MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

BOARDROOM NEWS—Page 72

MARCH, 1978

SALES—MARKETING ISSUE

Premiums Enable Banks To Replace Maturing Wild-Card CD Funds

Page 33

Low-Denomination CDs Make New Marketing Vehicle

Page 48

'Born Again' Bank Cashes in on New Image—Page 39
Directors Gain $25 Million in New Business—Page 37
'People' Ads Make Celebrities of Residents—Page 54

Creatures of Wild Kingdom Excell as Bank Spokesmen

Page 44

New Finance Lease Plan Lowers Auto Loan Terms

Page 60

MID-CONTINENT BANKER is published 13 times annually (two issues in May) at 408 Olive, St. Louis, Mo. 63102. Mar., Vol. 74, No. 3. Second-Class postage paid at Fulton, Mo. Subscription: $10.

First Class
Permit
No. 2545
Springfield,
Missouri

BUSINESS REPLY MAIL

No Postage Necessary If Mailed In The United States

Postage will be paid by

Long, Carner and Associates, Ltd.
P.O. Box 1482 S.S.S.
Springfield, MO 65805

BANCPEN™

Mail TODAY!

☐ **I'm convinced. Enter our subscription to BANCPEN™ and bill us later.**

☐ **Sounds good, but I'd like more information.**

Name ______________________________

Title ______________________________

Bank/Holding Co. ______________________________

____

Address ______________________________

City ____________ State ____________ Zip ____________

BANCPEN™

Better than a seat in your competitor's board room!

Over 200 banks and bank holding companies already rely on BANCPEN™ for marketing information.

BANCPEN™ offers these important advantages over other reports:

- **No limit to number of competitors reported**
- **Four reports per year**
- **Five year trend analysis**
- **Costs no more than reports published only once a year**

BANCPEN™ market penetration analysis supplies facts — every quarter — to show you exactly how well your competition is doing and whether or not you are getting your share of the market in all deposit and loan categories. A few minutes with your BANCPEN™ printout can show you the relative position of your bank in your market area and the success or failure of marketing efforts in every department.

With BANCPEN™, YOU define the market and determine your competitors. BANCPEN™ can supply complete information on any commercial bank in the United States. You tell us which commercial banks you want included in your analysis. It makes no difference whether your market is single city, county-wide, multi-county or multi-state. BANCPEN™ places the information at your fingertips in easily compared dollar amounts and market-share percentages. The graphic presentation shows at a glance the market penetration established by your own bank and each of your competitors.

It's the most invaluable marketing tool ever offered. For each quarter of the year, BANCPEN™ delivers to your desk information you must have for accurate assessment of past performance and effective planning for the future. It contains complete information for the quarter just past plus a five year trend analysis of your bank's position in each deposit and loan category. You get the information while it is still fresh.

Write or call today for more complete information or to enter your subscription to BANCPEN™ Market Information Analysis, individualized for your market — a service of Long, Carner, and Associates, Ltd.

MEMBER BANK MARKETING ASSOCIATION

Long, Carner, & Assoc., Ltd.

COMPLETE MARKETING SERVICE FOR FINANCIAL INSTITUTIONS

POST OFFICE BOX 1482 S.S.S. • SPRINGFIELD, MISSOURI 65805 • (417) 866-5053

MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 74, No. 3 ***March, 1978***

FEATURES

DEPARTMENTS

STATE NEWS

Editors

Ralph B. Cox
Publisher

Lawrence W. Colbert
Assistant to the Publisher

Rosemary McKelvey
Editor

Jim Fabian
Associate Editor

Dan Clark
Assistant Editor

Advertising Offices

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

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

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

Officers: **Donald H. Clark**, chairman; **Wesley H. Clark**, president; **Johnson Poor**, executive vice president and secretary; **Ralph B. Cox**, first vice president and treasurer; **Bernard A. Beggan**, **William M. Humberg**, **James T. Poor** and **Don J. Robertson**, vice presidents; **Lawrence W. Colbert**, assistant vice president.

Convention Calendar

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 8-10: Bank Administration Institute Bank Tax Conference, St. Louis, Breckenridge Pavilion Hotel.
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.
May 15-19: Bank Administration Institute EDP Auditing Introduction Short Course ($25 million+), College Park, Md., University of Maryland.

You want a bank that can back you...over-line or overseas.

Count on the *total* capability of Mercantile Trust in St. Louis.

We can provide the over-line support you need to take advantage of big opportunities.

And we can support you with a full range of specialized services. For instance, our International Department can help you and your customers with overseas contacts, documents, financing, even customs services.

When you have an opportunity that calls for something special—call 314-425-2404.

We're with you.

MERCANTILE BANK

Mercantile Trust Company N.A. • (314) 425-2404 • St. Louis, Mo. • Member F.D.I.C.

How the experts

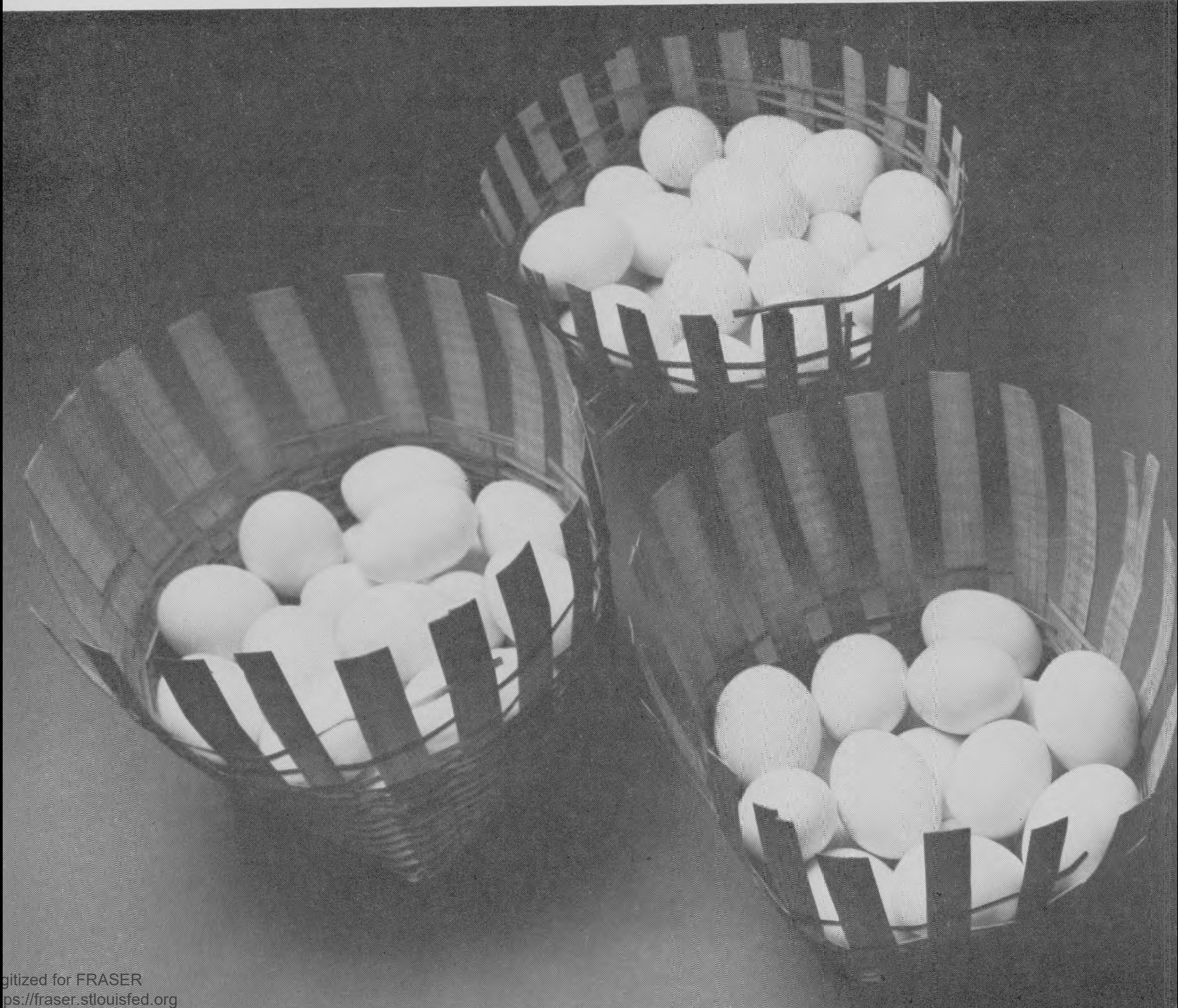
No matter how aggressive or innovative a mortgage insurance company may be, there is no substitute for time to build real financial strength. A strong basket is not built in a day.

As Standard & Poor's recently commented in a special report on mortgage-backed securities, a mortgage insurance company needs time. Time to develop market share. Time to diversify geographically. Time to build a mature portfolio. And perhaps most importantly, time to build positive unassigned surplus.

Let's see how well MGIC has used its years in the mortgage business to meet these criteria. In market share, we are clearly the leader with a margin of nearly 4 to 1 over the next largest insurer. Geographically we are more widely spread than any company in the industry. Our portfolio has the highest percentage (47%) of loans seasoned three years or more.

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.

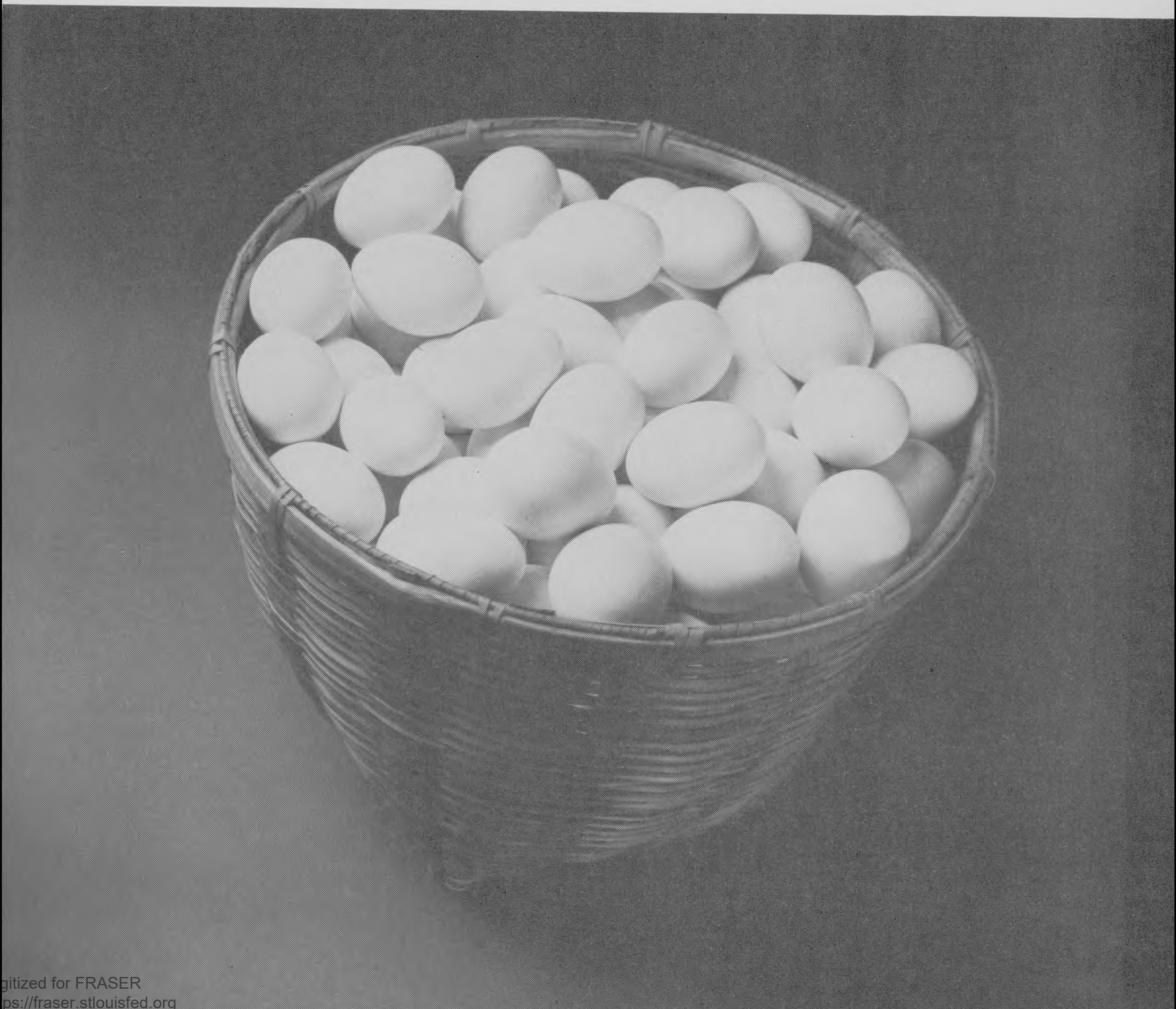
Because time is on our side.

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.

Mortgage Guaranty Insurance Corporation
MGIC Plaza,
Milwaukee,
Wisconsin 53201

MGIC

5759



The Banking Scene

By Dr. Lewis E. Davids

Hill Professor of Bank Management,
University of Missouri, Columbia

A Formal Complaint

"I WISH to file a formal complaint against your bank."

The preceding statement is the introduction to a new development being implemented by the Comptroller of the Currency. It's the approximate title of a three-page document that will include a "tear-off" form that customers of national banks may use to file complaints.

Comptroller of the Currency John G. Heimann has contacted a number of banking and consumer groups, as well as congressional banking committees, to obtain views on the implementation of this adversary program, which, undoubtedly, will speed up and increase the number of complaints filed against national banks.

People with serious complaints don't need postage-paid, pre-addressed forms to convey their irritations to regulators or legislators!

What is interesting is that the Comptroller, in circulating proof copies of this new policy, stated that the pamphlet was prompted by "the low volume of complaints currently being received by this office, which we have determined is attributable in part to the absence of convenient mechanics for registering such grievances."

Of course, there is another possible interpretation of the relatively small number of complaints the Comptroller receives about national banks: Banks are law abiding, are relatively well managed, have good policies for handling and resolving complaints through their own resources and have little need for the gadfly activities of bureaucrats in Washington.

The proposed cover letter by Comptroller Heimann would note, "Your rights as a consumer are protected by a federal consumer law—if you feel that your rights have been violated by a national bank, you may register a complaint directly with the federal agency that supervises national banks, the Comptroller of the Currency."

Mr. Heimann prudently proposes that a dissatisfied customer of a national bank try first to resolve the problem with the bank in question. Failing to do so, the bank customer is invited to fill out the complaint form and mail it to the regional office of the Comptroller of the Currency. (In fact, the customer doesn't even have to use a postage stamp to mail the complaint.)

The Comptroller's Office, through its regional administrators, will contact the named national bank and investigate the claims on behalf of the complainant, who will be informed of the results of that investigation.

"Where your complaints involve some bank other than a national bank, the Office of the Comptroller of the Currency will refer it to the appropriate federal or state supervisory agency." The complete form provides for the names and addresses of the complainant and the named bank. It calls for the name of the bank official or the bank department involved in the complaint. If an attorney has been retained in the matter, there's a provision for the attorney's name, address and telephone number.

The Comptroller of the Currency's action is, undoubtedly, a pro-consumer step that will be supported strongly by Ralph Nader's followers. It's likely to be resented and objected to by individual bankers, banks and bank-related trade associations, as well as other business-oriented groups. The fact that the Comptroller's Office will, in effect, solicit and receive complaints about state-chartered, nonnational banks and pass them on to appropriate regulatory agencies certainly is, in my estimation, a unique outreaching on the Comptroller's part!

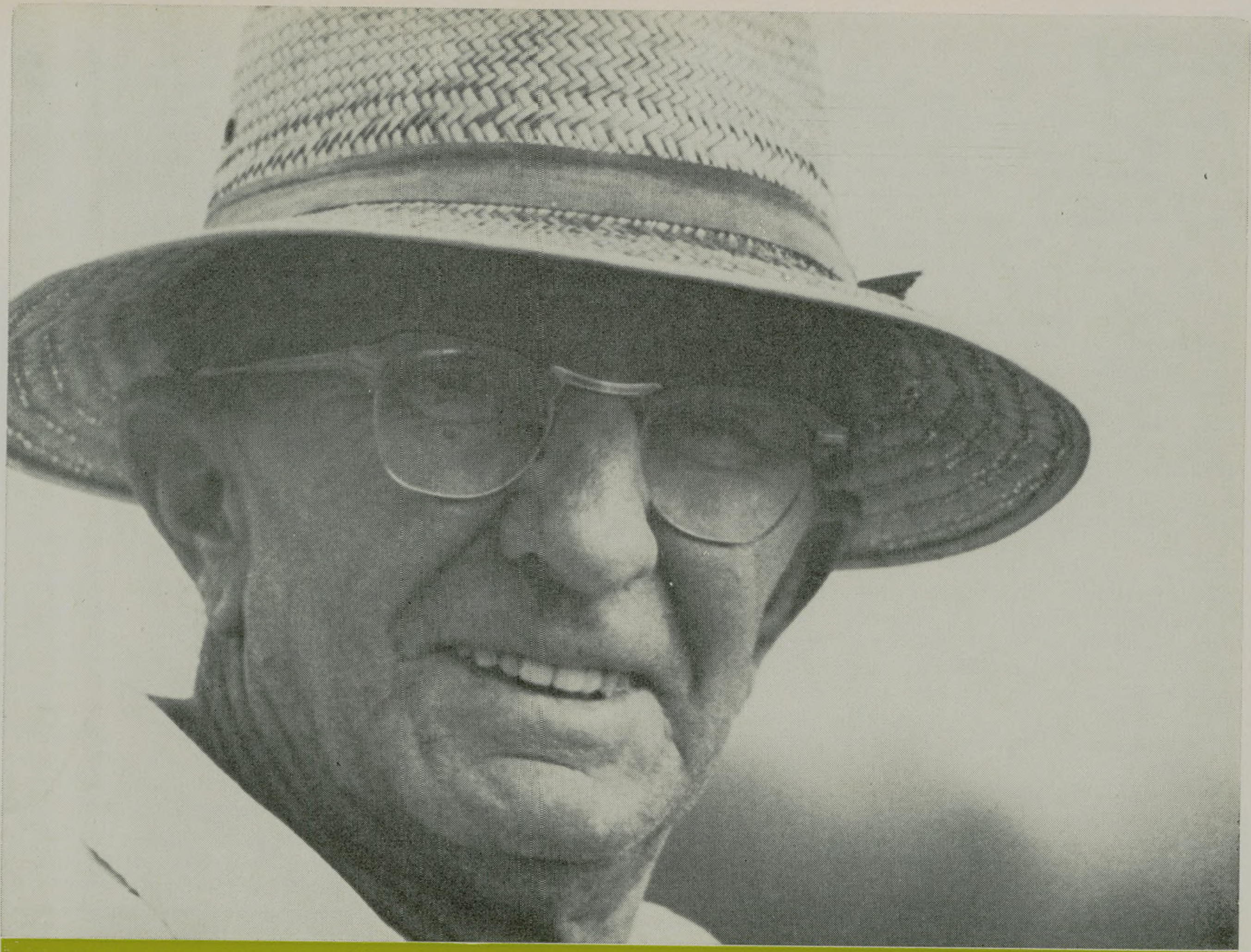
Bankers are aware that customers always have had the legitimate right of complaint and, if not satisfied with the results, the right to move their accounts elsewhere. I suspect that Mr. Heimann probably is correct that more people will complain if provided a convenient self-addressed, pre-stamped form to use for that purpose, but the aggressive nature of the Comptroller's Office in trying to increase the volume of complaints raises serious questions of judgment.

Mature bank regulators often have voiced concern that their major function—concern for bank solvency—has undergone an erosion of priority.

There's the strong probability that many of the complaints resulting from this new policy will be of a trivial nature, involving such things as penalty charges for overdrafts and charges for returned items. People with serious complaints don't need postage-paid, pre-addressed forms to convey their irritations to regulators or legislators!

It's likely that the successful adoption of this pro-consumer, anti-bank policy by the Comptroller will stimulate other bank regulatory agencies to adopt similar procedures. After all, this is an age of consumerism!

While I suspect that bankers are unhappy with this trend, they must recognize that it is part of an overall attitudinal change by society. For example, in a number of states, so-called "hot lines" have been set up to provide con-



"THEM OLD COTTON FIELDS DOWN HOME"

are still going strong. So are Mississippi's efforts at industrial expansion and in state processing of our agricultural products and timber resources for increased sales on the international market. We'll bet you don't know all the facts about the good things we're doing in Mississippi.

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

Jackson, Mississippi Member FDIC

sumers with the opportunity of airing their real—or fancied—complaints of poor or illegal performance on the part of business.

I would conjecture that, under the Freedom of Information Act, it's likely that the compilation of complaints would become available to interested parties, pro-consumer organizations in particular. Drawing from my experience as a consultant to a governmental agency in this matter, I am sure that top executives of business organizations are sensitive to the resolution of legitimate complaints. In the area of insurance, for instance, the number and types of complaints are kept and used by insurance commissioners, since they communicate directly with companies' top managements. Top managements, in turn, recognize that complaints provide an index of their companies' performance. They typically have implemented procedures promptly so that the complaints are settled at the field level and not "bucked up" to the regulatory agencies. Woe to the agent or employee who has embarrassed his company's CEO by causing that CEO to receive a critical letter from his regulator!

Whether a bank is nationally or state chartered, the time is right to make sure that as few complaints as possible are received by regulatory agencies about the institution. A number of banks already have established ombudsmen programs, in which at least one individual in a bank is responsible for receiving and handling complaints filed against an individual or transaction. If your bank has no ombudsman, consider the virtues of having one: By concentrating or directing all complaints through one person, it is possible to fully appreciate where and how major types of complaints originate. For instance, are they associated mainly with tellers? With the bookkeeping department? Do they involve "truth-in-lending"? Or do they involve service charges and the like?

A bank's ombudsman should be an individual who has received some special training and instruction in dealing effectively with complaints. Undoubtedly, some of the complaints this person receives will be valid, and it's likely that some of the complaints will be without merit. A good ombudsman would be in a position to minimize the number of complaints that ultimately would reach a regulatory agency.

There will be considerable variation in complaints that will be received by the regulatory agencies. For example, the sensitive topic of redlining will be a major source of complaints for banks in urban areas, while affirmative-action complaints will be widespread.

As complaints surface, top management would be well advised to have certain types of responses prepared. To illustrate, in the area of redlining, a bank should have data on hand that would exonerate it from the onus of such a complaint.

In this context, some banks recently have taken the initiative in newspaper advertising to defend their lending practices.

While complaints are being resolved, some interface with other activities of a bank may surface. Personnel who, in effect, sparked the complaint and the public relations and marketing departments of the institution should be involved in the complaint's resolution, an experience that I think will help educate bank customers about why certain conditions may be necessary.

I wonder how regional administrators of national banks will react to this new duty. Mature bank regulators often have voiced concern that their major function—concern for bank solvency—has undergone an erosion of priority. Such areas as "truth-in-lending" and other consumer legislation, they have said, impose a shifting of emphasis of their jobs away from concern for bank solvency, in effect, encouraging unsound banking practices.

Another aspect of the Comptroller's proposal concerns state supervisors or state superintendents of banking, especially in the East, where there is a decided pro-consumer bias. The Mid-Continent states probably have a more neutral stance on consumerism, judging from prevailing literature. Thus, the follow-through of complaints may vary considerably from one geographic area to another, depending on the interest and thrust of the various state banking regulators. Filing consumer complaints is still so new that it's impossible at this time to appraise the situation's full dimensions.

While the ombudsman approach has certain advantages, there is a need for every bank's staff to be aware of the implications involved in regulators receiving consumer complaints. Top management should direct an educational effort to the public *now*, before the situation of customer complaints has grown—as the Comptroller of the Currency implies it will.

Bank policy should involve everyone on the staff in an effort to minimize the likelihood of the increase in formal complaints. • •

Teller Alert.
The check to double check.

It's a new account system that costs you less and can save your bank thousands.

Teller Alert. That's exactly what it does.

Teller Alert is a standard new account kit with attractive checks printed with red borders and deposit tickets printed in red ink. These are visual signals to your tellers: Here's a new account.

The tellers are alerted to double check for sufficient funds and to be extra courteous to the new customer. Very simple. Very low key. Yet it's most effective at cutting losses when it's used properly.

Clarke believes Teller Alert is important to your bank. So we offer it in the personal account size for less than our other new account kits. Your Clarke Checks representative would like to tell you the complete Teller Alert story.

There's a name for reliability. Clarke Checks

Atlanta/Birmingham/Charlotte/Dallas/Houston/Louisville/Mobile
San Antonio/Shreveport

Community Involvement

'MDRT Night':

Bank of the Southwest Honors Insurance Group

Bank of the Southwest, Houston, has honored a number of top-producing life insurance underwriters with dinner and a performance of "The Importance of Being Earnest" at Houston's Alley Theater.

It was the fifth year that the bank's trust department has sponsored the evening for the life underwriters, who are members of the Million Dollar Round Table, an international life insurance organization. About 100 underwriters and their spouses were in attendance.

For the 6th Year:

Student Advisory Board Involves Youth in Banking

For the sixth year, Citizens Bank, Jeffersonville, Ind., has sponsored its Student Advisory Board program, one goal of which is to educate students about management of personal income, accepting credit responsibility and financing a college education.

The board, which is comprised of area students, makes presentations about the above topics to local high school classes.

Another goal of the board is to demonstrate the need for youth involvement in community affairs. Students assist at Christmas with the bank's "Empty Stocking Fund" for needy children and also participate in the local Red Cross blood program by working on blood drives held in their respective schools.

Bank Collects Toys, Cash for Tots

Representative of local Kiwanis Club (l.) accepts check for $117 to be used for Christmas gifts for needy children from Judy A. Petit, account executive (c.), and Roy R. Heimburger, president, Continental Bank, Richmond Heights, Mo., last December. Trio stands behind array of gifts for children donated by bank customers. Amount of check represents proceeds from sale of cookbook published by TGBancshares Co., St. Louis, HC controlling Continental Bank, along with donations from bank employees.

Affirmative-Action Plan Begun

An affirmative-action program has been instituted at Harris Bank, Chicago, to monitor the bank's hiring and promotion practices.

Named coordinator of the program was Nathaniel Walton, former senior programmer-analyst and technical adviser in the operations department. He joined the bank in 1967 as a computer programmer trainee in the systems development division.

66 Hours:

Houston National Renews Quality TV Sponsorship

Houston National has announced its second year of quality TV programming, amounting to 66 hours during 1978.

Among the programs to be televised are two premiers, "Europe, the Mighty Continent" and "Americans." Also scheduled are "The Ascent of Man" series, an encore showing of "Fall of Eagles" and "Ten Who Dared."

In addition, the bank will sponsor full coverage of all local, state and national elections as well as two locally created documentaries.

For Youth Parks:

Trust Dept. Lauded By Interior Department

The trust department of Citizens National, Emporia, Kan., has received an achievement award from the Bureau of Outdoor Recreation, Department of the Interior, in recognition of financial assistance given in the establishment of 19 youth recreation parks in east central Kansas.

More than $876,000 in youth recreational park grants have been made in a three-county area of Kansas since 1961. The bank has been a trustee of the W. S. and E. C. Jones Trust since that time. The Messrs. Jones were wealthy cattlemen who left their money for the benefit of needy children.

In Indianapolis:

Money Manager Series Conducted for Women

Indiana National, Indianapolis, recently sponsored a series of four money manager workshops for women designed for those who want more information to help plan and control their economic lives.

The sessions dealt with the economics of being a woman; credit and retirement planning; borrowing, saving and investing, and estate planning for women.

A $12 registration fee was charged that included a personal financial planning workbook designed to give each participant an overview of her personal financial life, to reinforce the material covered in the workshops and to provide a basic reference tool for future financial planning.

Golden Coin Award

Gordon Malen (l.), assistant vice president, First National, Minneapolis, is presented with award of merit as part of Golden Coin Awards sponsored by BMA at association's recent convention by Martin J. Allen (r.), BMA president and senior vice president, Old Kent State, Grand Rapids, Mich. Award honored bank for its 1976-77 Dutch elm public affairs campaign, designed to increase public awareness of the Dutch elm epidemic in the community and to urge community and legislative action for a program to control the disease.

Installment Lending

Trends in Mobile Home Financing Area Stressed in Shelter Analysis for '80s

MOBILE HOMES will represent about one out of every six new housing units in 1985, a figure that is slightly higher than the present ratio, said analysts with Foremost Insurance Co. in a recent report entitled "The Shelter Market in the 1980s." The analysis consists of projected trends in the mobile home financing area.

Retail prices of mobile homes will increase faster than those for conventional housing as the 1980s approach, but will moderate slightly before 1985, the analysts said.

The estimated average annual increase in the price of mobile homes to the year 1985 is 10%. Reasons for this annual increase—which is higher than the projected increase for conventional housing—include trends toward larger units, increasing unionization at mobile home plants, higher standards and regulations, increasing transportation costs and higher prices for building materials and furnishings.

Federal legislation has and will continue to affect mobile homes in the 1980s, the analysts predicted. The Housing and Community Development Act of 1977 provides that FHA loan limits on mobile homes be raised from $12,500 to $16,000 on single-wide units and from $20,000 to $24,000 on double-wide units. In addition, the lending period will be extended to 15 years for single-wides and 23 years for double-wides.

One of the most significant pieces of legislation to affect the industry has been the mobile home construction and safety standards, promulgated by the U. S. Department of Housing and Urban Development (HUD). This law imposes a stringent uniform construction and safety code on all mobile home manufacturers. Representatives of the industry believe that the standards will assure mobile home purchasers of getting units that will last longer; that will qualify for lower insurance, warranty, maintenance and repair costs; require less energy consumption and find wider acceptance within communities because of their higher quality.

The Foremost analysts forecast that by 1980, 33% of all mobile homes shipped will be double-wides. By 1985, 40% will be that size. Fourteen-foot-wides are now generally accepted and lengths of between 60 and 70 feet are expected to continue. According to the study, future expansion will occur primarily in width, not in length, of mobile homes.

The analysts stated that, generally speaking, the mobile home industry has been able to broaden its base in the housing market only as it has been able to increase the size of the product. And the size could be increased only as the duration of the financing terms made available for its purchase was increased.

The long-term growth of the mobile home industry is highly contingent on the availability of adequate financing, the analysts said. In the recent past, availability of financing was the most significant problem facing the industry. However, in the future, the type of financing available will be the key problem. Presently, most manufactured housing doesn't qualify for conventional real estate financing. Due to lenders' attitudes concerning the mobility of mobile homes combined with their present profitable method of financing mobile homes, there will be a great reluctance to change the type of financing available.

Positive trends in the mobile home market include the following, according to the Foremost analysts:

- Growth of the population, and in particular, the 25-to-44 age segment.
- High down payment requirements for conventional housing.
- Greater acceptability of mobile homes due to quality, size and safety.
- Increasing acceptability of mobile home development.
- Federal legislation stimulating growth of mobile home demand.
- The number of vacation homes that will be required in the future.

The long-term demand for housing is a function of four factors: household formations, replacement requirements, vacation or second homes and allowance for vacancies. A recent study by the Massachusetts Institute of Technology and Harvard University for HUD estimated that between 20.2 and 22.6 million housing units will be needed during the 1976-1985 period to meet new demand and replacement needs. A consensus estimate from several sources suggests that from 50% to 60% of this projected demand stems from new household formations, 30% to 40% from replacement requirements, at least 3% to 4% from second homes and from 4% to 7% from a vacancies cushion.

The average annual production rate for all new housing from now to 1980 is likely to be below the average of 1971-1975, the analysts state, but is expected to recover in the 1981-85 period so that production will fall close to the 10-year demand.

Multifamily and mobile home portions will grow slightly faster from 1981-85 than in previous years, mostly because of government subsidies. And mobile home manufacturers will benefit from commercial, educational, vacation and other uses for units. • •

Troubled Debtors: The Fine Line Between Counseling and Controlling

By MARGARET HAMBRECHT DOUGLAS-HAMILTON
Bingham, Dana & Gould
Boston

This article is reprinted with permission from *The Journal of Commercial Bank Lending*, published by Robert Morris Associates, Philadelphia.

WHEN A corporate borrower gets into financial trouble, its lender often will have a big problem concerning loan repayment. But a lender can have even worse problems if its dealings with a financially troubled debtor would lead a court to conclude that it exercised control over its debtor. Courts have subordinated a controlling lender's debt to other creditors and, in some cases, have charged controlling lenders that interfere with their debtor for losses suffered by other creditors on account of such interference.

There are two important ways a lender can acquire the kind of control over its debtor that may lead to liability. The first is through control of the debtor's management, and the second is through voting control of the debtor's stock.

Here are some examples, mostly taken from actual cases, of the type of problems a lender can have with either kind of control over its debtor. Although some of the cases have not been decided, issues involved represent complaints against lenders that have spent significant amounts of time and money on their defense. If some of the concepts in this discussion seem new, it's better to find out about them in an article than in a complaint filed against you in court. Concepts underlying this form of lender liability have been around for a long time, but suits to impose such liability are part of a fast-growing new trend.

In this article, I'm going to try to give a fairly general outline of the current issues in the hope that it will help lenders recognize the control problem when it arises. It's probably safe to say that every troubled loan situation has its own special facts and relationships. Because solutions must be designed to deal with each specific case, I thought it would be more helpful to give a broad view of the major problem areas than to discuss the subtle distinctions that make a solution right in one case and wrong in another. The lender's ability to spot the control problem is very important. In fact, my feeling is this is one of those areas where prevention is the best cure.

Management Control

By far the most difficult kind of control to identify is the kind that involves improper interference with the debtor's management. You usually can tell whether you have control of your debtor's stock. It's much harder to determine when *suggestions* made by a lender become *demands* or when *help* becomes *interference*. When, for example, does a lender's legitimate interest in a debtor's use of funds result in improper decision making by the lender as to which of the debtor's creditors will be paid?

Control Over Financing Sources. Another interesting area where caution is advisable is in drawing up financing agreements. For instance, how far can you go in writing so-called "management clauses"? It's probably unwise to put restrictions on who will run the debtor company that are too specific or that would interfere with the free election of the debtor's directors. This is not to say that a lender is not entitled to place certain financial restrictions on the debtor's management by restrictive covenants which limit additional debt and protect the debtor's assets. However, there are cases where a lender so monopolized a debtor's sources of financing that the lender was considered to be in control of the debtor.

Practically speaking, many lenders probably have found themselves in the position of believing they could turn around a troubled debtor if only they could get some good management into the company. This is a gray area, but there are some definite standards. For example, it's probably all right to make a general suggestion that the debtor consider some management changes. But it might lead to a liability situation if the lender dictates specifically who the debtor's officers and directors should be. It's important to remember that a suggestion is something the debtor is free to accept or reject. A lender should not threaten to call a loan if the suggestion isn't followed. If an individual suggested by the lender in fact is employed by the debtor, the lender should be careful to avoid any appearance that the individual is an agent of the lender or in any way under control of the lender.

Third-Party Problems. Some control problems lenders have with debtors involve third parties. I already mentioned a lender's real concern with how its debtor—especially a troubled debtor—will use funds advanced by the lender. How much control should the lender exert over payment of obligations owed by the debtor to third parties? It's one thing to advance limited funds and leave it to the borrower's discretion as to how such funds will be utilized. It's quite another, obviously, to dictate which bills are to be paid and then bounce any checks that don't appear on the approved list. Between the two extremes are a wide variety of situations where the problem can be resolved with greater or lesser degrees of risk.

Another kind of difficulty a lender can have with a troubled debtor results from inducing the debtor not to perform or otherwise to breach an existing contract with a third party. This could happen in a situation where the lender interferes with contracts the debtor may have with its suppliers or employees. It also could happen in cases where a lender obtains a pledge of collateral, such as stock, which violates a negative pledge clause in a prior creditor's agreement.

You may have heard of the Black Watch Farms fraud in upper New York, where interests in the same few cows were sold to hundreds of different persons. A case growing out of that fraud involved a complaint by one of the plaintiffs about the Black Watch creditors. The plaintiff said the creditors knew of their debtor's precarious financial position, but concealed this to keep plaintiffs making payments on notes for the cows, which had been pledged as collateral to the creditors. That's an example of another kind of problem a lender can have with third parties, namely, liability for aiding and abetting or conspiring with a debtor.

Voting Control

There's a presumption that a lender

You've helped your best customer outgrow you. Now what?

Now Commercial Credit. You've probably seen it happen. You nurture a growing commercial customer until he thinks it's time to move on to a larger bank—or a commercial lender.

That's when it's helpful to have Commercial Credit Business Loans, Inc. at your side.

By taking over the loan requirements or with a participation loan, we can help your bank appear larger. Other banking services are not disturbed.

With Commercial Credit Business Loans, Inc., you can offer your customers the advantages of over sixty-five years of experience in structuring financing programs to meet their needs. And service by experienced professionals.

Other opportunities for working together include high leverage acquisitions, when specialized collateral control is needed, and rapid growth situations.

Call or write today for a talk with one of our Financenter representatives.

Capitalize on our participation. Call CCBL, Inc., now.

We find ways to help.

COMMERCIAL CREDIT
BUSINESS LOANS

a financial service of
CONTROL DATA CORPORATION

Commercial Credit Business Loans, Inc. is part of the $4 billion Commercial Credit/Control Data corporate family, which also offers vehicle leasing, equipment and aircraft financing and leasing, factoring, bad debt insurance, collection services, real estate financing, and much more.

For immediate action, or additional information, call your nearest FINANCENTER.

ATLANTA(404)525-4938 **BALTIMORE**(301)727-3338 **CHARLOTTE**(704)373-1721 **CHICAGO**(312)332-3716 **CINCINNATI**(513)721-2962 **CLEVELAND**(216)886-6383 **DALLAS**(214)747-4295 **DETROIT**(Southfield)(313)569-0366 **HOUSTON**(713)658-0926 **JACKSON**(Miss.)(601)373-6252 **KANSAS CITY**(816)474-0202 **LOS ANGELES**(213)386-6871 **NEW YORK**(212)679-7725 **SAN FRANCISCO**(415)982-6362 **WILMINGTON**(302)571-0873 having voting control over a debtor also has the power to direct the debtor's affairs. Voting control normally means the power to select a majority of the board. A lender may have such power as (1) trustee of a voting trust, (2) holder of an irrevocable proxy or (3) pledgee of shares with power to vote a controlling block of the debtor's stock.

Federal Securities Laws. Liabilities resulting from voting control arise in several contexts. One is in the regulatory context where control, which often is in the form of voting control, exposes a lender to potential liabilities under federal securities laws. Although the following outline is far from complete, it does give an idea of the kind of issues that may arise under those laws.

Under the Securities Act of 1933 and the Securities Exchange Act of 1934, an issuer of securities is required to make certain disclosures to the public that buys and sells its securities. Each of those acts places similar responsibility on anyone who controls the issuer. There are cases indicating that a lender with control of its debtor could be held responsible for losses suffered by third parties who purchased the debtor's securities based on misrepresentations made to them by the debtor.

An interesting complaint involving a lending bank raised the issue of whether a lender has an obligation to correct misleading or inaccurate statements its debtor has published in press releases. A lender who controls its debtor almost certainly would have that responsibility. Also, keep in mind that once a lender has control of its debtor (by virtue of stock ownership or otherwise), the lender is subject to most of the same prohibitions as the debtor on selling the debtor's securities. The controlling lender must sell such securities under an effective registration statement or pursuant to some available exemption from registration requirements.

If your controlled debtor is either a public utility company regulated under the Public Utility Holding Company Act of 1935 or a registered investment firm regulated under the Investment Company Act of 1940, you may incur obligations and responsibilities to your debtor under those acts. Both acts restrict a controlling lender's ability to improve its financial position at the expense of its controlled debtor. For instance, a lender will face severe limitations under Section 17 of the Investment Company Act on financial arrangements it may wish to make in workout situations with a troubled debtor. Such arrangements may be void under the act and also may subject the lender to subordination of its claims to other creditors.

Conflicting Obligations. One area particularly fraught with danger for bank lenders arises under the Trust Indenture Act. Should a lender serve as indenture trustee for securities issued by its debtor and then acquire control of its debtor's stock, the trustee is obligated to eliminate the conflict of interest or resign within 90 days after discovering the conflict. The Trust Indenture Act, however, provides that resignation become effective only on acceptance of the appointment by a successor trustee. In a situation involving a financially troubled debtor, it's possible the debtor may have defaulted on the indenture securities, in which case it's often not possible to find a successor trustee. In such cases, it may be virtually impossible for a lender to fulfill both the high obligation of a fiduciary it has as trustee to holders of the indenture securities and as controlling person of the debtor *and* the obligation to its own stockholders to be profitable.

Liabilities

The preceding discussion describes some problem areas for controlling lenders under federal securities laws. A lender that acquires control of its debtor may have additional problems relating to control under other regulatory statutes as well. These include adverse consequences of failing to obtain requisite regulatory approval before and after assuming control of certain special corporations in regulated industries, such as trucking companies, airlines and insurance firms.

Last, but not least, is the liability that will befall a controlling creditor that fails to collect and pay over taxes withheld from wages of its controlled debtor's employees. In any situation in which the lender has "control . . . of . . . the wages of . . . employees" employed by a debtor, the lender will be responsible (under Section 3504 of the Internal Revenue Code) for seeing that the withholding taxes are paid. This is true whether the lender has control over the wages because of the manner in which it finances the debtor or because it exercises management or voting control over the debtor. There's a 100% penalty assessment for failure to collect and pay such taxes.

Manipulation of Credit

Another area in which lenders seem particularly vulnerable in controlling

stock situations is that in which a lender participates in manipulation of the credit of a debtor's subsidiary. The usual scenario is one in which a lender takes collateral (which often is controlling stock of the subsidiary) in exchange for a loan to a solvent subsidiary, and the subsidiary then upstreams the loan to its parent company in exchange for intercompany indebtedness of questionable value.

In such cases, the subsidiary's unsecured creditors have argued successfully for equitable subordination of the lender's debt to theirs. Should the subsidiary be a public company, as is the case in a somewhat similar situation involving the Penn Central bankruptcy, the public security holders of the subsidiary also may assert their rights against the lender. The bankruptcy trustee for W. T. Grant Co. has made a similar argument against Grant's 27 lending banks.

A more obvious case is one where the lender manipulates the credit of the debtor corporation whose stock it controls. It's virtually certain that such abusive control will result in subordination of the lender's debt not only to other creditors of the corporation, but also to any minority stockholders of the corporation. This principle was established in a case involving the Deep Rock Oil Corp., and you probably have heard the principle referred to as the "Deep Rock Doctrine."

A lender that acquires control of its debtor is likely to be faced with problems that arise primarily from restrictions the fiduciary relation and statutes (becoming operative with control) impose on the lender's dealings with its debtor. Absent such fiduciary responsibility and statutory restraint, a lender —which has no relationship with a corporate borrower other than that of creditor and debtor—is entitled to assert all its lawful rights as a creditor. Such rights include the right to call a loan when due, to refuse to extend a loan and to lawfully enforce collection.

Avoiding Debtor Control

I'll conclude with some guidelines as to what a lender might do to avoid control of its debtor. A lender should:

1. Avoid any interference with the management of a debtor that suggests that the lender and not the debtor's management runs the company.

2. Carefully examine the lender's collateral security position with regard to the stock of the debtor and the debtor's subsidiaries.

3. Exercise extreme caution in making and securing new loans to be certain there's no breach of the rights of existing creditors.

4. Take care in seeking to improve the lender's position with respect to its outstanding loans to avoid charges by third parties or other creditors that (1) the lender induced the debtor to breach its contractual rights or (2) as was alleged in the Black Watch Farms case, that the lender aided and abetted or conspired with the debtor in leading others along.

These are fairly general guidelines for keeping out of a quite specific form of trouble. There is, unfortunately, no single or simple answer to the question of what constitutes control of a debtor by a lender. If the trend toward litigation in this area continues, there will be, no doubt, more answers to that key question. Unfortunately, virtually every answer will be developed at the expense of a lawsuit against some lender.

Texas HC's Income Up

HOUSTON—Net income at First City Bancorp. of Texas last year reached \$42.3 million, a 21.8% increase over the 1976 figure of \$34.7 million. Total assets last year-end increased 10.2% to \$6.3 billion from the year-earlier figure of \$5.7 billion. Year-end deposits rose 13% from \$4.7 billion in 1976 to \$5.3 billion in 1977.

Corporate News Roundup

• **Bank Building Corp.** Myron A. Carpenter has been promoted to vice president and treasurer. He handles investor relations and financial planning and is a former controller of the firm, which is headquartered in St. Louis. He succeeds W. Thomas Wynn, who has been elected vice president, finance and secretary.

• **Brandt, Inc.** Joseph E. Collins has been named district manager for eastern Missouri and southwestern Illinois. He is one of 45 Brandt district managers and takes sales responsibility for the firm's line of equipment for financial institutions. He is based in Maryland Heights, St. Louis County. He was formerly assigned to Texas. Assisting Mr. Collins at his new post are Robert Eisenkramer of St. Louis and Craig Welch of Mt. Vernon, Ill. Brandt is based in Watertown, Wis.

• **Scarborough & Co.** Patricia Allen has been named an account executive at Scarborough, Chicago-based bank insurance firm. She will service customers in Indiana, Kentucky, Mississippi, Tennessee and Wisconsin. She is a former surety underwriter at CNA, Chicago.

• **Mosler.** Edward "Ted" Doyle has been appointed vice president, marketing-security and transaction systems, Mosler, Hamilton, Ohio. He is responsible for marketing functions of the company's physical and electronic security systems, counter systems and automatic delivery system products. He was formerly director of Mosler's delivery system operation and joined the firm last year.

• **Doane Agricultural Service.** Dwayne D. Sharp has joined Doane as regional production manager in the farm and ranch management division and Taylor Gamblin has been named a regional broker in real estate sales and investments. Mr. Sharp is responsible for management procedures, accounting controls report quality and innovations in farm management and is a former president and general manager of Scientific Management Service. Mr. Gamblin's responsibilities involve initiating and broadening sales investment programs in conjunction with other services offered by Doane, which is headquartered in St. Louis. He was formerly with a mortgage banking firm in St. Louis, where he developed and placed commercial loans.


CARPENTER


DOYLE


ALLEN

Within Bank of Oklahoma Tower...

Left to right: Marvin Bray, Charles Rice, Dan Keating

specialists to help you provide international services.

To start utilizing the broad international capabilities of Bank of Oklahoma, call one of our five Correspondent Bankers.

With our help, you can serve your clients with international market information and letters of credit . . . foreign collections . . . government financing and assistance, where possible . . . even currency exchange and travel assistance.

For global marketing services — or other financial services closer to home — call our Correspondent Banking Department.

It makes good business sense!

Correspondent Bankers
Charles Rice,
Department Manager
588-6254

Marvin Bray
588-6619

Lee Daniel
588-6334

Bill Hellen
588-6620

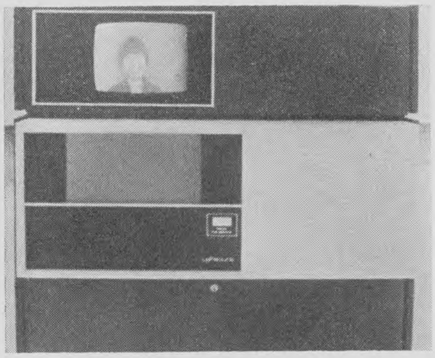
Phillip Hoot
588-6617

BANK OF OKLAHOMA NA

P.O. Box 2300 / Tulsa, Oklahoma 74192
Member F.D.I.C.

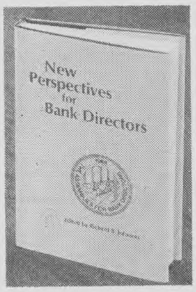
New Products and Services

• **LeFebure.** This Cedar Rapids, Ia.,-based firm has announced Tel-Air 19, a closed-circuit TV drive-up system for use at remote kiosks where direct-vision drive-up systems are impractical or impossible. The system is comprised of a solid-state camera and video monitors. The 12-inch monitor on the

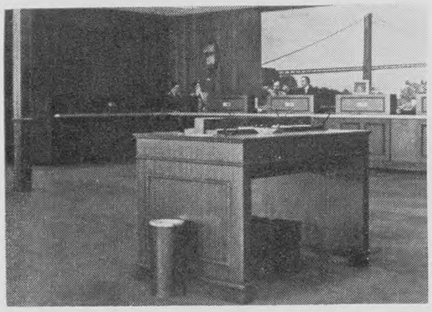


kiosk is recessed for shelter from direct light. Voice transmission is provided by solid-state audio components, and pneumatic tubes for the system may be installed below grade—either direct-buried or protected by a steel culvert or concrete tunnel. Write: LeFebure, P. O. Box 2028, Cedar Rapids, IA 52406.

• **Southwestern Graduate School of Banking.** *New Perspectives for Bank Directors* is a 243-page hardbound collection of presentations to the Assemblies for Bank Directors, and is available from the Foundation of the Southwestern Graduate School of Banking, Southern Methodist University, Dallas.



Edited by Richard B. Johnson, the foundation's president, and published by the SMU Press, the book includes contributions by a former FDIC chairman, a regional administrator of national banks, a Fed governor, a past president of the ABA and the Bank Marketing Institute, a past chairman of a state banking commission, presidents and chairmen of bank and HC boards and attorneys and outside bank directors. Topics covered in the book include: duties, responsibilities and liabilities of bank directors; relations with bank management and regulatory authorities; director functions in marketing selection of bank management and appraisal and planning of bank performance; board committee organization; capital investments and real estate problems faced by directors; director relations with trust activities and implications of the changing financial structure and evolving technology. Price of the book is $15, and a 20% discount is given to orders of 10 or more copies. Write: The Foundation of the Southwestern Graduate School of Banking, SMU Box 214, Dallas, TX 75275.



• **Mosler.** A four-page, four-color brochure highlighting check desks, with information on styles, materials and colors, has been announced by Mosler, Hamilton, O. For a free copy, write: Mosler, Dept. PR-135, 1561 Grand Blvd., Hamilton, OH 45012.

• **Brandt, Inc.** This firm, headquartered in Watertown, Wis., has added the Model 813 to its Countess® line of equipment. The 813 endorses and/or cancels documents, checks, food stamps, etc., at a rate of up to 720 documents per minute. It imprints a message with a heavy-duty die and uses the Countess dry ink endorsing method. The machine features one-button control, automatic shut-off and handles documents from 2 x 4 inches to 4 x 8 inches in size. The firm's Model 847 Standard Drum allows the customer to choose five lines of text to be imprinted by the 813; a second drum, Model 848, allows use of three lines of

text and includes a double-rank, six-digit imprinting feature allowing dating or encoding of documents. The 813's housing is of high-impact cycolac plastic. The entire machine weighs 18 pounds. Write: Brandt, Inc., Watertown, WI 53094.

• **NACHA.** The National Automated Clearing House Association, Washington, D. C., has announced three new products to aid bankers in operational marketing matters of ACHs: *Operating Rules of NACHA, ACH Systems Review* and *SurePay Marketing Manual. Operating Rules of NACHA,* publication #665900, is a comprehensive set of rules, definitions, media and format specifications, insurance guidelines and item-description standards relating to the interaction between banks and ACHs. *ACH Systems Review,* publication #665800, is a two-part independent review of consumer-protection features and controls and security procedures of the ACH system conducted for NACHA by the Ernst & Ernst accounting firm. *SurePay Marketing Manual,* publication #665700, is intended as a key source for marketing ACH services and preparing a financial institution for ACH activity. The latter includes a marketing guide, a staff-training plan and a basic introduction to the ACH concept. Each publication sells for $15. Write: Order Processing Department, American Bankers Association, 1120 Connecticut Avenue, N. W., Washington, DC 20036.

• **Diebold, Inc.** The technical services division of Diebold, Inc., Canton, O., is using a computerized information system to monitor the status of each of the company's TABS® Total Automatic Banking systems throughout the U. S. that provides Diebold a current and ongoing diary of each TABS installation, including a record of software and hardware modifications, spare-part replacement and other service-connected actions. According to a company spokesman, this greatly simplifies troubleshooting, increasing the "up" time of each TABS unit. Write: Diebold, Inc., Canton, OH 44711.

The best check collection services in the Midwest just got better.

To maximize your available funds, Commerce Bank of Kansas City[NA] now offers continuous service, 24 hours a day. Checks from over 200 banks in 60 major U.S. cities are collected on the day of receipt. Only a limited number of checks take more than one day.

Here's how we work for you.

• We make over 50 direct presentments at commercial banks and Federal Reserve offices daily.

• We speed through items having a high dollar value. No special sorting requirements are necessary.

• We utilize flexible check sorting routines which can be changed within a 24-hour period.

• We have the ability to analyze your deposits and can recommend the optimum clearing arrangement for you.

Just call or write for our complete availability schedule.

Your Commerce correspondent will come through for you.

What can we do for you?

Commerce Bank of Kansas City[NA]

10th & Walnut 234-2000

MEMBER FDIC

Regulatory News

Modified Revisions Of Part of Reg. Z Effective March 28

Modified revisions of Truth-in-Lending Regulation Z relating to billing for cash-advance check transactions will go into effect March 28, the Fed's Board of Governors announced late in January.

In addition to methods already in use for identifying transactions involving cash-advance checks, the modification will permit creditors to use the date on which a creditor charges a cash-advance check to the customer's account (debiting date) in billing the customer.

However, the revised rule also provides:

1. If the date of debiting is used to identify a cash-advance check charge, and the customer makes any inquiry about that item, the inquiry must be treated as a notification of a billing error, triggering provisions of the Fair Credit Billing Act for settling billing errors.

2. No finance charge on the transaction will be allowed during the time a credit-card issuer takes to provide required supporting documentary evidence to a customer who questions a billing using the debiting date.

Creditors may continue to use the date a cash-advance check is used by the customer (transaction date), or the date written on the check by the customer, as presently allowed.

Fed's Gardner Agrees With President's Forecast On Economy of Nation for Coming Year

A representative of the Fed voiced general agreement with the Carter Administration as far as the nation's economy is concerned when he spoke recently in St. Louis. Stephen S. Gardner, the Fed's vice chairman, spoke at a joint meeting of the St. Louis chapters of the Bank Management Association and the AIB.


GARDNER

Mr. Gardner said President Jimmy Carter's 1978 budget message to Congress contained no surprises, predicting a GNP increase in constant dollars of 4.7%, down slightly from the 4.9% growth rate of 1977.

The Washingtonian also went along with the administration's forecast of a reduction in unemployment and inflation rates. The budget message forecast a 6.2% drop in unemployment in the fourth quarter this year—down from 6.6% in the most recent quarter—and a rise of only 6.1% in the consumer price index, compared with a 6.9% boost last year.

Vice Chairman Gardner also believes:

The increased federal deficit this year is "financeable," citing the lag in capital investment by business as limiting the demand for funds by the private sector. The federal-budget deficit is expected to rise to $61.8 billion in fiscal 1978 from $45 billion in fiscal 1977.

The increase in the discount rate early in January to help stabilize the value of the dollar in foreign exchange markets was the first such move influenced by international economic conditions since the '60s. Discount-rate changes in recent years have resulted primarily from previous changes in open market interest rates.

The discount-rate boost, accompanied by a higher target rate on fed funds, was designed to keep the foreign-funds flow coming into this country to help offset the foreign-trade deficit that drains funds.

Mr. Gardner added that this was not a long-term solution to the dollar-value problem, saying that depends on a reduction in the trade deficit that's caused by large imports of oil. He expects Congress to enact an energy bill that will reduce the trade deficit, but he doesn't expect the deficit to be erased.

The Fed official said foreign loans made by U. S. banks shouldn't become a problem to them. He noted that the growth of such loans had slowed this year, and economic conditions in most foreign countries had improved. He also cited the low default rate of foreign loans.

Mr. Gardner believes the Fed's independence from political influence will not be impaired if G. William Miller becomes Fed chairman to succeed Arthur Burns. Mr. Miller is chairman, Textron, Inc., Providence, R. I.

Insider Transactions Subject of Amendments Proposed by FDIC

The FDIC last month proposed amendments to Section 337.3 of its regulations dealing with "insider transactions" of FDIC-insured state-chartered banks that are not members of the Fed (insured state nonmember banks).

The insider-transaction regulation, in effect since May 1, 1976, is intended to minimize abusive self dealing and overreaching by bank insiders through establishment of procedures designed to ensure that bank boards supervise insider transactions effectively and to better enable FDIC examiners to identify and analyze insider transactions.

The proposed amendments would:

1. Specify circumstances under which the FDIC considers an insider transaction to be an unsafe or unsound banking practice. 2. Make clear that the FDIC will take appropriate supervisory action when it determines that an insider transaction is an unsafe or unsound banking practice. 3. Clarify what transactions are subject to the regulation's requirements. 4. Clarify the regulation's record-keeping requirements. 5. Prescribe specific reporting and review requirements with respect to correspondent accounts and certain bank-stock loans.

One of the principal proposed amendments is a specific provision relating to correspondent accounts. The new provision would require each insider to report in writing to the bank's board all bank-stock loans made to the insider and certain of the insider's relatives by a financial institution with which the bank maintains a correspondent account. The bank's directors would be required to review, at least annually, all the bank's correspondent accounts to ensure that such accounts are fair to and in the best interest of the bank. In making the review, the board would be required to consider all relevant facts, including bank-stock loans reported by the bank's insiders.

Washington Wire

Reinvestment Act Vexes Regulators; Hearings Held to Get Interpretation

CONGRESS theoretically never does meaningless things, but its intentions in passing certain bills can be difficult to fathom. And that gives rise to another maxim: Rarely is any congressional action innocuous.

That is the case with the Community Reinvestment Act, signed into law last October as part of the Housing and Community Development Act. It is so vague—but so full of potentially adverse impact for lenders—that financial regulators have given up trying to puzzle it out by themselves. Instead, they have scheduled mid-March hearings to ask consumers and lenders what the act means and how it should be implemented.

Two things seem certain: The act requires regulators to encourage financial institutions to lend a substantial proportion of their funds in the community from which they draw their deposits; and it requires regulators to write rules of implementation.

From there, depending on who is interpreting the act, it could cause regulators to re-declare their commitment to encouraging local investments by financial institutions; or add a new layer of regulatory emphasis on the importance of housing finance; or even, conceivably, impose requirements that banks' investments and loans be placed in strict mathematical proportions into certain socially desirable areas—universal credit allocation.

The first hearings will be held jointly by the Comptroller of the Currency, the FDIC, the Fed and the Federal Home Loan Bank Board on March 15-16 in Washington. Other hearings will be held subsequently in Atlanta, Boston, Chicago, Dallas and San Francisco—all cities that happen to have strong contingents of so-called consumerists.

In all likelihood, whoever succeeds in defining certain terms will win the argument as to what the Community Reinvestment Act means. For example, as far as a financial institution is concerned, what does "community" mean for purposes of meeting local credit needs—the world or a census tract? Or should there be a different definition for each financial institution? How could such definitions be arrived at equitably?

What is to be included in the "credit needs of a community"—housing finance, commercial credit, installment lending, municipal and state bonds? Is housing lending alone enough to satisfy the act? Do investments in state and local bonds count? Even that is not readily apparent from the wording of the law.

Federal regulatory agencies are making a genuine effort to learn what the law means and to put it into effect. But Congress has set them an impossible task. Consumer groups will surely participate in the joint hearings in droves. So, one hopes, will lenders.

The haunting feeling is that, had individual members of Congress had a full opportunity to mull over the imponderables and the dismaying implications of the Community Reinvestment Act, it never would have been passed in its present form. (It was attached to the Housing and Community Development Act during Senate debate, received only momentary consideration and later was approved by Senate and House conferees. Most members of the House of Representatives never had even the smallest chance to review it.)

Someday, perhaps, a regulatory agency or even an entire industry will decline to go along with this sort of blindman's buff. The risk for those who choose not to play the game is that others will set the rules for everyone. That seems to be the clincher that causes regulatory agencies—and not just those of the financial industry—and the business groups under their jurisdiction to acquiesce to some legislators' strategy of seeking to accomplish through a maze of regulations what they never could push through in clear language in House or Senate debate.

* * *

Capitol Hill watchers are accustomed to seeing impressive and persuasive names pasted onto bills—names which, whether or not they fairly represent the measure's contents, are intended to make it virtually impossible to oppose the bill without seeming villainous. Now comes the American

Hearings Set by Regulators

Public hearings to help federal bank and thrift institution regulators develop regulations to carry out the Community Reinvestment Act, referred to in the adjacent article, have been scheduled for two cities in the Mid-Continent area.

The FDIC will hold hearings on March 27 at 10 a.m. in Conference Room C, fifth floor, Federal Reserve Bank of Dallas.

The Comptroller of the Currency will hold hearings on April 5 and 6 at 10 a.m. in the fifth floor conference room of the Chicago Fed.

Dream Act, perhaps the ultimate in bill-naming.

Introduced by Representative Frank Annunzio (D.,Ill.), the bill would allow federal S&Ls to offer two new mortgage instruments: graduated payment and reverse annuity. The first would allow monthly payments to start at a low level and increase at a fixed rate later on. It is intended to help young people purchase their own homes sooner than they could otherwise. The second would permit senior citizens to draw monthly payments (or loans) based on the equity in their homes, with the total of those payments being deducted from the proceeds of the sale of the property at death. This new instrument could help the elderly continue to live comfortably in their own homes.

While the provisions of the American Dream Act are attractive in principle to lenders, the act's very name is almost counterproductive, drawing more smiles than serious consideration at first glance. Another plus for the bill (despite its diverting name): It simply authorizes the new mortgage instruments, rather than requiring financial institutions to offer them.

° ° °

The Federal Reserve's proposal to allow pre-authorized, automatic transfers of funds from savings to checking accounts, if implemented, would give banks a new means of at least partially equalizing their service offering in competition with the new third-party payment powers of S&Ls, credit unions and mutual savings banks. The Fed reactivated its two-year-old proposal in early February, and as of this writing it was expected that the other FDIC bank regulatory agencies would act to grant the same authorization to banks under their jurisdictions.

The Fed's proposal would simply make the existing bridge between checking and savings accounts a two-way street. Although it would not mitigate the unfairness of the interest-rate gap, it would permit banks for the first time to challenge thrift institutions' hitherto unimpeded entry into the offering of check-like accounts, many of which also pay interest—NOW accounts, share drafts, non-interest-bearing NOWs, even straight checking for credit unions in six states.

The proposed Fed regulation already has been commented on by all interested parties. When it was fully explained to banks over a year-and-a-half ago, it received virtually universal approval.

A byproduct of the Fed's action likely will be the rebuilding of support for the NOW-account bill, which still is awaiting Senate debate. If they see even part of their unfair competitive advantages slipping away, thrift industry lobbies may infuse new life into the bill. Mutual savings banks may resurface in support of the bill; S&Ls may reverse their earlier opposition and decide to support it; and credit unions may renew their advocacy of nationwide NOWs.

That, in turn, would give new momentum to the banking industry's proposal to close the interest-rate gap across the board. Once the NOW bill is brought forward for Senate debate, bankings' amendment to the bill that would end the interest-rate differential can be considered—and perhaps adopted—by the Senate. Even after that, House consideration of the NOW-account bill would offer bankers many opportunities to seek to close the interest-rate gap. • •

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

FDIC Names Morthland As LeMaistre's Asst.

Rex J. Morthland, who headed the ABA in 1973-74, has been named special assistant to FDIC Chairman George A. LeMaistre. Mr. Morthland resigned as chairman, Peoples Bank, Selma, Ala., to accept the appointment.

MORTHLAND

Mr. Morthland also headed the Alabama Bankers Association (1967-68). He became vice president of Peoples Bank in 1946, president in 1953 and chairman in 1971. Before entering banking, he was an assistant professor, University of Connecticut.

Mr. Morthland was on the President's Commission on Financial Structure and Regulation (Hunt Commission) in 1970-71 and the Conference of State Bank Supervisors' committee on restructuring the bank regulatory system in 1970.

Bank Issues Booklet To Help Customers With Installment Loans

Bank of America, San Francisco, has released a booklet designed to help consumers understand installment loans. The booklet, entitled "The Facts About Bank of America's Installment Loan Programs," is part of a continuing program by the bank to increase consumers' understanding of bank services. It's available free at any branch of the bank.

The booklet helps consumers understand lenders' terms and how these terms affect the cost of loans. It explains the fact that lenders are required by law to disclose the cost of credit in terms of annual percentage rate and finance charges.

It also explains the fact that how the lender calculates interest on a loan also affects the cost of the loan. It points out that when the simple-interest method is used it's possible for borrowers to reduce interest charges by making earlier, larger or additional payments, since interest is calculated daily on the outstanding balance of the loan.

The booklet describes the types of installment loans available from the bank, the loan interview and application process and the documentation involved. It discusses consumers' rights under state and federal laws and suggests where to go for help with credit problems.

Test yourself on how much you really know about the building power of Christmas Club

Christmas Club Members are bigger users of Regular Passbook Savings Accounts than non-members.
( ) TRUE ( ) FALSE
Emphatically so! 85.7% of Christmas Club Members have this savings habit, as against 79.9% for non-members.

Christmas Club Members are more active users of Installment Loans than non-members.
( ) TRUE ( ) FALSE
You're right to choose Christmas Club Members, almost 5% better (39.3% to 34.4%) than non-members.

3. More Checking Accounts are used by Christmas Club Members than non-members.
( ) TRUE ( ) FALSE
Sorry—in this one the non-members have a slim margin of .5% (92.9% to 92.4%).

4. Christmas Club Members use more Certificates of Deposit than non-members.
( ) TRUE ( ) FALSE
If your answer is positive, you're right. They're over 7% larger in number as CD owners than non-members (29.9% compared to 22.6%).

Statistics are based on a research report, *Nationwide Attitudes and Usage of Christmas Clubs,* by Unidex Corporation, Bloomington, Indiana.

5. Christmas Club Members use overdraft checking more than non-members.
( ) TRUE ( ) FALSE
The prize goes to Christmas Club Members with a slight edge—18.6% to 18.2% for non-members.

6. Christmas Club Members rate highest as members of other Savings Clubs.
( ) TRUE ( ) FALSE
No question about it, your best customers here are Christmas Club Members—11% against 2.9% for non-members.

7. More Bank Charge Cards are used by Christmas Club Members than non-members.
( ) TRUE ( ) FALSE
The difference is an important 8%, with Christmas Club Members topping all others 57.9% to 50%.

1979

A big new Christmas Club year is rolling ahead with all the support you need right here ready and waiting for on-time, on-target delivery to you.

Facts are facts. And the biggest one to remember is that Christmas Club members not only mean more business for you, but they remain loyal longer (72% staying with their financial institutions six years or more compared with 61% for non-users). Further facts prove that no other method has the sustaining power of the Christmas Club Coupon Book—*the incentive builder*—with all the supporting materials that make it work so well for you: Application Folders, Christmas Club Checks, Envelopes, Newspaper Advertisements, and a wide selection of coordinated collateral pieces. Get in touch today and start building your 1979 Christmas Club program early. Call toll-free: *(800) 523-9334* New York, New Jersey, Maryland, Delaware; *(800) 523-9440* all other states (except Pennsylvania.) and ask for Renée Brett.

christmas club a corporation

P.O. Box 20, Easton, Pennsylvania 18042 (215) 258-6101

Bank Offers Big-Ticket Items Plus Interest To Retain Maturing Wild Card CD Funds

By ROSEMARY McKELVEY
Editor

A CD PROGRAM that originally was planned to last only eight weeks at St. Louis' First National last summer turned out to be so successful that it was extended through December 31. Called "Super 7," the program offered CDs in amounts ranging from $1,000 to $15,000, with the money drawing 7% interest, paid annually or at maturity.

First National initiated the 1977 CD promotion as an outgrowth of the "wild-card" CD situation of the summer of 1973. At that time, regulatory authorities allowed time deposits to be placed in a new category and to be exempt from interest-rate ceilings. As a result, banks across the country offered interest rates that went from 6½% all the way to 8½%. During the six months or so that this was allowed to go on, First National issued many CDs with four-year maturities. The bank realized, therefore, that these CDs would be maturing between July and December, 1977, and it wanted to do something to keep all this money from leaving the bank. The solution was the "Super 7" program, whose objective not only was to keep the CD customers from the wild-card era, but also to obtain new customers who previously had obtained CDs from competitors.

The merchandise included so-called "big-ticket" items such as spinet pianos, grandfather clocks, 25-inch color TV sets and leather sofas, as well as smaller articles—clock radios, movie cameras, decanters and gumball machines. In other words, the bank offered merchandise it believed would appeal to various age groups, many tastes—and pocketbooks. Naturally, the higher the amount of the CD, the more expensive was the item.

First National is able to pay interest on these CDs in addition to having offered merchandise because the 7% interest is ½% below the legal 7½% CD ceiling. When added to the 7%, the value of the merchandise brings the total to an equivalent of 7½%. Cost of the merchandise is treated as income for federal tax purposes in the year in which the CDs were purchased.

At the outset, First National set a dollar goal in CDs for the program. Actually, more than twice this goal in CDs was sold between July 15 and December 31. The bank also went over another goal: It had hoped, in the beginning, that 50% of the CDs would be purchased by non-customers. Actually, 75% of the "Super 7" CD purchasers were non-customers. By the way, the bank plans to capitalize on these new customers by aiming a cross-selling program at them this spring in the hope they will sign up for one or more of First National's other services.

One-third of the "Super 7" business came from a small First National facility in a south St. Louis neighborhood that is stable and whose residents mostly are older with established savings patterns.

A bank spokesman credits much of the program's success to the attractive lobby displays of the merchandise in the main bank and in its two facilities. A large display was featured downtown, where there was a lot of room, but smaller exhibits were placed in the

These are two views of "Super 7" merchandise display at main lobby of First Nat'l, St. Louis, during bank's 4½-month-long CD promotion. Articles offered in various CD categories ranged from 25-inch color TV sets, leather sofas and wall recliners to digital clock radios and gumball machines. Most popular item in demand of all merchandise in any category was combination blender, mixer and ice crusher.

facilities. Thus, visitors actually could see—and perhaps touch—the premiums, rather than rely solely on pictures of them in printed material.

To introduce the program, First National relied mainly on direct mail to non-customers and to current CD holders. Notices to the latter were mailed about 10 days prior to maturity of their CDs. Only limited advertising was done in newspapers and on radio, and no TV was used.

Response was excellent. However, there was no "hard sell" of the "Super 7" CDs by the employees handling them. These employees are termed "Personal Bankers." In fact, many times a person would be dissuaded from buying a "Super 7" CD and advised to put his or her money into a regular CD that pays higher interest if the First National staffer thought the "Super 7" CD was impractical in a particular case.

The most popular items were those offered through purchases of $2,000 CDs. The two most popular were a 12-inch Magnavox black-and-white TV set and an Oster kitchen center (combination blender, mixer, ice crusher, etc.). The latter item was the most in demand of all merchandise in any category.

What advice would First National give other banks thinking of running a similar campaign? First of all, says a spokesman, clear the entire promotion, especially the tax situation on the premiums, with your bank counsel so that it meets regulatory and Internal Revenue Service requirements and complies with federal and the different state laws. Next, explain the tax situation on the premiums thoroughly to each CD purchaser so that he or she knows tax must be paid on these premiums. Although people realize they have to pay tax on monetary interest they receive, they don't always know that merchandise given in *lieu of interest* also is taxable.

Along this line, even those customers who know a tax will be due on the merchandise sometimes object to paying that tax for the year in which they bought the CD, if they don't take delivery of the premiums until the following year. This can happen when the CDs are bought late in the year or the premiums ordered are in short supply, and there's a delay in deliveries. As with any situation involving federal income tax, the IRS should be consulted.

First National also advises other banks to get guaranteed prices on merchandise to be offered for the entire length of their programs. The bank ordered its merchandise from Maritz, Inc., Fenton, Mo., which receives high marks from the bank for the quality of merchandise offered and the smooth deliveries of the items to CD purchasers. Of course, there were some problems and misunderstandings, but, all in all, according to a bank spokesman, Maritz handled the entire job well.

This leads to another caution from First National: Pick a reputable jobber such as Maritz, which stored the merchandise and arranged with each CD purchaser for pickup or delivery of the merchandise.

The entire "Super 7" promotion at First National is summed up by William G. Travis, vice president in charge of retail banking, like this: "It was the most successful program in generating new deposits and new customers the bank has had in several years." • •

'Super 7' Merchandise

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

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

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

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

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

$10,000 CD—Howard Miller grandfather clock; Singer "Futura 11"™ portable sewing machine; Minolta single-lens reflex outfit.

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

Customers Christmas Shop at Bank, Deposit $9 Million to Purchase Gifts

THE PEOPLE in Jackson, Miss., are smart Christmas shoppers, according to David Harcharik, vice president, Deposit Guaranty National. The reason they are smart shoppers is that they quickly realized that all they had to do to obtain Christmas gifts was to shop at Deposit Guaranty!

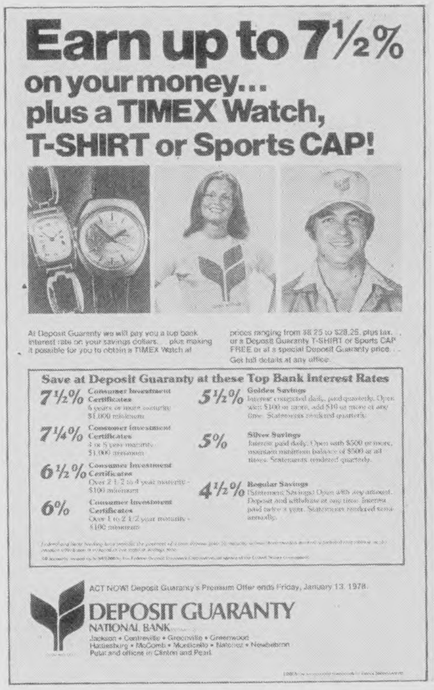
They could do this because the bank staged a deposit-generating premium promotion from November 7 through January 13 that offered free T-shirts and sports caps and Timex watches at reduced prices in exchange for deposits.

All customers had to do to qualify was one of the following:

- Open a regular savings account for $50 or more or add a similar amount to an existing account.
- Open a silver savings account for $500 or more.
- Open a golden savings account for $100 or more or add $50 to an existing account.
- Purchase a consumer investment certificate for $1,000 or more.
- Open a family plan account with a minimum deposit of $50.
- Open a new personal checking account with $100 or more.
- Open a regular savings account with an automatic monthly savings authorization of $10 or more per month or transform an existing savings account into an automatic monthly savings plan with $10 or more per month authorized transfer.
- Increase any existing automatic monthly savings authorization by $10 or more.

With such an abundance of options to obtain a premium, who could resist? Apparently, few could, since the bank dispensed more than 11,500 items! A

(Continued on page 62)



Deposit Guaranty's newspaper ad featured three premiums prominently, described various types of savings instruments customers could invest in to secure free T-shirts or sports caps or Timex watches at reduced prices.

Clocks Perform for Bank Seeking Replacement Of Wild-Card CD Funds

"TIME" was definitely on the side of Baton Rouge Bank when an effective marketing program was needed to replace funds being withdrawn by customers who had purchased wild-card CDs in 1973.

The potential run-off of deposits was about $2 million, according to Wayne McVadon, vice president and director of marketing. "For obvious reasons," he says, "the bank had to conceive a marketing plan that could quickly attract new deposits from new, as well as old, customers."

The new marketing plan involved clocks, and it proved to be a plan that more than lived up to its potential of bringing new customers and deposits to Baton Rouge Bank. According to Mr. McVadon, the promotion exceeded its goal by 147%!

Baton Rouge is a place where financial competition is especially fierce, Mr. McVadon says. The city's six banks are noted as perhaps the most aggressive and competitive institutions in the South.

Baton Rouge Bank is the smallest and newest commercial bank in the area. It represents only four of the 71 bank locations in the parish, or county. All banks pay the same rates on savings plans and all of them (except Baton Rouge Bank) have on-line ATMs that blanket the area. (Baton Rouge Bank's ATM service will be initiated this year.)

In spite of this intense competition, Mr. McVadon says, the bank has attracted more than its share of retail customers. In that category, the size comparison shrinks to within reason and therein lies the secret to the bank's ability to compete, Mr. McVadon says.

Free checking for people 21 to 30 years of age established the bank in the retail market, he says, and an internal officer commitment to the young market has built a solid loan portfolio and savings base in that age group.

Baton Rouge Bank is no novice in offering time-related premiums. For the past two years, the bank has used Timex watches to attract new and hold old accounts while the competition was opening new branches and installing ATMs, Mr. McVadon says. The watches worked well both times.

They were responsible for new savings accounts being opened at the highest rate in the bank's history, Mr. McVadon says. The campaign appealed to prospective customers because, as customers of competitors, they could open regular savings accounts without leaving their old bank or being inconvenienced by Baton Rouge Bank's lack of locations. The new customer relationships gave the bank an opportunity to cross sell its services. The bank's existing customers were rewarded with the watches as an incentive and thus were distracted from any activities the competition may have been staging, Mr. McVadon says.

But last year's situation was quite different. The bank needed to replace $2 million in wild card CD run-off, but had preliminary doubts that it could do so, since the customer base was young—not exactly the prime source for savings or time deposits, according to Mr. McVadon.

Every promotion piece for Baton Rouge Bank's clock premium campaign (including this newspaper ad) illustrated all 12 clocks being offered. Extra incentive was awarding of four grandfather clocks, one at each bank office, during campaign.

Premiums offered the only approach to solving the problem, he says. The choice of the premium and structuring of the offering would determine the promotion's success.

Since J. Edward Connelly Associates, Pittsburgh, had provided premiums for the bank's two previous promotions, the firm was asked to be the initial consultant to determine what premium to offer. The choice had to conform to the basic requirements the bank had established in three categories.

For the consumer:

- The premium must be a manufacturer-guaranteed brand-name consumer product with strong appeal to women.
- A physical display of multiple choices must be available and all items must be deliverable at the time of transaction.
- The promotion must be structured to enable reasonable qualifying rules to be established for a free product and the ability to pay in order to get a higher quality product.

For the supplier:

- A reputation of proved ability to advise and deliver more than the estimated quantity requirements of the product prior to the commencement of the campaign must have been established.
- An agreement to take back all unused inventory and broken items must be available.
- The assignment of a knowledgeable, capable individual to service the account throughout the campaign must be made.

For the bank:

- Agreement, support and educational involvement for all bank management and personnel must be established.
- A commitment on the part of all employees to promote and physically assist with the product and then to help monitor the regulatory aspects of the campaign must be made.
- A commitment of a budget necessary to properly accomplish every phase of the campaign must be made.

Without these requirements and a detailed plan of operation, Mr. McVadon feels premium campaigns have slight chance of success. He emphasizes that the marketing department is merely a catalyst, while the entire bank must carry the program—unlike almost any other single aspect of banking.

Electric clocks were recommended because solid success references were available and market statistics showed that clocks held over 25% of the retail small electric appliance market in 1975 and 1976.

From over 20 possibilities, the bank chose 12 clocks, including two clock radios.

The campaign was promoted via TV spots, newspaper ads, statement stuffers and posters. Production costs were not high, since clocks are uncomplicated and easily understood by the public.

The cost of the premiums was modest, since it was a self-liquidating promotion. About 50% of the premium cost was borne by customers.

The 10-week promotion resulted in new deposits of almost $3 million, which represented a 12% increase in new accounts over figures for the previous year—which in itself was a record-setting year. Almost 3,800 clocks were moved. New accounts were almost evenly split between checking and savings.

"Faced with very real competitive pressures," Mr. McVadon says, "marketers must find creative solutions. Seldom is the answer simply a new product because, technically, all banks have the same products. When everyone in a market packages those services attractively, it's time for a direct attack on the problem at hand.

"A carefully chosen and well executed premium campaign can give a bank's advertising real punch and make its marketing plan a success," he says.

Watches Most Popular of Three Items At Central of Chicago Promotion

"TREAT YOURSELF to a present and a future" was the intriguing title of a premium promotion sponsored by Chicago's Central National during the fourth quarter of 1977.

According to John A. Fisher Jr., vice president and director of marketing, the campaign's objectives were threefold:

- To equal or surpass the dollars deposited during the bank's 1976 promotion that featured model trains.
- To obtain a higher average balance per deposit than was obtained in 1976.
- To test the use of three premiums versus one item as deposit generators.

The bank's 1976 promotion was a hard act to follow, because it generated $1.3 million in new deposits, involving more than 1,600 new savings accounts and almost 1,000 add-on deposits. Average deposit was $485, $235 more than the minimum required to obtain a train set.

The three premiums offered in 1977 were an electric blanket, a camera kit and a digital watch.

All customers had to do to purchase their choice of premium for $19.95 was to deposit $250 or more in a new or existing savings account. Deposits had to remain at the bank for 180 days.

After the promotion ended early in January, 1978, the following results were announced:

- Almost $1.2 million in deposits flowed into the bank.
- More than 1,800 people participated in the promotion, opening 850 new accounts and adding funds to 950 existing accounts.
- Average balance was $658, or $408 more than required.
- Watches were the most popular of the three premiums, outselling blankets by three-to-one and camera kits by five-to-one.

Mr. Fisher said the 1977 promotion fell short of 1976 in generating dollars, primarily because of a shortage of the most popular premium. The supply of watches from Europe was curtailed by a dock strike and customers who had counted on watches as Christmas gifts decided they didn't want to wait until watches were available after the holidays.

Newspaper ad illustrates electric blanket, camera kit and digital watch available for $19.95 to savers depositing $250 in new or existing account at Central National, Chicago.

He said the goal of obtaining a higher average balance per deposit was achieved because more CD customers participated in the 1977 promotion than in the 1976 campaign.

He concluded that one premium is better than three because maintenance costs (clerical time for inventory control, etc.) are lower when one item is used. Also, customers don't change their minds about colors or other variables when only one premium is offered.

"The premiums used during the 1977 promotion were selected to attract a more economically upscale group of customers and to bring a higher average balance to the bank from participating accounts compared to the 1976 campaign. We achieved both of these objectives and foresee excellent success in cross-selling our newly gained customers into other profitable services during 1978," he said. • •

Let's Be Friends:

Bank's Newcomer Service Welcomes Area Residents

"Let's be friends" is the message of a new service of St. Joseph Valley Bank, Elkhart, Ind., to new residents in the area. The bank's "Newcomer Service" helps new citizens of the locale get acquainted with the Elkhart surroundings.

The main element of the program is a kit packaged in a heart-shaped box. It contains a booklet, "The City of Elkhart Opens Its Heart to You . . . and so do we, your new friends at Elkhart's St. Joseph Valley Bank." Items in the booklet cover just about everything the newcomer would need to become oriented in the city: utility companies' locations, telephone numbers, deposit fees and information on obtaining their services; information on the population, climate, government and locale of Elkhart; and a checklist of "things to remember" to do before moving into the area.

Another brochure in the package contains in-depth information on schools, community services and the cost-of-living. Newcomers also receive a city map, a viewer with slides of interesting sights in the area and a packet outlining the bank's services.

And, of course, the heart-shaped package wouldn't be complete without candy, so the bank includes a selection of peanut-butter kisses!

Two-Year Sales Effort Designed for Directors Produces $25 Million in New Business

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

IN JANUARY, 1976, we kicked off what we call "the Contributors" campaign—a two-year-long business development effort especially designed for Liberty National directors. In surveying directors' business-development programs elsewhere—and there haven't been many—one fact became clear: Either programs are very effective and surpass tough goals, or their performance is at the other extreme—total failure. Further, it would appear that there are two missing factors in those programs that failed. They are:

First, no real commitment to the plan's execution.

Second, no backup-officer support to "close the sale" after directors provide the lead.

The Contributors campaign provided for the second of these essential factors: backup officer support to close the sale. Of course, the first essential factor, a real commitment to the program, really is up to top management and directors.

Liberty has a great heritage—much the result of the contribution made by its board—and a devotion to business development that has permeated the whole organization. A contributor assists Liberty and, at the same time, contributes his leadership, time and financial resources to the work of nonprofit organizations. So, it's natural that we selected "the Contributors" as the theme of the directors' business-development campaign.

A contributor is dedicated to making his community a better place in which to live and is committed to help those less fortunate than himself. A contributor is indispensable. No other person can change so completely the outlook of a community than can a contributor—and to everyone's benefit. Three key words best describe the deeds of the contributor: spirit, dedication and innovation. It is to that challenge that this program was dedicated.

The Contributors was a business-development program designed especially for Liberty directors. A two-year-long campaign, it has been a special opportunity for directors to become involved in marketing Liberty's broad product line in ways that will contribute to our growth and profitability long after 1976-1977 is history. At the same time, in recognition of the directors' business development achievement, Liberty can contribute to worthy charity and civic organizations to help Oklahoma City and Oklahoma for the future.

And so, in relationship to the directors' successively higher levels of achievement, Liberty has made a contribution in the director's name to his favorite predesignated nonprofit charity or civic organization.

Names for the levels of achievement honor the 12 deceased Liberty directors still represented on the board by a family member. These men—each one a man of vision and compassion—indeed were contributors to the solid foundation of growth and strength we enjoy today. Each made an indispensable contribution to our community. Their legacy is our challenge. The levels of achievement dedicated to great directors are:

The Balyeat and Barbour Award—the first plateau or qualifying level is dedicated to Dr. Ray M. Balyeat and C. Wayne Barbour. Each director received a set of limited-edition gold cuff links, an especially designed version of Liberty's logo, on attainment of the 500 points or qualifying level of achievement associated with this award.

The Blake and Eddie Award—dedicated to M. B. Blake and Gene Eddie—was awarded for 1,000 points and carries with it a contribution of $750. The director was able to designate that the award be made at the 1,000-point level, or, if he preferred, he may let the 1,000 points carry forward and apply to a higher award.

The Everest Award—dedicated to C. H. Everest and J. H. Everest—is the next level of achievement for 2,500 points and represents a contribution of $1,875.

The Harris Award—for 5,000 points—is dedicated to Messrs. V. V. Harris Sr. and Jr., and, $3,750 was awarded to the director's predesignated organization on attainment of this level of achievement.

The Lee and Macklanburg Award was achieved on attainment of 7,500 points and is dedicated to R. W. Lee and L. A. Macklanburg. This level of achievement presents a contribution of $5,625.

And, finally, the Sewell and Simmons Award—dedicated to Frank A. Sewell and Felix Simmons—is the highest level, 10,000 points, with a contribution of $7,500 possible for the director's designated charity.

What was the goal? It was to achieve $500,000 in business per director and officer facilitator during 1976-1977.

Who was eligible? All directors and directors emeriti of the corporation and bank were eligible to participate, except, of course, corporate and bank officers who also are directors.

What services are eligible for award points? There are 12 key services we think provided the most opportunity for growth and development—and director participation. Checking and savings accounts, CDs and commercial paper—basic sources of money that are very important to the long-run growth and development of Liberty—are first.

Trust services, too, form a large part of the opportunity because of directors' contacts in our community—like personal trusts, corporate trusts, managing agency accounts, stock-transfer service, employee-benefit plans and custodial and investment agencies.

Loans and mortgages also are important as basic sources of increased revenues to build long-run profitability.

Now, let's review a few mechanics. First of all, we were looking for "long-run" new business, and so all deposits, whether from a new account or an addition to an existing account, must remain in that account for six consecutive months to be eligible for award points.

How was credit given? For new deposits—checking, savings, CDs, or commercial paper—credit was given for the average balance maintained on deposit over the initial six-month period of the account. For additions to existing accounts, credit was given for the net difference between the average account balance for the quarter immediately preceding the date of the new deposit and the average balance maintained for the ensuing six months. But to qualify, this increase must be the direct result of the director's sales efforts.

For all other services, each new account was analyzed individually and earned credit in relation to income earned on deposit services. The director was informed of the amount of credit earned after the analysis was made.

An awards-review panel was established to do this analysis, and its members also reviewed questions concerning awards credit, special performance, and joint credit. In addition, the panel resolved possible disputes.

We provided solicitation cards for directors' use in recording some key information on each prospect or customer.

Each card contained the name and address of the customer or prospect, date of the director's contact, type of business he was going after and the director's name. These were completed as the director made the contact.

Then, they were forwarded to the officer facilitator assigned to the director. The officer took it from there and marshaled the appropriate resources to assist in completing the sale.

For more complete information, each of the various services was highlighted in a directors brochure.

We reviewed at least one service a month with the directors as we went through the year.

What is the role of the officer facilitator? During the campaign, each director was assigned an officer facilitator: The officer was responsible for following up on all prospect and customer leads supplied by the director. The officer was assigned to work with the director to bring the total expertise of the bank to play in closing business. He did receive a set of the limited-edition gold cuff links—if the director reached 1,000 points—and he was inducted into the chairman's honor roll for 1976-1977. The chairman's honor roll contains names of officers and employees who have achieved outstanding success in cross-selling services during the year. In addition to recognition received in the annual report, honorees also receive a cash award.

What were the results?

Number of directors participating: 25
New business: $25,015,706
Charitable dollars contributed: $41,625

I am pleased to share with MID-CONTINENT BANKER readers the concept and mechanics of "the Contributors"—our directors' business-development program for 1976-1977. • •

Ads Touting Bank's Warm Atmosphere Erase Image of 'Scowling Banker'

ONE OF BANKING'S major problems is overcoming the inbred customer fear of banks. For many years, many banks concerned themselves with the wealthy and socially elite, shunning the average working person—it wasn't until fairly recently that many banks offered personal checking accounts, safe deposit boxes or personal loans to the general public.

The entertainment field reflected this with exaggerations: the cruel banker foreclosing on the hapless homeowner; endless cartoons depicting the "scowling banker" saying "NO" to the intimidated customer.

This is the opinion of Henri Bryson, chairman, Tri-State Bank, Markham, Ill., who says, "Unfortunately, feelings generated by the above examples still are inbred in much of our society, and everyone who deals with the retail banking market knows it's true. Too many people tremble when they ask us for a loan."

Of course, modern bankers have been trying to chip away at those feelings, advertising "friendly bankers," "personal bankers," "free" checking, low-cost auto loans, extended banking hours, and so on. Mr. Bryson's bank has conducted a year-long campaign to try to eliminate the public's image of the "scowling banker" by stressing how important the customer is to Tri-State Bank.

Tri-State Bank, which is located in a multiracial south suburban area of Chicago, wanted to show that the customer is the boss and came up with a campaign titled "You've Got Us Where You Want Us."

The catch phrase of the campaign originally connotated the institution's convenient location and then branched out to demonstrate to customers that Tri-State Bank offered outstanding financial services, that the bank's staff is comprised of warm human beings who can laugh at themselves and that the customer is the boss.

Ads used in the campaign pictured a dog-tired banker sipping coffee and struggling to stay awake at the end of a 66-hour week; a customer defeating a banker at arm wrestling in order to get a loan; a banker giving away free checking accounts, etc.

According to Mr. Bryson, the most successful ad in the series revolved around an advance-interest premium campaign: Customers were asked to deposit $1,000 in a four-year CD and, in lieu of interest, receive a color television. The result? More than $750,000 in new CD funds.

Of that latter offer, Mr. Bryson says, "A total of 730 TV sets were distributed and there were times when I thought the bank looked more like an appliance store than a financial institution. We followed with cross-selling activities so new customers would avail themselves of additional bank services.

"'You've Got Us Where You Want Us,'" Mr. Bryson continues, "was successful because we practiced what we preached. We demonstrated to our customers that, not only are we friendly, we are pretty good bankers, too." • •

Bank Adopts 'Wide-Awake' Personality; Assets, Enthusiasm Show Growth!

By JIM FABIAN
Associate Editor

CAN A BANK go through a "born again" experience? Yes, according to Sammy Johnson, chairman and president, Bank of Vernon, Ala. Mr. Johnson is enthusiastic about his bank being "reborn." He's referring to what he terms "a new personality" adopted by his bank that has resulted in a new image, new banking services and—not the least—deposit growth.

Was the bank's rebirth a religious experience? No, says Morton B. Kanter, sales promotion director for the Golnick Co., an advertising-marketing firm headquartered in Fort Lauderdale, Fla.

The Golnick firm is responsible for the marketing program that enabled Bank of Vernon to become known as the "Wide-Awake" bank in its trade area. And, according to Mr. Johnson, a bank that is wide awake is a bank that has been born again!

The bank was established in 1911, and, two years ago its management felt more could be done to promote bank growth in its trade area of 14,000 people. The fact that it faced competition from five other financial institutions could have been a motivating factor!

Consultation with the Golnick Co. resulted in many new ideas for improved service. It also resulted in a program to make realities of the ideas.

First on the list was the introduction of the bank as the "wide-awake" bank. This meant the adoption of an entirely new image for the institution. No one was accusing the bank and its staff of being asleep, yet, as is usually the case, there was room for improvement in the attitude of bank personnel and the scope of the bank's services.

One of the first items on the "wide awake" bank agenda was soliciting the support of employees, officers, directors and stockholders. A steak dinner for bank personnel, directors, the press and radio was held to present the concept of the bank's new image. A regional financial representative of the Golnick Co. was on hand to present the picture of a "wide-awake" bank—what new services would be offered, what community activities would be sponsored, how the campaign would be advertised and how each member of the bank's staff could contribute to the building of enthusiasm for the "wide-awake" concept.

Letters were sent to all stockholders informing them of the transformation soon to occur. Customers also were informed by letter of the bank's plans to serve them better and more enthusiastically.

An ambitious program to bolster the bank's new identity was formulated by the people at Golnick. It included the following new services that would make anyone take notice that the bank was doing things differently:

- New "wide-awake" hours were established. Previous hours had been from 9 a.m. to 2 p.m. Now they were from 8:15 a.m. to 5 p.m.! Also, a walk-up window was established at the Main Office.
- A loan officer was assigned to the bank's Westside Branch one day a week. Previously, loan service was available only at the Main Office.
- An Eye-Opener Club was established for young people up to the age of 18. The club offered its members free checking after a $25 minimum deposit, with no minimum balance necessary; specially designed "eye-opener" checks and deposit slips; a free membership card; money management counseling; a bank education program; and a bank-by-mail service.
- For the older generation, the bank initiated direct deposit of social security checks.

The bank also put a new "wide-awake" look on its existing services, giving them more publicity and promoting them more vigorously.

Notable among these services was its BANCLUB package plan, contracted from Financial Institution Services, Nashville.

New emphasis was given to the solicitation of club memberships. Advertising stressed the fact that customers could join the club for only $3. Membership entitled them to unlimited checking with no minimum balance; personalized checks and deposit slips; a $10,000 accidental death insurance policy; travelers' checks and cashiers' checks with no issue charge; car rental and hotel room discounts; free personal check cashing service on a nationwide basis; and a BANCLUB membership card that was good for other services.

Also promoted with "wide-awake" enthusiasm were IRAs. And the bank brought attention to the increased efficiency customers could have due to additional computer services contracted for by the bank.

Five "wide-awake" projects were sponsored by Bank of Vernon, each of which was designed to attract attention to the bank as the "wide-awake" bank.

- An economic education program was conducted at the local high school in cooperation with the Young Bankers

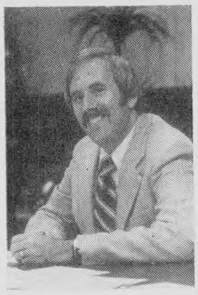
Caricature of owl serves as symbol of "wide-awake" Bank of Vernon, Ala. Marketing promotion developed by Golnick Co. resulted in new personality, increased assets for bank.

Section of the Alabama Bankers Association. The program included speeches to economics and accounting classes by bank officers, the showing of films on banking and economics, distribution of booklets and workbooks about banking and tours of the bank for students. The program brought awards to the bank from the Young Bankers Section.

• A program to promote business in Vernon was sponsored by the bank in cooperation with most local businessmen. Participating firms donated prizes that were given away at drawings held in the center of town each Saturday. In addition to the business-donated prizes, the bank donated a grand prize. The promotion, called "Business Bonanza," is credited with drawing people into local stores, encouraging sales and promoting goodwill for the bank.

• A number of financial donations were made by the bank to various community organizations, including the high school sports team and band, the boy scouts and a boys' ranch. In addition, the bank purchased industrial revenue bonds in the amount of $150,000.

• A program for area newcomers was beefed up. The bank provides newcomers with tours of Vernon and informational booklets about the Vernon area. When a new business moves to town, the bank publishes welcome ads in the local newspaper. The bank also offers its facilities for holding meetings about bringing new firms to Vernon.



"Use of the 'wide-awake' theme has contributed to the success of my banking operation," says Sammy Johnson, ch. & pres., Bank of Vernon, Ala.

• On the occasion of the bank's 65th anniversary, a celebration was held at the bank that featured refreshments and cash prizes. The event was broadcast live by the local radio station.

The symbol of the "wide-awake" Bank of Vernon is an owl. The symbol was incorporated into all the bank's advertising and printed material. The only idea that fizzled concerning the owl symbol was one that called for displaying a live owl in the bank's lobby. It couldn't be done without breaking a local ordinance!

What about results? When the "wide-awake" promotion started in 1975, bank assets stood at $13 million. Today, they stand at $19 million—an "eye-opening" increase! Growth has been sufficient to demand that the bank construct a new building.

Mr. Johnson says the "wide-awake" monicker has really taken hold. Letters from bankers and customers often refer to the "wide-awake" bank and offer congratulations and thanks for the bank's new personality.

Employees, too, have shown their enthusiasm. One even donated a macrame wall hanging of an owl to the bank!

"Being known as the 'wide-awake' bank . . . has increased both customer and employee enthusiasm," says Mr. Johnson. "Use of the 'wide-awake' theme has contributed to the success of my banking operation." • •

Bank's Small Senior-Citizen Program Blossoms Into Major Marketing Effort

IT BEGAN as a small community relations project: Central Bank, Denver, wanted to meet the needs of senior citizens through information and self-help seminars, and through support of senior organizations and activities. It even offered a package of special banking services for the older age group. But the project wound up being one of the bank's most successful targeted marketing programs, with a substantial increase in new accounts and enhancing Central Bank's image in the community.

"We began the program," says Eric Schmidt, the bank's vice president for governmental, corporate and community relations, "in response to an area of community need that we didn't feel had been recognized by other corporate institutions in the area. Or, at least, by institutions large enough to make an impact."

The bank began the "Senior Seminar Series," which addressed many senior citizens' areas of concern: housing, money management, investments, wills, trusts, employment and legislation. The seminars were conducted with the assistance of Volunteers of America.

The bank also held a "Spring Tune-Up" in conjunction with the University of Colorado Medical Center, in which dozens of state and local health organizations provided medical screening, health and health-service information to hundreds of senior citizens who attended.

The bank has planned a number of financially oriented seminars for this year, in addition to segments on fixed-income counseling, investment in market securities, information on the Senior Citizens' Law Center and on energy savings. One seminar, billed as a "Winter Wake-Up," will deal with mental health, coping with depression and living alone. The "Spring Tune-Up" will be repeated this year, on an expanded scale.

In conjunction with the seminars, Central Bank developed a service package, "Free Banking Begins at Sixty." Persons age 60 or older may enter that program, which consists of no-charge checking and other free banking services. The only stipulation is that members have a regular savings or time CD account at the bank or if they authorize their Social Security, retirement or payroll check for direct deposit at Central Bank.

Besides free checking, services included in the program are a combination VISA and "Chextra" account, free personalized checks, a check-guarantee card and a reserve line of credit. Other services are parking, bank-by-mail, certified checks, cashiers checks, travelers checks, safety deposit box, personal identification card, notary service, a will file with will inspection and trust counseling and telephone transfer.

Two other bank-supported projects also have aided in the program's success: a senior citizens' radio program and a senior discount program. Central Bank handles the photography for color photo identification cards used by area senior citizens in a discount program run by Seniors, Inc., a nonprofit organization, and is a major sponsor of a weekly radio program that is produced by senior citizens, for senior citizens.

How successful has Central Bank been with this program? In the first months of the senior program, new accounts opened by the over-60 group increased to 15 times normal. The new-account rate for seniors appears to have stabilized at a rate about five times the pre-program rate; in fact, the program's scope has increased to the point where it has been transferred to Central Bank's consumer sales division, where a much larger staff can maintain and market it. • •

A GREAT INTERNATIONAL BANK MUST SPEAK THE LANGUAGE

The language of international trade must be understood in a great international city like New Orleans. First NBC with its vast network of correspondent banks and international offices speaks that language as though born to it.

First National Bank Of Commerce

INTERNATIONAL BANKING DIVISION

Grand Cayman — New Orleans, Louisiana, USA (504) 561-1970 — Mexico City

letters of credit • collections • foreign exchange/funds transfer • Eurodollar market • Eximbank • Private Export Funding Corp. (shareholder) • FCIA • Eurodollar lending and investments • Project Financing • Commodity Financing • Export Financing

Incentive Promotion Proves Employees Are Best Salespeople

A FINANCIAL INSTITUTION'S best salespeople are its employees, according to Mickey Freeman, marketing officer at Worthen Bank, Little Rock. He should know, for he and fellow Marketing Officer Jim Linsky piloted their bank's recent employee incentive promotion to a more than successful conclusion recently.

The promotion's goal was $10 million in new deposits, but the results were several times greater than that figure, Mr. Freeman said.

The promotion was tied in with Worthen's centennial celebration and was by far the most ambitious employee incentive program the bank has ever sponsored. One reason it was the largest is that the bank employs many more people now than it did a few years ago when the last promotion was staged. Each additional employee means an increased paperwork load when it comes to keeping records of who earned what points, etc.

Another reason the promotion was a whopper was that employees of Worthen's nonbanking affiliates were entitled to participate. So many did that the kickoff barbeque party was attended by 1,200 people!

But new deposits weren't the only benefit from the program, Mr. Freeman said. One of the most desirable effects of the promotion—although one of the most difficult to measure in terms of dollars—is the fact that bank employees learned the fine art of selling services. Any employee wanting to excel in the promotion had to sell, and that selling ability, once acquired, stays with a dedicated employee, Mr. Freeman said.

The promotion was officially titled "100% Commitment for Our 100th Year." And, according to Mr. Freeman, over 78% of the bank's 800 employees participated. About 1,500 prizes were claimed at five award levels, with free trips to Las Vegas going to the top 31 winners.

The promotion was geared so that prize points were cumulative. Points were awarded for new business brought in. A specific merchandise selection was offered for each plateau reached by participants.

To make the program viable for those employees not in contact with bank customers, activities such as donating blood and raising funds for the local zoo qualified for lower-level points.

To entice employees to work harder, a prize center was set up at the bank so contestants could examine, order and claim their awards.

Employees and bank officers were organized into teams by work areas. Points were given for new business, including checking and savings accounts as well as long-term CDs.

Personnel were separated into contact and non-contact groups, with fewer points awarded to contact than non-contact people for writing the same type of business. Bank officers were asked to bring in more business than other employees to qualify for their points.

In order to make it possible for every participant to win something, Mr. Freeman said, the lowest qualifying level, which was 1,000 points, was made easy to achieve.

Each person earning 1,000 points received a commemorative paperweight that became something of a status symbol. Those who earned their paperweights would display them proudly on their desks to inspire others to work a little harder to make their first plateau. More than 600 employees earned paperweights.

When each member of a team reached the 1,000-point level, every person on that team received a paid day off work.

Weekly newsletters provided contest information and described bonus point deals to boost sales of certain services. Near the end of the campaign, a "double or nothing" award was tied in with the solicitation of checking accounts.

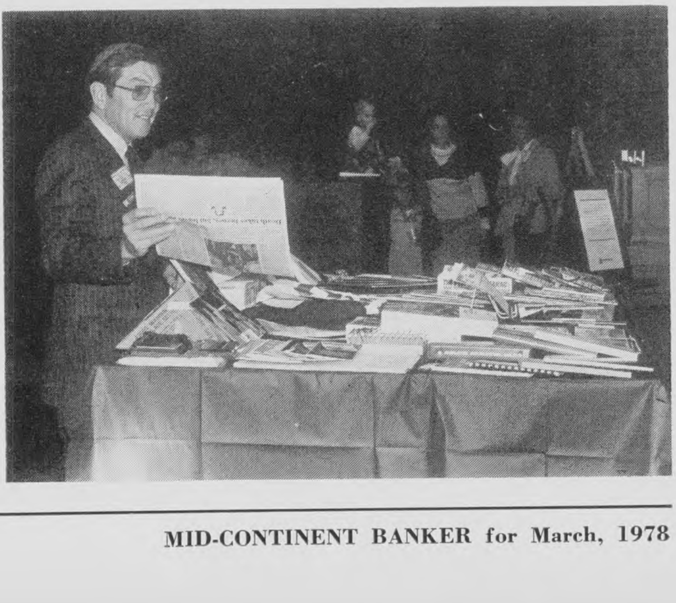
Each week the captains whose teams had reached the 1,000 point level were recognized at the weekly officers' meeting. At the end of the promotion—which was five months after it had begun—the top 100 point gainers were listed in the newsletter.

Contestants were informed each time they reached a prize level, so they claimed a separate award each time a goal was met. Someone earning 4,000 points, for instance, was eligible for three prizes with a total value of about $40.

Top point earners were eligible for the contest's top award—a trip to Las Vegas, with the bank picking up the travel and hotel tab. Those not desiring such a trip were given the option of choosing merchandise, including microwave ovens and color TVs.

Worthen's employee incentive promotion has been packaged for use by other financial institutions through First Bank Financial Service, which, like Worthen, is an affiliate of First Arkansas Bankstock Corp. • •

Centennial Time Capsule Buried



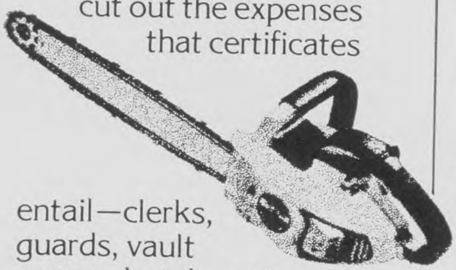
Edward M. Penick, chairman and CEO, Worthen Bank, Little Rock, displays some of items that were sealed in bank's 100th anniversary time capsule that was buried at Rodney Parham Branch in west Little Rock recently. Capsule is scheduled to be opened in year 2000. Articles of current interest were sealed in capsule along with a copy of the Arkansas *Gazette* of January 3, 1877, announcing formation of bank.

How to get the most for your safekeeping dollar:

take the depository route, via Manufacturers Hanover.

Cuts holding and handling costs.

For profit's sake, count yourself in on the most advanced way to process securities—by electronic book entry, with Manufacturers Hanover Trust as custodian. Automatically, you "piggy-back" on our long position at Depository Trust Company which entitles you to lower rates. You not only cut out the expenses that certificates



entail—clerks, guards, vault space—but depository processing actually costs you less than a traditional safekeeping service.

Gets you your money faster.

We have the expertise with DTC's Institutional Delivery service to expedite trade confirms and settlement. The fewer the fails, the better control you have of your funds. And we promptly credit dividends on the payable date.

Tells you where you stand.

We're quick to relay the facts you need for reconciliation. In addition to conventional reporting means, we now have one of the most advanced on-line Securities Movement and Control systems—so advanced it can report your transactions on a daily basis. But hardware can't do it all. At MHT, you deal with a staff whose experience in securities administration averages well over 10 years.

Leaves liability worries behind.

When you participate via MHT, you're relieved of the immense pressures that come from safeguarding securities. In fact, MHT has more than $5 billion of its own trust assets on deposit at DTC.

To learn more about how your bank can profit by MHT's relationship with DTC, contact Brian V. Carty, Manufacturers Hanover, 350 Park Avenue, New York, N.Y. 10022. (212) 350-4658.

MANUFACTURERS HANOVER

Member FDIC

Cuddly Bear Joins Lion, Owl, Others As Goodwill Ambassadors for Banks

By JIM FABIAN
Associate Editor

WILD CREATURES continue to serve as hard-working marketing representatives for banks. A year ago, lions, bighorn sheep, macaws, rabbits and owls were on the job attracting customers—and new deposits—to various banks. (See March, 1977, MID-CONTINENT BANKER.)

This year, all are still on the job, especially the lion and the owl, but a bear has been added!

People in Belleville, Ill., have put aside any fears they may have had about bears, due in great part to the marketing activities of Belleville National Savings Bank. Dubbed "the smiling bear" until a forthcoming contest results in a better name, Belleville National's spokes-bear is busy producing profits and promoting friendships for the bank.

The bear promotion was established to meet two objectives, according to Raymond Molitor, marketing administrator. The first was to establish an advertising theme and the second was to create a symbol that would portray the bank's strength in terms of assets and growth. In addition, the creature had to show forth the friendly attitude of employees.

A bear was chosen as spokes-animal because bears are usually considered to be large and strong. It was necessary to temper this image of strength with a sense of friendliness. This was done by having the bear caricature wear a plaid hat and by keeping a smile on his face at all times.

The bank's advertising copy usually begins with "Take it from our friendly bear" or ends with "Come in and see our friendly bear today."

And the ad copy isn't kidding! On occasion, a bank employee dons a bear costume and officiates at important events, such as the opening of a drive-up facility or conducting a class for bank personnel preparing to participate in the "Old Newsboys' Day" charity drive.

In addition, the animated version of the Belleville National bear appears at the bank occasionally to hand out free candy and balloons to children, meet customers, distribute free cherry trees on Washington's birthday and similar gifts on other holidays, and perform at parades and other community functions.

In addition to having his image appear on almost all its printed materials, the bank takes advantage of opportunities to tie the bear to school safety and United Way campaigns, as well as support of the community's Octoberfest.

Belleville Nat'l's ad features bear caricature and copy often includes puns such as "bearable."

As-yet unnamed spokes-bear for Belleville (Ill.) Nat'l Savings participates at recent ribbon cutting at bank's new motor facility. Helping out are Ch. Jos. C. Hauser (c.) and Pres. Louis E. Tiemann. Bank uses bear as means to gain goodwill and publicize services.

The bank also has lent its support to clean-up, paint-up and fix-up community campaigns by using the bear to announce loans for such ventures.

Mr. Molitor says the bear image is flexible enough to be used as the bank's spokes-animal and still be spoken of as a third party, as in radio spots stating, "As our friendly bear would say. . . ." Advertising messages are tied in with statements such as "Our home loans are bearable," "We've bearly met . . . and already I'm a huge success!" and

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

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

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

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

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

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

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

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

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

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

Your success is our tradition.

First National Bank of KANSAS CITY, MISSOURI

An Affiliate of First National Charter Corporation

Member FDIC

"Life can be bear-utiful . . . if you save for it!"

Not limited to radio, the smiling bear is used in newspaper advertising as well as direct mail and specialty ads. Most drivers in the Belleville area have become familiar with the bear caricature because of the bank's outdoor advertising.

There's no limit to the number of promotional tie-ins that lend themselves to the bear character. The bank hands out three-dimensional stick-on bear reproductions, bear balloons, a four-color bear puzzle reproduction of an ad picturing the bear in a car at the bank's drive-up, bear ties for men, bear key tags, bear coin holders, bear matches, bear playing cards, bear pencil holders and bear directional signs. All are distributed at no charge.

Future plans call for creation of a toy bear, a ceramic bear bank and bear masks.

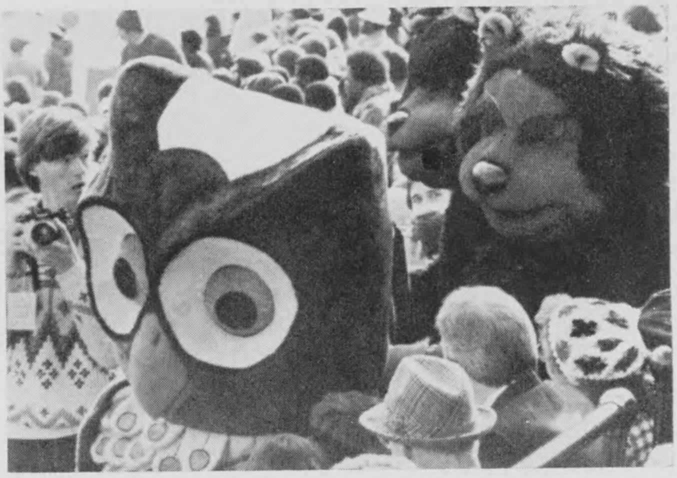
Public response to the bear promotion is strong, says Mr. Molitor. When the promotion was in its infancy, people wanted to meet the bear and now that they know there is such an animal (even though they know it's an employee dressed in a bear costume) they look forward to his appearances and ask about his whereabouts.

Bear stick-ons are visible all over town and the bank has a difficult time keeping sufficient supplies of handouts in stock. The demand for bear helium balloons is so great that the bank orders them in lots of 25,000.

What about measurable results from the bear promotion? In one year, the bank's assets jumped from $119 million to $126 million, a gain of more than $7.4 million, according to Mr. Molitor.

* * *

Imagine the surprise of spectators at a recent University of Cincinnati football game when, during halftime, they watched a five-foot owl parade across the playing field.



Owl Network representative joins in parade during halftime at University of Cincinnati football game. Creature is spokes-owl for ATM network that includes Central Trust, Cincinnati, and other banks in two-state area.

That was one of the ways the Owl Network of automatic banking services called attention to its presence in the community, which, in this case, includes portions of two states—Ohio and Kentucky.

The large-eyed owl has been termed the most active and most beloved member of the ATM interchange. He made his debut over a year ago to launch the network's Owl sweatshirt promotion. At that time, he strolled through the streets of downtown Cincinnati flanked by women admirers clad in owl sweatshirts.

Since 1971, 200,000 Hubert dolls have been distributed to customers of Harris Bank, Chicago, in exchange for deposits.

In his next performance, the owl costarred with Miss America during the half-time activities at the football game.

Prior to Christmas, the owl was a guest on a local TV program and made a presentation to a local charity on behalf of the Owl Network.

More mundane activities have included appearances at five Owl Network Day and Night Teller openings. On these occasions, the creature is put to work entertaining customers. He also is pressed into service to assist with demonstrations of the network's minibank ATMs located in supermarkets and other retail stores.

The owl costume was designed and fabricated by a Cincinnati firm that produces costumes for amusement parks, sports teams and business firms.

The Owl Network, which the owl character promotes, is said to be the only regional interchange in the nation providing both ATM and check approval services. Customers of the Owl Network financial institutions have access to 50 ATMs and check approval services at over 100 markets in the greater Cincinnati area.

Among the members of the Owl Network is Central Trust, Cincinnati.

* * *

Hubert the Harris Bank lion has been representing Harris Trust, Chicago, for a long time. The bank recently completed its seventh year of lion premium promotions and, as usual, the promotion exceeded—in both dollars and number of transactions—results of the previous year, according to Guy W. Steagall, vice president, marketing services division.

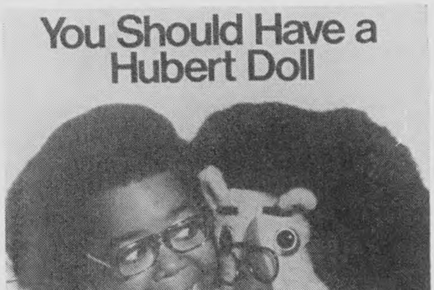
The bank distributed 25,000 Hubert dolls for deposits to 25,000 new and existing accounts. The five-week campaign generated more than $25 million in new business for the bank.

Hubert has been around for so long that the bank's most recent promotion bore the theme, "You can never have too many Hubert dolls, 'cause you can never save too much money."

The familiar plush-pile replica of Hubert, the Harris spokes-lion, was offered to anyone depositing at least $200 in a new or existing savings account. Since 1971, more than 200,000 Hubert dolls have been distributed to customers.

The 1977 promotion was highlighted by a young showman named Gary Coleman, who works with Hubert in the bank's TV commercials. The combination of the child actor and the cuddly lion has helped make Harris Bank a well-known name with Chicagoans of all ages.

The success of Hubert points to the unlimited mileage a bank can realize from a spokes-animal or bird—or almost any representative from the wilds!



Child actor Gary Coleman and Hubert the well-known spokes-lion team up to promote premium promotion for Harris Trust, Chicago. Bank has distributed more than 200,000 Hubert dolls in last seven years in exchange for deposits.

That's why we do everything to make sure Hibbard, O'Connor & Weeks representatives are as knowledgeable as we can make them.

Our standards for securities sales personnel today include college-level education, plus a track record in selling.

Rigorous, 90-day training programs teach them every aspect of our business. And yours. A continuing series of seminars and lectures from experts keep them tuned in on new industry trends, new rules and regulations.

But they're more than voices on the phone. Our staff has probably strung together more miles than any other investment banker our size. They're out visiting customers, getting to know you. In every state in the nation.

They learn securities backwards and forwards. They also learn about you—your operations, goals, aims for your own institution.

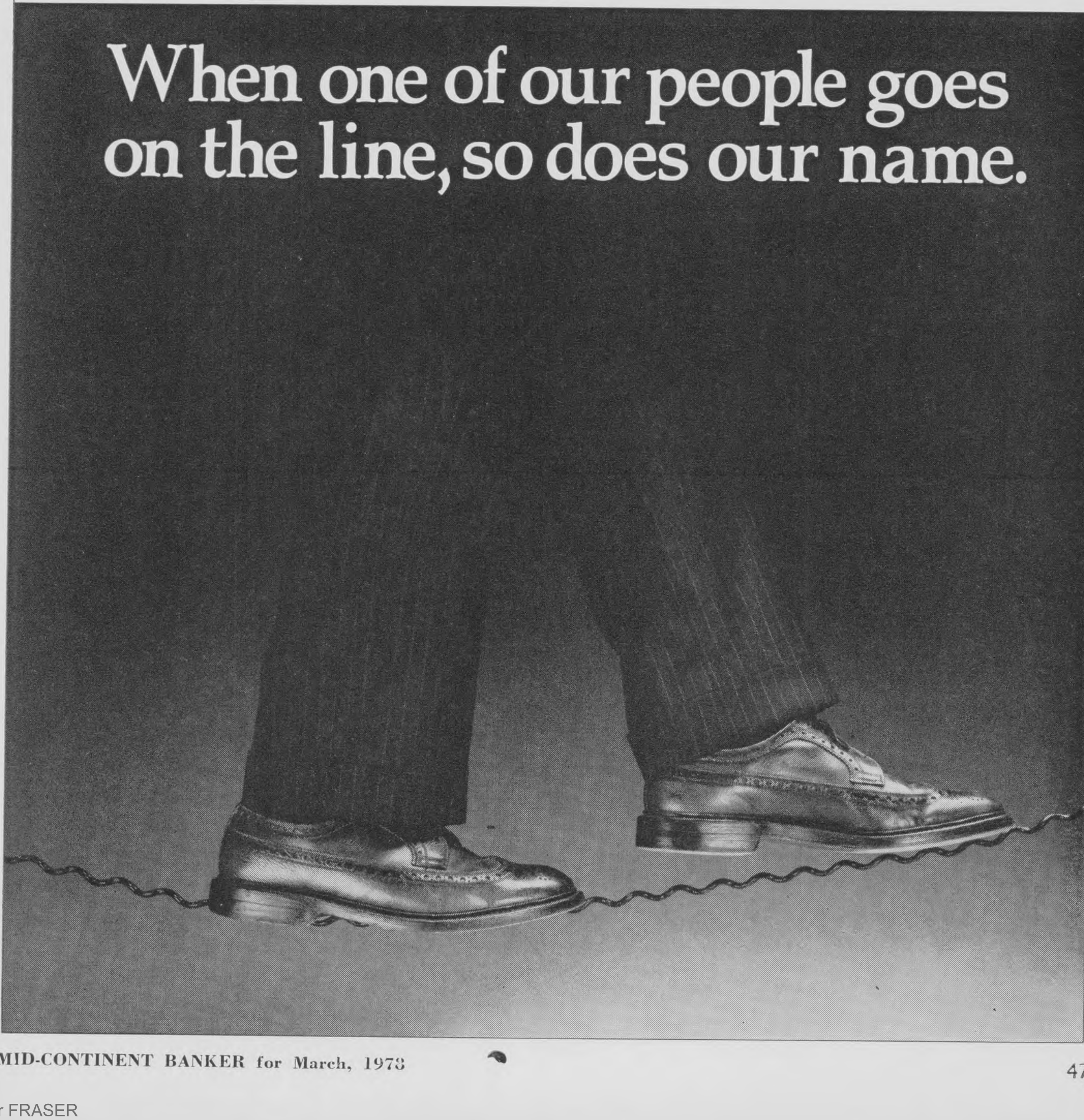
Why all this effort? They work better with you. They stay longer with us. Many on our staff have logged five years-plus with us. That's a lot higher than the industry's average in tenure.

So, when you get our people on the line, you can be sure they know the ropes.

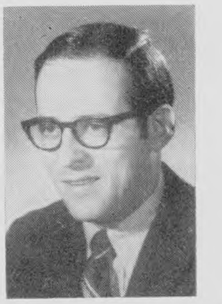
HIBBARD, O'CONNOR & WEEKS, INC.

1300 Main Street
Houston, Texas 77002
(713) 651-1111

Subsidiary Companies:
Hibbard & O'Connor Government Securities, Inc.
Hibbard & O'Connor Municipal Securities, Inc.



Low-Denomination Deposit Certificates Give Banks New Marketing Vehicle



By MICHAEL BRAUDE
Senior Vice President
American Bank
Kansas City

THE AMERICAN BOND introduced a new savings concept into the Kansas City market last November. It represents an attempt on the part of American Bank to enhance its image as a truly aggressive, innovative and marketing-oriented bank.

The concept of the bond resulted from intensive research into the potential for a small-denomination CD. It was thought for some time that the public would welcome a CD that didn't require a minimum investment of $500. Moreover, we thought that a bond similar to a Series E Savings Bond—one that could be sold for less than its face value—would be marketable.

Through the Bank Marketing Association, we learned of banks in other parts of the nation that were doing well with similar bonds. We contacted them and received much help in designing the American Bond and in preparing advertising for it.

Once we developed the bond and its advertising, we hand-carried the bond and its advertising copy to the FDIC and received approval from the regional counsel.

The bond is offered in $50 and $100 denominations with maturities of six, five, four or two-and-one-half years. Obviously, the shorter the maturity, the higher the cost. Interest is compounded yearly at a guaranteed rate of 6.5%, with an effective annual interest of 6.81%—the maximum that can be paid on a CD of less than $1,000. Our advertising features the six-year, $50 bond, which costs $33.67. The $100 bond costs $67.34.

Our advertising stresses four real advantages to the consumer: First, savers don't have to invest $500 to earn higher interest; second, the bonds make great gifts for all occasions (that's why we introduced them shortly before Christmas); third, changing economic conditions can't lower the interest rate —it's guaranteed for six years on whatever maturity is selected; finally, each depositor is insured up to $40,000 by the FDIC.

Marketing strategy initially focused on print media because of the nature of the message. We utilized the Kansas City *Star* and major suburban newspapers. We also mailed a brochure with an order coupon attached to all residents in the bank's trade area.

Our calling officers distributed supplies of these brochures along with payroll deduction authorizations.

Three weeks before Christmas, each officer sent brochures to friends and business acquaintances, along with the following cover letter:

"I am excited about a unique product our bank is introducing this month. The American Bond now brings all the advantages of a CD to the saver who wants to invest as little as $33.67. The bond is described in the enclosed brochure.

"I plan to personally give these bonds as Christmas gifts to several young people in my family, and I believe that idea might have appeal for you.

"Won't you please complete application for the American Bond gifts you wish to give this year and return them to me? I will immediately send the bonds to you.

"Best wishes for a happy holiday season!"

Attractive in-bank displays were prepared featuring the bond and an American Bond tent was placed on each officer's desk. A special insert on the bond was prepared for our service directory and the bonds will be prominently featured on the bank's 1978 annual report.

I believe that the value of the American Bond to our bank will greatly exceed the deposit volume it generates. It should serve as an excellent vehicle of positive introduction to good prospects and it should lead to fruitful cross-selling opportunities.

It's not often that a bank has an opportunity to bring something really new to its market. We intend to capitalize on the advantage the American Bond brings to our bank! • •

Newspaper announcement for American Bond, issued by American Bank, Kansas City. Ad copy calls attention to fact that savers don't have to invest $500 to earn higher interest than they can earn on passbook savings. Ad details advantages of bond: They make great gifts, interest is compounded at 6.5%, interest is guaranteed for life of bond and depositors are insured by FDIC. Ad includes application for customer convenience.

The Garage Sale Plague . . .

Fennimore Ferpel, G.W.* Shows Our Signs

is on the land . . . again! (Yet?)

These stunning signs are printed in red-and-black art on sparkling white stock. Your logo appears on the bottom front. On the reverse, "How to Run A Successful Sale."

Sell them for a quarter, give them away in your lobby. The ladies come in for them. They tack them up all over the neighborhood, all over town. And that means **lots of advertising.**

It's a traffic builder like you've never seen before!

Women love these, since the hardest part of a sale is making the signs.

Shipped with layovers such as "Estate", "Rummage", "Lawn", and others. Lobby signs also included free.

One format only, one color scheme only.

Presently making two week delivery, but we'll be snowed soon.

Better order now! We bill later.

(All rights protected under trade name "Garage-Pak". There is a $10.00 Art Charge on all first orders.)

TIP: Order twice as many as you think you will need. Reorders may take weeks after the season starts!

Dear Tucker: I can hardly wait! Please rush my order as follows:

☐ **500 SIGNS $141.00** ☐ **1000 SIGNS $247.00** ☐ **2000 SIGNS $416.00** ☐ ______

3000 Up Price $196.00 M

Our Firm ______ Box ______

Street Address ______ City ______ Zip ______

My Name ______ Title ______

☐ I enclose a Velox, or something with our logo, for reproduction.

All signs 18⅛" x 14¼". Printed on 15 Pt. Solid Bleach Stock, Clay-Coated on One Side

*** G.W. — Great Warrior**
(Great Windbag)

BOB TUCKER ASSOCIATES
Box 1222
Port Arthur, Tx. 77640
"Since 1958"

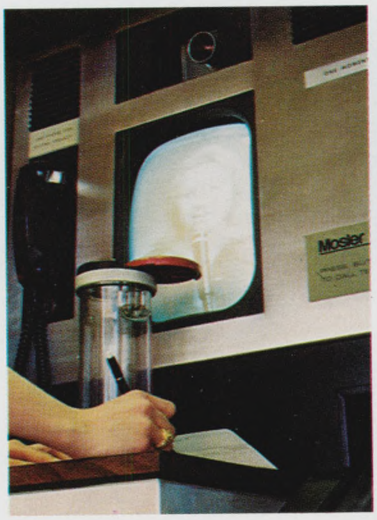
You've got new questions.

"We don't need another supplier, or another source for equipment. What we need is an organization that really understands what we're up against."

We don't expect to surprise anybody with the observation that banking is changing. Because you know that.

But what you may not know is that bank equipment and systems are changing, too. And nowhere are those changes more startling than here. At Mosler.

We've got new answers.



Which brings us to the subject of this ad: the changes in our world, and how they're going to help you with the changes in yours.

The demand for convenience.
Your customers want banking to be fast and easy. "Get me in and get me out," they say. Over and over again.

So you face the problem of trying to build a banking relationship with customers who haven't time for banking. Customers who prefer the convenience of banking at a distance.

Already, many customers get no closer to your bank than the drive-up lanes. Where they deal with a teller 60 feet away. And enclosed in glass.

Banking at a distance. And it's everywhere. In telephone bill-paying, funds transfers and balance inquiries. In credit and proprietary cards.

And most notably, in the mind-boggling apparatus of electronic banking.

New standards for equipment.
If you'll consider the implications of "banking at a distance" for a minute, you'll come to a chilling realization:

That the systems and equipment that interface the customer suddenly take on enormous importance.

Those systems have to be good. In fact, they have to be outstanding.

Equipment for new standards.
At Mosler, we've done more than simply acknowledge these new equipment standards. We've developed the systems to meet them.

Systems like our Teller-Matic Designer Series 8000, for example. It's the industry's first modular electronic banking system, a fluid system that flows easily into new configurations with new levels of performance whenever your needs change.

And our drive-up systems. In all, dozens of different system possibilities that give your customers all the transaction speed they want. Even on the busiest Friday night.

And systems that have nothing to do with customer convenience, but everything to do with customer confidence. Sophisticated camera, alarm and branch reporting systems to make bank crime a hazardous profession.

Behind it all is the industry's most comprehensive service network. Ours. So you can commit to sophisticated Mosler equipment with the assurance that should a problem arise, it won't be a problem for long.

It's time to call in the pros.
At Mosler, we know what you're up against. And we've got some suggestions that'll enable you to deal with the changes in banking. Very nicely.

So see your Mosler representative. Because there are answers now where in the past, there weren't even good questions.

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

Mosler

An **American-Standard** Company

Hamilton, Ohio 45012

Chances for Success of New Bank Ensured; Townspeople Provide Start-Up Capital

SUGAR GROVE, Ill., is a farm community with a population of 1,200, located about 50 miles west of Chicago. In 1972 Sugar Grove had a problem: It had no bank to serve the community, since the nearest financial institution was eight miles away.

When a group of organizers conducted a feasibility study to see whether a bank could survive in Sugar Grove, little did they know just how good the chances for survival would be for a bank in their town. When stock finally was offered to capitalize the new bank, area residents practically stampeded to provide the necessary funds!

When the organizers of what was to be Bank of Sugar Grove started out in 1972, their objective was to develop an institution that would serve the community and that would be owned by the community that it served. Studies were conducted by First Ogden Corp., Naperville, Ill., to discern population demographics, business development possibilities, market share and convenience factors.

Growth projections were taken into consideration, as were zoning restrictions and the possibility of new residential or commercial developments and the amount of retail sales that could be expected in the area. The impact a new bank might have on existing banks in the area also was considered, for regulatory purposes and for simple economic reasons: If the community couldn't support two such institutions, both could fail.

The organizers' bankgrounds also were researched, and it was stipulated that the bank's initial board of directors would have local representation, which would make the institution's management responsive to community needs.

The studies showed that the proposed Bank of Sugar Grove would have a favorable impact on the community, since it would create jobs, provide additional traffic to the business community, and accommodate the deposit and credit needs of the population.

Since the results of the studies were positive, a permit to organize was issued by the Illinois commissioner of banks and trust companies—after that office had conducted its own feasibility studies.

In February, 1974, Bank of Sugar Grove's organizers made a stock offering. Total authorized capital was $650,000, to be raised by the sale of 26,000 shares of stock at $25 per share. Capitalization would consist of $260,000 in capital stock (par value of $10 per share), $260,000 in surplus and a $130,000 reserve.

Organizers crossed their fingers and began the offering. A general mailing was made to give area residents the first chance to become charter owners. No individual could purchase more than 5% of the total shares outstanding. A cover letter was sent along with an offering circular that detailed the need for the new bank and offered comparative statistics among existing institutions. A subscription agreement with proxy and a return envelope also were included in the mailing, which was distributed according to census tracts in the general market area of the proposed bank.

Concurrent with the general mailing, residents of Sugar Grove and surrounding communities were notified of the impending stock sale through press releases in the local media. Personal solicitation was handled by the institution's organizers in the community.

A public hearing was held to give interested persons a chance to learn more about the bank and the purchase of stock. And that meeting proved to be a good indication of things to come: Out of a community of 1,200, more than 250 persons were in attendance!

The stock offering was sold out in less than two weeks. In fact, it was oversubscribed by more than $230,000! The oversubscriptions were accommodated by prorating downward those persons who already had purchased shares. Of the new stockholders, the organizers report, the vast majority were area residents.

As construction of Bank of Sugar Grove took place, a steady flow of press releases helped keep the public appraised of the institution's progress, and on February 28, 1975, Bank of Sugar Grove opened its doors for business.

According to John J. Case, Bank of Sugar Grove's president, "The overall impact of the capital acquisition program for the bank proved to be favorable. Spreading the ownership among the community created goodwill as well as a strong customer base from which to develop once the bank opened for business."

And that strong customer base was developed rather effectively, it would appear: After opening in February, 1975, with initial capitalization of $650,000, Bank of Sugar Grove had grown to a $3.6-million institution in shortly more than one year's time. • •

Babies Offered $50 Accounts by Small Bank in Detroit

Each baby born New Year's Day in Detroit was offered a $50 savings account in trust by that city's First Independence National. The bank made the offer as a gesture of goodwill and welcome to the new residents.

In cooperation with seven Detroit hospitals, the bank extended the gift invitation to parents of all babies born in those hospitals January 1. The hospitals presented letters inviting the new parents to the bank to sign new-account cards. The bank then would deposit $50 into a new trust account for each child. The parents were under no obligation other than to take the letter to the bank by February 1 and leave the money in the new account for at least 60 days. Forty-one babies were born at the hospitals on the first day of 1978.

First Independence National, one of the smallest banks in Detroit, was established in 1970 and is said to be the only minority-operated bank in Michigan.

According to President William R. Bailey, the New Year's baby promotion "is our way of saying welcome to the new babies and reaching out to the community in an important way. We believe that banking is important, that it has a place in everyone's life, from the youngest to the oldest. We are growing just as these children will grow and look forward to servicing them, their parents and their own children as well with full-service banking."

When you build or remodel your financial facility with Bank Building Corporation, you get our

GUARANTEE

We'll build it right, on time and within budget.

If you're thinking about building or remodeling your financial facility, talk to us **first.** We'll help you plan it, design it and build it. Keeping in mind one thing—your bottom line.

And before you invest a penny in expensive working drawings, we'll guarantee the total cost of the project. If the guaranteed price exceeds the completed cost, you pay only a fraction of the difference. If it costs less, you get practically all of the savings!

In the past 65 years, Bank Building Corporation has planned, designed and built or remodeled more than 6,200 financial facilities. We'd like to do yours next.

Bank Building Corporation®

We'll build you a business.

MC-378

Bank Building Corporation
1130 Hampton Ave.
St. Louis, MO 63139
Telephone: (314) 647-3800

Please send information about how you can help build my business.

Name ______________________

Title ______________________

Firm ______________________

Address ______________________

City ____________ State ________ Zip ________

OFFICES: St. Louis, Washington, D.C.; Hartford, Conn; Chicago, Atlanta, Dallas, Denver, San Francisco

'People' Ad Series Boosts Bank's Image, Makes Celebrities of Area Residents

JIM DISS of Taylorville, Ill., was shopping for an auto loan. He got the loan and a bonus: Mr. Diss became a celebrity.

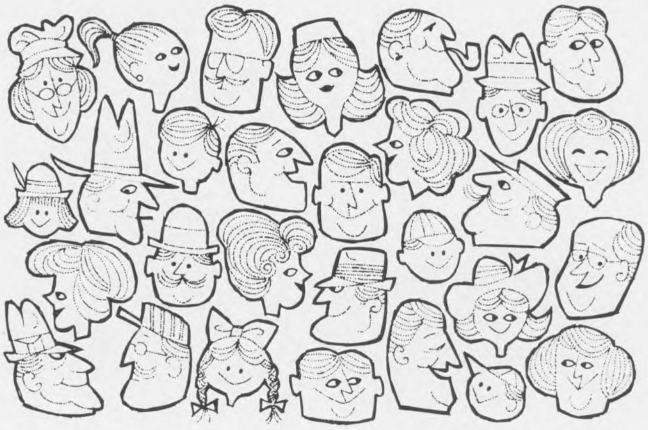
First Trust in Taylorville was responsible for Mr. Diss' fame, and the renown of several others in the Taylorville area through its "People" ad series spotlighting a variety of the bank's services. The ads featured line drawings of members of the community and copy that explained how the featured person benefited from the bank service.

Prior to the "People" series, First Trust had been pictured by its staff as a "full service" institution, but it was felt that the public needed to be educated about that fact. Greater awareness by individuals and businesses in the area of those services was sought by First Trust. The bank wanted to express its relationship to the community, so the First Trust People Program was born.

At the time of the program's inception, the bank was undergoing a comprehensive renovation program, having occupied the same building since 1930. Since that program would create inconveniences for residents, the bank decided to tie in the "People" idea with the renovation, emphasizing the human, rather than the brick-and-mortar, element.

The bank is a 60-million-dollar institution in a "country" community where "everyone knows everyone else," but where the services of a "big city" bank are needed. A cross-section of bank customers was chosen for the ad series, which was overseen by William B. Hopper, bank chairman, and Elvira Denning, public relations officer. They worked with an ad agency on the series but implemented the program on their own.

Eighteen of the "People" ads were drawn up to promote business loans, mortgage loans, boat loans, home-improvement loans, savings accounts, auto loans, farm loans, trust services, farm management, checking accounts and direct deposit of Social Security checks. A free-lance writer, who knew little about banking, composed the stories featured in each ad; people featured were interviewed by the writer and sketched by an artist in their natural environment. That way, it was reasoned, the subjects told their stories just as if they were talking to a neighbor or friend, making their stories personal and interesting, but nevertheless selling the bank's service.



When the ad series was ready, Mr. Hopper and Miss Denning introduced it to management, directors and staff of First Trust. "And it was our first advertising program to really excite our staff," says Miss Denning.

The series was run in the only daily newspaper in the area. Portrait prints were made and framed for each subject and ads on checking and savings accounts; auto, boat and home improvement loans and trust services were used as checking-account statement enclosures.

"First Trust was gratified by the success of the program," says Miss Denning. "It created an awareness for First Trust as the leading financial institution in the county. People became acutely aware of our building program, our involvement in the community and all the services we offer. As a result, the bank was being discussed downtown among the merchants, in industry, among school children, in the coal mines, by senior citizens, lady landowners, tradesmen, everybody."

To gauge the amount of awareness the ad series had created in the Taylorville community, the bank asked people at random for their thoughts on the series. Bank staffers spoke to customers in the lobby, in restaurants, service stations, to housewives, young people, merchants and professional people in the community. As it turned out, the only ones who hadn't seen the ads were people who didn't read the local newspaper.

"As an example of the series' popularity," Miss Denning relates, "our survey on the ads' effectiveness produced a variety of reactions from residents. One young mother reportedly said the ads made her want to gather up all her money and run down to the bank with it; a young woman opined that the ads showed that First Trust cares about people; and copies of an ad featuring a local coal miner were found posted in mining offices, washrooms at the mines, everywhere they could be posted. As a matter of fact, when we used the 'coal miner' ad as a statement enclosure, men brought copies of that ad to the mine and wanted the autograph of Steve Stanich, the man featured in the ad."

Three other highly successful ads each spotlighted one of three young farmers and how the bank helped them in their financial planning. One ad talked about "cash flow" and, according to Miss Denning, resulted in several young farmers going in to First Trust to ask for help in setting up a cash-flow plan for their operations. Previously, the PR officer notes, the bank never had been able to explain that financial tool in an ad.

The series also has spurred the town's merchants to action. Many reportedly are "toning up" their physical facilities and developing more pride in the central city area.

But the series' success really was summed up by Jim Diss' boss, who said of the ad featuring Mr. Diss, "Since that ad appeared, Jim is better known now than I!" • •

Want the best in coin wrapping?

Start with Brandt paper for Reliability, Quality, Experience and a New Low Price.

Reliability. Our rolls are consistently uniform in width and length. At Brandt we do the paper conversion ourselves — buy to our exacting specifications, imprint, slit and package it. We guarantee that each roll contains the right number of wraps every time, with paper of uniform thickness. And our rolls fit all automatic coin wrapping equipment.

Quality. Brandt rolls are made of long fibre kraft paper, with a perfect balance between tensile and burst strength. Rugged enough to withstand high velocity coin processing, but easy for tellers and customers to break open. Tough, but not too tough. With superior quality for imprinting and crimping.

Experience. Brandt has supplied paper goods for 40 years. Those forty years of expertise are available to you. We have an unparalleled nationwide sales and service network, so we're always nearby. There is no substitute for personal service.

New Low Price. We offer the best in paper rolls, with prices that are really competitive. Get the full story on our special imprint program. Specify Brandt paper rolls today . . . for Reliability, Quality, Experience, and New Low Price.

Call your nearby Brandt Representative. He has more information on Brandt paper rolls, plus our full line of coin wrappers and bill straps. He's listed in the Yellow Pages under "Coin & Bill Counting Machines."

Brandt Systems

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

We Want To Be Your Correspondent, Not Your Competitor.

Three out of four Arkansas banks have a correspondent relationship with Commercial National, The Banker's Bank. They know that we work for you, not against you.

We can give you an extra edge with our specialized professional correspondent bank services. Arkansas bankers know that they can call The Banker's Bank at any time for cordial, personalized service which is designed to solve your uniquely individual banking problems, and not to attract your customers.

If you want a correspondent and not a competitor, call The Bankers: Norman Farris, Hubert Barksdale, or Martha Mason at 1-800-482-8430. They can prove to you that Commercial National is The Banker's Bank.

THE BANK.

Commercial National Of Little Rock

Commercial National Bank of Little Rock, 200 Main Street, Little Rock, Arkansas 72201

'Leisure Guide' Statement Stuffer Informs, Sells Bank Customers

HOW LONG does the typical checking account customer retain a statement stuffer? Often not any longer than it takes him to get around to reconciling his account!

Why would any bank want a customer to retain a statement stuffer? Because stuffers usually call attention to bank services. They serve as cross-selling tools. For just pennies per copy, they bring the bank's advertising message into the customer's home where he can examine it at his leisure.

But in order for a customer to retain an advertising piece for any length of time, it would have to contain more than a sales pitch. It would have to include information that the customer thought was worth retaining. It would have to include information that the customer wanted to refer to, and, in so doing, he would be likely to pay more attention to the bank's sales message.

Such a statement stuffer is being used by a number of banks in the Chicago area and bank customers have been known to retain the stuffers consistently for an entire month. Why? Because the stuffers contain a calendar of events going on in the Chicago area during a given month—events such as baseball games, summer theater attractions, museum shows, sightseeing attractions, symphony concerts, programs for kids, etc.

But, in addition, these six-page stuffers include messages from the sponsoring banks that spotlight services such as ATMs, auto loans, premium offers, drive-up services, banking hours, etc.

The stuffers also can include items of personal interest, such as introductions to bank staff people, financial advice, items on local service organizations or messages from the bank's president.

It's obvious that such a vehicle would be likely to be retained by the bank's customers—and succeeding stuffers looked forward to with anticipation!

This is the theory behind the Leisure Guide, a new marketing service for the banking industry produced by Banker's Leisure Guide of Chicago.

According to Larry S. Jashel, marketing director, a satisfied customer is the best source of business. The banking industry knows, Mr. Jashel says, that keeping in touch with customers is a sure way to bring in more business. But how many banks take the time to communicate with customers on a regular basis?

He describes Banker's Leisure Guide as a checking account statement insert that's the key to subtle bank marketing. He says it's a sophisticated way of presenting banking services, increasing personal relations and adding warmth to the business of banking.

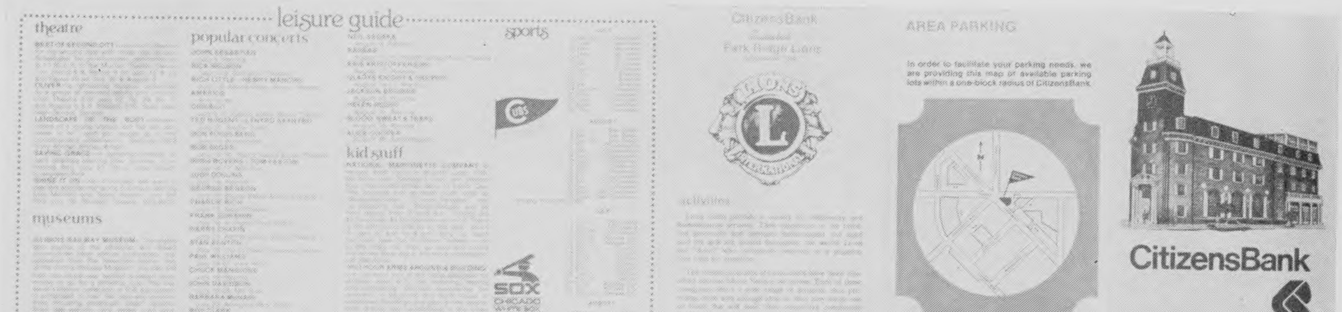
The philosophy is: Remember your customers and they will remember you. In the old days, people didn't think about how to spend their leisure time. They didn't have much! Now they have a need to know what to do for fun and relaxation.

That's why the Leisure Guide was created. Each month it provides participating banks with a vehicle to describe to customers the wide variety of things to do in their leisure time—like watching the Chicago Cubs or White Sox ball teams, listening to a great orchestra, fishing in Lake Michigan, picking apples or just watching a play or parade.

Among the banks using Leisure Guide is Citizens Bank, Park Ridge, Ill. Richard C. Rushkewicz, director of marketing at the bank, says he feels the program has been an effective way to promote a variety of various financial services as well as calling attention to banking hours and corporate identity.

"I have also utilized the Leisure Guide as a sales and public relations device to salute various area service groups and organizations that either bank with us or are good prospects," he says.

The real value of the actual Leisure Guide section of this insert is its greater likelihood of retention within the household throughout the month as opposed to conventional statement inserts, Mr. Ruskewicz says. "People are more likely to keep an entertainment guide



Inside of Leisure Guide (left) contains calendar of leisure activities going on in Chicago area; outside (right) contains bank messages.

around than just a piece of paper. And there's your bank's message right on the front and back covers, staring them in the face."

A recent issue of the Leisure Guide mailed by Citizens Bank included—in addition to the guide of concerts, art fairs and sporting events—an article on estate tax savings, along with a coupon customers could use to receive a free booklet on living trusts, a salute to the local paramedic groups and a complete listing of the bank's hours—both lobby and drive-up.

Citizens National, Downers Grove, Ill., has been making good use of the Leisure Guide to sell bank services. According to the results of a recent survey, the bank learned that over 70% of its customers read, save and refer to the Guide more than once each month. The bank also distributes copies of the Guide through its Newcomers Club.

Morton Grove (Ill.) Bank, a fairly new institution, has made use of the Leisure Guide to make its presence known in the community. It not only uses the Guide as a statement stuffer, it hires high school students to distribute copies throughout the bank's trade area.

Leonard Vihnanek, vice president and cashier, says, "We have found the Leisure Guide to be a good way of reaching out to potential customers while keeping the interest of existing ones. We have had many comments from customers relating that they keep the Guide in their homes for the entire month as a piece of information for current events."

Another Chicago-area bank used the Guide to publicize a luggage premium offer. "The response to the luggage offer was one of the best ever from an existing customer standpoint," a representative says. "We must attribute that to the Leisure Guide."

This bank used the Guide to tell customers what was going on in their community and to introduce key bank employees—such as a switchboard operator—who are seldom seen by those entering the bank. Spotlighting employees has been good for employee morale, too.

Mr. Jashel says that the Guide offers a bank an effective communications program that is tailor-made to the individual needs of the sponsoring bank.

"We do all the work," he says. "We pick up the information, do the artwork and copy and deliver the finished product." • •

Images of Arkansas Banks Boosted By Offers of Free Family Portraits

WHO WOULD refuse an offer of a free family portrait—just before the holidays! According to the people at two banks in Arkansas offering photos to customers, it seemed like no one could refuse!

First National, Fort Smith, offered a free full color family portrait by Olan Mills to all customers with bonus checker accounts. All customers not having such an account needed to do to be photographed was to open one. The photo offer was advertised as "another bonus for our bonus checking family."

"Bonus Checkers" is the title of the bank's New Outlooks Club package plan. Membership fee is $3 per month for individuals and membership entitles customers to 20 bank services, including free checking; $10,000 accidental death/dismemberment coverage; no-service-charge travelers checks, cashiers checks, certified checks and money orders; discounts on travel services, and free safekeeping of wills.

According to Charles Logan, marketing coordinator, 1,000 customers signed up for appointments to have their photos taken during the promotion. Almost 400 new bonus checking accounts were opened by those desiring to be photographed and the average balance per account per month is more than $500.

This newspaper ad announced free photo offer at Danville (Ark.) State. Response was so great that bank had to schedule photo taking session on Sunday.

According to Mr. Logan, the cost of the free photo offer was recouped in less than three months by the membership fees generated by those opening new accounts to obtain free photos.

Olan Mills photographers were on hand for three weeks to accommodate those wishing to be photographed. Special hours were set up for the photo sessions—3 to 9 p.m. on weekdays and 10 a.m. to 5 p.m. on Saturdays. A receptionist and a bank officer were on hand during the sessions.

Mr. Logan said that he was "very satisfied with the results that came from our bonus checking Olan Mills promotion. I would recommend the program for use in other banks."

Danville State was the other bank offering Olan Mills photos to customers. According to Odean Parker, assistant vice president, the purpose of the program was to give customers a gift because "we value them highly as friends as well as customers."

The program was not tied to any new account promotion, Mr. Parker said, but some new deposits were realized by those wishing to be photographed.

The promotion was timed so that customers could receive their portraits in time for Christmas.

Photo sessions were originally scheduled for weekdays for 3 to 8 p.m., Mr. Parker said, and from 10 a.m. to 5 p.m. on Saturdays. The appointment load became so heavy that it was necessary to add an hour to each day's schedule and then to accept appointments from noon to 6 p.m. on Sundays. Due to a previous commitment, the photographer had to leave Danville, but he returned about a month later and worked for three additional days. A total of 380 sittings was completed.

"The people of Olan Mills were most cooperative in the work setting and attempted to accommodate us in any way that they possibly could," Mr. Parker said. "We would highly recommend (them) to other banks that want to use a promotion such as this."

John Ed Chambers, bank president, said that the promotion was as effective as any the bank had staged in terms of people participating and goodwill being created. • •

We do our corresponding in person.

H. O. Peet, Jane Hylton, Jim McKenzie, B. J. Hall and Murphy Brock.

Because it's a natural business communication tool, it's only natural for most bank's correspondent departments to assist their customers over the telephone.

At Liberty National we prefer business over a cup of coffee. Face to face.

Especially Jim McKenzie and Murphy Brock of LNB's correspondent department, who feel that when faced with a financial problem it's nice to have another face there to help you find the solution.

Contact Liberty National's correspondent department. You'll have to use the phone, but in the end, you'll deal with us person to person.

Jim McKenzie and Jane Hylton, Executive Vice President, Delta Natural Gas, discuss the projected needs that LNB can provide Delta's expanding operations.

Liberty National Bank

Louisville, Kentucky

Financing/Leasing Plan Enables Banks To Offer Lower Terms on Auto Loans

MORE THAN half of bank auto loans now extend longer than 36 months, the result of a more than 25% increase in the cost of autos. In order to keep customers happy, many banks have extended auto loan payments up to as many as 60 months.

But they don't have to, according to G. Robert Gadberry and Robert R. Raymond. These men are associated with banks in the Mid-Continent area that are offering a lease/finance program called Autovest. Mr. Gadberry is vice president and director of public affairs at Fourth National, Wichita, Kan., and Mr. Raymond is marketing officer at First National, Elkhart, Ind.

Mr. Gadberry describes Autovest as "a leasing program that results in the reduction of monthly payments." Mr. Raymond adds that Autovest "combines the best portions of retail financing with leasing."

First of Elkhart has been offering Autovest since April, 1975; Fourth National began its Autovest program last October. Both Messrs. Raymond and Gadberry report that the programs have resulted in new business that the banks would not have realized without the service.

Mr. Raymond describes the Autovest program as First National's alternative to extended-term financing. It gives the customer an alternative to drive a new auto more frequently with a payment that will fit his budget without a large investment in an auto that is a depreciable item, he says.

He says the program is a lease that combines the best portions of retail financing and leasing. "There are two basic reasons for the lease concept," he says. "One, there's a sales tax advantage to the customer in Indiana and Michigan. Two, we are able to set a future residual on a particular auto, which is subtracted from the balance that the customer owes the dealer after down payment or trade. The payments are then figured for two years on the balance. Usually the payment will be $20 to $50 less than with conventional 36-month financing. With the Autovest plan the customer does his own shopping and makes his own deal. All we do is end up furnishing the money as we always have."

Newspaper ad for Autovest by First National, Elkhart, Ind. Bank has been offering plan since 1975.

Mr. Gadberry says it took a while for the program to catch on in Wichita (it's offered through seven new car dealers there), but that, once it did catch on, outstandings doubled in one two-week period. He recommends the program to other banks and says he believes it will become increasingly popular in the years to come.

Autovest is a subsidiary of Yegen Associates, Rochelle Park, N. J. The firm, a bank-service company, was founded in 1935 and began offering Autovest in late 1973.

Promotional literature published by the banks describes Autovest as the first auto financing plan that recognizes a car's future value as a way to control present costs.

Here's how the plan works: If a bank customer finds a new auto that costs $5,800, in order to drive it out of the dealer's showroom, he'll have to put down some cash (say, $1,100) and then finance the balance, which, in this case, would be $4,700.

If he elects to use the Autovest program, a minimum resale value will be established for that car. This value is based on the worth of the car after it's two years old. The value is called a guaranteed purchase option price. In the case of the $5,800 auto, the guaranteed purchase option price might be $3,100, depending on the make of auto. This amount is deducted from the $4,700 balance, leaving $1,600, or the new amount to be financed with a 24-month contract. Added to the finance charge is a 1.1% per month Autovest fee based on the $4,700 amount. In this instance, the monthly lease payment would be $121.37.

At the end of the 24 months, the bank customer has three options: He can trade or sell the car, he can keep it or he can walk away from it.

Under the first option, if he sells it for a price higher than the guaranteed purchase option price, he pockets the difference. The guaranteed purchase option price is purposely set below anticipated market value by Autovest to allow enough profit for the customer to make a down payment on a replace-

Selling Price	$5,800.00
Down Payment	1,100.00
Principal Balance	4,700.00
Less Guaranteed Purchase Option Price	3,100.00
Payments Based on	1,600.00
Autovest Charge (on $4,700)	1,312.80
Total Commitment*	$2,912.80
Monthly Lease Payments* $121.37	

*State and local taxes, if any, and Insurance not included.

Typical Autovest arithmetic for new auto costing $5,800, taken from brochure put out by Fourth National, Wichita, Kan., which has been offering Autovest since October.

PUT A SHARP PENCIL TO YOUR CORRESPONDENT BANK.

1. Is your Correspondent Bank interested in serving your needs…or in buying your bank?
( ) Serving my needs ( ) Buying my bank

2. Does your Correspondent Bank have a *proven record* of supporting independent banks, the choice of being a member or a non-member, and the dual (State and National) banking system?
( ) Yes ( ) No

3. Does your Correspondent Bank assist with your customers…or do they compete for your customers' business after you've introduced them?
( ) Assists ( ) Competes

4. Have your Correspondent Bank's investment representatives sold your bank securities you're pleased to have in your portfolio?
( ) Pleased with purchases
( ) My Correspondent is always buying and selling out of my portfolio. He tells me that he's making me money …but my portfolio gets longer in maturity and poorer in quality every time I take his advice.

5. Can you rely on your Correspondent Bank's advice on investments, credit decisions, personnel administration, management succession, operations…on all banking matters…or does their track record indicate that you had better seek advice elsewhere?
( ) Good track record
( ) I'd better ask someone else

6. Is your Correspondent Bank the right size for you?

Service
( ) Can get prompt answers to my requests
( ) Takes several days and several committees to get an answer
( ) I'm still waiting for an answer

Executive Staff
( ) I know the chief executive officer at my Correspondent Bank
( ) He knows me
( ) The chief executive officer has visited my bank
( ) My town
( ) My state

Common Knowledge and Interests
( ) My Correspondent Bank's Staff is knowledgeable about my size bank's operation and day to day problems.
( ) My Correspondent Bank is large (billion(s)), very specialized and departmentalized. I'm transferred, shuffled and put on hold so much I forget what I wanted to talk about.
( ) My Correspondent Bank likes to talk… mostly about foreign lending, multi-state banking, and machines.

7. Is the Correspondent Bank's Staff that handles your account experienced and stable?
I've known my Correspondent Banker
( ) 3 months ( ) 6 months ( ) 1 year
( ) 5 years ( ) 20 years
My Correspondent Banker has traveled my area for
( ) 3 months ( ) 6 months ( ) 1 year
( ) 5 years ( ) 20 years

8. Does your Correspondent take an active role in governmental affairs at the state and national level to assist banks of your size?
Resists all efforts of competitors to promote legislation detrimental to your bank. ( ) Yes ( ) No
Wants to compromise with competitors and promote the interest of larger and larger banking institutions.
( ) Yes ( ) No

9. Is your Correspondent also the principal Correspondent of your Competitor?
( ) Yes ( ) No
If so, does your bank benefit from your Correspondent's business referrals and "best service" or does your competitor?
( ) My Correspondent tells me that I get all referrals and my competitor gets nothing but the privilege of carrying *his* deposits with *my* Correspondent.
( ) My Correspondent rotates referrals and other "goodies" between me and my competitor.
( ) I think my competitor gets all the referrals and I get double talk and back-slapping when I ask about assistance or priority service.

If you like your answers, you're probably banking with us, Memphis Bank & Trust, the fastest growing Correspondent Bank Department in the South. If you don't like your answers, give us a call and test us.

MEMPHIS BANK & TRUST
In Tennessee, 1-800-582-6277
In Other States, 1-800-238-7477

We'll pass every time.

ment auto.

If he keeps the car, he is usually given 24 more months to pay off the guaranteed purchase option.

If the auto is in good shape and has no more than 36,000 miles on it, the owner can walk away from it, leaving Autovest to take any loss if the auto's worth is less than the guaranteed price.

Selling points for the program, in addition to the above, include the possibility of a customer being able to afford a new car every two years; the probability that it will be more economical to operate a new car for a two-year period than to keep a car for a longer period, since repairs typically begin to get costly during the third year; the likelihood that the savings in financing will permit the owner to upgrade the auto with accessories that he wouldn't have been able to afford without Autovest. • •

Customers Shop

(Continued from page 34)

breakdown shows that 3,445 watches were sold, 6,068 T-shirts were either given away or sold and 1,999 sports caps were given away or sold.

All this Christmas shopping on the part of customers of the bank brought more than $9 million in new deposits to Deposit Guaranty, according to Mr. Harcharik. That breaks down to $5.8 million in new deposits to new accounts and $3.2 million in add-on funds.

Customers desiring more than one premium could purchase additional items by opening additional savings accounts, purchasing additional consumer investment certificates or depositing $50 or more in existing savings accounts.

Premium purchases could be charged to a customer's Visa card, making it that much easier to obtain Christmas gifts.

Employees of the bank were permitted to purchase premiums at cost. They took advantage of the offer and took home almost 300 watches, more than 500 T-shirts and 113 sports caps.

Premiums were available at all of the banks 50 offices in 12 communities.

Not only did the promotion do a good job for the bank, the advertising associated with the promotion won the bank a first place award from the Jackson Advertising Club! • •

Coupons Prompt Money-Matic Customers To Double Use of Terminals in Markets

A DOUBLING in the number of transactions handled by remote service units in St. Louis-area supermarkets was achieved in October through a month-long coupon incentive promotion, according to Ed True, executive director, RSU Corp. RSU is authorized by the Federal Home Loan Bank Board to service an operation called Money-Matic in 41 Schnuck's markets in a two-county area.

The promotion was a cooperative effort between the market chain and RSU, which represents eight participating S&Ls. All of RSU's 150,000 Money-Matic cardholders were sent packets of four coupons, one of which was valid each week of the month for discounts on groceries purchased at Schnuck's. However, the coupons were not negotiable until they had been validated by a clerk in the markets' courtesy areas following the completion of a coupon holder's deposit of at least $25 in his or her Money-Matic account.

The first week's coupon provided for a $1 discount on any grocery purchase of $10 or more. The second week's coupon was good for a dozen large eggs. Coupon number three offered $1 off on a two-pound can of coffee and the final coupon was good for $1 off on a grocery purchase of $10 or more.

RSU advertised the offer in St. Louis newspapers to attract new accounts for participating S&Ls. Anyone signing up

Ads in three St. Louis newspapers announced Money-Matic coupon promotion that featured grocery discounts for cardholders making deposits at remote terminals in markets. Promotion was joint effort of Schnuck's Markets and RSU Corp., St. Louis.

during the promotion was entitled to a set of coupons from his participating S&L.

According to Mr. True, the primary purpose of the promotion was to encourage cardholders who weren't using their cards to do so. The effort was "highly successful," he said. The promotion was suggested by Schnuck's management, which absorbed the cost of the eggs and half the cost of the coffee discount.

Not only did the number of transactions double during the promotion, but the deposit-withdrawal ratio established in previous months of operation changed favorably. Prior to the promotion, the network averaged twice as many withdrawals as deposits, with twice as much money being deposited as withdrawn.

During the promotion, the number of deposits exceeded the number of withdrawals by 33%. More than $1.1 million was deposited during the month and slightly under $385,000 was withdrawn.

Although the cost of the promotion —about $10,000 to RSU—would be prohibitive on a regular basis, Mr. True said, the promotion was valuable as an experiment.

Mr. True said RSU was negotiating with other supermarket chains to participate in the Money-Matic network. When new chains join the system, the exclusive participation of Schnuck's during the last year will end. Most St. Louis grocery chains operate stores across the Mississippi River in Illinois, but Money-Matic's deposit and withdrawal service is limited to the Missouri side of the river.

A new service, called Unicard, has become operational in the Illinois suburbs of St. Louis, but the service is used only for check authorization. Both Unicard and Money-Matic are operated through Concord 750 transaction terminals owned by Cashex, Inc., St. Louis. • •

Net Income Up

OKLAHOMA CITY—First Oklahoma Bancorp.'s net income, including security transactions and extraordinary tax credits in 1976, was $11.1 million and $10.9 million, respectively, in 1977 and 1976. On a per-share basis, income from operations totaled $1.26 last year versus $1 the previous year. Net income was $1.15 in 1977 and $1.07 in 1976.

Bank's Ad Series Separates Myth From Fact; Results: Demand-Deposit Increase, Recognition

"WE ESTIMATE that American manufacturers earn an average after-tax profit of 33%"; ". . . that American business earns an average after-tax profit of 45%."

Those are the erroneous opinions of, respectively, 1,209 adults polled by Opinion Research Corp. in 1975 and a Gallop Poll of students at 57 U. S. colleges in 1975. With those opinions in mind, Chattanooga's Pioneer Bank began its "Myths vs. Facts" advertising campaign, which objectively presented evidence that gave the lie to such "facts."

In fact, the campaign proved so successful that the bank's demand deposits increased dramatically; the institution received response to the series from across the nation, and ad copy for the series even was read into the U. S. *Congressional Record.*

Formulated by Pioneer Bank Chairman George Clark in association with the bank's ad agency, the campaign originally set out to educate the public with the facts about business profits, thus furthering Pioneer Bank's position with its commercial accounts; encouraging other banks to take such a "third-party" approach in similar programs and developing new commercial accounts through ads, direct mail and an officer call program.

"Due to the growing anti-business mood of the country," says Mr. Clark, "the entire future of private enterprise is at stake. In such an environment it's extremely difficult for business to sell itself when 75% of Americans—according to surveys—feel that business earns exorbitant profits. Yet, despite the urgent need for a 'third party' to persuade the public that its criticisms are largely unfair, nothing important had been done to achieve that goal."

The campaign was launched with the first ad, which stated:

"The Myths: 'We estimate that American manufacturers earn an average after-tax profit of 33% . . . (and that) American business earns an average after-tax profit of 45%.'

"The Facts: U. S. industry earned 4.3% profit in 1974. U. S. retailers earned 1.3% profit in 1974."

Other ads in the series emphasized each of those latter truths, while one ad shed light on the amount invested by U. S. industry to create jobs.

Copies of the ads with personal notes from Pioneer Bank officers were sent to every industrialist and retailer in the Chattanooga area. To reach the public with that message, the bank used newspapers as the base medium for the campaign, while 30-second television spots and 60-second radio spots were used to reinforce the series' effectiveness. Outdoor billboards also spotlighted the bank's message.

As stated previously, the "Myths vs.

Myths vs. Facts

The Myths

"We estimate that American manufacturers earn an average after-tax profit of 33%."

— *poll of 1209 adults by Opinion Research Corporation, 1975.*

"We estimate that American business earns an average after-tax profit of 45%."

— *student poll at 57 colleges by Gallup Poll, 1975.*

The Facts

U.S. industry earned 4.3% profit in 1974.*
U.S. retailers earned 1.3% profit in 1974.**

**500 leading industrial companies, Fortune, May, 1975, page 232.*
***50 leading retailers, Fortune, July, 1975, pages 122-23.*

Decision's based on estimates that are so far from reality can obviously lead to incredibly faulty judgement.

At Pioneer we commend our customers. Their financial liquidity, as reflected by our own liquidity, suggests that they are much more astute on financial matters than the polls would indicate.

They realize that fair profits are needed if business is to grow and create more jobs.

PIONEER
Step Ahead BANKS
Member F.D.I.C.

U.S. industry now invests $33,658* (per employee) to create a job

By investing more than any other nation in the world for sophisticated, efficient equipment, American industry produces more per employee. And by producing more, American labor earns more.

We're for labor earning more . . . and for industry earning the profits necessary to buy the equipment that makes it all possible.

**Average capital investment — "500 Largest Industrial Companies", Fortune, May, 1975, page 232*

PIONEER
Step Ahead BANKS
EACH ACCOUNT INSURED TO $40,000 BY F.D.I.C.

Retailers earn only 1.3% profit

The low return on sales of the 50 leading retail companies in the U.S.* indicates how reasonable business profits are. Without sufficient earnings, the economy and employment suffer.

Yet, in spite of low profits, these very same retailers averaged a capital investment of $7,396 per employee* last year to finance their operations.

We're for reasonable retail profits . . . not only for the benefit of the largest segment of white collar workers in the nation, but also for the beneficial effect on our entire economy.

Last year the average U.S. Industry earned 4.3% profit*

Of course, a few companies earned a good deal more, but the average of 4.3% is surprisingly low!

Too low, in fact, for generating the cash flow needed for satisfactory growth and creation of new jobs so essential to a sound economy. Consider, for example, that for each additional person employed in industry it takes an average investment of $33,658 in equipment, tools, etc. to provide that job.* The point is this: Encourage industry to generate more cash flow, and we'll all prosper.

Profits. We're for them.

PIONEER
Step Ahead BANKS
EACH ACCOUNT INSURED TO $40,000 BY F.D.I.C.

** "500 Largest Industrial Companies", Fortune, May, 1975, Page 232.*

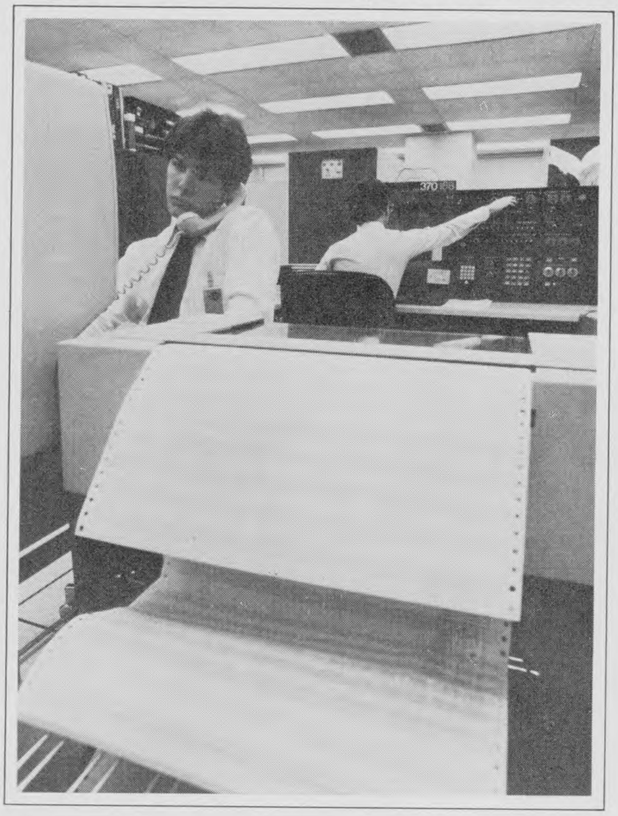
This composite shows ads run by Pioneer Bank, Chattanooga, to clear up misconceptions about free-enterprise system. Reprints of ads with personal notes from bank's call officers were sent to all industrialists, retailers in institution's market area.

Dallas has come a long way since a bank draft spent three weeks in a strongbox.

Today, the city's central location and its excellent communications and transportation capabilities mean information and funds can be transferred between Republic National Bank and our correspondents almost instantaneously. So, you can offer your customers the advantages of financial center services through Republic.

More importantly, you can provide these services with the same speed, efficiency, and personal attention as those you provide directly. You can take advantage of the capabilities of each of our departments—trust and investment, petroleum and minerals, international—and maintain complete control of your customers' accounts.

In working with our correspondent banks, we've helped make Dallas a city that understands that, even with instantaneous communications, there's still no substitute for the personal contact you have with your customers. As a result, we've helped make Dallas the correspondent banking center of the Southwest.



Republic National Bank is Dallas.

A Republic of Texas Company
Member FDIC

Billboard messages such as this reinforced "Myths vs. Facts" ad campaign of Pioneer Bank, Chattanooga.

Facts" campaign was "an overwhelming success," according to the bank's Mr. Clark. "Frankly," he adds, "we hit a far greater jackpot than we had ever dreamed of. Pioneer Bank was flooded with personal letters of commendation from manufacturers, retailers and the public at large in the Chattanooga area."

An immediate benefit of the campaign was a $25-million jump in demand deposits at Pioneer Bank. Ninety-two percent of that increase represented new commercial accounts.

As far as the long-term effect of the program is concerned, the bank has received "literally hundreds" of requests for details of the program from across the nation. Telephone calls were received from such offices as the U. S. Treasury Secretary, an official of Phillips Petroleum in Oklahoma and the board chairman of a New Jersey HC. A bank staffer notes that letters about the series are received daily—months after the campaign's end—from journalists, bankers and corporations all over the nation.

To add to those accolades, Senator Jesse Helms (R,N.C.) addressed the U. S. Senate on the series, after which his remarks and reprints of the ad series were included in the *Congressional Record* (by unanimous consent).

Further, the Greater Chattanooga Area Chamber of Commerce, in conjunction with the University of Tennessee, initiated and awarded the first Vieth Memorial Award to the bank for its "outstanding contribution of informing the general public about our private enterprise system."

The Chattanooga *News-Free Press* ran a full-color picture of Chairman Clark on page one after the award was made. In addition, local television and radio stations in the area gave excellent coverage to the formal award presentation, which was followed by demands for appearances on local talk shows and club programs—both from adults and youths. Syndicated columnists and network TV and radio picked up the story, which gained additional prestige for Pioneer Bank.

It pays to separate myths from facts, it would appear! • •

Service, Competition, Profit To Be in NABW Spotlight During Southwestern Conf.

TYLER, TEX.—"The Business of Banking—Service/Competition/Profit," is the theme of the southwestern regional conference of the National Association of Bank Women. Headquarters for the April 6-9 event will be the Sheraton Inn.

A number of dignitaries have been slated to discuss those three components of banking: Gordon Carpenter, vice president and trust officer, First National, Dallas; Lou Elliott, president, Security Bank, Boulder, Colo.; Derrell Henry, past president, Texas Bankers Association, and chairman and CEO, American Bank, Odessa; and from Tyler, Charles Childers, TBA president and president, Tyler Bank, Walter R. Gibson, senior vice president and trust officer, Citizens First National, and Frank Sewell, president, Robert Morris Associates of Texas, and senior vice president, Peoples National.

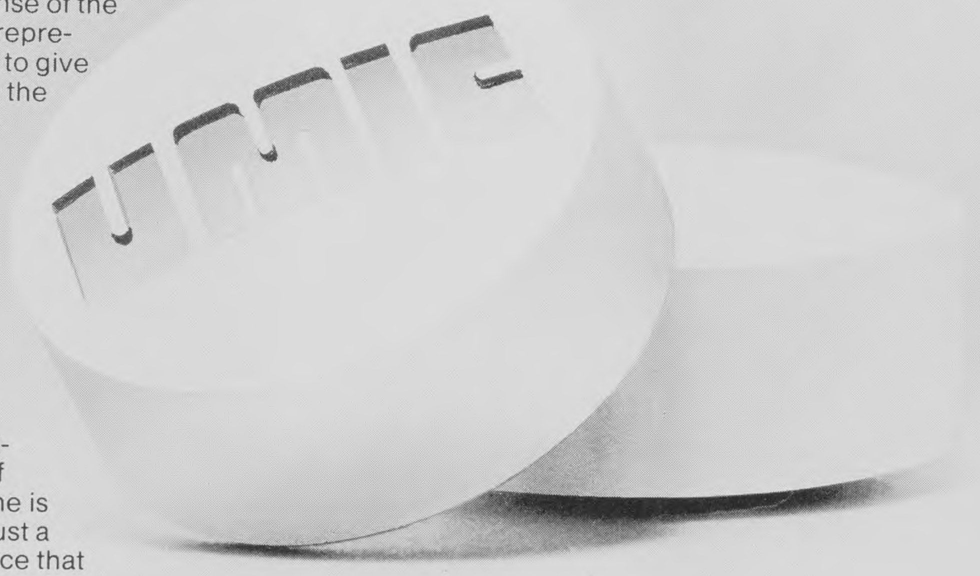
A spotlighted general session at the conference, "Managing Effectively Through Others," will focus on how managers can work with their employees to improve employee performance and prepare them for promotion.

In addition to general sessions, workshops have been planned on trusts, lending, EFT, marketing and personnel.

Marjorie Jones, vice president, Peoples National, Tyler, NABW regional chairman, is in charge of planning for the southwestern regional conference. Regional vice chairman is Jonice Crane, executive vice president, Guaranty Bond State, Mt. Pleasant.

Planning southwestern regional conf., Nat'l Assn. of Bank Women, are NABW reg. committee chairmen (from l.): Sarah Happel, a.v.p., East Texas Bank, Longview; Frances Jones, a.v.p., Citizens First Nat'l, Tyler; Marjorie Jones, conf. ch., v.p., Peoples Nat'l, Tyler; Jonice Crane, conf. v. ch., e.v.p., Guaranty Bond State, Mr. Pleasant; and Marjoree Glover, v.p., Southside State, Tyler.

If you have a portfolio headache, take 2 aspirin and call UMIC.



While we don't guarantee instant relief, we are in the business of curing portfolio problems. And we don't try to do it on the telephone. The UMIC way of solving problems is by sitting down with a client and exploring together every facet of his investment program. UMIC is an investment banking organization in the truest sense of the word. Our registered representatives are trained to give professional advice in the fields of fixed income securities, including municipal bonds, Freddie Macs, Ginnie Maes, tax exempt bond funds, U.S. Treasury bonds, Federal Agency securities, and Corporates. We also offer financial counseling to municipalities. If your portfolio headache is a real blockbuster or just a nagging little annoyance that occurs every now and then, we know we can help you get rid of it. Call us at (901)761-4500, and let us show you what we mean.

UMIC

UMIC, Inc.
Investment Bankers

959 Ridgeway Loop Road
Memphis, Tennessee 38138, (901) 761-4500

100 Wall Street
New York, New York 10005, (212) 425-9080

2000 South Post Oak Road, Suite 170
Houston, Texas 77056, (713) 965-9500

Banks Use Pretty Girl, Play Money to Encourage Use of New ATMs

A PRETTY girl in a red jacket and gobs of play money laced with surprise coupons have been used effectively by banks to promote their ATM systems.

First National, Elkhorn, Wis., employed the girl to direct customers to the bank's unique ATM drive-up installation, located in a special cubicle at the end of the bank's three drive-up lanes. The installation was made to help alleviate congestion at the drive-up installation.

But the girl didn't just direct customers to the machine, she demonstrated it to them. The marketing strategy was so popular with customers, according to Bill Morrissey, bank president, that the girl in red stayed at her outdoors post as long as weather permitted.

The unit was the second the bank had installed. The other is a free-standing unit located at one end of the regular teller lines in the Main Office. At the outset, the unit was used by bank employees to familiarize customers with the machine's capabilities, Mr. Morrissey said. Now customers especially like the ATM's convenience during peak banking hours.

First of Elkhorn is a member of the TYME system of ATMs, operated by First Holding Co., Waukesha. The system uses Teller-Matic ATMs, manufactured by Mosler.

Play money was inserted into the new ATM at Boone County National, Columbia, Mo., to enable employees to familiarize customers with the new machine. To make things more interesting, coupons for ice cream, tacos and fried chicken were inserted with the play dollars. The ploy worked well, since the machine was demonstrated an average of every two-and-one-half minutes during the six-week demonstration period.

Adding a touch of class to the use of his bank's ATM, W. J. Morrissey, pres., First Nat'l, Elkhorn, Wis., tries out bank's drive-up TYME unit while seated in tin lizzie miniature auto. Cars are becoming popular attention getters for banks and are available from Bob Tucker Associates, Port Arthur, Tex.

Boone County calls its ATM "Little Bank" and much of the success of the unit with customers can be credited to employee participation.

Bank management made sure that every employee was made familiar with the ATM. Employees were considered to be both demonstrators and salespeople, according to Libby Gill, director of marketing.

Employees were kept abreast of developments leading to the installation of the ATM. They didn't think of the unit as an intruder, but an aide to smoother operations at the bank.

The ATM is one step in the bank's total customer service improvement plan, according to Douglas M. Lester, executive vice president. The success and customer acceptance of these projects will eventually have an effect on any future needs for brick and mortar facilities and large staff increases, thus allowing the bank to offer a better and more complete package of banking services at a competitive price, benefiting both the customer and the bank, he said.

During the first month of operation, the "Little Bank" was used 8,535 times. The majority of the transactions were monetary in nature; the balance were inquiries about account balances. Almost half the transactions took place during banking hours and more than twice as much money was deposited as was withdrawn.

Transaction estimates were revised after the first month when it was discovered that the unit's usage ranked among the top 5% in the nation.

Peoples Banking, Marietta, Ohio, installed three Mosler ATMs last year—one in the Main Office, one in a free standing branch and the third in a shopping center branch.

Employees of the bank met their electronic co-workers on a renovated riverboat dinner theater and, after witnessing a demonstration of the ATMs, employees were treated to dinner and a show.

During the preview week for the ATMs, bank employees conducted about 2,500 demonstrations to customers. During the demonstration period, the ATMs dispensed play money interspersed with real currency. Included on each piece of play money was a coupon for customer registration for about $3,000 worth of grand opening prizes, among which was a console color TV.

The bank advertised the new machines in newspapers and on radio. Commercials featured the muted sounds of the ATMs along with up-beat music as a background.

A 71% increase in transactions per month per machine tells the success story of the bank's advertising campaign. At the outset, each machine averaged 700 transactions per month; currently they are averaging better than 1,200 transactions per month. • •

Bank Sponsors ATM Seminar Featuring Josephine System

"Josephine," the ATM program at St. Joseph Valley Bank, Elkhart, Ind., was the star of a recent seminar sponsored by the bank for representatives of 22 Indiana banks.

The all-day seminar focused on the advantages and opportunities available to banks using ATMs. Bank personnel discussed the planning steps and mareting aspects a bank should consider in order to develop an effective ATM system.

"Because our Josephine program has been so successful, we received many requests for advice on this subject," said Terrence D. Brennan, bank president. "As a result, we designed our seminar to share some of the things we had learned, as well as some of the mistakes we made while developing our system."

St. Joseph Valley Bank installed its first ATM five years ago. Now the bank has 13 units in service, most housed in free-standing structures at major consumer traffic locations. The machines are on-line and accept both the bank's own card and Master Charge cards.

Since installing the system, the bank has reported that total number of withdrawals has increased by 750% and the number of deposits by 858%. Total transactions at a Josephine machine have increased by 750% since 1973.

HARRIS BANK®

Consolidated Statement of Condition

ASSETS	December 31, 1977
Cash and Due from Banks	$ 845,453,933
Interest Bearing Deposits at Banks	591,461,970
Investment Securities:	
U.S. Treasury Securities	$ 756,754,319
State and Municipal Securities	431,315,445
Other Securities	20,383,127
Total Investment Securities	$1,208,452,891
Trading Account Securities	$ 293,986,419
Federal Funds Sold and Securities Purchased under Agreement to Resell	249,350,000
Loans, Net of unearned discount	2,014,613,573
Less: Allowance for Possible Loan Losses	(22,853,183)
Direct Lease Financing	57,112,276
Bank Premises and Equipment	91,754,505
Customers Acceptance Liability	78,070,525
Other Assets	101,154,744
Total Assets	$5,508,557,653
LIABILITIES	
Demand Deposits	$1,403,845,877
Savings Deposits and Certificates	832,799,765
Other Time Deposits	972,653,668
Deposits in Foreign Offices	841,521,365
Total Deposits	$4,050,820,675
Federal Funds Purchased and Other Short Term Borrowings	904,775,948
Acceptances Outstanding	78,075,940
Accrued Interest, Taxes and Other Expenses	63,036,013
Other Liabilities	101,659,915
Total Liabilities	$5,198,368,491
EQUITY CAPITAL	
Capital Stock ($16 Par Value) Authorized and Outstanding 3,137,815 shares	$ 50,205,040
Surplus	123,403,460
Surplus Arising from Assumption of Convertible Capital Notes by Parent Company	4,576,400
Undivided Profits	132,004,262
Equity Capital	$ 310,189,162
Total Liabilities and Equity Capital	$5,508,557,653

DIRECTORS

CHARLES M. BLISS
President and Chief Executive Officer

STANLEY G. HARRIS, JR.
Chairman of the Board

BENNETT ARCHAMBAULT
Chairman and President
Stewart-Warner Corporation

JOHN W. BAIRD
President and Director
Baird & Warner, Inc.

JAMES W. BUTTON
Senior Executive Vice President— Merchandising, and Director
Sears, Roebuck and Co.

O. C. DAVIS
Chairman of the Board
Peoples Gas Company

KENT W. DUNCAN
Executive Vice President

SAMUEL S. GREELEY
Chairman
Masonite Corporation

CHALKLEY J. HAMBLETON
Retired Vice Chairman of the Board

HUNTINGTON HARRIS
Trustee
Estate of Norman W. Harris

DONALD P. KELLY
President, Chief Executive Officer and Director
Esmark, Inc.

JOSEPH B. LANTERMAN
Chairman
AMSTED Industries Incorporated

CHARLES MARSHALL
President, Chief Executive Officer and Director
Illinois Bell Telephone Company

WILLIAM F. MURRAY
Retired Chairman of the Board

ARTHUR C. NIELSEN, JR.
Chairman of the Board
A. C. Nielsen Company

FRANK C. OSMENT
Executive Vice President and Director
Standard Oil Company (Indiana)

GEORGE A. RANNEY
Retired Vice Chairman
Inland Steel Company

THEODORE H. ROBERTS
Executive Vice President

DANIEL C. SEARLE
Chairman of the Board
G. D. Searle & Co.

Harris Trust and Savings Bank

Wholly owned subsidiary of HARRIS BANKCORP, Inc.
MAIN BANKING PREMISES: 111 West Monroe Street, Chicago, Illinois 60690
BANKING FACILITIES: 311 West Monroe Street, Chicago, Illinois 60690
Board of Trade Building, Chicago, Illinois 60690
INVESTMENT DEPARTMENT REPRESENTATIVE OFFICES: New York; St. Louis; San Francisco
INTERNATIONAL OFFICES: London; Mexico City; Nassau; Paris; São Paulo; Singapore; Tokyo
ORGANIZED AS N. W. HARRIS & CO., 1882 • MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION, FEDERAL RESERVE SYSTEM

Economic Education for High Schoolers Promoted by Financial Institutions

By JIM FABIAN
Associate Editor

BANKS REMAIN in the forefront of boosting economic education, a fact made evident recently in St. Louis and Chicago.

Mercantile Bancorp., HC headquartered in St. Louis, recently hosted a money management seminar for secondary school teachers of economics, and in Chicago, Continental Bank recently unveiled an updated version of its nationally distributed family financial education program.

Mercantile's day-long seminar was held in the HC's boardroom on the 14th floor of Mercantile Tower in downtown St. Louis. Host for the event was Eugene Leonard, senior vice president of the HC and former first vice president of the St. Louis Fed.

The program was presented in cooperation with the Office for Economic Education at Southern Illinois University-Edwardsville and the Missouri Council on Economic Education.

A faculty of five conducted a series of sessions designed to enable high school economics teachers to better explain their subjects to students. Two of the faculty were supplied by Mercantile—Mr. Leonard and Thomas Hammelman, vice president and manager, planning and new product development in the personal banking division at Mercantile Trust, lead bank of the HC.

Mr. Leonard spoke on regulating the economy through monetary policy and Mr. Hammelman discussed trends in banking, including a detailed explanation of EFTS.

Other topics on the program included the economics of money management, new materials in teaching money management and economic education in the St. Louis area.

Mr. Leonard told the 60 teachers in attendance about the structure of the Federal Reserve System. He explained the role bank reserves play in monetary control. He discussed the discount rate and its political importance; reserve ratios and how they act to absorb or free up reserves; the Fed's Open Market Committee and its importance as an economic tool, and presented his views on how to keep monetary growth steady—a desirable goal that is not being attained by the Fed, he said.

Mr. Hammelman used the sophisticated electronics equipment in the Mercantile boardroom to illustrate his talk on banking trends. He stressed the importance of commercial banks being allowed to operate profitably and told how EFT was designed to enable banks to offer more services at a profit.

The seminar wrap-up brought home to the teachers how much regulation banks are subject to. Teachers were asked why banks can pay only 5% interest on passbook savings, why they can't pay interest on demand deposits, why they can't open offices throughout their trade areas and many other "why" questions. The answer to each question was government regulation. The teachers were urged to pass on this information to their students, most of whom are considered to be totally lacking in an understanding of the banking system.

Continental Bank's economic education package is directed primarily at high school students. The Chicago Board of Education has announced that the bank's material will be used by 75,000 high school students in the upcoming spring semester.

Continental worked with the Illinois Council of Economic Education to update its financial education program. It took about two years of work and the bank estimates it made a social responsibility investment of more than $100,000 to complete the update.

Eugene Leonard (l.) and Thomas Hammelman served on faculty for money managing symposium for high school teachers, presented in cooperation with Mercantile Bancorp., St. Louis. Mr. Leonard is s.v.p. of the HC; Mr. Hammelman is v.p. at Mercantile Trust, lead bank of the HC.

The new Family Financial Education Program (FFEP) consists of an 88-page booklet, complete with ditto masters for teacher use, divided into three units of study. Each unit is designed to give students practical problem-solving help while preparing them for future roles as buyers, savers and borrowers.

Since the bank first began distributing the Family Financial Education Program in 1970, more than a third of a million students nationwide have received money management instruction through the classroom materials.

"When it comes to handling routine personal economic transactions like bank accounts and credit, many American consumers are uninformed and unprepared," Roger E. Anderson, Continental's chairman, said in explaining the bank's commitment to providing economic education materials.

"Our schools are not alone in their mandate to provide consumer economic education," he said. "Private industry also has a responsibility toward the consumer, since business could not exist without clients and customers. And better-educated consumers make more knowledgeable, discerning clients and customers."

Each unit of the new FFEP emphasizes the learn-by-doing technique. Unit one opens with a discussion of money, then explains how students can use basic financial services. Activities include writing and endorsing checks, keeping a check register, balancing a bank statement and selecting the best kind of savings account.

Unit two helps students develop basic financial planning skills through learning about their values and goals and decision-making and budgeting. The major focus of this unit is to help students manage their incomes better through financial planning.

In unit three, students complete exercises on types, sources and costs of credit and on reading credit contracts. Federal credit laws—such as Truth in Lending, Fair Credit Reporting, Equal Credit Opportunity and Fair Credit Billing—also are covered.

The Continental program is available to Chicago teachers and their students at no charge. It is sold at a nominal fee to schools nationwide and to other banks wishing to sponsor the program in their own community schools. • •

A SIMPLE SOLUTION TO SIMPLE INTEREST BOOKKEEPING.

If you're thinking about converting to simple interest, think about Durham Life.

Because Durham Life can tailor a complete credit insurance program around your simple interest concept and provide the back-up services that will make it effective.

We'll show you some innovative ways to computerize credit life and accident and health insurance on simple interest loans.

We'll also show you ways to reduce paperwork as well as help eliminate potential costly human errors.

In short, we offer a total service capability backed by thirty years of experience.

There's no need to write individual certificates.

Computerize with a Durham Life simple interest insurance plan that can save you time and money, plus furnish you with valuable marketing information.

The best doesn't cost any more, and it can make life a lot simpler.

Call Dan Boney today. 919/782-6110.

DURHAM LIFE.
THE SIMPLE SOLUTION TO SIMPLE INTEREST.

Durham Life Insurance Company, Home Office: Raleigh, N.C. 27611
P.O. Box 27807, Tel. 919/782-6110

Boardroom News

Promotions • Elections • Earnings • Retirements

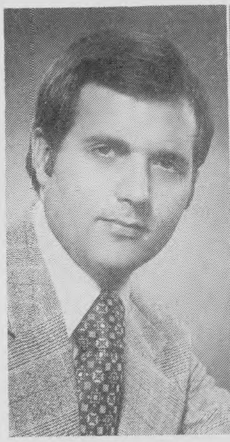
Gordon Wells Is Chairman; Michael Mayer, President Of First of Kansas City

KANSAS CITY—First National announced top-level changes at its annual meeting February 8.

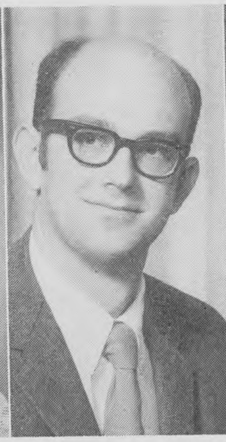
Gordon E. Wells, president since 1971, was elevated to chairman. Michael F. Mayer, who was executive vice president in charge of the national division, succeeds Mr. Wells as president. Mr. Mayer also was elected to the board.

WELLS

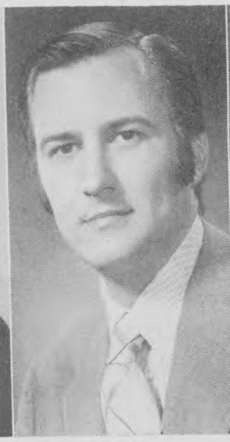
MAYER



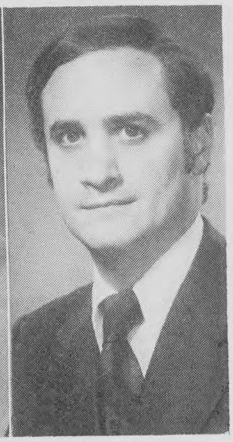
STEWART



SHEARER



MELCHER



KASLE

Four commercial banking officers were promoted from vice presidents to senior vice presidents: Donald H. Kasle, Stephen A. Melcher, John R. Shearer II and James C. Stewart.

Mr. Wells assumed a post that had been vacant since Barrett S. Heddens Jr. died last June. At that time, Mr. Wells succeeded Mr. Heddens as chairman, First National Charter Corp., the bank HC that is the parent firm for First National and 19 other Missouri banks. Mr. Wells observed his 25th year with the bank in 1977.

Mr. Mayer went to First National in 1963 and had been executive vice president since 1975. As head of the national division, he directed an extensive national calling effort. He also has had charge of the bank's growing program for development of personal banking business in recent years.

Mr. Kasle succeeds Mr. Mayer as national division head. He went to First National in 1965. Mr. Melcher has charge of the metropolitan division and has been with the bank since 1973. Mr. Shearer, loan coordinator, has been on the bank's staff since 1966. Mr. Stewart, who has major credit responsibilities in the national and metropolitan divisions, joined First National in 1973.

Tom Cannon Retires From Commerce Bank

Tom C. Cannon (2nd from r.), v.p., correspondent bank dept., Commerce Bank, Kansas City, is shown accepting a scrapbook containing congratulatory letters written to him by friends in the banking field. The presentation was made at a luncheon on the occasion of Mr. Cannon's retirement from the bank by Fred N. Coulson Jr. (2nd from l.), s.v.p. and head of the department. Also with Mr. Cannon are James M. Kemper Jr. (l.), bank ch., and P. V. Miller Jr., pres. Mr. Cannon joined Commerce Bank (then Commerce Trust) in 1951. He entered banking in 1933 at the Minneapolis Fed.

Four Promotions Announced At Citizens Fidelity

LOUISVILLE—Citizens Fidelity has announced promotions in the commercial banking, branch administration and marketing divisions.

David G. Anderson is a new vice president in the commercial banking division. He joined the bank in 1969 and was formerly an assistant vice president.

In branch administration, James W. Kraeszig and Donald H. Martin are new assistant vice presidents. Both were formerly assistant cashiers.

Jack Hoover is a new assistant vice president in the marketing department. He was formerly a marketing officer.

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 certificates 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

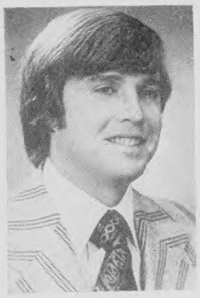
VIRGIL A. PREWETT
Cherokee, Oklahoma

BRUCE KING
Stanley, New Mexico

DAVID J. MICHAL
Flagler, Colorado

CLEO C. AINSWORTH
Portales, New Mexico

JAMES H. DEAN
Hutchinson, Kansas



PARNELL

WIETHAUPT

Marketing and West Coast Appointments Are Announced By First Nat'l, St. Louis

ST. LOUIS—Vice President Warren B. Wiethaupt, who has charge of marketing at First National, has received the additional responsibility of planning director for the bank and its parent company, First Union Bancorp.

In other action, Todd Parnell was named head of First National's western region banking office, headquartered in Los Angeles. He succeeds Assistant Vice President G. Jeffrey Jones, who has returned to the bank's St. Louis headquarters to head the cash management division.

The western region office services national corporate customers and correspondent banks of First National in Los Angeles, San Francisco, Portland, Seattle, Phoenix, Salt Lake City, Boise and Denver.

Mr. Wiethaupt joined the bank in 1974 as vice president in charge of marketing after a 21-year career with Gardner Advertising Co., St. Louis, and its parent firm, Wells, Rich, Greene, Inc., New York City. At the latter, he had been vice president and group head.

Mr. Parnell entered banking in 1971, when he originally joined First National. In 1974, he joined the Overseas Private Investment Corp. (OPIC), Washington, D.C., and was investment officer/Africa before rejoining First National last year as an assistant vice president.

Two Board Appointments

HOUSTON—First City National has elected John W. Anderson a director and Joseph E. Reid an advisory director. Mr. Anderson is vice president and general manager, Houston area, Southwestern Bell Telephone Co. Mr. Reid is senior vice president, Superior Oil Co. He played two years of professional football with the Los Angeles Rams.

4 Executive VPs Named At Commercial Nat'l, LR

LITTLE ROCK—Four officers have been promoted to executive vice presidents at Commercial National.

They are James R. Cobb, operations division manager; Barnett Grace, financial division manager; Edwin P. Henry, who was also named loan division manager, and Thomas E. Steves, consumer division manager.

Wallace B. Cunningham and R. Norman Farris, senior officers at the bank and members of the executive committee, were elected to advisory director status.

Mr. Cobb joined the bank in 1973 and Mr. Grace has been with the bank since 1972. Mr. Henry and Mr. Steves joined the bank in 1962 and 1977, respectively. Mr. Cunningham joined Commercial National in 1942 and is chairman of the executive committee. Mr. Farris has been with the bank since 1969 and is executive vice president and manager, customer service division.

GRACE COBB STEVES FARRIS CUNNINGHAM HENRY

BURCH

FLEMING

Burch, Fleming Named SVPs At United Mo., Kansas City

KANSAS CITY—E. L. Burch, head of the correspondent bank division, and Michael T. Fleming, head of the commercial division, United Missouri Bank, have been promoted to senior vice presidents. Both were formerly vice presidents.

The bank also promoted Richard H. Muir and James D. Eastin to vice presidents and elected John E. Davis assistant vice president and R. Crosby Kemper III assistant cashier.

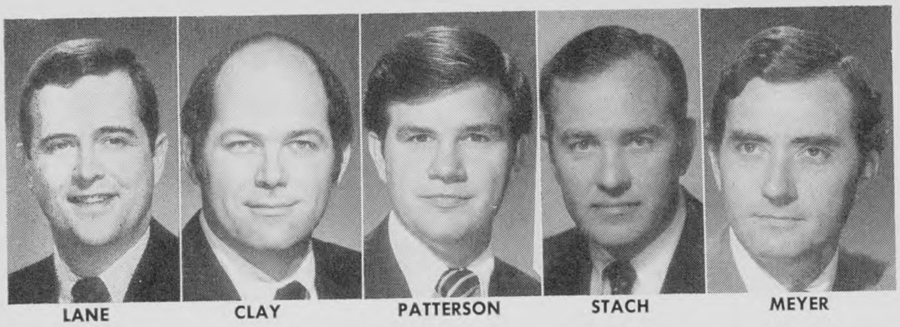
Mr. Burch joined the bank in 1965 and Mr. Fleming, in 1970. Mr. Muir, with United Missouri since last year, also is in the correspondent bank division, traveling in Iowa and Nebraska. Mr. Eastin went to the bank in 1963 and is in the real estate loan division. Mr. Kemper joined the bank last September and is in the credit analysis division.

Mr. Burch is a director of the Platte County banks of Skidmore and Camden Point, Mo., and an advisory director, Bank of Lancaster, Mo. In addition, he is a director and regional vice president, Missouri Bankers Association.

KC Fed Promotes Two

KANSAS CITY—Jay K. Mast and Barry K. Robinson have been promoted from assistant vice presidents to vice presidents of the Fed here.

Mr. Mast now supervises the bank's computer systems and data processing departments. Mr. Robinson is responsible for a new research division department, which incorporates all the bank's public information and bank relations activities.



LANE CLAY PATTERSON STACH MEYER

Seven Promotions Made At Third of Nashville

NASHVILLE—Third National has named a new first vice president, four senior vice presidents and promoted two others.

K. D. Stach was promoted to first vice president from senior vice president. New senior vice presidents are John W. Clay Jr., Raleigh F. Lane Jr., Robert W. Meyer and Thompson B. Patterson. Lawrence G. Brown was promoted to assistant vice president and James H. Smith was promoted to investment officer.

Mr. Stach joined Third National in 1976 and is president of the Third's Small Investment Co. Messrs. Clay and Lane joined the bank in 1967, Mr. Meyer in 1961, Mr. Patterson in 1971, Mr. Brown in 1973 and Mr. Smith in 1972.

Two Appointments Are Announced By St. Louis-Based Bank HC

ST. LOUIS—Mercantile Bancorp. has elected Richard J. Mersinger a senior vice president and John S. Poelker vice president and treasurer. In addition, the HC's lead bank, Mercantile Trust, elected two new directors—Joe

POELKER

MERSINGER

H. Hunt, vice president/operations, Southwestern Bell Telephone Co., and Eugene N. Mitchell, M.D., president and publisher, St. Louis *Argus*.

Mr. Mersinger, who joined Mercantile Trust's bond department in 1946, will devote his entire efforts to the HC. Mr. Poelker, with Mercantile Trust since 1972, remains senior vice president and comptroller of the bank in addition to holding his new posts.

New HC, Bank Director

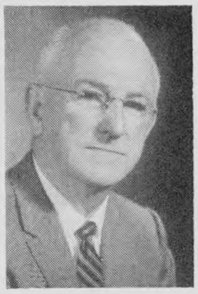
WICHITA—Fourth Financial Corp. and its principal subsidiary, Fourth National, have elected Lionel D. Alford a director. He is president, Boeing Wichita Co.

Doyle Elected President/CEO Of First NBC, New Orleans

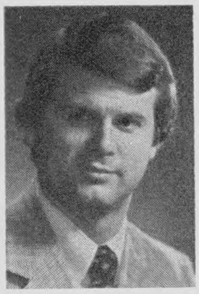
NEW ORLEANS—Francis C. Doyle, who has been with First National Bank of Commerce since it opened in 1933, has been elected interim president and CEO of the bank and its HC, First Commerce Corp. He succeeds Rodger J. Mitchell, who resigned those posts "to eventually enter other pursuits and to devote more time to my family." However, Mr. Mitchell remains as vice chairman to help in the orderly transition of business and to help select a new president and CEO, who will succeed Mr. Doyle.

In other action, the former chairman, Harry England, reached mandatory retirement age and was elected chairman emeritus. Thomas G. Rapier, a partner in a law firm, was elected chairman of both boards.

The bank also elected the following vice presidents: Robert L. Browning, W. Harvey Coggin, Lorraine Evans, Darwin Everman, Gary M. Fay, Daniel L. Frederick, Joseph James, Eugene O. Jenkins, Edward H. LeBlanc, Malcolm P. Schwarzenbach Jr., Richard A. Stafford and Paul J. Timothy.



DOYLE



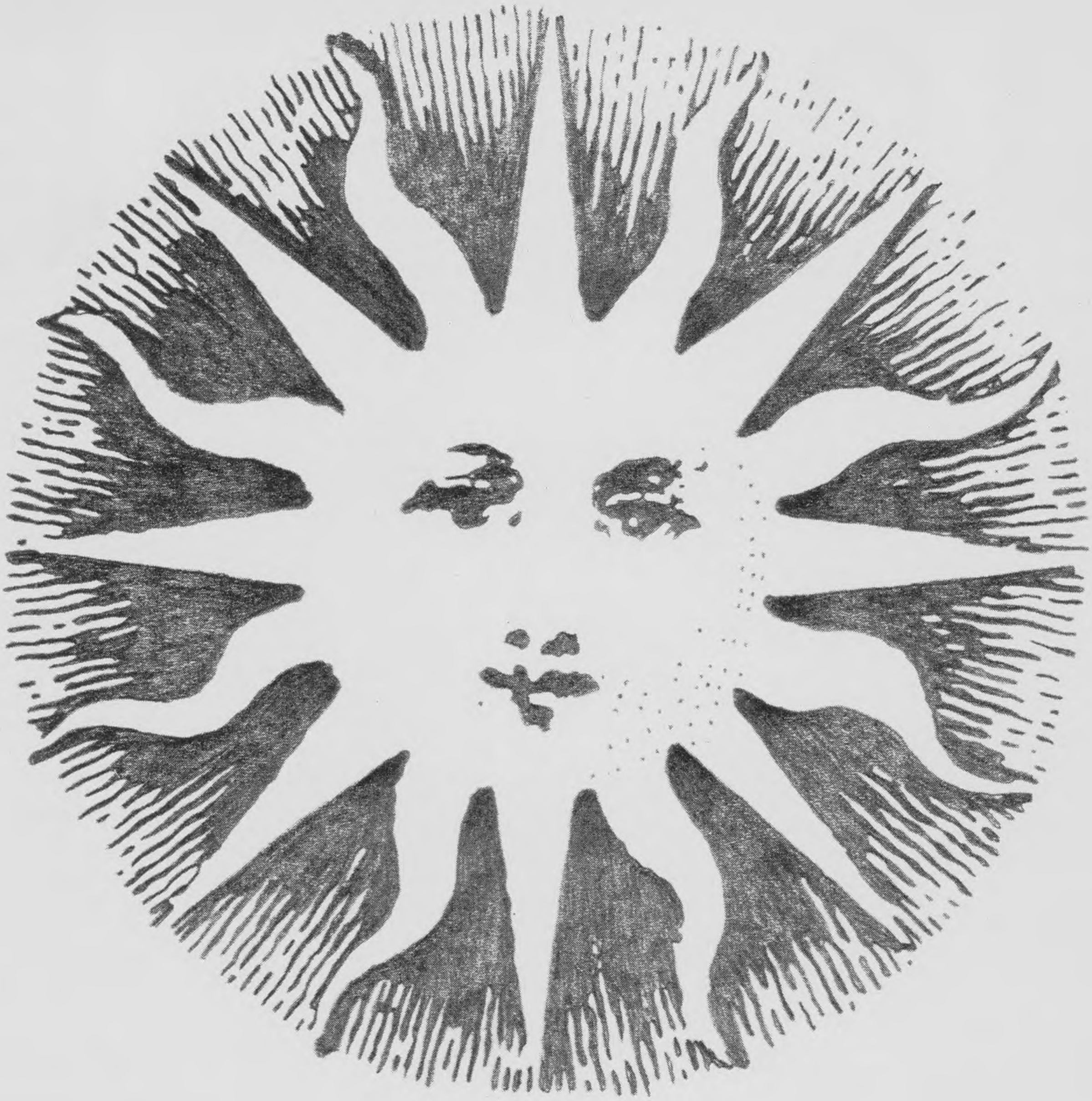
PORTER

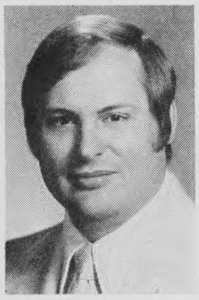
Three Promotions Are Announced By Commerce Bank, Kansas City

KANSAS CITY—Commerce Bank has promoted three officers and elected a new director—J. B. Kibler, vice president and general manager, Kansas City area, Southwestern Bell Telephone Co.

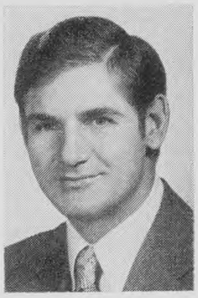
Promoted were Don H. Alexander and John J. Williams from vice presidents to senior vice presidents and George W. Porter from correspondent banking officer to assistant vice president. Mr. Porter travels in northern Missouri and Arkansas and went to the bank in 1973.

Mr. Alexander has lending responsibilities at the bank, which he joined in 1966. Mr. Williams, with Commerce Bank since 1970, is manager, national division.





TRAMMEL



CISSELL

Cissell, Trammel Promoted At Worthen, Little Rock

LITTLE ROCK—Michael E. Cissell and Robert L. Trammel have been promoted to senior vice presidents at Worthen Bank. Mr. Cissell is manager of the correspondent bank division and Mr. Trammel is controller and manager of the planning and control division.

Mr. Cissell joined the bank in 1972, following service with Union Planters National, Memphis, and the FBI. He is a graduate of the School of Banking of the South.

Mr. Trammel has been with Worthen since 1971 and is a former senior accountant with Ernst & Ernst.

Five Named Assistant Cashiers At Central Trust, Cincinnati

CINCINNATI—Central Trust has appointed Robert W. Cook, Douglas R. Gannon, Stephen A. Madewell, Alan M. Riegler and Dan E. Ries as assistant cashiers.

Mr. Cook is new to the bank and was formerly with Prudential Life. Mr. Gannon joined the bank last year following service as president, Savings & Loan Automated Teller Exchange in Dayton. Mr. Madewell has been with Central Trust since 1968 and is a branch office manager. Mr. Riegler joined the bank last year following service with Automatic Data Processing of Southwest Ohio. Mr. Ries, with the bank since 1974, is a branch manager.

First American Nat'l, HC, List Promotions, Elections

NASHVILLE—First American National and its HC, First Amtenn Corp., have announced promotions and elections.

At First American National, Ronald B. Deal was promoted to vice president, Frank C. Tuttle of Guaranty Mortgage Co. and Dudley E. Pritchard Jr. were named assistant vice presidents, V. Sue Anderson was elected credit officer and Jane L. Phillips was named loan review officer. Mrs. David Steine and William S. Cochran were elected to the board.

Mr. Deal joined the bank in 1966, Mr. Tuttle has been with Guaranty Mortgage since 1972, Mr. Pritchard joined the bank in 1977 and Mrs. Anderson in 1969. Mrs. Steine is national co-chairman of the women's division, United Jewish Appeal. Mr. Cochran is a CLU with Northwestern Mutual in Nashville.

At First Amtenn, George D. Woodard Jr. was named vice president and director of corporate planning after transferring to the HC from the bank. Jack F. Stringham was promoted to assistant general counsel and David L. Gleaves was elected audit officer.

Mr. Woodard joined the bank in 1973 and Messrs. Stringham and Gleaves joined the HC in 1977 and 1968, respectively.

First of Louisville Raises 4

LOUISVILLE—First National has promoted Davis R. Bonner and John F. Parker to senior commercial banking officers, Bette C. Miller to senior operations officer and Linda M. Vincent to operations officer.

First Kentucky Trust has named Charles W. Edwards Jr. senior vice president in charge of planning and marketing programs for the investment management area.

BROADHEAD

KARN

Broadhead Ch., Karn Pres. At 1st Stock Yards, St. Joe

ST. JOSEPH, MO.—First Stock Yards Bank has elected H. H. Broadhead Jr. chairman and John E. Karn president and director.

Mr. Broadhead has been president of the bank since 1970 and joined First Stock Yards in 1939. He was advanced to vice president and director in 1954, following service as an assistant cashier and assistant vice president.

Mr. Karn joined the bank in 1960, was promoted to assistant cashier in 1964, cashier in 1968, vice president/cashier in 1970 and executive vice president in 1975.

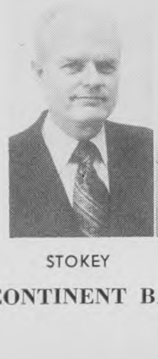
Two OC Promotions

OKLAHOMA CITY—Liberty National has promoted Fay Dunbar Jr. from assistant vice president to vice president, personal banking, and Ernest D. Smith from commercial security officer to assistant vice president, legal division.

Three Officers Are Promoted At Bank of the Southwest

HOUSTON—Bank of the Southwest has promoted Robert G. Harris from controller to senior vice president and controller, Edgar E. Slay from loan administration officer to vice president and Bert W. Stokey from loan review officer to vice president.

Mr. Harris joined the bank in 1967 as manager, accounting department, and became controller in 1971. He is a CPA. Mr. Slay, with the bank since 1976, formerly was with the FDIC in Washington, D. C. Mr. Stokey went to the bank in 1976 as manager, loan review department.



STOKEY

SLAY

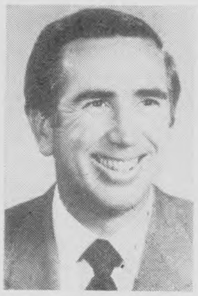
HARRIS

Brielmaier, Winn, Promoted At Detroit Holding Co.

DETROIT—Gerald E. Brielmaier, senior vice president, DETROITBANK Corp., has been named officer-in-charge of the planning department, corporate staff, with direct responsibility for all banking subsidiaries other than Detroit Bank.

Thomas W. Winn, vice president, was named officer-in-charge of the Detroit Bank time credit department, a position previously held by Mr. Brielmaier.

Mr. Brielmaier joined Detroit Bank in 1950 and has been a senior vice president since 1973. Mr. Winn has been with the bank since 1957 and has been a vice president since 1973.


BRIELMAIER


WINN

Fourth National of Tulsa Announces Two Appointments

TULSA—Fourth National has named Richard E. Minshall head of its trust department and Kenneth Barton vice president and loan operations officer.

Mr. Minshall joined the bank in 1972 as a vice president and now is senior vice president and senior trust officer. He holds a law degree from the University of Virginia Law School.

Mr. Barton formerly was with First National, Tulsa. He has been an instructor at the Southwestern Graduate School of Banking, Southern Methodist University, Dallas.


MINSHALL


BARTON

1st Ala. Bancshares, Montgomery, Names Gaskell Vice Chairman

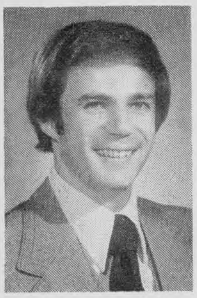
MONTGOMERY, ALA.—James S. Gaskell Jr., chairman and president, First Alabama Bank, has been elected to the additional office of vice chairman of First Alabama Bancshares, HC controlling the bank. He has been a member of the HC's board since last April and has been president of the bank since 1971.

In other action, the HC has elected Helen C. Wells corporate secretary, Thomas J. Leach corporate credit card officer, Jo L. Prince board secretary and Marylan Livingston assistant purchasing officer.

Central Trust Makes Appointments

CINCINNATI—Central Trust has appointed James T. Harrison assistant vice president; Stephen G. Klumb, Nicholas J. Sarakatsannis and Daniel M. Witten II assistant cashiers; and Janet C. Lerner and John M. Mears assistant trust officers.

Mr. Harrison joined the bank in 1963, Mr. Klumb in 1973, Mr. Sarakatsannis in 1974, Mr. Witten in 1977 and Mr. Mears in 1976. Miss Lerner is new to the bank.



ANDERSON

CRAGHOLM

Senior Vice President Named At Bank of Oklahoma, Tulsa

TULSA—Bank of Oklahoma has promoted Lemuel C. Cragholm to senior vice president and David H. Anderson to vice president. Mr. Cragholm is new to the bank and was formerly with Continental Illinois National, Chicago. Mr. Anderson has been with Bank of Oklahoma three years.

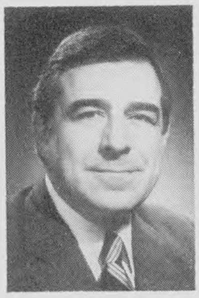
Also promoted were the following, to assistant vice presidents: Mark W. Clark, Harvey Roe, Levi Sumner, Sara C. Freeman, Edward F. Brown, Ronald G. Carter, J. D. Hill, Gary Spence and Joe Staires.

David Ullom was elected trust investment officer.

Willison Joins First, Ft. Worth As Correspondent Manager

FORT WORTH—Tom F. Willison, formerly senior vice president and manager of correspondent banking at National Bank of Commerce, Dallas, has joined First National here as vice president and manager of correspondent banking.

He is a graduate of the Southwestern Graduate School of Banking at Southern Methodist University and has been associated with Bank of Scottsdale, Ariz., Cleveland (Tex.) Trust and Republic National, Dallas.



WILLISON

CLARK

Six Vice Presidents Elected At Chicago's Harris Bank

CHICAGO—Harris Bank has elected Gary D. Clark, David A. Beery, Michael G. Busse, Ronald L. Dell'Artino, Roger W. Kieffer and Luis Menocal Jr. vice presidents. Assistant Vice President Robert L. Newman has been named manager, fixed-income-management section.

Mr. Clark, who joined the bank in 1970, travels in Wisconsin and Michigan. Mr. Menocal is manager of the bank's representative office in Mexico City and went to the bank in 1973.

Income Boost Reported

KANSAS CITY—Net income in 1977 at Commerce Bancshares was $17.9 million, or $3.89 a share, compared with $15.4 million, or $3.30 a share, the previous year. This represents an increase of $2.5 million, an increase of 59¢ in per-share earnings. The earnings-per-share amounts are based on weighted average shares outstanding of 4,606,064 for 1977 and 4,674,683 for 1976. Deposits at year-end 1977 were $1.6 billion, a 9.8% boost over year-end 1976 deposits.

Record Income

MOBILE, ALA.—Income before securities transactions last year at First Bancgroup-Alabama was a record $2.13 a share, up 9.3%, and net income went up 5.3% to $2.12. Year-end assets totaled $664.8 million, an increase of 12.7% over year-end 1976.

LaMANTIA

Central National Names 4

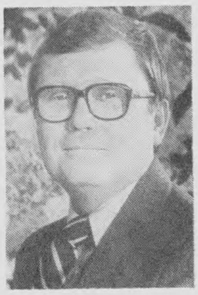
CHICAGO—Central National has promoted Michael A. LaMantia and Jackson I. Jones to second vice presidents and named Michael A. Piccatto and F. William White vice presidents.

Mr. LaMantia is a member of the correspondent banking division and has been with the bank since 1974. Mr. Jones is in the trust department and joined Central National in 1974. Mr. Piccatto has been in the investment department since 1970 and Mr. White is new to the bank, going from Heritage Bancorp. and Heritage Pullman Bank.

Leo Fristrom Retires

MEMPHIS—Leo G. Fristrom, vice president, correspondent banking department, Union Planters National, has retired after 14 years with the bank. However, he continues to represent the bank by calling on correspondent banks from time to time in Tennessee, Mississippi, Missouri, Kentucky, Arkansas, Louisiana and Alabama.

FRISTROM



KING

King Joins Southern Nat'l

BIRMINGHAM, ALA.—Edward L. King Jr. has been elected senior vice president and senior lending officer at Southern National. He was formerly senior vice president and senior lending officer at First Alabama Bank, Tuscaloosa. He has been in banking since 1962.

Record Year-End Income

CHICAGO—National Boulevard Bank had record net income last year of $2.6 million, or $13.02 a share—a 22.5% increase over the 1976 figure of $2.1 million, or $10.63 a share.

Boatmen's Has Record Earnings, Cites Correspondent Acquisition

ST. LOUIS—Boatmen's Bancshares has reported record earnings for 1977 and new highs in total assets, deposits and loans.

Net income rose about 10% to $9.7 million, or $4.06 a share, from the $8.8 million, or $3.71 a share, reported for 1976. Total assets reached $1,514 million last December 31, a 29% increase over the 1976 year-end figure of $1,177 million. Deposits went up 23% to $1,183 million, and gross loans were boosted 20% to $753 million.

Acquisition of the correspondent bank division of National Stock Yards National, National City, Ill., last November 14 contributed about $200 million to the increase in total assets, but did not have a material impact on earnings because this unit's earnings were included only from the date of acquisition, according to Donald N. Brandin, the HC's chairman and CEO. Mr. Brandin adds, however, that Boatmen's National has been successful in retaining most of the relationships acquired in the transaction and anticipates that 1978 earnings would benefit from the addition of this major unit, which, he says, established Boatmen's National as one of the largest correspondent banking organizations in the Midwest and one of the leading correspondent banking organizations in the U. S.

Record HC Earnings

ST. LOUIS—First Union Bancorp. achieved record earnings in 1977, which marked the fifth consecutive year of growth in earnings per share. Consolidated net operating income last year totaled $22,274,000, or $4.83 a share, compared with $21,019,000, or $4.58 a share, the previous year. After the effect of investment-securities transactions, net income in 1977 totaled $22,271,000, or $4.83 a share, compared with $21,212,000, or $4.62 a share, in 1976. Total assets rose from $2.3 billion as of December 31, 1976, to $2.5 billion last year-end. Total deposits last year-end were $2.2 billion, compared with $1.9 billion in 1976.

Record Year for HC

CHICAGO—Continental Illinois Corp., parent of Continental Illinois National, has reported 1977 record annual income before securities transactions of $144.2 million, up 10.2% from the $130.8 million reported the previous year. Per-share income before securities transactions was $4.05, compared with the 1976 figure of $3.72. Net income for 1977 was $143.1 million, or $4.02 a share, up 11.9% from the $127.8 million, or $3.63 a share, reported in 1976.

Second-Highest Earnings

ST. LOUIS—Earnings of Mercantile Bancorp. last year were the second highest in the HC's history, following completion of a record-breaking fourth quarter. Consolidated income before securities transactions amounted to $22.9 million, up 3.5% from the 1976 figure of $22.1 million. This represented $3.90 a share in 1977, a boost of 2.4% from the 1976 figure of $3.81. Total HC assets at year-end 1977 were a record $3.37 billion, which was 8.3% more than the $3.11 billion reached at the previous year-end. Total deposits rose 8% to $2.38 billion last December 31.

Best Earnings Year

JACKSON, MISS.—Deposit Guaranty Corp. has reported 1977 consolidated net income of $9.3 million, or $3.25 a share, compared with $8.1 million, or $2.82 a share, in 1976. The 1977 results reflect the best earnings year in the HC's history. Its financial statements have been adjusted to reflect the year-end merger of Southern National, Hattiesburg, with Deposit Guaranty National and capitalization of Deposit Guaranty Plaza's operating lease. Total assets last year-end were $1,178 million, up from $1,054 million at year-end 1976.

In Bank Trust Departments:

How to Minimize Risks Resulting From ERISA

By R. W. MARSHMAN
Vice President
Marketing
Scarborough & Co.
Chicago

THERE WAS considerable misunderstanding in 1975 about coverage needed under the new Employee Retirement Income Security Act (ERISA). Today, problems still face the industry as a result of ERISA and compound a confusion in the trust business concerning varieties of insurance protection that are available, desirable and necessary.

To clarify this confusion, I will list the principal causes of surcharge in trust departments, provide some examples of losses, explain various forms of insurance coverage developed to meet trust-operation needs and, finally, outline a few key criteria underwriters look to for this line of insurance.

Before doing this, I must point out the regrettable lack of communication between the banking and insurance industries concerning trust activities, particularly where these activities involve losses. This lack of communication is understandable because confidentiality is an essential element of the trust business. However, it's likewise true that this lack of communication based on trust-operation confidentiality creates problems for the insurance industry that are not present where the subject matter is not so sensitive.

At the ABA's 1977 trust conference, an excellent panel discussed some risks trust departments face as a result of ERISA. The panel's consensus was that most ERISA suits probably would involve contentions either: a) that principles of law were violated in administration of the trust or b) that the trust was not properly diversified or c) that the fiduciary failed to behave in the way required by ERISA; that is, as "a prudent man acting in a like capacity and familiar with such matters would use." The ERISA test for performance bears repeating. It's not the traditional "prudent-man" test. It has become the "prudent-man . . . familiar-with-such-matters" test.

In addition to difficulties resulting from ERISA, many other aspects of trust operations contain the potential for surcharge. Among them are:

1. Lack of profitability.
2. The Chinese-wall principle, which generally refers to strict segregation of trust operations from all other bank functions.
3. Conflict-of-interest problems.
4. Unwarranted delegation of a trustee's authority and responsibilities to a co-fiduciary or some other person, such as an attorney or independent contractor.
5. Failure to carefully monitor securities and other valuables held in a trustee's custody.
6. Failure to diversify investment portfolios as required.
7. Failure to file accounting on time and in sufficient detail.
8. Failure to segregate and identify individual assets.
9. Failure to exercise care and independent judgment in administration of a trust.
10. Failure to carry out instructions and/or recommendations of the settlor and the courts.
11. Failure to sell securities at a loss, when to do so would best serve beneficiaries' interests.
12. Failure to exercise the power of direction and control in a trust's best interest.
13. Taking actions without the co-trustee's or director's authority.
14. Accepting successor relationships with prior trustee accounting.

These are just a few examples of situations that can take a bank into litigation. Of course, there are many more.

When a case does go to court, it takes a long time to bring it to trial. Because of this delay and because our society is so dynamic, the decision may well be based on an interpretation of the law in effect at the time the decision finally is handed down, rather than on an interpretation of the law when the action originally was taken or—for that matter—when the suit was filed.

During the last 10 years or so, banks have been able to absorb many small losses quietly, but some significant cases have reached the courts and, of course, the press. A brief synopsis of a few of these cases reveals the potential for surcharge:

1. A judgment of more than $9 million was rendered against a bank in a western state when beneficiaries were able to show that the estate had been damaged because of the bank's failure to carry out the settlor's instructions regarding investment of the funds entrusted to it.

2. Two union pension trusts brought suit against a northern bank, charging that the bank invested funds in a company while possessing detailed, inside information on that firm's status and while the bank was one of the company's major creditors.

3. A northern bank sustained damages in an action brought by the American Cancer Society, which was beneficiary of an estate. The society was successful in showing that the bank was imprudent by not exploring the possibility of selling a corporation a large block, rather than selling it piecemeal.

4. A pension fund in the same geographical area as the bank above showed an average annual return of less than 1% capital appreciation. This was far below similar funds. The trustee proved the bank invested the funds in highly speculative situations and also that it was the bank's practice to direct part of its brokerage business to securities firms that maintained accounts with the bank.

5. Judgment was obtained against another bank on behalf of debenture holders for a large real estate firm. It appears there was a covenant in several of the debentures that prohibited the real estate firm from buying real estate or incurring new debts unless it maintained an asset-to-liability ratio in a stated amount. The court concluded that the bank was careless in failing to enforce this covenant.

6. In a case filed last year, the plaintiff alleges that the bank failed to obtain the best possible investment advice in return for commissions paid to certain brokers and dealers in securities.

7. In another case, a bank was sued on the issue of holding and voting substantial shares of stock in companies that compete with one another. It was alleged that the bank, therefore, has affected management policies within those firms. This case is important to insurance people underwriting this area because it raises the question of active

versus passive negligence in administering the trust function.

I'm highlighting these examples of possible liability because many older, experienced bankers have told me they have operated trust departments for many years without any real problems and that legal problems really didn't apply to their trust departments. However, we should be ever mindful that we are living in an age in which the public is increasingly inclined to go to law. Even President Jimmy Carter is encouraging class action for consumer protection. Just because banks have been relatively free from litigation in the past is no assurance they will be so in the future.

Insurance protection generally can be written to reduce or eliminate this risk. There are several different types of policies to consider and also separate areas of exposures, which will be outlined later.

Here are standards to apply in measuring adequacy of coverage:

1. The director, officer, trustee or fiduciary must be covered for any claims against him in his capacity as director, officer or fiduciary.

2. The corporation as sponsor/employer, and named fiduciary, must be covered for its obligations to plan participants and plan beneficiaries, plus all its obligations to indemnified directors, officers, trustees or fiduciaries.

3. The trust or plan must be covered for claims or suits registered against them as legal entities under ERISA.

4. The trust department must be protected from litigation arising out of any alleged error or wrongdoing.

One way to clear up confusion in this area is to separate risks and exposures into four separate areas:

1. Exposure that individual directors and officers have in all areas of banking.

2. Exposure that the trust has when a special trust agreement is established to handle the bank's own employee-benefit plan.

3. Exposure that individuals may have in handling the bank's individual welfare and pension plans.

4. Exposure that the bank has as a corporate entity, as well as exposure that individuals have arising out of the trust department's operations.

Now let me clarify these exposure areas. First, how can directors and officers protect themselves from litigation and avoid loss from any banking area? This normally is done with a directors and officers (D&O) liability policy. All D&O liability insurance policies, however, are not the same, and so I suggest a careful review with bank counsel to determine exactly the coverage in effect.

More and more companies seem to be excluding from D&O policies any or all losses resulting from ERISA. Some D&O policies also exclude any loss arising from any trust-department operation. All D&O policies are designed to protect the individual director and officer and not to protect the corporation itself.

The next area of concern is how to be protected against exposure of handling the bank's own pension or welfare plans. Banks always have had potential liabilities in this area, but since ERISA, the liability has become much more clearly defined. At least five or six companies write insurance protection for a bank's own welfare and pension plans. Many of these policies are written with a $1,000 deductible on judgments and full coverage for defense costs.

These policies normally are obtained by the bank itself, rather than by the individual trust or employee-benefit plan, not only to give protection from loss as a result of liability against the trust, but also to provide coverage for the trustees individually or collectively and employees of the trust and their estates as legal representatives.

Coverage afforded by these policies pays the loss the insured is obligated to pay for any claims or wrongful acts and will include, but will not be limited to, damages, judgments, settlements and cost of investigation and defense. A wrongful act generally is defined as an actual or misleading statement, omission or neglect or breach of duty on the part of the insured, individually or collectively, on behalf of the trust. It should be noted that most policies don't provide coverage for fines or penalties imposed by law.

The fiduciary-liability policy normally has some other important exclusions that a bank must consider. These policies sometimes exclude losses rising out of any wrongful act occurring or alleged to have occurred prior to the policy period's inception date. Most of them also exclude loss brought about or contributed to by the insured's dishonesty. There are additional exclusions peculiar to each firm. Thus, again, a bank should check with counsel to be sure that coverage is understood thoroughly.

The last and most important exposure area concerns the bank and trust department itself. We at Scarborough designed this coverage many years ago for the banking industry. We call it "trust-operations-liability insurance." Other companies writing this type of coverage call it trust department errors and omissions. Scarborough refers to this type of coverage as liability insurance rather than errors and omissions because this type of coverage, strictly speaking, is more than an errors-and-omissions contract. Rather, it's a broad type of liability contract. Most bank officers also don't distinguish between the trust department's own liability exposure and errors and omissions concerns with respect to exposures on real and personal property held by the trust. This limited coverage normally is written separately and is called fiduciary errors-and-omissions insurance. Strange as it may seem, many bankers still believe that fiduciary errors-and-omissions insurance is the only coverage available and the only coverage needed.

Trust-operations-surcharge-liability insurance is designed to reimburse banks and trust companies for losses by reason of liability imposed on them by law rising out of any acts, errors or omissions in their trust departments. This includes not only judgments, but also defense costs. Also covered is liability assumed under an agreed settlement out of court, with the company's consent.

Some firms write this coverage on a loss-sustained basis. Some write the policy on a discovery basis. When the policy is written on a discovery basis, the bank will have protection on suits brought against it while the policy is in effect, even though the alleged error or wrongdoing occurred many years previously, long before purchase of the coverage.

Because these policies are written on an all-risk basis, specific exclusions are put into the policies and tailor make the coverage. Major exclusions are:

1. There's no coverage for any dishonest act on the insured's part. This is picked up under bankers blanket bond.

2. There's no coverage for any act, error or omission in effecting, maintaining or renewing insurance. However, it should be noted that the insurance exclusion in the trust-operations policy can be deleted. Some companies have a total buy-back provision that would give protection should the insurance lapse or never be placed on any risk. Other companies have a more limited form of buy-back provision, which insures only real and personal property.

Scarborough has a total buy-back provision.

3. Generally, there's an exclusion saying that there's no coverage for any act that applicable law would hold the insured liable for self dealing.

4. Most companies also exclude coverage while acting as a trustee or receiver appointed by any court in bankruptcy proceedings. Again, this is a normal exclusion because the trust department is acting strictly under the court's rules and orders.

5. Libel and slander are excluded, but, again, libel and slander normally are covered by other forms of insurance protection.

6. Most firms also exclude losses resulting from bankruptcy or insolvency of the insured itself.

7. At Scarborough, we also exclude a bank's own pension and welfare plans. Some other companies include these bank-owned plans in the trust-department coverage, but we believe they should be written separately and with much lower deductibles.

8. Some companies don't provide coverage for accountings of profits allegedly made by a bank on securities purchased or sold.

9. Occasionally, there's an exclusion relating to excessive or unwarranted fees or charges.

10. It's not uncommon to exclude losses caused by mechanical or electronic malfunction of business-machine systems.

From all these possible exclusions, it can be seen that the entire area of insurance protection is handled best by an insurance professional thoroughly familiar with banking operations.

It's almost impossible to develop a comprehensive, all-inclusive laundry list of basic underwriting considerations for writing trust-department insurance. Trust-department operations differ widely, and there are many judgmental factors involved in underwriting these risks. However, some of the most important underwriting considerations involve the following:

1. Number of years the trust institution has been operating.

2. Common trust funds and their relative size.

3. An audit program for the trust department.

4. Number of trust-department officers and employees in relation to total trust assets.

5. The trust department's loss experience.

6. Geographical location of the bank and trust department.

7. Educational programs the trust department has to keep abreast of the many changes in trust operations.

8. Results of regulatory examinations and examiners' recommendations.

9. Percentage of ERISA accounts compared with total trust assets and also percentage of directed accounts.

It's evident that to assess the potential risk, a company tries to get an overall picture of a trust department's operations. • •

Bank Directors' Group To Meet April 4-6

CHICAGO—A panel discussion on "The Death of a Bank—What It Means or Could Mean to the Bank Director and the Community" will be one of the highlights of the second annual bank directors' conference April 4-6 at the Ramada O'Hare Inn here. The conference will be sponsored by the National Association of Bank Directors (NABD).

Also planned is a panel on directors' responsibilities from three standpoints—auditing, fraud/loss and legal. Talks will be given on: "It's Not Your Liabilities You Must Worry About; It's Your Responsibilities," "The Outside Director Speaks Up," "Your Responsibilities in the Bank-Card Area," "EFTS, the Facts and the Myths," "Board of Directors' Involvement in Marketing," "The Management Manages—the Directors Direct," "Current Bank Accounting and Full-Reporting Issue" and "What NABD Will Be Doing in 1978 and 1979 to Help You Meet Your Responsibilities."

Information on the conference may be obtained by writing NABD at P. O. Box 11201, Alexandria, VA 22312.

Among speakers at MBA Bank Management Conference were (from l.) Robert F. Benzer, assoc. dir., Wisconsin Bankers Assn., Madison; E. J. Garn, U. S. senator from Utah; Edward E. Furash, s.v.p., Shawmut Bank, Boston; Thomas R. Smith, ABA treas., and pres., Fidelity Brenton Bank, Marshalltown, Ia.; and W. E. Robertson, mktg., dir., *U. S. News and World Report.*

Vigorous Involvement in Public Issues Advocated at Management Conference

By LAWRENCE W. COLBERT
Assistant to the Publisher

BANKERS attending the 38th annual Bank Management Conference of the Missouri Bankers Association last month were told that there's little chance for NOW accounts to be legislated into existence on a nationwide basis this year. Yet, considerable time on the program was taken up by a speaker who is an expert in how to make NOW accounts profitable for banks.

The 675 bankers and spouses in attendance were told that business in general has a long way to go to gain the confidence of the public, yet, when compared to labor unions and government agencies, business comes out pretty well in public opinion polls.

Keynote speaker U. S. Senator E. J. Garn (R.,Utah) stressed the importance of bankers becoming more involved in community affairs. Senator Garn is a member of the Senate Committee on Banking, Housing and Urban Affairs. Described as an advocate of fiscal conservatism, protection for small business and less government regulation, the senator said that too many legislators talk one way to their constituents at home but vote differently when in the capitol because they are assured that their constituents won't bother to follow through on their opinions.

It's important, he said, for bankers to become involved in government and not rely on organizations such as the ABA to do their lobbying for them.

"You've got to take some time off of the golf course during election campaigns and look for candidates who still think we have the greatest system in the world and the greatest standard of living," he said. "You've got to elect candidates who talk the same way at home as they vote in Washington."

And, he added, bankers are going to have to take some time from their work to knock on doors and put bumper stickers on cars in shopping center lots.

He also said there was little chance for NOW enactment this year.

Edward E. Furash, senior vice president, Shawmut Bank, Boston, told bankers how to make a profit with NOW accounts, should the day ever come when such accounts are authorized on a nationwide basis by Congress.

The key to profitability with NOWs is pricing, he said. Too many bankers think they have to accept every nickle-and-dime account that comes in the front door. They should realize, he said, that, in order to make money with NOWs, it's necessary to be selective. Let the bank or thrift down the street take on the little accounts, he advised, while you concentrate on the larger, profitable accounts. Bankers shouldn't be afraid to put restrictions on NOWs, such as hefty minimum balances. Such restrictions will encourage the non-profitable accounts to leave your bank so you can concentrate on the larger, more profitable accounts, he said.

Thomas R. Smith, ABA treasurer and president, Fidelity Brenton Bank, Marshalltown, Ia., stressed community involvement as a means of guaranteeing bank profitability.

"Part of your job description," he said, "should be to get out onto the streets; work in the pits; take sides on important issues.

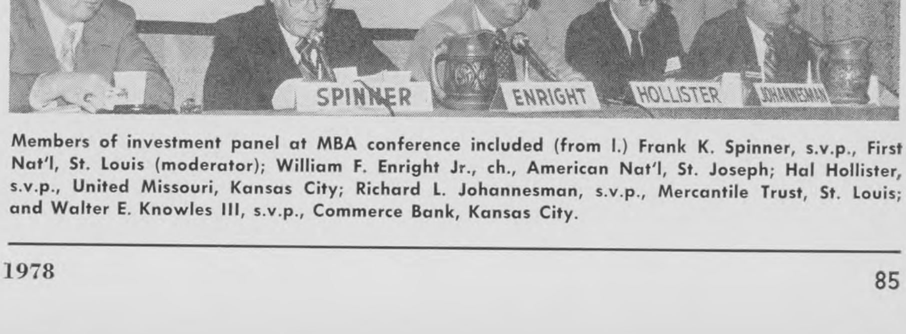
"I think it's important," he added, "for my congressman to know I contributed to his campaign and supported him. This is involvement in the political process and it buys me the right to state my case before my legislator."

It does little good to know how to run a profitable bank, Mr. Smith said, if bankers sit back and let Congress legislate them out of business.

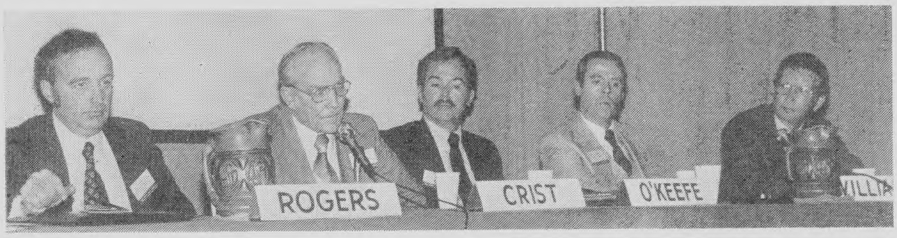
How the consumer looks at business was described by William E. Robertson, marketing director, *U. S. News and*

A highlight of the MBA's Bank Management Conference was a forecast of various economic rates and figures as of February, 1979. Participants in the forecasting derby were Frank K. Spinner, senior vice president, First National, St. Louis; William F. Enright Jr., chairman, American National, St. Joseph; Hal Hollister, senior vice president, United Missouri Bank, Kansas City; Richard L. Johannesman, senior vice president, Mercantile Trust, St. Louis; and Walter E. Knowles III, senior vice president, Commerce Bank, Kansas City. The forecasts are listed below.

	Fed Funds	Prime Rate	1-Year T-Bills	7-Year T-Notes	10-Year Municipals	2-Year A-Rated Municipals	Redisc. Rate	Gold Price	Dow-Jones Ind. Av.
ENRIGHT	8	9	8¼	8½	5	6	7½	$150	800
HOLLISTER	8¼	9	8	8½	5.10	6	7½	230	850
JOHANNESMAN	7⅜	8½	7⅝	8½	5	6	7	187	915
KNOWLES	6¾	8	6.85	7.90	4.80	5.40	6½	180	800
SPINNER	8	9	8	8½	5.25	6.25	7½	160	675



Members of investment panel at MBA conference included (from l.) Frank K. Spinner, s.v.p., First Nat'l, St. Louis (moderator); William F. Enright Jr., ch., American Nat'l, St. Joseph; Hal Hollister, s.v.p., United Missouri, Kansas City; Richard L. Johannesman, s.v.p., Mercantile Trust, St. Louis; and Walter E. Knowles III, s.v.p., Commerce Bank, Kansas City.



Regulators' panel at MBA conference featured (from l.) John Rogers, deputy regional administrator, 10th National Bank Region, Kansas City; Edgar H. Crist, Mo. banking commissioner; Michael J. O'Keefe, regional counsel, 10th National Bank Region, Kansas City; Thomas B. Williams, assistant chief examiner, Kansas City Fed; and Robert V. Shumway, FDIC regional dir., Kansas City.

World Report. He detailed the results of a survey taken by the magazine that solicited views on today's major problem areas.

The area of inflation is getting more and more attention, he said. Almost half the people responding to the poll said that controlling inflation is necessary even if it means higher unemployment. A similar number said a balanced federal budget is essential, even if it means lower government benefits or higher taxes.

Inflation is one of the areas where business scores well with the public, he said. When asked who is mostly to blame for inflation, government and labor were named culprits over business by nearly two-to-one. Government was blamed by 61%, labor unions by 60% and business by 32%.

Personal complaints to manufacturers on the part of consumers were up last year—from 24% to 37%. Also, the percent who reported that their complaints were handled satisfactorily went up from 48% to 56%. However, he added, it's obvious that the retailer is doing a better job handling complaints than the manufacturer is.

The public rated business "good" in the following areas:

- Providing products and services that meet people's needs.
- Paying good wages.
- Improving the standard of living.
- Developing new products.
- Hiring minorities.

Areas in which the business community didn't fare very well include the following:

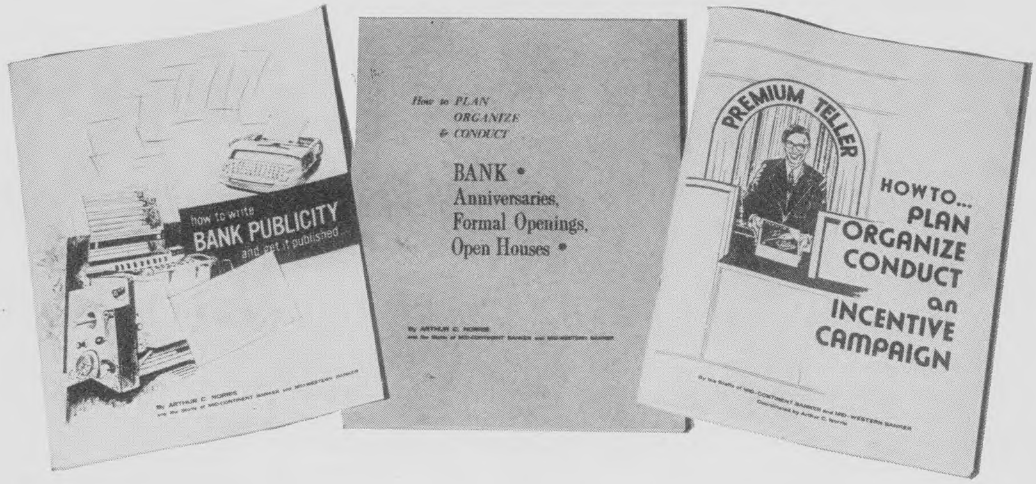
- Honesty in advertising.
- Conserving natural resources.
- Controlling pollution.
- Dealing with shortages.
- Providing value for money spent.
- Interest in the customer.
- Communicating with public, employees and stockholders. • •

Check-Writing Spree Offer

Who wouldn't be interested in entering a contest offering the winner a 30-minute check writing spree? Hoosier State, Hammond, Ind., offered such a spree to anyone coming to the opening of its new branch.

More than 1,000 people signed up for the drawing and the winner was given 30 minutes to write all the $2 checks she could before getting writer's cramp. The winner managed to dash off $148 worth of checks, according to Jeannette M. Wigley, marketing director. When the 30 minutes were up, the winner received $148 in cash.

The event garnered a good share of publicity for the bank. The local TV station broadcast the check-writing performance and the local press gave the event coverage.



Now, at a Special LOW Price . . .

This 3-Volume Marketing Library

All Three Manuals ONLY $25.95

1. **How to Plan, Organize & Conduct Bank Anniversaries. . . .** The complete guide to procedure when holding a formal opening, an open house, any kind of bank celebration; 166 pages, many illustrations; 12 chapters starting with "First Things First," ranging through "Add a Little Pizazz and Oom-pah," concluding with "Expect the Unexpected"; eight appendices containing actual plans, budgets, programs used by banks in actual celebrations; a completely factual, step-by-step how-to-do-it book now in its second printing.
Regular Price: $16.00

2. **How to Write Bank Publicity and Get It Published. . . .** The complete guide to procedure in writing publicity releases and how to prepare them so that newspaper and magazine editors will use them; 61 pages; 12 chapters with titles such as "Constructing the News Story," "Placing the News Story," "Handling 'Sticky' Situations," "Dealing with News Media"; another completely factual, step-by-step how-to-do-it manual.
Regular Price: $5.25

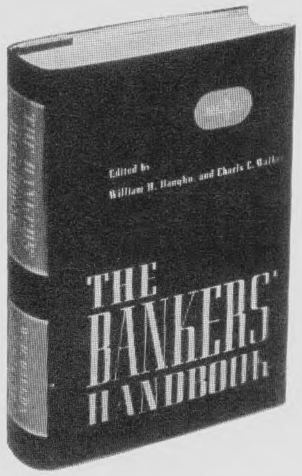
3. **How to Plan, Organize and Conduct an Incentive Campaign. . . .** Mid-Continent Banker's newest how-to-do-it manual; a complete guide to procedure in evolving an effective incentive campaign to sell bank services and/or increase bank deposits; 96 pages, 16 illustrations; starts by telling you premium terms and the history of incentives, roams through such topics as trade area studies, tying in with current events, getting new business from old customers, motivating staff members and concluding with a series of six case histories of actual bank promotions that obtained exceptional results.
Regular Price: $10.95

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

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

Please send us by return mail:
—copies, Bank Celebration Book @ $16 each
—copies, Bank Publicity Book @ $5.25 each
—copies, How to Plan an Incentive Campaign @ $10.95 each
—SEND ALL THREE BOOKS AT THE LOW PRICE OF $25.95

☐ Check enclosed ....
Name .... Title ....
Bank ....
Street ....
City, State, Zip ....
(Please send check with order. In Missouri, add 4½% tax.)



THE BANKERS HANDBOOK

Edited by William H. Baughn and Charls E. Walker

This book is considered to be the most complete and definitive reference source covering current banking practices. It places the money knowledge of 90 of the country's leading bankers at the fingertips of the banker or bank director in a concise, analytical style. In it are the answers to most questions anyone would ask about banking. Easy to use . . . contains 11 major sections . . . in 87 chapters. Over 1200 pages! Every bank, every bank boardroom needs this reference book.

Check Box No. 120, $35.00 per copy

OTHER MANAGEMENT - DIRECTOR MANUALS

• **Bank Directors and Their Selection, Qualifications, Evaluation, Retirement.** 24 pages. Answers key questions concerning director selection, retention and retirement. Special section: the prospective director and how he should be expected to contribute to the bank's success. **No. 101, $3.00 per copy.**

• **Bank Shareholders' Meeting Manual.** 60 pages, 8½ x 11". Designed to aid directors of state-chartered banks, this book discusses conflict of interest, minority rights, fuller disclosure, voting of trust-held securities, preparation of stock purchase and stock option plans, also capital notes and debentures.

The manual also is helpful in updating annual shareholders' meetings at a time when stockholders are becoming more insistent on receiving meaningful information at annual meetings and in annual reports. **No. 102, $8.00 each.**

• **A Policy Manual for the Bank Board.** 24-pages, reviews typical organizational chart, duties and responsibilities of managing officers and various standing committees, loan, investment and collection policies, and an outline of a suggested investment policy. **No. 103, $3.00 per copy.**

• **Annual Review for Officer Promotions.** 4-page study contains 12 point-by-point appraisals of officer performance and potentials. **No. 104, 2 copies for $1.**

• **Check List of Audit Procedures for Directors' Examination.** 23-part outline encompasses review of major audit categories. Special 4-page study. **No. 105, 2 copies for $1.**

• **The Board of Directors and Effective Management.** Harold Koontz, 256 pages. Critical look at directors' role: functions and responsibilities, decision areas, control, relationship of success to more productive management. **No. 107, $14.00 per copy.**

• **A Business Development Policy.** A plan for the small bank in setting up objectives and establishing responsibilities in the officer staff for getting new business, holding present business. **No. 109, 2 copies for $1.**

• **SALES: How Bank Directors Can Help.** Detailed outline of a program that has developed more than $40 million in new business for a holding company chain in the Southeast. **No. 110, 2 copies for $1.**

• **Planning The Board Meeting (Revised edition).** This 64-page booklet provides some workable agendas, suggestions for advance planning and also lists type of reports a board should receive monthly and periodically. It emphasizes the need for informing the board as *quickly* and *concisely* as possible. An excellent supplement to plans your bank already has. **No. 111, $4.75 per copy.**

• **Policy Statement for Equal Employment Opportunity.** 4-page study contains suggested Equal Opportunity Program aimed at preserving a bank's eligibility to serve as federal depository. **No. 112, 2 copies for $1.**

• **How to Prepare for Kidnap/Extortion Threats.** 4-page study outlines security precautions to take at the bank and at home, sample "alert" system, action to take during and after threat. **No. 114, 2 copies for $1.**

• **A Code of Ethics.** 4 pages. Sample policy statements by two banks, covering personal conduct of officers, inside and outside the bank. Example: sets criteria for conflict of interest, political activity, outside interests, trading in bank stock, gifts and entertainment that can be accepted by officers. **No. 116, 2 copies $1.**

SEE OPPOSITE PAGE FOR OTHER TOPICS

Please Send These Management Aids:

101	.... copies	$	129	.... copies	$ ....
102	.... copies	$	131	.... copies	$ ....
103	.... copies	$	133	.... copies	$ ....
104	.... copies	$	134	.... copies	$ ....
105	.... copies	$	135	.... copies	$ ....
107	.... copies	$	137	.... copies	$ ....
109	.... copies	$	139	.... copies	$ ....
110	.... copies	$	140	.... copies	$ ....
111	.... copies	$	141	.... copies	$ ....
112	.... copies	$	142	.... copies	$ ....
114	.... copies	$	143	.... copies	$ ....
116	.... copies	$	144	.... copies	$ ....
117	.... copies	$	145	.... copies	$ ....
120	.... copies	$	146	.... copies	$ ....
121	.... copies	$		Total	$ ....
				(In Missouri add 4.6% Tax)	$ ....
				TOTAL	$ ....

Send Completed Coupon WITH CHECK to: Commerce Publishing Co., 408 Olive St., St. Louis, Mo. 63102, publishers of The BANK BOARD Letter.

Enclose check payable to The BANK BOARD Letter

Name ....

Bank or Company ....

Address ....

City............. State ...... Zip...

NEWS
From the Mid-Continent Area

Alabama

First Alabama, Notasulga, Takes Over Failed Bank

First Alabama Bank, Notasulga, has been authorized to assume the deposits of First Bank of Macon County, Notasulga, which was closed by the Alabama superintendent of banks in late January.

First Alabama, an affiliate of First Alabama Bancshares, HC headquartered in Birmingham, opened February 1 with initial capitalization of $500,000. First Alabama was the highest of three bidders and paid a purchase premium of $305,105.

Frank A. Plummer, chairman and CEO of the HC, said, "We are especially pleased that First Alabama Bancshares will now have the opportunity, through our new affiliate, to serve this thriving market, which has been an impressive growth area of our state."

■ BANK OF HUNTSVILLE has promoted Conrad Hamilton to senior vice president, Kenneth W. Guthrie to assistant vice president and branch coordinator, M. Tom Roden to assistant vice president and Betty C. Carter and Roger Bevan to assistant cashiers.

■ MARY GEORGE JORDAN WAITE, president, Farmers & Merchants Bank, Centre, has been named chairman of the cancer crusade committee of the Alabama division of the American Cancer Society. J. W. Hampton, senior vice president, has been named to the executive board of the Choccolocco Council of the Boy Scouts of America. Named advisory directors of the board were Nell Kilgore, assistant to the president, and Jane Poovey, senior vice president.

■ JAMES W. HOLLAND has been elected president, First Alabama Bank of Baldwin County, Bay Minette. He succeeds W. Marvin Kelly, who resigned recently. Mr. Holland was formerly a vice president at First Alabama Bank, Montgomery.

■ BANK OF EAST ALABAMA, Opelika, has elected Walter A. Parrent president and CEO. S. Frank Whatley was promoted to executive vice president. Both men were formerly senior vice presidents.

■ GIL STEINDORF has been promoted to vice president-credit administration at MetroBank, Birmingham. He was formerly an assistant vice president and joined the bank about two years ago.

Arkansas

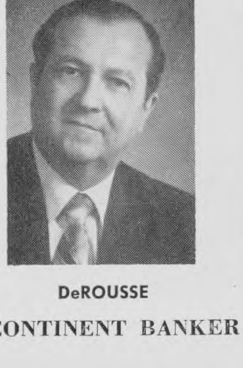
■ JOE A. WOODSON has been elected president and director, Farmers National, Clarksville. James C. East and J. A. McEntire III were elected chairman and vice chairman, respectively. They represent a group of investors who recently purchased controlling interest in the bank and succeed Sterlin Hurley, Robert Hurley and Noble Capps as senior officers.

■ FIRST STATE, Springdale, has elected Dick Calhoun, Dwain Newman and Gerald Harp to its board. Mr. Calhoun is executive vice president of the bank, Mr. Newman is in lumber and Mr. Harp is a food retailer.

Illinois

■ ROBERT G. DeROUSSE has been elected chairman, First National, Collinsville. He was formerly with National Stock Yards National, National City, Ill.

■ RICHARD C. ALT III has been named a consultant services manager for Bank Building Corp., St. Louis. He represents the company in southern Illinois as part of BBC's central division.


DeROUSSE


ALT

■ ROBERT F. MOORE has been named executive vice president, Wheeling Trust & Savings. He joined the bank in 1969 and has recently been in charge of the trust department.

■ ELMHURST NATIONAL has promoted Burton H. Brodt to vice president-comptroller, Stephen F. French Jr., to vice president, Jack A. Jacoby to assistant vice president and Delbert R. Washburn to real estate loan officer.

Indiana

■ AMERICAN NATIONAL, South Bend, has appointed Winifred J. Wulf vice president and training officer and promoted Rita A. Malia and Judith Ann Rawls managing officers. Mrs. Wulf has been with the bank 36 years and has been a vice president since 1975.

■ PURDUE NATIONAL, Lafayette, has promoted Richard R. Stanfield to senior vice president, administration, and Thomas C. Clark to vice president and director of marketing.

■ MRS. MARY HULMAN has been elected to the board of Terre Haute First National, succeeding her late husband, Anton Hulman Jr.

■ CLARK COUNTY STATE, Jeffersonville, has promoted David C. Esarey to senior vice president and Donald G. Bennett and Gary L. Johnson to vice presidents. Elected assistant cashier was Richard W. Agan.

Kansas

■ UNION NATIONAL, Manhattan, has promoted Thomas R. Lee to executive vice president and named Miss Lisa Dillon mortgage real estate loan officer and Mrs. Jacqueline C. Willard assistant data processing officer. Terry Ray and Bonnie Nespor were elected to the board. Mrs. Nespor is vice president for real estate lending.

■ D. GARY HUNTER has been elected a director of Edwardsville State. He is an attorney with a Kansas City law firm.

■ J. WELSEY ST. CLAIR has been elected chairman of Southgate Bank, Prairie Village. He remains as president and CEO. He succeeds John N. St. Clair, the bank's founder, who has retired and been named chairman emeritus.

■ FIRST NATIONAL, Wellington, has elected John W. Trout Jr. senior vice president, Dan Mortimer vice president and agricultural representative and Robert A. Leftwich assistant vice president and cashier. John C. Koch, assistant vice president, resigned to join St. John National as vice president and cashier. Mr. Trout was formerly with Haysville State.

Kentucky

■ CITY NATIONAL, Fulton, will construct a two-story, 15,000-square-foot building at the corner of Lake and Commercial streets, the site of its present building. During the one-year construction period, the bank will be located at 314 Lake Street. The bank's Main Office drive-up facility will be closed until the new building is completed. Designer of the new structure is Bank Building Corp., St. Louis.

BOARDMAN

■ JOHN V. BOARDMAN JR. has been named a representative for the correspondent banking department at First Security National, Lexington. He has completed a year in management training at the bank and is earning an MA in business administration.

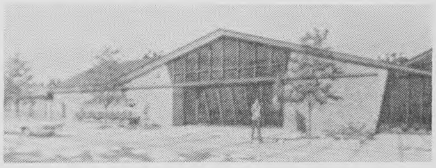
■ CITIZENS BANK, Morehead, has named Glenn W. Lane honorary chairman, made Alpha M. Hutchinson president and chairman and elected Robert D. Neff assistant to the president. Mr. Neff was at one time associated with First National, Cincinnati.

Louisiana

■ GUARANTY BANK, Alexandria, has reported a 38% increase in net earnings for 1977 over 1976. Consolidated income before securities transactions totaled $1.2 million, or $1.84 per share, for 1977, compared to $874,000, or $1.32 per share, for 1976.

■ AMERICAN BANK OF COMMERCE, Lake Charles, has named Eugene B. Reddell assistant cashier and security officer. Mrs. Flora Bussell and Mrs. Virginia Richard were named branch managers.

Livingston State Remodels



Livingston State, Denham Springs, recently completed a remodeling project under the direction of Bank Building Corp., St. Louis. The 26,000-square-foot facility is decorated in a contemporary style with earth tone colors and oiled walnut furniture. The floor is covered in a combination of plush-pile carpeting and unglazed brown tile. Custom-made mirrors accented by silk-screened super-graphics decorate the area behind the tellers fixture.

Mississippi

■ DELTA NATIONAL, Yazoo City, has elected Mrs. Wanda Elderton to director of business development and marketing and promoted Mrs. Susan F. McBride to assistant director of business development and marketing. Mrs. Elderton was formerly with National Bank of Commerce, Pine Bluff, and Exchange Bank, El Dorado, both in Arkansas.

■ FIRST NATIONAL, Clarksdale, has begun construction of an addition to and remodeling of its quarters. The addition will provide 7,000 more square feet of space to the building, which is of yellow face brick with a large horizontal dark bronze metal fascia. The interior is decorated contemporarily, with buff yellow brick walls, earth tone upholstery and brown carpeting. The tellers fixture is highlighted by a louvered ceiling containing silver reflective light fixtures. Bank Building Corp., St. Louis, is the construction manager for the project and Jake Jones, a BBC associate, is the architect.

■ COAHOMA BANK, Clarksdale, has promoted Bert L. Field to assistant vice president and Stanley Campany to assistant vice president and manager, Jonestown Branch. In addition, Bryant M. Moore was elected to the associate board and to the executive committee. He is senior vice president of the bank, where he has charge of new business development and also is a loan officer. Mr. Field, with the bank since 1949, formerly was loan operations officer. Mr. Campany went to the bank in 1971.

■ BROOKHAVEN BANK has named Harold Clopton a vice president in the installment loan department, Rebecca N. Vaughn a vice president in the marketing department and Mike Smith an assistant vice president in data processing.

Missouri

■ EARL N. HALDEMAN III, assistant vice president, First National, St. Louis, has accepted an appointment to serve on the faculty of the Illinois Bankers Association Ag Lending School. The one-week school will be conducted in June, 1978, at Illinois State University, Normal. Mr. Haldeman is a member of his bank's ag finance staff and will serve as a discussion leader at the school in the area of agribusiness.

■ LAUREL BANK, Raytown, has promoted Randy A. Sears to vice president and cashier, James W. Thines and Kevin B. Monger to vice presidents and Lois Keller to assistant vice president.

■ ELROY R. DREWES has been elected president and trust officer at Bremen Bank, St. Louis. He succeeds William H. Goedeke, who has retired after almost 60 years in banking.

Manchester Bank West County Receives State Deposit

Manchester Bank West County has received a $100,000 deposit in state funds under the provision of the Missouri Model for the Investment of State Funds, administered by State Treasurer James I. Spainhower.

Mr. Spainhower explained that the one-year deposit was made as part of the New Bank Program, one of five deposit plans provided by the Missouri

Participating at deposit of state funds at Manchester Bank West County are (foreground, from l.) Clyde John, pres., Manchester Bank West County; Mo. Treas. James Spainhower; George Pfister, pres., Manchester Bank of St. Louis, and Richard Reilly, pres., National Bank, Affton. All three banks are affiliates of Manchester Financial Corp. In background are William C. Imming (l.), s.v.p., and George T. Guernsey III, e.v.p., both with Manchester Bank of St. Louis.

Model for the Investment of Inactive State Funds. Under the New Bank Program, new banks granted charters by either the Missouri commissioner of finance or the federal government may apply for state deposits.

He noted that the purpose of the program is to help provide new banks with initial operating capital as well as benefiting the local economy and earning interest for state government.

■ ST. LOUIS' Dyna Group Financial centers, a group of four area banks, has changed its name to Metro banks, reflecting its "strong commitment to growth . . . for the St. Louis metropolitan area." Previously known as Hampton Bank, Clayton Bank, Bank

of Crestwood and Bank of Ellisville, the institutions now are known as Hampton Metro Bank, Clayton Metro Bank, Crestwood Metro Bank and Ellisville Metro Bank.

■ BOLLINGER COUNTY BANK, Lutesville, has promoted Shirley A. Call from assistant cashier to cashier and Rick W. Stroder from installment loan department supervisor to assistant cashier. Mrs. Call has been with the bank 10 years. Mr. Stroder joined the bank last May following graduation from Southeast Missouri State University with a business-administration degree.

■ BOATMEN'S BANK OF TANEY COUNTY, Forsyth, has named John W. Calhoun president, Wanda Campbell and Bill Mahnkey assistant vice presidents and loan officers and Connie Aversman assistant cashier. Mr. Calhoun was formerly a vice president at First National, Omaha, Neb.

■ JOHN H. POELKER, former St. Louis mayor, has been elected to the board of American National, St. Louis. James J. Ahearn and Carol Bolasina were promoted to vice presidents, Philip D. Key was named vice president and auditor and Paul W. Siebels was promoted to assistant vice president.

POELKER

BOSCHERT

■ THOMAS BOSCHERT has been named executive vice president at First National, St. Charles. He joined the bank in 1956.

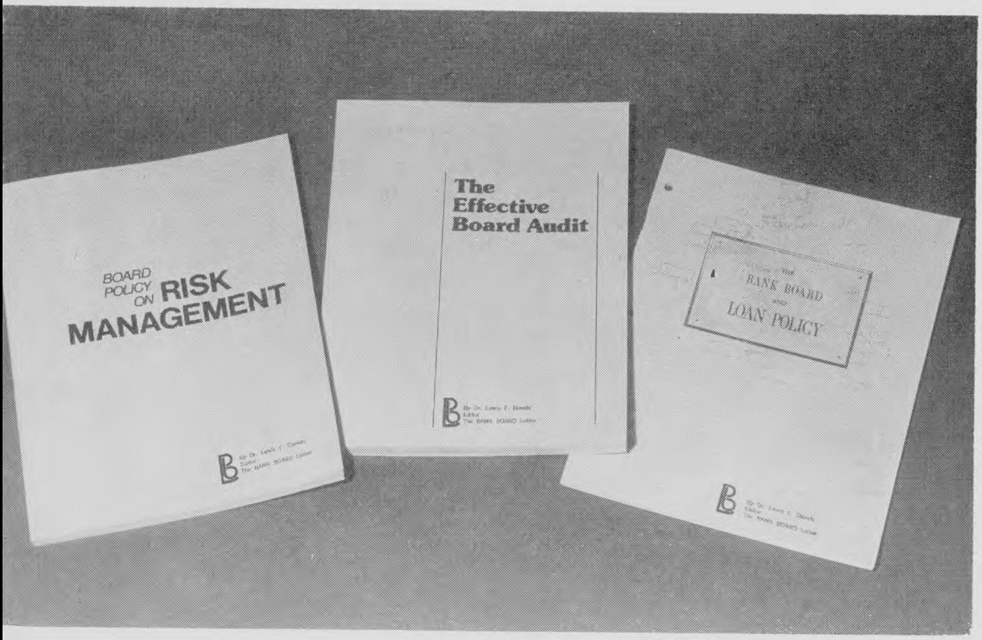
■ R. L. HERT has retired as president, Moniteau National, California, but retains his title. Robert K. Marshall has been elected vice president to succeed A. L. Scheidt, who died January 2. Duane Barbour, earthmoving contractor, was elected to fill Mr. Scheidt's board seat. David A. Garnett has been promoted to assistant cashier.

■ HARRY C. HARTKOPF, 84, honorary chairman, Cass Bank, St. Louis, has retired, following 42 years' service. He joined the bank in 1936 as vice president and served as president from 1938 to 1965, when he assumed the title of chairman. He retired as an active officer in 1974. He is a former president, Union Bank, East St. Louis, Ill., and began his banking career in 1912 with the old Central National, St. Louis.

■ ROBERT H. BUCKNER has been elected senior vice president, Country Club Bank, Kansas City. He was formerly a vice president.

Help Stamp Out Director Liability Risk

With These Three Board-Related Manuals



BOARD POLICY ON RISK MANAGEMENT
$15.00

THE EFFECTIVE BOARD AUDIT
$17.00

BANK BOARD and LOAN POLICY
(Third Edition)
$7.50

Edited by Dr. Lewis E. Davids
Editor, The BANK BOARD Letter.

(1) BOARD POLICY ON RISK MANAGEMENT. This new 160-page manual provides the vital information a board needs to formulate a system to recognize insurable and uninsurable risks and evaluate and provide for them. Included are an insurance guideline and checklists to identify and protect directors against various risks. *Bonus feature:* A model board policy of risk management adaptable to the unique situations at any bank. Every member of your bank's board should have a copy!

QUANTITY PRICES
2-5 copies—$13.50 ea.
6-10 copies—12.50 ea.

(2) THE EFFECTIVE BOARD AUDIT. This 184-page manual provides comprehensive information about the directors' audit function. It outlines board participation, selection of an audit committee and the magnitude of the audit. It provides guidelines for an audit committee, deals with social responsibility and gives insights on engaging an outside auditor. It includes checklists for social responsibilities audits, audit engagement letters and bank audits. No director can afford to be without a copy!

QUANTITY PRICES
2-5 copies—$15.00 ea.
6-10 copies—$13.50 ea.

(3) THE BANK BOARD AND LOAN POLICY. Just off the press! This revised and expanded manual enables directors to be a step ahead of bank regulators by providing current loan and credit policies of numerous well-managed banks. These policies, adaptable to any bank situation, can aid your bank in establishing broad guidelines for lending officers. *Bonus feature:* Loan policy of one of the nation's major banks, loaded with ideas for your bank! Remember: A written loan policy can protect directors from lawsuits arising from failure to establish sound lending policies! Order enough copies for all your directors!

QUANTITY PRICES
2-5 copies—$7.00 ea.
6-10 copies—$6.50 ea.

THE BANK BOARD LETTER
408 Olive St., St. Louis, MO 63102

. . . . copies, Board Policy on Risk Management $ . . . .
. . . . copies, The Effective Board Audit $ . . . .
. . . . copies, Bank Board & Loan Policy $ . . . .
Total enclosed $ . . . .

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

(Please send check with order. In Missouri, add 4.6% tax.)

■ EXCHANGE BANK, Richmond, has promoted Deryl Goettling and Steven H. Stigall to assistant vice presidents. W. F. Yates Jr. and Bob G. Vandiver have been elected to the board, succeeding W. F. Yates and W. Wallace Greene, both of whom remain as advisory directors.

■ FIRST BANK OF COMMERCE, Columbia, has appointed Jerry Twitty vice president and commercial loan officer and made the following promotions: Doris Blackwell to assistant to the president, Kevan Snell to assistant cashier, Mary Jane Nichols to personnel officer and Mary Lou Ballenger to facility manager.

■ MARILYN T. MAZZONI has been promoted to banking officer at Mercantile Commerce Trust, St. Louis. She was formerly an assistant banking officer.

■ RICHARD B. WELLS has been appointed vice president in charge of operations at Empire Bank, Kansas City. He joined the bank last October. Peggy Hays has retired as vice president/executive secretary. She held the post for 15 years and is one of the bank's incorporators.

■ BOATMEN'S UNION NATIONAL, Springfield, has named Earl K. Nau executive vice president, John M. Carnahan Jr. vice president and senior trust officer, Richard L. Brodbeck vice president and trust officer and Neil Anderson assistant consumer loan officer. Mr. Nau was formerly chairman and president at Boatmen's Springfield National.

■ JOHN D. OWENS has been named president, Boatmen's Springfield National. He was formerly president, Boatmen's Bank of Taney County, Forsyth.

New Mexico

■ BARTON D. OGLESBY has been elected vice president, Security National, Roswell. In addition, the following assistant vice presidents have been named: William D. Moffitt, Billie Jo Divis, Thomas E. Jennings, Joyce M. Mirick and Gordon Reddoch.

■ RICHARD HALE has been named executive vice president at Security Bank, Ruidoso, while Mike Morris has advanced to cashier, Dona Nunnally to assistant cashier, "Figgy" Griego to banking officer, Linda Clark to loans and discount manager and Maxine Howell to credit department manager. In addition, Ralph Petty Sr. and Elenor Flemming have joined Security Bank as senior vice president and assistant vice president, respectively.

■ FIRST NATIONAL, Farmington, is building a three-story Main Office in downtown Farmington. The $2-million

building is expected to be completed by year-end. The bank will occupy the first and second floors; the third floor will be reserved for future expansion.

■ WESLEY GREEN has resigned as president, Citizens State, Raton, going to Citizens Bank, Gallup, as president and CEO. Replacing him at Citizens State is Bob Nicks of Springer, and Roy Davidson has been elected chairman.

Oklahoma

Drive-Up Law Survey

OKLAHOMA CITY—In a poll taken by the Independent Bankers Assn. of Oklahoma, 76% of the members said the IBAO should support a drive-up-facility law. These respondents—114 banks—said the law should:

1. Make no change in the present 1,000-foot rule.
2. Allow one additional drive-up facility within the city limits of the incorporated area of the home office, this facility to be permitted to conduct all banking functions except making loans.

Twenty-two percent of the survey respondents (33 banks) opposed the change, and 2%—or three banks—had different opinions, according to IBAO Executive Manager Don J. Harr. He added that, as of this writing, the association had not reached a decision on what action it will take as a result of the poll.

The survey was taken after IBAO directors, late in January, voted to recommend to the membership that the law be changed to permit one additional drive-up facility. IBAO President William F. Schmidt Jr. (pres., Spiro State) pointed out that absence of action on the IBAO's part to draw new structure guidelines of a positive nature would result in changes that would be alien to the IBAO's basic concept. He added that the association's directors believe that if the IBAO works now for positive action on extending the drive-up law, it would avoid a long drawn-out battle that could result if the Comptroller approves statewide branching by national banks.

■ RAY MILTZ has been promoted to senior vice president in charge of the correspondent and regional banking division at F&M Bank, Tulsa. Patsy Barton and Tony Adair were elected second vice presidents, Wes Thompson was named vice president and auditor and Mrs. Sharon Melhorn was named personnel officer.

■ FLOYD W. KENNEDY JR. has been elected president, Security Bank, Lawton. He was formerly senior vice president, cashier and trust officer, and remains as a director.

■ UNITED OKLAHOMA BANK, Oklahoma City, has promoted Ann Lee Suttles and June O'Steen to assistant vice presidents. They have been with the bank for 25 and 15 years, respectively.

■ ROBERT E. HOGUE, senior vice president, Liberty National, Oklahoma City, has been elected president of the Central Oklahoma Clearinghouse Assn. for 1978. He has been with Liberty National for five years.

■ AMERICAN EXCHANGE BANK, Norman, has promoted Bill R. Knapp to executive vice president, Mary Helen Downing to vice president, Jerry Alley to assistant vice president and James R. Wills to loan officer.

■ COMMUNITY STATE, Bristow, has been purchased by a group of local citizens. Arthur M. Foster will remain as chairman. H. E. Leonard Jr. has been named president and CEO. He was formerly with Will Rogers Bank, Oklahoma City. William E. Farha Jr. was promoted to executive vice president.

■ FIRST NATIONAL, Muskogee, has promoted Morris E. Thornley Jr. to vice president and trust officer and named Eva L. White, Glen Scott and Leo R. Morgan assistant vice presidents.

Tennessee

■ JOYCE ALBRIGHT has advanced from assistant cashier to assistant vice president at Bank of Elbridge, while Carol Cutler has been named assistant cashier.

■ UNION PEOPLES BANK, Clinton, has advanced Melvin R. Edmondson and Glen Parks from vice presidents to regional vice presidents, which are titles new to the bank. Gary Cooper was named branch manager of the Clinton Office, Alan Barton has been elected assistant loan officer and Janet Stooksbury has been promoted to administrative assistant to the president.

■ RUTH C. MORRIS, formerly vice president and cashier, McKenzie Banking Co., has advanced to president. She succeeds J. E. Bell, who retired after 37 years with the bank. Mrs. Morris joined the bank in 1942 as a bookkeeper and teller, was promoted to assistant cashier in 1947 and to vice president and cashier in 1961. In other action, the bank promoted Robert L. Quesenberry to vice president and cashier and Peggy Creasy to vice president.

■ JEFFREY A. GOLDEN has been promoted from first vice president to executive vice president and director of operations, City Bank, McMinnville. Mark A. Dowell, who joined the bank January 1, was elected assistant vice president and compliance officer. Mr. Golden has been with City Bank since 1966. Mr. Dowell has been a national bank examiner since 1973. Before that, he spent a year with First National, Cookeville, now First Tennessee Bank, Cookeville.

Texas

■ LUBBOCK NATIONAL has named four new senior vice presidents: Tom Locke in the commercial loan division, Bryan Williams III in the correspondent banking division, J. B. Potts in the agricultural loan division and DeWayne V. Pierce, who was elected senior vice president and controller. James R. "Chip" Garrison was promoted to vice president and auditor and Bernard D. McNamara was named vice president. New assistant vice presidents are Russell T. Carter, John F. Elliott, Terry S. Key, Lynnda Lokey and Johnny Lutrick. Miss Lokey is in the correspondent banking department.


WILLIAMS

■ FIRST NATIONAL, Odessa, has promoted Edward C. McNeel to president, succeeding William A. "Bill" Hutcheson, who is now vice chairman. Mr. McNeel retains his senior trust officer title. Jean Gray and Forest Evans were promoted to vice presidents and new assistant vice presidents include Frank Deaderick (also trust officer), Frank Smith, Joann McIntosh, Thelma Stone and James Carter (all also consumer lending officers). Peggy Davis was named assistant cashier and Bill McCarver was named loan review officer and manager, credit department.

Republic Plans Addition

DALLAS—An eight-floor addition will be built adjacent to Republic National's tower complex. The $8.6-million structure will contain 129,000 square feet of floor space and will be joined to the first eight floors of the bank's twin towers.

The outside skin of the new structure will be identical to that of the existing buildings.

Site of the addition is the Medical Arts Building, now being demolished. Construction is expected to begin before the end of the year.

■ FIRST CITY NATIONAL, El Paso, has elected Lawrence A. Hornsten senior vice president in the commercial lending division and promoted Mrs. Cecilia M. Lang to assistant vice president in the marketing division. Raymond A. Bennett was elected to the board. He is district manager of Southern Union Gas Co.

■ FIRST NATIONAL, Brownwood, has elected Tracy Dobbs and Ann Tucker assistant cashiers. Kenneth L. Boyd and Richard Wall were elected directors. Mr. Boyd is a rancher; Mr. Wall is vice president, TWT Moulding Co.

• Index to Advertisers •

Apparel Likened to Raise in Pay As More Banks Pick Up Tab

By JIM FABIAN
Associate Editor

FEW BANKS using career apparel still require employees to pay for the outfits; therefore, the apparel is often likened to a raise in pay. Not only that, employees receiving apparel gratis from their employers consider the outfits to represent a major savings in work-related expenses.

Time was when most banks charged employees for at least a portion of the cost of their outfits. But more banks are considering apparel to be a valuable fringe benefit—one that pays off for the bank as well as the employee.

"To us, the principal advantages of having our employees in outfits are: Customers can identify our employees readily, the financial status of the employee is equalized and her taste in clothing is controlled without having to set up and enforce a dress code," says Mrs. Billie Jo Davis, assistant vice president and career apparel coordinator at Security National, Roswell, N. M.

Employees can stretch clothing budgets when banks provide career apparel. It's like a pay raise, they say.

And employees like the fact that, since their on-the-job wardrobes are furnished by the bank, their clothing budgets are usable for outfits worn outside the bank. Also, Mrs. Davis says, they don't have to be concerned about whether their outfits are proper for a bank atmosphere.

Mrs. Lucy M. Comeaux, assistant vice president and career apparel coordinator at Guaranty Bank, Lafayette, La., says that a great percentage of the bank's outfitted employees feel they could not afford the quality of apparel the bank supplies if they had to buy it on their own. They also feel that, with outfits supplied by the bank, no one is better dressed than they are.

Security National has been outfitting employees since 1970 and Mrs. Davis says the experience has been "very satisfactory."

Security National's outfits are supplied by Creative Image, Dallas, and consist of 13 pieces, made up of four jackets, three pairs of slacks, two skirts and four blouses.

"By changing the combination and using our own white blouses, we can create many different looks," Mrs. Davis says. Colors of the outfits include brown, blue, yellow, rust and copper.

Testifying to the durability of apparel from a supplier specializing in garments for business use, Mrs. Davis says some of the former apparel used by the bank lasted five years! The usual wearing period is closer to two years, according to suppliers.

Security National made a clean sweep of its old outfits about six months ago when it adopted its new apparel. Sixty-five women were outfitted and all follow a predetermined outfitting schedule so all employees will be wearing the same combination on a given day. This is done to preserve their identity as employees, Mrs. Davis says. If employees mixed and matched garments as they pleased, she said, the effectiveness of the outfits would be lost.

Employees of Arlington (Tex.) Bank model new career apparel by Creative Image that went into service last month. Twelve-piece ensembles include blazer jackets, vests, skirts and blouses, all featuring grey and blue hues. Accessories include four scarves—two striped and two solid. Bank provides apparel at no charge to 120 employees and has been using career apparel since 1963.

However, employees are given opportunities to express their individual tastes twice a month—on paydays—when they can wear their personal clothing to work.

When an employee leaves the bank's employ, she must turn in her bank-supplied apparel. When new customer-contact employees are hired, they are outfitted immediately if the bank's stock of clothing is adequate; otherwise, the new employee must pass a probation period, after which time she is issued new garments.

Career apparel relieves management of task of maintaining dress regulations; eliminates wearing of mod outfits.

The bank maintains a committee of seven who select garments. The choices are approved by the bank's president.

Guaranty Bank provides nine-piece outfits for employees. Included are a blazer, a vest, pants and a skirt, all in brown, and a similar set of garments in a brown and tan plaid.

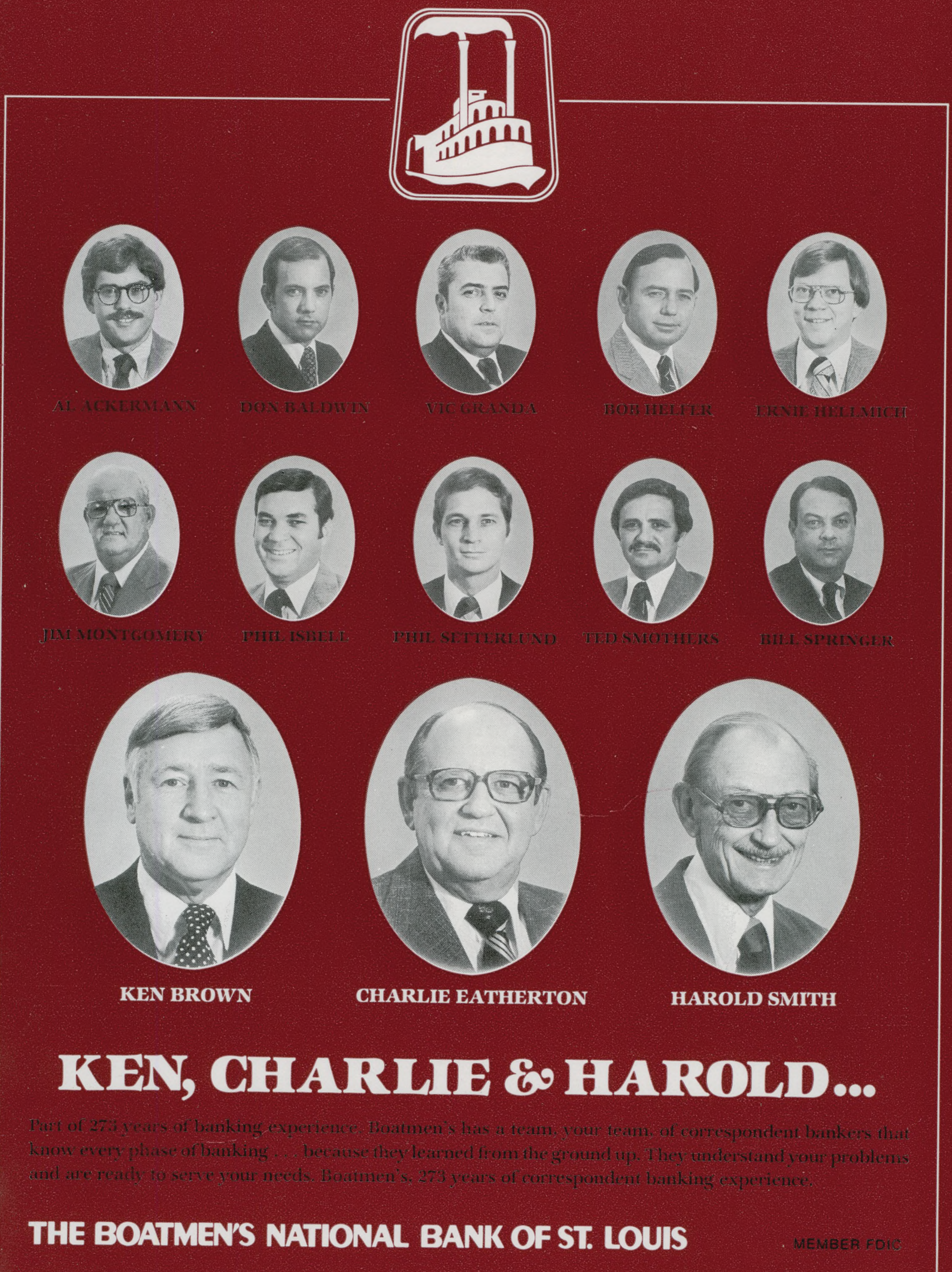
The bank initiated the brown outfits last October and added the plaid garments February 1. On June 1, summer outfits in yellow and white will be worn.

About 165 employees are outfitted and new employees don't receive outfits until they've been on the job 90 days and have been evaluated by the bank's personnel officer as to job performance.

A clothing schedule is prepared monthly and everyone wears the same combination on a given day with the exception of Friday, Mrs. Comeaux says. On that day, they can wear any combination. The schedule was developed at employee request, Mrs. Comeaux adds.

A committee of five makes selections of new garments and additional items are added or replaced every other season.

Guaranty Bank's apparel also was supplied by Creative Image. • •


AL ACKERMANN
DON BALDWIN
VIC GRANDA
BOB HELFER
ERNIE HELLMICH
JIM MONTGOMERY
PHIL ISBELL
PHIL SETTERLUND
TED SMOTHERS
BILL SPRINGER
KEN BROWN
CHARLIE EATHERTON
HAROLD SMITH
KEN, CHARLIE & HAROLD...
Part of 273 years of banking experience. Boatmen's has a team, your team, of correspondent bankers that know every phase of banking . . . because they learned from the ground up. They understand your problems and are ready to serve your needs. Boatmen's, 273 years of correspondent banking experience.
THE BOATMEN'S NATIONAL BANK OF ST. LOUIS
MEMBER FDIC