'l Charter Corp. Has Record 1977 Earnings

KANSAS CITY—First National Charter Corp. has reported record earnings for 1977. Preliminary unaudited figures show that the bank HC had net income last year of $12 million, or $6.45 a share, up from $10.9 million, or $5.89 a share, in 1976. This was a 9.8% gain.

Included were securities gains of $370,000 in 1977 and $260,000 the previous year. Also included was a $50,000 earnings contribution by Charter Bankers Life Insurance Co., a subsidiary that began operations last March.

First Commerce Reports Earnings

NEW ORLEANS—Last year's consolidated net income after securities transactions at First Commerce Corp. was $4.1 million, or $1.93 a share, compared with $1.2 million, or 56¢ a share, in 1976 before giving effect to an extraordinary gain that occurred in the fourth quarter of 1976. This gain amounted to $5.1 million after taxes, bringing consolidated net income for 1976 to $6.3 million, or $3 a share.

The $5.1-million net extraordinary gain in 1976's last quarter was the consequence of an exchange offer in which First Commerce issued $10.9 million of a new class of 7¾% convertible subordinated debentures due in 1997 in exchange for $14.5 million of its 4⅞% convertible subordinated debentures, also due in 1997.

First Commerce is the HC for First National Bank of Commerce.

Net Income Up 15.8%

NASHVILLE—Third National Corp. reported 1977 net income of $6.7 million, or $2.80 a share, a 15.8% increase over 1976 net income of $5.8 million, or $2.42 a share. Net income for 1976 included a loss of $321,000 from discontinued operations. Total consolidated deposits as of last December 31 were $1.2 billion, up from $1.1 billion at year-end 1976.

The HC's anchor bank is Third National Bank.

Operating Earnings Up

NEW YORK CITY—Manufacturers Hanover Corp., parent firm of Manufacturers Hanover Trust, has reported record after-tax operating earnings for the fifth consecutive year. Operating earnings in 1977 were $157.9 million, up 10.2% over the $143.3 million earned the previous year. On a per-share basis, earnings were $5.15 last year and $4.82 in 1976.

Fifth Year of Record Totals Reported by HC in Detroit

DETROIT—DETROITBANK Corp., parent company of Detroit Bank, last month announced that earnings, total assets, deposits and shareholders' equity reached record-high levels for the fifth year in a row.

Net income last year was $32.1 million, 18% above the 1976 figure of $27.2 million. Total assets went from $3.2 billion in 1976 to $4.2 billion last year. Year-end deposits in 1977 were $3.6 billion, up from $2.8 billion the previous year. Shareholders' equity rose from $3.2 billion in 1976 to $4.2 billion in 1977.

Most Successful Year Reported By Fourth National, Wichita

WICHITA—Fourth Financial Corp. and its principal subsidiary, Fourth National Bank, have completed their most successful year. Unaudited year-end 1977 figures reveal record highs in earnings, deposits and total assets.

Total assets last year were $665.8 million, up 20.7% over 1976. Deposits exceeded the half-billion-dollar mark for the first time, reaching $503.2 million December 31. Earnings in 1977 hit an all-time high of $5.1 million, a 10.5% increase over the previous year. On a per-share basis, this was $2.04 in 1977, compared with $1.85 in 1976.

Liberty of OC Reports Earnings

OKLAHOMA CITY—Net income after securities transactions last year at Liberty National Corp. was $5.3 million, or $3.20 a share, compared with $5.1 million, or $3.07 a share, in 1976. During the latter year, there was $157,652 of nonrecurring income. Year-end deposits at the one-bank HC's principal subsidiary, Liberty National Bank, rose from $828.4 million in 1976 to $888.7 million last year.

Alabama Bancorp. Reports

BIRMINGHAM, ALA.—Alabama Bancorp. has reported record operating results for 1977. Unaudited net income last year was $19.8 million, a 16% boost over the 1976 figure of $17.1 million. On a per-share basis, this was $3.40 last year, compared with $2.93 in 1976.

Net Income Down at Nortrust, But Favorable Year Reported

CHICAGO—Nortrust Corp., parent HC of Northern Trust, has reported 1977 consolidated income before security transactions totaled $25.5 million, or $5.11 a share, down 5.5% from the 1976 figure of $27 million, or $5.41 per share. Net income, after reflecting modest security gains of $8,000, was $25.6 million, or $5.11 a share, compared with $27.2 million, or $5.45 a share, in 1976.

Chairman Edward Byron Smith points out that while 1977 earnings were 5.5% under those of 1976, from an overall standpoint, 1977 was a favorable year, with average assets exceeding $4 billion for the first time and trust fees increasing 12% to $33.4 million, reflecting strong growth in fiduciary appointments in Chicago and at trust subsidiaries in Florida and Arizona.

Morgan's Income Up in 1977

NEW YORK CITY—J. P. Morgan & Co., Inc., whose principal subsidiary is Morgan Guaranty Trust, has reported 1977 consolidated income before securities gains (losses) was $218.3 million, a 7.7% increase over the 1976 figure of $202.8 million. Consolidated net income of $216.3 million was 6.7% ahead of the $202.7 million earned in 1976. On a per-share basis, 1977 income before securities gains (losses) was $5.36, up 6.3% from $5.04 the previous year. Net income was $5.32 last year, compared with $5.04 in 1976. This was a 5.6% gain.

Harris HC Income Down

CHICAGO—Harris Bankcorp earnings declined 8% in 1977. The reason, according to Charles M. Bliss, president and CEO, was that adverse market conditions sharply reduced the profitability of bond-trading activities, while a contraction in margin limited the growth of net-interest income.

Consolidated income before securities gains or losses was $29,359,000, compared with $31,842,000 the previous year. On a per-share basis, earnings from current operations were $4.49, a 12% decline from $5.08 in 1976, when a smaller number of shares were outstanding.

HC Reports Earnings

MONTGOMERY, ALA.—First Alabama Bancshares has reported a 16% increase last year in net income. Such income in 1977 was $16.7 million, or $3.23 a share, compared with $14.5 million, or $2.79 a share, in 1976.

Net Income Up

JACKSON, MISS.—First Capital Corp. has reported 1977 net income after security transactions of $9.1 million, or $5.14 a share, compared with $8.6 million, or $4.85 a share, in 1976.

Economic Forecasts for State, Nation Given at Deposit Guaranty Symposium

Senator James O. Eastland, longest-tenured southern senator in history of U. S. Senate, introduced luncheon speaker John White, Undersecretary of Agriculture, at Deposit Guaranty economic symposium last month.

By JIM FABIAN
Associate Editor

OUTLOOKS, both national and local, flowed from speakers at the 15th annual Economic Symposium sponsored last month by Deposit Guaranty National, Jackson, Miss.

The more than 1,000 business leaders attending the conference heard Paul Nadler, professor of business administration at Rutgers University, keynote speaker, predict a 4.5% real growth figure for the nation for 1978, an inflation rate of 6%, a reduction in unemployment to a 6.5% figure, an 8% prime and no recession for the next two years.

Mr. Nadler predicted that the Fed would do well under the chairmanship of G. William Miller, Jimmy Carter's choice as successor to Arthur Burns. He said that the Fed was a stabilizing force, that it makes people fit its mold. It tends to remove the liberalness from its people; thus, there is nothing to fear about Mr. Miller's appointment.

He stressed the advantages of the dollar's decline in value, stating that it gives the U. S. a sales advantage abroad because it makes our products more attractive due to lower prices. The decline also points to the fact that the U. S. is making a better recovery than most other nations. He added that U. S. attempts to bolster the dollar are only for appearance's sake.

He said the proposed tax cut for this year is aimed at stimulating capital investment. "Washington is working on the right issues," he said, and business will eventually wake up to the fact that things aren't as bad as they think in this country. When this realization comes about, he added, business will begin to expand.

He predicted that interest rates might rise another half-point, but will then stabilize. He added that the Dow-Jones Industrial index will stay in the high 700s during 1978, that there won't be any quick kills in the market because the public is looking for yields. He also recommended that investors stick with stocks and bonds rather than things that are difficult to unload in a pinch—things such as paintings.

Jim Buck Ross, state commissioner of agriculture and commerce, predicted that the "benign neglect" of the farmer is coming to an end. He said the government has been putting the farmer's needs off for years, offering nothing but sympathy.

He said there is no single solution to the farmer's deep-rooted economic problems, but there's hope in the fact that the public realizes that the farmer isn't the sole cause of inflation. "It's ironic," he said, "that 4% of our farmers can feed the world, but they can't feed themselves."

He said we're biting the hand that feeds us by trying to keep food prices low. Today's farmer is only half as well off as his father was, due to the fact that today's ag prices are at a new five-year low.

Depression begins on the farm, he said. "If we have another depression, it'll make the last one look like a Sunday school picnic!"

He said the economy is in the state it's in partly because of the high cost of pollution control. "We're going broke and are starving because of this cost," he said.

Mr. Ross proposed that the idle and underutilized acreage in Mississippi be put to use in growing timber, a product that is in strong demand. He also recommended that farmers upgrade their operations to bring them up to par with operations in other states. The achievement of this would greatly add to the state's economy.

"More than 400 million acres of good cropland are idle," he said, "and it could add $75 million to Mississippi's economy if it weren't idle." He said more than a million acres of pastureland are underutilized and 6.5 million acres could be improved by the planting of row crops, timber or pasture grass. Such an upgrading could generate $540 million, $27 million of which would go to the state in the form of sales taxes.

He said the people who own 73% of the state's land must be motivated to make that land pay dividends.

William R. Smolkin, president, Smolkin Consulting Services, New Orleans, predicted close to two million housing starts in the nation for 1978, a figure that is close to the total for 1977. He said the single-family housing market won't remain as strong as it has for the last three years; rather, emphasis will shift to some extent to multifamily

Deposit Guaranty executives chat with keynote speaker at last month's economic symposium in Jackson, Miss. From l., Julian L. Clark, bank pres.; Paul S. Nadler, professor of business administration, Rutgers University; John P. Maloney, pres., Deposit Guaranty Corp.; J. Herman Hines, bank ch.

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Continental Illinois National Bank and Trust Company of Chicago.

housing and commercial-building projects, which have been sliding in the recent past.

He predicted exceptional growth for the southwestern corner of Mississippi because the federal government plans to put $400 million into a new ammunition facility. In addition, DuPont plans to invest $150 million in a new plant in that area.

He called attention to the impressive number of new homes built in certain Mississippi cities last year. In Jackson alone, 1977 single-family housing starts were up 12% over those for 1976. Multifamily starts were up 17%. This resulted in a 16% increase in construction jobs in the capital city.

Mr. Smolkin also commented on the greatly increasing level of income for families living in the Jackson area. He termed Jackson as one of the three medium-sized cities in the nation that are considered to be preferred places to reside.

He stated that the average person has been excluded from the new housing market for the past 25 years. Only those with above-average incomes can qualify for new housing, he said; others must be content with used housing.

Maizie Hale, fashion activities director for the southern territory of Sears, Roebuck & Co., commented on her firm's operations in Mississippi. Sears plans to open its first Class A store in the state in Jackson next month and will close its downtown store. She said Sears employs more than 3,000 people in the state. It contracts with 106 Mississippi suppliers and placed almost $600 million in orders with those suppliers last year.

She said Sears is slowly opening dental clinics in selected stores.

Luncheon speaker was John C. White, Undersecretary of Agriculture and President Carter's recent nominee as chairman of the Democratic National Committee.

Mr. White predicted that America's farmers will have "a brighter year in 1978 than they had in 1977."

"I'm not going to tell you that all of the problems in agriculture are solved or that farm income will skyrocket overnight," he said, "but I am saying that for the first time in five years, we have food and agriculture policies and programs that provide the tools to deal with depressed commodity prices, poor farm income and price-depressing grain stocks.

"Our policies are based on four key goals: Be good for farmers and help them make a good income, be good for consumers and provide them with bountiful food supplies at reasonable prices, help meet our international commitments and President Carter's humanitarian goals."

Mr. White said the Food and Agriculture Act of 1977 gives farmers "the opportunity to plant and produce crops based on market conditions and receive income-support payments through the target price system. Increases in the loan levels and target prices for 1977 crops resulted in a $1.5-billion addition to 1977 farm income," he said.

"As important as any change in the law is the addition of a system for removing surplus stocks from the marketplace. Having a formalized reserve, primarily farmer-owned, will ensure that the U. S. will not have export controls when crop production falls short because of weather or other disaster. Reserves also give us added assurance that the 'boom and bust' in grain and other commodity prices won't continue.

"The new law makes major changes in the Food for Peace program, so that it can now be used as a major market development tool rather than as a giveaway program for surplus grain.

"We're also working to stimulate the export of U. S. grain by doubling CCC export sales credits to $1.5 billion. Added to these basic changes in the law is the continuation of authority to idle acreage. Secretary Robert Bergland has exercised this option and announced a 20% set-aside for the 1978 wheat crop and a 10% conditional set-aside for corn, barley and sorghum.

"Our yardstick for measuring the success of policies and programs is whether farm prices are improving," he added, "and they are."

"Commodity prices have also increased. According to the latest statistics, prices received by farmers have increased fairly substantially. Since June, wheat has increased about 45 cents per bushel. Since September, corn is up almost 40 cents and soybeans are up over 50 cents.

"We're convinced that America's agricultural policies are back on the right track. Prices are improving; producers are using the loan and reserve programs, and it appears that wheat farmers are indeed cutting back on 1978 acreage. Our preliminary report indicates a reduction of 13% from 1977 planted acreage. If producers use the programs that are available, 1978 will be a much brighter year than 1977."

Mr. White was introduced by Mississippi Senator James Eastland.

Deposit Guaranty executives moderating various portions of the symposium included J. Herman Hines, chairman; Julian L. Clark, president; and John P. Maloney, president, Deposit Guaranty Corp. • •

Drovers Bank, Chicago, Assumes Liabilities Of Closed Drovers Nat'l

CHICAGO—The owners of Main Bank, Chicago, have purchased the deposit liabilities of Drovers National, which closed January 19. The bank was reopened the following day as Drovers Bank, Chicago.

The new bank, which was the highest of several bidders, is owned by a holding company controlled by the families of Sidney J. Taylor and Irwin H. Cole. Mr. Taylor is chairman and Mr. Cole is vice chairman, the same titles they hold at Main Bank.

Drovers Bank opened with $12 million in capital funds and FDIC insurance on its deposits, according to Mr. Taylor.

President of the new bank is Frank Bauder, long-time Chicago banker, who was formerly with Continental Illinois National; Central National Bancorp, HC controlling Chicago's Central National; and Main Bank, which he joined as chairman of the executive committee in 1976.

TAYLOR

COLE

BAUDER

Mr. Taylor has been associated with Main Bank for 32 years. He joined that institution as a clerk in 1946 and assumed the presidency in 1960. In 1969, he and Mr. Cole purchased the bank from L. Shirley Tark, its founder. Mr. Taylor assumed the additional duties of chairman at that time.

Mr. Cole's background includes an auto dealership and real estate development. He became associated with Main Bank in 1969 as vice chairman.

Drovers National had been in existence for 96 years.

Model Cars Featured in Lobby

Gerald B. Klein, v.p., Bank of Yorktown, Lombard, Ill., examines a model of a 1914 Stutz Bearcat automobile, part of a collection of 25 model cars that were displayed in the bank.

Arguments for Sensible Economic Diet Presented by St. Louis Banker

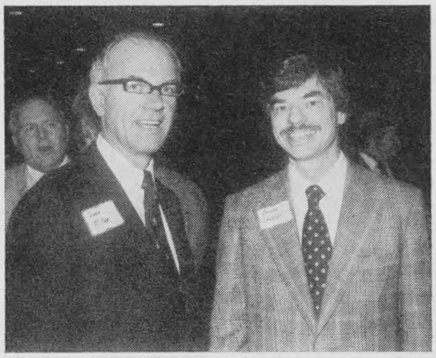
THE ADOPTION of a sensible diet for the economy was urged by Eugene A. Leonard, senior vice president, Mercantile Bancorp., St. Louis, at a meeting of St. Louis-area business leaders last month.

He compared the U. S. economy with an obese person in need of a stringent diet, stating that "as we get locked into a stuffing and starving syndrome with our personal diets, so do we with the economy."

A steady, moderate rate of economic growth in the money supply is the best remedy, he continued, but the U. S. hasn't been able to bring such a remedy to pass.

Too much stuffing of the economy leads to an obese economy—one that suffers from inflation, he said. This stuffing is done in the name of monetary growth designed to reverse the high rate of unemployment. Through the years, he continued, there's been little starving of the economy due to fear of triggering another period of recession.

"We can grow only so much," he



Eugene A. Leonard (r.), s.v.p., Mercantile Bancorp., and Lynn H. Miller, pres., Mercantile Trust, chat at January meeting of Downtown Rotary Club in St. Louis. Mr. Leonard spoke on economic policy at meeting.

said, "due to the fixed resources at hand. Our capacity to grow in real terms is constrained by our limited resources. Excessive monetary growth turns into higher spending than we are capable of sustaining by generating production. The result is economic fat, or inflation."

If the nation goes on a crash monetary diet to lose this economic fat, he said, the cut in spending will result in a cut in income, which will slow the economy. High unemployment and high inflation go hand in hand and the higher they go, the harder it is to deal with them.

What we need, he continued, is a long-term sensible diet of monetary growth. This is difficult to achieve because of our enormous appetite for dollars. Everybody wants concessions; everyone wants his fair share of the "gruel in the public trough," he said.

"We're not willing to tax ourselves enough to finance government expenditures, so we end up with deficits," he said. High budget deficits are inflationary because the Fed is called in to help the Treasury finance the deficit. The Fed monetizes government debt by buying up government securities to finance deficits. When the Fed spends a dollar, it creates a dollar, Mr. Leonard said, which is not so with banks and thrifts.

The resulting public clamor over the economic situation results in growth of the public sector, which can mean more government controls over our businesses and our lives, he said.

The primary reason the U. S. doesn't have a more sensible economic policy, he added, is that the U. S. economy is not yet on the critical list. The situation can be compared to a person whose doctor recommends various methods of dieting. The patient agrees, says he will follow the doctor's recommendations, but doesn't.

Things would be different, Mr Leonard said, if the doctor told the patient that he would be dead within a week if he didn't drastically alter his eating habits! He said that Great Britain is making some economic progress because its leaders realized the nation was on the critical list.

Mr. Leonard's prognosis for 1978 contained both good and bad news.

Under the heading of good news:

- Monetary growth will be in the 7%-8% range, which will result in a heavy impact on spending.
- Real-output GNP will increase by more than 4%, which will result in a dent in unemployment figures. A remarkable number of new jobs will be created in 1978 and the unemployment rate will decline to 6½% by June and will probably level off at that rate.
- Housing starts will be close to two million, with emphasis on multi-family units.
- Auto production will be in the 10-10½-million range.
- The worst might be over for the steel industry.
- There will be no boom in capital spending, but an increase of from 7% to 8% will occur, keeping the rate abreast of the inflation rate.
- The trade deficit will be somewhat improved in 1978; the cost of imports will rise due to depreciation of the dollar.
- Best news of all—no recession seen in 1978.

Under the heading of bad news:

- The inflation rate will get worse before it gets better.
- Federal borrowing will rise by $70 billion, making for a tight market.
- Interest rates will rise due to increased demand for capital.
- The stock market will continue to be unimpressive.
- The worst news of all—1978 might be the last year in the current recovery due to continued excessive monetary growth.

Mr. Leonard sees a shift in political concern in Washington sometime in 1978 or 1979. The shift will be from a stimulate-the-economy, reduce-unemployment policy to one of genuine monetary restraint. This will result in a slowdown—or starvation—of the economy.

In conclusion, Mr. Leonard said that 1978 won't be the year that the U. S. goes on a sensible monetary diet. • •

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Merger of Two HCs Is Challenged By Group Charging Redlining Policies

IN WHAT may be the first use of the recently enacted Community Development Act of 1977, a citizens group has challenged a proposed merger involving two Missouri-based HCs, even though the act doesn't go into effect until the fall of 1978.

The Manchester-Tower Grove Community Organization (MTGCO) has requested that the Fed conduct a hearing on the proposed merger of Manchester Financial Corp. (MFC), St. Louis HC, and Commerce Bancshares, Kansas City-based HC. Lead bank of MFC is Manchester Bank, located in a highly industrialized section of St. Louis with limited residential areas.

The petitioners have charged that area banks owned by both HCs have poor mortgage lending records, an accusation that raises the issue of redlining on the part of the two HCs' affiliates. The organization also stated that the merger could result in reduction of services for customers of Manchester Bank should Commerce Bancshares' management decide to close Manchester Bank and move it to downtown St. Louis as part of a consolidation with the existing Commerce Bank of St. Louis.

The challenge was made possible by the Community Development Act, which is part of Public Law 95-128, enacted last September. The law states that a supervisory agency must take heed of service (both past and future) rendered to the community when any kind of expansion is proposed, including mergers and HC acquisitions. The act has not yet been implemented and no regulations have been proposed to implement it.

"Regulated financial institutions have a continuing and affirmative obligation to help meet the credit needs of the local communities in which they are chartered, consistent with the safe and sound operation of such institutions," the text of the act states. It requires that an "institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods," must be taken into account by the regulator when a merger application is considered.

Representatives of MTGCO have charged that a study of mortgages shows that Manchester Bank made only 10% of its mortgage loans within the city limits of St. Louis during 1976. The representatives further stated that the two Commerce banks operating in the St. Louis city limits had "even poorer lending records in the city."

In defense of their lending records, representatives of both HCs have stated that loan demand has been weak inside the city limits of St. Louis. They also cited the fact that the Community Development Act stipulates that loans are to be "consistent with the safe and sound operation of such institutions." The Manchester Bank management has stated that its efforts to maintain existing industry and to attract new industry into the predominantly industrial service area have been successful. The Manchester Chouteau Industrial Redevelopment Corp., strongly supported by Manchester Bank, has been a prime factor in area stabilization and rehabilitation. Manchester Bank contends that these efforts are worthy of recognition and consideration when evaluating performance.

Missouri's Governor Joseph P. Teasdale has gone on record to urge the Fed to conduct the hearing requested by MTGCO. Although Missouri has no statute requiring state-chartered lending institutions to make loans in the areas served by their charters, he said, "I believe it is obligatory for state government to encourage such policies." He implied that he would like to see a state statute that would call for consideration of a bank's lending record to the community when it seeks a merger or charter expansion.

Community groups are watching the case with interest. They contend that the Fed should uphold the spirit of the law, even though the effective date of the law is some time in the future. A spokesman for one community group has stated that when the act is implemented, it could "turn the operations of financial institutions inside out and upside down . . . because they will have to engage in affirmative lending."

Commerce Bancshares applied to the Fed last September for permission to merge with Manchester Financial Corp. The application triggered charges from both MTGCO and Plaza Bank of West Port, St. Louis, that the proposed merger wouldn't result in better service in the area of community credit needs.

The Fed isn't required to hold a hearing unless a merger is opposed by either the principal federal regulator—in this case, the Comptroller of the Currency—or the state regulator, neither of which has expressed opposition to the merger.

Manchester Bank officials strongly disagree with the MTGCO contention that the neighborhood surrounding the bank has deteriorated because of "disinvestment practices" of the bank. The bank's management contends that, while agreeing that the neighborhood has had problems because of the mass exodus to St. Louis County, bank efforts to maintain the area have been a significant part of the program to stop the deterioration and to provide a strong base for future improvements.

Officials of Commerce Bancshares stated that press accounts of the proposed merger resulted in a misunderstanding that Manchester Bank would be moved to the downtown area and consolidated with Commerce Bank of St. Louis. Commerce has promised the Fed that the main office of Manchester Bank will not be closed. Commerce has also gone on record as being willing to provide initial operating funds for a neighborhood redevelopment corporation.

MTGCO representatives don't seem to be placated by Commerce's statements. A spokesman for MTGCO has said that the organization is looking for a commitment to make more funds available for single-family home borrowers.

The neighborhood group and the banks appear to disagree on the level of loan demand in Manchester Bank's trade area. The lenders state the demand is low within the city limits, while MTGCO states demand is much higher and points to the fact that a number of single-family loans closed in 1976 were financed primarily by mortgage firms, which charge higher rates than commercial banks.

No decision regarding the hearing is expected by the Fed until next month. • •

T&L Accounts

(Continued from page 22)

delivery of credit advices to a Fed bank or a regional check-processing center should be allowed two days to make such delivery. Otherwise, the remittance option would not be a viable choice for many depositories that would not elect the note option for other reasons.

6. In the interest of the viability of the Treasury tax-and-loan system, payment after notice of Treasury calls should be eased for Class "A" and "B" depositories. The ABA recommends a period of not less than one week nor more than two weeks before immediate charge to the appropriate reserve account. The ABA also urges that up to the first $10,000 of Treasury funds in Class "A" and "B" note-option depositories be interest free. These provisions would balance the advantage offered Class "C" depositories for accepting additional excess funds from Treasury's operating balance. • •

New Records Reported in 1977 At Southern Bancorp.

BIRMINGHAM, ALA.—New records were achieved in all aspects of Southern Bancorp.'s activities last year. Income before securities transactions reached a record level of more than $15 million, an 18% increase over 1976 earnings of $12.7 million. On a per-share basis, N.O.E. were $2.07, compared with the 1976 figure of $1.75. Total assets in 1977 reached $1.6 billion, up from $1.37 billion the year before, or an increase of 17%. Year-end deposits were $1.28 billion, 20% more than the 1976 year-end figure of $1.06 billion.

Southern National, the HC's lead bank, reported 1977 net income of $400,600, up 170% from the 1976 figure of $148,467.

Code of Ethics

(Continued from page 30)

customer to experts in these various fields. However, the code should provide for furnishing a list of several persons to avoid the appearance of influence over decisions of bank employees.

Another point: Under no circumstances should an employee borrow from a bank customer unless the latter is a recognized lending institution or a business concern offering credit sales to the public generally, such as a department store or oil company. Needless to say, any such authorized borrowing must be on the same terms and under the same conditions as are offered all customers of that lender. In a similar vein, there must be strict limitations on the sale to or purchase from the bank of assets. Such sales can be made only at a public auction or sale or pursuant to court approval.

The list goes on, but the essence is that the bank must determine those areas of employee activity that could present the possibility of conflict or pressure on an employee in a manner adverse to the high performance of his or her duties. The code must set forth these areas of conflict and state clearly and concisely the bank's position and policies.

Finally, the third concern of the code is implementation. It does little good to have a code without provision for bank-wide dissemination and periodic review. The code must contain in its provisions a satisfactory means of disclosure of any of the covered items. All persons who receive copies of the code should be required not only to acknowledge receipt, but to state they have read and understand its contents. In addition, those in supervisory or particularly sensitive positions should be required to provide periodic statements that they have reviewed the code with their staffs and are unaware of any violations in their area of operations. Results of this review are submitted to the person or persons charged with its implementation—legal counsel, the bank's comptroller, the audit committee of the board or perhaps some other person specifically designated to handle compliance matters.

It goes without saying that there should be an immediate investigation and resolution of any situation in which a manager cannot answer "no violations" or in which an actual violation has been uncovered. People must realize not only the necessity for compliance, but that there will be severe results when the standards are compromised. What should these severe results be? The punishment should fit the crime, and if the violation is serious enough, a job could be on the line. Of course, there are lesser sanctions, such as reprimand or suspension, but this must be left to the bank's discretion. I don't think you have to be told what to do with an employee who refuses to cooperate or deliberately evades the code's provisions.

What should a code *not* do? First of all, it should not create absolute, rigid or dogmatic criteria. There must be room for some interpretation, some flexibility. A good code will be an ever-changing document with revision and interpretation.

Second, the code should not bring about 1984 or create a gestapo. We don't want to impose an aura of such fear and trepidation that employees are too frightened to do their jobs. We cannot take away an individual's pride, initiative or integrity or destroy his or her right to privacy. We're creating standards that we strive to meet. While there are penalties for failure, we must be realistic in our application.

Finally, the code should not be an excuse to withdraw from the world. It can't be the vehicle by which management washes its hands of any community or political involvement.

Will such a code work? I think so. I reject the theory that there are no ethics left in this country, that we are so diverse that there's no overall set of standards or sense of value. People—businessmen and bankers included—basically want to do what is right, but what largely have been missing are concrete, specified standards that are needed in this complex world. A code will help fill this gap, but it offers no panacea, no cure-all, no guarantee that all will be well with us and the world. What it will do is show that we have set standards, that we are trying to solve our problems and to respond to our attackers and that we are prepared to act quickly in event of wrongdoing without the need for government or other outside supervision. • •

Banker Comes to Neighbor's Aid; Nabs Pair of Would-Be Burglars

THANKS TO THE cool-headed work of Neal W. Stephens, vice president, Liberty National, Oklahoma City, his neighborhood is a lot safer, and two would-be burglars are nearing the journey "up the river."


STEPHENS

Mr. Stephens personally arrested one and helped apprehend the other of two suspects who were burglarizing his next-door neighbor's home.

For his work in collaring the duo, the banker received a letter of commendation from the Oklahoma City Police Department.

"One of the most vital elements of law enforcement is that of citizen involvement," said Police Chief Tom L. Heggy when he presented the commendation. "You have displayed an exceptional concern as a citizen, taking great personal risk to thwart the acts of the criminal element, even in an instant when you were not the victim of the crime."

The burglary occurred on a late summer night. Mr. Stephens' wife and daughter were asleep when the banker heard the family dog begin barking excitedly. Mr. Stephens, suspecting that something was amiss, went outside to find a suspicious-looking car parked at the curb, its motor running and someone at the wheel. The banker returned to his home to get the registered handgun he had purchased because of burglaries in his area.

As Mr. Stephens moved through the shadows of his yard to check the home of his neighbor, an elderly widow who was vacationing in Europe, the automobile sped away. Inside the home, the banker found the lights on and a man in the front room turning a picture aside in a search of a wall safe.

Mr. Stephens called for the man to halt, then fired his weapon as the burglar began to run. The shot missed, but the robber tripped over an electric cord.

When the police arrived a few minutes later, Mr. Stephens had his man under citizen's arrest; the banker's description of the getaway car resulted in the police nabbing a second suspect, the auto and $600 in valuables from other burglaries, within 10 minutes. • •

First of Mobile's Employees Receive Training in Security From Representatives of FBI

MOBILE, ALA.—Employees of First National have taken part in a security training session held by representatives of the Federal Bureau of Investigation. The session was held at the bank's Office Park Plaza Branch and was attended by all tellers, new-accounts personnel, branch management and representatives of executive management and the auditing department.

Gary Clem, FBI bank robbery coordinator, and Frank Gilman, FBI agent, conducted the presentation. They reminded bank employees of security methods and procedures regarding robberies, swindles and other bank-related crimes—which occur more frequently during the Christmas season.

Mr. Clem explained procedures to be taken during and after a holdup and outlined preventive measures that may be taken: He reminded employees to keep currency out of sight to avoid encouraging a holdup, to report suspicious persons loitering in the bank lobby and to use surveillance cameras.

Agent Gilman showed the film, "The Bunco Boys," which described schemes employed by "con" artists. After showing the film, he detailed a number of confidence schemes and concentrated especially on ploys that had been used in the Mobile area, emphasizing how to assist elderly persons (who usually are prime targets for con artists). He also reminded tellers to check an unknown customer's identification when opening an account to discourage the unknown customer from attempting to make fraudulent transactions.

After the First of Mobile employees were shown how to discern a genuine Alabama driver's license from a forgery, a brief question-and-answer session was held.

In addition, First of Mobile has planned another employee seminar, "How to Deal With Corporate Kidnapping—Safe Return of Hostages."

NEWS
From the Mid-Continent Area

Alabama

First Alabama, Montgomery, To Receive Facelift

MONTGOMERY—An extensive remodeling project for the 12-story First Alabama Bank building has begun that will transform the exterior of the present brick building to make it match the other buildings in the First Alabama Plaza financial complex.

The $1.5-million project involves installation of wall panels, new reflective glass windows and the addition of a four-sided illuminated sign on top of the building to screen equipment housed on the bank's roof.

Completion of the remodeling is expected by September 1.

Architect's model shows new look for First Alabama Bank, Montgomery, involving new exterior wall panels, reflective windows and sign.

■ LEON HILYER was elected president, First Farmers & Merchants National, Troy, January 10. He succeeds John W. McGarity, who retired December 31. Jack G. Rainey, vice president and cashier, was elected to the board, also on January 10.

■ C. GORDON JONES has been named president and CEO at First National, Decatur, while Bayne J. Vaughan Sr. has been elected vice chairman. In addition, Joe W. Perrin has advanced to senior vice president and cashier, James E. Crow to senior vice president and loan officer and Evans Dunn Jr. to senior vice president and trust officer.

Walter W. Kennedy Dies

MONTGOMERY—Walter W. Kennedy, former president and chairman, First Alabama Bank, and a director of the bank's affiliate HC, First Alabama Bancshares, Inc., died January 2.

Mr. Kennedy began his banking career in the trust department of First of Birmingham in 1929, going to First of Montgomery as vice president and trust officer in 1935. After returning from service in the Air Force during World War II, he was named executive vice president at the bank, advancing to president in 1948.

Mr. Kennedy was elected chairman in 1964, retiring in 1968 as honorary chairman.

Mr. Kennedy was a past president, Alabama Bankers Association, past president, trust division, American Bankers Association, and had served as chairman of the board of regents at Stonier Graduate School of Banking, Rutgers University, New Brunswick, N. J.

He also authored *Bank Management* and coauthored *The Management of a Trust Department.*

Arkansas

■ A GROUP of investors represented by James C. East, chairman, and J. A. McEntire III, vice chairman, Pulaski Bank, Little Rock, has purchased controlling interest in Farmers National, Clarksville. The transaction involved 54% of the bank's outstanding stock. According to Mr. East, a major portion of the stock will be made available for resale to the Clarksville community. Sterlin Hurley, former owner of the $24-million bank, purchased Farmers National in 1953.

■ TWIN CITY BANK, North Little Rock, has promoted the following: from second vice president to vice president, Margaret R. Davenport; from assistant vice presidents to second vice presidents, Kenneth D. Hammonds, Phyllis Sadler and Floyd H. Sims; from retail marketing officer to assistant vice president, Adeline Barker; from commercial loan officer to assistant vice president, Bruce M. Basham; from consumer loan officer to assistant vice president, Elizabeth H. Fine; and from manager, Burns Park Office, to manager, Baring Cross Branch, Steven L. Street.

■ THOMAS E. HAYS JR., president and CEO, First National, Hope, has been reappointed to the board of the Little Rock Branch of the St. Louis Fed. His new three-year term began January 1.

■ AN AUDITING DEPARTMENT has been formed by First Arkansas Bankstock Corp. (FABCO), Little Rock. Creation of a system-wide internal audit responsibility for the bank HC was accomplished through transfer of audit personnel January 1 from Worthen Bank, Little Rock, and First National, Hot Springs, to the FABCO organization.

LOVELL

■ JAMES A. LOVELL JR., vice president, First American National, North Little Rock, has been given responsibilities for correspondent banking. He joined the bank in 1961 and, most recently, had charge of personnel.

Illinois

■ YORK STATE, Elmhurst, has announced the following promotions: to assistant vice presidents—Kathryn Dietzen and Ray Sirovatka, and to assistant cashiers—Ruth Asmussen, John Binneboese and David Johnsen.

■ Du QUOIN STATE is in the middle of a building expansion and remodeling program, which should be completed by mid-year. The project will add about 3,500 square feet of space to the main lobby and banking floor.

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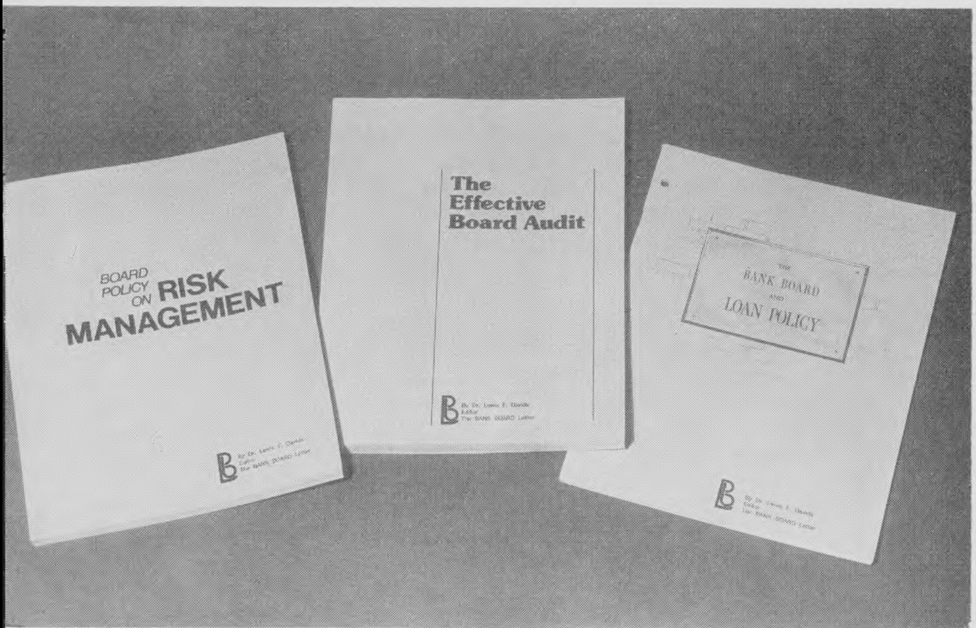

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HAYNES

DAVIES

■ JAMES E. HAYNES, who is in the correspondent banking department, Springfield Marine Bank, has been promoted to vice president. He joined the bank in its investment department in 1948 and worked in marketing before being given correspondent-bank duties. Mr. Haynes became an assistant cashier in 1956, a bank relations officer in 1960 and an assistant vice president in January, 1977. In other action, the bank elected Sharon J. Bourillion, Rhonda J. Hale and Paul W. Horning assistant cashiers; Kenneth L. Manning, credit officer; Michael L. McGlasson, Gary D. Miller and Charles W. Sommers, loan officers; and Thomas J. Stanberry, assistant data processing officer. The bank also has two new directors: Ruth Potish, president, Hub Clothiers, Inc., Springfield, and Harold B. McMahon, vice president, Stewart Warner Corp., and general manager, Hobbs Division, Springfield.

■ MARY JANE DAVIES has been promoted to vice president/commercial loan officer, Union Bank, East St. Louis. She formerly was loan officer and advertising and marketing director. She joined the bank in 1966, starting as a clerk typist and stenographer. Mrs. Davies is a graduate of the National Commercial Lending School at the University of Oklahoma.

■ PROMOTED at Belleville National Savings Bank were: to assistant cashiers, Audrey E. Pensoneau, David Schwemmer and John M. Walter; and to data communications officer, Stephen E. Veto.

■ ROGER L. HUBER has been promoted from senior vice president to executive vice president, Lincoln Trail Bank, Fairview Heights. James E. Breidenbach has moved up from assistant vice president to vice president.

■ GARY H. REITZ, who joined the Bank & Trust Co., Arlington Heights, last November as acting cashier, has been elected cashier. He formerly was cashier, Buffalo Grove National. In other action, the Arlington Heights bank named John Beresheim commercial loan officer and Anita D. Kraus and Leo Mata assistant trust officers.

■ BANK OF BELLEVILLE has promoted Robert J. Schrader and Joseph T. Henderson to loan officers and named Daniel L. Pickett to the newly created post of auditor. Mr. Pickett formerly was with TG Bancshares, St. Louis.

■ THOMAS B. CURTRIGHT has been elected vice president and senior loan officer of Capitol Bank, Springfield, while Larry Metz has been promoted to assistant vice president/installment loan head, and Donald Weinhoeft has been named real estate department head.

Indiana

■ MIKE CARTY has been elected assistant controller of Terre Haute First National, while the following have been named assistant cashiers and assistant branch managers: Phillip Russell Garrigus, Southland Branch; Nick Anderson, Springhill Branch; and Jeff Redman, Plaza North Branch.

■ NATIONAL BANK of Logansport plans to construct a new building. The four-story structure will have 53,800 square feet of space and a drive-up, which will be located in the vicinity of Broadway and Third. The new project will replace the bank's existing building and drive-up. The old facilities will be demolished to provide space for an expanded drive-up. An enlarged customer parking area also is planned.

■ JACK R. COLE has been elected cashier and assistant trust officer, Peoples Bank, Portland. He joined the institution in 1973.

GUNKLER

■ CARL A. GUNKLER, executive vice president and chief operating officer, Lincoln National and Lincoln Financial Corp., Fort Wayne, has advanced to president and chief operating officer. Robert A. Morrow remains chairman and CEO. Mr. Gunkler joined Lincoln National in 1939 and was promoted to auditor in 1951. He was named assistant vice president in 1953 and director of public relations and vice president five years later. Mr. Gunkler advanced to senior vice president and director in 1968 and was elected executive vice president and chief operating officer in 1976.

Kansas

■ CLYDE O. BURNSIDE JR. has been promoted from senior vice president and trust officer to executive vice president and trust officer at American State, Great Bend.

■ FRANK BORGNA has retired as president, Labette County State, Altamont. His interests in the bank have been purchased by Kirk Wyckoff, who has joined the institution as vice president. Mr. Wyckoff, who formerly was a state bank examiner, is the son of Maurice I. Wyckoff, Labette County State's executive vice president.

■ THE FED has approved an application by Dexter Banking Co. to acquire Farmers & Merchants State, Dexter.

■ JUNCTION CITY First National Co. has received Fed approval to become a bank HC through acquisition of First National, Junction City.

■ KANSAS STATE, Wichita, has promoted Mickey I. Cowan from assistant cashier to assistant vice president and named Robert J. Karst and Michel A. Straub assistant cashiers. Mrs. Cowan, who joined the bank in 1975, continues as manager, general processing. Messrs. Karst and Straub are in data processing.

■ SOUTHGATE BANK, Prairie Village, has announced the following promotions: from operations officer to assistant vice president, Carolyn Slover; from administration officer to assistant trust officer, Arlene Reynolds; and from assistant operations officer to operations officer, Nancy Inlow.

■ MICHAEL G. HARPER has joined Southgate Bank, Prairie Village, as vice president, commercial loan division. A banker for eight years, Mr. Harper formerly was vice president, Johnson County National, Prairie Village.

Died: Robert C. Suellentrop, 44, vice president, State Bank, Colwich, on January 13.

Kentucky

■ CITIZENS NATIONAL, Covington, has become the 10th member of the Owl Network, said to be the only program in the nation providing both ATMs and check-approval services. Through use of their Owl cards, Citizens National's customers will have access to 50 ATMs located throughout northern Kentucky and southwestern Ohio, as well as check-approval services in more than 100 supermarkets in the greater Cincinnati area.

■ JAMES H. ENSMINGER has been promoted from vice president to senior vice president, Central Bank, Lexington. Robert P. Larkin and John C. Bricken have moved up from assistant vice presidents to vice presidents, and William Stevenson Jr. and Shirley P. Young have been advanced from assistant cashiers to assistant vice presidents. New assistant cashiers are Becky Beckett, Gary Coyle and Dianne Lynn.

■ FIRST SECURITY CORP., Lexington, has reported 1977 net income of $4.7 million, or $4.65 a share, subject to audit. This compares with restated 1976 net income of $3.8 million, or $3.81 a share.

■ GEORGIA SWEATT and James C. Wall have been named assistant cashiers, Citizens National, Bowling Green. Mrs. Sweatt is new accounts manager, and Mr. Wall is in personnel.

■ WALTER W. HILLENMEYER JR., president, First Security National, Lexington, has been appointed to the board of the Cincinnati Branch of the Cleveland Fed.

■ THIRD NATIONAL, Ashland, has purchased the Chessie System property between Ninth and 12th streets and Carter and Central avenues, including the bank's Carter Avenue Branch and the Chessie System Building. Part of the acquisition will be used by the bank, and the rest will be sold.

■ CITY NATIONAL, Fulton, has opened its new drive-up facility in the Carr Plaza Shopping Center. The colonial building is constructed of red brick with ivory wood trim and a dark-brown shingle roof. It has a walk-in public lobby and two tellers stations. The lobby is carpeted in a persimmon shade, and the windows are draped with a Williamsburg restoration print. The facility features one conventional drive-up window and a remote drive-up, with space for a third. A large, car-level night depository and customer parking also are part of the facility. Bank Building Corp., St. Louis, served as consultant and construction manager for the project.

■ J. DAVID GRISSOM, chairman and CEO, Citizens Fidelity Bank, Louisville, has been reappointed to the board of the Louisville Branch of the St. Louis Fed.

■ ROBERT K. JOHNSTON has joined Lexington's First Security National as vice president responsible for the residential mortgage department. He formerly was senior vice president, Midwest Bank, Jackson, Mich., where he initiated a mortgage banking department.

Louisiana

■ DOUGLAS M. LAICHE has joined Bank of St. John, Reserve, as senior vice president. He has had several years' banking experience.

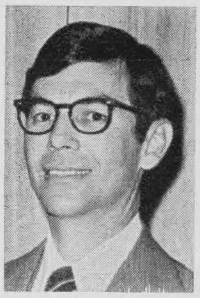
■ COMMERCIAL NATIONAL of Shreveport has promoted Jack G. Beaird to executive vice president, Jack W. Williamson to vice president and comptroller, O. A. Griffey III to vice president, John W. Hollis to assistant vice president and David H. Nordyke to trust officer.

■ AMERICAN BANK, Houma, has promoted Natalie B. Bonner to vice president, Gerry Maples and Howard Wyatt to assistant vice presidents and Sal Cipolla to assistant cashier.

Mississippi

MBA Young Bankers Section Sets Conference for March

W. Liddon McPeters and James E. Smith will be featured speakers at the 28th annual Study Conference and Convention of the Young Bankers Section of the Mississippi Bankers Association March 15-18.



HUGHES

Sites for the event will be the University of Southern Mississippi, Hattiesburg, and the Hilton Hotel, Biloxi.

Mr. McPeters is immediate past president, American Bankers Association, and president, Security Bank, Corinth, and Mr. Smith is former Comptroller of the Currency, and executive vice president, First Chicago Corp.

Theme of the study conference will be challenges facing banking today and tomorrow. Topics will include the consumer, physical and technical challenges, legislation, competition and the economy.

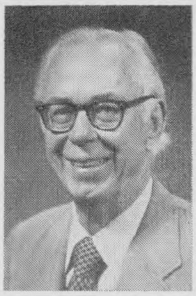
Officers of the group are: president—Glynn Hughes, president, South Central Bank, Monticello; vice president—Charles A. Jordan Jr., vice president, Delta National, Yazoo City; treasurer—Wallace McMillan, vice president, Peoples Bank, Tupelo; and secretary—James W. Crawford, assistant vice president, Deposit Guaranty National, Jackson.

■ CHARLES S. YOUNGBLOOD, president and CEO, First-Columbus National, Columbus, has been reappointed to the board of the Memphis Branch of the St. Louis Fed.

■ SOUTHERN NATIONAL, Hattiesburg, has been merged with Deposit Guaranty National, Jackson.

■ FIRST UNITED BANK, Meridian, has promoted three assistant vice presidents to vice presidents: Tena Brown, Ruth Carlisle (continuing as auditor) and Carolyn Smith, operations manager. Mrs. Brown heads the women's department, works with the business development department and also assists in promotions, advertising and public relations. She went to the bank in 1970; Mrs. Carlisle, 13 years ago and Mrs. Smith, 22 years ago.

MILLER



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HENDERSON

TIEMEYER

■ THAD B. LAMPTON JR. has been elected chairman, Columbia Bank, while J. Dexter Barr Jr. has been named president. The bank is a branch of First National, Jackson. Mr. Lampton, the 1963 president of the Mississippi Bankers Association, has been with the bank since 1939. He was elected its president shortly after joining. His father headed the MBA in 1919-20.

■ C. A. MILLER JR., a former president of the Mississippi Bankers Association (1965), has been elected chairman of the advisory board, Bank of Greenwood. He was president, a post now filled by Jerry M. Hall, formerly executive vice president. The bank is a branch of First National, Jackson. Mr. Miller joined Bank of Greenwood in 1936 after 10 years with Mississippi Power & Light Co. and its predecessors. Mr. Hall joined First of Jackson in 1971 as a management trainee. Before going to Greenwood, he was with another First National branch, Amite County Bank, Liberty, where he was president and a member of the advisory board. He also is on Bank of Greenwood's advisory board.

■ ERNEST L. JOYNER III has been named first vice president and senior trust officer, Bank of Mississippi, Tupelo. He joined the bank in 1972 and has spent much of his time since then in the bank's business and industrial development department.

Missouri

■ DONALD D. KING and Mildred J. Morgan have been promoted from assistant vice presidents to vice presidents, Commerce Bank, Festus. D. Al Hulme moved up from loan officer to assistant vice president, and Mary L. Dobbs was named assistant cashier.

■ FLORISSANT BANK has promoted the following: from assistant vice president to vice president and auditor, Dorothy R. Jasper; from assistant vice president to vice president in charge of the installment loan department, Rosa N. Smith; from assistant cashier to assistant vice president, loan department, Stephen E. Frank; to assistant cashiers, Velda R. Hovis, mortgage loans, John R. Caravelli, new accounts/public relations and Elizabeth H. Netsch, loans.

■ JOSEPH D. HENDERSON has joined United Missouri Bank, Brookfield, as chairman and CEO. He formerly was vice president and head of the agribusiness division, United Missouri Bank, Kansas City. Ed D. Robertson has been named president of the Brookfield bank. Messrs. Henderson and Robertson succeeded Don W. Schooler Sr., who retired after 18 years with the bank, but remains on its board. Mr. Henderson has 20 years' banking experience and has specialized in agribusiness. He helped establish United Missouri of Kansas City's agribusiness division. Mr. Robertson formerly was executive vice president, United Missouri of Brookfield.

■ KENNETH R. TIEMEYER, vice president/commercial loan officer, Colonial Bank, Des Peres, has been elected to its board. He is a past chairman, Young Bankers Committee, Missouri Bankers Association.

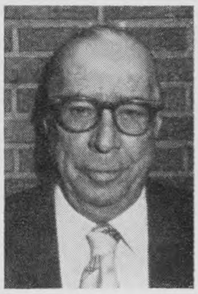
■ GEORGE M. BAGGOTT has joined Manufacturers Bank, St. Louis, as a vice president. He has charge of marketing with responsibility for expanding the bank's corporate and correspondent banking relationships. Mr. Baggott had been an assistant vice president, commercial loan and business development, Mercantile Trust, St. Louis. In other action, Manufacturers Bank promoted Todd R. Keller from vice president/data processing officer to vice president/operations; Elmer L. Holtmann from manager, installment loan department, to assistant vice president and manager, installment loans, and Peter L. Deibel from assistant treasurer to assistant vice president. Tom Slojkowski has been promoted to assistant treasurer.

Harold McPheeters Dies

Harold M. McPheeters, 91, died December 28. Mr. McPheeters, in the insurance business about 71 years, originated the first Missouri Bankers Association pension program in 1947 and administered it for about 25 years. He started his career with Northwestern Mutual Life Insurance Co., then was with Equitable Life Assurance Society of the U. S. and, finally, with Aetna Life & Casualty Insurance Co. Mr. McPheeters was in semi-retirement at the time of his death.

■ R. CROSBY KEMPER III, credit analyst, United Missouri Bank, Kansas City, has been elected a director of United Missouri Bank of Blue Valley, Kansas City.

■ GRAVOIS BANK, Affton, has opened a facility on Gravois Road between Lindbergh Boulevard and Sappington Road. The structure, designed and built by Bunce Corp., St. Louis, is the bank's second full-service facility.



WITTE

BRANNEKY

■ ST. JOHNS BANK has announced the following top-management changes: Sylvester F. Witte, who was president, has moved up to chairman. Herbert W. Ziercher, who had held the latter post, now is vice chairman. Walter C. Branneky, formerly executive vice president, has been elected president. The bank also has a new director, Santiago J. Cortopassi, president, Overland Metals Co. Mr. Witte joined the bank in 1927 as a 17-year-old clerk and had been president since 1960, when Mr. Branneky became executive vice president. The latter has been with the bank since the early 1950s. Mr. Ziercher is senior partner in a law firm.

■ LEMAY BANK has opened its facility in Oakville on Telegraph Road at Baumgartner. Thomas T. O'Hare, assistant vice president, has been named facility manager. The facility

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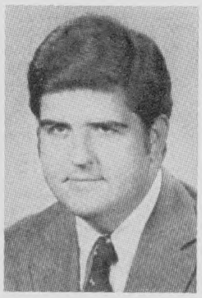
has a capacity of five drive-up lanes and four inside tellers stations, with capacity for 10. The full-service facility is on line with Lemay Bank's main computer for immediate access to customer records, and extended hours are featured.

■ ANDREW N. BAUR has joined St. Louis County Bank, Clayton, as executive vice president and a director. He formerly was president and CEO, Commerce Bank, St. Louis. Mr. Baur will share responsibility of directing various division activities with Executive Vice President Robert C. Wolford. In other action, St Louis County Bank promoted Thomas M. Noonan to senior vice president with responsibility for the commercial loan department. He had been vice president in charge of the mortgage loan department. Rodney F. Hill

BAUR



NOONAN

HILL

was named senior vice president, County National Bancorp., where he will direct the HC's activities and all affiliate banks' activities, except those of County Bank. He remains senior vice president of the bank. Mr. Baur was a vice president, Mercantile Trust, St. Louis, before joining Commerce Bank, St. Louis, three years ago. Mr. Noonan also had been a vice president of Mercantile Trust before going to County Bank in 1973. Mr. Hill has been with County Bank since 1965. Announcement of the changes came from Merle M. Sanguinet, chairman, president and CEO of the bank and chairman and president of the HC.

New Mexico

■ THE COMPTROLLER of the Currency has given approval to Southwest National Bank Corp., Albuquerque, to establish Southwest National in Hobbs. Plans call for a $500,000-$600,000 building to house the full-service institution. No president had been named at press time.

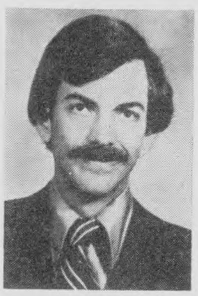
■ KIPP-RICH, an El Paso, Tex., banking group, has purchased part interest in Farmers & Merchants Bank, Las Cruces.

Oklahoma

■ COMMUNITY BANK, Tulsa, has promoted Jim Ray from assistant cashier to assistant vice president and Nettie Robinson, bookkeeping supervisor, to assistant cashier. The bank also has a new director—L. R. Rex, who fills a vacancy on the board created by the death of R. B. McDermott. Mr. Rex is investments manager, Billy James Hargis Evangelistic Association, Inc., Church of the Christian Crusade, David Livingstone Missionary Foundation, Inc., and other organizations headed by Mr. Hargis.

■ MARK HORNING has joined Union Bank, Bartlesville, as assistant vice president and auditor. He goes there from Bank of Kremlin, where he was vice president.

■ J. W. McLEAN, chairman, Liberty National, Oklahoma City, has been appointed to a second one-year term on the Federal Reserve System's Federal Advisory Council.



WOLFE

■ JIM WOLFE has joined the Oklahoma Bankers Association as director of governmental relations. He goes there from the Oklahoma Education Association, where he had been a staff consultant to local teachers associations.

■ AUSTIN L. LOWREY has been elected president, Farmers & Merchants Bank, Eufaula, moving up from vice president. He succeeds Keith C. Burnham, who retired after 44 years with the bank.

■ DALE SIMMS has retired from United Oklahoma Bank, Oklahoma City, where he was vice president in charge of corporate affairs.

■ TERI NANCE has been named assistant cashier, First National, Bartlesville. She joined the bank in 1964 and had been administrative assistant since 1971.

Tennessee

■ E. BRAC THOMA III has advanced from vice president to president, First National, Tullahoma, which he joined in 1976. He succeeds Bob L. Smith, who resigned. Paul Smotherman, a trust officer and director, has been named vice president. Mr. Thoma also was elected to the bank's board.

■ HAMILTON BANK, Johnson City, has promoted Larry Parks to assistant vice president, manager, Jonesboro Branch, and assistant security officer; Benny R. Lowe to assistant vice president and assistant manager, Jonesboro; Emma Ogden to assistant cashier and assistant manager, Broadway Branch; and Ed Ward, assistant cashier, to assistant manager, North Johnson City Branch.

■ JAMES L. SIMMONS has been elected chairman, Tri-City Bank, Blountville. He continues as president and CEO and also will serve as chairman of the executive, loan and discount and trust committees. He has served as the bank's president and CEO since 1955.

Texas

■ DWIGHT L. BERRY was promoted from assistant vice president to vice president, Parker Square Bank, Wichita Falls, last month. James A. Goins, loan collections, was made credit officer. Mr. Berry is a loan officer.

■ FIRST VICTORIA NATIONAL has announced plans for the $4-million second phase of its multimillion-dollar expansion program, which began last year. This phase is in addition to the $2-million renovation of the office tower now in progress. The latest construction, set to begin early this year, will take two years to complete. The new complex will occupy three-quarters of the block bounded by Main, Constitution, Bridge and Santa Rosa and will occupy the entire Constitution and Bridge Street sides with banking and parking facilities. The addition will include a full basement, street-level lobby and enclosed offices for loan officers and a mezzanine for executive and trust department offices, boardroom and a new community meeting room that will accommodate up to 100 persons. Outer walls of the new building will feature the same bronze glass recently installed on the bank's existing building.

■ LUBBOCK NATIONAL has elected Michael T. Carlton vice president, commercial division. He had been a national bank examiner.

■ JAMES E. WATKINS, commercial loan officer and manager, credit department and loan review, Long Point National, Houston, has been promoted to vice president. Gregory R. Frazier has been made banking officer and manager, business development program. Ronald D. Mindiola, manager, bookkeeping department, has been named assistant cashier.

■ GENE R. FAIRES has been named chairman and CEO, Beaumont State. He is succeeded as president by Jef C. Russell Jr., formerly executive vice president. Gerard Parigi was named auditor, and Robert Q. Keith was elected to the board. Mr. Keith is an associate and partner in a Beaumont law firm.

■ FIRST NATIONAL, Brownsville, has promoted Wanda L. Gilchrist, personnel, James E. Moore, commercial loans, and Minnie Villarreal, customer services, to vice presidents. All three formerly were assistant vice presidents.

Package Plan

(Continued from page 51)

All BANCLUB members receive another publication called "BANCLUB Digest." Each issue includes a complete list of participating banks throughout the nation, most of which will honor a club member's personal check through the CHECASH program. The publication also includes articles of general interest and special announcements of offers directed exclusively to BANCLUB members.

It may appear that NCB was a "Johnny come lately" with BANCLUB since it was not the first bank in Nashville to promote such a plan. But the results testify that it's never too late to adopt a customer service that offers obvious advantages that no customer wants to overlook! • •

Majority of Farmers Polled Favor Ag Strike, Doane Says; See Little Hope for Success

ST. LOUIS—A majority of the more than 200 U. S. agricultural producers polled by Doane Agricultural Service, Inc., are in favor of the farm strike, but most foresee little success for the strike movement.

According to Doane, those farmers, who were telephoned in 23 states, are commercial farmers with various agricultural enterprises. Doane also noted that the sample wasn't large enough to reflect the feelings of all farmers about the strike.

An overwhelming 98% of farmers polled were familiar with the strike, while only 9% indicated that they had participated in any of the protests held throughout the nation. Of the nonparticipants, 56% favored participation in protests.

Fifty-eight percent of the ag producers indicated they would cut sales of farm products or limit purchases of machinery or supplies within the immediate future due to the strike; 37% said they would not make such a move, and 5% were undecided. Of those who planned such a move, about one-fourth said, "As long as necessary"; 10% would start selling if prices of a particular product rose; and nearly 40% indicated either a short hold or no longer than spring before resuming normal sales and purchases. A few said their participation would be limited by credit circumstances.

Other results Doane drew from the survey included the following:

• Those who anticipated success seem to have a more limited objective for the strike than obtaining 100% of parity, feeling that getting public attention and influencing the Administration about the price situation would be enough results to term the movement successful.

• A number of those polled felt that farmers couldn't pull off a strike. History has proved this, they indicated, and added that few farmers could withhold products for any length of time or stop purchases and survive.

• Respondents who thought the strike to be the wrong thing to do, or that the strike was being conducted at the wrong time, made frequent mention of the fact that people were "turned off" by the large, expensive farm equipment used in the strike's parades.

Earnings up at Bank HC

NEW ORLEANS—New Orleans Bancshares has reported 1977 net earnings of $2.5 million, or $3.21 a share, a new one-year high and 26% increase over 1976 earnings of $2 million, or $2.55 a share. Total operating income last year reached $39.8 million, also a new one-year record and a 28% gain over 1976.

The HC is the parent of Bank of New Orleans.

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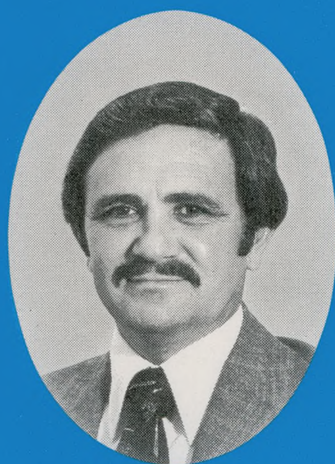
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