MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Convention Issue

MAY 1, 1978

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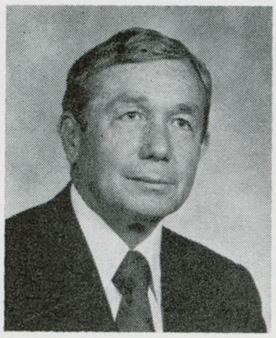

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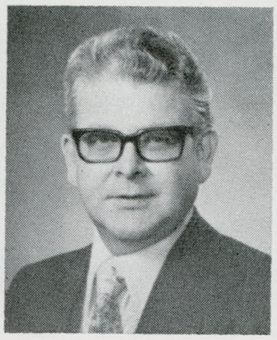

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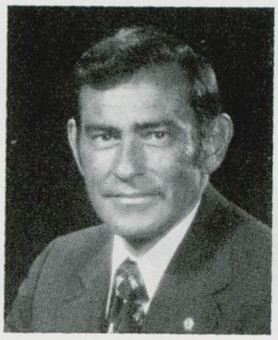

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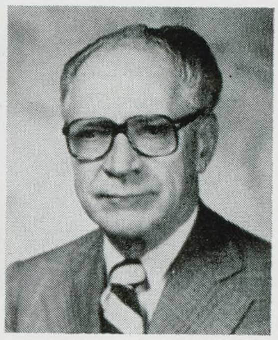

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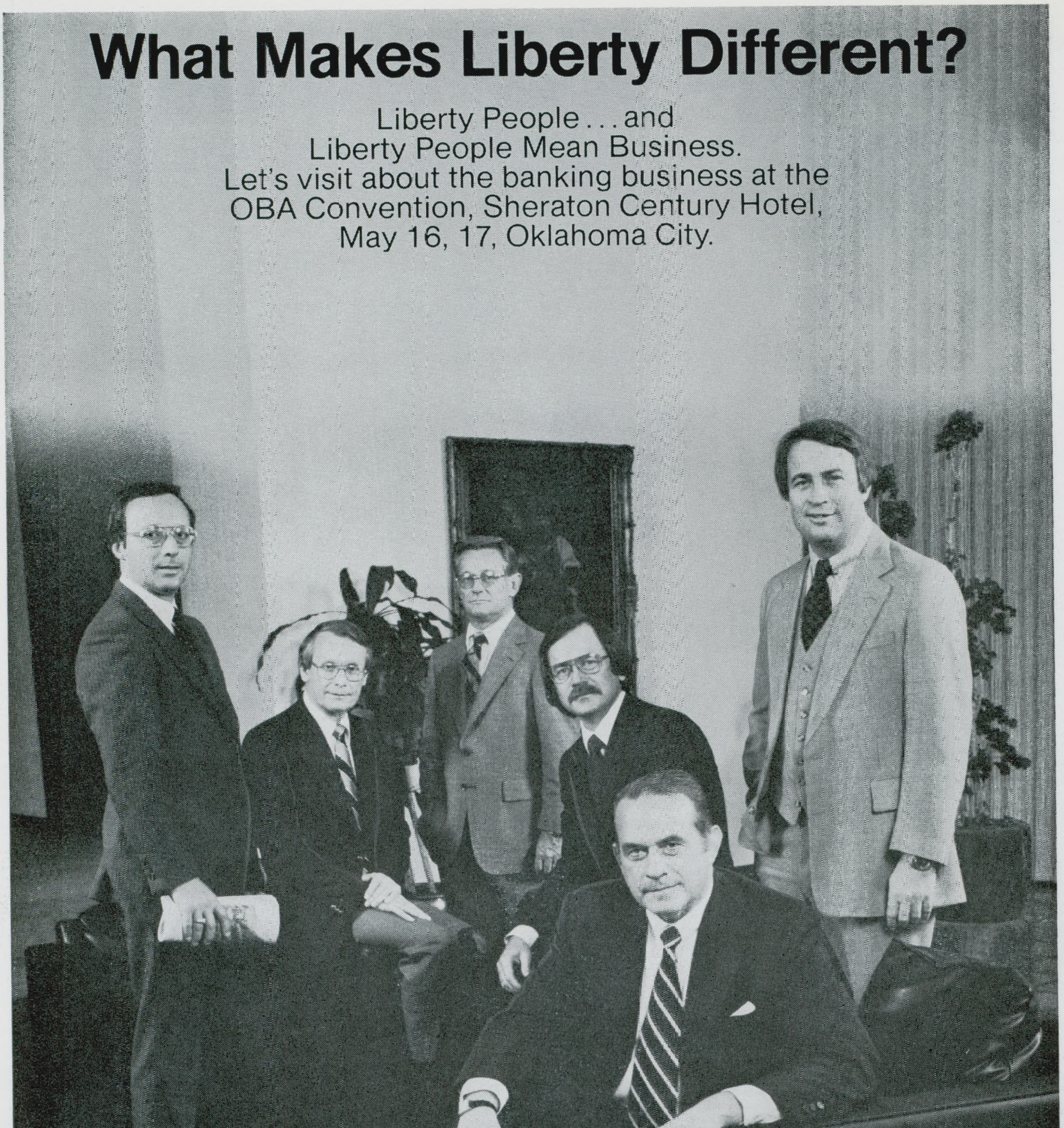

MID-CONTINENT BANKER is published 13 times annually (two issues in May) at 408 Olive, St. Louis, Mo. 63102. May 1, Vol. 74, No. 5.
Second-Class postage paid at Fulton, Mo. Subscription: $11.

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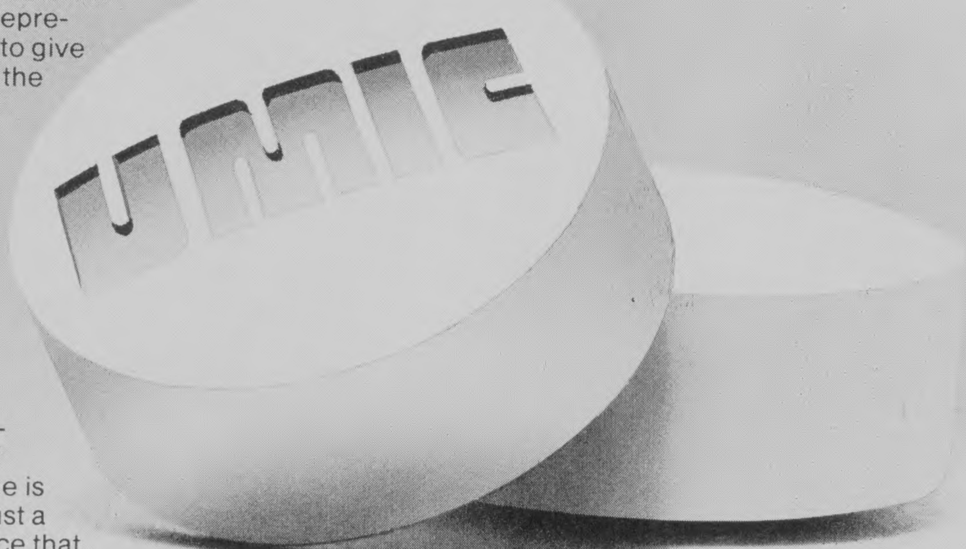

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Convention Calendar

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.

May 16-17: Oklahoma Bankers Association Annual Convention, Oklahoma City, Sheraton Century Center.

May 16-19: Bank Administration Institute Operations Management in Community Banks Short Course, Athens, Ga., University of Georgia.

May 16-19: Bank Administration Institute Estate Taxation Short Course, Park Ridge, Ill.

May 17-18: Bank Administration Institute Bank Security Planning Clinic, Atlanta.

May 18-20: National Association of Bank Women Rocky Mountain/Western Regional Conference, Los Angeles, Century Plaza Hotel.

May 20-24: Mississippi Bankers Association Annual Convention, Biloxi, Broadwater Beach and Biloxi Hilton hotels.

May 21-23: ABA Consumer Compliance Examination Workshop, Washington, D. C., Dulles Marriott.

May 21-24: ABA National Operations and Automation Conference, Atlanta, Peachtree Plaza Hotel.

May 21-24: ABA National Marketing Conference, Anaheim, Calif., Disneyland Hotel.

May 21-27: Independent Bankers Association of America Senior Bank Officer Seminar, Boston, Harvard Business School.

May 24-25: Bank Administration Institute Bank Investigations Seminar, New York City.

May 26-31: American Institute of Banking Annual Convention, Chicago, Palmer House.

May 28-June 2: Bank Marketing Association School of Trust Business Development and Marketing, Boulder, Colo., University of Colorado.

May 28-June 2: Bank Marketing Association Essentials of Bank Marketing Course, Boulder, Colo., University of Colorado.

May 28-June 9: Bank Marketing Association School of Bank Marketing, Boulder, Colo., University of Colorado.

May 30-31: ABA Uniform Accounting Procedure Seminar, Dallas, Airport Marina Hotel.

May 31-June 3: Bank Administration Institute City Conference, New Orleans, Hilton Hotel.

June 4-6: Illinois Bankers Association Annual Convention, Peoria, Hilton Hotel.

June 5-6: ABA Uniform Accounting Procedure Seminar, Chicago, Hyatt Regency O'Hare.

June 6-8: Indiana Bankers Association Annual Convention, Indianapolis, Hyatt Regency Hotel.

June 7-9: National Association of Bank Women Lake/Midwest/North Central Regional Conference, Sioux Falls, S. D., Downtown Holiday Inn.

June 8-10: New Mexico Bankers Association Annual Convention, Albuquerque, Hilton Inn.

June 11-23: ABA Stonier Graduate School of Banking, New Brunswick, N. J., Rutgers University.

June 13-16: Bank Administration Institute Operations Management Core Course (under $75mm), Norman, Okla., University of Oklahoma.

June 21-23: Association of Bank Holding Companies Annual Meeting, Sun Valley, Ida.

June 24-July 1: ABA Essentials of Banking School, Durham, N. C., Duke University.

June 26-30: Bank Administration Institute Labor Relations Seminar, Park Ridge, Ill.

June 26-30: Bank Administration Institute Bank Auditing Core Course (over $75mm), Evanston, Ill., Northwestern University.

July 9-12: ABA I&PD Risk and Insurance Management in Banking Seminar, Springfield, Mass., Springfield Marriott.

July 10: ABA Certified Commercial Lender Examination, Norman, Okla.

MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 74, No. 5 — *May 1, 1978*

FEATURES

DEPARTMENTS

CONVENTIONS

STATE NEWS

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

Subscription rates: Three years $24; two years $18; one year $11. Single copies, $1.50 each. Foreign subscriptions, 50% additional.

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

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By Dr. Lewis E. Davids

Hill Professor of Bank Management,
University of Missouri, Columbia

Unionization Is No 'Free Lunch'

LESS THAN THREE DOZEN banks in the United States have been unionized. However, at least one unionized U. S. bank has more than $4 billion in assets and employs more than 4,000 persons, so unionized American banks represent a fairly wide spectrum of size and location.

Interestingly, some banks reputed to be owned by labor interests aren't unionized! One New York bank, which is controlled by union ownership of its stock, has received publicity about its employees' dissatisfaction with working conditions and remuneration.

For the great bulk of the nearly 15,000 banks in the U. S., unionization appears to be a rather small but murky cloud on the horizon. Additionally, the proportion of the labor force that is unionized today throughout U. S. industry is down fairly significantly from that of a decade ago. Yet, while unionization has declined proportionately in our work force, the jump in union membership in such areas as agriculture (involving migratory farm workers) and in some service industries has been notable.

The small percentage of U. S. banks that have been organized by unions may breed a sense of complacency in your bank.

In general, union activities are more likely to appear in communities in which the predominant industrial base is unionized. However, the remarkable growth of consumer credit unions (some now are over a half-billion dollars in size) provides a "jump-off" base in which the next step tends to be one of spreading from the CU's borrowing and lending functions to one concerning itself with other union activities for the persons within the CU's common bond. And that common bond, not infrequently, is tied to a large company or a broadly interpreted common-bond base. (It may come as a shock to some bankers, but personnel of most of our federal bank regulatory agencies have credit-union accessibility!)

There is a lack of a common or exclusive organizing agency for unionization efforts in banking. For example, the First Bank Independent Employees Association, which unionized Seattle First National, is independent. That organization isn't affiliated with the AFL-CIO or any other national or international union. On the other hand, the Communications Workers Union has organized some banks; the Teamsters Union has organized others, and the Office and Professional Employees International Union has organized perhaps a dozen banks.

With such a small percentage of banks in the U. S. unionized, there may be a feeling of complacency in your bank that your institution will remain unorganized. But read on:

I recently stopped for a bite to eat at a quick-food service franchise, and I overheard some of its teen-age employees discussing their hourly pay. They mentioned that they received time-and-a-half pay for working more than 40 hours weekly and double time for service on holidays. The hourly figures they quoted for their rather unskilled jobs were considerably higher than that for older, entry-level employees in some of the banks in my community!

It's difficult to equate salaries of tellers in, for instance, New York City with salaries paid tellers in a small bank in, say, Mississippi. There also is a temptation for persons to assume that bank salaries in the Northeast and on the West Coast are significantly higher than those paid by institutions in the South.

The error of such an assumption was made clear to me recently when I learned of a union pact reached in a relatively small bank in Louisiana, where tellers reportedly will earn $11,025 annually in their second year of a contract signed with the Office and Professional Employees International Union. Bookkeepers and receptionists at that institution's lowest level will be paid $5.33 an hour, which comes to $9,694 a year at the end of the second year of the contract.

Similarly, secretaries and employees holding similar positions at that bank will be paid $6.06 an hour (more than $11,000 a year)! As is typical in banking, the workweek at that institution is 35 hours, down sharply from the 44-hour workweek that was the rule when I entered banking several decades ago.

In a small bank in rural Louisiana, tellers will earn $11,000 annually in their second year of a union-negotiated contract!

Many state bankers associations conduct periodic salary surveys. In addition, the Bank Administration Institute conducts a comprehensive salary study according to bank size, location and employee job title. If I can take some admittedly less-than-perfect figures from these studies, the current average salary for tellers in the U. S. is about $175 a week. Thus, the figures negotiated for the small bank in Louisiana that I mentioned represent an approximate salary increase of about 10% a year.

However, there's a tendency for most individuals to overlook one significant aspect in this area: cost of fringe benefits in the banking industry. Year after year, the "average" bank has increased

(Continued on page 14)

Let's Talk Selling: What You Don't Know Can Hurt You!

By JOHN R. GINSLER
President
Financial Training Resources
Glen Ellyn, Ill.

FEW BANKS seriously question the need to equip calling officers and other customer-contact personnel with a thorough knowledge of the services and bank capacities they have to sell. Yet, in working with banks of all sizes during the last 17 years, we've observed that the most frequent obstacle to achieving a bank's sales objectives has been the limited services knowledge of its calling personnel.

What a calling officer doesn't know about his bank's services and capacities *can* hurt the business development program in a variety of ways:

• It causes the officer to play the "numbers game"—making calls to meet a call quota, rather than seeking out specific service needs.

• It dilutes the image of professionalism that most banks and bankers want to communicate and that most customers welcome, as the calling officer rationalizes his lack of knowledge with the often-heard defense, "I'm no expert."

• It limits the scope of a bank's selling efforts to what the calling officer knows or to the ability of a few specialists to cover the market.

• It invites competitive selling action as important customer needs go unsatisfied because of the calling officer's limited knowledge.

• It can result in customer turnover and complaints if the calling officer misapplies a service or promises more than a bank is capable of delivering.

• It can seriously limit bottom-line profit performance because revenue-producing opportunities are overlooked, because services are applied in unprofitable situations or when the calling officer is trapped into unnecessary price reductions because he lacks the knowledge needed to support the proposals.

While problems created by lack of services knowledge are all too prevalent, there are two relatively simple steps you can take to avoid and correct them. The starting point for equipping calling officers with the in-depth knowledge needed to communicate services and bank capacities with professional competence is a *services reference manual* that catalogs, organizes and classifies service information for quick and convenient sales-call preparation.

In organizing services information within a services reference manual, most banks use either of two methods for classifying services, or a combination of both:

1. *Market segments*—organizing services according to where they can be applied, such as corporations, retailers and small businesses, government agencies, banks and financial institutions, individuals, etc.

2. *Service functions*—organizing services according to what they're designed to do, such as credit, depository and funds transfer, international, correspondent, data processing and business management, trust and investment, consumer banking, etc.

The most important purpose served by a services reference manual is to supply facts needed to communicate each service in understandable and relevant language. A format for supplying such information should include:

1. *Service identification*—give it a meaningful name tag. Example: "Business Savings Account."

2. *Function and features*—define purpose of service, what it's designed to do, how it works, and list characteristics that distinguish it from competition.

Example: "Provides a convenient and flexible means for earning a good return on funds not immediately needed in business checking account to pay bills, while making funds quickly available when needed in checking. Funds earn 5% annual simple interest from day of deposit to day of withdrawal. Interest is compounded and paid quarterly. Funds can be transferred by telephone or in person from checking to savings and vice versa. Funds can be deposited in any amount up to a maximum of $150,000 and can be withdrawn at any time without earnings penalty."

3. *Customer benefits*—describe need-satisfactions or values that customer can expect to derive from the service by translating it into his terms.

Example: "Keep excess or idle cash working for you earning a good interest return. Save time, effort and expense in managing your funds. Assure quick availability of funds when needed to pay bills. Provide maximum flexibility in investing funds both as to amount and availability without interest penalty."

In addition to these basics, here are some supplemental facts that should be provided about each service to assure appropriate and profitable application:

• *Applications*—types of customers to whom the service is most applicable and precautions as to size or type of use that should be considered.

• *Related services*—other services that can be sold to implement use of the basic service.

• *Pricing*—how the service is priced and guidelines to observe.

• *Sales aids*—literature and visual aids available to help sell the service.

• *Whom to contact*—sources within a bank who can provide added information and backup help.

Many banks avoid developing service reference manuals, because at first glance it appears to be a formidable task. However, here is an approach many of our clients have found to be both simple and economical:

1. *Assign responsibility* to a specific person in the bank for coordinating the manual's development.

2. *Decide on initial services* to be written up. It's best to start with two or three key services that have broad use and then add one or two per month. This makes the preparation job less burdensome.

3. *Delegate write-up responsibility* to the "expert" most familiar with the service. Provide him with a sample format to guide development of information needed to communicate the service effectively.

4. *Edit write-ups* by having a coordinator conform facts supplied by service "expert" to desired format.

5. *Produce and distribute* write-ups on a frequency of one or two per month to avoid overwhelming officers with in-

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formation. Since information is designed for internal use, fancy printing is not needed. An indexed binder should be provided to each calling officer to organize his write-ups for his easy reference.

When nothing is done to implement on-the-job use of the information provided by a services reference manual, it's likely to end up in a desk drawer or the trunk of a car to keep the spare tire from rattling. Consequently, banks that get maximum mileage out of their services reference manuals reinforce them with continuing *services-sales-skill-training meetings* that are conducted on a frequency of every 30 to 60 days and run two to three hours in length.

A typical meeting will include:

1. *Review of service—*
   A. Function and features of service.
   B. How service benefits customer.
   C. Where service can be applied profitably—target prospects, application conditions and precautions.
   D. How service is priced.
2. *How service compares with competition—*
   A. Who competition is.
   B. Strengths of competition and how to neutralize.
   C. Limitations of competition and how to exploit.
3. *How to sell service—*
   A. How to plan selling strategy.
   B. Sales aids available to implement sales call.
   C. How to handle resistance.
   D. Simulated demonstration of how to sell service.
4. *Service-application assignment—*
   A. Select target prospects for service.
   B. Plan and execute sales calls to sell service.
   C. Report on results at future meeting.

In summary, as you develop what you KNOW about your services through a *services reference manual* and add to it the HOW of *services-sales-skill training*, you are able to deliver to your customers the PROFESSIONAL KNOW-HOW they want to satisfy their financial needs. In our next "Let's Talk Selling" article, we'll examine the important role that sales planning plays in achieving productive and profitable results from your selling efforts, including how to set goals that lead to decisive action. • •

No 'Free Lunch'

(Continued from page 10)

the amount of its employee fringe benefits. Currently, the average bank staffer's monetary salary would have to be increased by at least one-third to reveal the cost of his *full* package of salary and perquisites. Conversely, unions *also* negotiate in the area of fringe benefits and perquisites, either in terms of shorter workweeks or more amenities (such as release time for vacation, sick leave and the like). When one-third or more of personnel costs, which represent fringe benefits, are added to the monetary amount of salary for a union-member bank employee, total remuneration for this group of workers takes on a rather awesome magnitude.

Some banks that are controlled by labor interests aren't unionized!

One of the reasons banks have experienced rather modest penetration by unions is that, basically, banks have been considered attractive places to work in terms of physical and social conditions. Such amenities mean a lot to the kind of employee who wishes to enter banking, so banks frequently have been able to thwart unionization attempts by providing their staffs with offers that equal what successful unionization efforts *might* be able to produce. This has been beneficial to administrators of banks in that they don't have to negotiate with an outside labor negotiator. And most bank employees prefer not to pay the periodic union dues and assessments that can, in effect, cut down significantly on total net income.

How can a bank remain non-union? Its administration should adopt a competitive stance, that is, pay salaries that are in line with the salaries prevailing in the community. The fact that a teller in one community 1,000 miles away is paid a salary that is either much higher or much lower than is paid by your bank is a moot question. Fundamentally, it is local supply and demand for various types of labor that will determine how much your bank reasonably can pay for certain skills.

A bank must operate profitably to pay salaries at all. The FDIC operating ratios and statistics on salaries provide an extremely helpful overall range of salary and wage data for your bank to ascertain how it has performed in comparison with the rest of the insured banks in this country. • •

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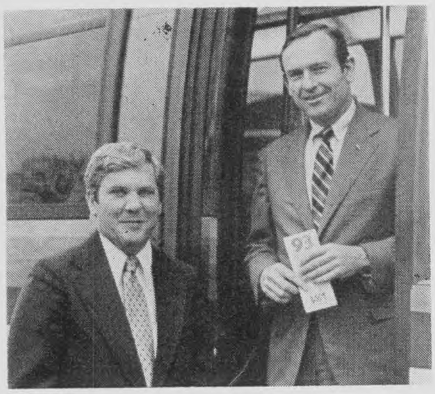


Nat'l Bank of Commerce, San Antonio, Tex., looking for a way to help save fuel and reduce traffic congestion, decided to sponsor a "Ride-the-Bus" program in cooperation with VIA, the city's metropolitan transit system. For one week, the bank paid all employees' bus fares to and from work. Because NBC was the first business leader to support the new VIA system this way, a VIA official said, "Since VIA serves so many major employment centers, this is exactly the kind of community-business support we've been looking for." Pictured are Richard W. Calvert (r.), ch. of NBC, and Tom Fuller, gen'l mgr., VIA, on the steps of one of the city's buses.

Win by Losing:

Pounds Go Off in Contest At Chicago-Area Banks

You should never hear the cry, "Get Out There and Lose!," at a meeting of bank employees, but that was the instruction given last fall to the staffs of three Chicago-area banks. However, what they were being asked to lose were pounds, not business or customers.

It started at Colonial Bank, Chicago, when C. Paul Johnson, chairman and president, became concerned because many of his employees were overweight. He realized, though, that it wouldn't be enough just to suggest that they go on diets. Then, the idea of making losing weight into a competition came to him—a contest not among his own employees, but with one or more other banks. As a result, Mr. Johnson challenged First State, Chicago, and Parkway Bank, Harwood Heights.

Mr. Johnson asked the Diet Workshop to go to the banks and set up weight-loss programs so that employees who entered the contest would learn good nutrition and proper exercises. He did not want anyone going on a crash diet and perhaps injuring his or her health.

Bank employees were weighed at the start of the contest last September. Then, each week, Diet Workshop representatives went to each of the three banks to record employees' weights and find out whether they were losing, gaining or merely holding their own. Workshop staffers also conducted nutrition seminars and taught isometric exercises. Twice a week, the bankers could play racquet ball at a designated place.

Because Colonial Bank has a greater number of employees than either of the other two banks, weight percentage was set as the criterion for winning the competition, not number of pounds.

The program lasted 10 weeks, with the initiating bank, Colonial, coming in third. However, employees there did almost reach their goal of losing a total of 1,000 pounds.

Actually, in a competition like this, everyone who enters and works at losing weight comes out a winner—both in shedding excess poundage and in learning and following nutritious eating habits.

As Mr. Johnson put it, "I was impressed with the diligence of the employees involved to continue with the weight-watching program and the overall results, individually, of the total amount of weight lost and the ongoing disciplines that many of the employees acquired."

Lone Star State Spotlighted:

Story of Texas Is Told In Exhibit at Bank

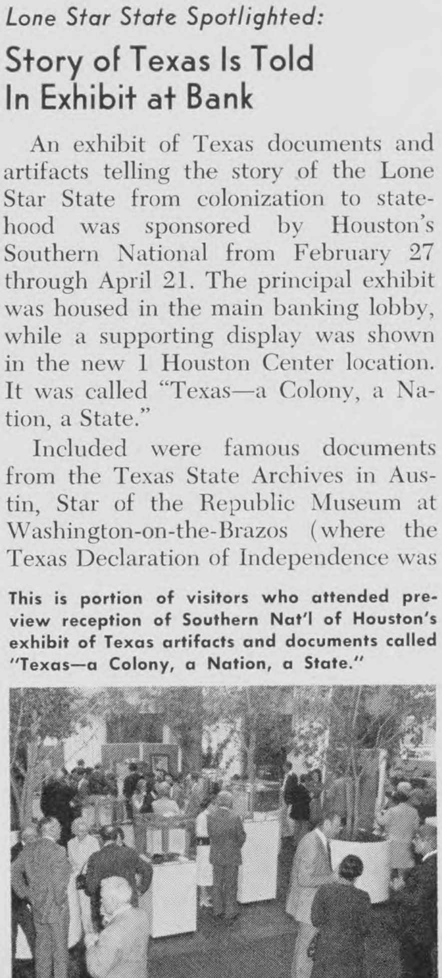
An exhibit of Texas documents and artifacts telling the story of the Lone Star State from colonization to statehood was sponsored by Houston's Southern National from February 27 through April 21. The principal exhibit was housed in the main banking lobby, while a supporting display was shown in the new 1 Houston Center location. It was called "Texas—a Colony, a Nation, a State."

Included were famous documents from the Texas State Archives in Austin, Star of the Republic Museum at Washington-on-the-Brazos (where the Texas Declaration of Independence was signed March 2, 1836) and artifacts from the Sam Houston Memorial Museum at Huntsville and San Jacinto Museum of History near Houston.

According to F. Max Schuette, president/CEO of the bank, much of the archival material had never before been shown to the public. He described it as an "unprecedented collection," which tells of Texas as a colony, its revolution, its 10-year history as a republic among the family of nations and, finally, its voluntarily joining the United States. Mr. Schuette says it never had been assembled together before.

Texas Public School Week coincided with the exhibit's opening, and Southern National invited Houston schools and surrounding suburban schools to send students to view the exhibit.

This is portion of visitors who attended preview reception of Southern Nat'l of Houston's exhibit of Texas artifacts and documents called "Texas—a Colony, a Nation, a State."



Signs of Spring

The coming of spring was heralded March 21 in Pittsburgh with 62,000 daffodils distributed by Equibank to Meals-on-Wheels shut-ins through the bank's 89 community offices and 36 Meals-on-Wheels locations. Shown helping arrange delivery to north side recipients are (l. to r.) Meals-on-Wheels volunteer Helen McBride, Equibank Gateway Community Office Mgr. Richard Gaines and Beth Anne Leone, a nurse and also Miss Hope of Allegheny County. The program supports the American Cancer Society.

$100,000 Gift:

Bank Earmarks Trust Fund For Civic Improvement

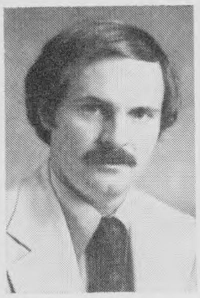
A $100,000 trust fund has been earmarked for the city of Pine Bluff, Ark., by Simmons First National, located in that city.

Announcement of the gift was made by the bank during its 75th anniversary, celebrated recently.

The trust fund will be managed by the bank's trust department for the next 25 years, at which time it will have reached full maturity. On March 23, 2003—the bank's centennial date—the funds will be turned over to the city for a public purpose selected by a board created by the trust agreement.

According to the agreement, the fund is being set up as a gesture of thankfulness and friendship to the residents of the city and county as an expression of the bank's commitment to civic betterment and improvement.

NEWS OF THE BANKING WORLD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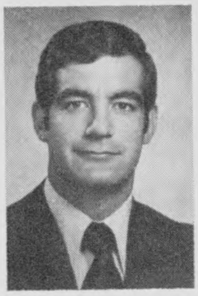
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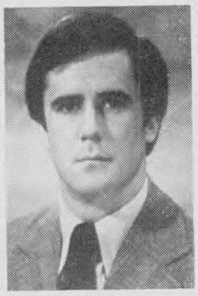
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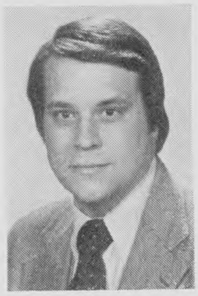

PLANEAUX

• **Michael D. Steinmetz,** who travels in Oklahoma, Texas, New Mexico and the Rocky Mountain states for Kansas City's Commerce Bank, has been elected correspondent banking officer. He joined the bank in 1975 in its training program and was in loan-review administration for Commerce Bancshares before joining the correspondent banking department.

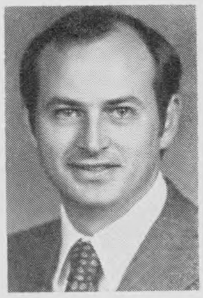
• **William M. Isaac,** vice president, secretary and general counsel, First Kentucky National Corp., Louisville, has been confirmed by the U. S. Senate as a member of the board of the FDIC. His appointment is for six years.

• **Ruth Smith** has been elected president, First State Bank, Kansas City, Kan. She was a founder of Tower State Bank in the same city, which she served as executive vice president and director. She is president, National Association of Bank Women.

• **John F. McGillicuddy,** president, Manufacturers Hanover Trust, New York, has received an achievement award for humanitarianism from the New York Foundling Hospital. The hospital helps families and children through a variety of nonsectarian programs in New York City.

• **Thomas A. Coates Jr.,** commercial banking officer, First National, St. Louis, has joined the staff of the bank's western regional office in Los Angeles. The office serves national corporate customers and correspondent banks in western cities. The office is headed by Todd Parnell, assistant vice president. Mr. Coates joined the bank in 1974 as a credit analyst.


RAINEY


ROBINSON

• **Deane E. Planeaux** has joined Bank Marketing Association, Chicago, as vice president in charge of the chapter services division. He is responsible for liaison, communications, development and programming in support of the 16 chapters of BMA. He was formerly senior vice president and director of marketing, First Bank, South Bend, Ind.

• **Two Mid-Continent-area bankers** have been elected to officer posts in the Dealer Bank Association. They are E. B. Robinson Jr., executive vice president, Deposit Guaranty National, Jackson, Miss.—association vice president; and Robert M. Rainey III, senior vice president, Bank of Oklahoma, Tulsa—association secretary. New president of the association is John R. Vella, senior vice president, Bank of America, San Francisco, and treasurer is G. Edward Means, senior vice president, Bank of California, San Francisco. Among the new directors elected is John A. Taylor, senior vice president, Mercantile National, Dallas.

• **Lee E. Moncrief,** vice president and trust officer, American National, Mobile, Ala., has had his National Graduate Trust School thesis added to the libraries of the ABA and Northwestern University, Evanston, Ill. The title is "The Prudent-Man Rule Before and After ERISA."

"Some people thought we were a little extravagant to remodel our 21-year-old building...until they saw the results."

"The bottom line is where it counts. Our growth since the remodeling of our bank has been very strong."

Richard E. Sitzer, President
Lee Savings Bank
Lee, Massachusetts

"Our present Lee Savings Bank building was constructed in 1954. Its pure classic exterior design is as attractive today as the day it was completed. The interior, however, had become outdated... both aesthetically and functionally.

"That's when we turned to Bank Building Corporation. They probed and analyzed our business to determine our future people, equipment and space requirements.

"The result is an interior that not only beautifully complements our exterior design, but more importantly it accommodates our business development in the future and enhances our bottom line.

"When we decided recently to build a branch in Stockridge, we didn't consider any firm other than Bank Building. When you've got a good thing going, you don't drop it."

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MC-578

Washington Wire

Bankers Should See Labor Reform Act As Threat to Savings Possible With EFT

ATTENTION in Washington has been turning increasingly to the Labor "Reform" Act as the Senate moved last month toward a resolution of the Panama Canal treaties.

The strategy of the ABA and the numerous other business organizations opposing the Labor Reform Act has been not to seek amendments to the bill—a course of action that would suggest that some part of it might be acceptable—but rather to oppose the measure in its entirety. Recognizing that there may not be enough votes to defeat the bill in a showdown, the business community has been encouraging senators to support "extended debate" of the bill since midwinter. If more than 41 senators support extended debate, no final vote on the measure can be taken; in that event, it's believed the Senate leadership eventually would drop consideration of the bill.

At mid-April, organized labor was claiming that it had received enough commitments of votes to be sure that debate could be cut off, forcing a final vote on the bill—which labor believes it would win. Business groups, on the other hand, believed it was possible that opposition forces in the Senate could sustain extended debate of the bill. As of this writing, a sufficient number of senators remained uncommitted to make either forecast credible.

The ABA has been active in its opposition to the Labor Reform Act because the measure would destroy the present balance of national labor laws—laws which, on the whole, have adequately protected the rights of both labor and management. A system that has permitted the highest level of labor-management stability in any Western nation—and under which American workers have achieved the highest pay, the most individual rights and the best working conditions in the world—should not be altered radically. Yet that is exactly what the Labor Reform Act would do.

In presentations to business and public-interest groups, supporters of the bill claim it would merely make a few technical changes in present labor law to eliminate what they admit are rare occasions of employer abuse of worker rights.

But that is not the way they see it when they talk among themselves. In private, they describe the measure as a sweeping set of changes that would make it far easier for unions to organize new industries and gain new members.

That has special meaning for bankers. The AFL-CIO's Alan Kistler wrote recently: "Banking may be as well organized in the future as construction is today. We are on the verge of great growth." In the context of the Labor Reform Act, Mr. Kistler's words have an especially chilling significance.

Among other things, the bill would:

- Require union elections within 21 days after a union files for an election in most circumstances, even though some 70% of all elections are now held within 45 days after a union files for an election. The purpose seems to be to prevent management from having enough time to present its arguments to employees.
- Require the National Labor Relations Board (NLRB) to issue rules inflexibly defining appropriate bargaining units for entire industries. In the case of banking, this would not allow the NLRB to take into account differences in corporate structure or implications of branching laws. What is an appropriate bargaining unit at one bank clearly may not be appropriate at another.
- Require management to allow union organizers to meet with employees on company time and in company facilities if management holds meetings with employees during working hours in the work place.

Bankers' reasons for opposing such drastic and largely unjustified changes in federal labor laws go beyond narrow considerations. As far as banking is concerned, this bill would damage the public interest.

Banking is on the verge of a technological breakthrough—electronic funds transfers—that could provide dramatic savings in labor costs that could and should be passed on in large part to customers. Past history strongly indicates that organized labor would resist with all its power any effort to introduce new labor-saving technology into banking.

The ultimate weapon of organized labor is the strike. Unions could well call city-wide, region-wide or even statewide strikes against the banking industry. Our nation's entire payments system—which ultimately is the mechanism that permits the economy to oper-

(Continued on page 68)

This column was prepared by the Public Relations Division of the American Bankers Association, Washington, D. C.

Privacy Proposals Studied For ABA by Private Firm; All Sized Banks Included

WASHINGTON, D. C.—The ABA has begun a major research project to determine the impact of recommendations put forth by the Privacy Protection Study Commission.

Purpose of the commission's recommendations is to ensure that financial institutions maintain limited, accurate, personal information files and that only customers be allowed easy access to their files with the obvious exception of legitimate credit agencies and law-enforcement organizations.

A bill (H.R. 8281) to amend the Fair Credit Reporting Act, containing the commission's recommendations, was introduced last year by Representative Barry M. Goldwater Jr. (R.,Calif.) and then Congressman and now New York City Mayor Edward Koch.

The study was begun in late April by the independent accounting firm of Touche Ross & Co. and will be completed in about 22 weeks. The study will examine the effects of proposed recommendations on banks of all sizes.

In announcing the study, J. W. McLean, chairman of the ABA's special committee on the right of privacy (which is directing the study), said that banks have been and shall continue to be this nation's staunchest advocates of their customers' right of privacy. Mr. McLean is chairman, Liberty National, Oklahoma City.

"It is our wish," said Mr. McLean, "to obtain objective estimates of the impact these recommendations will have on customer convenience and bank costs.

"We also will assess whether the commission's recommendations are justified by any appreciable increase in the security of our customers' information."

'Helpful Hints for Handy Home Owners' Used by Bank to Promote Fix-it Loans

HELP FOR THE do-it-yourself home improver has been provided by the people at Union Bank, Grand Rapids, Mich., in the form of a new guide entitled "Half a Hundred Helpful Hints for Handy Home Owners."

Available free, the new booklet contains 50 tips, dos and don'ts for any do-it-yourselfer, along with explanatory drawings, diagrams, cutaway views and charts that are designed to make the contents easy to understand.

The booklet is a project the bank and its advertising agency have been working on for months, collecting facts, figures and sources of information for home owners.

The Grand Rapids market is known as a home owners' market, according to Mike Brady, assistant vice president and director of marketing at the bank. Years ago the city was referred to as the "city of homes" and today apartments and condominiums are still fewer and less popular than in other areas, he says. This creates a market of home owners who are potential home improvers.

He says bank management felt the home-improvement-tips booklet would be an effective means to reach potential borrowers—not to mention filling in an information gap.

Mr. Brady says the project grew out of the trend toward great numbers of home owners doing their own home-improvement projects, primarily for economic reasons.

"We've found that more and more people are adding rooms, finishing basements and remodeling," he says. "They are making their homes more energy-efficient in various ways as a response to the energy problem. In many cases, a home-improvement project takes the place of moving because fixing up the present home costs less than building or buying a new one."

Mr. Brady adds that the new booklet fills a customer need. "We felt there was a need for a common source of information—one that would give the customer several basic ideas, and tell him where to get more," he says. Most do-it-yourselfers ask around at lumber yards and hardware stores, look for easy instruction booklets or perhaps visit their public libraries. If they have enough money, they can call in a contractor. This booklet gives information, tells where to get it and even gives some advice on dealing with a contractor," he continued.

However, he cautions, the booklet is not intended to be the last word on any project. As the title says, its purpose is to provide some helpful hints.

For example, hint number 49 lists a number of books and other information sources any home owner considering a major project should consult. The booklet, besides giving information such as "How to give your furnace a breath of fresh air" and "How to stop heat loss and burglars, too," includes pertinent financial information.

Several hints explain the details of various financing arrangements available. Another gives ball-park figures on costs of popular projects, such as adding a fireplace or an extra bath.

Hint number 46 promotes the bank's "Home Improvement Phloan"— its new loan-by-phone service. Hint number 40 promotes the use of Ready Money (check credit service) to finance home improvement projects. And, finally, hint number 50 carries the headline: "Tell us what you need"—the bank's advertising slogan since early 1977.

Hint number one, "Know your house by name—inside and out" is a glossary of more than 80 terms and definitions, with explanatory drawings, of everything from "anchor bolts" to "nosing" and "wet wall."

The booklet is being promoted with commercials on radio and in small-space newspaper ads. Each ad presents just one hint title with its huge number as an attention-getting graphic; radio commercials are delivered live by a popular area announcer in an easy-going, informative style.

The booklet made its initial appearance just in time for the annual spring home-improvement season. • •

Publication Calls Attention To New Debt-Collection Law

Bankers recently were reminded by Insured Credit Services, Chicago, of a new debt-collection law that became effective March 20. In an issue of the firm's monthly publication, *Modernization Topics,* ICS said that the law "sets certain standards of which your people should be aware, even though the law may not apply to your institution." Among the law's provisions, according to ICS, are:

The collector may not contact the borrower at an "inconvenient" time or place unless the borrower agrees to it. Between 8 a.m. and 9 p.m. is considered "convenient."

If the collector knows the borrower has engaged a lawyer, he must deal with the lawyer, not the borrower, unless the lawyer refuses to talk to the collector.

The collector may not call on the borrower at his job if the borrower's employer prohibits such communication.

The collector may not "engage in any conduct, the natural consequence of which is to harass, oppress or abuse any person in connection with the collection of a debt."

The collector must tell the borrower the amount of the debt, name of the person to whom the debt is owed and that the debt amount will be assumed to be correct unless the borrower informs the collector otherwise within 30 days.

Bank Sets Up Financing Program For Buying Works of Art

NEW YORK CITY—Making art buying easier for the general public is the goal of a new retail-financing agreement between Manufacturers Hanover Trust and Wally Findlay Galleries, Inc.

The agreement, essentially similar to any standard retail installment plan, calls for MHT to buy a customer's retail installment contract from Findlay and to perform all billing and credit-investigation services.

The agreement covers sales only at the Findlay gallery at 17 East 57th Street here. The firm also has galleries in Chicago, Beverly Hills, Calif., Palm Beach, Fla., and Paris, with affiliate galleries in Japan. It specializes in impressionist and post-impressionist masters in the higher dollar units and also exclusively represents the contemporary works of more than 40 European and American artists.

According to the gallery's director, the program will make it easier for customers who want to buy more than one painting at a time to do so.

Regulatory News

Regulators Issue Fact Sheets For New Collection Act

The Fed, FDIC and Comptroller have issued fact sheets and sets of questions and answers relating to the new Fair Debt Collection Practices Act. The sheet describes the responsibilities of banks under the act.

The act, which became effective March 20, makes abusive and deceptive debt collection practices illegal for all individuals or businesses defined by the act as debt collectors. Generally, a debt collector is anyone who regularly collects or tries to collect—directly or indirectly—consumer debt for someone else.

Any consumer who believes a bank has violated the act in attempting to collect a debt from the consumer can lodge a complaint with the nearest federal regulator and a follow-up will be made by the agency.

Regulators are instructing their examiners to watch for any evidence of violations of the act.

Seasonal Adjustment Techniques To Be Reviewed by Committee

The Fed has formed a committee to review the seasonal adjustment techniques used to adjust financial data.

The committee is examining the applicability of seasonal adjustment techniques to financial data, with a view to recommending the most appropriate methods to be used. Special concern is being given to seasonal adjustment of weekly and monthly series for the monetary aggregates, their components and related bank reserve and credit flows.

The committee is assessing the usefulness of various seasonal adjustment techniques, including those presently employed by the Fed, as well as reasonable alternatives, in light of the following: the high degree of volatility of many weekly, monthly and even quarterly financial series; the impact of monetary policy decisions on series, such as the money supply, that are closely related to policy; the stability (or lack thereof) of the underlying seasonal movement and the ability of seasonal adjustment methods to develop reasonably reliable seasonal factors for a year ahead; and the desirability of mutually consistent behavior for related seasonally adjusted series, such as bank reserves, deposits and credit.

Head of the committee is Geoffrey H. Moore of the National Bureau of Economic Research, New York City.

Economic Indicators Printed In New Fed Publication

"Central Mississippi Valley Economic Indicators" is the title of a new quarterly publication on regional economic conditions published by the St. Louis Fed.

The publication will carry numerous categories of statistical information, including department store sales, new passenger car registrations, average hourly earnings, employment-by-industry, prices received by farmers, electric power consumption, value of construction contracts let and Fed-member bank loans and deposits.

Single copy subscriptions are available without charge from the Research Department, Federal Reserve Bank of St. Louis, P.O. Box 442, St. Louis, MO 63166.

Regulation B Amended by Fed To Clarify 'Adverse Action'

The Fed has amended Regulation B (equal credit opportunity) to specify what constitutes adverse action in a credit transaction at the point of sale.

The amendment deals chiefly with credit card transactions and became effective in mid-March. It states that a refusal or failure to authorize a transaction at the point of sale is an adverse action if:

- The terms of an account are changed at the point of sale unfavorably to the customer (for instance, refusal to authorize credit because the credit limit has been lowered by the creditor).
- A creditor terminates an account at the point of sale.
- A creditor denies an application, made in accordance with the creditor's procedures at the point of sale, to increase the credit limit of an account.

Regulation B provides that adverse action in a credit transaction must be followed by written notification to the consumer of the reason for refusal of credit, or notice to the consumer of the right to receive such an explanation.

Income Up, Loan Losses Down Says National Bank Survey

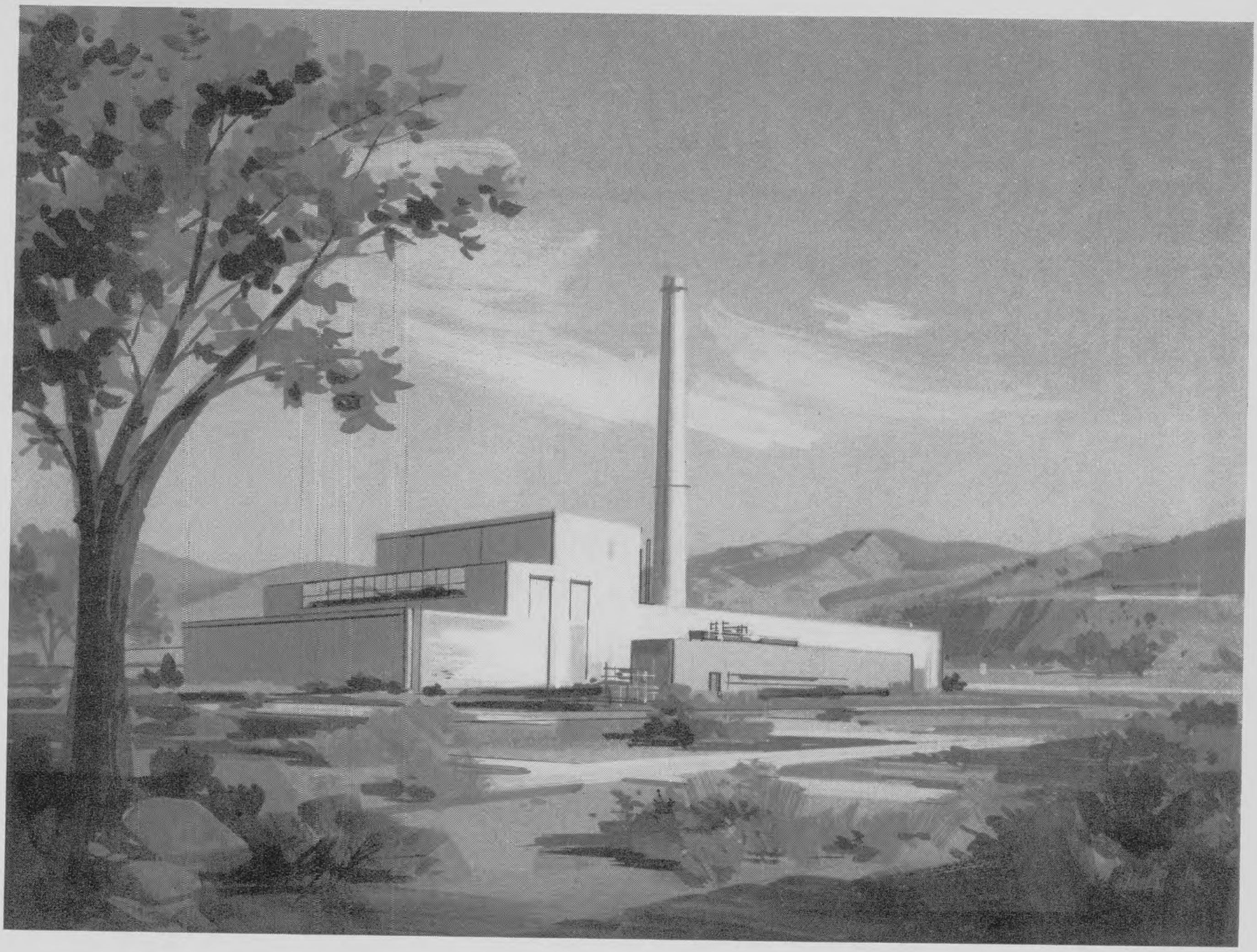
National bank assets and income rose significantly in 1977, while loan losses and past-due loan ratios both declined, according to John G. Heimann, Comptroller of the Currency.

The findings were revealed in an analysis by the National Bank Surveillance System (NBSS) of the Comptroller. The system uses a computerized data base to detect performance indicators of the approximately 4,700 national banks.

"The improved earnings and reduced loan charge-offs in 1977 attest to continued bank recovery from the difficulties of the mid-70s—a period marked by several large bank failures and problems for the industry as a whole," Mr. Heimann said.

He also expressed concern that asset growth was outpacing capital growth, which is seen as a reversal of a recent trend of capital growth rates exceeding those of assets.

The 1977 asset growth rate exceeded the capital growth rate by the widest margin since 1973. In 1975 and 1976 the capital growth rate actually exceeded the asset growth rate. The percentage of total capital to total assets was 6.03 at year-end 1977, down from 6.25 in 1976.



How to increase yields on Farmers Home Administration guaranteed loans.

The once little known opportunities for increasing liquidity and yield with Farmers Home Administration guaranteed loans are now becoming better known to rural banks.

The new Farmers Home Business and Industry Loan Guarantee Program is easy to understand and apply today.

For example, if a bank makes a Farmers Home Administration guaranteed loan to an eligible borrower in a rural area, it can sell the guaranteed portion to a secondary lender through First Pennco. This permits the primary lender to increase liquidity and boost yield. If your loan to the borrower is at 10% and you sell the guaranteed portion to First Pennco at a yield of 9¼%, you earn the difference, which gives you an effective yield of 16%.

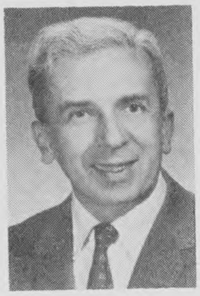
For full details on the many advantages of the Farmers Home secondary market, please write or phone John Loofbourrow, Everett Cook, or Bernhard Hubert at First Pennco Securities, Inc., (800) 221-3267.

First Pennco Securities, Inc.

100 Wall Street, New York, N.Y. 10005

Corporate News Roundup

LaHUE



MILLER

• **LeFebure Corp.** George X. Miller has been named chief operating officer at LeFebure Corp., Cedar Rapids, Ia., in addition to his post of executive vice president. Mr. Miller now is responsible for all operating functions at LeFebure.

• **Salem China Co.** Ralph F. LaHue has been named national sales manager, financial division, Salem China Co., Salem, O. He formerly was national sales manager, financial promotions division, Sperry & Hutchinson Co., New York City. Before that, Mr. LaHue had 12 years' experience with Corning Glassware, Corning, N. Y.

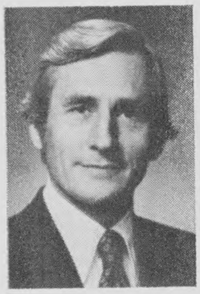
• **Mosler Safe Co.** Robert F. Murphy has been made president, Mosler Safe Co., Hamilton, O., as part of his new assignment as senior vice president, security systems/graphics group, American-Standard, Mosler's parent company. Mr. Murphy was senior vice president, Addressograph-Multigraph Corp., Cleveland.

MURPHY

MURRAY

Another new Mosler staffer is Francis (Frank) B. Murray, who has been named vice president/operations, security and transactions systems division. He reports to Mr. Murphy. Mr. Murray formerly was with the Arrow Hart division, Crouse-Hinds, Syracuse, N. Y., where he was vice president/general manager.

• **Doane Agricultural Service, Inc.** Ron L. Gorden has joined the Memphis office of Doane Agricultural Service, Inc., St. Louis, as regional marketing manager, farm and ranch management division. In this post, he is responsible for the division's overall marketing efforts in the eastern and southern sections of the country. Mr. Gorden formerly was president/general manager, Ram Screen Printing & Graphics, a Memphis art service firm. For four years before that, he was advertising manager, Stax Records, Inc., also in Memphis.

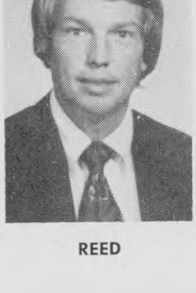


LAMMERS

WALKER

• **Fletcher/Mayo/Associates, Inc.** Henry P. Lammers has joined this St. Joseph, Mo.-based marketing communications agency as senior vice president/corporate development, a newly created post. He was vice president/marketing, First Midwest Bancorp., Inc., St. Joseph. In his new post, Mr. Lammers has broad management duties, with specific emphasis on new-business development, branch-office operations, new ventures and short- and long-term planning.

• **Matterhorn Bank Programs.** Harry C. Walker has joined Matterhorn Bank Programs, Randallstown, Md., and works on acquisition of new business and servicing existing accounts. He formerly was assistant vice president, Maryland National, Baltimore. Matterhorn writes vendors single-interest insurance coverage.



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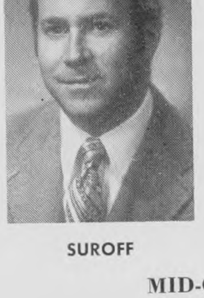

SUROFF

• **Bank Building Corp.** Victor Suroff has been named group business director for Bank Building Corp.'s corporate headquarters in St. Louis. Before joining the firm, he was manager, cost and program analysis, Olin Corp., East Alton, Ill.

• **UMIC, Inc.** This Memphis-based investments firm has formed a subsidiary called UMIC Government Securities Corp., with H. John Reed, UMIC senior vice president, as manager. For the past two years, he has had charge of the GNMA sales department at UMIC. The new firm handles all of UMIC's government securities and mortgage-related securities activities. Mr. Reed went to UMIC in 1975.

In other action, UMIC named Garland E. Clyce manager, underwriting department. His new duties also include sales and coverage of institutional accounts. Mr. Clyce, a vice president of UMIC, joined the firm last October. He formerly was with Bache, Halsey, Stuart, Shields & Co., Chicago, and Morgan Keegan & Co. and A. S. Hart & Co., both of Memphis.

KOONTZ

ROBINSON

WEARSTLER

• **Diebold, Inc.** Raymond C. Koontz was elected chairman, Diebold, Inc., Canton, O., last month, succeeding the retiring Daniel Maggin. Mr. Koontz remains CEO. Frank D. Robinson succeeds Mr. Koontz as president. Earl F. Wearstler was made executive vice president.

The NOW Account: Lessons for Today

This article, the first of two parts, is based on remarks given by Mr. Furash at the Missouri Bankers Association's Bank Management Conference.

By EDWARD E. FURASH
Senior Vice President
Shawmut Corp.
Boston

SINCE 1972, the bankers of Massachusetts and New Hampshire and, in subsequent years, all of New England, have had the exquisitely painful privilege of being the national laboratory for testing whether banks can survive paying interest on demand deposits.

Whether you like the idea of paying interest on demand deposits or not, I'm going to assure you that, unless deliberately confused or deterred by bank promotional strategies, consumers understand, like and want NOW accounts. To the consumer, the NOW account is simply an interest-paying checking account. It is a rose by another name, which, once recognized, smells very good to them.

The NOW account was born in June, 1972, and by September, 1977, there were more than 1.3 million of them in Massachusetts, accounting for more than $1.8 billion in deposits. To give a benchmark of market penetration, we estimate that there are about 1.8 million banking households in Massachusetts. NOW accounts currently hold better than 60% of total consumer NOW + DDA balances, up from 7% in December, 1973, when only mutual savings banks could offer them. The growth rate of NOW accounts has followed the classic product adoption "S" curve, showing a decelerating compound rate of growth from 10% monthly to 8% monthly, to a current 4%-or-less monthly rate.

The NOW account is already the main consumer transaction banking service in Massachusetts and our projections show that its dominance will be overwhelming by the end of 1978, when product maturity will set in. Some consumer checking accounts will remain, but they will be few and far between, held by rugged Yankee individualists or people who have just arrived from Mars.

Based on the New England experience, I can assure you that the NOW account will be an almost overwhelming threat to bank profitability, both for thrift institutions and commercial banks. Right now, it's still the banks that are picking up the tab for NOW accounts—not the borrowers or the users. During 1975 and 1976, Massachusetts commercial bank net income remained stable at $96 million in 1975 and $94 million in 1976. At the same time we estimate that NOW accounts costs went from $16 million to $35 million—from 17% of net income in 1975 to 37% of net income in 1976.

The 1976 Federal Reserve Functional Cost Analysis Data indicate that small banks in New England offering NOW accounts found them unprofitable at the low service charge or no minimum balance levels common at that time. Banks under $50 million in size were losing 90¢ per month on the typical NOW account with an average balance of $1,870. Banks between $50 million and $200 million made about 13¢ per month at an average account size of $3,007. And banks over $200 million in size were making about 10¢ (a thin dime) per month on an average account size at the $3,135 level.

Like the proverbial mating of porcupines, survival is dependent on very careful advance planning. The lesson from New England is that *profitable* survival is dependent on a bank using pricing to shape its customer mix and profitability by deciding that every customer will pay his own way through fees, minimum balances or multiple service use. This philosophy, when coupled with careful attention to asset yield, spread management and operating cost control, is the only way to limit the inherent profit drain of paying interest on previously low-cost funds. There is ample evidence in the New England experiment to demonstrate that consumers will accept reasonable fees for services received in the NOW environment. Success lies in getting them to understand that banking is a service of value and that they are better off in receiving explicit interest on the money they leave with you while paying an explicit price for the banking service they receive.

I'm telling you that there *is* life after death! The question is not whether there will be life, but what will it be like? And the answer lies in each bank's ability to cope rationally with the earnings problem to come if NOW accounts are authorized nationwide.

Let's look in greater detail at some of the lessons in how to survive profitably that have emerged from the New England experiment.

Lesson 1: Market segmentation and selectivity are a must if a bank wants NOW accounts to be profitable. This means you must know your costs, your customer mix (by deposit source, account size, profitability, multiple product use, etc.), and your funds management needs in setting your pricing. NOW's are *not* a typical new banking service to be used as an across-the-board market-share weapon. They can be a selective market-share strategy opportunity, but profitability depends on marketing them as a device to change your customer mix and thereby to improve or hold profitability. You will have to decide who you do and don't want as customers, why and what price you will charge them. You will have to decide today what you want your customer mix and profitability to look like tomorrow.

Lesson 2: *Pricing* is the key to accomplishing this goal. The New England experience shows that pricing affects account size and profitability—with higher prices bringing larger, more profitable accounts and lower prices bringing large numbers of low-balance accounts.

For example, as of the end of last September, thrift institutions in Massachusetts had 65% of the 1.3 million NOW accounts. At the same time, commercial banks held 57% of the $1.8 billion in NOW account balances.

I can offer several explanations. First, commercial banks still hold a preponderant "share of mind" insofar as the way certain consumers think about checking accounts.

Second, commercial bank pricing has encouraged consumer pooling of funds, as the following differences in September, 1977, average account size show:

Commercial Banks	**$2,242**
Mutual Savings Banks	**925**
Savings & Loans/Cooperatives	**877**

". . . consumers understand, like and want NOW accounts."

Third, commercial banks have been willing to convert their best, high-balance customers rather than see them walk out the door.

But the major factor in this market split has been pricing. As of last September, 60% of the mutual savings banks and 75% of the S&Ls or cooperative banks offered free, no-charge NOW accounts. Only 17% of commercial banks were doing this. These pricing policy differences have induced a shift in "mass" and "class" markets between financial institutions—with the "mass" market going to the thrifts and the "class" markets going to the commercial banks.

This shift is demonstrated not only by the massive differences in average account size I've already discussed, but by data which shows an immense customer churn in the marketplace. Banks in Massachusetts are reporting that as many as 60% of all new NOW accounts are being opened by *new* customers. The range for all institutions ran between 45% and 60% in the third quarter of 1977.

Thus pricing differences are generating significant changes in individual bank customer mixes through customer choice and self-selection.

The lesson is that pricing is the tool to use to change your customer mix, and that the NOW account should be used as an opportunity to make your customer mix more profitable, not as a way to gain market share.

Lesson 3: The key to making such pricing stick is to market the NOW account as a "value transaction" with the consumer. New England has been a laboratory, not only for the NOW account, but also for banking's ability to set prices on the basis of service value rather than cost—to price according to the consumer's perceived value of the product, not solely the bank's cost to produce it. Such pricing is essential to insuring NOW account profitability.

To survive profitably, banks must adopt a philosophy of "value transactions" in banking and recognize that price merchandising alone does not build customer loyalty or a sense of worth for what is received. Your customers must feel that doing business with you is a two-way street—that they get value from you for what they pay to you.

The New England experiment shows that when you're paying explicit inter-

(Continued on page 54)

Need Shave, Haircut, Maybe Some Money? Go to Bank/Barber Shop in Rural Iowa

Where can you get a shave, haircut, a check cashed and a loan made all in the same place? A unique barbering and banking combination located in St. Lucas, Ia., at the branch of First National, West Union, Ia., that's where. And the barber is 87-year-old John Mihm, a well-liked and respected resident of St. Lucas.

Mr. Mihm has been barbering at this location ever since he bought the building when a bank located there went defunct during the depression. The former bank building served as his barber shop over the next 40 years until First National of West Union bought the building in recent months from Mr. Mihm. First National then gave Mr. Mihm a lifetime lease for $1 on a space in the bank for his barber shop. During the years Mr. Mihm owned the building, he stored gum and candy in the old vault for the local drugstore and cashed checks for local residents.

With a bank as background, barber John C. Mihm plies his trade. Not only do Mr. Mihm and St. Lucas Branch of First Nat'l, West Union, Ia., operate side by side, but customer in barber chair is bank pres., Robert J. Ralston.

When First National took over the building, it was decided to remodel the interior and Bank Building Corp. was asked to handle the job. Bank Building decided to retain the '30s look of the interior by keeping many of the original fixtures, including brass chandeliers, a quarry tile floor and a pressed-metal ceiling. On the exterior, the existing red brick was kept and awnings, wrought-iron railings and handrails were added, along with a new wooden sign.

Remodeling of the one-story building now is complete. Therefore, whether someone needs a haircut or a banking service, he can find either at the St. Lucas Branch of First National, West Union.

Consumer Regulations—

Bankers Voice Objections: 'Too Many Amendments,' 'Can Be Misinterpreted'

By ROSEMARY McKELVEY
Editor

BANKERS, of course, want to be law abiding and certainly believe in treating customers fairly. They do object, though, to the large amount of paperwork and expense caused by enactment of so-called consumer regulations during the past decade. In addition, they cite the danger of misinterpreting the regulations and, as a result, being in violation of the laws. They also decry the numerous amendments that flow from Washington.

Such objections were voiced in a survey made by MID-CONTINENT BANKER of some small banks in the publication's 13-state area. These banks had undergone the new consumer-compliance examination instituted in 1976 by the three federal regulatory agencies—the Fed, FDIC and Comptroller. This exam's objective is to determine whether banks are obeying the consumer regulations.

These regulations had their beginning in 1968 with enactment by Congress of the Consumer Credit Protection Act (CCPA), which became effective July 1, 1969. Incorporated into this law are five major pieces of legislation, each of which is known separately by its descriptive title. They are:

• *Truth-in-Lending* (TIL). Title I, Chapters 1-3. Truth-in-Lending was the only matter considered when the CCPA was enacted.

• *Fair-Credit-Billing Act* (FCBA). Title I, Chapter 4. The act became effective October 28, 1975, and amended Title I.

• *Consumer-Leasing Act of 1976*. Title I, Chapter 5. Its effective date was March 23, 1977, and it amends Title I.

All three acts are implemented by the Fed's Regulation Z.

• *Fair-Credit-Reporting Act* (FCRA). Title VI of the CCPA. There are no specific implementing regulations.

• *Equal-Credit-Opportunity Act* (ECOA). Title VII of the CCPA. Its effective date was October 28, 1975. Most amendments to ECOA have an effective date of March 23, 1976. The act is implemented by the Fed's Regulation B.

In addition to these CCPA regulations, there are:

• *Real-Estate-Settlement-Procedures Act* (RESPA), implemented by the Fed's Regulation X.

• *Fair-Housing Act*, a section of Title VIII of the Civil Rights Act of 1968.

• *Home-Mortgage-Disclosure Act*, implemented by the Fed's Regulation C.

Banks answering MID-CONTINENT BANKER's survey pointed to Regulations Z and B as most difficult to comply with.

Dick Kerr, compliance officer of the \$16.7-million Kewanee (Ill.) National, said Regulation Z is difficult because of having to calculate annual percentage rates and disclosing points on the disclosure statement. He believes the regulation should allow wider calculation leeway.

A Mississippi banker gave misinterpretation as his reason for choosing Regulation Z as the hardest one to comply with. What does he suggest to eliminate this problem? "Using plain English and not amending every day." This officer of a \$20-million bank said it took an untold number of manhours to bring his bank into compliance with the consumer regulations and added that the cost in dollars was too much to estimate.

An officer of another Mississippi bank ($16.9 million in assets) suggested eliminating the regulations as the way to make them less troublesome. It's doubtful that his idea will become a reality.

A Louisiana banker at a $20-million institution listed Regulations Z and B as the most troublesome because, he said, they have too many components. He suggested streamlining them.

Regulation B also was cited by an officer at an $18-million Missouri bank as the most difficult to comply with because, as he put it, it "has too many details and is nit-picking."

A Tennessee banker at a $17-million institution focused on Regulation B because of the time needed to comply with it. He suggested that it be discontinued.

Banks answering the survey indicated these exams took anywhere from three days to a week; some of them were done at the same time as the regular examinations, and the others were done separately. It is up to the regulator involved whether the consumer-compliance exam is done along with the regular exam or separately. For instance, the Kansas City Fed conducts the new exam at the same time as and as a part of the regular exam. On the other hand, at South Side National, St. Louis, examiners from the Comptroller's office conducted the new exam not only at the same time as they did the regular exam, but two consumer-compliance examiners then spent an extra two weeks at the bank.

South Side National was one of the first banks to be given the consumer-compliance examination, which had been instituted in 1976 by the three federal agencies. The new exam was begun at South Side National beginning around March 1, 1977, and, as stated above, was conducted for four weeks along with the regular exam, then by itself for another two weeks. Walter C. Hammermeister, senior vice president/cashier, told MID-CONTINENT BANKER that the exam was not as difficult to undergo as he had feared. He pointed out that it was made easier because of two reasons: The $103-million bank's records are computerized, and thus information requested by examiners could be found and pulled faster than if it had to be produced manually. Secondly, the Comptroller provides what he calls a "request letter" to banks with $500,000 or more in total assets about a month before an exam is scheduled. This is done, says John W. Rogers, deputy regional administrator, 10th National Bank Region, to facilitate the gathering of documents to be reviewed.

A sample copy of the request letter used by examiners in the 10th National Bank Region tells bankers the consumer-compliance exam will look at randomly selected loan and deposit accounts, internal controls within a bank relating to consumer affairs "and such other items considered necessary to determine the level of compliance with consumer laws and regulations attained by your bank."

According to this letter, examiners will draw samples of randomly selected accounts from loans made in a recent period. The letter advises the banker addressed to determine the most efficient manner in which the examiner may isolate all loans made since a certain specified date, in compatibility with that bank's present method of maintaining installment/real estate, credit card, consumer leases, check-credit and commercial-loan accounts.

The letter also makes suggestions on how to do this both via computer and manually. The letter specifically requests that information be prepared on the following:

1. The bank's written loan policy.
2. Manuals used to train lending officers.
3. Appraisal manuals used by internal appraisers.
4. Minutes of board meetings and identification of any meetings where compliance with consumer laws was addressed or resolutions concerning same were adopted (specifically, identify any recent changes in assessment provisions, obsolete applications or other forms used and policy changes occurring in the last 24 months).
5. Rate books used to calculate loan disclosures.
6. Home-mortgage-disclosure data and PHC (1) maps.
7. All advertising for the previous two years.
8. A copy of all blank forms used by the bank including: applications, notes, disclosure statements, good-faith estimates, uniform-settlement statements, special information booklet, fair-credit-billing notice, scoring systems or internal credit-review sheets, loan-guarantee forms, credit-history-for-married-persons notice, security agreements, borrower's financial statements, standard-reject letters, notifications, ECOA notices, dealer agreements and rescission-rights forms.
9. Copies of recent internal auditor's reports.
10. Copies of recent independent auditor's reports.
11. An opinion from bank counsel detailing the status of any pending litigation involving alleged noncompliance with consumer-affairs laws.
12. Other applicable items (e.g., identification and description of wholly owned subsidiaries or other operating units engaged in leasing or real-estate-mortgage-lending activities).

Sent with this letter is a form the recipient bank is to fill out indicating the officer designated to enforce compliance with consumer-affairs laws and the name of an executive officer the examiner should contact initially on commencing the exam. The form must be returned promptly.

The letter advises banks that findings of consumer-affairs exams will be embodied in separate exam reports.

South Side National's Mr. Hammermeister said the examiners went into

(Continued on page 51)

Internal-Controls Questionnaire

In the accompanying article, Wilbur T. Billington, senior vice president, Kansas City Fed, says consumer-affairs exams cover several banking areas, including internal controls. The *Comptroller's Handbook for Consumer Examinations* contains the following internal-controls questionnaire:

1. Has the board of directors adopted written policies and procedures concerning consumer laws and regulations?
2. Have consumer policies and procedures been implemented, and are they effective?
3. Do the policies and procedures provide for proper training and dissemination of information?
4. Has management designated a bank officer to be responsible for compliance with consumer laws and regulations?
5. Has management designated a bank officer or employee to handle consumer complaints and resolve disputes?
6. Do the persons responsible for ensuring compliance with consumer laws and the handling of consumer complaints have sufficient knowledge to perform their work effectively?
7. Does the bank monitor complaints to discover areas that require attention?
8. Do the bank's auditors, as a routine audit procedure, check for: Compliance with specific laws, rules and regulations? Staff's knowledge of regulations? Indications of discriminatory practices?

Special Loan Survey: What Did It Reveal? FDIC Chairman Gives His Evaluation

WHEN Bert Lance, then budget director, testified last summer that he regularly overdrew his bank accounts by thousands of dollars and that he borrowed funds from banks at which his bank kept sizable deposits, he defended such practices as common in banking.

Senator William Proxmire (D.,Wis.), chairman of the Senate Banking Committee, before which Mr. Lance testified, wanted to find out whether Mr. Lance's statement was factual. Last August 31, he wrote FDIC Chairman George A. LeMaistre asking him to have the FDIC, the Fed and the Comptroller survey all insured commercial banks. The agencies did so, and the survey had four parts: 1. Bank and bank HC stock loans. 2. Loans to insiders of other banks. 3. Loans to insiders of reporting banks. 4. Overdrafts.

Data reported in the survey cover 14,137 of the 14,436 banks in operation September 30, 1977. The current data file includes 99.5% of banks with more than $300 million in assets, 97.4% with $100 million-$300 million in assets and 97.9% with less than $100 million in assets. Of the 299 banks not included in the current data file, 70 failed to respond to the survey, and the remaining 229 were still undergoing editing at the time the results were being announced.

On March 16 of this year, Mr. LeMaistre went before the Senate Banking Committee to report on the survey and also to describe what his agency plans to do as a follow-up to the survey.

In sumarizing some of the survey's highlights, Chairman LeMaistre pointed out that only 902 insured commercial banks—6.4% of all reporting banks—had loans secured by bank stock on their books as of last September 30. A smaller percentage (4.2%) of insured nonmember banks reported bank-stock loans. According to Mr. LeMaistre, the survey revealed that bank-stock lending is concentrated principally in unit-banking states in the southwestern and central regions of the country. He told the senators this is consistent with legitimate and understandable motives for borrowing to buy bank stock. Unit-banking states, he continued, generally are characterized by a relatively large number of small banks.

"The ability to borrow against bank stock, with the stock serving as collateral, facilitates acquisition of an equity interest in local banks by small investors," said the FDIC chairman. "Thus, the vehicle of bank-stock lending helps preserve smaller, locally owned, independent institutions and thereby prevents further concentration of banking resources. In addition, by providing a source of liquidity to stockholders in small banks, bank-stock loans more readily facilitate changes in ownership to bring new management to banks when necessary."

He admitted that such loans also pose a potential for mischief and insider abuse. Such abuse, he said, is most commonly associated with bank-stock loans involving use of correspondent balances to compensate the correspondent bank for a loan extended on preferential terms to an insider of the depositing bank and which results in an economic detriment to that bank. He pointed out that to determine whether widespread abuses currently exist in bank-stock lending, it's necessary to examine all lending terms of stock loans in each time period. Comparisons between interest rates charged on loans and average prime rate during the year of the loan origination provide some indication of the magnitude of preferential treatment extended to insiders of other banks in connection with bank-stock loans.

According to Mr. LeMaistre, the survey showed that, since 1969, 7.4% of reported stock loans were made below the average prime rate. Moreover, since 1975, when most of these loans were made, the proportion was 1.9%.

Mr. LeMaistre said the survey also showed that when a bank has a correspondent relationship with an institution whose stock is pledged by the borrower, the loan's average size is larger,

FDIC Proposes Amendments to Insider Regulations

Last fall, the FDIC, Fed and Comptroller made a survey of: 1. Bank and bank HC stock loans. 2. Loans to insiders of other banks. 3. Loans to insiders of reporting banks. 4. Overdrafts.

On January 30, 1978, the FDIC proposed amendments to its regulations dealing with insider transactions. Included are these amendments:

1. Specify that an insider transaction is an unsafe or unsound practice if it is preferential and results in, or is likely to result in, loan losses, excessive cost, undue risk or other economic detriment to the bank. Clarify that the FDIC will take appropriate supervisory action against a bank whose insider transactions are found to be unsafe or unsound and that technical compliance with the regulation's requirements would not be a basis for justifying an otherwise unsafe or unsound insider transaction.

2. Require each insider to report in writing to the bank's board all extensions of credit that are (a) made by a financial institution with which the bank maintains a correspondent account and (b) made for the purpose of enabling the insider to buy, carry or own a beneficial interest in securities issued by the bank, its HC or any other insured bank or HC. The bank's board would have to review—at least annually—all correspondent accounts with other financial institutions to ensure that these accounts are fair and in the bank's best interests.

3. Expand the definition of "person related to an insider" and substantially revise the definition of "business transactions."

4. Require the bank's board to review and approve insider transactions, when practical, prior to consummation of the transaction. In any case, review and approval would be required no later than the next regularly scheduled board meeting following consummation of the transaction.

and the interest rate charged is somewhat lower than when no correspondent relationship exists. However, he went on, it isn't possible to conclude whether there are abuses of correspondent relationships without examining other information, such as the timing of the establishment of the correspondent relationship and whether the amount of correspondent balances held is commensurate with the services provided. However, he said, on balance, the survey data don't indicate that such abuses as may exist in bank-stock lending are widespread in banking.

Mr. LeMaistre then referred to testimony given before the same committee last September 26, when he commented on the extent of abuses relating to bank-stock loans in insured nonmember banks. His remarks at that time were based on a sample investigation of examination reports and a survey of banks under examination at that time.

"What is apparent to me is that the volume of overdrafts is greater than I would have expected."—George A. LeMaistre

"Because," he said, "we found that only six banks out of 303, or 2%, demonstrated preferential practices involving correspondent balances, I concluded that such abuses may be an isolated phenomenon. The data from this larger, more complete survey reveal that 10% of bank-stock loans of nonmember institutions made to insiders of other banks were made at interest rates clearly below the average prime rate during the period of loan origination. Loans making up this 10% were extended both with *and* without a correspondent relationship. This additional evidence seems to support my earlier conclusion that correspondent abuses associated with bank-stock lending, although perhaps greater than I suspected earlier, are not prevalent among insured nonmember banks."

Mr. LeMaistre warned that abuses related to correspondent relationships are not limited to those abuses arising out of bank-stock lending. The survey data, he said, provide some evidence of a link between insider lending to general and correspondent banking; that is, a pattern of systematically lower interest rates prevails on loans to insiders of other banks when the other bank has a correspondent relationship with the lending bank. This pattern, he believes, holds true for state member, national and state nonmember banks.

Chairman LeMaistre told the committee that most of the fixed-rate loans to insiders of other banks with rates below the average prime rate were made during periods characterized by tight money and rapidly changing interest rates (1970, '73, '74 and the first half of 1975). Under conditions of great uncertainty, such as occurred during these periods, it might not have been unreasonable to make short-term loans at rates below prime to individuals with whom the lending bank has had business dealings for a long time, said Mr. LeMaistre. Nevertheless, special circumstances still would have to be demonstrated to satisfy him that preferential treatment did not exist in such cases. He added that state nonmember banks charged higher rates (both fixed and floating rates) on loans to insiders over the survey's time period than the national average as reported in the survey, and this was true regardless of whether correspondent balances were maintained at the lending institution.

Overall, Mr. LeMaistre found that the survey tables provide interesting and relevant, although incomplete, information on insider lending.

Because of special caveats mentioned in the joint-agency report, Mr. LeMaistre pointed out that information in the portion of the survey dealing with overdrafts is not as revealing as that on bank-stock loans.

"What is apparent to me," he said, "is that the volume of overdrafts is greater than I would have expected. Banks reported a daily average of two million overdrafts amounting to a daily average of approximately $1.9 billion. Based on 1976 estimates of the number and dollar volume of checks debited to accounts of individuals and businesses, overdrafts represented 2% of the number, but 13% of the dollar volume of daily checks. . . ."

Mr. LeMaistre then mentioned some reasons why these figures may not reflect fairly the actual extent of overdrafts. He referred again to his testimony before the committee last September, when he reported that of the 189 nonmember banks examined during the week beginning last September 12, about 64% recorded overdrafts of insiders during the 90-day period preceding the examination date. By comparison, in the survey under discussion, about 44% of the 8,580 state nonmember banks reported overdrafts over $500, including 2,706 banks (31%) with overdrafts of their own insiders, 368 (4%) with overdrafts of insiders of other banks and 735 (9%) with overdrafts of public officials. According to Mr. LeMaistre, the larger overall percentage of banks in the 189 sample of state nonmember banks reporting overdrafts occurred because overdrafts of under $500 were included. Nevertheless, he continued, percentages of nonmember banks reporting overdrafts of insiders of other banks and public officials were about the same in both surveys.

Overall, Mr. LeMaistre found that the survey tables provide interesting and relevant, although incomplete information on insider lending.

Although overdrafts are permitted by a large percentage of banks, he said, abuse or violations of law are not widespread. In the FDIC's review of overdraft practices from a survey of 261 bank examination reports conducted last fall, the agency discovered that examiners criticize about 3% of all insured state nonmember banks for bank insider-overdraft abuses. Furthermore, he continued, the agency noted that most overdrafts are not criticized because insiders' accounts are seldom overdrawn for more than a few days, and overdrafts occur infrequently. Overdrafts that are substantial or persist over time are criticized in the examination report as a matter of course.

The FDIC chairman told the committee it's not possible to compare the size, duration and frequency of overdrafts on an individual basis from data reported in the survey tables. For this reason, he is skeptical about how meaningful data are in the table showing a substantial number of banks with large, free overdrafts of insiders in addressing the question of overdraft abuses. Similarly, the table that appears to show a policy of leniency with regard to waiving fees and charges to insiders on their overdrafts doesn't take account of the relationship between size and frequency of overdrafts for each person

Allan Sproul Dies at 82

Allan Sproul, former president, Federal Reserve Bank of New York and retired director, Wells Fargo & Co. and Kaiser Aluminum & Chemical Corp., died last month at his home in Kentfield, Calif. He was 82.

He joined the San Francisco Fed in 1920 as head of the division of analysis and research and moved to the New York Fed in 1930 as assistant deputy governor and secretary. He was named president and CEO in 1941. He was also vice chairman of the Fed's Federal Open Market Committee from 1941 to his retirement in 1956. He was an economic consultant to the board of Wells Fargo at the time of his death.

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and the fee policy imposed. However, no real sense of the extent of potential abuses relating to overdrafts is possible, said Mr. LeMaistre, without comparing bank overdraft policies for insiders and others. Such an inquiry extends beyond the scope of the special survey. He added that these and other matters related to the survey will be explored by examiners, and examination procedures and reports will be reviewed in light of the survey to determine what changes should be made.

According to the FDIC chairman, the issue of what constitutes abuse by insiders of their relationship with their financial institution evokes some disagreement. He described his own view and the predominant one at the FDIC as being that insider conduct is abuse and constitutes an unsafe or unsound banking practice when an insider obtains a benefit that is not available to a non-insider otherwise similarly situated and that results in an economic detriment to the bank. Where a bank's board tolerates abusive conduct, firm supervisory action unquestionably should be taken.

According to the FDIC chairman, what constitutes abuse by insiders of their relationship with their financial institution evokes some disagreement.

Follow-up Procedures. Next, Chairman LeMaistre outlined some steps the FDIC has taken—and anticipates taking—to follow up on possible abusive practices indicated by the survey data.

As a first step, the corporation, in conjunction with the Comptroller and the Fed, undertook a telephone survey of those banks that reported large overdrafts. This was done because of information gaps on overdrafts in the survey as indicated in the joint-agency-staff report.

Originally, it was planned to contact all banks that reported overdrafts of $50,000 and above. However, because of time constraints, the phone calls actually made were limited to banks reporting overdrafts of $100,000 or more. Of the 191 banks reporting such overdrafts, 130 were contacted.

Overall, results of the telephone follow-up show that 103 of the 130 banks should not have been included in the overdraft survey, largely because of reporting errors or because the overdrafts reported were not overdrafts, in Mr. LeMaistre's judgment.

Of the 130 banks contacted, 38 either had no exposure because the overdraft was covered in a timely fashion or because the bank was never obligated to pay the overdraft. Mr. LeMaistre said it should be kept in mind that in virtually every state, banks by statute, clearinghouse rule or agreement have a certain period of time to return or dishonor a demand item without incurring a legal obligation to pay it. In 20 of the 38 banks, facts ascertained from the telephone survey indicated that overdrafts reported were covered within the generally accepted time frame in which the bank could have returned the item. This time frame usually is referred to as the "midnight deadline." Thus, the 20 banks apparently were never legally obligated to pay the overdrafts reported. In any event, even if they could be considered overdrafts, in all 20 cases they were outstanding only one day.

Of the remaining 18 banks, overdrafts in eight were covered by timely transfers from other bank accounts in the reporting bank, but were reported as overdrafts because of delays in posting the deposit to the customers' checking accounts; overdrafts in eight were the result of delays in disbursing loan proceeds of a prior-approved loan to the customer's checking account, and overdrafts in two resulted from computer error, which had the effect of not posting the deposit to the proper account in a timely manner.

Another 65 of the 130 banks erro-

(Continued on page 44)

Survey Costs Agencies $850,000; Banks Spend Estimated $3 Million

THE SURVEY made last fall by the FDIC, Fed and Comptroller and discussed by FDIC Chairman George A. LeMaistre beginning on page 33 cost the three agencies over $850,000. More than half this amount was out-of-pocket expenditures for data processing, telephones, printing and postage. The remaining expenses were primarily for personnel. According to the FDIC, based on a sample of banks that agency called, banks spent an estimated $3 million on the survey.

The survey was undertaken at the request of Senator William Proxmire (D.,Wis.), chairman, Senate Banking Committee, and was sent to all insured commercial banks. The survey was focused on: 1. Bank and bank HC stock loans. 2. Loans to insiders of other banks. 3. Loans to insiders of reporting banks. 4. Overdrafts.

By late September, a preliminary survey form was developed. However, as a result of further Senate Banking Committee requests made during the September oversight hearings, considerable additional work had to be done on the survey. The final draft was submitted to the Senate committee October 17. A few minor changes were made, and final forms were sent to the printer. Distribution to the banks began October 28 and was completed in a week. Toll-free phones were set up at the FDIC's Washington office to help bankers with the survey.

Despite the careful scrutiny given the survey forms, severe problems developed, according to the FDIC. This was because of the pressure to distribute the forms quickly, leaving no time for customary field testing of the forms. Many bankers misinterpreted questions on Schedules II, III and IV of the survey. The FDIC sent follow-up letters to all insured commercial banks on November 29, alerting them to the difficulties.

Subsequently, it was determined that the only way to ensure good-quality data was to telephone each bank where errors were suspected. After key punching and editing of the data were substantially completed, the telephoning began. About 10,000 banks were contacted by a team of 30 examiners and financial analysts supplied by the three agencies.

As a result of these efforts, several sets of tables summarizing survey results were transmitted to the Senate Banking Committee in the two weeks preceding March 16. Although, says the FDIC, data contained in these tables reflect efforts to obtain the highest possible degree of accuracy, the editing process was difficult because reported data could not be verified easily or quickly in terms of individual bank records. Because of time constraints, the editing process concentrated on major problem areas and didn't address systematically a variety of possible problems. • •

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Credit Exposures Bankers May Be Overlooking

By CARL W. KLEMME
Executive Vice President
Morgan Guaranty Trust Co.
New York City

OPERATING PRACTICES that create credit exposures may not always be uppermost in the minds of those who have credit responsibility. However, the subject of overlooked credit exposures is extremely important.

For convenience, I would like to separate this subject of exposure into two categories—that created by day-to-day operations and that created by agreements for the sharing of liability.

At the heart of the first category is giving to others use of funds that have not yet been collected and that may not always become collected. The most obvious example is check float, but others include security drafts; coupon, bond and note collections; depository transfer checks and drawdowns by wire.

In many cases, we create this exposure through our zeal to compete with one another in providing ever more efficient cash-management services to our corporate and commercial customers. As long as no one gets into serious difficulty—in other words, as long as our experience is good—we applaud ourselves for having developed a useful service and we proceed to sell it to an enlarged—and often less creditworthy—customer base.

However, trouble can arise quickly, not only if one of our customers becomes shaky, but also if our collecting agent or his customer runs into difficulty. This can become an even greater problem if the collecting agent was selected at our discretion, as opposed to being chosen by our customer, because that puts the burden on us to prove we were not negligent in making the choice we did.

Let me cite several examples to illustrate these points. A few years ago, we were drafting securities for a broker to a commercial bank that proceeded to fail. Although we were advancing the proceeds to the broker and charging him interest, the arrangement was clear in that we were acting purely as his agent and that all credits were subject to final payment.

At the time of the bank's failure, we charged the amounts in question to the broker's account and, in conjunction with the broker, attempted to have the underlying securities returned. In this case, their return proved difficult because many of the purchases were apparently for the bank's own account and the FDIC had a great deal of unraveling to do before it would relinquish possession.

Unfortunately, the broker in question also failed and his customer—who suffered a substantial market loss on the securities while they were tied up—thinks he has a cause of action against us, which we, of course, deny.

My point is that we were no more than the broker's agent, had no discretion regarding collecting the drafts and retained a security interest pending receipt of final payment.

What would be your bank's position in a similar situation?

In another case, we were drawing and collecting depository transfer checks for a corporation. These represented drawdowns of branch deposits consisting of checks received in payment for sales of merchandise and these DTCs were credited to the corporation's account with us in accordance with normal *availability* schedules.

When the corporation got into difficulty, some of the purchasers began to stop payment on their checks. The depository banks, being uncertain that their deposits were good and not wishing to run the risk of overdrafts, began to return our DTCs because of insufficient funds.

Fortunately, we saw the problem in its early stages, and with the corporation's concurrence, credited the DTCs to a special account. The funds were transferred to the regular disbursement account only after we had reasonable assurance that they were good—in other words, according to their collectibility as opposed to availability.

My point is that we had extremely close coordination between the banking officers, our operations people and our lawyers and avoided becoming an even larger general creditor. But whether or not the bank draws the depository transfer checks, it's useful to look differently on deposits that represent the customer's drawdowns from the way we look on those made up of third-party checks. Third-party checks represent the obligations of many different individuals or firms and are unlikely to be returned unpaid in significant number or accounts. Drawdowns depend on the creditworthiness of a single organization, are usually under the control of a single individual and thus are much more susceptible to maneuvers made in desperation for whatever reason.

In other words, it pays to be especially watchful over all types of drawdowns.

Questions: To what extent does your bank review the credit standing of its DTC customers? How quickly do your banking officers inform your operations officer of potential problems? Does your operations officer have an awareness of what creates credit exposure? Is he alert to changes in the pattern of activity that runs over an account that may be a tip-off to an

This article is based on remarks Mr. Klemme gave at a recent seminar for members of the Association of Reserve City Bankers. Mr. Klemme heads his bank's operations division, which includes nearly half of the bank's more than 9,000 employees and is responsible for all operational aspects of both domestic and international banking. Mr. Klemme joined the bank in 1950, served in the general banking division and later in the trusts and investments division before being transferred to operations in 1966. He became head of the division in 1972, the same year he was named executive vice president.

emerging credit problem?

Check float is an obvious source of exposure, and I'm sure your bank has special computer programs designed to detect kiting. We do also, but, as might be expected, because of the nature of our business, this is of relatively less concern.

On the other hand, money transfers are a major concern. On an average day last December, we made about 7,400 wire and book transfers and debited our customers' accounts $18.5 billion, or about six times our average net demand deposits. This figure doesn't include debits for many other kinds of transactions.

In a perfect world, from our viewpoint, all incoming funds would be received before noon each day and we would have the afternoon to check balances and process outgoing transfers. But that, obviously, isn't the case.

We're guided by operating lines that are reviewed annually, and payments that exceed those lines are made only after being authorized by banking officers with appropriate lending powers, as are actual book overdrafts the following day on an after-the-fact basis. This isn't perfect, but it does place the responsibility where it best belongs and has the additional benefit of keeping banking officers informed about the transactions of their customers.

Perhaps money transfers aren't a problem in your bank, but it might be a subject well worth keeping in mind, especially when your internal systems are being revised. In other words, I suggest that you satisfy yourself that adequate procedures are provided for monitoring the flow of funds through accounts and for referring exception items for special review.

Errors and their correction deserve to be mentioned as well. It's the practice among most banks to make one another "whole" for availability lost because of a payment error.

Until last fall, this was done, at least in New York, by "swaps"—that is, exchanging an official check, representing clearinghouse funds, for a Fed funds check or a Fed wire transfer. For example, a $1-million transfer executed 10 days late would result in a $10-million swap. A $10-million transfer delayed 10 days would result in a swap of $100 million.

This method has great operational convenience because it was easy to do, tended to require little documentation and—in many banks—received minimal scrutiny. In fact, one might say it was sloppy.

It was also dangerous, because exposure was rarely considered. I know of one bank that, as a result of such a swap, held a cashier's check of Franklin National for tens of millions of dollars over a weekend shortly before that bank closed its doors.

The practice has been virtually stopped in New York and adjustments for interest lost are made by separate checks for the amount of the interest, which, at least in our case, require special authorization and which leave a much better trail for auditing and error-analysis purposes.

In addition, it eliminates the exposure.

However, the former practice continues on a reduced scale with out-of-town banks through the medium of free sales of Fed funds, which we also hope can be stopped and replaced by a uniform set of procedures.

Do you know what's done in your banks—or by your Edge Act subsidiaries?

A further word about errors. A late payment to a good customer, or one that can't be properly applied because of incorrect or incomplete information, often results in a makeup of lost interest at some current market rate.

That causes me no trouble. What I do worry about are other kinds of damage the customer alleges he has suffered. What if the market for Treasury bills went against him while he didn't have the use of the incoming funds? Do you reimburse him for his investment loss? What about a rapid change in foreign exchange rates? Do you cover a conversion loss? Or, to take an extreme example—suppose a payment is delayed and isn't credited to a shipowner on the specified date, which, under the terms of his charter, allows him to cancel.

There was a time not too long ago when millions of dollars could have been at stake because of a tight market in charters. How would you have responded to a demand for restitution?

However, can you be certain your position wouldn't have been compromised by having honored previous claims for so-called consequential damages, even if in small amounts, by the same or other customers? To maintain with appropriate fervor that you are not responsible for consequential damages is one thing; to be certain that exceptions aren't made, and precedents not set that could have serious implications, may be another.

Let me mention several other potential pitfalls:

• When you agree to honor checks signed with a facsimile signature, does your customer adequately protect you against improper use of, or forgery of, the signature plate? If not, you may well find yourself suffering the consequences of laxity on his part for his failure to safeguard the plate properly.

• When delivering securities or other negotiable instruments against a window receipt, with payment to be received later, do you limit the total value that can be left with the receiving party at any one time? Is it clear that the receiving party holds those instruments in trust for your bank until final payment is received? In this connection, you might wish to review practices that exist at overseas locations where you have branches.

• Do the agreements and terms and conditions that give you the right to charge back checks under certain cir-

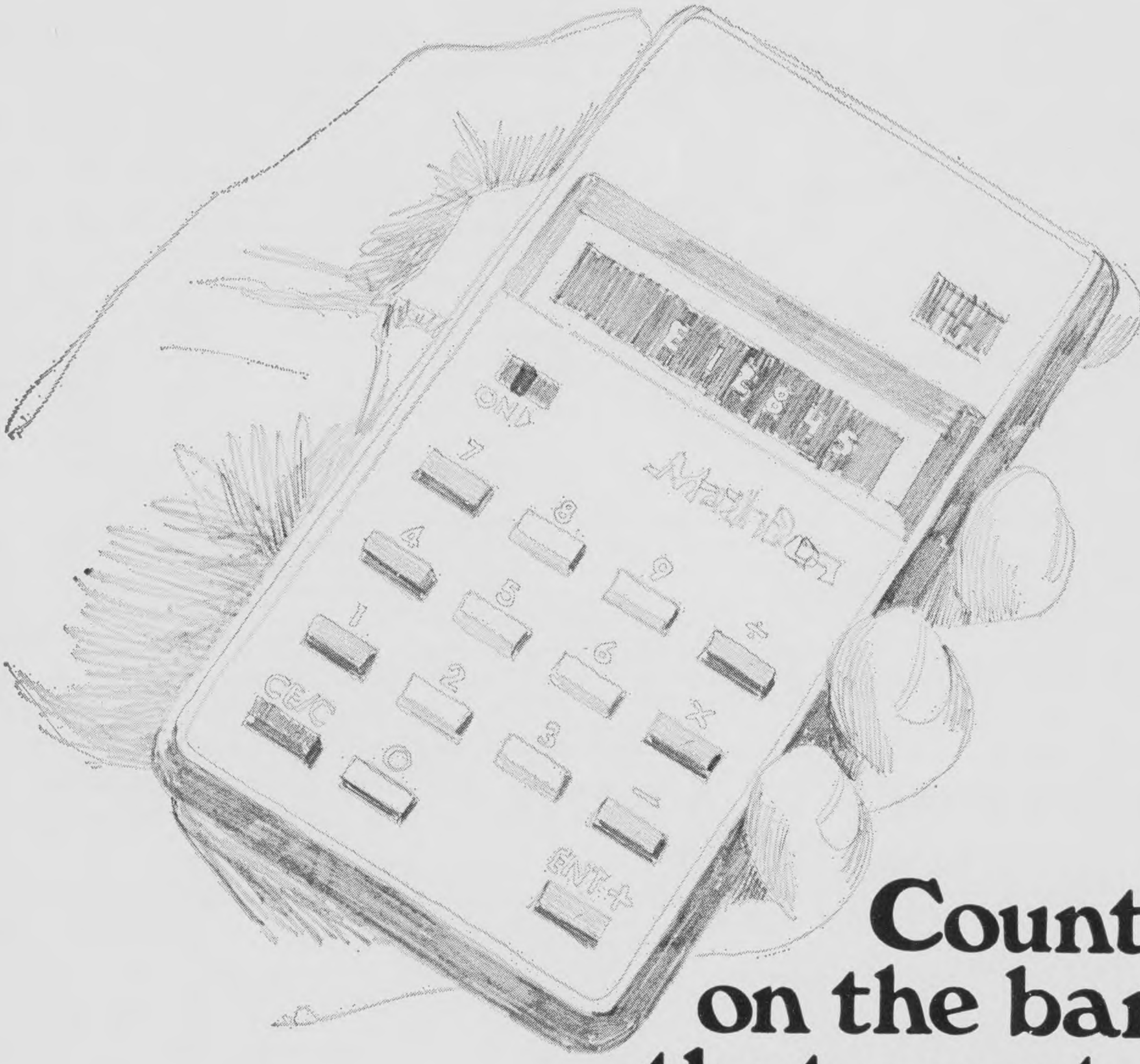
Credit Systems Given Award By Interbank Card Assn.

Credit Systems, Inc., St. Louis, operating center for the Master Charge credit card in Missouri, Kansas, Iowa, southern Illinois and western Kentucky, has won the Silver "i" Award for its 1977 advertising campaign. This award is given each year by the Interbank Card Association to only one of the 250 eligible Master Charge plans in the international Interbank system. The presentation was made at Interbank's annual meeting in San Diego.

The campaign—developed by CSI—utilized TV commercials and outdoor boards while making direct reference to the competitive advantage of Master Charge over the other national charge cards.

The campaign's theme was "Nothing's Changed With Us." The award cited the program as being "direct, hard-hitting and memorable . . . the speed with which the campaign was mounted was impressive . . . and the graphics themselves, effective!"

John J. Reynolds (l.), pres., Interbank Card Assn., New York City, presents its Silver "i" Award to James R. Hoag, adv. dir., Credit Systems, Inc., St. Louis-based Master Charge operating center for Missouri, Kansas, Iowa, southern Illinois and western Kentucky. CSI won award for its 1977 ad campaign.



cumstances apply with equal force and effect to electronic payments? It's questionable whether the Uniform Commercial Code presently covers such payments.

- When you agree to pay commercial paper issued by one of your customers, do you take his credit into consideration and monitor it thereafter? It will not be uncommon to have large maturities presented before funds to cover them are in hand. Who will decide whether or not to pay?
- When you agree to process debits through an automated clearinghouse, your customer warrants that he has proper authorization to initiate those debits. Some will be refused and charged back. How will this be monitored in your bank?

Now a few words about liability-sharing arrangements that can't and perhaps shouldn't be entirely avoided. But, because the potential risks involved are so difficult to quantify, it's doubly important that you be made fully aware of the possibilities before your bank becomes a party to such agreements and, secondly, that there be a mechanism that provides for a periodic review of them.

Here are some examples:

Clearinghouse agreements. The members of the New York Clearinghouse Association agree to share jointly any losses incurred by the CHA directly and to assume any liability for exchanges created by the failure of any one of the members in proportion to their sendings to the failing bank.

The New York Fed, which is a clearing nonmember, is protected against loss by this agreement. There exists a comparable agreement among those banks that participate in the New York Fed's intra-city system for clearing transactions in government securities. The participants agree to share; the Fed remains whole. Do your CHAs have similar agreements?

Depository exposure. Depository Trust Co. has endeavored to solve its exposure problem by establishing a participants' fund to which all direct participants are required to contribute. In the event a participant fails and leaves liabilities behind, its portion of the fund is used first, then the remainder of the fund. (Depository Trust Co., chartered in New York State and a member of the Federal Reserve System, is a cooperative, not-for-profit trust company that has the purpose of eliminating the exchange of security certificates and, instead, transferring ownership by computerized book entry among security firms and banks that are its owner participants.)

The fund must then be replenished pro rata by the remaining participants, but the amounts so assessed can't exceed earlier contributions to the fund.

This at least puts a cap on any direct participant's liability, but leaves open for conjecture what steps or further contributions might be either necessary or desirable to maintain the viability of DTC in the event of a very large loss. In other words, it might be worth an additional investment of some size to avoid the problems and expense of taking this activity back in-house. Of course, a ban can avoid this exposure by participating indirectly through another bank—if it has confidence in its correspondent.

Bank Wire exposure. The Fed recently agreed in principle to provide a settlement facility for payments to be made via Bank Wire II. A condition almost certain to be imposed is that the Fed have the right to refuse any debit that would put a member bank's reserve account into overdraft.

When you agree to honor checks signed with a facsimile signature, does your customer adequately protect you against improper use of, or forgery of, the signature plate?

There's the additional, or related, problem that any one of the Bank Wire members could fail. If that bank has a net debit position within the system, there could be a loss that would have to be covered by someone, subject to the results of a liquidation. Details still need to be worked out, but current thinking is to have the loss apportioned among those banks that stand in a net credit position that day with the failing institution.

Most banks, if not all, are Bank Wire members and will have to address this matter sometime soon.

CHIPS membership. My final example is CHIPS, the interbank payment system operated by the New York CHA primarily for international payments. Eleven CHA members and 64 others, known as associate members, participate in this system. Each associate member must be sponsored by a CHA member, and it's the reserve account of that member that's used to settle the previous day's activity of the associate.

Under present rules, the CHA mem-

ber can, on the following day, refuse to accept the debit position of the associate, in which event *all* payments made by the associate are to be reversed. This may have been a good rule at one time, but conventional wisdom is that under today's activity it's no longer practical. The practical problem of unwinding and the consequences emanating from it are believed to be too massive to cope with.

Nevertheless, there must be a logical, legally supportable and practical way for dealing with a situation that could involve millions of dollars. The matter is further complicated by the diverse nature of the participant population, which includes many thinly capitalized subsidiaries of foreign banks and the difficulty of keeping any one out of the CHIPS system who claims to have a legitimate reason for wanting in and has a willing sponsor.

An intensive review of this subject is presently under way and the result might be, but won't necessarily be, some arrangement for sharing liability.

To reflect for a moment, it seems that the members of the banking industry are becoming ever more closely intertwined. This is good in many respects because it makes it possible to render services at lower cost and to better serve our collective customers. Banks are responding to the opportunities perceived by their marketing managers and are busily funding the projects of their systems managers, separately and together.

As we rush pell-mell into new ventures, it's important that top management in each organization have enough of an overview to understand the ramification and the potential liabilities created. If that's not done, operating people concerned with making a budget, pushing through a day's work, pacifying a customer or designing an efficient system will, de facto, establish policies that you may later have reason to regret. • •

Loan Survey

(Continued from page 36)

neously reported overdrafts to corporate interests of insiders. Survey instructions did not include corporate interests within reporting requirements. These 65 banks, therefore, by definition, constitute a reporting error. Although shortness of time precluded detailed questioning about the nature of each corporate overdraft, some questions were asked that revealed the same lack of exposure on the part of these banks as the 38 discussed above. Thus, 28 of the 65 corporate overdrafts were covered before the midnight deadline, and 12 others were reported because of delays in: 1. Posting intra-bank transfers. 2. Disbursing prior-approved loan proceeds. 3. Wire transfers from other banks.

In seven of the 130 contacted, the banks experienced no exposure on overdrafts because they were covered by wire transfers. In each of these seven cases, the wire transfer was delayed for technical reasons. In six of the other instances, the banks reported, or the FDIC's computer picked up, an incorrect amount, which, if reported correctly, would have reduced each of the six below the $50,000 level.

With respect to the remaining 14 of the 130 banks contacted, six appear to involve an abusive practice, he said. However, information obtained from the telephone contacts indicated that correction has been made in five of the six instances either through a change in ownership of the bank, a change in bank policy or resignation or dismissal of individuals involved. In one case, an interest charge was imposed. In the other eight, overdrafts were those of insiders who were significant bank customers, and the overdrafts were of short duration (no more than five days) in all but one case. In two of these cases, rates above the bank's normal lending rates were charged. In the one instance, which extended beyond five days, the overdraft was outstanding for at least 60 days, but was collateralized by marketable securities and was one of the two on which interest was charged (the interest rate was 10%).

Mr. LeMaistre summarized: "Based on this limited and hurried telephone follow-up of reporting overdrafts of $100,000 or more, it seems clear that the numbers in the tables do not accurately portray industry practice and may be misleading. Furthermore, only three of 86 banks reporting no interest rate assessed against the overdraft showed evidence of abusive preferential treatment. In one of the three, the overdraft was covered in three days. The FDIC will instruct its regional offices to investigate each state nonmember bank where abusive overdraft practices are indicated by the survey data, regardless of the amount reported."

Recommended Legislation. Chairman LeMaistre outlined what he described as substantive amendments his agency was recommending be added to its regulations:

1. A new provision specifying that an insider transaction is an unsafe or unsound practice if it's preferential and results in, or is likely to result in, loan losses, excessive cost, undue risk or other economic detriment to the bank. The amendment also would clarify that the FDIC will take appropriate supervisory action against a bank whose insider transactions are found to be unsafe or unsound and that technical compliance with the regulation's requirements would not be a basis for justifying an otherwise unsafe or unsound insider transaction. Thus, the proposed amendments would make it clear that the FDIC will not tolerate any insider transaction that affords preferential treatment to an insider or person related to an insider and results, or is likely to result, in economic detriment to the bank.

2. A new provision would be added relating specifically to correspondent accounts. A survey finding that troubles Mr. LeMaistre is that lower rates are charged on loans to insiders when a correspondent relationship exists with the insider's bank than when such a relationship doesn't exist. To determine whether the abuse exists in such cases, the FDIC would require each insider to report in writing to the bank's board all extensions of credit that are (a) made by a financial institution with which the bank maintains a correspondent account and (b) made for the purpose of enabling the insider to buy, carry or own a beneficial interest in securities issued by the bank, its HC or any other insured bank or HC. The bank's board would be required to review, at least annually, all the bank's correspondent accounts with other financial institutions to ensure that these accounts are fair and in the best interests of the bank. In making the review, the board would have to consider, among other things, bank-stock loans reported by insiders. Furthermore, any deposit placed by a bank in another financial institution solely to compensate that institution for making a loan to an insider of the depositing bank would, *ipso facto*, be considered an insider transaction.

3. The proposed amendments would expand the definition of "person related to an insider" and substantially revise the definition of "business transactions."

4. Under the proposed revision, the bank's board would be required to review and approve insider transactions, when practical, prior to consummation of the transaction. In any case, review and approval would be required no later than the next regularly scheduled board meeting following consummation of the transaction.

Chairman LeMaistre reiterated his support of S. 71 (the Financial Institutions Supervisory Act), which would give regulators more effective pinpoint-enforcement powers than they now have. • •

Joe Stout was here.

Surprised?

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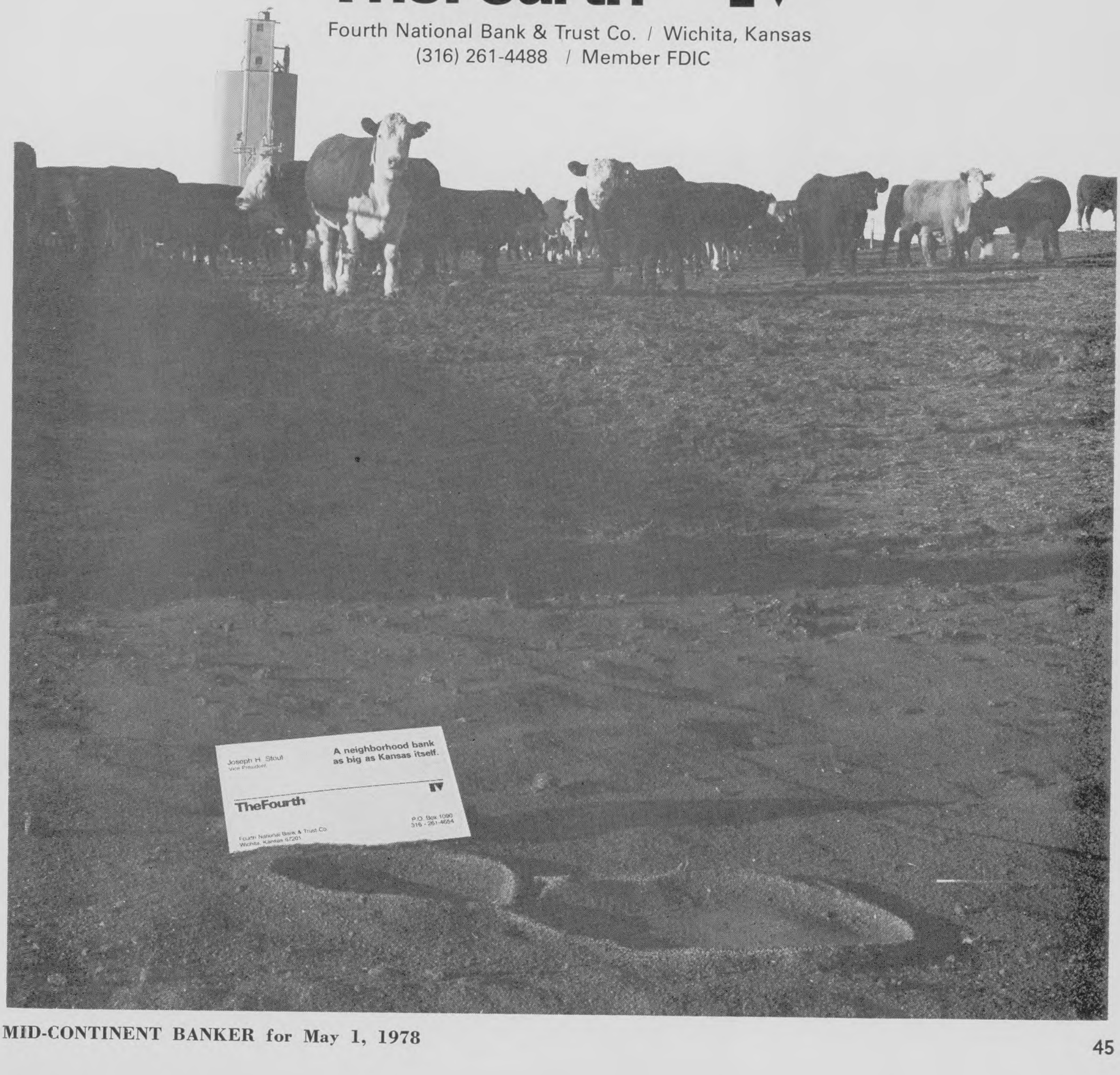
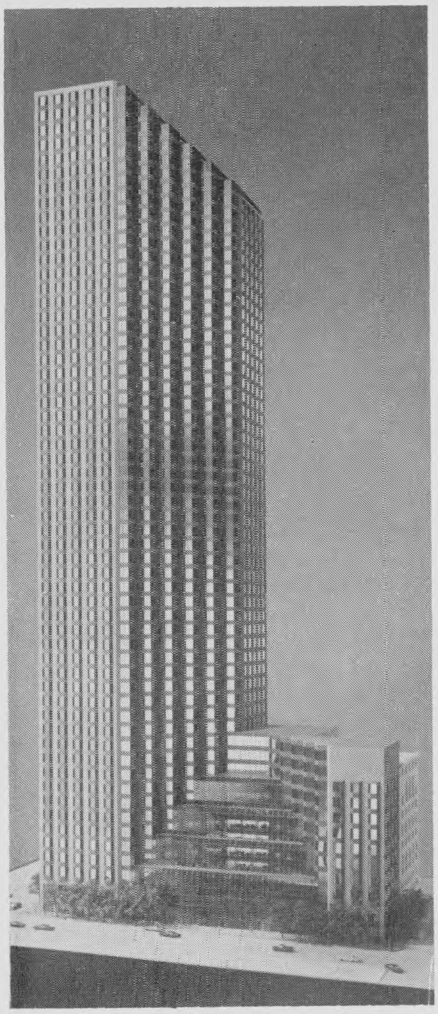




57-story Three First Nat'l Plaza building will feature granite exterior and unique setbacks that permit nine corner offices per floor. Building will also feature nine-story glass-enclosed atrium at street level and greenhouses on topmost floors. Building will face First of Chicago's One First Nat'l Plaza in Chicago's Loop.

Tower With Atrium To Be Built in Chicago Adjoining First National

THREE First National Plaza is the name of a 57-story granite building to be built adjacent to the First National Bank building in Chicago's Loop. The 1.6-million-square-foot building will face First National's headquarters building from across Madison Street on the block bounded by Madison, Dearborn, Washington and Clark.

The building will be developed by First National; Gerald D. Hines Interests, Houston, and the Shell Pension Fund, headquartered in The Hague, Netherlands.

An overhead walkway will connect the new building with First National's structure, and the new building will connect with the Loop's tunnel system that ties together several other buildings and the city's transit system.

The building will feature a nine-story-high glass-enclosed atrium, and the unusual design of the upper floors will permit nine corner offices per floor, instead of the usual four.

About a third of the building's rental space has been committed, but First National has no plans to make use of the building.

A. Robert Abboud, chairman, First National, said, "First National and the Shell Pension Fund requested of Hines and of Skidmore, Owings & Merrill, architects, a building that would have identity and character. They were charged with the responsibility of producing a building of quality; one that would have long-lasting value and reflect the integrity of our own institutions.

"In short, the idea was to come up with a building of institutional caliber. We feel that challenge was met and we are delighted to be associated with this project that represents yet another major improvement for Chicago's downtown area.

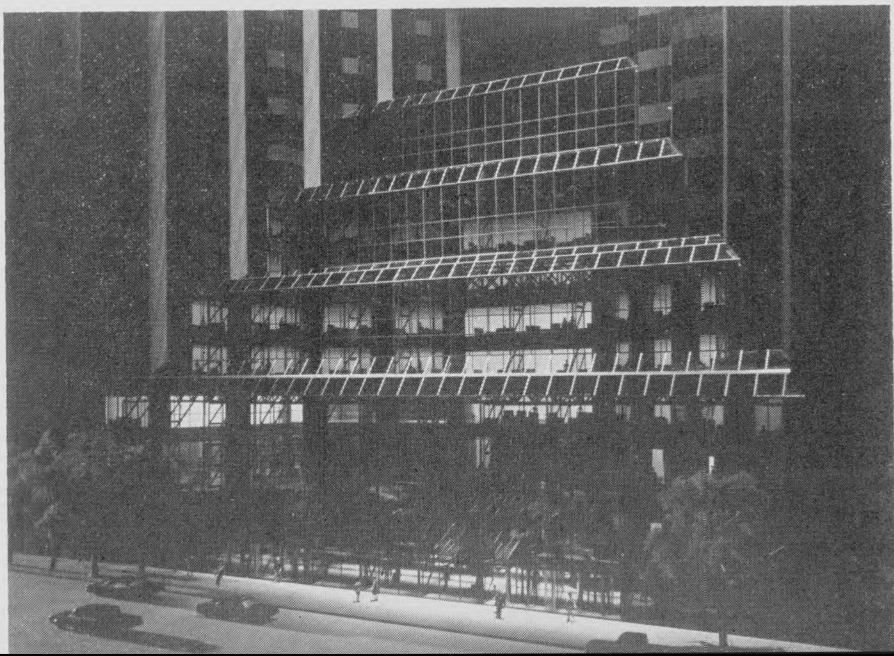
"First National . . . has a great interest in the physical character of Chicago's Loop and has a strong commitment to the city's growth."

In addition to the atrium, the building will include greenhouses on the top six penthouse levels, granite on the exterior and on the paving of the plaza level, bronze color insulated glass, walnut doors and stainless steel hardware.

The new 753-foot tower was designed to be compatible with One First National Plaza, home of First National. The nine lower levels will have balconies overlooking the stair-stepped, glass-enclosed atrium. On the ground level will be 17,000 square feet of retail space.

Permanent financing will be provided by Aetna Life & Casualty, Hartford, Conn., with Texas Commerce Bank, Houston, providing interim financing.

Construction is expected to begin this summer and occupancy is set for the fall of 1980. • •



Close-up view of nine-story atrium to be included in Three First Nat'l Plaza Building. Each level will have balconies overlooking stair-stepped atrium.

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Consumer Complaint Forms Distributed by Comptroller

A consumer complaint pamphlet has been published by the Comptroller of the Currency designed to enable customers of national banks to register complaints directly to the Comptroller's office.

The pamphlets, displayed in bank lobbies, explain consumers' rights under various laws and tell how to resolve problems consumers may have with banks. Copies of the pamphlet will be distributed to public interest, community and service organizations as well as to federal and state regulators.

Each pamphlet contains a prepaid mailer and complaint form with instructions outlining where to send it for action.

"Complaints should be viewed as a resource which enables you to identify problem areas that unnecessarily impair valuable customer relationships," said Comptroller John G. Heimann in an announcement to national banks. "In cases where customers have been unable to resolve their problems within the bank, the Comptroller is prepared to play an active role to ensure that the rights of consumers are considered and protected."

Consumer rights noted in the pamphlet cover a wide range of banking activities, including advertising, checking and savings accounts, loan decisions, discrimination, billing procedures and unfair or deceptive acts or practices.

Complaints received by the Comptroller that concern state-chartered banks will be forwarded to the appropriate agency, the Comptroller said.

Seminars for Banks, Merchants Given By Bank on ECOA, Loan Documentation

AN OFFICER of Nashville CityBank has become adept at giving seminars on the Equal-Credit-Opportunity Act (ECOA) and loan documentation. He is Arthur M. Willard, assistant vice president/loan administration, along with consumer lending and collections. Each seminar lasts about three hours and includes visual aids.

Two separate sets of fact sheets were created for the ECOA seminar. One set is distributed at the seminar for lending institutions; the second set is given out at seminars for retail merchants, who also must comply with the Fed's Regulation B, which implements ECOA. Mr. Willard points out that since these merchant seminars are available only to customers of the bank, the latter has gained quite a few new merchants' accounts because of them.

The retail creditors' fact sheets contain 45 instructions on ECOA, which, of course, are elaborated on during the seminar. For instance, merchants are told that if a creditor doesn't comply with ECOA, the attorney general may bring civil action. The sheets define what ECOA means by terms such as "discriminate," "application," "elderly." They tell what information merchants may request and what they may not.

The lending-institution package now is part of Nashville CityBank's policies and procedures, laid out in "do-and-don't" style for the benefit of officers on the "firing line." Also included are revised forms to comply with regulation changes. If lenders find these forms satisfactory for their own use, Mr. Willard says, they can save printing costs of revising their forms. However, he doesn't recommend that they use Nashville CityBank's loan application because it's designed around that bank's computer.

For the loan-documentation seminars, a manual in the form of a loose-leaf notebook is distributed. Thus, as changes are made, sheets can be pulled and new ones inserted. Nashville CityBank's manual includes a lending officer's work sheet, forms for personal-loan applications, collateral information, installment promissory note and security agreement and a disclosure statement pursuant to Truth-in-Lending.

From a practical standpoint, Mr. Willard points out, the documentation seminars, as presented, are restricted to Tennessee banks. However Regulation B (Equal Credit Opportunity) seminars have been held as far away as banks in Iowa. He suggests that if a bank in another state wants to initiate a similar program, it could use the basic format, merely inserting forms used in that bank's state.

Mr. Willard says each seminar usually is limited to 16 persons because he believes the seminars would become less effective if more than that number were accepted. Mr. Willard also takes his seminars on the road to correspondents and other banks when requested.

Consumer Regulations

(Continued from page 32)

his bank around March 1, 1977, and that two consumer-compliance examiners worked along with the regular examiners for four weeks, then stayed for two weeks after the other examiners had left. He contrasted this with former exams, which were carried out in one or two weeks by a large examining staff.

Although overall, Mr. Hammermeister said there was little inconvenience caused by the double examination, he did make one suggestion he believes will help banks being examined. He pointed out that both the regular examiners and the consumer-compliance examiners often would ask for identical records, but at different times. Thus, the requested information had to be obtained from computers or from files two different times. Mr. Hammermeister suggested that the two sets of examiners try to decide ahead of time whether they will be looking for duplicate information and then ask for it together, not separately. This would save time for examiners and the banks being examined.

Although bankers would rather not be subject to as many regulations as they are—including consumer regulations—the fact is they aren't likely to decrease. And with regulations come these examinations to determine whether banks are complying. As was pointed out by Wilbur T. Billington in a lending seminar sponsored last month by the Kansas City AIB Chapter, "Noncompliance with these requirements not only can subject the bank to severe civil penalties, but also to adverse publicity, which could harm its image and competitive position. Thus, noncompliance with applicable laws and regulations is a more serious issue than simply a technical violation." Mr. Billington is senior vice president of the Kansas City Fed.

The federal regulatory agencies' consumer-compliance exams were instituted, Mr. Billington told seminar participants, to ensure that a bank's loan portfolio is sound in every respect and to ensure that a bank's credit-granting policies are not discriminatory.

According to Mr. Billington, the consumer-affairs exam involves a review of a bank's policies, procedures, internal controls and audit. Other examination procedures include review of forms for compliance, of disclosure information and required record-retention information for possible discriminatory lending patterns and, in general, of all bank practices to determine compliance.

Mr. Billington said the first step toward compliance and preparing for this exam is to understand applicable laws and regulations.

Compliance Procedures. Along with understanding applicable laws and regulations, Mr. Billington warned that banks must establish procedures that will assure compliance, and examiners must review these procedures and banks' adherence to them.

Consumer-affairs examiners, he continued, are encouraging banks to adopt written policies, which provide management with control over a bank's compliance efforts, while acting as a guidance for bank staffs. Written policies can provide a degree of continuity despite changes in bank personnel. In addition, Mr. Billington said, good policies can provide a certain degree of protection against suits resulting from inadvertent errors. There are provisions in some of the regulations, he pointed out, that provide for protection from liability for inadvertent errors, provided policies and procedures have been established to prevent such errors. In addition, policies can be used to prove a bank's good-faith efforts to comply with these laws.

Mr. Billington suggested that policies should be general and should set forth broad guidelines and that procedures should be developed to facilitate them. Procedures, he explained, are the "how to," and good procedures are a bank's guide to compliance. Procedures, of course, are more detailed than policies, he said, and they should remain flexible and subject to continuous review.

Procedures for handling consumer complaints and billing inquiries not only promote better customer relations, he went on, but also provide for compliance with the Fair-Credit-Billing Act, which require credit-card issuers and other open-end-account creditors to respond to a customer's billing inquiry within a certain time period and to resolve any billing dispute within a certain time period.

In general, Mr. Billington suggested that the procedures should convey in a clear fashion what needs to be done with respect to a particular activity. Not only will these procedures help employees perform their duties, but they will show a positive indication of the good-faith effort to comply.

Responsible Individual. Mr. Billington pointed out that because every bank is different, no one set of policies will fit all banks, but, generally, policies will contain lending criteria that provide a framework. The policies should designate someone as being responsible for consumer compliance—a consumer-compliance officer. Mr. Billington said the policy should define this officer's responsibilities to include such items as: keeping current with consumer laws, disseminating information about the regulations to employees, reviewing forms to determine compliance with applicable laws and developing procedures that will assist in compliance.

Controls. In addition to policies and procedures, said Mr. Billington, a bank should have, as a part of its total program, internal controls and an audit program to monitor conformance with established policies and procedures.

In concluding his talk, Mr. Billington stressed that procedures followed in loan examinations vary among the Fed, FDIC, Comptroller and state agencies. Even more than that, he continued, they vary from bank to bank and even examiner to examiner. But over the years, he emphasized, each agency has identified much the same body of sound banking principles it strives to evaluate in each bank. • •

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Now Account

(Continued from page 30)

est and setting charges in a context of selling value, customers are just as likely to pool their money with you to pay the bill as they are to go to a cheaper competitive product.

Lesson 4: Such pricing techniques require changes in deeply rooted industry attitudes and traditions. It will be no easy task. Despite the profit drain of NOW accounts, pricing changes have come slowly in the New England market. We seem to be unable to recognize the fallacies in our own thinking or ways of doing business. Take, for example, our common practice of "pricing on the average." Let me illustrate our attitudes by the following tale:

Having discovered that people like fried chicken, I devised the following business concept and took it to a mythical banker for financing:

In order to keep my working capital needs low and to avoid the problems of inflation, I proposed the Furash Fried Chicken Plan. Under this plan, customers would come in and leave their chicken for me to cook. They can come in any time they want to get their chicken. They can even authorize someone else to come in for it. They can get their chicken dispensed at remote, automated vending machines. They will have unlimited access to their chicken—at no cost to them.

My banker pierced to the heart of the matter immediately, saying: "If you don't charge for this service, how will you make money?"

"Because of the scarcity and uneven supply of chicken," I replied. "People who leave their chicken with me won't always want it all at once. So people who are hungry and want chicken can come in and borrow some for a fee."

"Can you charge enough for that to make a profit?" my banker asked.

"Not always," I replied. "When I run short of chicken I'll have to buy it. Sometimes the cost of chicken in the supermarket will be above and sometimes it will be below what I can charge for it. But on the average, I will make money."

Fixing me with his sternest gaze, my banker pounced. "Averages! Do you understand, young man, that you can drown in a stream with an *'average'* depth of six inches? Why don't you simply face up to charging your chicken depositors for cooking their chicken?"

"I wish I could," I replied, "But people don't seem to think that cooking chicken is worth anything to them. Besides, my competitor keeps giving away free cooking and napkins, too! But I know if I get enough chicken on deposit I can be sure to make money."

"In other words," my banker smiled, "You intend to lose money on every transaction but make it up in volume. You'll get no financing from me for such profligacy!"

"But why?" I asked. "I was certain you'd like this. I modeled my plan on the way a bank is run!"

The lesson from New England is that the banking industry is so used to giving away or selling (chicken) checking accounts (transaction services) at below costs that the transitional adjustment to more rational, profit-oriented pricing under NOW accounts will be slow and painful.

Lesson 5: Price your services to be profitable across a full general interest-rate cycle. In New England, high versus low general interest rates have made a big difference in bank pricing strategies. For example, NOW accounts came to Massachusetts and New Hampshire when rates were high, and banks priced NOW's low. They came to the rest of New England when rates were low, and banks priced NOW accounts higher.

Commercial and thrift banks in the three states where NOWs were introduced during the low general interest rate period of 1976 have opted for draft charges and minimum balances in considerably greater numbers than in the two states where NOWs were introduced in the high-rate environment of 1974. A $500 minimum balance is common in Connecticut, Maine and Rhode Island. In Massachusetts, where, as of June of last year, only 48% of all financial institutions had some charge or minimum balance on their NOW accounts, the average account size for all banks was $1,334.

Contrast this experience with Connecticut, where 62% of all banks are charging some kind of mixed price and the average account size was $2,627. And in Rhode Island and Vermont, where 80% and 92% of the banks are charging fees and setting high minimum balances, average account sizes were $3,324 and $4,577.

The key to survival . . . is the foresight to use NOW accounts to reprice products to yield acceptable margins.

For those of you who might hope that lower general interest rates and more rational NOW account pricing would slow down NOW account adoption, I have little solace. In general, both commercial and thrift banks have tended to jump into NOW accounts earlier and in greater numbers during the first year in Connecticut, Maine, Rhode Island and Vermont than in Massachusetts and New Hampshire.

A comparison of first-year NOW account experience for all of the New England states shows that for Maine, Rhode Island and Connecticut, where banks set high minimum balances to discourage sales, consumer awareness was already quite high and more rapid deposit base conversion followed in the first year than in Massachusetts and New Hampshire. High minimum balances appear to have speeded up conversion of high-balance customers.

Again, the lesson is that services should be priced to be profitable across a rate cycle, not just at one point in time. Make as many price adjustments as you can *before* NOWs come on the scene. Be prepared to wait out competitors who pursue "loss leader" pricing strategies during high general interest rate periods until they have to price up when rates drop.

Competition will be slow to give up

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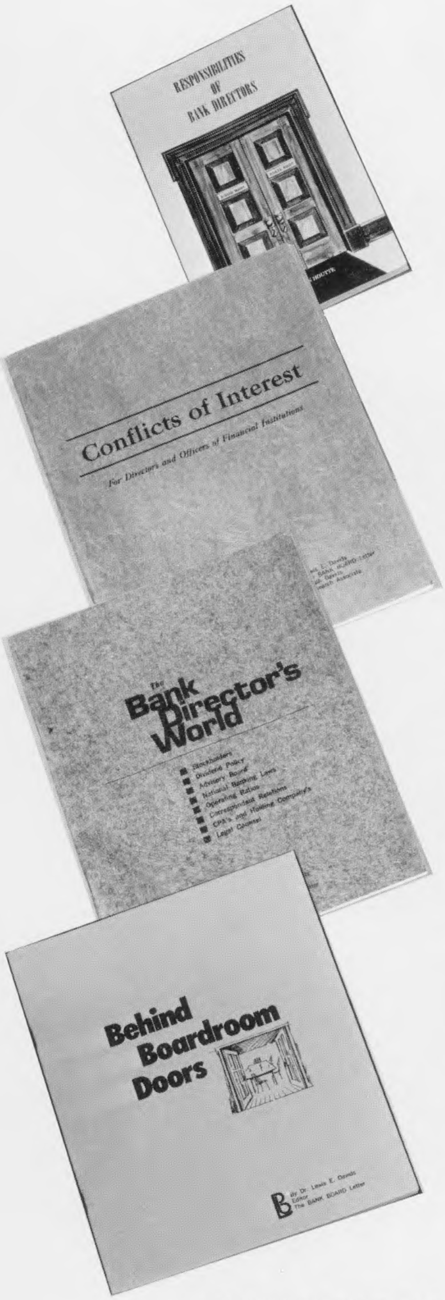

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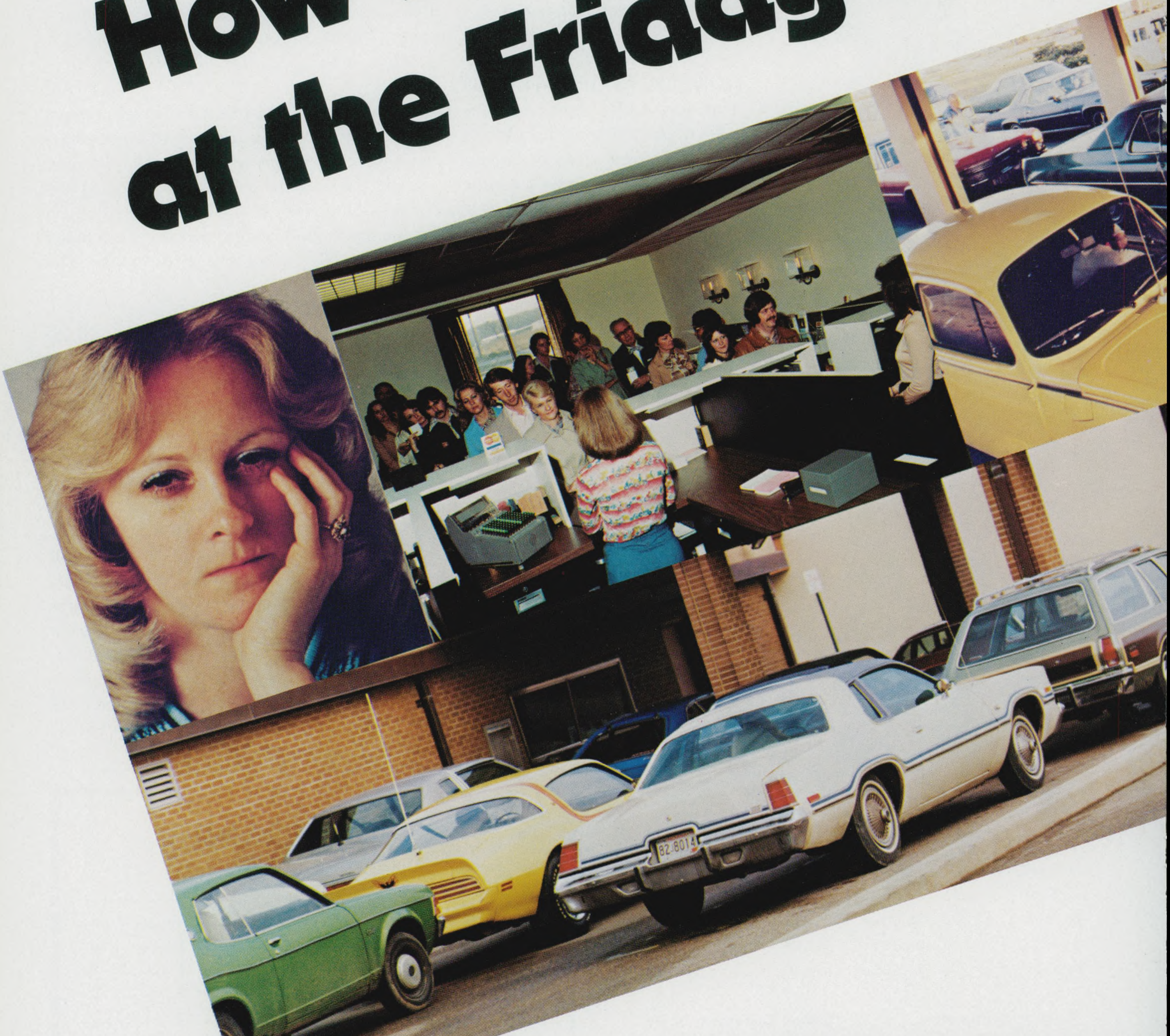
How to keep peace at the Friday Night



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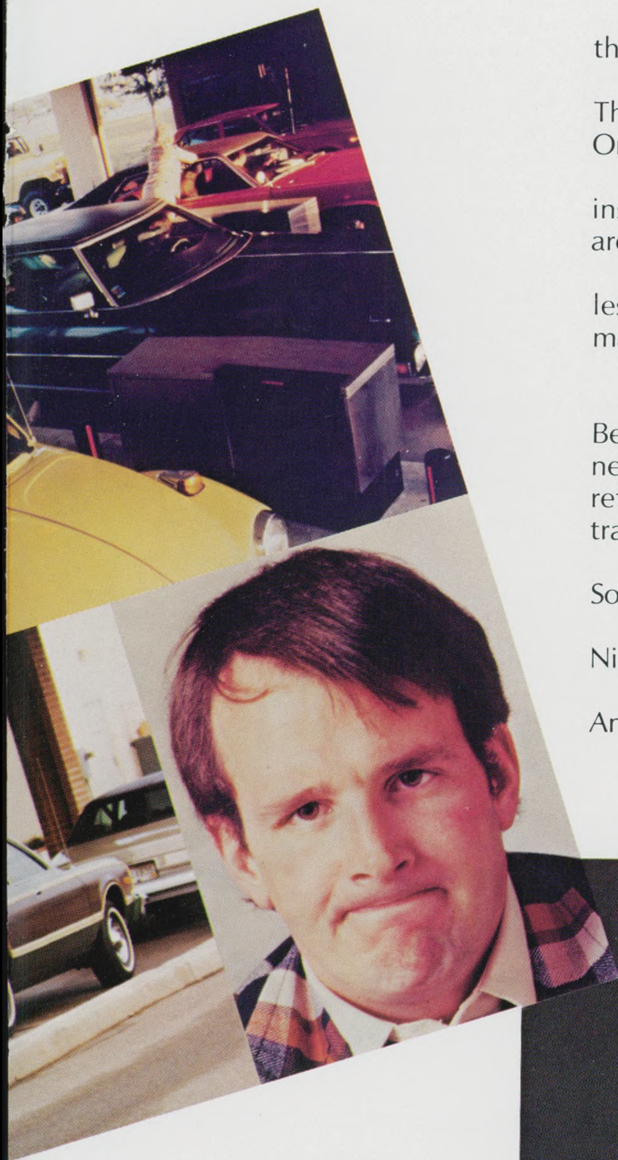

It's 5:15 on a Friday night. A mean crowd is out there. Out there in the lobby, and bumper to bumper in the drive-up lanes.

They've put in a whole week working hard. It's been tough. Their feet ache. Their heads throb. Their backs are ready to cave-in. One more upset and they'll riot.

And, unfortunately, one more upset is just what some financial institutions give them. Especially when the drive-up lanes outside are as hopelessly backed-up as the lobby lanes inside.

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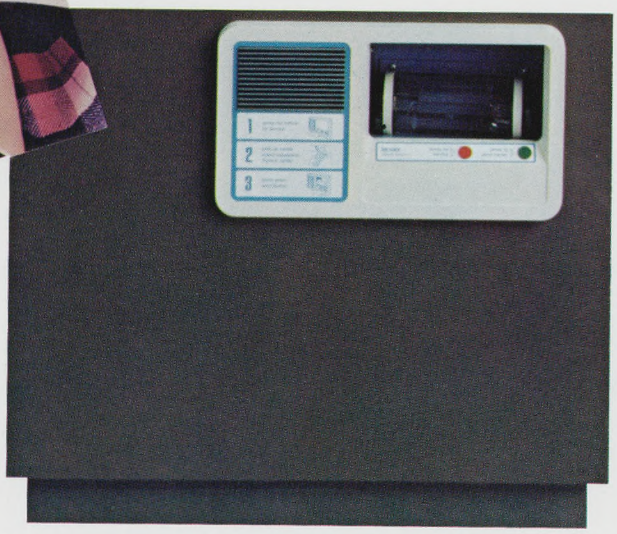

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its old habits, and there will be a lag before full cost pricing takes hold. The New England experiment shows that it pays to stick to your guns once you've worked out a plan that fits your market goals, your customer mix and your profitability and asset and liability structure.

Lesson 6: NOW accounts are not just another new product marketing decision. They require a basic reevaluation of why you are in the consumer banking business and a new plan for where you want to go. Your decisions on NOW accounts are really total bank profitability planning decisions and should be handled as such with closely integrated financial-marketing planning. You are making a basic decision about the continuing profitability of your bank and its viability as an institution. It's a top management decision. Plan it carefully.

In retrospect, giving thrift institutions straight checking powers would have been smarter than giving them NOW accounts.

You will need an asset and liability model in place as soon as you can so that you can test the impact of your marketing alternatives on the bottom line. You must use whatever precious planning time you have before NOW accounts go into effect, not only to plan pricing and product, but also to plan for profit by having the right asset mix in place in advance. In fact, getting a proper asset portfolio in place may be your greatest management challenge and transition problem. Your asset yield possibilities are the most important limit to NOW account pricing or market-share strategy. Start today to create an asset mix yield that can absorb NOW account costs in the future.

Lesson 7: Thrift institutions want transaction banking powers, as can be seen from the plethora of NINOW and pay-by-phone plans. And despite their protests, they will take NOW accounts in order to get these powers. They simply do not wish to give up any *current* Regulation Q competitive advantages to get them.

And who can fault them for such a strategy, especially if one can foresee their eventual total access to transaction banking via EFT? You can expect thrifts to price low to gain market share, *not* profitability. Leaving thrifts or credit unions unregulated in offering NOWs or sharedrafts will insure them a market share lead that, based on the New England experience at least, can't be recovered. In Massachusetts, mutual savings banks were spotted a 180,000 account lead that has not been recovered.

In retrospect, giving thrift institutions straight checking powers would have been smarter than giving them NOW accounts. This theory has been validated in Connecticut and Maine, where savings banks were given checking accounts well before NOWs. Given a choice, the thrifts there have pushed the less-costly checking account over NOW accounts.

You can meet this competition. Commercial banks have an edge in consumer thinking about transaction banking. Even in Massachusetts where thrift institutions dominate consumer banking by having 80% of the deposits, commercial banks have the predominant consumer "share of mind" for checking accounts. Could this be less true in your markets?

The New England experience shows the urgency of commercial banks insisting that any checking account powers, rates, reserves, etc., for all types of banking institutions—including and especially *credit unions*—should be on an equal, across-the-board basis. Unpalatable as they may be to commercial bankers, pending legislative proposals would put credit unions and share drafts under such equal control, denying them some of the rate advantages they now have in return for transaction powers.

Let me tell you bluntly that the NOW account may be the commercial bankers' last chance to get more equal competition. If we delay too long, the rapid emergence of electronic banking will give our customers full electronic access to interest-bearing transaction accounts at competing thrift institutions without these competitors paying any price at all. Commercial bankers could win the battle, delay NOW accounts, and lose the war through EFT.

The NOW account may turn out to be commercial banking's best protection against being permanently disadvantaged by EFT-based interest-bearing transaction accounts where thrift institution differentials are already built in.

Frankly, costly as NOW accounts may be, they may be your best shot at equal competition against thrift institutions, especially against credit union share drafts. And the New England experiment shows that, even in a market dominated by thrifts, commercial banks can compete effectively against Regulation Q differentials, given a nearly level playing field of parity 5% NOW accounts.

Lesson 8: NOW accounts, *especially at 5% parity rates*, are a good competitive weapon against thrift institutions and commercial banks alike. They allow you to take your time. Events never move as quickly as bankers think they do.

Remember, your bank's customers are like an annuity base. In the quest for new customers, banks too often forget that their own customers are the first and most important group *immediately* affected by marketing changes. Your customers are an annuity to be changed —added to or decreased—by your marketing/pricing policies. If yours is like most banks, 20% of the customers probably provide 80% of the deposits and profits. Your NOW account pricing—and all your marketing plans—should focus on keeping that group as intact and as profitable as possible.

Straight demand-deposit interest may bring you face to face with wholesale overnight conversion to your customer base.

Remember, customer inertia gives you time to turn around. Customers don't change their checking habits very rapidly. NOW accounts make graduated responses possible. Because it is a new product and requires consumer educa-

tion and lead time, the NOW account *per se* gives you more marketing and control options than going to straight payment of interest on a demand-deposit account. You can come up with more product options, rely on customer loyalty, sell value, even price checking accounts and NOWs for different markets.

Remember, straight demand-deposit interest may bring you face-to-face with wholesale overnight conversion of your customer base.

Lesson 9: NOWs have a pro-consumer image to be reckoned with. Banks can no longer assume that people will accept an attitude that it is a privilege to do business with banks on their terms. On the contrary, more and more consumers believe that they have certain *rights* in dealing with banks.

For example, one of the tenets of the new consumerist reality is that it is *their money* on deposit with a bank and they have a *right* to earn interest on it. The hard reality is that consumers want market rates paid on *their deposits.* Inflation has made consumers more aware than ever of the need to earn interest on their money—has made them rate hungry and demanding.

And no one is more cannily aware of this consumer attitude than Congress. Granting NOW accounts or interest on demand deposits nationwide is bringing home the bacon to consumers. Ultimately, few legislators will be able to resist it.

As I noted earlier, whether by EFT or NOW accounts, the consumer eventually will get market interest on his transaction balances. Bankers have other competitors who are making interest-bearing transaction accounts inevitable as well: Credit union share draft programs; Merrill-Lynch's cash management account; the Sears-CUNA share draft network; and Mutual Fund Daily Income Trusts, just to name a few. When added to the Federal Reserve proposals for automatic transfers from savings accounts to cover overdrafts, pay-by-phone programs, telephone transfer and the state-by-state efforts to legislate NOW accounts, the trend is clear, whether national NOW account legislation is passed or not.

Lesson 10: The New England experience demonstrates that when you give your customers a new banking service, that is precisely the time to demand something in return—not later, when they have come to take the new service as something that is their rightful due.

NOW accounts give banks a chance to undo the pricing sins of the past, to eliminate "implicit" interest and substitute rational explicit pricing, to "unbundle" and make each deposit size pay its own way. Or banks can demand that the customer help pay for this new service by accepting more efficient banking—e.g., non-return of checks, debit cards, EFT, etc.

If I were to sum up these ten lessons, I'd advise that if the NOW account comes on the national banking scene in the form we know it in New England today, you should *treat it as an opportunity, not as a threat.* The key to survival—for both commercial banks and their thrift industry competitors—is the foresight to use NOW accounts to reprice products to yield acceptable margins.

Treat the NOW account as a profit opportunity. Turn it to your advantage. The NOW account gives your bank a chance to rethink its marketing strategies in order to make consumer banking more profitable to you and a good buy for the consumer. • •

Editor's note: In the May 15 issue, Mr. Furash will discuss how the lessons gained from the New England NOW account experience can be applied to the situation that will arise when NOWs appear in an electronic banking environment.

College Faculty Banking Seminar Planned for Wisconsin School

MADISON, WIS.—A banking seminar for college faculty will be offered for the first time by the Graduate School of Banking here August 17-18. The objective will be to provide college teachers with a greater understanding of commercial-bank management and to help them develop more effective courses for the study of current banking practices, issues and problems.

The seminar will be conducted during the Graduate School's 34th annual resident session.

The program will emphasize commercial-banking activities not normally addressed in general academic preparation in banking and finance or economic theory and practice. The focus will be on commercial-banking decision making as it relates to major investment, lending and current managerial concerns.

The instructional team will be balanced with practicing bankers, bank regulators and academicians who maintain a close relationship with banking. Cochairmen are two Chicagoans—Donald C. Miller, vice chairman, Continental Illinois Corp., and William J. Korsvik, vice president, First National.

Invitations are being extended to more than 200 four-year liberal arts colleges that offer undergraduate majors in banking and finance, economics or business within the Graduate School's 16-state sponsoring area. Qualified applicants must be nominated by a senior college official, and selections will be based on several factors, including educational background, past and present teaching assignments, demonstrated interest in banking and considerations of geographical distribution. Participation will be limited to 75 college faculty members, and all costs of tuition, room and meals, materials, as well as a travel allowance, will be assumed by the school's educational fund. A certificate will be awarded by the school to all seminar participants.

Central Nat'l Earnings Down

CHICAGO—Consolidated operating earnings for Central National Chicago Corp. for 1977 were $783,000, or 33¢ per share, down from $941,000, or 56¢ per share, for 1976. Consolidated net income for the year was $2.7 million, or $2.02 per share, compared with $3.9 million, or $3.26 per share, for 1976. At year-end 1977, the bank's assets totaled $659 million, compared with $642 million a year earlier.

In Estate Planning:

Bankers Can Help Minimize Tax Burdens Of Clients Under Tax Reform Act

By BARTON M. GORDON, CPA
Partner
Alexander Grant & Co.
Chicago

THE TAX REFORM ACT of 1976 has created significant changes in estate-planning options and life insurance benefits that bankers should evaluate to help minimize their client's tax burdens.

One key element of estate planning is to determine the portion of the estate, qualifying as a "marital deduction," that should pass to the surviving spouse. Under the new tax law, a deduction of the greater of $250,000 or half the estate is allowed. (The former limitation of 50% of the estate still applies through 1978 to certain wills that have not been amended.) A marital bequest that exceeds this limitation is likely to result in double taxation; that is, taxation on the estates of both husband and wife.

A married couple's estate-tax burden is less if their estates are balanced because assets concentrated in one estate are subject to higher tax rates. Two estates of $500,000 pay a combined tax of $217,600; whereas, one estate of $1 million pays nearly $300,000.

For example: The husband dies after 1980 and his estate of $1 million is passed to his wife. The widow has no assets other than this inheritance.

	Husband's Estate	*Widow's Estate*
Estate	$1,000,000	$1,000,000
Marital Deduction	$ 500,000	———
Taxable Estate	$ 500,000	$1,000,000
Estate Tax	$ 108,000	$ 298,800

Since the widow cannot claim a marital deduction, her tax is significantly higher. If the husband's bequest had been limited to the maximum 50% or $500,000 of the $1-million estate, the tax on the widow's estate could be reduced from $298,800 to $108,000, a savings of $190,000.

This savings can be achieved if the husband splits his estate in an "A-B Trust," passing 50% to his wife and 50% to his children or other heirs. The widow still could have an interest in the second trust without having additional taxes levied on her estate.

The benefit of the estate-tax marital deduction depends on the surviving spouse being the one with the smaller estate. Bankers also should consider the advantage of reducing estate taxation by using the gift-tax marital deduction that exempts the first $100,000 of qualifying transfers from gift tax. This gift to a spouse effectively removes the assets from the donor-spouse's estate.

If the husband has an estate of $1 million, and his wife predeceases him, leaving little or no estate, then the husband's estate incurs a tax of $298,800. If he had made a $100,000 gift to her before her death, his wife's estate pays no tax, and the husband's estate, reduced to $900,000, saves $39,000 in taxes. This plan assumes that the wife's bequest does not revert back to the husband.

Life insurance is a favorite investment to provide liquidity for death taxes, administrative costs and immediate financial needs of the surviving family.

In addition, the annual gift-tax exclusion also is applicable to gifts between spouses. Thus, the husband also could reduce his estate by making annual gifts up to $3,000 to his wife that can be deducted from his estate. The impact on his wife's estate must be determined.

Reducing the estate tax on jointly held properly also is possible under the new Tax Reform Act. Under the prior law, a decedent was subject to estate tax on the entire value of property held jointly except if the surviving spouse could prove he or she contributed to its acquisition. The Tax Reform Act introduces a more equitable rule.

Where property is jointly held with rights of survivorship, and joint ownership was created by a transfer subject to gift tax, then only 50% of the value of the property is included in each estate and subject to taxation. This rule applies to joint interests created after December 31, 1976. For older property

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Profit-Building Ideas for Bank Christmas Promotions. This is NOT a Christmas Club book, although ONE chapter is devoted to Christmas savings promotion plans. Other chapters: selling various bank services during the Holidays: using lobby decorations most effectively; helping children at Christmas; remembering employees in Christmas planning; using the "good will season" to build bank good will; getting the most benefits from Holiday publicity; planning for the Holidays from mid-summer to New Year's. In 80 pages are packed tested Holiday ideas used by banks, big and small, from coast to coast.
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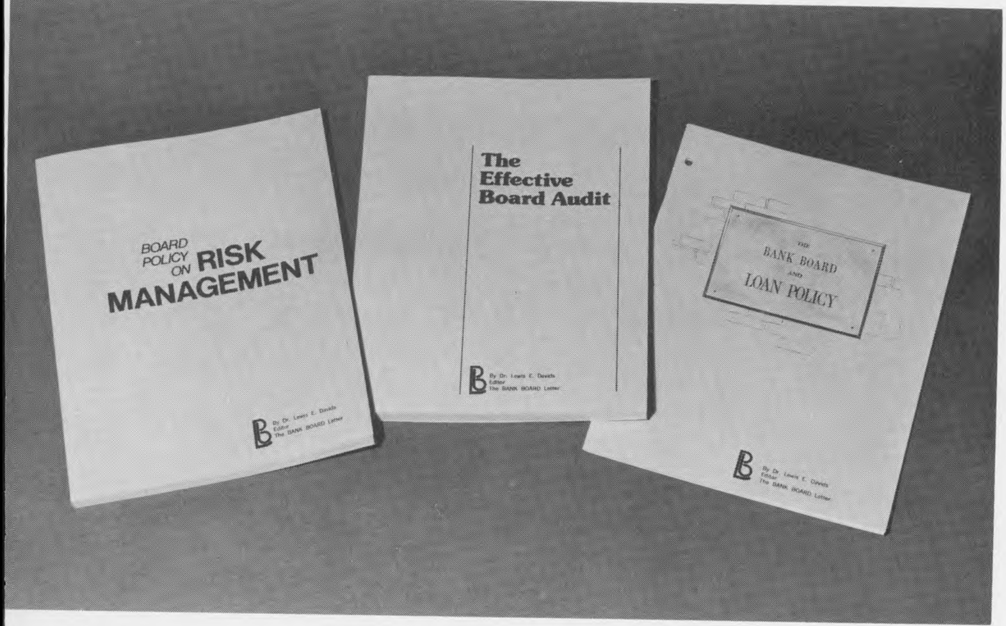

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interests, it may be advantageous to sever and then re-establish joint ownership to qualify under the new law. Joint ownership may be an advantage to avoid probate, but it also may prevent a couple from establishing an "A-B Trust" by placing the entire estate in the survivor's account.

It's important to note those special considerations that apply to individuals who live, or have lived, with a spouse in community-property states: Arizona, California, Idaho, Louisiana, Nevada, New Mexico or Washington. An attorney familiar with local community-property laws must determine first the form of ownership before appropriate estate planning can be formulated.

Life insurance is a favorite investment to provide liquidity for death taxes, administrative costs and immediate financial needs of the surviving family. But careful tax planning with life insurance is necessary to avoid estate tax on the proceeds.

If the insured makes a gift of the policy and gives up any "incidents of ownership," such as changing beneficiaries or borrowing against its cash value, then little or no gift tax may result, nor will the policy be considered part of the taxable estate. For example: In 1977, a husband makes a gift of a $100,000 life insurance policy to his wife. The policy has negligible replacement value, so there's no gift tax. The wife pays the premiums until the husband's death in 1981. The $100,000 proceeds are not subject to the husband's estate tax.

Trusts benefiting the spouse and children can be considered beneficiaries of insurance policies. Such trusts can provide an income for the surviving spouse and later may be liquidated on the death of the surviving spouse in favor of the children free from a second estate tax.

To minimize estate taxes, bankers must consider the most effective estate dispersement, property-investment plan, trust option or life-insurance program offered to his client under the new rules of the Tax Reform Act. • •

Allen Lefko Elected President Of Greater Kansas City CHA

Allen L. Lefko, president/CEO, Noland Road Mercantile Bank, Independence, Mo., has been elected president, Greater Kansas City Clearinghouse Association, for 1978. He succeeds Norman C. Schultz, president, Merchants Bank, Kansas City.

Other new officers (both of Kansas City) are: vice president, C. Ted McCarter, president, Boatmen's Bank, and treasurer, Michael F. Mayer, president, First National. John P. Borden was re-elected executive director/secretary.

New CHA directors are two Kansas Citians—Mr. Mayer and James J. Lanning, president, Red Bridge Mercantile Bank; as well as Paul Degenhardt, president, First National, Gladstone; and Michael W. Gegan, president, First National, Liberty, both in Missouri; and John C. Hofmann, president, Valley View State, Overland Park, Kan.

'Banking Challenges' Symposium Attended by Midwest Bankers

CHICAGO—About 100 midwestern bankers attended a correspondent banking symposium entitled "Banking Challenges, Striving for Quality . . . Planning for Growth" sponsored recently by Northern Trust.

Moderator of the program was N. Hall Layman, vice president, banking, and speakers during the day-long meeting were members of the bank's staff.

Robert G. Dederick, senior vice president and economist, discussed the economic picture; Jay K. Buck, senior vice president, banking, and Harold J. Wiaduck Jr., second vice president, banking, discussed the building of marketing strategies for personal banking in the 1980s. Charles H. Cory II, vice president and civic affairs officer, covered the federal legislative climate; Herbert B. Gofman, vice president, trust, spoke on the securities markets; and Robert L. Yoder, senior vice president, bond, handled the topic of maximizing returns in the bond portfolio.

A bank presidents' panel was included in the program, along with a reception and banquet, hosted by David W. Fox, executive vice president and head of the banking department.

McLean, Allison to Direct 32nd Directors' Assembly

J. William McLean and Walter V. Allison have been named co-directors of the 32nd Assembly for Bank Directors, which will be conducted September 2-5 at the Broadmoor in Colorado Springs.

Mr. McLean is chairman, Liberty National, Oklahoma City, and Mr. Allison is chairman, First National, Bartlesville, Okla., and 1977-78 president, Oklahoma Bankers Association.

The Assembly will be cosponsored by the Foundation of the Southwestern Graduate School of Banking, Dallas, and the Oklahoma Bankers Association. A faculty and staff of 36 from nine states and the District of Columbia will serve as speakers and counselors.

A special feature of the Assembly will be a day of talks and discussion on director organization, information transmittal and policy statements for banks. Other topics include legal developments in director responsibilities, changing standards of regulations and qualifications for bank directors.

Program information is available from the Foundation of the Southwestern Graduate School of Banking, SMU, Box 214, Dallas, TX 75275.

AIB to Hold Convention In Chicago May 28-31

CHICAGO—More than 1,500 bankers are expected to attend the 76th annual AIB convention at the Palmer House, May 28-31. The Chicago Chapter is official host for the convention, whose official theme is "AIB—A Place to Grow."

General chairman is Henry R. Frankel, vice president, Northern Trust, Chicago.

Convention highlights will include the finals of the AIB's national public speaking contest, announcement of a new certificate and curriculum plan for the AIB's programs and "Showcase 78," an inter-chapter and inter-district competition that enables each AIB chapter to exhibit its best educational program, publication or banking course from the past year. Each exhibit is evaluated by delegates and a panel of judges and winners are placed in the "permanent showcase."

The program will also include discussion sessions, workshops and speakers on bank-related topics ranging from financial legislation and regulation to management to professional development.

• **Celia K. Wallace** has been named executive director of the ABA's communications group. The group is responsible for management of the ABA's advertising, public relations, speech writing, newsletter and audio-visual programs. She was formerly vice president for public affairs, Direct Mail/Marketing Association.

Paper Rating Upgraded

Alabama Bancorp's. commercial-paper rating has been upgraded by Moody's Investor's Service from P-2 to P-1. Moody's also has assigned the rating of Aa to the HC's two public debt issues.

The HC has been ranked 81st in size measured by year-end assets, 65th in total capital and 50th in earnings among the nation's 100 largest bank HCs.

Washington Wire

(Continued from page 21)

ate—depends on a fully functioning banking system, which strikes could disrupt dangerously.

Congress continues to grapple with the question of whether to give bank regulators better enforcement tools to deal with the small number of banking abuses that exist—or whether to inhibit the everyday functioning of banks and seriously narrow the field of those willing to serve as bank directors by imposing new and overlapping restrictions on banking.

The long-awaited results of the FDIC's special survey on banking practices confirmed the ABA's statements last September—abusive practices are not typical of banking. Representatives of all three banking regulatory agencies declared that the survey had found no evidence of widespread abuse.

Instead of massively punitive legislation like the so-called Safe Banking Act, the ABA supports the Financial Institutions Supervisory Act Amendments (S. 71), which has been approved by the Senate Banking Committee and is awaiting Senate debate. Regulators have said they need S. 71, which would give them more effective enforcement powers.

Specifically, S. 71 would allow the regulatory agencies to: Issue cease-and-desist orders against individual bankers as well as banks; impose civil fines on bankers and/or banks; and, under a carefully established due-process procedure, remove bank officers or directors when their actions endanger the safety or soundness of their institutions. The bill would require two-thirds prior board approval of loans made to officers and directors. It also would ban director interlocks between financial institutions within the same Standard Metropolitan Statistical Area or (outside an SMSA) within the same or contiguous cities, towns or villages.

Most importantly, S. 71 limits the definition of insiders to true insiders—those who have the power to abuse their banks. It would define bank insiders (for the purpose of setting insider loan limits) as executive officers and stockholders who own 10% or more of the bank's stock.

That definition of insiders becomes important when seen in the perspective of the so-called Safe Banking Act, which would impose punitive and unnecessary restrictions on a much wider range of persons—all directors, their relatives, etc. All would be treated as insiders for the aggregation of insider loans under a legal limit on such loans. To impose restrictions and disclosure requirements on this larger group of individuals would be to penalize them unfairly for their participation in community economic life and to limit seriously the number of qualified persons who can serve as bank directors without economic hardship.

Discussions on the future of the so-called Safe Banking Act between Representative Fernand J. St. Germain (D., R. I.) and the Treasury Department have focused on disclosure of certain insider banking transactions (rather than outright prohibition). Once again, the question must be: Who really are insiders—those who control a bank, and therefore potentially could abuse it, or anyone who happens to serve on a bank's board or to be related to a director or officer?

Establishing a rational and acceptable definition of the term "banking insiders" will be an important goal for bankers in the coming months. • •

We do our corresponding in person.

Ed Shapira, president, Heaven Hills Distilleries, Murphy Brock and Bob Sutherland, president, Wilson and Muir, Bankers, Bardstown, Kentucky.

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

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Liberty National Bank

Louisville, Kentucky

Regulation Proliferation Will Raise Cost of Services, St. Louis Banker Tells BAI

Concern about the proliferation of new complex regulations that have been imposed on banks and banking transactions was expressed by James E. Brown, president, Mercantile Bancorp., St. Louis-based HC, recently.

BROWN

Mr. Brown, keynote speaker at a meeting of the Southwestern Illinois BAI chapter, warned that the additional expense burdens caused by these regulations will, in the long run, be paid for by bank customers. In the past five years alone, he said, at least a dozen new complex regulations have been imposed on bank transactions.

He stressed convenience in banking services with a major goal of simplifying financial transactions for individuals through new techniques, lending procedures and automation. He pointed out that he believed banking isn't an art or a profession, but a trade, and that to best serve the needs of its community, a bank must be profitable so that it's sound. He emphasized that in each bank transaction there must be two winners—the bank and the customer.

Looking to the future, Mr. Brown predicted that eventually there will be one type of bank account that will be accomplished by a plastic card that serves as a bill-paying device, an instant personal loan vehicle, a means of automatically transferring funds from interest-bearing savings accounts to checking accounts and provide for a summary of all financial transactions between the customer and the bank.

He suggested the new name for this account be simply "bank account." As part of the future, Mr. Brown said banks will have to depend more on a program that could be described as a ubiquitous convenience for banking services rather than as a continuation of more brick and mortar. • •

Bank Directors Assemblies Are Increased in Number

DALLAS—The Southwestern Graduate School of Banking has boosted the number of scheduled assemblies for bank directors to four or more annually in response to strong demands for places in the assemblies.

The final two assemblies for this year are: the 32nd assembly, September 2-5, the Broadmoor, Colorado Springs, Colo.; and the 33rd assembly, November 9-12, the Arizona Biltmore, Phoenix.

The 1979 assemblies are: 34th, February 8-11, Boca Raton (Fla.) Hotel & Club; 35th, April 5-8, the Fairmont, San Francisco; 36th, June 7-10, Harbour Castle, Toronto, Canada; 37th, September 1-4, Bayshore Inn, Vancouver, B. C., Canada; and 38th, October 24-27, the Greenbrier, White Sulphur Springs, W. Va.

Four assemblies each are scheduled for 1980 and 1982 and five for 1981. Reservations are being accepted through 1980.

For complete calendars and reservation forms, write: Richard B. Johnson, Southern Methodist University, Box 214, Dallas, TX 75275.

Schools Will Benefit:

200-Mile Bicycle Marathon To Be Sponsored by HC

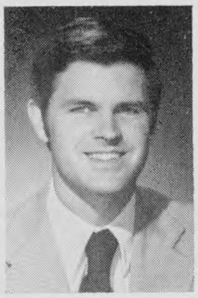
A bicycle marathon designed to benefit physical and health-education programs at public, Catholic and Lutheran schools in Detroit will be sponsored by DETROITBANK Corp. May 20-21 on the city's Belle Isle. The event challenges cyclists to ride 200 miles in 24 hours.

According to Joe Schaugg, president, Wolverine Sports Club, which originated the event, "Thanks to DETROITBANK Corp.'s sponsorship of the marathon, we will be able to aid health and physical-education programs at the Detroit-area schools as well as reach thousands of youngsters and teach them about the fun and benefit of safe bicycling."

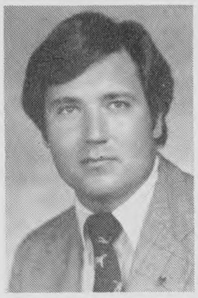
Mr. Schaugg points out that the bank HC's involvement in the program has made it possible for his club to broaden its scope of community involvement and promote the sport as an excellent form of physical exercise, which is relaxing and fun for all ages to do.

For some time preceding the marathon, Wolverine Sports Club representatives visit the schools to talk to students about bicycle riding. Using a multimedia slide presentation, also made possible through the HC's support, club spokesmen will teach bicycle safety, proper riding techniques and benefits of establishing good exercise habits. Youngsters also will be able to sign up for the marathon as part of this program.

The marathon is not a race, its promoters emphasize. It's a 200-mile marathon that gives all kinds of cycling enthusiasts an opportunity to test their individual riding abilities and endurance.



CALLOWAY



WALDEN

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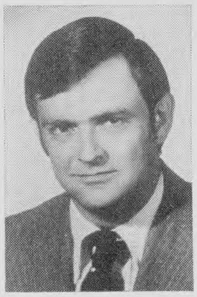
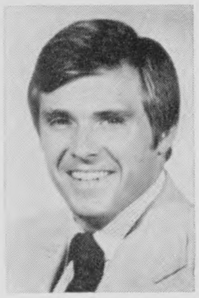


McCLURE



GREEN

Convention 'First-Timers'

These new faces will be representing city-correspondent banks at state conventions this year.

Alabama Convention

• **Robert M. Calloway Jr.** is an assistant vice president in the correspondent bank department at Third National, Nashville. He joined the bank in 1973 and is a recent graduate of the School of Banking of the South.

• **Jimmy L. Walden** is a correspondent bank officer at Deposit Guaranty National, Jackson, Miss., which he joined in 1973. He has served as assistant manager and branch officer and holds BS and MBA degrees.

Arkansas Convention

• **William B. Lloyd Jr.**, vice president, Deposit Guaranty National, Jackson, Miss., is assigned to the correspondent bank department. He joined the bank in 1968 and has served in the investment division. He attended the University of Mississippi.

• **Richard J. Bagy** joined the central group at Mercantile Trust, St. Louis, in 1977. Prior to then, he had been in the credit department since joining the bank in 1976. He holds degrees from Washington University, St. Louis.

• **John W. McClure** joined Mercantile Trust, St. Louis, in 1971. He is a vice president and now heads the bank's central group. He is a graduate of the University of Missouri, Columbia.

Missouri Convention

• **Paul G. Ward** is a correspondent banking representative at First National, Kansas City. He joined the bank last year and calls on banks in Kansas.

• **R. Dale Parker** is a correspondent bank officer at United Missouri, Kansas City, which he joined in 1973. He was named an officer last year.

• **George W. Morris Jr.** is a bond investment officer at United Missouri, Kansas City. He joined the bank in 1975 and was named an officer last year.

• **Robert B. Chamberlain** joined United Missouri, Kansas City, in 1975 and is currently a bond investment officer in portfolio and sales services.

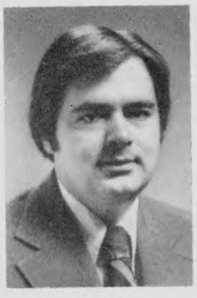
• **Gary E. Metzger** joined Mercantile Trust, St. Louis, in 1974 and worked in the credit department before joining the central group in 1975. He is an assistant vice president.

• **Richard J. Bagy** joined the central group at Mercantile Trust, St. Louis, in 1977. He had been in the credit department since he joined the bank in 1976.

• **Carol L. Rizzie** is an assistant vice president in the central group, regional banking division, Mercantile Trust, St. Louis. She calls on correspondents in the St. Louis area.

• **Neil F. Bergenthal** joined First National, St. Louis, as a vice president in 1974. He was formerly a credit manager at Ralston Purina and a supervisory loan examiner for the Farm Credit Administration.

OWEN

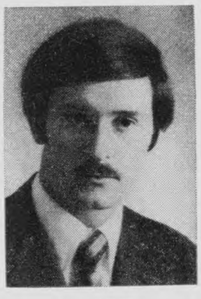


SHULTZ

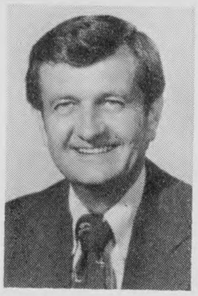
MORRIS

PANKNIN

WARD



PARKER


CHAMBERLAIN


METZGER


RIZZIE


BERGENTHAL


CAMPBELL


FOX

• **R. Quinn Fox** joined First National, St. Louis, as an assistant vice president in the national division in 1977. He was formerly an assistant vice president at the St. Louis Fed.

• **Steven M. Campbell** is a commercial banking officer at First National, St. Louis. He joined the bank in 1976 after graduating from Oberlin College.

• **Earl N. Haldeman III** is an assistant vice president at First National, St. Louis. He joined the bank in 1976 and is a graduate of Culver Stockton College, Canton, Mo.

• **Glen M. Kayser** is an assistant vice president at First National, St. Louis, which he joined in 1963. He has been in the correspondent division since last July.

• **James J. Rau,** an assistant vice president at First National, St. Louis, joined the bank in 1967. He was in EDP sales until joining the correspondent banking department in 1971.

• **D. Phillip Setterlund** is a correspondent bank officer at Boatmen's National, St. Louis. He joined the bank in 1977.

• **Ernest K. Hellmich** joined Boatmen's National, St. Louis, in November, 1977. He has 14 years' banking experience.

• **Larry D. Bayliss** is vice president, advertising and public relations, Boatmen's National, St. Louis. He joined the bank in 1968.

Oklahoma Convention

• **Robert S. Shultz** is a correspondent banking representative at First National, Kansas City. He joined the bank in 1977 and travels in Oklahoma. He was formerly with Bank of Whitewater, Kan.

• **George W. Morris Jr.** is a bond investment officer at United Missouri, Kansas City. He joined the bank in 1975 and was named an officer last year.

• **Steve Panknin** joined United Missouri, Kansas City, in early 1977 and is a special representative in the bank's investment department. He travels in Oklahoma, Colorado, Nebraska and Iowa.

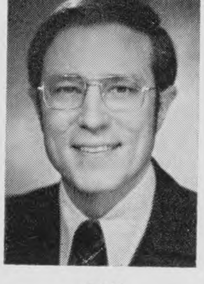
Tennessee Convention

• **Stephen R. Green** is an assistant vice president at Mercantile Trust, St. Louis. He joined the bank in 1975 and was assigned to the credit department. He transferred to the central group later that year.

• **H. Lee Owen** is a vice president at Third National, Nashville, which he joined in 1965. He is manager, East Nashville Branch, and holds basic and standard certificates from the AIB.


HALDEMAN


KAYSER


RAU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John Morris, Senior Vice President
Jim Herfurth, Senior Vice President

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Missouri Convention

President

ANDERSON

Mills H. Anderson, MBA pres., is ch. & CEO, Bank of Carthage. He joined the bank in 1946, was named pres. in 1959 and ch. this year. He has chaired the governmental affairs and consumer finance committees of MBA.

Vice President

LEA

Pat Lea, pres. & CEO, First Nat'l, Sikeston, is MBA v.p. He entered banking in 1953 and has served MBA in the Junior Bankers Section and on various committees. He is a former pres., Southeast Missouri Bankers Institute.

Treasurer

TURNER

MBA Treas. S. K. "Ken" Turner is pres., First Nat'l, Kirksville. He entered banking in 1947 at Citizens Bank, Shelbyville, joined a Kansas City bank in 1962, moved to his present bank in 1967 as e.v.p. He became pres. in 1975 and is a dir.

St. Louis, May 14-16

Headquarters—Sheraton-St. Louis Hotel

PROGRAM

FIRST SESSION, 1:30 p.m., May 15

Call to Order—CHARLES S. BETZ, convention chairman, and vice president, First National Bank, St. Louis.
Welcome—JAMES F. CONWAY, mayor, St. Louis.
Address—ROBERT S. STRAUSS, special representative for trade negotiations for President Jimmy Carter.
Panel—"State of the Association," featuring officers of the Missouri Bankers Association.
Introduction of Regional Vice Presidents, Secretaries and Chairmen of Standing and Special Committees.
Report of Committee on Nominations and Election of Officers.
Announcements and Adjournment.

SECOND SESSION, 9:30 a.m., May 16

Call to Order.
Address—"Of Time and Energy," EARL K. DILLE, executive vice president, Union Electric Co., St. Louis.
Investment Panel.
Announcements and Adjournment.

THIRD SESSION, 2 p.m., May 16

Call to Order.
Meeting of Missouri Members of the American Bankers Association—RICHARD J. PFLEGING, ABA state vice president, and president, Bank of St. Ann.
Election of Member and Alternate Member of Nominating Committee to Serve at 1978 ABA Convention.
Address—"Are You Operating a Profitable Bank?" ALEX SHESHUNOFF, president, Sheshunoff & Co., Austin, Tex.
Installation of Officers.
Unfinished Business.
New Business.
Announcements and Adjournment.

Members of MBA Convention Committee

Standing (from l.): S. K. Turner, president, First Nat'l, Kirksville—MBA treas.; Charles S. Betz, v.p., First Nat'l, St. Louis—conv. ch.; S. Lee Kling, ch., Landmark Bancshares, St. Louis; John W. McClure, v.p., Mercantile Trust, St. Louis; Hord Hardin II, e.v.p., Manchester Bank, St. Louis; Mills H. Anderson, ch., Bank of Carthage—MBA pres.; William H. Stephenson, MBA adm. v.p. Seated (from l.): Joyce R. Lewis, MBA sec.; Robert W. Crawford, MBA e.v.p.; Denis M. Bahlinger, v.p.-cash., Jefferson Bank, St. Louis; Martin E. Harrington, s.v.p., Bank of St. Louis; Thomas L. Palmer, v.p., Traders Nat'l, Kansas City—conv. v. ch. Not pictured: R. Quinn Fox, a.v.p., First Nat'l, St. Louis; Douglas E. Lundstrom, pres., Cass Bank, St. Louis; Clifford A. Schmid, pres., Chippewa Trust, St. Louis; Harley E. Schwering, ch. & pres., Manufacturers Bank, St. Louis; and William T. Springer, s.v.p., Boatmen's Nat'l, St. Louis.

Strauss Among Speakers At MBA Convention In St. Louis May 14-16

ST. LOUIS—Ambassador Robert S. Strauss, special representative for trade negotiations for President Jimmy Carter, will head the list of speakers to appear at the 88th annual convention of the Missouri Bankers Association, set for May 14-16 at the Sheraton-St. Louis Hotel and the new Cervantes Convention and Exhibition Center.

Also on the program will be Earl K. Dille, executive vice president, Union Electric Co., St. Louis, and Alex Sheshunoff, president, Sheshunoff & Co., bank analysts, Austin, Tex. St. Louis Mayor James Conway will welcome delegates to the convention.

Mr. Strauss represents the U. S. in forming bilateral trade agreements with other nations. He is in charge of the multilateral trade negotiations in Geneva and deals with domestic industrial problems caused by an excess of foreign imports, such as the recent problems in shoes and color TV sets.

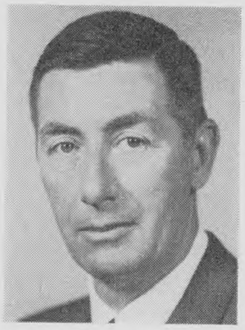
He negotiated a new trade agreement with Japan early this year that redefines the economic relationship between the U. S. and that country to better balance our trade situation.

Mr. Dille will speak on "Of Time and Energy." He will review the total energy situation, including resources in oil, gas, coal and nuclear energy as well as prospects for importing these resources. He will also explore the most promising sources of energy for future needs.

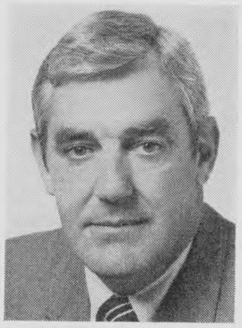
Mr. Dille is responsible for all operations of Union Electric, including power production, transmission and distribu-

While you're at the convention...

James M. Kemper, Jr.



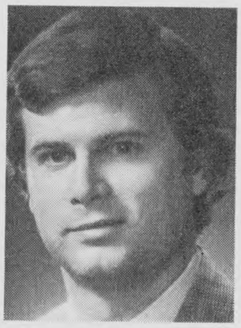
P. V. Miller, Jr.



Fred N. Coulson, Jr.

Thomas J. Brown

John C. Messina



George W. Porter

Put us on your meeting list.

Look for these six men from Commerce Bank at this year's convention. They help keep banks of all sizes up-to-date on investments, new methods and systems, regulations, trends and everything involved in the changing pace of banking today. Join them at the Missouri Bankers Convention on May 14-16.

THE WONDERFUL WORLD OF BANKING

The midwest's most experienced correspondent

COMMERCE BANK of Kansas City NA

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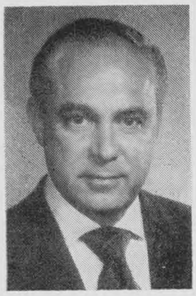


STRAUSS

SHESHUNOFF

DILLE

CONWAY

tion, engineering and construction, supply service and safety.

"How to Become a High-Performance Bank" will be Mr. Sheshunoff's topic. His firm specializes in analyzing banks for other banks and corporations. His firm recently published a book incorporating ideas and insights on how to become a higher-performing bank. The book includes a ranking of Missouri banks by return on average assets and 28 key sources of profitability.

The first general business session of the convention will get underway at 1:30 p.m., Monday, May 15, at the Cervantes Convention and Exhibition Center, adjacent to the convention hotel.

Other business sessions are scheduled for Tuesday, one at 9:30 a.m., the other at 2 p.m.

A "luncheon with the governor" session is tentatively set for noon on May 16.

Registration hours are from 2 to 6 p.m. on Sunday, May 14, and from 9 a.m. to 6 p.m. on Monday and Tuesday, May 15 and 16. The registration desk will be in the ballroom foyer at the convention hotel. Commercial exhibits will be located adjacent to the registration desk. Exhibit hours will coincide with registration hours for Sunday and Monday, but the exhibition area will close at 2 p.m. on Tuesday.

■ FIRST NATIONAL, Kansas City, has promoted T. Duncan Samuel from assistant trust officer to trust officer. He joined the bank in 1968 and is a portfolio manager/personal trust accounts.

Special Events Set For MBA Convention

ST. LOUIS—Special activities will abound at the Missouri Bankers Association convention May 14-16, starting with a cocktail party for exhibitors and all convention registrants from 5 to 6:30 p.m., Sunday, May 14.

Monday's events include a golf and tennis tournament at Bellerive Country Club. Both events begin at 8 a.m. and each is limited to 72 registrants, who are required to make advance reservations.

The women's program, featuring a visit to a shopping center, begins at 8:30 a.m. The day-long event includes shopping, luncheon and an address at Plaza Frontenac.

At 9:30 a.m., First Missouri Development Finance Corp. will hold its stockholders meeting and breakfast in the Laclede Room at the Sheraton-St. Louis Hotel.

The 50-Year Club reception and luncheon will take place at 11:30 a.m. at the Boulevard Room. New members will be inducted.

At 1 p.m. a guided tour of the Cervantes Convention Center will begin.

A riverboat party and dance aboard the steamer "Admiral" will begin at 9 p.m. and continue until midnight.

Bob Kuben's Brass will supply the music. Shuttle busses will begin departing from the hotel at 8:30 p.m.

The School of Banking of the South alumni breakfast will be held in the Laclede Room at 7:30 o'clock Tuesday, May 16.

Other events for Tuesday include the traditional president's cocktail party and banquet, held in the ballroom area of the hotel.

"Up With People," a two-hour musical, will be performed for MBA convention delegates May 16. The show is an entertaining blend of music and dancing that include a broad range of contemporary and traditional material backed by a complete instrumental section of guitars, percussion, piano and brass. The cast, whose members are 17 to 24 years old, represent a cross section of economic backgrounds and ethnic origins.

Lee Huddleston Is Nominee For Missouri Bankers Treasurer

The nominee for MBA treasurer this year is Lee Huddleston, president, Country Club Bank, Kansas City.

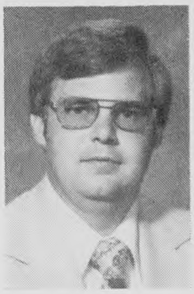
Mr. Huddleston entered banking in 1937, following graduation from high school and prior to entering college. The bank was State Bank, Oskaloosa, Kan. He left that bank in 1952 to join Rosedale Bank, Kansas City, Kan., as cashier. Two years later he joined the correspondent bank department at First National, Kansas City, as a vice president.

HUDDLESTON

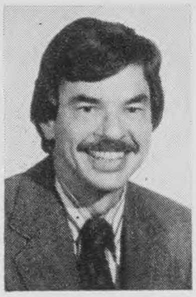
In 1963 he joined Country Club Bank as president.

■ JAMES YANG has joined St. Louis County Bank, Clayton, as vice president. He formerly was with Commerce Bank, St. Louis, and has been in banking 25 years, most of that time with Philadelphia National. In other action, County Bank elected Julie A. Letourneau and M. Christine Collins assistant cashiers, customers services. Miss Collins joined the bank in 1968 and Miss Letourneau last January, going from Lewis & Clark Mercantile Bank, St. Louis County, where she was manager, Hazelwood facility.

Semrod, Leonard to Speak At Young Bankers Seminar At Tan-Tar-A June 6-8


LEE


ADAMS


LEONARD


SEMROD

LAKE OF THE OZARKS—T. Joe Semrod and Eugene Leonard are among the speakers scheduled for the Missouri Young Bankers Seminar to be held at Tan-Tar-A here June 6-8.

Mr. Semrod is vice chairman, Liberty National, Oklahoma City, and Mr. Leonard is senior vice president, Mercantile Bancorp., St. Louis. Mr. Semrod's topic will be "Decision Making in Management" and Mr. Leonard will give an economic forecast to the 250 young bankers expected to attend the annual event.

A talk on communications will be given by Harvey Thomas, industrial psychologist from Liberty, Mo.; lending will be discussed by R. E. Johnson, senior vice president, American National, St. Joseph; MBA Executive Vice President Robert W. Crawford will provide a legislative update, and a report will be presented on the Young Bankers' economic education program in Missouri schools.

Golf and tennis tournaments will be part of the social scene and instead of the usual banquet, delegates will attend an outdoor luau followed by a dance. Dress for the entire seminar is casual.

This year's seminar was moved to midweek to permit more young bankers to attend. The move is expected to double last year's attendance figure.

Chairman of the Young Bankers this year is Richard Adams, senior vice president, Bank of Sikeston. He's been with the bank since 1971, was named assistant vice president in 1974 and vice president later that year. He entered banking 11 years ago at First National, Sikeston, serving as data processing manager. He is a 1974 graduate of the School of Banking of the South at Louisiana State University.

Vice chairman of the Young Bankers is Bill C. Lee, executive vice president, State Bank, Seneca. He began his banking career with First National, Nowata, Okla., in 1971; moved to McIlroy Bank, Fayetteville, Ark., in 1972; joined First National, Neosho, Mo., in 1973, and went to his present bank late in 1976. He is a graduate of the University of Arkansas and holds a baccalaureate degree of science in finance.

Two Missouri Bankers To Join 50-Year Club

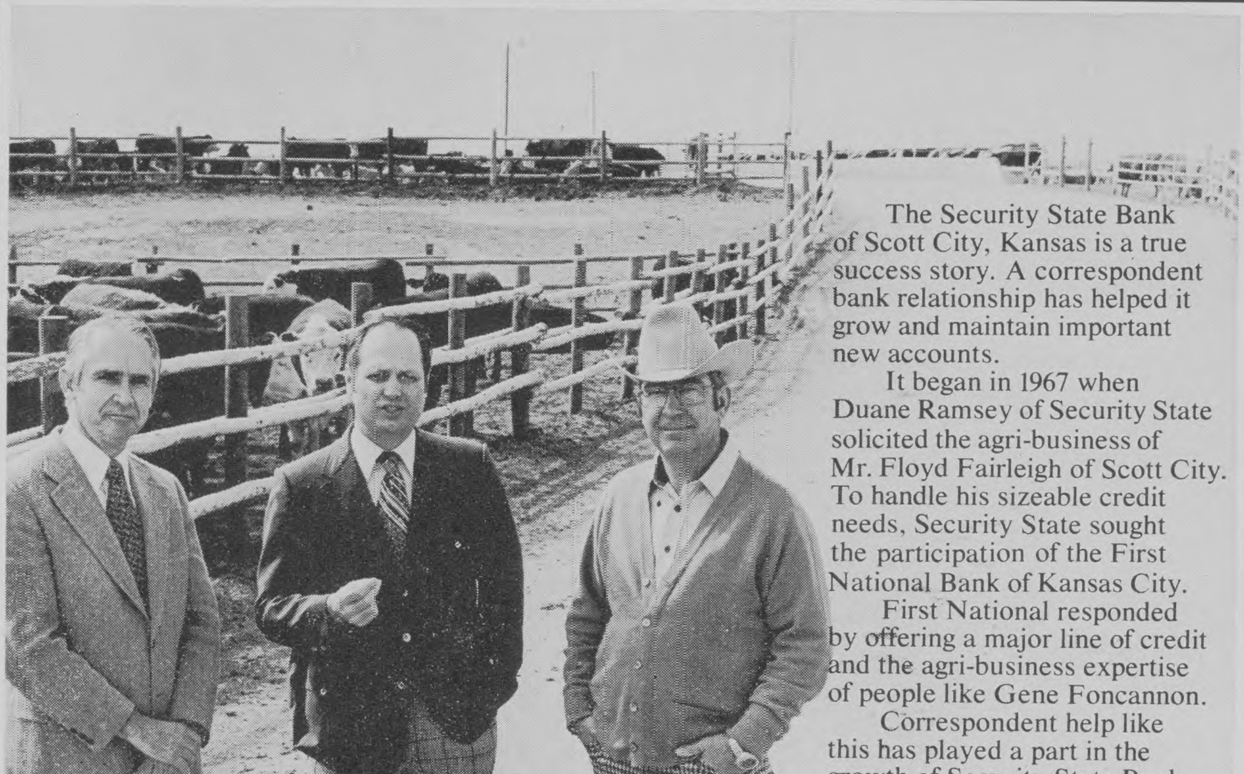
ST. LOUIS—Two veteran Missouri bankers are scheduled to be inducted into the MBA's 50-Year Club at this year's convention, according to R. Quinn Fox, assistant vice president, First National, St. Louis, who serves as club secretary.

The inductees are Ralph T. Haynes, president, Carroll County Trust, Carrollton, and Nanna E. Smith, president, Bank of Monticello. They will be installed into the club at the annual luncheon meeting Monday, May 15, at the Sheraton-St. Louis Hotel.

Long-time president of the club is Jesse McCreery of Higginsville. Vice president is Arthur H. Gidionsen of St. Louis, formerly with Tower Grove Bank, St. Louis.

■ RON CALAWAY has joined Doane Agricultural Service, St. Louis, as a farm and ranch manager in the firm's Chillicothe office. He manages 35 farms in the Chillicothe area.

"Being a First correspondent bank helped us succeed in landing important new business like Floyd Fairleigh's feed yard."



Gene Foncannon, First National Bank of Kansas City
Duane Ramsey, Security State Bank of Scott City
Floyd Fairleigh, Fairleigh Feed Yards

The Security State Bank of Scott City, Kansas is a true success story. A correspondent bank relationship has helped it grow and maintain important new accounts.

It began in 1967 when Duane Ramsey of Security State solicited the agri-business of Mr. Floyd Fairleigh of Scott City. To handle his sizeable credit needs, Security State sought the participation of the First National Bank of Kansas City.

First National responded by offering a major line of credit and the agri-business expertise of people like Gene Foncannon.

Correspondent help like this has played a part in the growth of Security State Bank. And as Floyd Fairleigh's small feed yard operation has grown to six agri-business corporations, Security State has grown with many new accounts.

If your bank needs a productive correspondent relationship to solicit and obtain new business, extend credit, add expertise and a depth of personnel in your area of interest, call the professional staff of the First National Bank Correspondent Department.

We take pride in the success of Security State Bank.

Our correspondent banking tradition has been built on help like this.

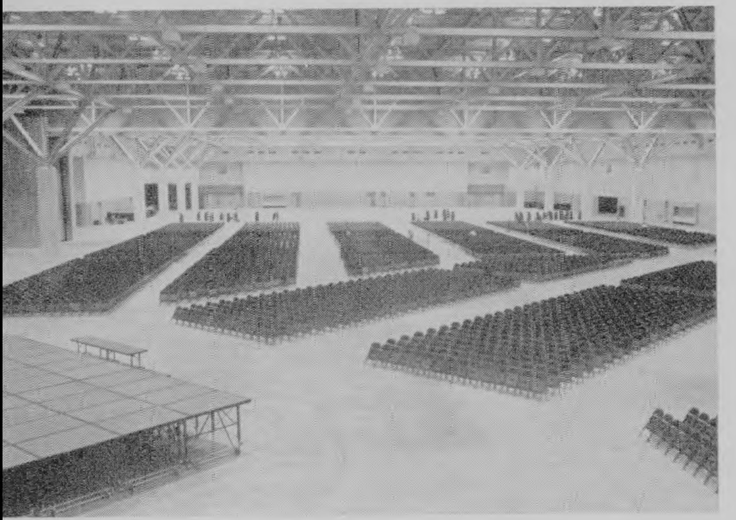
Why not put our strong tradition of excellence to work for your success.

Your success is our tradition.

First National Bank of KANSAS CITY, MISSOURI

An Affiliate of First National Charter Corporation

Member FDIC



New St. Louis Site For MBA Convention

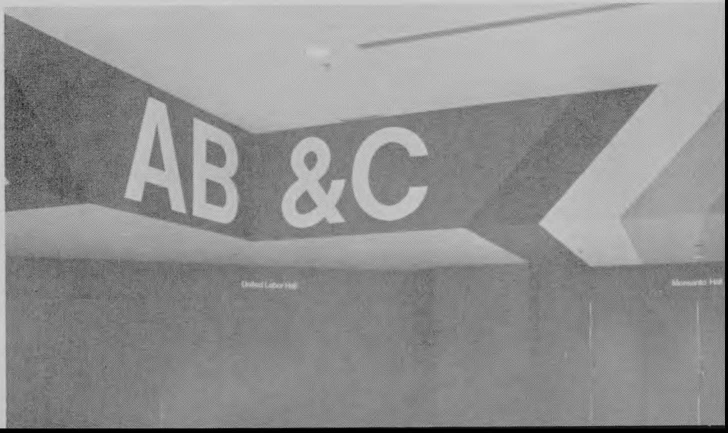
TOP: This is an exterior view of the Alfonso Cervantes Convention Center, site of the 1978 convention of the Missouri Bankers Assn. The $36-million center, located on four square blocks in downtown St. Louis, was opened last June. It has more than 50 meeting rooms with movable partitions and a full range of audio/visual and closed-circuit TV services. The center is named after a former St. Louis mayor.

SECOND FROM TOP: The convention center has self-contained mobile stage units, which are adjustable in size and height. Seating for up to 14,000 is possible in the Exhibit Hall with use of floor chairs and chairs on risers.

THIRD FROM TOP: Arrangements of chairs are flexible in the 50 function (meeting) rooms, where groups of from 15 to 20,000 can be accommodated. Each room is self contained with separate corridor access, sound system and light control. Additional features are wall-to-wall carpeting and upholstered chairs.

FOURTH FROM TOP: The news media room features expansive windows that overlook the exhibit halls. The room has sufficient candlepower for live color TV broadcasting, hookups for telephones, a kitchen and bathroom.

BOTTOM: The convention center has three exhibit halls—the August A. Busch Jr. Hall, the United Labor Hall and the Monsanto Hall. Colorful graphics aid visitors in finding their halls and meeting rooms quickly.



Confidence comes with The County Bank

St. Louis County Bank in Clayton is the largest bank in the County . . . 4th largest in all of St. Louis.

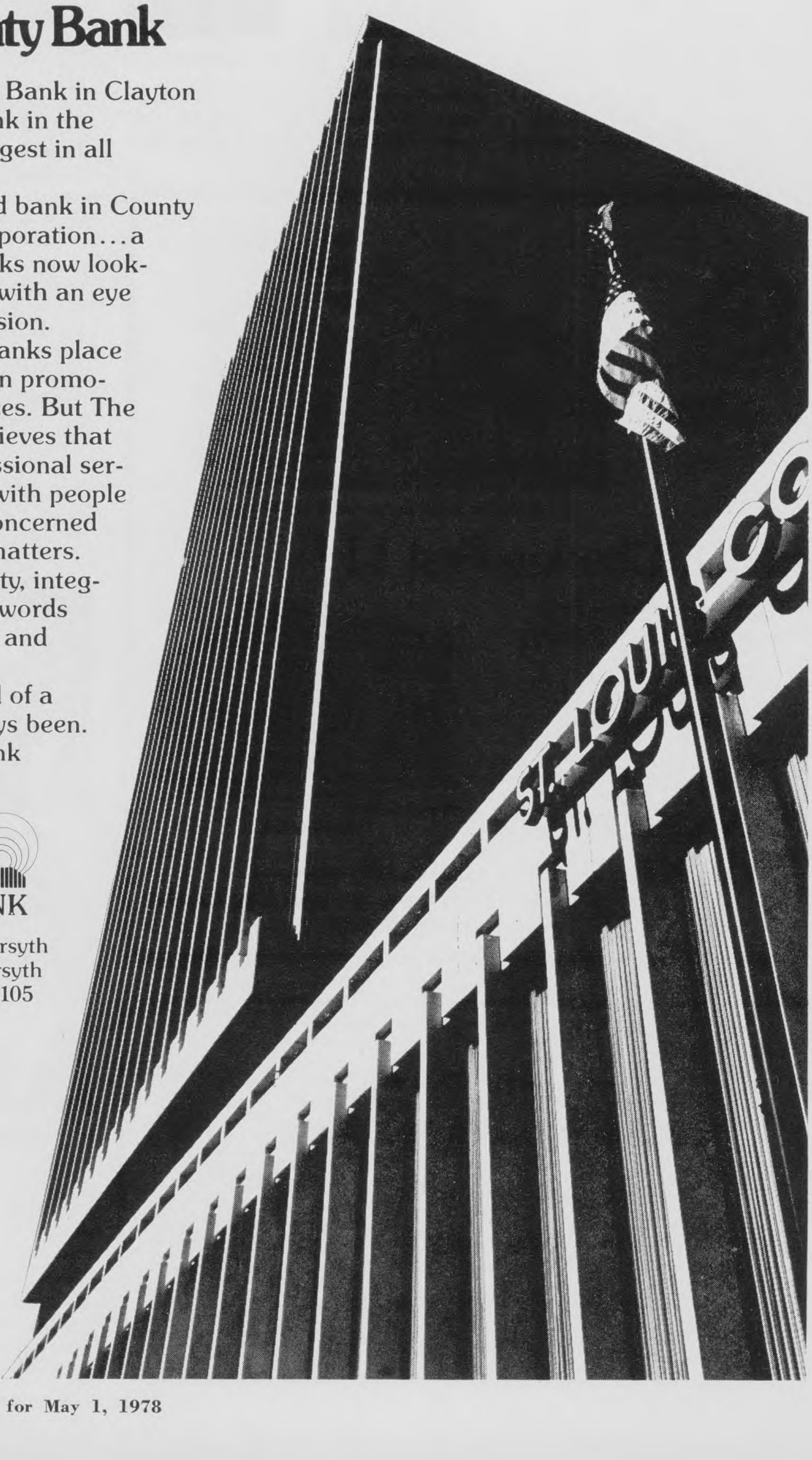
This is the lead bank in County National Bancorporation . . . a group of five banks now looking to the future with an eye on further expansion.

Today, many banks place their emphasis on promotional type services. But The County Bank believes that thoughtful professional services come first with people who are really concerned about financial matters. Security, reliability, integrity. These three words guide our people and our policies.

That's the kind of a bank we've always been. The kind of a bank we'll always be.

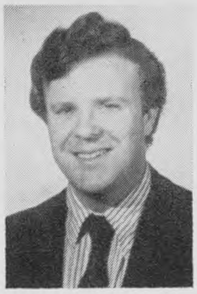
ST. LOUIS
COUNTY BANK

Main Bank: 8000 Forsyth
Mini Bank: 7520 Forsyth
Clayton, Missouri 63105
Member F.D.I.C.



■ WILLIAM E. PETERSON JR., chairman, Chippewa Trust, St. Louis, retired from full-time activity at the bank March 31. He continues as chairman and a member of the executive committee, while being retained by the bank for advice and consultation. Clifford A. Schmid continues as president.

PETERSON



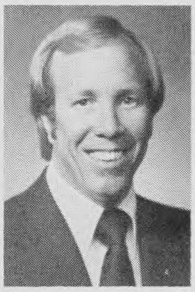
HECKMAN

■ GUY C. HECKMAN has joined St. Louis' Mercantile Trust as a vice president, going from New York City's Chase Manhattan. At the latter bank, he was a second vice president/account and relationship manager, petroleum division. In other action, Mercantile promoted Margaret Chouinard to assistant trust officer, Victor Zarrilli to trust officer/assistant secretary and Vernon R. Adams to data processing officer. William A. Brady, a 50-year veteran with the bank, retired in March. He joined the former Merchants Laclede National as a messenger/mail clerk in 1928. He was a bank vice president when he moved to its HC, Mercantile Bancorp., in January, 1977, as vice president/operations consultant.

■ EVANS T. McREYNOLDS has retired as chairman/CEO, Boatmen's Union National, Springfield, but continues as a director. Eugene F. Everett, formerly bank president, succeeds Mr. McReynolds. The new president is Earl K. Nau. Mr. McReynolds entered banking in 1935 at the former Union National, Springfield, became president in 1966 and chairman in 1975. Mr. Everett went to Union National in 1952 and advanced to president in 1975. He recently was elected to the board of Boatmen's Springfield National. Mr. Nau helped form Boatmen's Springfield National in 1970 and was president from then until advancing to chairman six years later. He moved to Boatmen's Union National last January as executive vice president.

McREYNOLDS

NAU



MOWREY

EVERETT

■ GARY MOWREY has been promoted from assistant marketing director to marketing director, affiliate banks of First Midwest Bancorp., St. Joseph. These banks are First National, First Trust and First Stock Yards, all of St. Joseph; and Home Bank, Savannah; First Midwest Bank, Maryville and Ravenwood, and Farmers Bank, Gower.

■ J. RICHARD FURRER has advanced from executive vice president to president, South Side National, St. Louis, succeeding George J. Helein, who retired. Richard J. Tiemeyer joined the bank to succeed Mr. Furrer as executive vice president. He formerly held the same post at Ellisville Metro Bank. In other action, South Side National promoted Walter C. Hammermeister from vice president/cashier to senior vice president/cashier and Carol S. Alexander from assistant vice president to vice president. She continues as secretary to the board.

FURRER

TIEMEYER

■ JON J. HENDERSON has moved up from vice president to executive vice president, United Missouri Bank of Blue Valley, Kansas City. He joined the bank in April, 1977, after spending seven years at United Missouri, Kansas City. Harold N. Davis was advanced from vice president to senior vice president at the Blue Valley bank, going there in 1973. In other action, the bank elected these assistant vice presidents: Robert F. Higney Jr., Conrad C. Smith and Thomas D. Troxel. Shirley Ann Brown was named assistant cashier at the bank's facility at I-70 and Blue Ridge Cutoff.

■ MILLS H. ANDERSON, president, Bank of Carthage, and president, Missouri Bankers Association for the 1977-78 term, has been named chairman and CEO of his bank. New president is Charles L. Spangler, who is president, Aurora Bank. He will continue in that position, but day-to-day operations at Aurora Bank will be handled by Jerry Fogle Jr., senior vice president.

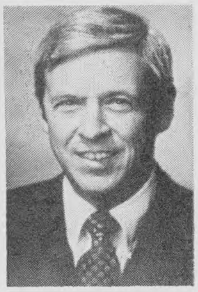
No Off-Premise Terminals

The Missouri legislature has killed a bill that would have permitted banks to install off-premise electronic banking terminals in stores.

Defeat of the bill was expected, since small banks opposed it and large banks maintained a "disinterested" position.

■ PAUL M. ROSS, senior vice president, First National, has been elected president, Bank Management Association of St. Louis. The organization meets regularly to discuss matters affecting banking, frequently bringing in outside experts as speakers. Other new officers are: first vice president, Harley E. Schwering, president, Manufacturers Bank, St. Louis; second vice president, Quinton Keller, president, Lemay Bank; treasurer, Alfred R. Naunheim, president, Charter Bank, Overland; and secretary, Gerald W. Schoor, president, First Missouri Bank, Creve Coeur. New executive committee members are: Ronald Brockmeyer, executive vice president, Gravois Bank, Affton; William L. Hayse, president, United Missouri Bank, Kirkwood; and Robert C. Wolford, executive vice president, St. Louis County Bank, Clayton. J. Richard Furrer, president, South Side National, St. Louis, and immediate past president of the association, is an ex officio member of the board.

ROSS



REIMERS

■ MANUFACTURERS BANK, St. Louis, has elected A. J. Reimers to its board. He is treasurer, Ralston Purina Co., St. Louis.

■ EUGENE T. BACH has been elected vice president, First National, St. Louis. He joined the bank in 1956 in the installment loan department. Last February 14, Mr. Bach was named manager of the bank's executive financial section.

■ BANK OF ST. ANN has promoted David T. Fairchild from vice president to vice president/cashier. He joined the bank in 1970 and became vice president in 1975.

■ JILL J. TENDLER has been named a sales service representative for the St. Louis area by Mortgage Guaranty Insurance Corp. (MGIC), Milwaukee.

■ PAUL L. MARTIN has been elected president, Commerce Bank, Independence. He was formerly with Commerce Bank, Popular Bluff, and Commerce Bank, Kahoka.

Let's get together at the Convention!

St. Louis, May 14-16   Topeka, May 10-12

See you there!

Crosby Kemper · Jerry Scott · Bill Bolt · John Kramer

Ed Huwaldt · Byron Thompson · Lynn Mitchelson · E.L. Burch · Hal Hollister · Pat Thompson

UNITED MISSOURI BANK OF KANSAS CITY, N.A.

United We grow. Together.

Member FDIC

Earnings Increase $52,000

KANSAS CITY—Net income last year at United Missouri Bancshares was $10,108,000, an increase of $52,000 over 1976. On a per-share basis, net income went up 7.2% to $3.27, and income before security gains increased 6.5% to $3.26 a share.

The most significant financial increase showed up in total deposits, which reached a record $1,025,461,000, up 14.8% over the 1976 figure.

■ UNITED MISSOURI BANK SOUTH, Kansas City, has elected Robert P. Corbett as chairman and CEO and Malcolm "Mick" Aslin as president, trust officer and director. Mr. Corbett was formerly president and was a founding director of the bank's predecessor, Wornall Bank. Mr. Aslin was formerly with United Missouri Bank, Kansas City, where he was a vice president and pension trust officer in the employee benefit division of the trust department.

Administration's Inaction Cited by C. C. Barksdale At First Union Meeting

ST. LOUIS—When Clarence C. Barksdale (pictured here) gave his report April 12 at the annual shareholders' meeting of First Union Bancorp., of which he is chairman/CEO, he spoke not only on HC matters, but on national conditions. Mr. Barksdale also is chairman/CEO, First National, the HC's lead bank.

He pointed out that President Jimmy Carter has no coherent anti-inflation policy, that he addresses the symptoms, not the causes. Even the President's voluntary anti-inflation program revealed the day before hadn't changed his opinion, he added. A national energy policy still is needed, said Mr. Barksdale, who added that the administration seems to be—even after a year—undergoing "on-the-job training."

All this, according to the St. Louis banker, keeps business in a state of uncertainty and has resulted in lagging plant investment.

Turning to HC matters, Mr. Barksdale said, "While earnings growth in the first quarter was moderate, earnings in the quarter reached a new high, exceeding the previous high attained in the fourth quarter of 1977. We have experienced excellent growth in loan volume over the year-ago level, at both First National Bank in St. Louis and at our other affiliates. Average consolidated loans were up 15%. Earning-asset yields also were substantially higher in the first quarter than in the same period last year. However, the favorable effect of increased loan volume and higher yields was offset partially by the combined effect of narrower interest spreads and increased non-interest expense."

He expressed confidence that, over the balance of the year, rate of earnings growth over year-ago levels will accelerate above the moderate growth rate experienced in the first quarter, reflecting, mainly, HC management's expectation of continued strong loan demand.

In actual figures, First Union's consolidated net operating income in the first quarter of this year was $5.9 million, compared with $5.7 million in the first quarter of 1977. On a per-share basis, net operating income was

$1.27, a 4.1% increase over the $1.22 earned in the first quarter of 1977.

After the effect of investment-securities transactions, first-quarter income this year was $5.9 million, or $1.28 a share, compared with $5.6 million, or $1.22 a share, in the first quarter of 1977. On a per-share basis, this represents a 4.9% boost.

Small-Enterprise-Loan Program Announced by First Mo. DFC

First Missouri Development Finance Corp., Jefferson City, has announced a small-enterprise-loan program that makes proprietors, partnerships, corporations and cooperatives eligible to borrow from $5,000 to $100,000 in loans repayable in five years or more.

Needed funds must not be readily available from other financial institutions and borrowers must employ at least one Missourian for each $10,000 loaned. Rate of interest is 4½% above the prevailing St. Louis prime rate, adjusted semiannually, plus $25 per month for account service. A bank's share in a participation loan is to be 20% or more.

Since its founding in 1968, First Missouri has disbursed an average of $912,000 per year in loans ranging from $25,000 to $500,000 or more by participation with another financial institution. Industries throughout Missouri have been recipients of $13.5 million in loans in the past nine years and more than 4,500 residents have been employed by 68 firms.

More than 30% of Missouri banks are members of First Missouri Development Finance Corp.

WELLS

■ GORDON E. WELLS, chairman, First National Charter Corp., Kansas City, has been elected to the board of Webster Groves Trust. He is also chairman of First National, Kansas City.

■ COMMERCE BANK, Kansas City, has promoted Larry D. McKeaigg from commercial banking officer to assistant vice president/commercial loans. Patrick A. Lawler has been elected commercial banking officer. He joined the bank in 1975. Mr. McKeaigg went there in 1962.

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.

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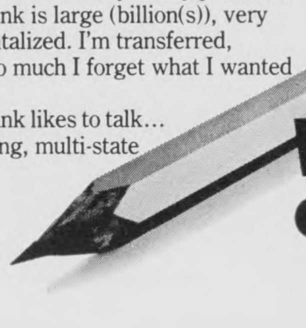

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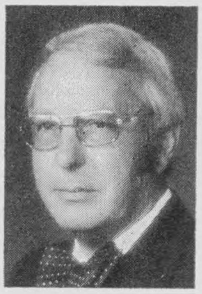
Tennessee Convention

President

BULLINER

Chairman



WILLSON

Jack R. Bulliner, ch. & pres., First State, Henderson, is TBA pres. He joined his bank in 1948 and has been pres. since 1970. He is a former pres., Tenn. Young Bankers Div.

TBA Ch. Hugh M. Willson is pres., Citizens Nat'l, Athens, which he joined in 1957. He has held his present title there since 1965. He is a dir., Monroe County Bank, Sweetwater.

Exec. Vice Pres.

GILLIAM

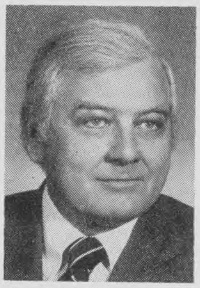
President-Elect

BENEDICT

Robert M. Gilliam is TBA e.v.p. and treas. He is a past pres., Southern Conference of Banking Association Executives.

TBA Pres.-Elect Andrew Benedict is ch., First American Nat'l, Nashville. He joined the bank in 1935 and has been ch. since 1969. He is also ch., First Amtenn HC.

1st Vice Pres.



TAYLOR

2nd Vice Pres.

FITZHUGH

Serving as TBA 1st v.p. is G. Robert Taylor, ch. & pres., Merchants Bank, Cleveland. He joined the bank in 1945, was elected pres. in 1970 and ch. in 1975.

Serving as TBA 2nd v.p. is James R. Fitzhugh, pres., Bank of Ripley, which he joined in 1945. He became an officer in 1946 and has been pres. since 1964.

Memphis, May 14-16

Headquarters—Holiday Inn Rivermont

PROGRAM

MONDAY, MAY 15

8 a.m.—Independent Bankers Division Breakfast.

9:30 a.m.—Joint meetings, State and National Bank divisions.

1:30 p.m.—Board of Directors Meeting.

TUESDAY, MAY 16
BUSINESS SESSION, 9:30 a.m.

Call to Order—JACK R. BULLINER, president, Tennessee Bankers Association, and chairman and president, First State Bank, Henderson.

Welcome.

Report of the ABA Vice President for Tennessee—W. C. ADAMS, ABA vice president for Tennessee, and president, Bank of Maryville.

President's Address—JACK R. BULLINER.

Address—GEORGE A. LeMAISTRE, chairman, Federal Deposit Insurance Corp., Washington, D. C.

Address—JOHN H. PERKINS, ABA president-elect, and president, Continental Illinois National Bank, Chicago.

Election of Officers.

Adjournment.

12:30 p.m.—Board of Directors Luncheon.

6:30 p.m.—Reception.

7:30 p.m.—Banquet.

Convention Speaker

G. A. LeMAISTRE

LeMaistre, Perkins Head Speaker List For Annual Tennessee Bankers Meeting

FDIC Chairman George LeMaistre and ABA President-Elect John H. Perkins, president, Continental Illinois National, Chicago, head the list of speakers taking part in this year's Tennessee Bankers Association convention, set for May 14-16 at the Holiday Inn-Rivermont, Memphis.

About 1,000 bankers and spouses are expected to attend the three-day meeting, which will conclude with the second annual prayer breakfast on Wednesday, May 17.

A preview of this fall's ABA convention in Honolulu will be part of the TBA convention on Monday evening, May 15, when delegates are invited to a Hawaiian luau reception prior to the traditional banquet and dance.

The first business meeting of the convention will be the annual Independent Bankers Division breakfast at 8 a.m., Monday, May 15. Charles P. Wilson, president, Commercial Bank, Paris, will preside and Terrance H. Klasky, legislative counsel, Independent Bankers Association of America, Washington, D. C., will be the speaker.

At 9:30, the joint meeting of the State and National Bank divisions will convene. The first speaker will be Edgar W. Armstrong Jr., director of the ABA's insurance and protection division. He will discuss the ABA's new blanket bond program.

Also on the program will be Anthony C. Cremerius Jr., assistant vice president, Memphis Branch, St. Louis Fed, who will discuss the new Treasury tax and loan program. Alex Sheshunoff, president, Sheshunoff & Co., Austin, Tex., will present a program on bank service charges and high-performance banking.

Messrs. LeMaistre and Perkins will appear at the general business session, set for 9:30 a.m., Tuesday, May 16. TBA President Jack R. Bulliner, chairman and president, First State Bank, Henderson, will deliver his president's address at the meeting and the ABA members in Tennessee will hold their meeting during the general business session.

A grand reception and banquet Tuesday evening will include the installation of new TBA officers, along with entertainment by Larry Gatlin, country and pop singer.

A program for women will span both Monday and Tuesday and will feature a shopping tour of Germantown Village Mall, a luncheon, tour of Dixon Gallery and Gardens, a riverboat ride and luncheon, a visit to the Orpheum Theater and an optional walking tour of downtown Memphis.

Golf and tennis will be offered on Monday morning at the Farmington Country Club.

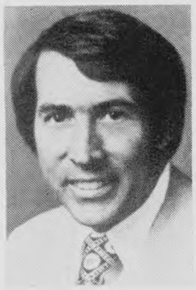
Final event on the program will be the prayer breakfast on Wednesday morning, May 17. Lane G. Adams, senior minister, Second Presbyterian Church, Memphis, will speak. • •

Income Almost Doubles

NASHVILLE—First Amtenn Corp.'s consolidated income after security transactions last year was $7.3 million, compared with the 1976 figure of $3.8 million. The HC's lead bank, First American National, almost tripled its 1976 earnings in 1977, according to Kenneth L. Roberts, the HC's president and CEO. It contributed 74¢ per share for the year, almost three times its 1976 contributions of 25¢.

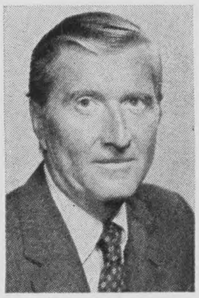
■ RICHARD A. LEWIS has been elected president and CEO, Citizens Savings, Nashville, succeeding M. G. Ferguson, who died in March. Mr. Lewis had been acting CEO and was named vice chairman and executive vice president when he joined the bank earlier this year. He was formerly a commercial lending officer at First American National, Nashville. The bank has elected T. B. Boyd III, assistant administrator, National Baptist Publishing Board, to its board.

THIBODEAU



■ DAVID M. THIBODEAU has been named senior vice president and director of marketing at Third National, Nashville. He was formerly group vice president/administration, Flagship Banks, Miami Beach, Fla. Prior to that, he was with First National, Atlanta, as assistant vice president in marketing.

■ FIRST AMERICAN NATIONAL, Nashville, has promoted J. Franklin McCreary, Huber E. Butler, Robert W. Lessley and Richard L. Smith to vice presidents. Mr. Smith is also a trust officer. Dorothy J. Edwards and C. Wayne Foster were promoted to assistant vice presidents. Mary Helen Bass and John R. Johnson were appointed trust officers; Patty G. Clark, Herbert G. Jones III and Donald R. Neuenschwander were elected operations officers; and Edsel F. Holman Jr. was named assistant trust officer.



PERKINS

GARN

JACKSON

SNELL

SHIRLEY

MITCHELL

First 'Completely Informal' Convention Scheduled by Alabama BA in Mobile

INFORMALITY is the byword of this year's 85th annual convention of the Alabama Bankers Association, set for May 10-12 in Mobile. The annual meeting is being advertised as the association's first completely informal convention.

The theme will be most evident at the two evening social functions that are open to all delegates. The first will be an evening at historic Fort Conde on May 10 and will include a street dance, entertainment and visits to a museum and shops. Food and drink will be served throughout the evening and bankers will be encouraged to explore the old fort community at their leisure. The grounds of the fort will be reserved for delegates that evening.

Evening entertainment number two, set for May 11, is called "Casino Bienville." Games of chance will be played by bankers using money printed for the occasion and provided to all registrants as they enter the Municipal Auditorium. Music and food will be followed by an auction, at which bankers can bid with their "play money" winnings.

But all will not be fun and games, according to the convention planning committee, headed by Ken Lott, president, Merchants National, Mobile. Vice chairman is Carl Jones Jr., executive vice president at the same bank.

Speakers set for the business sessions include Alabama's own Philip C. Jackson Jr., member, Fed Board of Governors. He will address the convention on Thursday, May 11. John H. Perkins, ABA president-elect, and president, Continental Illinois National, Chicago, and Edwin Jacob Garn (R.,Utah), member of the Senate Banking, Housing and Urban Affairs Committee, will address the convention on Friday, May 12. Mr. Perkins will appear during the portion of the convention devoted to a meeting of ABA members.

C. E. Avinger, association senior vice president, will recap the 1978 state legislative session May 11. That same day, Mary George Waite, chairman, Alabama Bankers Educational Foundation, will report on the foundation. Mrs. Waite is chairman/president/CEO, Farmers & Merchants Bank, Centre.

On May 12, William P. Walker will report on the Alabama Banking School, of which he is chairman and director. The program that day will include a report by the association's executive vice president, Howard J. Morris Jr.

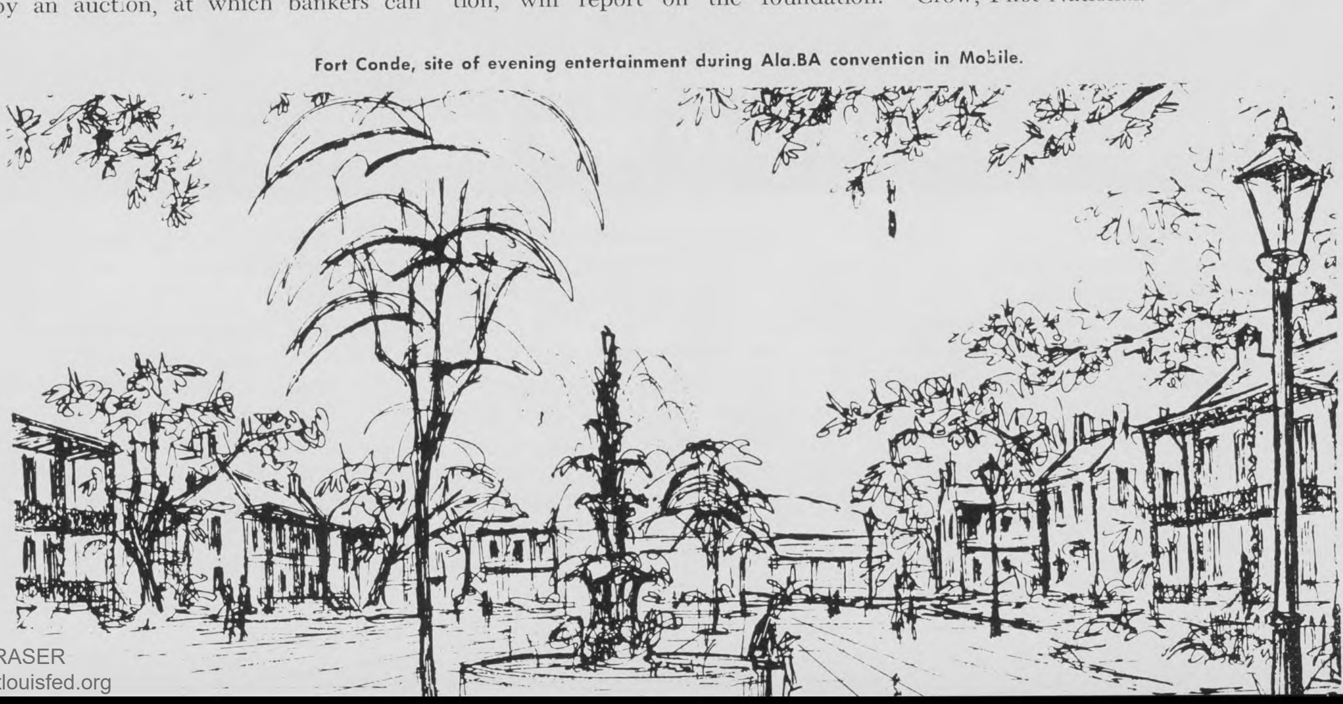
Presiding at the convention will be Charles S. Snell, president, Ala.BA, and president, Citizens National, Shawmut. Mr. Snell entered banking in 1963 at his present bank. He was elected president in 1965.

Association first vice president is William H. Mitchell, president and CEO, First National, Florence. He joined the bank in 1958 following a 12-year stint as an attorney.

Second vice president of the association is George S. Shirley, president, First National, Tuscaloosa. He joined the bank in 1960 as assistant vice president and has been president since 1970.

Committee chairmen serving under Mr. Lott include the following: Arrangements and entertainment—Ray O. Powell and Robert H. Massey, both with Merchants National; housing—James C. Andress, First National; registration—Bernie Fogarty, American National; sports—Richard Murray, Commercial Guaranty; and women's—Dottie Crow, First National. • •

Fort Conde, site of evening entertainment during Ala.BA convention in Mobile.



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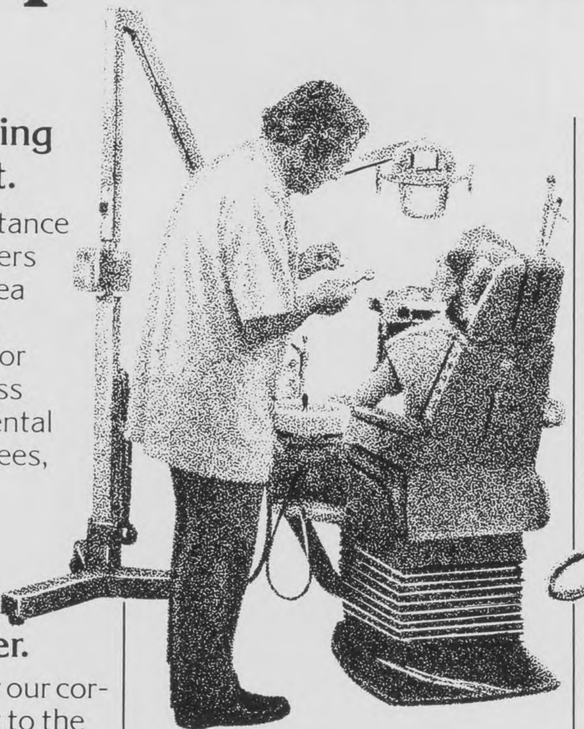
group dental insurance.



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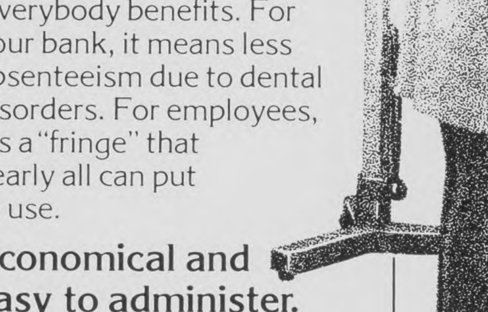

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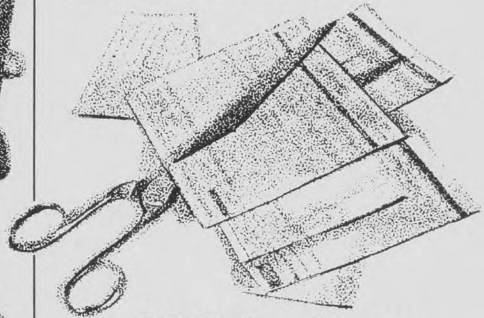

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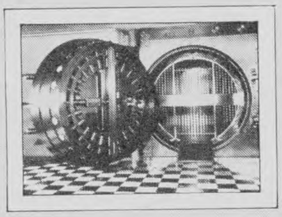
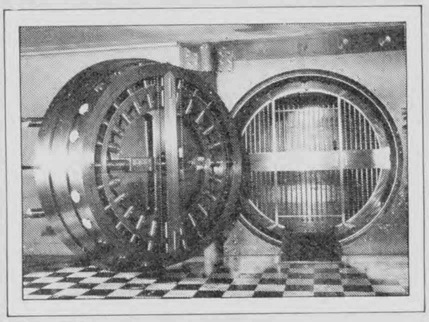


BANKS COME IN



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Arkansas Convention

President

CUPP

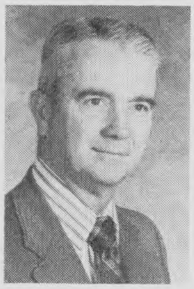
Cecil W. Cupp Jr. is Ark.BA pres., and pres. & CEO, Arkansas Bank, Hot Springs, as well as ch., Citizens First Nat'l, Arkadelphia. He is a past dir., St. Louis Fed, and is a dir., First Arkansas Development Finance Corp.

President-Elect

BROWN

Doyl E. Brown is Ark.BA pres-elect, and pres., t.o. and dir., First Nat'l, Wynne, which he joined in 1938. He was named cash. in 1955, dir. in 1962 and pres. & t.o. in 1966. He is a past pres., Jr. Bankers Section.

Vice President



HOBGOOD

Ark.BA v.p. is James C. Hobgood, ch., Merchants & Planters, Arkadelphia. He became a dir. of bank in 1939, was named pres. in 1953 and ch. in 1971. He is a former member of the Ark. Banking Commission and was Ark.BA treas. in 1970-71.

Hot Springs, May 13-16

Headquarters—ARLINGTON HOTEL

PROGRAM

FIRST SESSION, 9 a.m., May 15

Call to Order—CECIL CUPP JR., president, Arkansas Bankers Association, and president and chief executive officer, Arkansas Bank, Hot Springs.
Invocation—DOYL E. BROWN, president-elect, Ark.BA, and president, First National Bank, Wynne.
Address—RAY THORNTON, United States congressman.
Address—JIM GUY TUCKER, United States congressman.
Announcements and Awarding of Door Prize.
Adjournment.

SECOND SESSION, 9 a.m., May 16

Call to Order—CECIL CUPP JR.
President's Address—CECIL CUPP JR.
Report of the Treasurer—ARTIE SEIDENSCHWARZ, Ark.BA treasurer, and president and chairman, Farmers & Merchants Bank, Stuttgart.
Report of the President, Junior Bankers Section—BRUCE LOFTIN, president, Junior Bankers Section, and assistant vice president, First National Bank, Fayetteville.
Address—"Economic Outlook," EUGENE LEONARD, senior vice president, Mercantile Bancorp., St. Louis.
Meeting of Arkansas Members of the American Bankers Association.
Resolutions Committee Report—B. J. FORD, committee chairman, and president, Merchants & Planters Bank, Camden.
Election of Officers.
Announcements and Awarding of Door Prize.
Adjournment.

Ark.BA Treasurer

Outgoing Ark.BA treasurer is Artie Seidenschwarz, pres., Farmers & Merchants, Stuttgart. He joined F&M in 1949, was named a.c. in 1954, cash. in 1958, e.v.p., cash. & dir. in 1969, pres. in 1973 and pres. & ch. in 1977. He will give his treasurer's report during second gen'l business session of convention on May 16.

Senatorial Candidates to Be Featured At Arkansas Convention in Hot Springs

ARKANSAS BANKERS will have an opportunity to assess as many as three candidates for the U. S. Senate seat formerly held by the late John L. McClellan at this year's convention. The meeting is set for May 13-16 at the Arlington Hotel in Hot Springs.

Two U. S. congressmen are scheduled to speak during the first general business session of the convention and Arkansas Governor David Pryor, who is also a candidate for the Senate seat, has been invited to speak to delegates, but at press time, the invitation had not been acknowledged. The two congressmen are Ray Thornton and Jim Guy Tucker.

The only out-of-state speaker set for the convention as of this writing is Eugene Leonard, senior vice president, Mercantile Bancorp., St. Louis, who is scheduled to deliver a report on the economy during the second general business session on May 16. Mr. Leonard was formerly first vice president, St. Louis Fed.

Convention activities get underway on Saturday, May 13. On that date, the past presidents of Ark.BA will hold their annual black tie reception, dinner and meeting.

On Sunday, May 14, the nominating committee will meet at 10 a.m., the resolutions committee will convene at 1 p.m. and the Ark.BA board will gather at 3 p.m. That evening, the general convention reception will begin at 6 p.m. in the Arlington Hotel Conference Center. Entertainment will be provided.

Following the first general business session on Monday, May 15, the annual tennis tournament will be held at Hot Springs Country Club.

The second general business session will take place on Tuesday, May 16, followed by the annual golf tournament at the Hot Springs Country Club.

The annual banquet will begin at 7 p.m. Featured speaker will be Eddie Sutton, coach of the Arkansas Razorback basketball team, which was rated number three nationally this year. • •

Nominations, Resolutions Committees to Meet May 14

The nominating committee and the resolutions committee of the Ark.BA will meet on Sunday, May 14, in anticipation of reports to be given at the convention.

Members of the nominating committee are: Van Smith, Tuckerman, and H. H. Beasley, Cherry Valley—group one; T. G. Vinson, Batesville, and Robert C. Connor, Little Rock—group two; Means Wilkinson, Greenwood, and John Lewis, Fayetteville—group three; Wilma Willbanks, Lewisville, and R. E. Snider Jr., Arkadelphia—group four; and Jack S. Suitt, Dermott, and Zach McClendon Jr., Monticello—group five.

Members of the resolutions committee are: B. J. Ford, Camden—chairman; Max A. Mitcham, Smackover—vice chairman; Howard H. Beasley, Cherry Valley; Ray L. Cash, Hot Springs; William H. Handy, Magnolia; C. W. Harper, Conway; Marlin D. Jackson, Paragould; Ralph E. Justice, Pine Bluff; Sam L. Manatt Jr., Corning; Jerry McFarland, Harrison; Virginia T. Morris, Fayetteville; Melda Rice, Jacksonville; Max Taylor, Smackover; and Robert O. Trout, Star City.

Diamond-Anniversary Event Staged by Simmons Bank

PINE BLUFF—Simmons First National celebrated its 75th anniversary recently by earmarking a $100,000 trust fund as a gift to the city for civic improvement. The fund, to mature in 25 years, will be administered by the bank.

A week-long anniversary program sponsored by the bank included historic photo displays, a diamond display and contest, a cakewalk, a money display, free popcorn and entertainment by a clown.

In addition, bank personnel donned costumes depicting events that took place during the years the bank has been in business.

More than 100 cakes were donated to the cakewalk by residents. Each cake was decorated with an anniversary theme and 10 winners were selected, with each honored baker receiving $75.

Portion of crowd of 3,000 residents of Pine Bluff, Ark., attending 75th-anniversary events sponsored by Simmons First Nat'l.

Five Bankers to Retire As Ark.BA Directors

Five directors of the Arkansas Bankers Association will retire this year.

They are Edward Hurley, president, Exchange Bank, El Dorado; George C. Jackson, president, Peoples Bank, Russellville; Robert F. Lawyer, president, First National, Mountain Home; William C. Norman Jr., president and trust officer, First National, Crossett; and J. C. Vaughn Jr., president, First National, Paragould.

Oklahoma Convention

President

ALLISON

OBA pres. Walter V. Allison is ch., First Nat'l, Bartlesville. He joined the bank in 1955 and was elected an officer the same year. He has been ch. since 1976. He is also ch. & CEO, First Bancshares, Inc.

President-Elect

RODGERS

Serving as OBA pres.-elect is William W. Rodgers Jr., pres. & t.o., Security Bank, Blackwell, which he joined in 1967. He has held his present post since early 1970.

Oklahoma City, May 15-17

Headquarters—Marriott Convention Center

PROGRAM

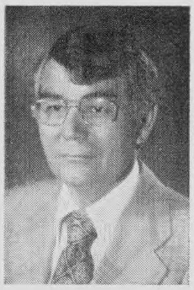
FIRST SESSION, 1:30 p.m., May 16

Call to Order—WALTER V. ALLISON, president, Oklahoma Bankers Association, and chairman and chief executive officer, First National Bank, Bartlesville.
Address—GEORGE GALLUP JR., pollster, "Mode in America."
President's Message—WALTER V. ALLISON.
Meeting of ABA Membership—FRANK G. KLIEWER JR., ABA vice president for Oklahoma, and president, Cordell National.
Address—JOHN G. HEIMANN, Comptroller of the Currency, Washington, D. C.
Presentation of Service Awards.
Adjournment.

SECOND SESSION, 9 a.m., May 17

Call to Order—WALTER V. ALLISON.
Introduction of New 50-Year Club Members.
Address—DR. NORMAN VINCENT PEALE, New York City.
Address—GEORGE NIGH, lieutenant governor, state of Oklahoma.
Report of Nominating Committee.
Election and Installation of Officers.
Address of New President—WILLIAM W. RODGERS JR., president and trust officer, Security Bank, Blackwell.
Address—PAUL NADLER, Rutgers University, New Brunswick, N. J.
Adjournment.

Treasurer

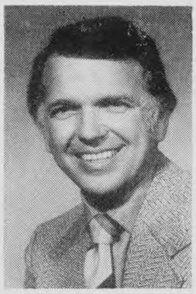


STEPHENSON

Larry E. Stephenson, pres., Security Bank, Ponca City, is OBA treas. He entered banking in 1963 at Fidelity Bank, Oklahoma City, and joined his present bank as pres. in 1970.

Convention Speakers

NADLER



NIGH

HEIMANN

Regulatory Overkill Result of Lance Case, Says OBA Pres. Allison

All industry in the U. S. is being strangled by paperwork and red tape, said Walter V. Allison, OBA president, as he aired his views on banking regulations for MID-CONTINENT BANKER recently.

"The consumer movement, which is in full gear, episodes like the Bert Lance affair and the energy crisis are just some of the irritants that are creating a new rash of regulations," Mr. Allison said. "Regardless of which industry you visit, one of the top problems of that industry invariably turns out to be regulatory overkill."

In many cases, he continued, banking regulations result from legal but perhaps unethical practices by a small minority within a profession. Overzealous congressmen and regulators believe the proper solution in handling the problems created by a few is to place additional restrictions on the entire industry.

What practices are unethical? Harry Leonard, banking commissioner for Oklahoma, has some good advice in this area, according to Mr. Allison: "If you don't want it printed in the newspaper, don't do it."

"I believe new laws and regulations would be greatly reduced if we all follow Commissioner Leonard's advice," Mr. Allison said.

"Our past battles against additional red tape are beginning to pay dividends, even if only modest ones," he continued. During hearings on the Community Reinvestment Act, a bill that Mr. Allison terms "banking's latest throat-choker," several references were made to the fact that it's the intent of Congress that the agencies carry out the act without imposing additional regulatory burdens on financial institutions.

"It remains to be seen what effect this intent will have on the agencies when drafting the final regs," he said, "but it has certainly given valuable information to those of us who testified during the public hearings."

Mr. Allison said the battle to reduce regulatory burdens is far from won and this is the time to renew efforts by keeping this issue before the agencies and congressmen at every opportunity.

"At the same time," he added, "we should review all our policies and practices in our institutions to make sure they conform to the nation's ever-changing ethical standards."

Mr. Allison is chairman and CEO, First National, Bartlesville.

OBA Golf Tournament Set

The annual golf tournament during the Oklahoma Bankers Association convention will be held on Monday, May 15, at Twin Hills Golf and Country Club in Oklahoma City.

Entry fee for the tournament is $30 and the fee includes greens fee, cart, refreshments and lunch. Prizes valued at $500 will be awarded to winners.

A shotgun start will be held at 8:30 a.m.

■ GARY THOMPSON has been named president, Dewey County State, Taloga. He was formerly a vice president and branch manager, First National, Belen, N. M.

■ SECURITY BANK, Tulsa, has appointed Thomas G. Bayless as senior vice president, commercial loans. He joined the bank in 1975 as vice president and was previously with City National, Norman. Named new vice presidents were Cathie Nichols, cashier, and James D. Elliott, commercial loans. John A. McLean was named assistant vice president, installment loans.

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NEWS From the Mid-Continent Area

Alabama

■ FIRST NATIONAL, Mobile, has announced two appointments, elections of two new directors and the opening of its Hillcrest Branch. Robert J. DeBord has joined the bank as vice president/personnel director, going from a Connecticut bank. J. Frank Young has been made assistant auditor. He has been with the Georgia banking department and the Small Business Administration in its Birmingham office. The new board members are Richard P. Schneider, vice president/general manager, southern operations (Mobile), Scott Paper Co.; and Rayford K. Williamson, vice president/manufacturing and engineering services, International Paper Co., Mobile. The Hillcrest Branch, which opened April 10, has three pneumatic-tube teller stations and a conventional drive-up window. All check-cashing, deposit and payment functions can be handled at these stations so that customers often will be able to do all their banking business from their cars, having to go inside only to open accounts or apply for loans.

■ PRELIMINARY APPROVAL has been given by the Comptroller to organize Central Bank, N. A., Dothan. The proposed bank will have $1.5 million in capital and will be affiliated with Central Bancshares of the South.

■ DAVID WALTERS has been named head of the new industrial development department at First National, Russellville. Mr. Walters is a former newspaper editor.

Harold 'Hot' Glass Dies

Harold "Hot" Glass, who headed the Alabama Bankers Association in 1972-73, died of lung cancer April 4. He was 53. Mr. Glass entered banking in 1946 at First Bank, Linden, went to Marion Bank in 1950 and to Bank of Thomasville in 1952 as cash. He advanced to pres. there before becoming ch./CEO about two years ago. Mr. Glass was former pres., Alabama Young Bankers.

Illinois

■ W. JAMES ARMSTRONG, executive vice president, Northern Trust, Chicago, has been given responsibility for all bank-wide planning activities. He has been succeeded as head of the banking department by David W. Fox, who also was elected executive vice president. Mr. Armstrong also has responsibility for the advertising/public relations department and is chairman, computer usage committee. In addition, he is executive vice president, Northern Trust Corp., the bank's parent HC. Mr. Fox, also president, NorLease, Inc., a Northern Trust subsidiary, formerly was a senior vice president of the bank.

ARMSTRONG

FOX

■ CONTINENTAL BANK, Chicago, has elected these vice presidents: Robert V. Milligan, Anthony Pertile, Charles E. Schaeffer, Robert F. Farling, Barry M. Johnson, William A. Trader, Gregory D. Bruhn, Christopher T. Carley, William J. Carter, R. Lawrence Johnson, Phillip H. Wilhelm, Robert S. Jepson Jr., John L. Korun, Randolph S. Koppa, Robert B. Fromm, William D. Michael, Ford G. Pearson, William I. Rau and Stephen W. Scheetz. New second vice presidents are: James E. Gauger, E. Bradley Huedepohl, Robert J. Hurd, Frank L. Nejdl, D. James Dalton, David S. Mathis, Judith D. Domkowski, Peter J. Freeman, David N. Konker, Brian P. Lillis, Gregory T. Maddock, Leonard B. Sebesta and Wilma J. Smelcer. Named trust officers were: John C. Cyr, Richard J. Dowsek, Arnold H. Lenters and Henry T. Tucker Jr.

■ FIRST NATIONAL, Alton, has elected Janice L. Beuttel and Richard N. Nicholson assistant cashiers and John F. Theen assistant trust officer.

■ HARRIS BANK, Chicago, has elected the following vice presidents: Joan M. Baratta, Arthur W. Berry, Walter J. Kowalczyk, Robert J. Genetski, Alvin G. Wilner and Richard A. Lemmert. The first three are in the trust department; Mr. Genetski is an economist and author of the bank's monthly economic newsletter, *Barometer of Business;* Mr. Wilner is in the deposit accounting division, and Mr. Lemmert is in the government bond division's representative office in New York City. Gerald R. O'Connor has rejoined Harris Bank as assistant vice president, investment department. He heads the department's investment services. Mr. O'Connor previously was with the bank from 1968-73 as a sales representative in the municipal bond division. In the interim, he was manager, municipal bond department, Heritage Bank, Milwaukee.

■ HARRY S. BROWN, president, Chicago Bank of Commerce, also has been elected CEO. He joined the bank in 1976 as president, going from Rand McNally & Co., where he was vice president/finance. Others promoted at the bank are: Ronald F. Trafton, from cashier to vice president/cashier; John W. Teuscher and Charles F. Veach, from assistant vice presidents to vice presidents.

■ BANK OF ELMHURST has elected Claude W. Youker Jr. vice chairman. He is a founding director of the bank, having been on the board since 1969. Mr. Youker is president, Northern District Court Reporter, Inc.

Indiana

■ PAUL I. TROYER, auditor, St. Joseph Valley Bank, Elkhart, has been made chairman, international public relations committee, Institute of Internal Auditors. The institute is an international organization devoted to the personal advancement of internal auditors and the professional advancement of the internal auditors' group.

Died: W. Haynes Starbuck, 65, president, Peoples Bank, Portland, of a heart attack. He was a past vice president, Indiana Bankers Association, and was honored by the IBA for his 50 years in banking at last year's convention.

■ NORTHERN INDIANA BANK, Valparaiso, has broken ground for its Heritage Valley Office, which is expected to open in late summer. Diebold bank equipment will be installed, including that firm's Visual Auto Teller system. The building will be constructed of light brick, stone and cedar and will blend with the general character of the Heritage Valley architectural theme.

■ MORRIS S. GREEN has retired as an active director of National Bank of Greenwood. He was honored at the recent shareholders' meeting for his service to the bank since 1964. He is a local farmer. Charles E. Surina, president of a construction firm, has taken Mr. Green's place on the board.

■ ANTHONY J. RENE has moved up from assistant vice president to vice president, material services division, American Fletcher National, Indianapolis. He joined the bank in 1951. Named assistant vice presidents were Joseph R. Minnis, marketing services; and William L. Oakley, data processing. Mr. Minnis has been with the bank since 1970 and Mr. Oakley since 1973. New officers of the bank are James Richey, elected assistant vice president/investment officer, employee benefits/institutional funds; and Richard F. Stegemeier, assistant vice president/trust officer, personal trusts and agencies.

Kansas

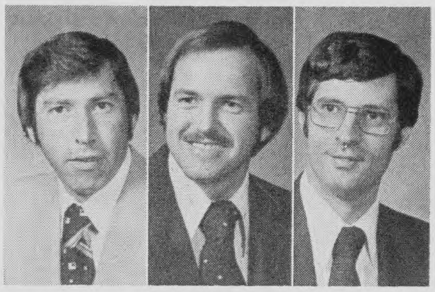
■ UNION NATIONAL, Wichita, has elected Fritz R. Krohmer vice president in charge of marketing and business development. He was vice president/commercial loan officer. Glenn D. Byer, formerly an officer of Boulevard State, Wichita, has joined UNB as vice president/commercial loan officer. Another new staff member is Michael W. Anderson, who was made correspondent bank officer. He formerly was assistant vice president, Liberty National, Oklahoma City.


DARMON


HOFMANN


HILL

■ FIRST NATIONAL, Wichita, has promoted Robert L. Darmon from executive vice president to vice chairman; Donald E. Hofmann, president, Mid America Bankcard Assn., and bank senior vice president, to executive vice president, and H. W. Hill from senior vice president and trust officer to executive vice president and senior trust officer. Mr. Darmon joined the bank in 1970 and Mr. Hill has been with the bank for 25 years.


SCHUNEMAN JACKSON McMILLAN

■ FIRST NATIONAL, Newton, has promoted Don Schuneman from assistant vice president to vice president and named Ed McMillan assistant vice president. Ron Jackson has been appointed agricultural representative.

Kentucky

Earnings Up at Liberty, Louisville

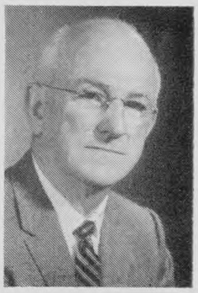
LOUISVILLE—Liberty National reports N.O.E. of $4.4 million, or $5.42 per share, for 1977, a 5% increase over the $4.2 million, or $5.17 per share, reported last year. Net income for 1977 after security gains was $4.5 million, or $5.47 per share, up from $4.4 million, or $5.39 per share, for 1976. Total assets at year-end reached $726 million.

■ PAULINE STALEY retired April 1 from Farmers Deposit Bank, Eminence, where she was senior vice president/operations. She joined the bank originally in 1944, left in 1946 and returned in 1949. She moved through several official posts to her latest one last December. Mrs. Staley is credited with having taught internal operations to virtually every bank employee. She is a former president, Group Five, Kentucky Bankers Association, and was both membership and bylaws chairwoman for the National Association of Bank Women.

Louisiana

■ THOMAS G. RAPIER, chairman, First National Bank of Commerce and First Commerce Corp., New Orleans, will take office May 16 as president/CEO of both institutions. Francis C. Doyle, who has been interim president/CEO, will become chairman of both boards, also on May 16. Mr. Rapier is a partner in the law firm of Jones,


RAPIER


DOYLE

Walker, Waechter, Poitevent, Carrere & Denegre, but will leave the firm when he assumes his new bank posts. Mr. Doyle has been with First NBC since it was opened in 1933. He became president/CEO last January 17, when Rodger J. Mitchell resigned.

■ WHITNEY NATIONAL, New Orleans, has appointed the following assistant cashiers: David F. Andignac, Frederich A. Doll, Walter E. Estrade, Lawrence J. Gubler Jr., John T. Laborde, Anne N. Leach, Beverly J. Leissinger, Joseph S. Mangiapane, Alfred J. Otillio and Barrett J. Wilson Jr.

Mississippi

■ HANCOCK BANK, Gulfport, has promoted the following: Pauline Billingsley, to assistant vice president/manager, proof-transit; L. Clinton Necaise and Alfred G. Rath, to assistant vice presidents; W. Dayton Robinson, to operations officer; Kate Gentry and Patricia A. Ladner, to loan officers; Watson G. Butts, to branch officer and Carolyn Dabbs, to business development officer. Newly elected officers are Helen Blackwell, bank card administrator; Roland LaFontaine, assistant cashier; and Syble Williamson, assistant operations officer.

New Mexico

■ GARY C. LAWRENCE has been named president of the new Southwest National Bank, Hobbs. He was formerly president, Bank of Las Vegas, and will be succeeded in that post by William J. Tracy.

Bank Week Recognized

Governor Jerry Apodaca (seated) meets with officials of New Mexico Bankers Association to sign proclamation recognizing April 10 through 14 as bank week. At left is Ike Kalangis, NMBA treasurer. At right is Judy Mues, acting chairwoman, NMBA bank week committee.

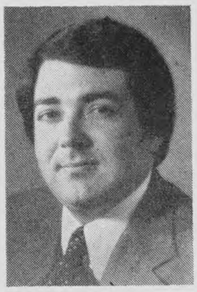
■ CARLSBAD NATIONAL has begun work on a $1 million addition and remodeling project that will add 8,000 square feet of space to its current structure. Included will be seven drive-up windows, a night deposit box in the drive-up area, offices and meeting rooms. Completion is set for next February.

■ SCOTT HENDRICKS has joined Liberty National, Lovington, as assistant vice president and loan officer. He was formerly with Western Bank, Hatch.

Texas

■ FIRST CITY NATIONAL, Houston, has elected Larry T. Ogg a vice president in the regional and correspondent banking department and J. W. Pieper a vice president in the administrative division. Mr. Ogg has served as president of three Houston-area banks and Mr. Pieper was formerly with Frost National, San Antonio. David C. Farries was elected an assistant vice president in the bank's investment division. He rejoined the bank recently after serving three years with a CPA firm.

OGG



HORTON

■ BILL D. HORTON has been named president, CEO and a director of Southwest Lubbock National, which is in organization. He was formerly vice president and commercial loan officer at First National, Pampa, and, prior to that, was vice president, First National, Lubbock. Alan B. White, vice president-marketing, Lubbock National, has been elected to the board of Southwest Lubbock National.

■ FIRST NATIONAL, Dallas, has elected Carl E. Andrews, Stephen C. Beckham, Phillip D. Dettle, Donald W. Fullrich, Robert T. Staples, Kim A. Uhlemann and Raymond Ruse vice presidents. New assistant vice presidents are James E. Casper, Jerry D. Fain, Virginia R. Gafford, Sheila S. Kaplan, Richard W. Newman, Bethel Steward, Bill R. Terrill and Joseph B. Thatcher.

■ JERRY J. NOLAN has been appointed vice president, business development, at Town & Country Bank, Houston. He was formerly with First City National, Houston, where he served as a vice president. He was most recently affiliated with Parkway National, Houston, as vice president.

• Index to Advertisers •

DON BALDWIN

KEN BROWN

CHARLIE EATHERTON

VIC GRANDA

BOB HELFER

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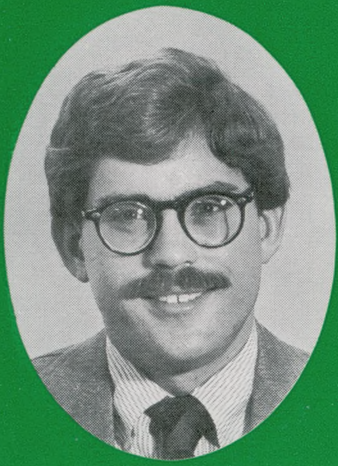
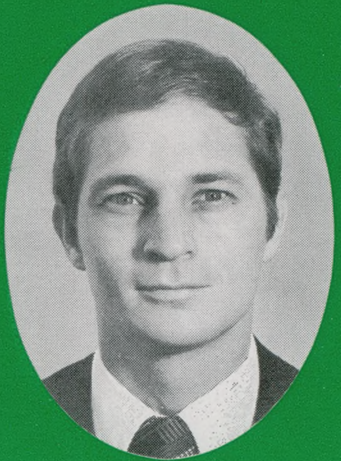


AL ACKERMANN

ERNIE HELLMICH



PHIL SETTERLUND

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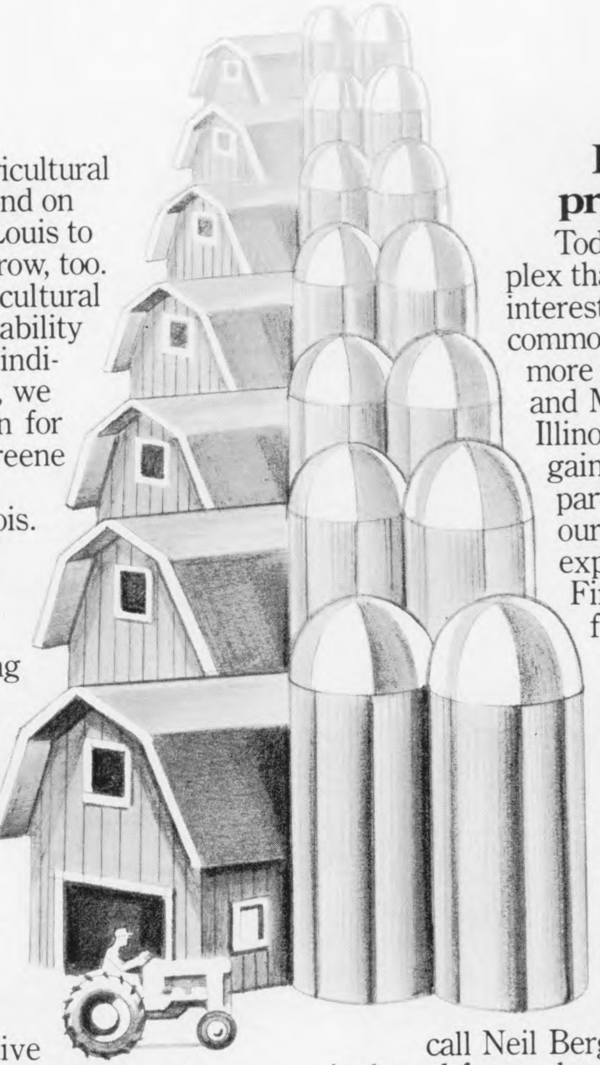

As the demand for agricultural credit grows, you can depend on First National Bank in St. Louis to help your agri-customers grow, too.

Our experience in agricultural financing has given us the ability to respond quickly to your individual needs. For instance, we assisted in a timely solution for the growing needs of the Greene County National Bank in Carrollton, Carrollton, Illinois.

Loans as big as all outdoors.

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If you would like additional information about our agricultural financing specifically, just call Neil Bergenthal at (314) 342-6695. And send for our brochure "The Changed Nature of Agricultural Financing."

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