MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

JUNE, 1978

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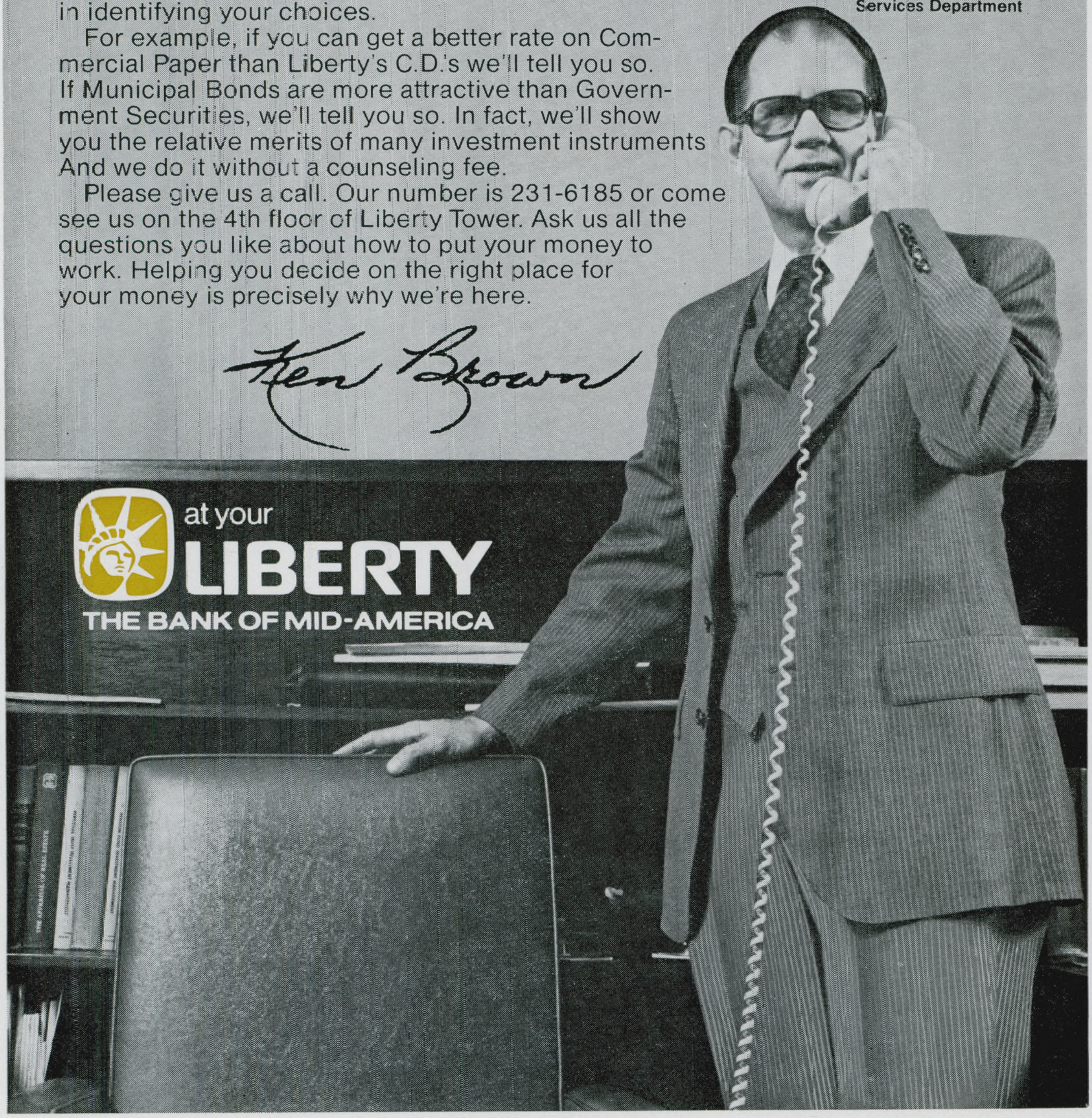

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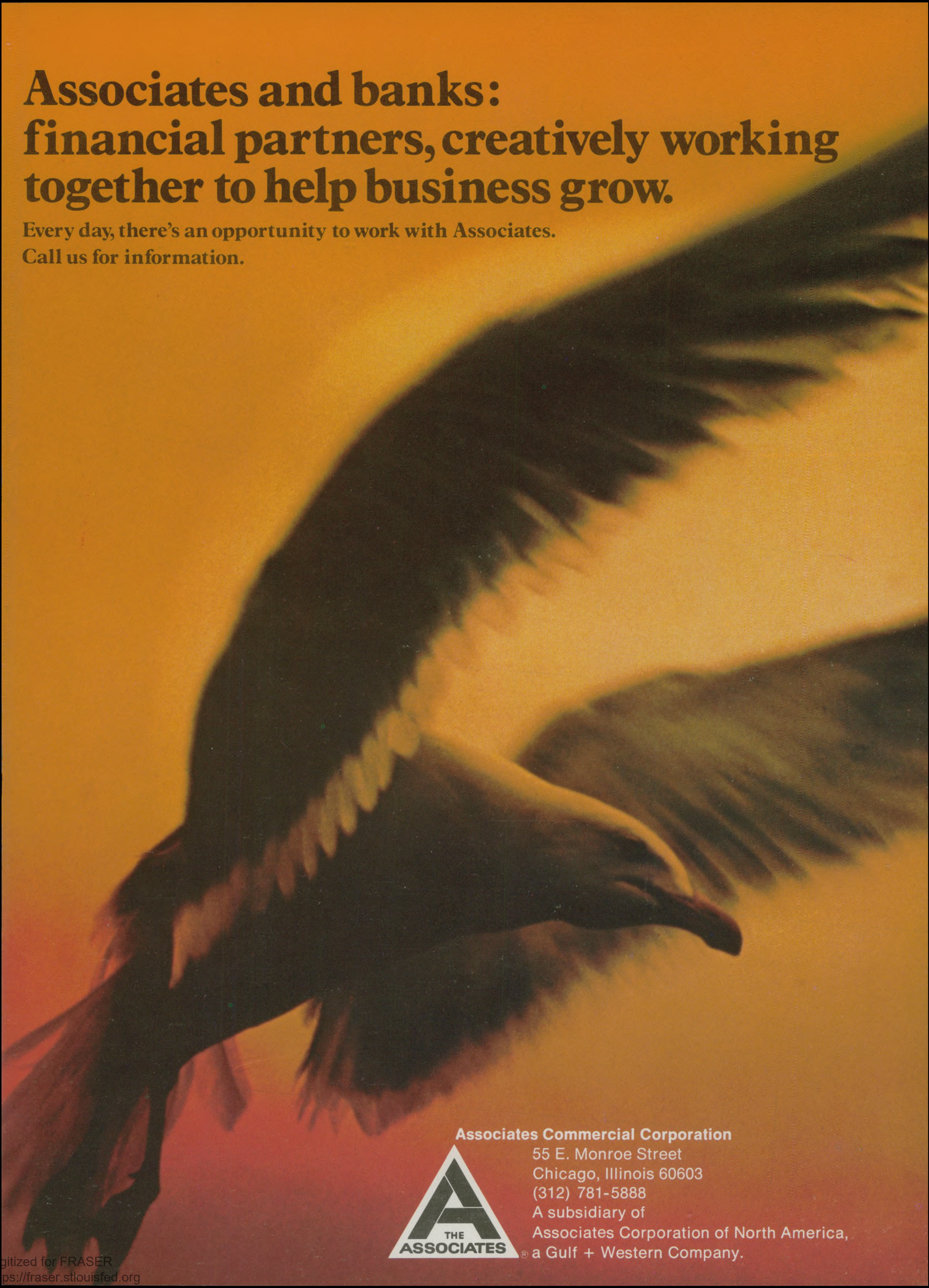
MID-CONTINENT BANKER is published 13 times annually (two issues in May) at 408 Olive, St. Louis, Mo. 63102. June, Vol. 74, No. 7.
Second-Class postage paid at Fulton, Mo. Subscription: $11.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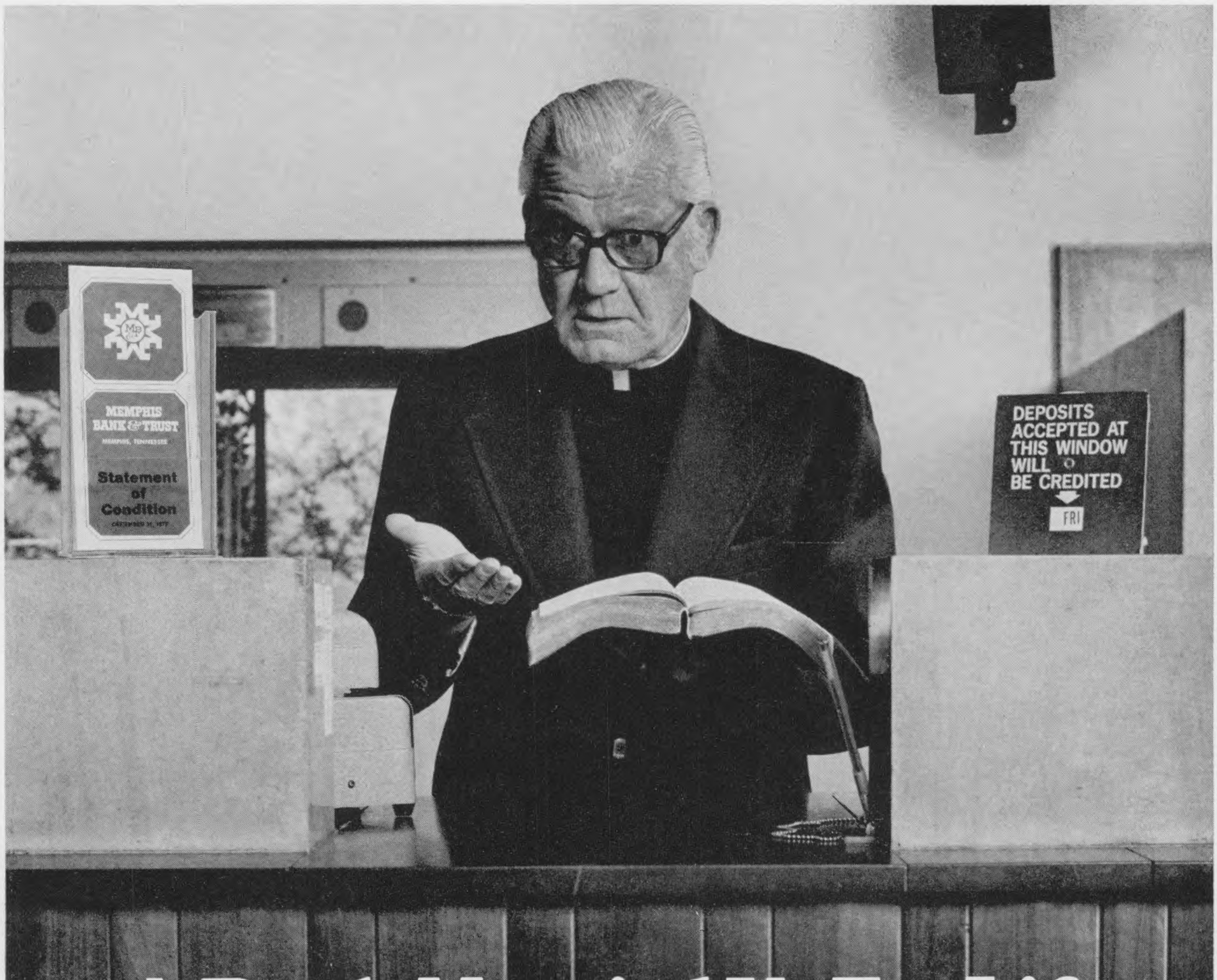
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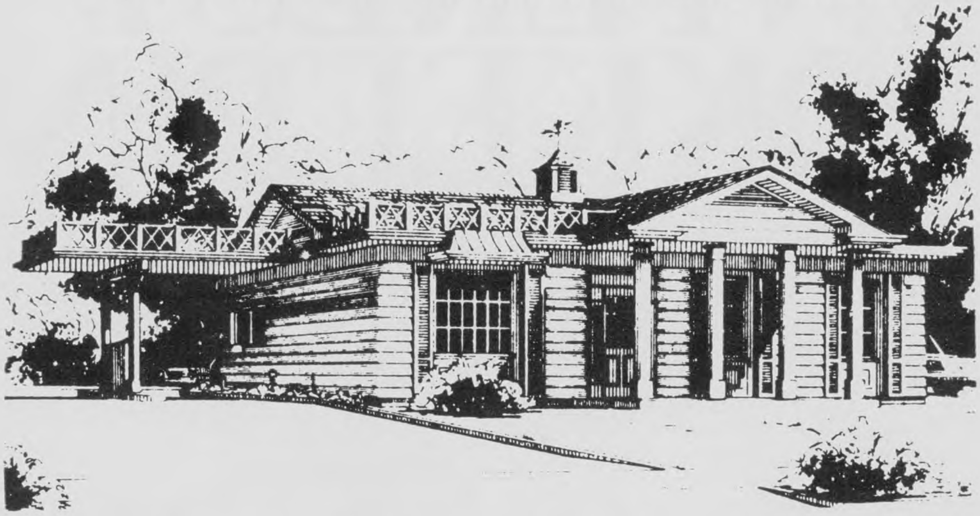

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MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Volume 74, No. 7 ***June, 1978***

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CONVENTION REPORTS

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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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Convention Calendar

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.
July 10: ABA Certified Commercial Lender Examination, Chicago.
July 15: American Institute of Banking District 11 Leaders Conference, Indianapolis.
July 15: American Institute of Banking District 6 Leaders Conference, Corpus Christi, Tex.
July 16-28: ABA School for International Banking, Boulder, Colo., University of Colorado.
July 23-28: ABA National School of Bank Card Management, Evanston, Ill., Northwestern University.
July 23-29: ABA Operations/Automation Division Business of Banking School, Ithaca, N. Y., Cornell University.
July 30-Aug. 11: Bank Administration Institute School for Bank Administration, Madison, Wis., University of Wisconsin.
July 30-Aug. 11: Consumer Bankers Association Graduate School of Consumer Banking, Charlottesville, Va.
Aug. 12-18: Bank Marketing Association Bank Management School for Marketing Managers, Madison, Wis., University of Wisconsin.
Aug. 13-26: Central States Conference Graduate School of Banking, Madison, Wis., University of Wisconsin.
Aug. 14-25: ABA National Trust School/National Graduate Trust School, Evanston, Ill., Northwestern University.
Aug. 17-18: Graduate School of Banking Seminar for College Faculty, Madison, Wis., University of Wisconsin.
Sept. 2-5: 32nd Assembly for Bank Directors, Colorado Springs, Colo., the Broadmoor.
Sept. 10-12: Kentucky Bankers Association Annual Convention, Louisville, Galt House.
Sept. 10-13: ABA Bank Card Annual Convention, Dallas, Fairmont Hotel.
Sept. 10-15: Robert Morris Associates Loan Management Seminar, Bloomington, Ind., Indiana University.
Sept. 12-15: Association for Modern Banking in Illinois Annual Convention, Chicago, Continental Plaza Hotel.
Sept. 13-15: Association of Military Banks Annual Workshop, Louisville, Galt House.
Sept. 16-28: ABA National Installment Credit School, Norman, Okla., University of Oklahoma.
Sept. 17-20: Bank Administration Institute National Convention, New York City, Hilton Hotel.
Sept. 20-22: ABA Senior Operations Management Seminar, Palm Beach, Fla., The Breakers.
Sept. 24-26: ABA National Correspondent Banking Conference, Chicago, Continental Plaza Hotel.
Sept. 24-27: ABA National Personnel Conference, Denver, Denver Hilton.
Sept. 24-27: Bank Marketing Association Bank Librarians Conference, Chicago, Water Tower Hyatt House.
Sept. 24-27: National Association of Bank Women Annual Convention, Las Vegas, Nev., Caesars Palace.
Oct. 1-4: Bank Administration Institute Community Bank Presidents Forum, Colorado Springs, Colo.
Oct. 8-12: Consumer Bankers Association Annual Convention, Boca Raton, Fla. Boca Raton Hotel.
Oct. 15-18: Bank Marketing Association Annual Convention, Chicago, Palmer House Hotel.
Oct. 21-25: ABA Annual Convention, Honolulu, Hawaii.
Oct. 22-26: Independent Bankers Association of America Junior Bank Officer Seminar/Midwest, Muncie, Ind., Ball State University.
Oct. 29-Nov. 2: Bank Administration Institute Bank EDP Auditing Conference, San Francisco.
Oct. 30: ABA Certified Commercial Lender Examination, Norman, Okla.
Oct. 30: ABA Certified Commercial Lender Examination, Chicago.

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By Dr. Lewis E. Davids

Hill Professor of Bank Management,
University of Missouri, Columbia

'Q'—Doomed by Interest-Rate Sensitivity?

REGULATION Q was a well-intended and—for about 25 years—workable attempt to help protect properly run commercial banks from losing deposits to poorly run banks. The prevailing theory in 1934 (when Q came into being) was that poorly run banks could attract deposits from well-run banks by offering higher interest rates. These institutions then would lend those deposits for use in socially counterproductive ways: wild speculation in the stock market, for instance.

The Fed has noted a material increase each year in the public's awareness of interest rates.

There *was* excessive stock-market speculation in the 1920s, but the timing of Q—in light of actual experience—was akin to locking the barn door after the proverbial horse had been stolen. Q was enacted when loan demand was down and the stock market was at a low ebb.

Neither mutual savings banks (MSBs), which had superb and well-deserved reputations for safety and solvency, nor building-and-loan associations (as S&Ls typically were known then), which had rather flawed reputations, were included in the original Q. And time deposits made up a relatively small proportion of deposits in commercial banks in most areas of the nation.

I entered banking during that period with a major New York City bank. That institution actually *refused* to pay an interest rate that was ½% less than APR interest to new time-deposit customers or to existing customers who wished to increase time-deposit accounts substantially. And we refused to accept *any* time funds from corporations.

This is hard for many of today's young bankers to understand. But the then-substantial excess reserves of banks, combined with low interest rates, made the practice logical. Low interest rates had been caused by low loan demand.

What about applicants for time and savings deposits? We literally suggested that they take their funds to a nearby MSB and cautioned them about the failure record of many of the building-and-loan associations!

Today, S&Ls are nearly undistinguishable from MSBs in operations and in their generally high public regard. These institutions have strong political friends and supporters.

After World War II, there was an interesting evolution: MSBs adopted the more profitable S&L asset mix. Leading commercial bankers and trade associations, with few exceptions, held that neither MSBs nor S&Ls posed much of a competitive threat as long as the ½% interest-rate differential paid by Q-regulated commercial banks was not exceeded by that paid by unregulated thrifts.

The ½% figure was widely accepted, although some bank economists, including myself, were concerned. Banks, S&Ls and MSBs were growing impressively, but S&Ls' proportional market share was increasing faster than that of commercial banks.

In the 1950s and 1960s, most commercial bankers favored Q's retention. However, by the mid '60s, the unregulated (as far as interest rates were concerned) S&Ls, fearing disintermediation, were able to "count coup" by expediting an S&L regulation adopting a modified form of Q. Bankers kept in mind the "commandment" of the ½% interest-rate differential and weren't overly concerned that thrifts were allowed a ¼% higher interest rate under this new regulation. Bankers didn't recognize—or appreciate—the growing sophistication of a growing proportion of savers, who were becoming interest-rate "sensitive."

The growing public awareness of interest-rate differentials probably began in the early '60s, but the Truth-in-Lending Act of 1969 (Regulation Z), and its attendant publicity, caused an originally distinct *minority* of savers to swell into a majority of rate-sensitive individuals. Today, according to Fed reports to Congress, there is a material increase each year in the general public's awareness of interest rates, especially among the educated and prosperous.

George LeMaistre has said that the sooner Regulation Q is repealed, the better.

This is witnessed by employees of thrifts and commercial banks, who see a curious phenomenon occur at quarterly dividend time—migration of deposits.

In some parts of the country, there are a higher public sensitivity and perception of interest-rate differentials than in other localities. I wonder whether such cities' populations are more perceptive, wiser or consumer-oriented than others, but interest-rate sensitivity is spreading throughout the country, and the ½% differential, which has been cut by the amended Q to ¼%, now is separating the "interest-rate insensitives" from the growing portion of "rate-sensitive" savers.

Supporters of Q, which included thrifts, hadn't recognized that a growing proportion of people and institutions *also* were becoming interest-rate sensitive because of the growing spread between Q and the more attractive yields available on bonds, mortgages and unregulated money-market instruments

(Continued on page 87)

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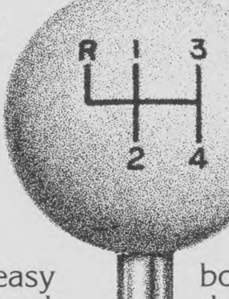

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EFT Heads List of Bank-Related Topics That May Be Considered by Senate

DEBATE of the Labor Reform Act by the Senate began May 15, and it was expected that by early June disposition of the measure would be in sight, if not yet achieved. As debate of that bill began, the business community's goal was to persuade at least 41 senators to support extended debate; that is, to avoid a final vote on the measure. If that could be achieved, it was expected that Senate leadership eventually would drop consideration of the bill, which the ABA and the rest of the business community have opposed actively.

The ABA believes that all federally and state-chartered depository institutions should be free to share EFT systems they own or operate, provided that every institution be entitled to access to an EFT system.

Disposition of the Labor Reform Act is expected to clear the decks for possible Senate action on a series of bills that, until now, have been bottled up.

Heading the list of legislative topics is electronic funds transfers. The Senate Banking Committee has approved a bill intended to protect consumers from EFT dangers the bill's supporters believe possibly could develop at some unknown time in the future. Awaiting consideration by the House Banking Committee (as of this writing) is another EFT "consumer protection" bill, which goes even further than the Senate measure and which, in addition, would rewrite the Fair-Credit-Billing Act by imposing substantial and unnecessary restrictions on the bank-card business.

A comprehensive EFT bill—which covers deployment and sharing of electronic banking facilities—is being considered by the Senate Banking Committee. The bill, which generally incorporates recommendations of the National EFT Commission, is not expected to see final action this year.

The ABA's position is that not enough is known about EFT—by bankers, bank customers or Congress—to make it possible to write worthwhile and beneficial legislation. Well-meant EFT restrictions written into law today could turn into roadblocks to development of needed (and so far unimagined) consumer services and achievement of new economies tomorrow. No electronic abuses of consumer rights have surfaced so far, and enacting EFT legislation at present would be like building a major bridge with no highways connecting to it.

When trains first went into service in Europe, some gloom-sayers predicted that the human circulatory system could not tolerate speeds any greater than about 20 mph. Luckily, they were not in a position to write "consumer-protection" legislation limiting all new and many still-undeveloped modes of transportation to a 20-mph speed limit. Similar thinking, however, seems to motivate those who seek to impose sweeping restrictions on development of EFT consumer services and to correct abuses of consumer rights that have not occurred.

Nevertheless, existence of such bills in Congress requires a response from the ABA. Recognizing that fact, the ABA's government relations council at its spring meeting decided that if any broad EFT legislation is to be enacted into law, it should incorporate the following points:

• *Sharing of EFT facilities.* All federally and state-chartered depository institutions should be free to share EFT systems they own or operate, provided that every institution be entitled to access to an EFT system.

An expedited administrative process should be established to process appeals resulting from access being denied a financial institution. The mechanism for this process should be an appropriate panel of financial-industry regulators. It's feared that the alternative may be substantial litigation on a case-by-case basis, resulting in serious competitive disadvantages to the institution denied access. Basic standards to be applied in evaluation of an access denial appeal should be: serious competitive disadvantage and lack of a reasonable EFT system alternative.

Federal enabling legislation should provide federally chartered institutions the same opportunity as state-chartered institutions to develop EFT systems in a competitive sharing environment.

• *Deployment of EFT facilities.* Regulation of EFT terminals with respect to deployment should be based on services provided through the terminals. Information functions (check authorization, check verification and check guarantee), funds-transfer functions (withdrawal and debit transfers), as well as certain credit functions should not be regulated as to deployment. In effect, national deployment should be allowed.

Inasmuch as terminals do not possess all characteristics of branches, they should not be regulated by the same rules that govern branches. Rules for off-premise deployment of terminals should be more liberal than those for branches.

The Truth-in-Lending Act would be improved significantly if S. 2802 is passed. However, consideration of a House TIL-improvement measure is not scheduled as yet.

Deposit-taking should be allowed on a statewide basis, and states should be allowed to enact reciprocal enabling legislation for deposit-taking services through EFT terminals across state lines where market areas cross state lines.

In the event of federal legislation providing for interstate deployment of deposit-taking EFT facilities, the states should have the power to nullify such legislation.

National banks should be authorized immediately to deploy terminals in the state in which they are located in accordance with laws allowing deployment by state-chartered banks.

• *Tentative Endorsement.* Following adoption by the ABA's government relations council, the above EFT consensus points were debated by the members of the banking leadership conference, who give it a tempered, limited

(Continued on page 38)

Editor's Note. This column was prepared by the public relations division of the American Bankers Association.

Fed, FDIC Approve Transfers of Funds From Savings To Checking November 1

THE FED and the FDIC have approved the automatic transfer of funds from savings accounts to checking accounts, effective November 1. The practice will enable checking-account customers of commercial banks to cover overdrafts.

Arrangements may be made between thrift institutions (such as S&Ls) and Fed-member banks for automatic transfer of funds from thrifts to checking accounts in commercial banks.

The final ruling stipulates that no mandatory penalty or charge be levied on transfers; however, individual banks offering the service will be allowed to impose service charges.

Regulatory officials said the plan should cut down on the number of checks returned for insufficient funds.

The ABA has gone on record as strongly supporting the plan. It says the action will give bank customers a painless way to avoid overdrafts, which are one of the most annoying and expensive banking problems.

The service is available only to individuals and is seen as a complementary service to automatic transfer of funds from checking accounts to savings, which has been possible for some time.

The U. S. League of Savings Associations has filed suit against the Fed and the FDIC to block implementation of the ruling.

The thrift industry argues that the plan violates federal laws against payment of interest on demand deposits and is unjustified by any legitimate regulatory purpose. The thrift industry fears that as much as $10 billion in savings-account funds will be moved from thrifts to commercial banks over the next three to four years if the transfer privilege goes into effect.

The Fed and FDIC have stated that the regulation doesn't authorize the payment of interest on demand deposits because two separate accounts are involved and because transferred funds cease to earn interest once the transfer has occurred. Furthermore, the bank must reserve the right to require the depositor to give notice in writing of an intended transfer of funds not less than 30 days before such transfer is made.

Two New CDs Authorized By Regulatory Agencies

Regulators have authorized two new types of CDs at interest rates higher than those previously permitted.

The two new instruments, which were authorized effective June 1, are a short-term money-market certificate with a ceiling interest rate that changes weekly for new deposits with changes in the average yield on new issues of six-month Treasury bills and an eight-year CD with a fixed minimum rate of interest.

Commercial banks, mutual savings banks and S&Ls are authorized to issue the instruments by the Fed, the FDIC and the Federal Home Loan Bank Board.

The new certificates provide financial institutions with tools to make them more competitive with interest rates in the open market. The action was taken because open-market rates exceeded the maximum rates banks and S&Ls could pay on comparable deposit maturities.

The money-market certificate is similar to the six-month Treasury bill. It comes in a minimum denomination of $10,000 and bears a six-month maturity. Its maximum interest rate is tied to the average yield for the six-month T-bill in the most recent weekly auction.

The long-term CD can be issued in minimum denominations of $1,000 with maturities of eight years or more at a maximum rate of 7¾% for banks and 8% for S&Ls and mutuals.

Both types are subject to existing penalties for early withdrawal and all issuing institutions are permitted to lend on the collateral of their time deposits as long as the loan carries an interest rate at least 1% higher than the rate being paid on the deposit pledged.


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Growing Pains Expected as Regulation Is Enforced on Credit-Life Sales

By FORD BARRETT*
Assistant Chief Counsel
Comptroller of the Currency
Washington, D. C.

EDITOR'S NOTE: On July 20, 1976, then Comptroller of the Currency James E. Smith proposed a regulation that would end the practice of national banks paying credit-life-insurance commissions to insiders, such as officers, directors or principal shareholders. An extensive number of comments were received, perhaps the largest number ever received in response to a regulation proposed by the Comptroller. After more than a year of study (and a change in comptrollers), the final regulation was published September 23, 1977, and became effective last January 1.

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SHORTLY before the new regulation was issued, the United States District Court for the Southern District of Texas handed down its opinion in *First National Bank of LaMarque* v. *Smith*. The court held that, notwithstanding alleged obstacles in federal law and the Texas Insurance Code, a national bank can receive credit-life-insurance commissions.

According to the court, officers and directors of a national bank have a fiduciary duty to credit this income to the bank, and the Comptroller's Office not only has the right but the obligation to see that they do it. Moreover, if Texas insurance laws interfere with this fiduciary duty, they are, in the court's words, "void and of no force and effect with reference to a national bank." However, the court did not believe it necessary to invalidate state laws since it found that banks, by offering credit life insurance under a group policy, were not really in the business of selling insurance within the meaning of the Texas Insurance Code. This case is now on appeal to the Fifth Circuit, where oral argument is not expected before December. As in the lower court, the banks are contending that neither 12 U.S.C. 92 nor the Texas Insurance Code allows a national bank in a town of more than 5,000 persons to receive the commissions and, therefore, insiders can take this income for themselves.

As indicated previously, the final regulation was issued shortly after this court decision. The regulation prohibits officers, directors and principal shareholders from retaining commissions or other income from sales of credit life insurance. Basically, it places on a bank the burden of finding a means of providing credit-life-insurance coverage (if it elects to do so at all) so that insiders do not derive a personal benefit. Special rules apply where the bank is owned by a bank holding company. Where the bank is wholly owned, credit-life-insurance income may be credited either to an affiliate that's also wholly owned or to the holding company itself. Where there's no HC or when the HC owns less than all the bank's stock, the income may be credited to an affiliate provided that income in proportion to shares held by the bank's minority shareholders is placed in trust and paid to them periodically.

Several (growing pains) already have been noted that might have to be resolved through amendments to the regulation.

Predictably, the new regulation stirred the wrath of banks where controlling stockholders made a practice of siphoning off credit-life commissions, often to service their bank-stock loans. On the last business day before Christmas, the Independent Bankers Association of America filed suit in federal court in Washington, asking for a temporary restraining order and preliminary injunction to prevent the new regulation from going into effect. The court denied the IBAA's motion, and the regulation became effective January 1, as scheduled. The suit remains alive, however, for the merits have yet to be argued.

Thus, there are two cases now pending involving the Comptroller's Office and credit life insurance. One questions the validity of letters sent to five Texas banks; the other challenges the validity of a formal regulation. Since the two cases are not parallel in all respects, there is the possibility that their outcome might not be the same.

The new regulation is still young and undoubtedly will exhibit growing pains as enforcement proceeds. Several already have been noted that might have to be resolved through amendments to the regulation. One is the question of bonuses to loan officers to encourage sales of credit life insurance to loan customers. The regulation clearly prohibits a loan officer from retaining a bonus in the form of a commission paid directly to him or her by the insurance company. But the regulation is not clear on whether a bonus may be paid to the loan officer out of bank funds. As a bonus increases in size, the prospect increases of a loan officer's making a marginal loan for the sake of reaping the bonus. The possibility of a subtle tie-in between the sale of credit life and the granting of credit also is enhanced. Thus, even where the bonus is paid out of bank funds rather than in the form of direct commissions, there's room for valid regulatory concern. The Comptroller's staff, therefore, has taken the position that bonuses paid out of bank funds and treated as an expense item are permissible provided that total annual bonuses do not exceed 10% of the recipient's annual salary, and the bonuses are paid no more frequently than quarterly. These provisos are guidelines that will serve until more firm rules are established at a later date. Rules we ultimately may propose for comment possibly will be more restrictive, since the 10% guideline may be too liberal.

The second issue is whether the regulation's prohibition on directors' receiving commissions is too strict. As construed by the staff in a letter last October to Security of America Life Insurance Co. of Reading, Pa., the regulation prohibits an outside director from receiving a commission even if the bank already is receiving the maxi-

(Continued on page 102)

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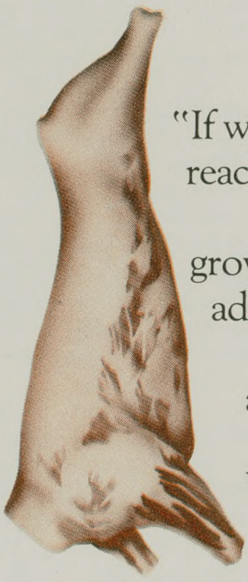
* Any opinions expressed in this article are those of the author and do not necessarily reflect the Comptroller of the Currency's views.

Why banks suggested Ætna Money for beef in Kansas and circuit boards in Texas.



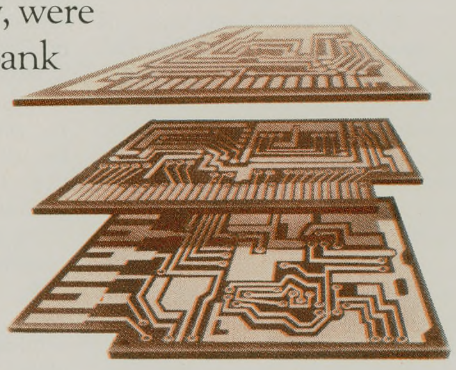
"If we say no, we'll lose him. Yet we can't say yes; he's reached our legal lending limit."

That was a local bank's dilemma when a good and growing customer — a meat wholesaler — applied for additional financing.

Solution? Ætna Money,℠ secured by inventory and accounts receivable, in participation with the bank.

Result? The wholesaler increased his business by 20% within six months. And he continued as a good and growing customer with the bank.

Sales were slower than projected for a manufacturer of electronic circuit boards in Texas. And so, consequently, were trade debt payments and repayments on his bank loan — which made the bank question any further extension of his credit line.



Solution? Ætna Money, with accounts receivable as collateral, for a continuing flow of working capital.

Result? The manufacturer soon has his payables under control, while the bank eased an uncomfortable loan situation — and kept a good depositor.

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Although certain identifying facts have been changed to protect client confidentiality, these are authentic examples of Ætna Money at work.

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Dual Control Should Be Top Priority In Bank's Anti-Theft Program

By OSCAR W. JONES
Director
Loss-Prevention Services
Scarborough & Co.
Chicago

(Many bankers resist dual control on the premise that it's "too much trouble." However, the fair-minded always concede that it's a safeguard that should occupy top priority in a bank's internal-control system. Here's a good argument *for* dual control.)

BECAUSE of the interest embezzlements generate, we often think all of them somehow must be accompanied inevitably by complex manipulations and that all defaulters always resort to machinations and subterfuges. Many of us are prone to forget that embezzlement basically is stealing.

Actually, the quickest, simplest way to embezzle is just to walk off with the money, and a quarter pocketed by a teller is embezzlement in the same sense as is an ingenious scheme of withholding deposits.

The trouble arises because this sort of stealing usually is confined to relatively small amounts, and we tend to look on it more as a nuisance than as a serious problem or offense. What's forgotten is that the technique has been (and, doubtless, will continue to be) used in much bolder fashion than in taking small change.

Think for a moment about an embezzlement of $615,000. No matter what size a bank is, that's a lot of money to lose. Yet it was taken with the greatest ease by a vice president who didn't trouble himself with any carefully thought-out plan of concealment. He just walked out of the bank after work on a Wednesday afternoon—*with more than $615,000 in bank funds!*

When he had returned from lunch that day, he brought back several bags filled with groceries. These he propped in a corner of his office so they would be handy at the end of the day.

At closing time, the vice president's girl friend, as usual, was waiting for him in the lobby. As the two walked past the police guard, the bank officer made a point of "remembering" his groceries. He went back to get them and included in the sacks much more lettuce than he needed for a tossed salad. During the afternoon, he had been systematically loading the bags with large bills from the vault cash, *which was not under dual control!*

When the vice president didn't report for work the next day, an investigation disclosed what had happened, by which time the young man was many, many miles away—no one knew where. No one knows yet!

What can be done to minimize the chance for this type of loss to occur? In general, it's well to follow these broad rules:

1. Do *not* permit *anyone* to carry packages, suitcases or the like into any parts of the bank in which cash or securities are kept.

2. The cash supply in each department should be kept at an absolute minimum consistent with efficient operation. Accumulations of currency beyond the needs of the day should be transferred to the vault as soon and as often as practicable.

3. In smaller banks and wherever else it's possible to do so, all employees should be required to use one particular door for entrance and exit. A bank officer or guard then can maintain close watch over the comings and goings.

4. Special care should be exercised before double holidays and weekends, which may allow a defaulter to disappear completely before the bank is aware of trouble.

Starting from this general background, a bank can adopt protective measures that best fit its own needs. As an example, here's what one bank has set up in the way of controls to cover this very situation:

1. At the close of each banking day, a cash report is filled out by each teller showing the cash carried forward from the previous day, cash receipts, disbursements and transfers to other tellers during the day and cash balance for which he or she is accountable at the end of the day.

2. These individual tellers' cash sheets are summarized on a teller's cash-recapitulation sheet along with vault cash, made up by the general bookkeeper. This total must agree with the cash account on the general books before any bank personnel leave the bank.

3. Daily cash figures of the commercial deposit receiving tellers are made up by the clearing/proof department, and a signed report showing cash receipts of each teller is given to the head teller, who has the responsibility of collecting all large bills of $50 and over and all full packages of a hundred bills to the package of fives, 10s and 20s. Tellers cannot carry more than $3,000 over to the following day without an officer's approval.

4. The head teller then makes up desired cash bundles, which, in turn, are handed over to two officers in charge of reserve cash and are recorded separately on the bank's books. Any unbundled bills at the close of the day are turned over on receipt to the head teller.

5. A similar routine is followed in the savings department, except on Saturdays, when a special teller is detailed to collect currency packages from the savings department because of the particularly large deposits on Saturdays.

6. Tellers locking up the cash in the vault for the night are required to exhibit their cash boxes to an audit department representative whose duty it is to see that approximately the amount of cash indicated by the reports previously mentioned is on hand.

7. *Dual control* is exercised over vault cash, and signatures are required for each entry. There's *no exception* to this rule!

We urge all banks to consider these moves if they haven't done so already. In any event, a check should be made *now* to make certain these avenues of loss are blocked off tightly. Trouble can arise quickly enough without tempting fate by inviting it to come in. • •

This article was taken from the May, 1978, issue of *Loss Protection/Prevention Bulletin,* which is published by Scarborough & Co.


SUOMI-FINLAND
ESPANA
DANMARK
singapore
SVERIGE
HELLAS

Action Happens When You Plan for It

By John R. Ginsler
President, Financial Training Resources
Glen Ellyn, Ill.

SELLING has been described as the art of making things happen—causing people to change their thinking and methods and to take decisive action.

Yet, countless bank business development calls end up in an exchange of pleasantries that do little for the customer and even less for the bank. A banker friend of mine coined an apt description for such calls—he refers to them as "howdy-doody calls." More often than not, "howdy-doody" selling is symptomatic of a common underlying problem—*lack of sales planning.*

The failure or reluctance to plan sales calls can be traced to a number of causes:

• Limited time and preoccupation with other responsibilities.

• Limited availability of information with which to make plans.

• Preference for "doing," rather than the "thinking" process required by planning.

• Feeling that planning restricts flexibility in dealing with the "give and take" of a sales call.

• Lack of skill in how to plan.

However, our experience in helping bankers improve the professional quality and productivity of their selling effort clearly demonstrates that sales planning:

• Saves time and effort by reducing time wasted on unproductive sales calls and concentrating calling effort on situations with the best probability for profitable results. The key to productive selling is not in the number of calls made, but in the quality of the calls.

• Organizes development of information about customer needs and your service capacities so you're better able to make a problem-solving contribution through your sales calls, rather than just a friendly visit.

• Provides a standard that directs your efforts toward accomplishing specific results.

• Strengthens your confidence and enhances the professional quality of your calls by organizing what you need to do and how to do it.

• Increases your flexibility, rather than detracting from it, by enabling you to anticipate and manage customer reactions and resistance.

Developing skill in planning productive sales calls starts with an understanding of *what* and *how* to plan. It involves three stages:

1. Identify and evaluate selling opportunities—whom should you sell?

2. Plan long-range selling strategy—what does it take to establish a new account relationship or install an additional service?

3. Plan specific sales call—what action should you seek, and how should you get it?

Someone once said that everybody is a prospect for bank services. However, as bankers have learned the hard way—some prospects are much better than others in terms of risk, revenue and profits. Consequently, effective sales planning starts with identifying your best selling targets. This involves the following:

Develop a customer/prospect list using such methods as:

• Review customer files and prior call reports to identify opportunities for selling additional services.

• Develop prospect referrals from other bank officers, bank directors, satisfied customers, suppliers, correspondents and professional centers of influence such as attorneys, accountants, realtors, etc.

• Develop personal contacts through

Exhibit #1

TARGET CUSTOMER/PROSPECT LONG RANGE PLAN

NAME: Acme Transport Company	___Customer X Prospect	CONTACT: Harry Wilson, President
LOCATION: 115 Main Street	TYPE OF BUSINESS: Interstate trucker operating about 60 tractors and 85 trailers in 6 state area.	

OBJECTIVE: Establish financing relationship with Acme Transport Company and secure appropriate compensating balance relationship.

WHY: Acme has equipment needs running at rate of $400,000 to $500,000 per year. Is reaching limit of present bank's capacity. Present bank has been passive in providing planning and budgeting help. New forecasting service and our trucking experience provide good point of entry.

PLAN OF ACTION	DATE	COMPLETED
1. Verify growth plans, introduce financial forecasting service, and get statements needed to develop forecast.	11/1	
2. Present forecast findings, get acceptance of recommendations for improving financial planning, and set date to present financing proposal.	11/15	
3. Present financing program to implement growth plans for coming year, and secure approval of plan.	12/1	
4. Obtain corporate resolution, compensating deposit, and complete other papers needed to initiate relationship.	12/8	

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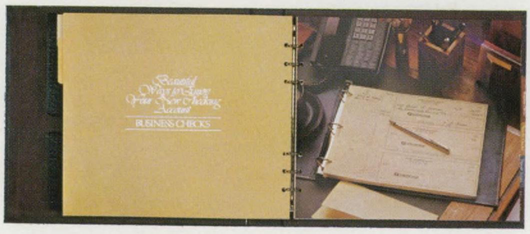

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Exhibit #2

SALES PLAN

Name: Acme Transport Co. Location: 115 Main St.

Contact: Harry Wilson, President Date:

Key Facts: Well established trucking firm (established 1946) that hauls general freight on contract basis in 6 state area. Also operates large transfer business in 3 cities in which it maintains terminals and growing truck leasing business. Equipment includes 60 tractors, 85 trailers, and 30 short-haul vans. Employees number approximately 105. Harry Wilson (44) and brother Fred (39), who is General Mgr., inherited control from father 5 years ago. Business has doubled in size since then, although profit has not grown as rapidly. Truck distributor who sells Acme equipment indicates that Wilson has talked about extending his long-haul service to additional locations. Equipment purchases have been made on sporadic basis as equipment has worn out. Has banked with competitor since founding. Borrowing has been sporadic.

Possible Needs: More accurate planning for future growth, greater flexibility in financing anticipated growth, improved control to improve profitability.

1. What ACTION GOALS should I seek on this contact?

Maximum: Obtain financial statements as basis for developing specific plans to facilitate growth.

Minimum: Set date at bank to meet key officers and to see capacities first-hand.

Warm-Up

Refer to truck distributor

Commend on

2. What BENEFICIAL REASON can I offer to get receptivity?

- Improve profit results and gain greater flexibility in financing growth of business.
- More complete facts to aid decisions and plan future growth.

3. What FACTS & QUESTIONS should I discuss to develop need-awareness?

Facts to review: Prior growth - current size - present service area.

Questions to ask:
- What plans do you have to continue prior growth? What is your sales goal in next five years?
- How many additional trucks will you need to accomplish goals? How many replacements will be needed? What do you estimate costs to be?
- What additional terminal facilities will you require? What do you anticipate costs to be?
- How do you plan to finance your future equipment and terminal needs?
- How do you now go about forecasting your capital requirements? How much time does this take? How reliable have forecasts been?
- How do you now go about collecting remittances from your various customers? How long does it take for these funds to come in and be deposited in your account in usable form?

4. What EXAMPLE can I use to show feasibility of satisfying needs?

Identify: Medium-size commercial mover who operated in three state area.

Before: Had steady growth in volume, but profit performance was lagging. Frequently was short of operating capital during peak seasons. Borrowed sporadically to purchase new equipment and to meet seasonal working capital needs, with wide variation in borrowing costs. Wanted to expand business into new marketing areas, but was unsure of how to proceed or how to finance such growth.

After: Made financial and credit analysis. Helped customer identify several areas of cost reduction, such as improved handling of equipment depreciation. Speeded up processing of remittances which improved availability of operating funds. Set up more systematic program of forecasting cash flow and borrowing requirement, which enabled customer to reduce number of borrowings and subsequent interest costs.

5. What SERVICE/CAPACITIES must I explain to convince of capacity?

- Financial analysis and forecasting service;
- Financing tailored to both short and long term needs;
- Depth and continuity of our financing capacity;
- Trucking industry know-how and experience;
- Second resource of ideas and problem-solving help;
- My personal attention to your needs, and coordination of problem-solving resources.

6. What DECISION QUESTIONS must I ask to get desired action?

Recommended Action: To develop specific recommendations for planning future growth, next step is to provide last three year's financial statements for analysis and review.

Decision Questions:
- Can you provide statements, or shall I get them from your accountant?
- Recommendations should be ready early next week. Can review with you next Tuesday or Friday - which would be best?

7. What RESISTANCE might I encounter?	How can I RESOLVE it?
- Want to wait until plans are more definite.	- Sooner you get facts and suggested approaches, the better able you'll be to make sound plans.
- Feel loyalty to present bank - helped us get started.	- You would be adding second problem-solving resource to help implement growth plans - gain greater financing flexibility -- not give up loyalty.

business clubs, service clubs, civic activity, alumni and social organizations, etc.

- Check newspapers and trade publications for new company formations, company changes, company expansion plans, etc.
- Purchase lists such as Dun and Bradstreet's Market Identifier Service, state and city business directories, chamber of commerce rosters, trade association rosters, etc.

Evaluate the quality of listed targets in terms of the following criteria:

- Existing potential, as indicated by size, requirements for banking services, prior use of banking services.
- Growth potential, as indicated by prior growth, trend of industry, growth plans and management capacity.
- Financial desirability as indicated by credit history, financial performance, reputation and character and costs of servicing.
- Availability of business, as indicated by nature and length of competitor relationship, breadth and quality of service and director or reciprocal relationships, if any.

Rate listed selling targets in terms of relative worth and probability of generating profitable business, as follows:

- Primary sales targets—customers/prospects who rate positively on all criteria, and who provide best income potential in coming year.
- Secondary sales targets—customers/prospects who rate well on all criteria, who provide only limited sales potential in immediate future, but offer good long-term potential.
- Marginal sales targets—customers/prospects who rate negatively on one or more criteria and who offer limited sales potential, both immediately and long term.

Set call frequencies for each class of sales target to assure investment of selling time in proportion to potential worth. Call frequencies should be adjusted up and down in accordance with your actual sales experience with each target.

Once sales targets have been established, the next important step is to plan your long-range selling strategy—what it will take to expand an existing relationship or to develop a new one. This involves the following:

Develop facts to assess customer's existing situation from:

- Pre-call research of customer file, D&B report, annual report, financial statements, prior call reports, etc.
- Pre-call discussion with referral sources.
- Survey call on prospect, when limited pre-call information is available.

Identify most likely needs by:

- Comparing facts with industry standards and practices, successful customer performance and practices, service capacities, customer goals and your own experience and judgment.
- Looking for problems calling for solution, goals calling for achievement and practices or performance that can be improved through your services and capacities.

Decide what to propose by:

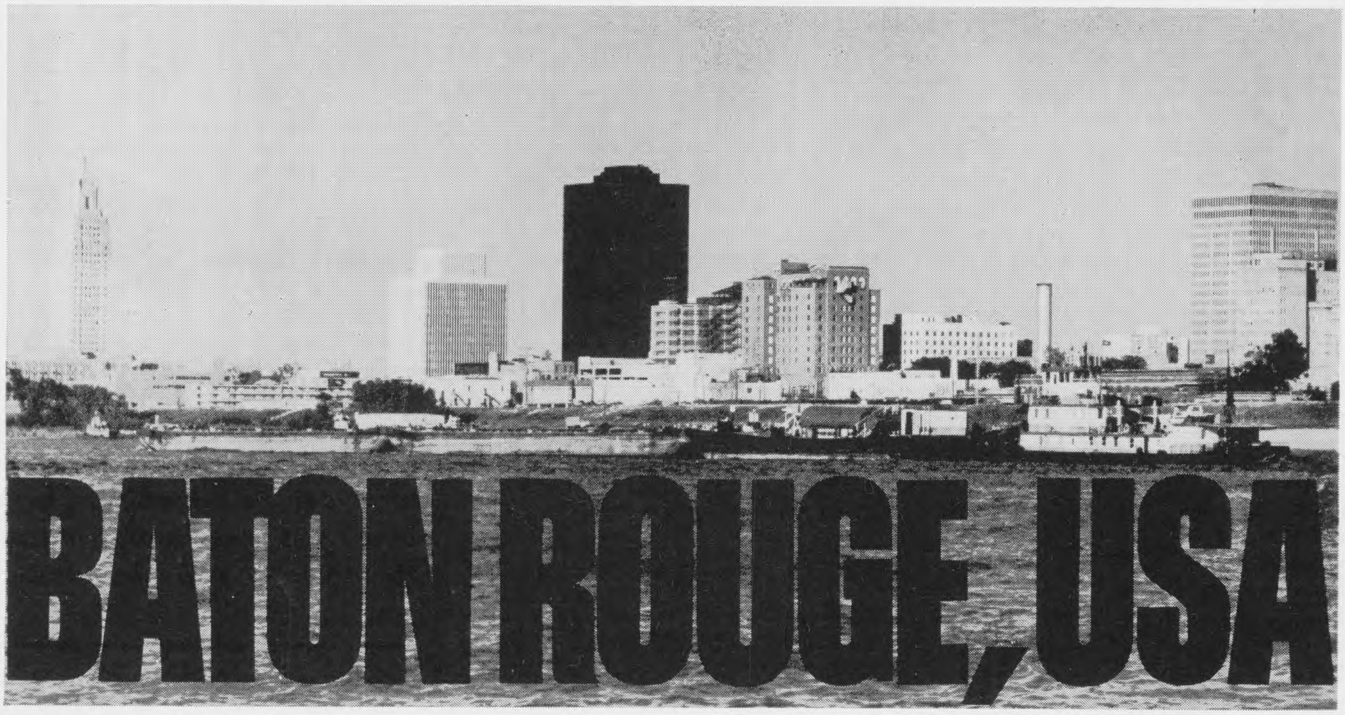
- Setting priorities, or when to handle various needs, based on the need's impact on customer's situation, speed of handling the need and showing results, capacity to handle the need versus competition and relative urgency of the need.
- Selecting appropriate service or combination of services to satisfy needs, based on your bank's capacity to implement, and mutual benefits to the customer and the bank.

Plan selling action needed to expand or initiate relationship. This involves:

- Setting sales objective—the relationship you are seeking to establish, or the added service you want to install.
- Determine intermediate selling action—the progressive steps or tasks that must be implemented to achieve your objective.
- Set achievement schedule—when the various steps or tasks are to be accomplished. This provides both a time guide and stimulus for achieving your objective.

Exhibit #1 illustrates how to lay out a long-range plan. A planning worksheet, such as this, is useful in directing

(Continued on page 54)



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Mortgage Lending

Inner-City Lending Program Started That Features Low Down Payments

A PILOT PROGRAM featuring low down-payment loans to inner-city residents has been initiated by Citibank, New York City.

Citibank has earmarked $10 million for its new Stretch Mortgage Program, described as a novel approach to make home mortgages available in three specially selected areas—the Prospect Heights, Park Slope and Flatbush sections of Brooklyn, N. Y. All loans where the down payment is less than 20% will be insured by Mortgage Guaranty Insurance Corp. (MGIC), Milwaukee.

According to Citibank, Brooklyn was chosen because since 1970, more than 300,000 persons, mostly middle-income residents, moved out of that area to homes in the suburbs. Also, Citibank sought neighborhoods in the metropolitan New York area that are representative of a demographically mixed, middle-income population. Communities picked for the test include 16% of all Brooklyn households and 14% of all Brooklyn home owners.

The Stretch Mortgage Program is designed to help buyers of one- and two-family houses in the designated areas by allowing purchase of a house with a down payment as low as 10%. Annual percentage rate is 8.82, including cost of private mortgage insurance.

Citibank says it limited the program to one- and two-family houses so it can handle various volume projections properly. If the program proves to be successful, according to the bank, it can be broadened to include three- and four-family houses.

To the extent that the equity requirement is a factor in restricting home buying and mortgage lending in the neighborhoods chosen, Stretch Mortgage Program sponsors believe it may ease the problem. Some observers say the program could be a model for future inner-city-lending programs across the country.

According to Citibank, an objective of the pilot program is to demonstrate the more favorable financing terms Citibank would be permitted to make available throughout the metropolitan New York City area if New York state eliminated its restrictive mortgage-interest ceiling. The limit now is 8½% interest on mortgage loans, which reportedly is the lowest interest-rate restriction of any state in the country.

"New York state's below-market mortgage rate discouraged all mortgage lenders from maximizing the availability of mortgage money," explains Citibank Assistant Vice President Robert A. Clark. "The purpose of the Stretch Program is to test consumer reaction to minimal-down-payment, privately insured mortgage loans."

If the program is successful, it can be broadened from one- and two-family houses to three- and four-family houses.

According to Mr. Clark, this type of financing generally has not been available in the state, especially in inner-city communities, for the simple reason that maximum mortgage credit is inconsistent with a restrictive interest-rate law.

"We think," continues Mr. Clark, "New Yorkers deserve a chance to indicate whether they want what is widely available in most other states. If their response to our program is positive, we hope appropriate legislative action will quickly permit us to broaden the program to all neighborhoods."

"We are delighted to work closely with a financial institution to make more homes available to a greater segment of the home-buying public that could not afford them because of high down-payment requirements," says Max Karl, MGIC's founder and chairman. The 21-year-old firm has about a 40% market share of the private mortgage-insurance industry.

"Economists say the demand for housing this year will continue to be quite strong," adds Mr. Karl. "This means that, despite uncertainties in the economy, people still want homes of their own."

He says red tape and complex paperwork, usually associated with Federal Housing Administration and Veterans Administration programs, is forcing a growing number of financial institutions to the private sector for mortgage guaranty. • •

Corporate News Roundup

LUEBECK

GRIMSHAW

• **Bank Building Corp.** Roger Grimshaw has been named market planning director, financial institutions, for this St. Louis-based firm. He joined BBC in 1973 as manager of sales, real estate services division. Before his new appointment, Mr. Grimshaw was manager of sales for the firm's central facilities division.

• **Brandt, Inc.** Jack R. Luebeck has joined Brandt, Inc., Watertown, Wis., as product sales manager. He had spent the past 5½ years with IBM, most recently as an account representative based in Milwaukee.

• **Diebold, Inc.** This Canton, O.-based firm has announced two appointments. Robert A. Rosenthal has been made midwestern area manager, bank sales group. This area includes Kansas City, St. Louis, Wichita, Omaha, Des Moines and Davenport, Ia., Minneapolis, Billings, Mont., and Fargo, N. D. His office is in Kansas City. Mr. Rosenthal joined Diebold in 1969 as a sales representative in the St. Louis office, was promoted to district manager, Birmingham, Ala., in 1971 and to regional manager, Seattle, in 1973.

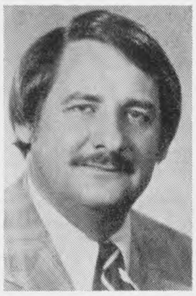
SHARP

ROSENTHAL

Edgar B. Sharp Jr. has been appointed regional manager of a new and expanded region for Diebold. This region includes bank division sales offices in Little Rock, Memphis, Baton Rouge, Shreveport, New Orleans, where his office is located, and Jackson, Miss. He joined the firm in 1965 as a sales representative at the Little Rock office, was made district manager three years later and advanced to regional manager, Arkansas and western Tennessee, in 1972.

• **LeFebure Corp.** Thomas R. Perry has been named sales engineer for LeFebure Corp., Cedar Rapids, Ia. He operates out of the St. Louis branch and concentrates on the southern Illinois and western Kentucky area, where he lives.

• **Planned Projects, Inc.** Wayne A. Beugg has joined Planned Projects, Inc., St. Louis, and is responsible for developing business in eastern Missouri and southern Illinois. He has been active in St. Louis-area commercial banking the past eight years.



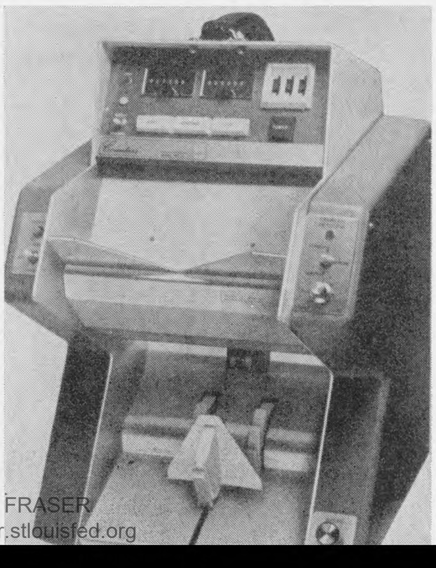
PERRY

BEUGG

• **Insured Credit Services, Inc.** This Chicago-based private underwriter of property-improvement loans reports topping the $2-billion mark in total loans insured. The company reached the $1-billion mark in 1972. Founded in 1954, ICS is a wholly owned subsidiary of Old Republic International Corp., a major multi-line insurance holding company, also based in Chicago. ICS coverage extends to 1,300 institutions in 43 states.

New Products

• **Brandt, Inc.** Three new models have been added to the line of "Countess" machines designed for organizations requiring automated assistance in daily document-handling operations. The three models handle currency and other paper items—as large as 4x8 inches—at operator-controlled speeds up to 1,200 items per minute. Model 825 counts currency and endorses and cancels checks and food stamps; model 827 counts and batches currency and detects counterfeit bills; model 829 counts a wide range of currency from new to mutiliated. Write: Brandt, Inc., Watertown, WI 53094.



• **Diebold, Inc.** This firm now is making its insulated files for protecting irreplaceable records from fire in deluxe and standard models. Both files have passed Underwriters' Laboratories fire-endurance and explosive-hazard tests. The deluxe model also has passed UL's fire and impact test. According to Diebold, it offers the added protection of being able to withstand the impact of falling debris and shock of falling through several floors of a burning building. Diebold insulated files have seamless steel exteriors, lightweight, monolithic insulation and steel-lined interior construction. Individual file drawers glide on full-cradle, chrome-plated suspension systems, and a plunger lock that controls all drawers is standard, while a combination lock is optional. Drawers also can be locked individually as desired. Deluxe and standard files are available in four-, three- and two-drawer models with either letter- or legal-size-drawer capabilities.

Write: Diebold, Inc., Canton, OH 44711.

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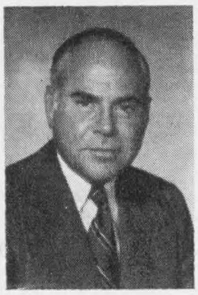

KLING

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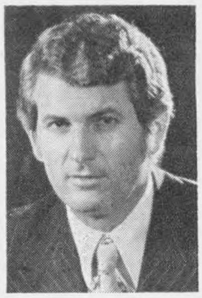

BUTCHER

• **C. C. Hope Jr.**, vice chairman, First Union National of North Carolina, Charlotte, has been selected as the official nominee for ABA president-elect for 1978-79. He was selected by the ABA's governing council, of which he is a member. Mr. Hope is immediate past national chairman of BANCPAC and is a past member of the administrative committee of the ABA's government relations council. He has been in banking since 1947.

• **Gabriel Hauge**, chairman, Manufacturers Hanover Corp. and Manufacturers Hanover Trust Co., New York City, has received the Dodge medallion award for outstanding public service from the YMCA of Greater New York. He was cited for his humanitarian and public service efforts throughout his business career and personal life to benefit New York and the world community.

• **S. Lee Kling,** St. Louis bank executive and Democratic leader, last month was named No. 2 man in President Jimmy Carter's fight on inflation. His appointment was announced May 15 during the Missouri Bankers Association's annual convention in St. Louis by Robert S. Strauss, chief inflation fighter and a speaker at the convention. Mr. Kling's official title is assistant to the special counselor on inflation.

According to Mr. Strauss, he and Mr. Kling, who is giving up his banking and insurance activities for an unspecified period (approximately 90 days), will travel around the country and "use whatever persuasion and political pressure are necessary to get the inflation spiral on a downward trend."

Mr. Kling is chairman/CEO, Landmark Bancshares Corp., St. Louis bank HC, which owns these St. Louis-area banks: Landmark North County Bank, Jennings; Landmark Bank, Creve Coeur; Landmark Central Bank, St. Louis; and Landmark Northwest Plaza Bank, St. Ann. He has held several posts in the Democratic party, including those of national finance chairman and executive committee member, Democratic National Committee (1973-77), and chairman, Democratic House and Senate Council (1977-present).

• **June Darby Ellison** is taking early retirement this month as public relations officer in the marketing and communications department, Mercantile Bancorp., St. Louis. Mrs. Ellison is a past regional vice president of the Midwest Region of the National Association of Bank Women and past chairman of the association's Metropolitan St. Louis Group. She was the first woman to serve as chairperson of the Missouri Bankers Association's marketing and public relations committee. She plans to work independently on public relations projects.

• **Arthur F. Burns**, former Fed chairman, has been appointed to the faculty at Georgetown University, Washington, D. C. He has been named distinguished professorial lecturer in the School of Business Administration and will teach a seminar in the fall entitled "Economic Policy in Relation to the Business World." The position is in addition to his appointment as distinguished scholar in residence with the American Enterprise Institute for Public Policy Research.

• **Edward C. Boldt** has been elected senior vice president and director of marketing, business development and community relations division, Capital National, Houston. Mr. Boldt was president of the Bank Marketing Association in 1971 and entered banking in 1946.

• **Jake F. Butcher** kicked off his campaign for governor of Tennessee last month with a series of appearances around the state. Mr. Butcher is chairman/CEO, United American Bank, Knoxville; chairman, United American Bank, Memphis; and chairman, First & Farmers National, Somerset, Ky. He also is chairman, Bull Run Oil Co., Knoxville. He was a director, Tennessee Bankers Association, 1973-76.

• **John Y. Van Bibber,** senior vice president, Liberty National, Louisville, has been elected vice chairman of the ABA's housing and real estate finance division executive committee. Elected chairman was Robert W. Irving, senior vice president, Equitable Trust, Baltimore. Among members of the executive committee are H. Richard Noon, vice president, Mid-American Bank, Shawnee Mission, Kan.; R. Van Bogan, president, Fidelity Bank of Indiana, Carmel; and James Jones, senior vice president, First National, Fort Worth. Officers and committee members will assume office at the ABA's annual convention in October.

• **Shafik Z. Abadeer** has been elected assistant treasurer, Harris Bank International Corp., New York, a subsidiary of Harris Bank, Chicago. He is a native of Egypt and previously served with Citicorp, New York City, and Barclay's Bank, Cairo, before joining Harris in 1974.

• **Edith D. Perry** and **Toni Neal** have been named recipients of scholarship awards from the National Association of Bank Women. Mrs. Perry is vice president and trust officer, First American National, Nashville, and won the award given by the Southern Region. Miss Neal is assistant vice president, Austin (Tex.) National, and won the Southwestern Region award.

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

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

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

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

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

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

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

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

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

Your success is our tradition.

First National Bank of KANSAS CITY, MISSOURI

An Affiliate of First National Charter Corporation

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Interstate Branching Should Be Allowed For All Banks

By PHILIP C. JACKSON JR.
Member
Board of Governors
Federal Reserve System
Washington, D. C.

I LIVE IN A single-industry, single-product town, Washington, D. C. The majority of people who live there produce laws, regulations, rules, orders, hearings, studies and reports.

The people who live there are not unlike those in many other single-industry towns. They often confuse the product with the purpose it was designed to serve. They think of the product as the end rather than the means to reach an objective.

Somehow, we need to find a device that will re-orient Washington thinking to assure that the only purpose of government is to improve the lives of the citizens it serves. In too many instances, the people would be better off if we cut back production of those laws, regulations and studies.

The banking business is an excellent example of the consequences we are experiencing from excessive regulation. I think the purpose of this industry should be to provide a safe, convenient place to store our savings. It should furnish a cheap, fast means of effecting transactions, and it should provide a system whereby the savings of some of us can be used to create more goods and services for all of us.

While the banking industry does perform these functions today, I don't think it is performing them as well as it could and should. One of the principal reasons is that it has become shackled and burdened by over-regulation. While any banker could agree with this statement and could give an extemporaneous speech on examples of over-regulation today, I'm not sure as many would be able or willing to discuss how over-regulation also means overprotection.

Overprotection is the second reason banking has not met its potential. Because of overprotection and lack of competition in the banking industry, some bankers have lost sight of their purpose. They have become so skilled in applying old tools to meet old needs that they have not taken the trouble to re-examine the effectiveness of those tools, or to ask themselves whether new tools could do the job better.

As a result of both of these impediments, other financial intermediaries have sprung forward to meet the new needs of our society and to fill the gaps the banking industry has left unserved. As the banking industry has become ossified and encrusted by ancient practices and counterproductive laws, others are finding ways to circumvent these restraints to meet the public's demands.

While I hear many screams of injustice from bankers around the country about how nonbanks have preferential treatment or special privileges, not many are willing to admit that these special privileges grew out of a lack of competition in the banking industry itself. Whether bankers agree or not, the general public thinks the banking industry is generally anti-competitive. They see the restraints on geographical activity and restrictive chartering as being primarily protective of bankers' interests, not the public's interests. The public sees too many banks as owning small kingdoms protected from outside invasion. And a kingdom of any kind with no in-migration or threat thereof is highly vulnerable to stagnation. Denied in-migration, such a kingdom also is denied the industriousness and the vigorous competitive spirit that immigrants bring with them, particularly when those immigrants are bankers or businesses.

The result is that banks are, to a certain extent, protected from the freedom to fail as well as the freedom to compete and succeed.

I think it's time to tear down these artificial barriers to the banking industry

The speech on which this article is based was given last month by Governor Jackson at the annual convention of the Alabama Bankers Association.

and to open banking borders to any who wish to come or go. Like all other business organizations in our country, banks should have the freedom to open up shop where the needs are greatest and opportunities strongest. *Not only should we allow statewide branching by any bank organized within a state, but we also should authorize interstate full-service operations for any bank authorized to do business in our country.* It has been the partial breakdown of these artificial geographic barriers that, I believe, thus far has been the greatest public benefit of the bank-holding-company movement.

Now some small community bankers feel the result of the elimination of these restrictions would be the demise of their organizations. I disagree! Any local community banker worth his salt should be able to hold his own against a large, lumbering, bureaucratic bank from out of town. Look at states like North Carolina and California. In each of them you see healthy, profitable, successful community banks that provide an attractive alternative to the public in competition with the giant statewide banks that operate there.

Given the present phobia about unrestricted branching on the part of some bankers, I find it hard to understand how the House of Representatives could overwhelmingly pass, as it did, a bill to give foreign banks the authority to branch across state lines. It seems inconsistent to me to have these foreign visitors enjoy privileges we don't authorize for ourselves. Certainly, we should have one rule apply to all who are striving to perform the same public function. If this legislation is adopted, we then should have another new law that gives all federally chartered banks the freedom to operate throughout the United States without restrictions.

This special protection the banking industry has enjoyed will, in the long run, lead the public toward policies that result in strangulation of the industry. One good example is our present overreaction to the bad practices of a few bankers. It appears that in some states, as well as in Congress, there's a temptation to impose new restrictions on rights of individuals to own bank stock. Our country has had a long history of wanting to prevent an over-concentration of political or economic power in any one place. To prevent an over-concentration of economic power, we do not allow general-purpose corporations also to own banks. This means that individuals must be able and willing to invest in banks. New restrictions on rights of individuals to own bank stock will jeopardize the flow of needed capital into banks.

These proposed new restrictions are yet another unfortunate example of laws and regulations made in an events-influenced environment. When we see an evil produced by a notorious event, seldom do we acknowledge that enduring the evil would be less burdensome to society than the proposed cure. How long has it been since you saw a great tragedy or miscarriage of justice reported in your newspaper that wasn't accompanied by some proposal to pass a law against it? What we have is regulation by reaction.

Some claim that restrictions on individual bank-stock ownership will better enable us to have a safe and sound banking industry. I doubt it. I don't believe that any Congress or any regulator can predict which individuals will run a safe bank and which ones will not. We cannot with sufficient certainty judge human capacity or predict human behavior in new or changing circumstances. Nor can we predict the economic environment of the future in which these individual capacities will be tested. In bad times, sometimes the sharpest and most competent banker can be snake bitten. Today's banking genius is tomorrow's banking fool.

And lethargic regulators are one of the groups least able to predict the future. Any criteria regulators might use, though sounding good on paper, would, in practice, wind up being capricious and arbitrary. In those few isolated instances in which change of control of a bank to a certain individual presents a clear and present danger to the public safety, I think that notice of the change to the regulators should be sufficient to address the evil in time.

Let's face the fact that ownership of bank stock is one of the few market-oriented disciplines left in the banking industry. We now have federal deposit insurance, which protects most depositors from loss. We even have developed a purchase and assumption technique by the FDIC that has resulted in protection of most other bank creditors. To a limited degree, our system of government inspection and

(Continued on page 56)

A Sense of Pride:

Bank Boosts Its Community With Special Ad Campaign

An advertising campaign is being conducted by First National, Coffeyville, Kan., that promotes the community as much as it does the bank. The program, called "Coffeyville, Kansas, where the good life keeps getting better," is designed to highlight the sense of pride that exists within the city and position the bank as a leader in this pro-Coffeyville attitude, according to Gary Nye, marketing manager.

The bank is featuring the message in newspaper ads and on outdoor billboards, bumper stickers, window decals and balloons. Newspaper ads feature local residents, who tell why they like living in Coffeyville.

For instance, Glenna Pendleton, a high school honor student, was pictured in an ad, along with her reasons: "More than anything else . . . I like the good feeling that comes from knowing almost everyone. When I walk down the hall or am going down the street, it just feels good to see faces I know. Friendly faces. Coffeyville is a place where everyone can belong . . . they can really be a part of something. It's this feeling of togetherness that makes it fun for me." Then, the bank added, "Glenna's right! There's a growing sense of togetherness in our city. Isn't it great!"

This outdoor billboard proclaims how First Nat'l, Coffeyville, Kan., feels about its community. Billboard is part of ad campaign being conducted by bank to boost Coffeyville.

Leadership by Example Needed in Banking

By A. A. MILLIGAN
President
American Bankers Association

ALMOST six decades ago, an American journalist named John Reed wrote a book called "Ten Days That Shook the World." He was writing about the Communist revolution in Russia, which doesn't have much to do with banking. However, for some reason, that title kept running through my mind as I was preparing my remarks.

Perhaps it's because of what our industry went through for two weeks this spring. Those two weeks were not exactly revolutionary, but they certainly could have quite an impact on banking of the '80s.

It all began April 27, when the new Federal Reserve Board chairman told the banking leadership conference that the Fed was going to move on its own authority to pay interest on required reserves and to set up a system of explicit pricing for services it provides.

At about the same time, the Senate Banking Committee gave preliminary approval to legislation that allegedly would try to safeguard the consumer from potential abuses of electronic funds transfers. Of course, it really wouldn't do anything to defend the consumer's legitimate interest. It would just retard EFT's development.

Not to be outdone, a House banking subcommittee approved legislation that would go even further in "defending" the consumer—and, for good measure, also would do a job on bank credit cards.

On May 1, the Fed got into the act again—this time by approving a plan to permit pre-authorized transfers from savings to checking accounts. And the S&Ls announced immediately they would sue.

The following week got off to a quieter start. On May 8, the House Banking Committee started marking up the so-called Safe Banking Act. And the next week looked positively peaceful since the Senate was to begin deliberations then on the Labor "Reform" Act.

All this reminds me of a popular song of about a decade ago by Ed Ames, "My Cup Runneth Over." Except that ours doesn't runneth over with love. Ours just plain runneth over.

I don't mean to suggest by this recitation that all events of these weeks in April and May have been bad for banking. They haven't.

For example, the ABA consistently has supported the pre-authorized transfers ever since the Fed first started toying with the idea several years ago. These transfers should help bankers compete with competitors like the Government Employees Credit Union's share drafts. Likewise, most bankers support payment of interest on required reserves. The concept of explicit pricing of Fed services is compatible with—perhaps even fundamental to—the free market.

It's just that the range of these issues is almost mind boggling, and the pace at which things have begun to move is dizzying.

The accompanying feature is based on a talk given last month at the Texas Bankers Association's annual convention by Mr. Milligan, pres., Bank of A. Levy, Oxnard, Calif. Mr. Milligan is shown here presenting his Texas speech.

Considering the range of issues facing us—and the pace at which they are moving—never has the need been greater for the banking industry to exhibit leadership that gets things done. I am encouraged. I believe bankers are showing more of that kind of leadership now than they ever have in the past.

We had a good example of that during our spring meetings of the banking leadership conference and the various ABA councils at the Greenbrier in April. There definitely was a tell-it-like-it-is attitude in the air.

The best example occurred during our discussions of possible EFT legislation covering sharing and deployment. Discussions centered around an eight-point program to support federal legislation that would provide for guaranteed access to an EFT system rather than mandatory sharing, declare that terminals are not branches and permit statewide deposit taking.

To put it mildly, discussions became quite spirited at times. Bankers from all over the country said exactly what was on their minds.

On the one hand, there were those who feared the federal government was determined to move ahead on EFT legislation and that if we didn't develop a strong consensus in support of the draft resolution, banking interests would be left out in the cold. They also pointed out that credit unions, S&Ls, mutual savings banks, retailers, finance companies, travel and entertainment cards, etc., have quite a bit more latitude in this area than does banking.

On the other hand, there were those who let it be known that any federal legislation that would take precedence over existing state laws would be an unconscionable abrogation of states' rights. And they were not about to stand for that!

There probably are three ways to look at the results of those discussions. One way is to say that no consensus on EFT legislation emerged from the leadership conference.

Another is to say that a consensus

did emerge—a consensus that any federal EFT legislation is premature at this point since we really don't know how EFT is going to develop. Until we do, any federal legislation is a bit like building a freeway's off-ramps first.

Unfortunately, it looks as if Congress is determined to build the off-ramps first.

That brings up the third way to look at the Greenbrier meeting's results: We are beginning to see the consensus process work. A draft was presented. A majority favored it, but a lot of questions were raised and concerns expressed. It was clear that more work is needed to make sure the legitimate concerns expressed by bankers are answered. In that way, a program can be developed around which a stronger consensus will emerge.

I think we're eventually going to have to develop such a consensus. We have to face the fact that—much as we may dislike it—the federal government probably will enact broad EFT legislation during the next couple of years. If we are to have a say in that legislation, banking must get its act together. As of now, we are the only group seeking restrictions on ourselves in deployment of devices to serve our customers.

In some EFT areas, Congress isn't going to wait. This is true particularly of the consumer area, despite yeoman efforts of Senator John Tower (R.,Tex.) and a few others to bring a touch of sanity to the deliberations.

For instance, the Senate Banking Committee has approved a bill by Senator Donald W. Riegle Jr. (D.,Mich.) that would—among other things—limit a customer's liability on a debit card to $50 even in cases of outright negligence. It also sets up guidelines for banks to follow in resolving disputes or errors with customers and subjects banks to treble damages if they don't follow those guidelines. And it requires banks to give customers provisional credit for any amount in dispute unless the problem is resolved within a specified time.

I might add that all of this is mild compared to a bill under consideration in the House Banking Committee.

I understand that Senator Tower will lead efforts to amend the legislation on the Senate floor, but that's a difficult process and certainly carries no guarantee for success.

This underlines our need to develop a strong consensus on the broader EFT questions for sharing and deployment. We did have a consensus on consumer issues, and we were able to improve the bill significantly before it was cleared by the banking committee. But our consensus was late in developing, and improvements were not enough to make the bill acceptable.

I realize I have spent quite a bit of time discussing what went on over EFT at Greenbrier. I do that because I believe it's important that we develop a strong consensus on this issue and exercise some true leadership. However, I don't want to give the impression that EFT was the whole focus of the leadership conference. It wasn't.

In fact, for many of us, one of the highlights was a talk by Fed Chairman G. William Miller. It was refreshing. He showed much leadership and a grasp of the problems facing not just our industry, but the country as a whole.

Foremost among these problems—as he recognizes—is inflation. His comments on that subject seemed to me to be particularly full of insight.

Chairman Miller sees that the Fed can't do it all. Regulation of the money supply is only part of the answer. Even more important is development of a balanced federal budget as quickly as it can be done without throwing the country into a recession.

Beyond that, however, Chairman Miller made another good point, one that perhaps we might not want to hear. It's a point that nonetheless is valid: Private industry—like the government—must exercise some restraint if we are ever to bring inflation under control.

What does that mean to bankers?

One thing it means to me is that we ought to take a look at the long run and perhaps be a little less quick to raise our interest rates every time the indicators would justify higher rates.

I know. That's almost heresy—sacrificing profit. But *are* we really?

To begin with, most of us are making a fairly decent return right now. Beyond that, what will happen to our profits if inflation is not brought under control? In the long run, our profits will suffer. So will our staffs, our customers, our nation. We must be aware that prices push up wages, our largest expense except for interest, and so productivity will suffer, as hopes wane.

It's a case of sacrificing a little short-term profit for a long-term benefit. I think that's a sacrifice we can afford to make. In fact, that's a sacrifice that we cannot afford *not* to make.

That's called leadership—leadership by example. It's the most effective kind. It's the kind of leadership that will carry over into other areas. It will blunt the efforts of those who seek to restrict banking unduly through measures such as the so-called Safe Banking Act. It will answer those who would bring about credit allocation through misuse of the Community Reinvestment Act.

Leadership by example is the sort of leadership the entire banking industry must show—not just for its own benefit, but for the whole country's benefit. • •

Legislative Consensus Is Necessity For Banking, Says ABA Pres.-Elect

THE NEED for bankers to form a consensus on legislation affecting their industry was voiced by the two top officers of the American Bankers Association at various state bankers association conventions this spring.

ABA President A. A. Milligan, whose remarks are contained in the accompanying article, told bankers that eventually they must get together on what they want in the way of EFT legislation if they are to have a say in what is enacted. Mr. Milligan is president, Bank of A. Levy, Oxnard, Calif.

John H. Perkins, ABA pres.-elect, is shown at Tennessee Bankers Association's annual convention, where he spoke on federal banking legislation.

ABA President-Elect John H. Perkins, president, Continental Bank, Chicago—in speaking at Tennessee—said that when bankers do develop a consensus, they get results. As an example, he cited the payment of interest on third-party payments, or NOW accounts. According to Mr. Perkins, the consensus at last year's banking leadership conference was to go along with federal legislation giving this right both to banks and to their competitors, but only if it was tied to an end to the interest-rate differential.

"I don't need to tell you how difficult a decision that was," said Mr. Perkins. "Few bankers really want to increase their costs. But the leadership conference was faced with the fact that our competitors not only were using the

Jim Dixon, Vice President and Investment Officer.

Jim can help your bank or your customers achieve better investment returns. At Fourth, Jim is responsible for an investment portfolio totaling over $50 million. Therefore, his experience is first hand, and his counseling is valid.

What is the outlook for interest rates? What effect will inflation have on investments? How is the current bond market, and what are the expectations for the future?

The economy. A tough subject, for most. But then, most aren't like Jim Dixon.

Fourth National is The Bank for Entrepreneurs, even banking entrepreneurs like you. Develop your operating strategy, then use us for the specific information only an expert can provide.

An expert, Like Jim.

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differential to eat away at our deposit base, but also were gaining third-party-payment powers from the states without having to give up anything in return. Only through a federal approach could there be a quid pro quo.

"Also, the facts of life were becoming increasingly clear. In the real world—whether we like it or not (and many do not)—some type of interest-bearing household transaction account was becoming a fact of life, by regulation if not by legislation."

Mr. Perkins pointed out there was similar logic behind banking's support of prearranged transfers from savings to checking accounts. It's believed these transfers would make savings accounts more useful to bank customers by increasing their convenience and by reducing the danger of overdrafts. He admitted that while the short-term effect might be to increase costs, the long-term effect could be new deposits from people who don't maintain bank savings accounts now. In any event, he continued, banking will be more competitive with other depositories or non-bank institutions.

That farsighted consensus is having results, he continued. The Fed and FDIC decided within the two weeks prior to the time he gave his talk to let banks offer prearranged transfers, effective November 1. He added, "They have agreed to leave the pricing mechanism to the marketplace—a big plus."

Like Mr. Milligan, Mr. Perkins made a plea for bankers to develop effective leadership "because never before have we faced as many serious and varied issues as we do now—issues that seem to come at us constantly and in growing volume, much as we might wish otherwise."

The ABA president-elect mentioned briefly two key legislative issues now facing banking—the Labor "Reform" Act, now in the Senate and the so-called Safe Banking Act. He characterized the first bill as "an unfair and unneeded attempt to slant the rules in labor's favor." The second bill, said Mr. Perkins, "could disrupt the tested and efficient correspondent banking system. It could make it virtually impossible for small banks to obtain highly qualified outside directors since it would make all their dealings with the bank subject to public disclosure on a basis that seems unneeded and true 'overkill' without any offsetting benefits."

He closed his talk by pointing out that effective leadership, combined with political involvement, is banking's greatest asset in dealing with the government. He said it's good for bankers' communities, customers, the general public and the industry.

"We have an obligation," said Mr. Perkins, "to exercise it." • •

'SurePay' Mortgage-Loan Plan Inaugurated at St. Louis Firm

ST. LOUIS—An electronic banking service enabling customers to charge their mortgage-loan payments directly to their checking accounts now is available at Mercantile Mortgage Co. The firm is a wholly owned subsidiary of Mercantile Trust, lead bank of Mercantile Bancorp.

The new service, called "SurePay," is available to Mercantile Mortgage customers who have checking accounts in *all* banks that belong to regional automated clearinghouse associations.

Discussing electronic banking service enabling customers to charge their mortgage-loan payments directly to their checking accounts are, l. to r., Henry G. Stahl, exec. dir., Mid-America Payment Exchange (MAPEX); Richard F. Weeks, pres./CEO, Mercantile Mortgage Co.; and Gary W. Sneed, s.v.p., same firm, all of St. Louis.

It's anticipated "SurePay" will be available to Mercantile Mortgage customers nationwide through the electronic funds transfer facility of Mid-America Payment Exchange (MAPEX) when that organization is linked up with the National Automated Clearinghouse Association (NACHA) in September.

As Mercantile Mortgage's president/CEO, Richard F. Weeks, points out, "Instead of having to write monthly checks for mortgage payments, customers will be able to authorize Mercantile Mortgage Co. to charge their checking accounts directly. This method of automatic payment will eliminate the need to hold payment cards and write monthly checks, and out-of-town or vacationing customers need no longer worry about mailing mortgage payments in on time to avoid late charges or penalties."

Staff Interpretation Procedure Changed on Regulations B, Z

The Fed has revised its procedure for issuing official staff interpretations of Regulations B and Z—equal credit opportunity and truth in lending.

It plans to issue all such interpretations with an effective date 30 days after publication of the interpretation. If an interpretation is challenged before the effective date, it will be reissued for public comment before final action is taken.

The change was made after a number of complaints were received about existing procedure, which had been to publish an official staff interpretation in the Federal Register within two weeks of issuance, to be effective on publication.

EFT Heads List

(Continued from page 12)

endorsement. They expressed concerns as to whether specialized thrift institutions or credit unions sharing the use of bank-owned or operated EFT systems should continue to enjoy the interest-rate gap in their deposit-gathering activities. The banking leaders also seriously questioned whether federal EFT laws should preempt some state statutes relative to deployment and sharing of EFT facilities.

Both the government relations council and the banking leadership conference will continue to evaluate elements of the ABA's tentative EFT position. There's little likelihood that sweeping EFT legislation will be enacted during the current session of Congress.

• *Truth-in-Lending Simplification.* A bill (S. 2802) that would significantly improve the Truth-in-Lending Act has been approved by the Senate. The measure represents a tribute to the good faith and constructive efforts of all parties involved in it so far and particularly of the Senate Banking Committee chairman, William Proxmire (D.,Wis.). Another TIL-improvement measure has been introduced by the House Banking Committee chairman, but consideration of the House bill had not been scheduled as of this writing.

Some of the more important provisions of the Senate bill would: exempt agricultural loans from the paperwork and strictures of the TIL Act; limit "material disclosures"—omission of which can result in civil liability for lenders—to items such as rescission rights, amount financed, dollar-finance charge, annual-percentage rate, total of payments and schedule of payments; and require the Federal Reserve to issue model TIL disclosure forms which, when used correctly, would not be subject to civil-liability claims.

It's important that bankers take every opportunity to underscore to their representatives the importance of enacting TIL-simplification legislation similar to the Senate's bill this year.

• *NOW-Account Legislation.* Another issue that may receive attention following congressional action on the Labor Reform Act is that of NOW accounts. A bill that would permit all types of financial institutions nationwide to offer NOW accounts remains just where it was nearly 10 months ago: awaiting Senate consideration. The same measure would allow the Fed to pay interest on required reserves it holds.

A year and a half of banker involvement with the NOW-account bill has established at least one matter clearly: The NOW-account issue is linked to the interest-rate gap, which discriminates against owners of more than 96 million bank savings accounts.

New impetus for the NOW-account bill—whose constituency diminished visibly last fall—may be generated by credit unions (which have said they will seek legislation to ensure the legitimacy of their share-draft accounts) and by S&Ls (which fear that banks' new power to offer preauthorized, automatic transfers from savings to checking accounts could make bank services more convenient to consumers).

All those questions notwithstanding, the ABA's position on NOW accounts remains unchanged: Legislation that would grant any type of third-party-payment powers to thrift institutions is acceptable only if it also closes the interest-rate gap. Legislative language to that effect will be put forward during any Senate debate of the NOW-account bill. • •

Bank Honors Tellers For 1977 Achievements

SOUTH BEND, IND.—First Bank recently held its annual Teller Appreciation Dinner to honor employees in the bank's branch system and give special recognition to those attaining certain goals during 1977.

Awards were presented in the following categories:

• Tellers displaying the greatest accuracy and efficiency in job performance.

• Winner of the "First Card Game" contest played during 1977.

• Teller with the longest term of service at the bank.

• Teller in each office opening the greatest number of Christmas club accounts.

• Tellers with perfect attendance records.

Each teller received her award from bank President Christopher J. Murphy III.

Receiving awards for greatest accuracy and efficiency from Christopher J. Murphy III, pres., First Bank, South Bend, Ind., are tellers Mildred Kollar (c.) and Leila Moon (r.).

When you look better, you feel better . . .

When you feel better, you work better . . .

The first and most lasting impression a customer has of you and your bank are the people who work for you.

Ernest Dichter in his Handbook of Consumer Motivations and later studies, voices two concepts basic to Career Apparel: *"Clothes establish a role and the actions appropriate to it; and it makes the wearer conscious of the meaning of his or her role.*

"In day to day interaction . . . persons act toward her on the basis of the actions they think appropriate to the role signified by her clothing. The wearer acquires a conception of the meaning of her role through interaction with others.

"Thus, if clothing doesn't evoke positive response, it defeats. The person who wears the garment responds negatively to her role, her job . . . which in turn affects her productivity.

"We find basic to both traditional and new clothing and uniform concepts is the belief that the better a person looks, the better she feels. The better she feels, the better she does her job."

Career Apparel reflects positive, sound, organizational management. It creates pride in your employees, and when an employee feels good and well-dressed, their work tends to reflect that confidence.

Use career apparel for what it can do for you, and it will pay dividends in all areas of your operation.

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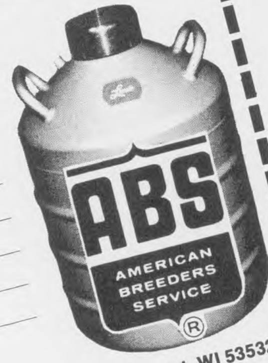

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Forces for Change Among Consumers And What They Mean to Banking

By LEONARD L. BERRY
Chairman
Marketing Department
Georgia State University
Atlanta

I WOULD like to sketch five forces for change in America that have significant implications for marketing in the years immediately ahead.

These forces for change are: 1. New demographics. 2. Rising level of education. 3. New values. 4. New economic realities. 5. Growing poverty of time.

After reviewing these forces for change, I then will suggest several increasingly important consumer orientations that are emerging as a result—in short, what I believe are "forces for change and the new consumer."

New Demographics. Among the most important demographic trends are shifts in the geographic and age distributions of the population and reshaping of the American household.

Geographically, one can expect a continuation of already well-underway population shifts to the Southeast, Southwest, far West and Rocky Mountain states.

Further, numerous small and medium-sized communities will grow at the expense of many larger metropolitan areas as individuals seek simpler life-styles, lower crime rates, cleaner air, less congestion, lower costs of living and water, sun and mountain attractions. Indeed, between 1970 and 1974, the big metropolitan areas (2 million or more people) experienced a net loss of 1.7 million people.

Concerning age distribution, a population wave—the product of the post-World-War-II baby boom—is in the process of sweeping through successive age groupings in America. Thus the teenage-young-20s population of the 1960s has become the key 25-34 age group of the 1970s and they, in turn, will become the dominant 35-44 age group of the 1980s. This population wave, which so profoundly affected suburbia, schools and "youth" markets in the past, will impact increasingly on the labor force, adult consumer markets and electorate in the next decade.

Still another demographic trend of considerable importance is the declining birthrate. In 1976, the birthrate was 65.7 births for each 1,000 women of childbearing age (15-44), which contrasts dramatically with the peak "baby-boom" year of 1957, when the figure was 122.7 births.

The current birthrate of approximately 1.9 children per woman of childbearing age is below the zero population-growth level of 2.1, and there seems sufficient reason to warrant the forecast that the birthrate will remain low, gaining little (if anything) between now and 1990.

But this trend—toward smaller families—is only one factor contributing to a reshaping of the American household.

Also at work are trends toward fewer marriages, later marriages, more divorces and, perhaps most important of all, a dramatic increase in proportion of wives (and mothers) in the labor force.

Leonard L. Berry is shown presenting talk on which accompanying article is based at 1978 convention of Texas Bankers Association.

In short, the typical suburban household of the 1950s—working father, housekeeping mother, three-four children—is fast giving ground to several alternative patterns.

One such pattern is husband and wife as working "colleagues" with one child or two (or no) children. A second household pattern growing in prominence is the "primary-individual household," that is, individuals not living with family members.

In sum, the American household is changing; it's becoming smaller in size, but large in number, and more of its adult members are working.

Rising Education Level. One of the truly significant forces for change in America today is the rising level of education for vast numbers of its population.

When you add the number of students, teachers and administrators now engaged full time in formal education in this country, you end up with nearly a third of the entire population—a figure that doesn't include the millions who are taking courses part-time in the evening.

Or to view the rising level of education in America another way: Those now retiring from the labor force average about nine years of formal education, while those now entering the labor force average more than 12 years of formal education.

The number of adults completing four years of college rose from one in 14 in 1950 to one in seven in 1975. These statistics, however, are but part of the story. In addition to formal education, there are other powerful educational influences at work.

One of these additional educational influences is *television.* Another important educational influence is the *corporation.* We tend to think of the corporation as a consumer of our educational product; it's also a producer of it.

The modern firm commonly sponsors in-house executive conferences, university and trade-association executive programs, management newsletters, even corporate universities (PCMI, Western Electric, Motorola, IBM, Xerox).

Many nonprofit institutions also are engaged in educational programming for employees.

What is most significant about these educational trends is that education changes people. Educated men and women expect more—from themselves, from their institutions, from society.

Educated men and women are quicker to challenge traditional values and behavior, harder to convince with superficial answers, more inclined to self-examination.

In sum, the rising level of education in America is helping to fuel a new set of values to which we now turn.

New Values. America, originally dominated by agricultural values and then by industrial values, is in the process of becoming something profoundly different. In 1971, I wrote a paper labeling this value shift "the Age of the People," suggesting that a "things-first, people-second" culture was beginning to reassert itself as a "people-first, things-second" culture.

The fixed-rate nature of traditional savings accounts will increasingly trouble the "get-my-money's worth" consumer as annual inflation rates normally are 6%-8%.

In this paper, I suggested that the environmental movement, consumerism, women's liberation, restlessness of the American worker, recent upheavals *in* the nation's ghettos and *on* its campuses and other social developments as well, were *related* forces, signaling the emergence of a new value system in America. Characterizing this emerging value system was a *commonality of yearning*—more quality and inner fulfillment in life—and a *diversity of proponents*—blacks and whites, young and old, men and women, factory workers and executives, consumers of goods and services and consumers of air and water.

It would seem that events in recent years further indicate that America is indeed underway with a major value shift and that this value shift, still in its infancy and still rejected or misunderstood by many, holds significant implications for business.

More and more people are deciding that the quality of life is more important than accumulations of life, that human beings are more important than things.

Perhaps most crucial for business executives to understand about the "Age of the People" is that America is moving away from, not toward, traditional corporate values.

Significantly, the new values are not a refutation of money and possessions and services that money can buy.

Rather, what is occurring is a reordering of priorities, a growing awareness that a big income doesn't necessarily mean personal happiness and that a fast-increasing GNP doesn't necessarily mean a sound and healthy society.

Said differently, the new values do not mean that Americans will become uninterested in material acquisitions for themselves and in economic development for the society in which they live; what the new values do mean is that an increasingly large, important segment of Americans will resist allowing material values to so dominate their lives that life's quality is lost in the process.

More and more people are deciding that the quality of life is more important than accumulations of life, that human beings are more important than things.

Indeed, it seems reasonable to suggest that the "Age of the People" constitutes a new form of consumer demand—a form of demand associated with a lifestyle rather than with any specific product or service.

New Economic Realities. Whereas the late 1960s were a watershed period in terms of value change, the early to mid-1970s have been a similarly impactful watershed period in terms of economic change. Indeed, the new economic realities emerging are in part a result of the value shifts already discussed.

The evidence is becoming compelling that a number of economic realities characterizing the post-World-War-II era now have ended, including: low inflation; low-cost energy; solid and continuing growth in GNP; fast-rising population; high consumer confidence; general assumption of abundant resources; freedom of land use; and "no-questions-asked" technology.

These economic realities, which demonstrated a remarkable degree of

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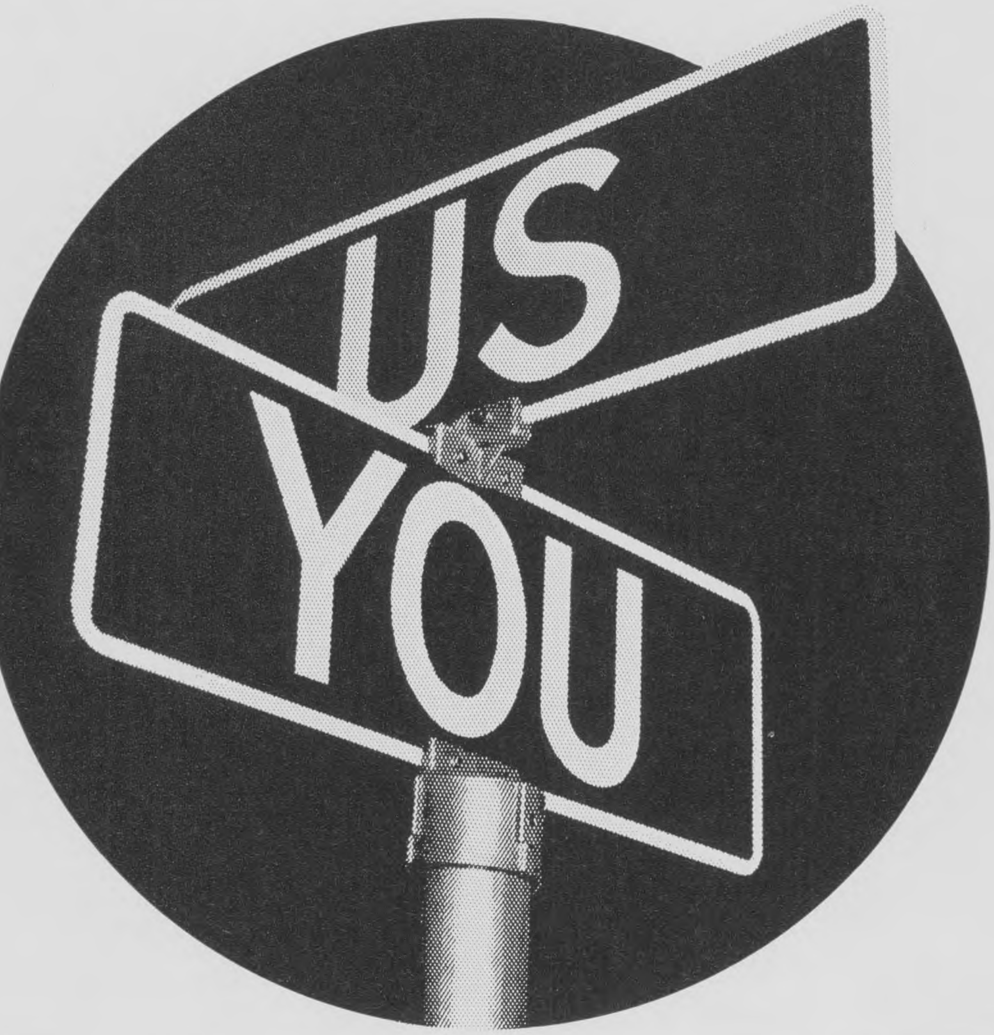

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continuity between 1947 and 1973, are being replaced by a more sobering set of realities from a comparative standpoint. These new economic realities include: higher inflation; higher-cost energy; lower real growth in GNP; erosion of consumer confidence; growing entanglement of resource availabilities with international politics; uncertain capital availability; and a growing ethic of resource conservation and environmental protection.

Significantly, the new economic realities are not temporary realities. This is not to suggest that wise economic stewardship on the part of America's leadership cannot make a difference because it clearly can; rather, this is to suggest that regardless of the economic management decisions that will be made, the period 1947-1973 will prove to be far more bountiful than the period 1975-1990 in terms of traditional economic criteria.

Here is the question more and more consumers are going to ask before they buy: What will this product or service cost me over the total period I shall be making use of it?

The "go-go" years of consumer ebullience in what Kenneth Boulding has labeled "The Cowboy Economy" are over. We are now well underway in our transition to Mr. Boulding's "SpaceShip" economy, where the emphasis will be on waste-minimization, recycling and restraint. The American consumer will not experience this transition and emerge unchanged.

Growing Poverty of Time. A number of developments in America are combining to create a new form of poverty for many Americans; namely, the "poverty of time." There simply is not enough time for these people to do all the things they would like to do.

The growing poverty of time is the result of a number of influences, including the fast-rising proportion of women in the labor force, spread of affluence, growing amount of time devoted to physical and mental well-being and knowledge explosion.

Spread of Affluence. Despite the reality that a great many Americans are genuinely hurting from hard economic times, there are a great many other Americans who, by any standards, are quite well off.

So much discretionary income means an abundance of experiences are available to these people: theater-going, attendance at sports events, travel, a boat, a mountain cabin, tennis-club membership, redecorating the home, etc.—experiences that consume time.

Related to the consumption opportunities that affluence opens up, but extending beyond this factor, is the increasing number of people who are regularly reserving time to be spent on behalf of their physical and mental well-being.

That is, more and more people are spending increasing amounts of what I call "Me Time."

In short, although affluence provides greater access to physical and mental renewal opportunities, it is changing life conditions and values that provide the impetus to use funds and time in this manner.

Knowledge Explosion. For professionals (doctors, lawyers, accountants, engineers, professors, executives, and others) the knowledge explosion has meant that more and more time has to be devoted to keeping up, especially since productivity in knowledge consumption hasn't materially improved, e.g., we still read journals; we still attend seminars; we still listen to lectures at the university.

In sum, more women in the labor force, more affluence, more commitment to physical and mental well-being and the knowledge explosion are among the key factors in a growing poverty of time for many in America. It's not surprising that such pressures are influencing where consumers shop and what they buy.

What does it all mean for banking? What are the implications? How will banks respond?

We now turn to these issues through consideration of three increasingly important consumer orientations: the "get-my-money's-worth" consumer; the "time-buying" consumer; and the "I-am-an-individual" consumer.

Internationally Speaking

First Nat'l, St. Louis, was host bank last month to the first of two 1978 meetings of the international advisory committee of Allied Bank Internat'l. First Nat'l is one of 18 regional banks that own Allied. Pictured during the meeting are, l. to r.: Pedro-Pablo Kuczynski, pres., Halco (Mining), Inc., Pittsburgh; Richard F. Ford, pres., host bank; Robert B. Bench, associate deputy comptroller of the currency for international banking, and Chandra Hardy, chief, financial studies division, World Bank, both of Washington, D. C. All four spoke at the meeting.

"Get My Money's Worth." One exceedingly important consumer orientation arising largely from the new economic realities is the "get-my-money's-worth" consumer.

The key to understanding this consumer is to recognize that he or she is interested in obtaining good value, which doesn't necessarily mean buying the least-expensive goods and services available.

One of the most significant implications of the "get-my-money's worth" orientation is the likelihood of many more consumers becoming increasingly conscious of *total use cost* of products and services in contrast to *initial acquisition cost.*

For instance, such product criteria as *durability, functionability, serviceability* and *energy requirements* can all be expected to become more important

Despite the reality that a great many Americans are genuinely hurting from hard economic times, there are a great many other Americans who, by any standards, are quite well off.

to consumers for certain types of transaction decisions.

In brief, more and more consumers are going to ask this question before they buy: *What will this product or service cost me over the total period I shall be making use of it?*

The growing emphasis on "use" cost is especially significant for banking because it means more consumer attention to interest cost on borrowed money.

Just as consumers are becoming more attentive to the "energy-efficiency" of homes, appliances and cars, so are they becoming more attentive to the "interest-efficiency" of their transactions. By "interest-efficiency," I mean more shunning of avoidable borrowing and more interest-rate shopping when the decision to borrow is made.

Concerning the deposit side of banking, the "get-my-money's-worth" consumer can be expected to become increasingly troubled by the fixed-rate nature of traditional savings accounts as annual inflation rates of 6%-8% prove to be the norm rather than the exception.

In short, at a time when consumers are becoming more intent on receiving value from transactions, the synergy of more consumer education and sophistication and an inflation-prone economy

does not augur well for fixed-rate investments that pay less than or at the rate of inflation and are taxable as well.

How will America's banks respond to the "get-my-money's-worth" consumer who wants to pay less interest and receive more interest?

The answer is not an easy one, but here are some thoughts for starters: *First*, many banks will become more involved in what I call "self-service" loans in pursuit of lower lending costs and rates and a broadened lending market.

Already well under way in the form of the bank credit card and the overdraft account, the "self-service" loan continues to evolve in the form of the pre-authorized credit line—automatically available to selected consumers whenever they wish to employ it.

The pre-authorized credit line is attractive because a bank can minimize manpower requirements associated with loan approvals and potentially can broaden its market to include people psychologically unwilling to approach the bank and ask for a loan, people who fear being turned down and either forgo the loan or go elsewhere for it (e.g., finance company) and people who borrow because the money is automatically available at the precise time and place they need it.

Bank of America's personal credit-line program, started in 1975, achieved $62 million in outstandings nine months after the program started. After 18 months, the credit lines (worth up to $15,000) reached over $100 million in outstandings, achieved a 75% activity rate. These figures dramatically exceeded BofA's original projections.

Second, more banks will view traditional savings and time deposits as just part of its line of consumer investment instruments and will pay more marketing attention to already available instruments (for example, IRA and Keogh accounts) and to not-yet-available or even legal variable-rate types of instruments.

Third, banks will become more involved in helping consumers manage their personal assets. Among incentives for banks will be increased fee income to help offset narrower lending margins that are going to result from interest on demand deposits, modified or eliminated Regulation Q ceilings and increased consumer-lending competition from thrifts.

Financial counseling, tax preparation, computerized financial profiling, financial-management educational services, trust services, insurance, home-buying/home-selling services—these are types of activities to which many banks will be paying more attention.

"Time-Buying" Consumer. Still another significant consumer orientation is the "time-buying" consumer who already is spending considerable amounts of money to save time.

In short, the "poverty of time" is resulting in more and more spending in behalf of the preservation of time.

The importance of convenience as a bank-selection criterion is nothing new. Knowledgeable bank-marketing people know how critical it is to deliver retail bank services *where* and *when* the consumer wants them delivered.

Knowledgeable bank-marketing people know how difficult it is to persuade consumers to switch banks and know, for example, that improving service delivery, opening a new branch or providing Saturday hours is an especially powerful tool in pursuit of this objective.

Perhaps the most significant banking implication associated with the "time-buying" consumer relates to electronic funds transfer. I would submit that were it not for the growing "poverty of time" in America, EFT wouldn't stand a chance insofar as consumer acceptance is concerned. Indeed, even in the presence of time pressure, EFT's evolution has been slow and unsteady, and there will continue to be considerable consumer resistance. Nevertheless, certain EFT services already have become important component parts of banking retail-service-delivery systems, and the key reason is the growing "poverty of time."

The automatic teller machine is one of these EFT services. All things equal, the ATM should be dead and buried by now. With the ATM, we ask consumers to change behavior radically, to switch from doing business with human beings to doing business with machines that not only look complicated but are complicated. We ask consumers to put their money in a device that would not have looked out of place in "Star Wars," and we ask them to learn which buttons, among a sea of buttons, to punch. We ask consumers to further enter the world of depersonalization, computers and automation.

All things are not equal in the real world, however, and the ATM, with its time-saving and time-flexible properties, is grudgingly winning appreciable consumer adoption in a number of markets throughout the country.

In terms of time savings, customer lines at ATMs often are shorter than in-lobby lines and, increasingly, ATMs are being placed at strategic nonbank sites, such as shopping malls and apartment complexes. In terms of time flex-

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letters of credit • collections • foreign exchange/funds transfer • Eurodollar market • Eximbank • Private Export Funding Corp. (shareholder) • FCIA • Eurodollar lending and investments • Project Financing • Commodity Financing • Export Financing ibility, ATMs, of course, are generally available 24 hours a day, seven days a week.

One of the principal ways many banks are going to respond to the "time-buying" consumer in an EFT climate is with multi-tier branching networks. That is, more banks are going to put aside the notion that all branch facilities must be full-service facilities and will offer their customers a range of facility and service alternatives. These alternatives conceivably may include unmanned, electronic mini-branches; manned mini-branches that may or may not include EFT facilities and conventional brick-and-mortar branches.

In this scenario, the addition of limited-service, mini-branches would be accompanied by some decrease in the number of full-service, conventional branches. The net effect of these changes would be an increase in time and locational convenience for many consumers in the conduct of routine bank transactions and a corresponding decrease in such convenience when the non-routine arises, for example, entering the safe deposit box, applying for a mortgage loan, visiting the trust department.

Many consumers will save time from these types of trade-offs because the routine arises far more frequently than the non-routine.

"I Am an Individual." Still another evolving consumer orientation is the "I-am-an-individual" consumer. Fostered by the synergy of rising educational levels and new values on one hand and growth of institutional bigness, depersonalization and non-responsiveness on the other hand, consumers in increasing numbers are waging war to protect their individuality, their "me-ness," their uniqueness.

'Personal Banker'

The "I-am-an-individual" consumer is one of the reasons the hottest retail bank-marketing strategy in the country right now is the "personal-banker" approach.

The "I-am-an-individual" consumer wants to express to others his or her individuality and wants to be recognized for having an individuality, wants to know others and to be known by others, wants to be a person, not a computer card. With service industries, this consumer often defines service quality, in part, by how personalized and individualized it is.

Among the principal implications of the "I-am-an-individual" consumer to banking is that the effectiveness of customer-contact personnel will become more crucial than ever.

It seems strange to suggest that effective customer contact will become even more important in banking's electronic future, but it's true.

In those instances in which EFT is resisted by consumers, is non-applicable or requires human intervention, the quality and competence with which bank employees serve bank customers will become increasingly significant.

First, EFT means fewer face-to-face encounters between the bank and many of its customers, fewer opportunities to cross-sell, to effect multi-service relationships, to leave a good impression. Said another way, in an EFT environment, lost opportunities will become more costly.

Second, EFT means an opportunity for banks to compensate for the depersonalizing aspects of electronic banking with superior personalization and individualization of service when a machine in a supermarket won't suffice, when the consumer must interact with the bank nonelectronically or when the consumer elects to do so. That is, EFT makes richer the opportunity to posi-

tion the bank as a "personalized" bank, as a bank that has good people, not just good machines.

Investing in the quality of the customer-contact effort—in the way telephones are answered, customers greeted, problems handled, services sold, information requested—is a route to bank distinctiveness, to separateness.

As already suggested, one of the ways an increasing number of banks are going to respond to the "I-am-an-individual" consumer is through the "personal banker."

Banks properly implementing personal banking assign to each retail customer a specific personal banker. For the customers assigned, the personal banker opens new accounts and cross-sells bank services, makes loans and provides financial consultation, cuts "red tape" when problems arise and, in general, is available when service of a non-routine nature is needed. Further, in at least one bank, personal bankers do their own collection work.

In short, personal bankers function in much the same way as public accountants or attorneys function; that is, on a client basis. Although the personal

America is well underway to becoming something profoundly different from what it has been. And all bankers—because of the influential, "society-shaping" positions they hold—can play important leadership roles at a fertile point in history.

banker will have many more clients than the accountant or attorney and generally will have a less-involved and less-complex type of relationship with these clients, similarities of approach are more striking than the differences. In each case, the consumer has someone with a name, a face and a telephone number to contact when the need arises. Following the initial interaction, the consumer is dealing with someone dealt with before, someone in the position to deal with an individual as an individual.

With personal banking, the consumer has a *banker,* not just a *bank.*

Despite a big front-end investment and real difficulties in effectively implementing personal banking, the approach will grow rapidly because it represents a good "fit" with the rapidly changing environment for banking. Not only is personal banking a way for banks to sell more fee-based services and, in general, to cross-sell more effectively, but, in addition, it's a way for bigger banks especially to respond directly and credibly to the "I-am-an-individual" consumer.

The American marketplace is changing dramatically. Executives in a wide variety of industries, banking included, will be greatly challenged as they devise their responses to this onrush of change.

Tomorrow will not be an easy time for bankers; it will not be a time for complacency; it will not be a time for insensitivity; it will not be a time for dogma.

However, there is another way to look at all this. America is well underway in the process of becoming something profoundly different from what it has been. And all bankers—because of the influential, "society-shaping" positions that they hold—have the opportunity to play important leadership roles at a fertile point in history.

No, tomorrow will not be an easy time, but it will be a fascinating time. It will be a particularly rewarding time for those who truly understand that the mission of business, and of our other institutions, is to *serve* people, not to *use* them. • •

Lost and Found

Lost at the Illinois Independent Community Bankers Association's convention, one inflatable "Judy" doll. Last seen modeling career apparel in the exhibit booth of G. Carlyle Struven, Inc. "Judy" was wearing a career apparel outfit of 100% Dacron Polyester jacket, vest and slacks in angora peach with a Qiana blouse in tropic haze. The abductor left the garments under a table in the booth.

"Judy" is 5'4" tall and has blond hair, blue eyes with measurements of 35-21-33, 36-21-33 or 37½-21-33, depending on how much the abductor cares to inflate her. If found, please call G. Carlyle Struven, Fashions for Business, Chicago.

'Major-Impact' Issues:

Workshops, Rap Sessions Planned at BMA Convention

How to beat the competition, issues that will have major impact on banking's future and techniques and skills that promote success will be spotlighted at the Bank Marketing Association's 63rd annual convention October 15-18 at Chicago's Palmer House.

Martin J. Allen Jr., senior vice president/marketing director, Old Kent Bank, Grand Rapids, Mich., is BMA president. Convention chairman is John V. Egan Jr., vice president, Continental Illinois National, Chicago.

Four general sessions are scheduled, including "What It Takes to Be a Winner," "The Future Is Here," with the *Fortune* magazine editors' panel, "How We View the Competition" and "The Future Is in Your Hands." Also planned are panels, debates, discussion groups and opportunities for convention delegates to discuss questions and problems during informal idea exchanges. Twelve departmental sessions will focus on timely topics such as the changing competitive and legal environments, customer behaviour toward bank services, new deposit products, electronic banking, sales training and employee-incentive programs, success measurement, pricing strategies, bank advertising and direct mail.

Four workshops will be held each day and—for the first time—will include several pro-and-con debate/discussion groups. Workshop topics will include commercial marketing, product knowledge in sales training, advertising performance measurement, electronic vs. branch banking, premiums, women in banking, corporate EFTS, marketing planning and efficient advertising, management and marketing and image advertising.

There also will be 20 rap sessions, with subjects to include location analysis, branch profitability, community business deposits and consumer compliance.

ALLEN

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Spree Promotes Store Branch

First Bank, South Bend, Ind., held two personal shopping sprees recently to promote the opening of branches in two local supermarkets. Those winning the "sprees" were permitted to spend two minutes scooping up as many grocery items as they could. The sprees were broadcast live over a local radio station. Those patronizing the bank's supermarket offices during the grand opening were asked to guess the value of the groceries to be scooped up during the spree. The person coming closest to guessing the value earned that amount of free groceries. Photo shows bank President Christopher J. Murphy III presenting spree winner with certificate behind carts of groceries she selected during spree.

Let's Talk Selling

(Continued from page 22)

and tracking sales performance with each of your sales targets.

The third, and most crucial, element of effective sales planning is planning the specific sales calls required to achieve your long-range objective. This involves the following:

Set action goals to give the sales call meaningful purpose and to discipline yourself to come away with tangible customer action or acceptance.

In defining goals, it's a good idea to set:

- *Maximum action goals*—what you realistically can accomplish on the call, if all goes as planned.
- *Minimum action goal*—the least that can be accomplished, in case ineffective communication or other conditions that you can't control impede achievement of your maximum goal.

Exhibit #2 provides an illustration of effective maximum and minimum goals for an early survey-type call. As you progress in your long-range strategy, the action goals you should seek on each call can be raised accordingly.

Select communication tactics to achieve action goals by asking yourself these questions:

- What *warm-up* can I use to establish receptivity and start two-way communication?
- What *beneficial reason* can I offer to focus receptivity and provide reason for discussing needs in detail?
- What *facts and questions* should I discuss to define customer needs in detail and develop mutual need-awareness?
- What *example* can I show to reinforce need-awareness and to show feasibility of satisfying needs?
- What *services and capacities* must I explain to enable the customer to understand how and why his needs can be satisfied and to make a value judgment essential to taking action?
- What *decision questions* should I ask to define the next step of action and to resolve the details needed to act?

Anticipate resistance that is likely to occur during the sales call so you can be ready to handle it by:

- Asking yourself—"If I were the customer, what would I misunderstand, what would I doubt, and why might I delay action?"
- Planning how to answer such resistance by explaining additional service features or capacities, relating an example or providing reasons to act now.

Exhibit #2 illustrates how to plan communication tactics required to achieve the action goals of a sales call.

Sales planning provides no guarantee of instant sales success, but it improves the probability of achieving desired sales results by giving purposeful direction to your selling efforts. Sales planning requires an investment of time. However, it's an investment that pays itself back by shortening the time it takes to establish a new relationship or to expand an existing one. In short, it's the key to improved sales productivity because it enables you to sell smarter—not just harder.

In the next article we'll examine how to improve your ability to detect and develop customer needs through the use of effective questions, listening and feedback. • •

McGillicuddy Receives Award

John F. McGillicuddy (l.), president, Manufacturers Hanover Trust, New York City, was recipient of the United Negro College Fund distinguished service award, presented recently by Christopher F. Edley (r.), executive director of the fund. Mr. McGillicuddy, as a member of the fund's board, led the 1976 and 1977 New York corporate fund-raising campaigns, said to be the most successful corporate drives in the fund's 34-year history.

Interstate Branching

(Continued from page 32)

supervision of the banking industry also protects stockholders from loss. I don't feel that it's the business of government to protect stockholders from losing their money or officers from losing their jobs. To the extent that they are not free to fail, they cannot have adequate freedom to succeed.

I think the industry as a whole has become over-regulated by the way its supervisors set standards for a bank's capital and assets. We need to stop treating banks like public utilities and allow the marketplace—by its own risk analysis—to make a determination between the successful and the unsuccessful bank. No government official, regardless of how competent or well intentioned, can manage an individual bank or the industry as a whole as well as the collective efforts of bank stockholders, directors and officers.

Notwithstanding this fact, there is a place, and a proper place, for government intervention in the affairs of a specific bank. That is when the bank, by its own voluntary action, has become so dominant in its community that its failure will cause great public injury—injury not only to its customers and stockholders, but also to the entire community it's chartered to serve. But use of the term "community" in this context means different things to different banks. It can mean the town in which a bank operates; it can mean the county, the state, even the country or perhaps the entire world, based on the bank's relative size and position.

When the consequences of the failure of such a bank would be great injury to the public interest, then, and only then, must regulators supplant the judgment of bank managers and stockholders. While the judgment of such regulators may be subjective and imperfect, it is, nonetheless, necessary to protect the ultimate public interest.

Unfortunately, present statutes don't give regulators the proper tools with which this ultimate judgment may be carefully expressed. Present bank supervisory authority is too broad, too indirect, often subject to overkill. Heavy-handed tools such as cease and desist orders for unsafe and unsound banking practices often effect more damage than healing. This is the fundamental reason I support the present legislative initiative to add additional, more precise and delicate tools to the supervisory capacity. Nonetheless, I think we should reject the temptation for legislative overkill caused by a few isolated instances. The proposed supervisory tools will be more than adequate to do the job without subjecting the entire industry to further massive constraints.

The banking industry continues to be buffeted by the whims of circumstance in the short-range perspective of the public. For a while, it was subjected to the criticism that banking regulators operate in an atmosphere of competition in laxity. Now I feel it may be subjected to a new atmosphere that could be described as competition in piety.

All too often, bank regulators like myself are tempted to answer criticisms of our own actions by blaming the banking industry and inflicting some additional punishment on it. Instead, we should have the courage to answer our critics by stating that the wrongdoing of an isolated few bankers is not representative of the industry, nor does it deserve the overreaction that's often proposed.

The majority of banks and bankers are responsible, capable and honest persons who are equally able and willing to serve the public interest as well as their own. And the public interest would be served best by removing the shackles of regulation and restraint and giving them the freedom to strive toward doing so. • •

Cash-Management System For Corporate Treasurers Offered by First National

ST. LOUIS—First National has announced the availability of a financial cash-management system that has been designed to help corporate treasurers and money managers improve the efficiency of their cash-management capabilities. The system is called First-St. Louis InfoLink.

InfoLink will be participating in the national BankLink system of major U. S. banks, according to a bank spokesman. Both systems have evolved from the Chemlink service developed by Chemical Bank, New York City, and marketed to selected banks.

Richard F. Ford, president and chief operating officer at First National, described the new system as a flexible approach geared toward helping reduce corporate cash-management operational costs.

"InfoLink will enable our corporate customers to more quickly and accurately collect daily balance-related information, giving financial managers additional time for banking and investment decisions while freeing staff for other responsibilities," Mr. Ford said.

Customers using the InfoLink system utilize a time-sharing terminal that gives instant access to daily balance-related information, such as primary bank balances, previous-day debits and credits, other domestic and foreign bank balances, lock box reports and a history of the company's bank balances over a given period of time. The system also permits rapid transfer of funds through depository transfer checks.

Checking test run on InfoLink system at Anheuser-Busch, St. Louis, are (from l.) James F. Bridges, mgr., treasury operations, Linda Burke, Anheuser-Busch accounting staff, and Rita Nyhoff, product planning officer, First Nat'l, St. Louis, which is offering the financial cash-management system.

St. Louis-based Anheuser-Busch, Inc., said to be the world's largest brewery, will be the first local company to join the InfoLink system, Mr. Ford said.

"This system will enable us to more closely monitor our cash resources at banks in various parts of the country with which we do business," said James F. Bridges, manager of the brewery's treasury operations.

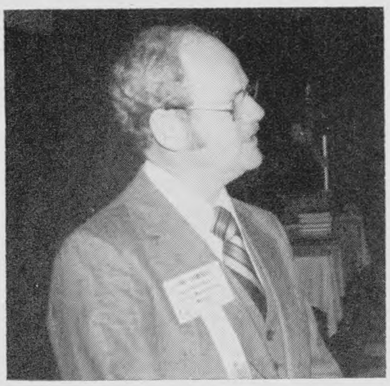
He said that an employee in the treasury operations currently spends as much as up to 3½ hours each day telephoning the more than 20 Anheuser-Busch banks around the country to receive daily deposit reports which are sent to First National, the brewery's primary bank.

"Under the new system, each bank serving Anheuser-Busch will contact InfoLink daily to input the necessary report information," Mr. Bridges said. "Using the terminal at our office will result in direct and immediate access to this information."

• **John B. M. Place** has resigned from the boards of Chemical New York Corp. and Chemical Bank, New York City, to become president and a director of both Crocker National Corp. and Crocker National, San Francisco. He had been a director of Chemical New York Corp. and Chemical Bank since 1973, and the firms do not plan to elect a successor.

New Treasury T&L Program: How It Affects Banks

By ANTHONY C. CREMERIUS JR.
Assistant Vice President
Memphis Branch
Federal Reserve Bank
St. Louis



THE NEW Treasury Tax-and-Loan-Investment Program began with the enabling Legislation of Public Law 95-147, which was enacted October 28, 1977, with President Jimmy Carter's signature.

This law authorizes the United States Treasury to invest its operating cash in obligations of depositaries maintaining Treasury tax-and-loan accounts. The law's intent is to permit the Treasury to earn a return on its operating cash balances through investment of such funds. At the same time, the Treasury will pay fees to financial institutions for performing certain services that previously have not been directly compensated for by the Treasury. These services are the servicing of tax and loan accounts, acceptance of federal tax deposits and issuance of U. S. savings bonds. Fees for redemption of savings bonds also are being revised. The law also expands participation in the tax-and-loan system to certain eligible S&Ls and credit unions. However, the Treasury's primary concern at this time is not in bringing new institutions into the Treasury tax-and-loan system. Its main concern now is in converting existing depositaries, which are all banks, to the new program.

To carry out the intent of the law, the Treasury is proposing a system that, as far as possible, retains procedures of the existing federal tax-deposit system and Treasury tax-and-loan system. Existing regulatory requirements concerning deposits of federal taxes by taxpayers with authorized depositaries will not change. Also, depositaries will continue to follow existing procedures concerning preparation and forwarding of supporting documentation to the appropriate Federal Reserve Bank and Internal Revenue Service Center. Primary purposes of the Treasury tax-and-loan system will continue to be to facilitate monetary policy by insulating the nation's monetary system from the impact of highly irregular Treasury cash flows and to serve as a tax-collection system.

Mr. Cremerius gave the talk on which this article is based at the annual convention last month of the Tennessee Bankers Association.

Each depositary has the opportunity to select the manner in which it will participate in the new program. There are two options: remittance option or note option. A depositary electing the remittance option participates only as an element of the tax-collection system by serving as a conduit for funds between the taxpayer and the Fed. The remittance option is defined as that choice available to a depositary under which funds equivalent to the amount of deposits credited to its tax-and-loan account are withdrawn automatically on receipt of related advices of credit by the Fed. In other words, we will immediately call all deposits made to Treasury tax-and-loan accounts, and these banks will have a zero balance in their Treasury tax-and-loan accounts on our books every night.

Under the note option, a depositary elects to serve as an element of the tax-collection system and to hold a portion of the Treasury's operating cash. The note option is defined as the choice available to a depositary under which funds debited to its tax-and-loan account are added by the Treasury to its investments in obligations of the depositary. The amount of such investments will be evidenced by interest-bearing notes. Having selected an option, a depositary shall administer its tax-and-loan account under provisions of that option. A depositary will be permitted to change options after due notice to the Federal Reserve Bank of the district. A change in option will become effective as of the first day of the next reporting cycle following receipt of such notice provided that notice is received by the Federal Reserve Bank of the district not later than the 20th of any month. All changes in options will be effected only as of the first day of a reporting cycle. A reporting cycle means the time period established for reporting and computation purposes. A reporting cycle begins on the first Thursday of each month and ends on the Wednesday preceding the first Thursday of the following month.

Specific procedural details of the note option are as follows:

A. *Responsibilities of the Depositary:*

1. Prior to crediting deposits to its tax-and-loan account, the depositary shall pledge acceptable collateral security to cover the *full* amount of the note balance and the closing balance in its tax-and-loan account in excess of insurance coverage.

2. The depositary shall credit to the Treasury tax-and-loan account each day all federal tax deposits received that day and may credit payments for sales of U. S. savings bonds in accordance with instructions prescribed by the Federal Reserve Bank of its district. Each day, the depositary shall forward to the Federal Reserve Bank of its district originals of advices of credit representing all deposits credited to the tax-and-loan account that day. A copy of these advices and supporting FTD forms will be sent to the appropriate IRS Service Center.

3. At the opening of business each

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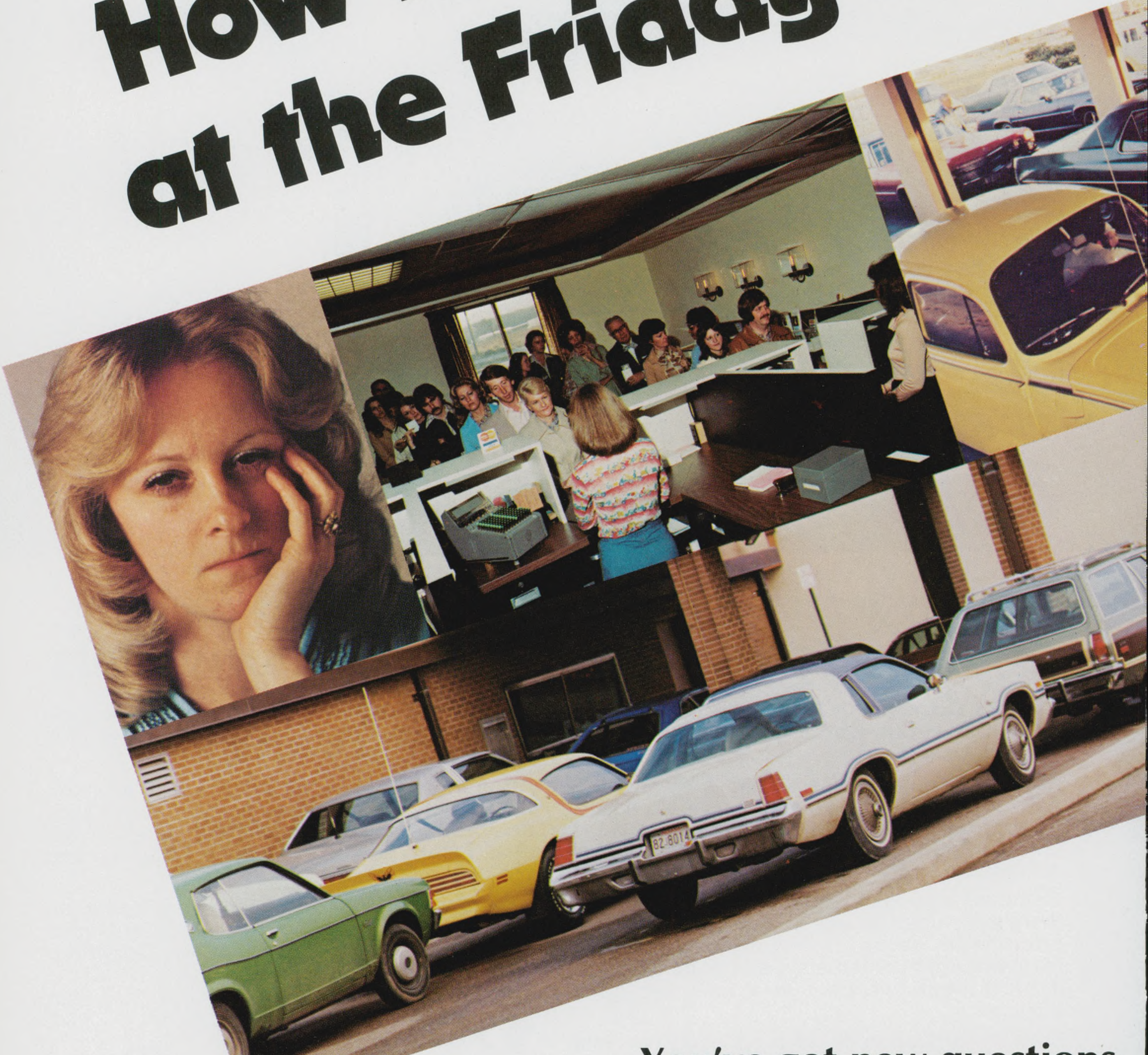
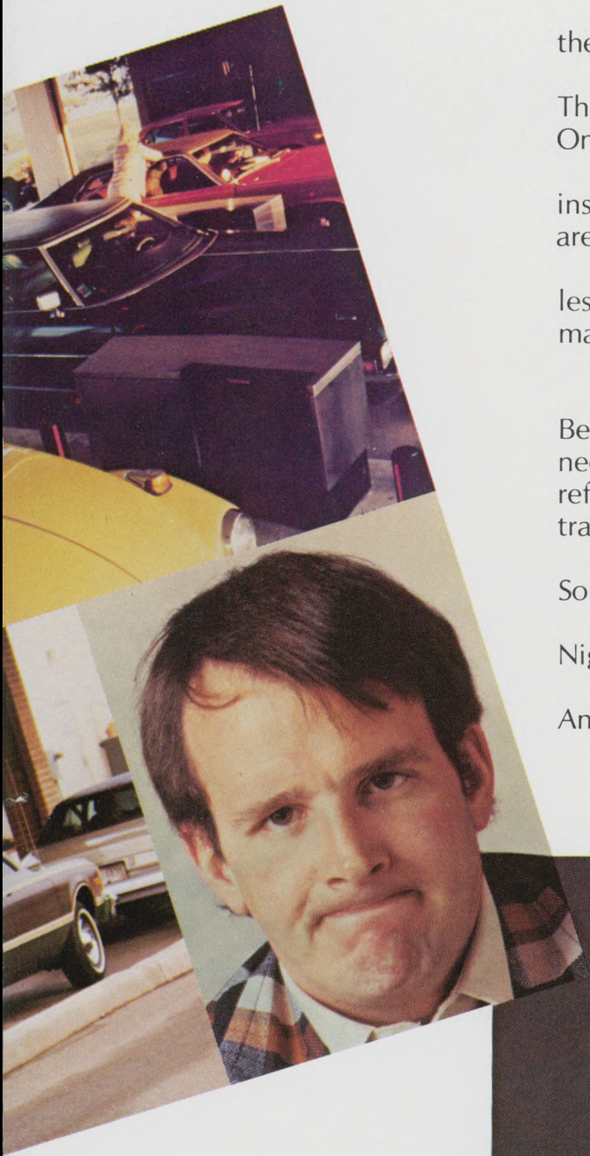
How to keep peace
at the Friday Night



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

Fights.



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.

Consider this: Many new drive-up systems are designed to lessen the aggravation of banking, and not only fail to do so but make it even worse.

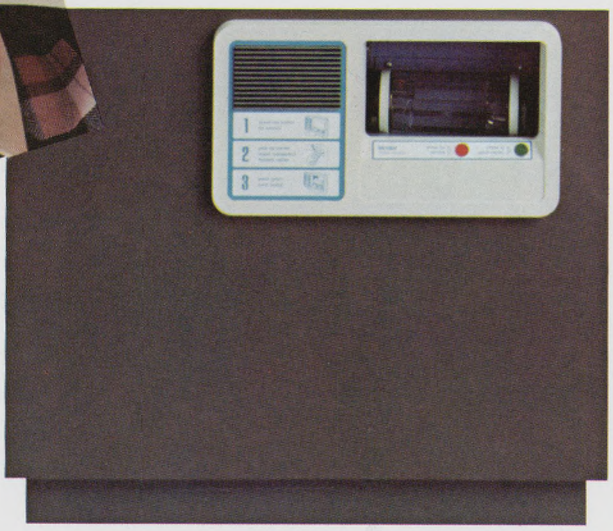
The solution? The first time you buy a system, buy the right one.

The right system for you could be our new Trans-Vista III.® Because its fast, reliable performance is backed by Mosler engineering. Mosler installation. And Mosler service. All of which reflects our years of experience in designing a variety of transaction systems.

And it's priced surprisingly low. We've just dropped the frills. So all you pay for is performance.

The kind of performance that will bring peace at the Friday Night Fights.

Trans-Vista III is one of nine different Mosler drive-up systems. And it could be the one for you.



Our new Trans-Vista III is a simple-to-operate, single-tube carrier system, easily installed in either upsend or downsend configurations.

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day, the depositary shall charge the tax-and-loan account for the amount of credits processed to the account the previous business day. The amount of such charge will be added automatically by the Treasury to its investments in obligations of the depositary. In other words, the amount of the charge is an automatic purchase of funds in a like amount by the depositary from the Treasury. This purchase then is added to the note balance. The note balance, which *will not* be subject to reserve requirements or interest-rate ceilings, will be payable on demand.

4. Calls for repayment of funds from the note will be effected by Federal Reserve banks against the currently posted uncalled balance of each depositary's note account and procedurally will be made in the same manner as calls have been made all along against Treasury tax-and-loan balances.

Each depositary has the opportunity to decide how it wants to take part in the new program. The remittance option or the note option may be chosen.

5. The depositary shall review the information reflected on its monthly statement prepared by the Federal Reserve Bank.

B. *Responsibilities of the Fed:*

1. On receipt of advice of credit from the depositary, the Fed will post the amount of the credits to the note account as of the first business day following the date of deposit (the date of each advice of credit) by the depositary to its tax-and-loan account.

2. On the 20th of each month, the Fed will compute the average daily closing balance of each depositary's note account for each seven-day period of the reporting cycle. The weekly period will run from Thursday through Wednesday. In computing the interest due on the note, the Fed shall apply the average interest rate for each week of the reporting cycle to the corresponding average daily balance of the note account. When the average daily balance of the note during a week is $25,000 or less, the first $5,000 shall be exempt from interest.

3. On the 20th of each month, the Fed also will determine the amount of FTD fees due each depositary by multiplying the fee of 50¢ by the number of FTD forms accepted by the depositary and received and fully processed by the Internal Revenue Service Center during the preceding calendar month.

4. Also on the 20th of each month, the Fed will forward a statement to each depositary showing both interest due the Treasury and amount of FTD fees due the depositary.

5. Payment of interest due the Treasury and fees owed to the depositary will be processed automatically on the 25th of each month through the depositary's reserve account or the reserve account of a member bank correspondent.

To summarize: Depositaries electing the note option will administer their accounts almost as they do now. The significant difference is that on the first business day after crediting deposits to the tax-and-loan account, deposits will be withdrawn from that account and transferred to the note account to be treated as an interest-bearing note, payable on demand. Calls will be made on the note accounts. Fees will be paid depositaries based on number of FTD forms accepted.

Banks that don't want to enter into the note option may elect the remittance option. Under this option, a depositary will be acting only as a conduit for collection of federal tax deposits between taxpayers and Fed banks. General procedures that apply to the remittance-option depositaries are as follows:

1. Prior to crediting deposits to its tax-and-loan account, the depositary will pledge acceptable collateral security to cover the balance in the tax-and-loan account, less insurance coverage, as recorded on the books of the depositary at the close of business each day.

2. The depositary will credit to the tax-and-loan account each day all federal tax deposits received that day and may credit payment for the sale of U. S. savings bonds in accordance with instructions prescribed by the Federal Reserve Bank of its district. Each day the depositary will forward to the Reserve Bank of its district originals of advices of credit representing all credits to its tax-and-loan account that day. A copy of such advices and supporting FTD forms will be sent to the appropriate IRS Service Center.

3. On receipt of advice of credit, the Reserve Bank will automatically withdraw funds for the amount reflected on the advices through a charge to the depositary's reserve account or the reserve account of a member correspondent.

4. On the 20th of each month, the Reserve Bank will determine the amount of FTD fees due the depositary by using the aforementioned fee of 50¢ per FTD processed.

5. The Fed then will issue a statement to each depositary showing the fees calculation.

6. On the 25th of each month, the Reserve Bank will pay FTD fees due the depositary through an entry to the depositary's reserve account or the reserve account of a member bank correspondent.

Depositaries electing the remittance option will be broken down into Class 1 and Class 2, with Class 1 being those banks that process $1.5 million or more annually through their Treasury Tax-and-Loan accounts. (Calendar year preceding current year.)

Procedures to be followed by Class 1 depositaries are:

1. Each Class 1 depositary will forward its advices of credit to its district Fed Bank in such a way as to enable the advices to arrive regularly at the Fed on the first business day after credit to its tax-and-loan account and not later than the cutoff time established by the Reserve Bank for processing of such deposits. In other words, tax deposits received by remittance-option depositaries on the 3rd should be delivered to the Fed by our cutoff time on the 4th. For instance, the St. Louis District cutoff time has been established by the processing department as 1 p.m. local time.

The Treasury, as far as possible, is offering a system that retains procedures of the existing federal tax-deposit and T&L systems.

2. A late fee will be assessed for advices of credit arriving late. The amount of the late charge will be calculated by the Reserve Bank on the 20th of the month and will be determined by applying the appropriate interest rate for the period of time the advices were late to the total dollar amount of the untimely advices of credits.

3. Notification of late charges will be included in the statement the Reserve Bank will forward to the depositary on the 20th of each month.

4. FTD fees owed depositaries, and the amount of any late charges assessed, will be settled on the 25th of the month through reserve accounts.

5. Class 1 banks will not be allowed to be late continually in delivering their tax deposits to the Fed. If it is found that any Class 1 bank normally cannot deliver its tax deposits to the Fed by the close-off time on the day following date of receipt at its bank, the Treasury has informed us that these banks must

(Continued on page 64)

be transferred to the note option.

Remittance Option—Class 2:

1. Class 2 depositaries, which are those banks that processed credits of less than $1.5 million to its tax-and-loan account during the prior calendar year, will not be forced into the note option because of late delivery of their tax deposits to the Fed. As long as they forward their advices of credits to the Reserve Bank at the close of business each day, using the most expeditious means available, which merely means putting them in the mail, they may remain in Class 2 for as long as they wish.

2. The Reserve Bank will compute an analysis charge for the average amount of advices in transit to the Reserve Bank in excess of one day, which gives them the same amount of time as Class 1 banks, one day.

3. FTD fees due the depositary will be reduced by the amount of the analysis charge. If the analysis charge exceeds the fees due, no fees will be paid, and the depositary will not be assessed the analysis charge in excess of the fee payments. In other words, the analysis charge cannot be larger than the fees. If it is, we will just zero it out and not put through any entries on either side. Notification of the amount of any analysis charge assessed will be included in the statement forwarded on the 20th of each month.

4. If at any time during the year, a Class 2 depositary's rate of flow of deposits to its tax-and-loan account during the preceding three reporting cycles exceeds, on an annualized basis, $3 million, the depositary will be transferred to Class 1, or, if it wishes, it may elect the note option.

Rate of Interest: In selecting the rate of interest to be applied to note balances, the Treasury sought a rate that most closely approximates the rate of return that otherwise would be available to it if it maintained its cash with the Fed, and it also wanted a rate that was equitable to depositaries in terms of value of the funds to the depositaries. The rate that best meets these conditions is the federal funds rate less a fixed spread of 25 basis points, or ¼%. The federal funds rate is published monthly in the *Federal Reserve Bulletin* and printed daily by the financial press.

In terms of equity of the rate to depositaries, the following factors should be considered:

1. Interest due by the depositary on the note account is paid on the 25th day of the month after the end of the reporting cycle. For example, payment for interest due on balances of the note during the January reporting cycle is effected on February 25.

2. Amount of credits to a depositary's tax-and-loan account are not added to the note until the business day following the day of credit to the tax-and-loan account. Accordingly, the effective rate of interest being paid on Treasury funds held by the depositary is less than the rate paid on the average note balance.

3. Amount of interest due on the balance in the note account will be computed as simple interest, not compound interest.

4. Payment of interest due will be effected automatically by the Reserve Bank on the 25th of each month through a charge to the depositary's reserve account or the reserve account of a member bank correspondent.

Compensation Paid Depositaries: I've been talking about interest charges and the late charges being paid to the Treasury. Here's what the Treasury is going to be paying depositaries. Depositaries will be paid fees for accepting federal tax deposits and servicing tax-and-loan accounts. The fee for both these services will be grouped together under a unit fee of 50¢ per FTD form accepted by a depositary. FTD fees due depositaries will be paid on the 25th of each month by the Fed and will be effected by a credit to the depositary's reserve account or the reserve account of a member bank correspondent. In addition, fees will be paid for issuance and redemption of U. S. savings bonds. Issuing agents will receive fees of 70¢ per bond issued over the counter. For bonds issued under a payroll savings plan, issuing agents will be paid 10¢ per bond if inscribed by computer and 30¢ if inscribed by other means. Redemption agents will receive a fee of 30¢ for each bond redeemed. Fees in connection with issuance and redemption of savings bonds will be paid directly by the Bureau of the Public Debt.

Each depositary authorized to maintain a T&L account prior to the start of the new program will be redesignated automatically as a Treasury T&L depositary.

Each depositary authorized to maintain a tax-and-loan account prior to the effective date of the new program will be redesignated automatically as a Treasury tax-and-loan depositary, and the existing contract between each depositary and the Treasury Department will continue in effect. However, the depositary must file with the Federal Reserve Bank of its district a duly executed "election of option" form, which will indicate whether the depositary wishes to administer its tax-and-loan account under provisions of the note option or remittance option.

If a depositary has not filed an "election of option" form by the specified date or, having filed the form, has not received from the Fed prior to the effective date of the program notice as to the effective date of the option selected by the depositary, and continues to credit deposits to its tax-and-loan account on or after the implementation date of the program, the depositary will administer its tax-and-loan account under the remittance option until its "election of option" form is duly processed.

Also, a depositary who has not filed an "election of option" form and whose tax-and-loan account has no activity for six months or more after the program is implemented will have its authority revoked.

An eligible institution that wishes to be designated as a Treasury tax-and-loan depositary and as a depositary for federal taxes must be designated as such by the Fed Bank of its district. To be designated as a Treasury tax-and-loan depositary and thereby be authorized to maintain a Treasury tax-and-loan account, a financial institution that meets the necessary requirements must file with the Fed Bank of its district an application to be a tax-and-loan depositary accompanied by a resolution of its directors authorizing the application (the appropriate forms are available on request from the Federal Reserve banks). The application form will require the financial institution to select the option under which it wishes to administer its tax-and-loan account and certify that it has under its charter the authority to maintain demand deposits of public-unit funds and pledge collateral security for deposits of public-unit funds. Each institution satisfying the designation procedures and requirements will receive from the Fed Bank of its district notification of its designation as a Treasury tax-and-loan depositary. Every financial institution holding designation as a Treasury tax-and-loan depositary is eligible for designation as a depositary for federal taxes and must obtain such designation by filing with the Fed Bank of its district an application to be a depositary for federal taxes (the appropriate form is available from the Fed banks). • •

■ TED PUSTEJOVSKY has joined Doane Agricultural Service, based in St. Louis. He will work on real estate sales/investments out of the firm's Dallas office. He was formerly a cotton, grain and livestock farmer in Hill County, Tex.


TELEPHONE

Nationwide Branching Concept Proposed At Alabama Convention in Mobile

By RALPH B. COX
Publisher

A CALL for nationwide and statewide branching and the retirement of a respected member of the Alabama Bankers Association team highlighted the association's 85th annual convention, held last month in Mobile.

Fed Governor Philip C. Jackson Jr. stated his case for branching on a grand scale as an antidote to the inroads being made by foreign banks that are locating throughout the U. S.

"I think it's time to . . . open banking borders to any who wish to come or go," he said. "Banks should have the freedom to open up shop where the needs are greatest and opportunities strongest.

"Not only should we allow statewide branching by any bank organized within a state, but we also should authorize interstate full-service operations for any bank authorized to do business in our country," he said.

The branching issue is a hot one in Alabama and has been for some time. Although the Ala.BA is neutral on the issue, the association supports two divisions—the independent bankers division and the holding company division—that have been trying to come up with a consensus that the entire association can embrace on the branching issue.

Alabama's regulations permit countywide branching. During the last state legislative session, the holding company division of Ala.BA was moderately successful in advancing the philosophy of contiguous county branching. A bill was proposed but no vote was taken on it.

Guy H. Caffey Jr. (l.), pres., Birmingham Trust Nat'l, was elected assn. 2nd v.p. at convention, succeeding George S. Shirley (r.), pres., First Nat'l, Tuscaloosa, who was elevated to 1st v.p. Traditional group photo of officers was not taken this year because of excitement caused by awarding pickup truck to retiring assn. E.V.P. Howard J. Morris Jr. Everyone went outside to see the truck and the new officers failed to return to the meeting room for photos!

Mr. Jackson stressed the fact that his views are strictly his own and do not reflect those of other Fed governors. He also told MID-CONTINENT BANKER that his talk in Mobile was the first mention he had made publicly of his branching views. Mr. Jackson's remarks are reprinted in full elsewhere in this issue under the title "Interstate Branching Should Be Allowed for All Banks."

Howard J. Morris Jr., Ala.BA executive vice president and a veteran of more than 24 years with the association, was honored during the convention for his years of service. He was presented with a pickup truck as a going-away gift and he was feted by a resolution from the past presidents of Ala.BA that made Mr. Morris an honorary member of the past president's club.

W. H. Mitchell (r.), pres., First Nat'l, Florence, was elected Ala.BA pres. during convention. C. E. "Butch" Avinger (l.), who had been Ala.BA s.v.p., was named e.v.p. to succeed retiring Howard J. Morris Jr.

Outgoing Ala.BA President Charles S. Snell, president, Citizens National, Shawmut, reported on his term of office during the convention. He called attention to the role bankers should be playing on the public affairs scene at the state and federal levels.

He said that, while once many bankers agreed that politics had no place in the business world, few bankers feel that way today.

"You and I are aware of the impact of recent congressional or regulatory actions," he said, "and if we read the signs correctly, you 'ain't' seen nothing yet!"

He said banking practices have been singled out for intensive study and investigation and an attempt is being made to create the impression that banking is in a crisis period. Apparently, he said, members of Congress are creating such a crisis impression so they can pass punitive legislation against the banking industry.

As examples, he cited the Safe Banking Act, the Financial Reform Act and the Competition in Banking Act as well as the attempt to create a super regulatory agency. He said the current consideration of NOW accounts and the attention given to such topics as insider transactions, overdrafts, preferential loans and stricter disclosure requirements are indications that new laws and regulations are being considered.

On the state level, Mr. Snell cited numerous bills that had been considered that were unpopular with bankers, such as the insurance agents' bills, the State Funds Bid Bill, the Money Manager Bill and the Investment Committee Bill. He said all bills relating to state funds seemed to originate as a result of recent publicity concerning the administration of state funds.

He said bankers were successful in opposing punitive state legislation in

Casino Bienville party was social highlight of Ala.BA convention. Following catered dinner, guests could play casino games, see a show, participate in auction and dance. These photos show Alabama bankers hard at play!

the 1978 session because they operated as a team.

He called on bankers to support the Ala.BA's public affairs program to help political candidates through financial contributions. He said the success of the Ala.BA's legislative efforts in the future is directly related to the success of the public affairs program.

Of special interest to bankers this year was a report made by J. R. Jones, president, Escambia County Bank, Flomation, and president of the Ala.BA Young Bankers Section. He reported that 90% of the young bankers of his section participated in AlaBA's youth-education program last year. Over 445,000 student contacts were made through the association's banking education program, he said.

It was learned later that the American Bankers Association has become interested in the format of the Ala.BA's youth education program and has decided to incorporate many of the features of the Ala.BA program in its own economic education program that is to be launched this fall.

To help implement pilot programs patterned after the Ala.BA program, the ABA has "drafted" a Mobile banker, Kay Ivey, assistant vice president, Merchants National, Mobile. Miss Ivey, immediate past president of the Ala.BA Young Bankers Section, will "package" this program for use by other states.

The Alabama program originated in 1956 with Henry Schaub, who is now executive vice president, Merchants National. Mr. Schaub's wife, Jane, teaching at a middle school in Prichard, Ala., recognized the need for student education in financial affairs and asked her husband to talk to her students on that topic.

From that beginning, the program has grown to a full-fledged educational program utilizing manpower from banks throughout the state. Bankers, acting as "instructors" on an invitational basis, discuss the American economic system

Mary George Jordan Waite, ch. & pres., Farmers & Merchants, Centre, was in charge of handing out awards at the Ala.BA convention. At l., she's shown presenting plaque to Howard J. Morris Jr., retiring assn. e.v.p. In center, Mr. Morris and wife Sue, who is assn. sec.-treas., pose before pickup truck assn. presented as retirement gift to Mr. Morris. At r., Mrs. Waite presents plaque to James E. Vance, s.v.p., First Nat'l, Birmingham, who served as ABA savings bond coordinator for Alabama for the past three years. Mrs. Waite succeeded Mr. Vance as savings bond coordinator.

and the role of the banks in that system with school children.

Miss Ivey, on loan from her bank, not only will help the ABA package and refine the program, she will travel in various states lending Ala.BA's know-how to state associations adopting the economic education program.

Bankers vigorously applauded a talk presented by Senator E. Jacob Garn (R.,Utah), a member of the Senate Banking Committee and an obvious supporter of sound fiscal and monetary policies.

Senator Garn, speaking colorfully, stated that "fiscal insanity is taking place in Washington, D. C.," in regard to the national budget and debt.

"Before the budget is balanced," he boomed, "we will see the second coming of Christ." For the president to foster a $60 billion deficit this year, he said, and then still promise a balanced budget by 1981, is ridiculous.

The Utah senator was firm in his conviction that deficit financing is the primary cause of inflation in this country. "You can't borrow $60 billion," he observed, "without causing a shortage of capital, a rise in prices and a corresponding devaluation of the dollar."

Senator Garn also expressed concern with the multitude of regulations originating from the nation's capitol. This overregulation (a popular term with speakers these days) is costing business and taxpayers over $130 billion per year, he said, without attempting, however, to document his estimate. He speculated that 20% of the cost of a new home today comes from regulations, either local or national.

Regulation is rampant, not only in the banking industry, but in every line of business, he said. "Why? Because the Washington bureaucrats establish regulations and they are not accountable to the voters."

ABA President-elect John H. Perkins, president, Continental Illinois National, Chicago, addressed the convention and told delegates that, if banking is going to be heard in Congress, bankers must be delivering the same message to Congress. That message, he said, is one that the ABA is trying to arrive at

John H. Perkins (c.), ABA pres.-elect, spoke during second general business session at Ala.BA convention. With Mr. Perkins are assn. officers Charles S. Snell (l.) and George S. Shirley.

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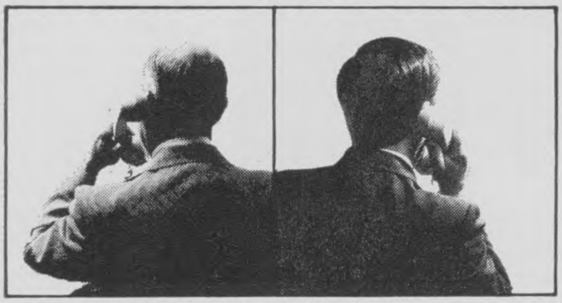

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U. S. Senator E. Jacob Garn (2nd from r.) said what Alabama bankers wanted to hear about sound fiscal and monetary policies at convention. Pictured with the senator are (from l.) C. E. "Butch" Avinger, Ala.BA s.v.p.; incoming assn. Pres. W. H. Mitchell; Senator Garn; and outgoing assn. Pres. Charles S. Snell.

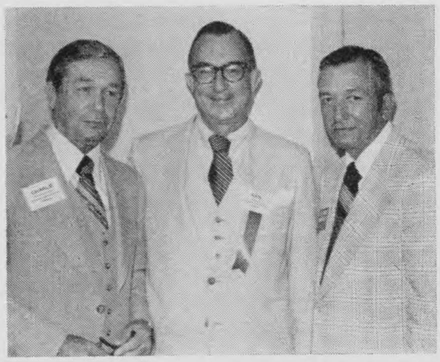
through its consensus procedure. This procedure involves a somewhat laborious process, he admitted, with grass-roots opinions being processed through the ABA's governing council, which takes a final position on sensitive banking problems.

There's not always agreement, of course, on the ABA's consensus position, he said, but it's considered by industry leaders to be the best approach to arriving at positions. And these positions can change, he stated, referring to the automatic transfer of savings to checking as an alternative to NOW accounts. Bankers stuck to the transfer idea, he said, and won out in regulations issued by the Fed and the FDIC.

W. H. Mitchell, president, First National, Florence, was elevated from first vice president to president during the convention. George S. Shirley, president, First National, Tuscaloosa, went from second vice president to first vice president. New second vice president is Guy H. Caffey Jr., president, Birmingham Trust National.

Robert Woodrow, vice chairman, First Alabama Bancorp., Montgomery, was elected to a two-year term on the ABA's governing council during the ABA members' portion of the convention.

Next year's annual meeting will be held at Hilton Head Island, S. C. • •



Ken L. Lott, pres., Merchants Nat'l, Mobile, and convention ch., is flanked by outgoing Ala.BA Pres. Charles S. Snell (l.) and George S. Shirley, assn. 2nd v.p.

Ala. Trust School Scheduled To Be Held July 16-22

BIRMINGHAM, ALA.— The sixth annual session of the Alabama Trust School will be held July 16-22 at Birmingham Southern College. The three-year school is sponsored by the Alabama Bankers Association's trust division. Each yearly session consists of 39 hours of classroom instruction, augmented by special lectures and discussion groups. On completion of the third year, students receive diplomas.

The school, founded in 1973, is designed to meet the needs of those who recently have entered the trust field from colleges, law schools, commercial banks and other businesses. It's open to banks in neighboring states as well as those in Alabama.

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Concurrent Interest Rate, Inflation Control Self Defeating, Mississippi Bankers Told

By JIM FABIAN
Associate Editor

CONTROLLING rising interest rates and inflation at the same time is self-defeating, Mississippi bankers learned at their 90th annual convention in Biloxi last month.

For too long, the Fed has been under intense pressure to attempt to control rising interest rates and inflation, said Lawrence K. Roos, president, St. Louis Fed, during the first business session of the convention. He said that government, certain economists and the financial community are the principal sources of such pressure.

"We can't do both," Mr. Roos said. "We can't seek to control inflation and to stabilize short-term interest rates, all at the same time, because the methods the Fed must use to hold down short-term interest rates are themselves inflationary."

Mr. Roos said that most people don't fully understand that an interest rate is a price—the price of credit—and this price fluctuates like other prices in a free market, according to supply and demand.

"If monetary policy is designed to prevent interest rates from rising, the Fed must supply more credit to the economy, and this simultaneously causes the money supply to expand," Mr. Roos said. This, he added, is inflationary.

He said the only way to control inflation is to let short-term interest rates seek their natural market levels. But, he added, the Fed, like other institutions, is subject to pressures from groups "that traditionally have seen higher interest rates as something to be avoided."

New members of MBA exec. com. include J. M. Sessions III (l.), pres. Commercial Bank, Woodville, and David Califf, pres., First Nat'l, Clarksdale.

He singled out government and business as important sources of pressure for interest rate stabilization.

Referring to government, he asserted, "Interest rate stabilization enables the government to grow and consume a larger share of our resources without approval by the public." In explaining this, he pointed out that government must finance its spending either through increased taxes or borrowing in the private credit markets, and that the electorate can resist increased spending by refusing to accept higher taxes or higher interest rates. If the Fed is required to stabilize interest rates, the public is deprived of an important constraint on government spending.

Mr. Roos pointed out that "the financial community has a vested but short-sighted interest in stabilization of short-term interest rates. As long as interest rates are kept within narrow bands by monetary authorities, it's easier to estimate the short-term cost of money, to plan loan commitments and to know that reserves will be supplied at a known price."

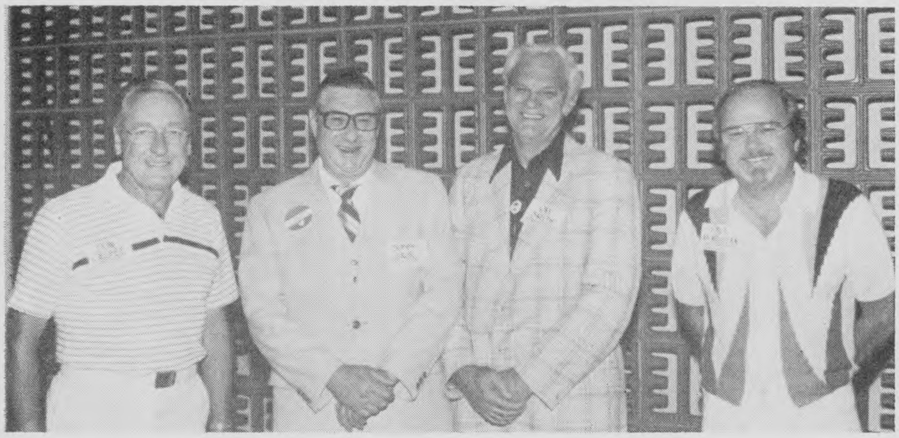
However, he added, such benefits are short-lived. "We forgot that, due to inflationary expectations and demands for higher long-term rates by lenders, the price of interest stabilization for one month may be higher variability two or three months hence."

Another principal convention speaker was Thomas R. Smith, ABA treasurer, and president, Fidelity Brenton Bank, Marshalltown, Ia.

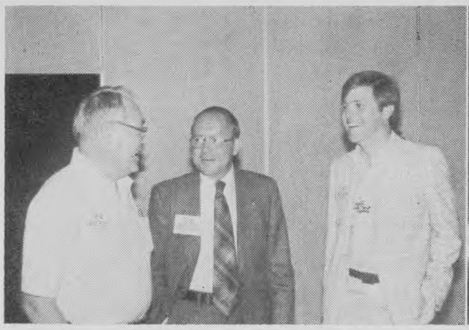
Mr. Smith advised bankers to get involved in solving the problems facing the industry. He said problems don't go away; they must be solved. And it isn't always necessary to have a consensus among bankers to solve problems.

He cited the procedure of the ABA's governing council that tackles problems by thrashing them out at council sessions. This procedure is said to result in the airing of almost all viewpoints on an issue and the eventual arrival at a stand to be taken by the ABA. The resolving of the NOW account issue was given as a case in point. Even though all bankers participating in the council sessions were not completely satisfied with the outcome, they at least had the opportunity to give their input and participate in the outcome.

Mr. Smith said banking is getting all kinds of attention in Washington. Many issues that were bothersome last fall and then died down have become active again. He cited such things at the Safe Banking Act, automatic transfer of funds and the unbundling of Fed services. But, more important than any of these, he added, is the Labor Reform Bill. He said bankers must be prepared to speak to these issues if



MBA officers for 1978-79 pose with outgoing Pres. Ray Smith (2nd from r.). They are (from l.) Don F. Calfee—treas.; R. D. "Bobby" Gage III—pres.; Mr. Smith and Paul W. McMullan—v.p.



LEFT: MBA Assistant Dir. J. Ben Woods Jr. (l.); ABA Treas. Thomas Smith, pres., Fidelity Brenton Bank, Marshalltown, Ia.; and new MBA Staff Counsel L. H. Wilson. Mr. Smith was convention speaker. CENTER: V. E. Berbette (l.), ch., MBA resolutions com., and pres., First Citizens Nat'l, Tupelo, and Lawrence Roos, pres., St. Louis Fed, convention speaker. RIGHT: MBA Exec. Dir. John R. Hubbard (l.), Paula Payne of Colonel Mims Assn. and MBA Pres. Ray Smith, pres. & CEO, First Nat'l, Greenville.

they want to have any influence in deciding the future course of the industry.

He also said that more professionalism is needed in banking. It's being demanded by consumers, who want to be served by professionals. He called attention to a bank director training school that is being developed by the ABA as a tool to be used by state associations to upgrade director education throughout the nation.

He said that bankers who are looking for ways to cope with their problems should consider the state banking associations and the ABA as "survival kits" of information and assistance. One area in which these associations are serving in that capacity is insurance. The ABA, in cooperation with state banker associations, has developed what is known as a controlled group bonding plan that makes it easier for banks to contract for BBB coverage.

Mr. Smith said bankers should communicate more with the public. Communication is a process that has no beginning or ending and no sequence of fixed events. It's always evolving.

He lauded the Fed for addressing the issue of inflation as strenuously as it can. No longer is it just the Fed chairman who is speaking up, but various Fed presidents are, too. Such communication has national significance, he said, and bankers should take their cue from the Fed presidents by addressing the subject of inflation. They should use every means of persuasion to fight inflation and they should be persistent in their efforts, not necessarily seeking credit for the good they are doing.

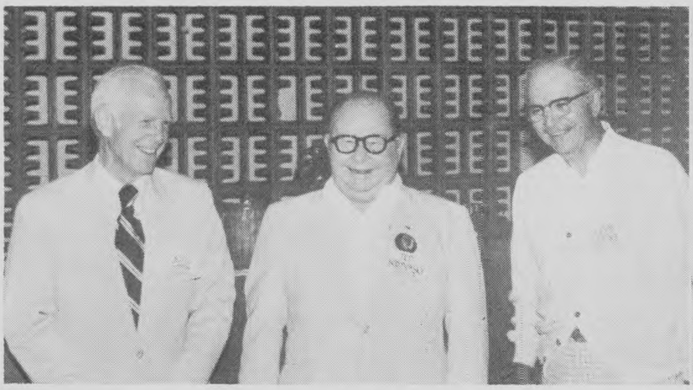
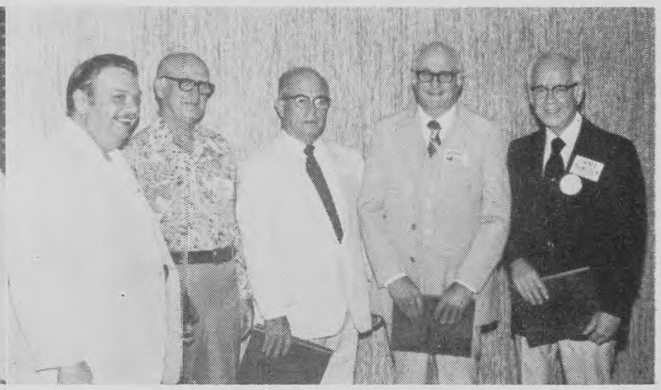
He added that one reason bankers shy away from stating their views on issues is that they are fearful of losing the argument. Bankers just don't like to lose, he said.

MBA President Ray K. Smith, president, First National, Greenville, commented in his president's message that payment of interest on all deposits in banks is foreseen by some and that such a development is expected to result in banks pricing their services more realistically. This could result in greater public acceptance of EFT services, since those services would wind up as being the most economical for consumers.

Resolutions were passed expressing appreciation to Conwell S. Sykes, chairman, Commercial National, Greenville, for his work in upgrading the bank manual on the Universal Credit Code;

(Continued on page 114)

A dozen past presidents of MBA gathered for dinner in their honor during convention.

LEFT: Among new members of MBA's 50-Year Club were (from l.) Donald Sutter, ch., Hancock Bank, Gulfport; Ted Borodofsky, pres., Planters Bank, Ruleville; and Bob Cooke, ch., Hernando Bank. Not pictured: David Paddy, s.v.p., Merchants & Farmers, Columbus. RIGHT: Among those initiated into MBA's 40-Year Club were these five gentlemen. Eleven new members were initiated, including V. O. Collins, Union; A. David Califf, Clarksdale; H. J. Ray, Grenada; Wayne A. Shurtleff Jr., Greenwood; Bill Brown, Jackson; Herbert E. Wilmesherr, McComb; Willis Pope, Columbus; J. O. Thompson, Hernando; P. L. Magnum, Tylertown; Monroe J. Moody, Natchez; and H. Odom, Greenwood.

Bankers Learn How Package Plans Can Boost Accounts, Profits

By RALPH B. COX
Publisher

PACKAGE PROGRAMS are definitely having an effect on bank sales programs, especially in the area of demand deposit accounts.

Take the case of BANCLUB, originated by Financial Institution Services (FISI) in 1971. From that year through 1977, the program has grown from 55 banks serving a total of 60,000 DDA customers to 1,350 banks serving more than two million customers.

This year, BANCLUB officials estimate that FISI package programs will reach 1,600 banks serving more than 2.7 million customers!

At the sixth annual BANCLUB convention held at the Opryland Hotel in Nashville recently, some 350 club sponsors gathered to hear discussions about the growth of the program and how individual banks have promoted BANCLUB and other services through the package plan.

Henry McCall Jr., FISI president, outlined the growth of the club program since its inception and also announced pilot programs for ATM equipment that could be tied in with club package plans on a "cost-justified" basis. These ATM programs are presently being offered through four banks and their use is normally restricted to BANCLUB members. This restriction encourages participation in club plans and also helps justify the cost of an ATM at a bank. The ATMs are offered on a lease basis.

Among the speakers at the four-day convention was Tom Mitchell, vice president, First National, Brunswick, Ga. Mr. Mitchell's bank has been offering BANCLUB services since 1973.

Henry C. McCall, FISI pres., at podium during BANCLUB convention.

Travis Anderson (l.) FISI v.p., and Jack Weatherford, ch., Murfreesboro (Tenn.) Bank, chat during break at convention. Mr. Weatherford discussed banking problems and legislation during the meeting.

Mr. Mitchell signed up for BANCLUB's service as a way to tie retail customers closer to his bank. A short while later, his competition began offering free checking with no minimum balance and the BANCLUB package effectively nullified this type of competition, actually neutralizing it, he said.

After offering BANCLUB service for a year, Mr. Mitchell said, 25% of the bank's checking account customers had signed up for the program, which includes accidental death insurance, travelers checks with no issue fees, discounts on safe deposit box rentals and personalized checks, all for a small monthly fee.

Mr. Mitchell told his audience that, after two years of BANCLUB, 30% of his checking customers had signed up. After three years, the number jumped to more than 40%; after four years, it was near 50%; and at the end of the first quarter of this year, it had reached 51.5%.

The average balance in his bank's BANCLUB accounts is $450, he added.

It's important to sell a service like BANCLUB, Mr. Mitchell said. And the place to begin selling is to present bank customers. One way to sell services is to advertise one service, such as a charge card, along with BANCLUB in the same newspaper ad. Auto loan discounts can be advertised along with BANCLUB. When the customer comes into the bank to take out an auto loan, he can be cross-sold on other services, including BANCLUB.

Mr. Mitchell said the biggest selling point for BANCLUB is the accidental death insurance. He terms the insurance the "magic ingredient" for selling the package plan. "It puts value in the package that customers are willing to pay for because, for many customers, it's the only insurance of that type they have," he said.

The most important thing about BANCLUB, he said, is its uniqueness, which accounts for its ability to attract new customers. "It brings customers into the bank so your personnel can cross-sell other bank services," he said.

He added that it's essential for a bank to have good sales people and to keep them well informed about bank services so they can sell enthusiastically to customers.

One service that has been effectively cross-sold at Mr. Mitchell's bank is installment loans. Since BANCLUB was introduced, such loans have shown a dramatic rise, he said.

He attributed BANCLUB as helping his bank achieve a 1.2% return on assets, which places First National of Bruns-

Jerry Bednar of FISI (r.), thanks Steve McCullough, v.p., Texas Bank, Sweetwater, after Mr. McCullough's presentation at BANCLUB convention.

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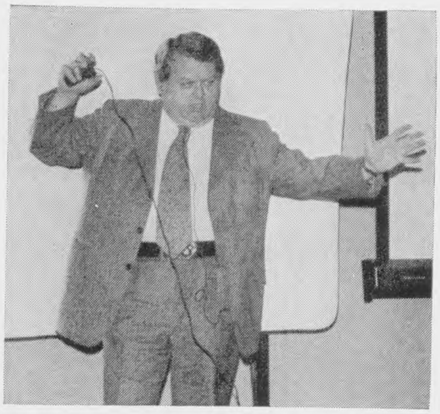


Jack Whittle gestures during talk at BANCLUB convention. He spoke on improving bank earnings.

wick in an enviable earnings position.

Another speaker on the convention program was William D. Carpenter, chairman, Bank of Everett, Wash. After offering BANCLUB for only a year, Mr. Carpenter's bank increased the price for the package plan from $3 to $3.50 per month and received only two complaining phone calls from the 4,000 account holders.

Mr. Carpenter said the turnover of club accounts at his bank is about 50% less than that on his bank's regular checking accounts.

In selling the club concept, he concentrates on small businessmen, pointing out to them that they can make BANCLUB a fringe benefit by paying the monthly service charge on the accounts of employees. One call can result in a number of new club accounts for the bank.

Jack Whittle, president, Whittle, Raddon, Motley & Hanks, Chicago, spoke about improving bank earnings.

He said it required discipline to improve bank earnings. It requires that costs expand in proper proportion to growth and that growth occur in those areas returning the greatest profit.

This can be achieved, he said, through a systematic approach to gathering, filtering and using financial and market information.

He said the asset and liability marketing process links financial analysis and market research to such programs as planning, product development, training and advertising.

Bankers generally don't know their costs so they don't price their services correctly. Bankers must be more forceful in pricing if they want their profits to increase, he said.

He advised bankers to stop giving away their services.

Although the BANCLUB package is being priced by many banks at $3 or $3.50 per month, he said, this is below the cost of the service. Profits can be increased dramatically by raising the monthly fee by at least $1. This can be done, he said, with very little flak from customers.

High performing banks, Mr. Whittle said, are those that earn 1% or more on assets. They know their own financial resources. They are customer-based, and they know the weaknesses of their competitors. They are disciplined in their approach to costs and pricing and they have well-defined game plans and written policies on all procedures.

Mr. Whittle said his organization had conducted surveys on costs to show that the average cost of a checking account per year to a bank is $50. In the case of accounts like BANCLUB, he added, the cost is likely to be more—from $60 to $70 per year—partly because a club account holder writes 25% more checks than a non-club account holder does. One way to cut costs in this area is to limit free transactions, he said.

The chance of losing an account if the service fee is raised is 100 to 1, Mr. Whittle said, provided a customer also has a savings account, a loan, or a safe deposit box at the bank. In order to protect its club accounts, he said, it behooves a bank to cross sell because each new service a customer buys ties that customer more firmly to the bank.

When is the best time to cross sell? When the account is opened, Mr. Whittle said. He advised putting the best sales people on the new accounts desk. Banks that don't have good sales people should hire some.

Every customer who stops at the new account desk to open any account should be reminded of other services offered by the bank, he said. The customer should be encouraged to sign up for other services immediately because the chances of selling him later on diminish, partly because the customer's contact with the bank is usually with tellers, who normally are not as effective in selling as new accounts people are.

Mr. Whittle pointed out that many banks lose business by hiding the new accounts desk in some obscure corner or not labeling it prominently so customers can find it easily. Since a bank is a retail establishment, as is a supermarket, it should have countercards, lobby signs and brochures that are easy to spot. Employees can wear buttons that call attention to bank services and they can all be encouraged—perhaps by means of a sales contest—to speak up about various bank services.

He advised bankers not to keep their services a secret. Customers often come into a bank and wander around wondering where they should go to get service.

Steve McCullough, vice president, Texas Bank, Sweetwater, spoke about his bank's experience with its ATM program. He stressed that customers want convenience and if a bank doesn't provide it, another bank will.

EFT provides a means for a bank to provide convenience to customers, and EFT services—such as an ATM—can be tied in with BANCLUB, he said.

He said that any new service should not be sold until everyone at the bank who will be involved is thoroughly trained so he or she can explain the service intelligently to customers. Customers should be shown how a new service can work for their benefit. For instance, they can be shown how an ATM will save them time and will permit them to obtain bank services at any hour of the day.

They can be shown how BANCLUB can give them esssential bank services at a low fee that would cost more if contracted for separately, he said.

Bankers attending the BANCLUB convention came away with many more ideas for improving bank services and profits. • •

Attentive audience filled meeting room at BANCLUB convention at Opryland Hotel, Nashville.

Keynoter 'Attends' on TV!

Keynote speaker at the BANCLUB convention was Senator Howard Baker (R.,Tenn.), who spoke on world events.

Although FISI officials expected Senator Baker to speak in person, they were aware that congressmen are often called back to Washington to take part in important legislative matters, leaving their audience holding the bag.

Not so Senator Baker and FISI. They anticipated such an occurrence and arranged to film Senator Baker's talk a few days before the convention. They arranged for a group of BANCLUB bankers to interview the senator in a local TV studio. The interview was filmed by professionals and the film was stored as insurance against the senator's sudden departure.

The gamble paid off, as the senator did have to leave town on short notice. The film was shown at the convention and its effect was as good as—or perhaps even better than—the senator's appearance in the flesh would have been!

CONVENTION REPORT

Federal Legislation, Image of Banking Given Airing at Tennessee Convention

By JIM FABIAN
Associate Editor

FEDERAL banking legislation, the image of banking and banker unity were the primary themes of the 88th annual convention of the Tennessee Bankers Association, held last month in Memphis. Approximately 1,000 bankers and spouses were in attendance.

The revived Safe Banking Act figured prominently in two addresses. Terrance H. Klasky, legislative counsel, Independent Bankers Association of America, traced the "rocky career" of the act during the independent bankers' division meeting. The bill, which bears number H. R. 9600, contains 13 sections covering 190 pages, Mr. Klasky said. He added that no member of the subcommittee holding hearings on the bill understands all the bill's provisions.

Mr. Klasky termed the bill the "Bert Lance bill" and warned that, if enacted in its present form, it would place severe limitations on the way bankers do business. He said the bill has a good deal of support in Washington, but not elsewhere. He called on bankers to help penetrate the insulation that appears to surround the nation's capital that tends to prevent legislators from accurately detecting nationwide sentiment on legislative issues.

If H. R. 9600 doesn't make it, Mr. Klasky said, two other similar bills are standing by to replace it. They are H. R. 9450 and H. R. 12208.

H. R. 9600 would place restrictions on insider loans by aggregating all loans to any insider and his firm and making them subject to a ceiling of 10% of the bank's capital and surplus. Other restrictions include prohibiting interlocks in adjacent communities or among banks in any given SMSA and requiring regulatory approval in bank acquisition cases. He said there's no chance H. R. 9600 will pass in its present form.

James A. Webb Jr. (l.) was elected TBA dir. for middle Tenn. and Andy Newmon (r.), was elected dir. for west Tenn. Not pictured is John W. Andersen, dir. for east Tenn.

ABA President-Elect John H. Perkins also spoke about the Safe Banking Act. He is president, Continental Illinois National, Chicago, and appeared at the general business session.

Mr. Perkins said that, among other things, the Safe Banking Act could disrupt the tested and efficient correspondent banking system.

"It could make it virtually impossible for small banks to obtain highly qualified outside directors since it would make all of their dealing with the bank subject to public disclosure on a basis that seems unneeded and true 'overkill' without any offsetting benefits.

"It's a bad bill. We are not the only ones who think so. The regulators do, too, and have told Congress so."

He said the FDIC conducted a survey of banking practices last year that indicated abuses were relatively rare in the banking industry. After examining the results of the survey, regulators testified in Congress that there is no need for the so-called Safe Banking Act.

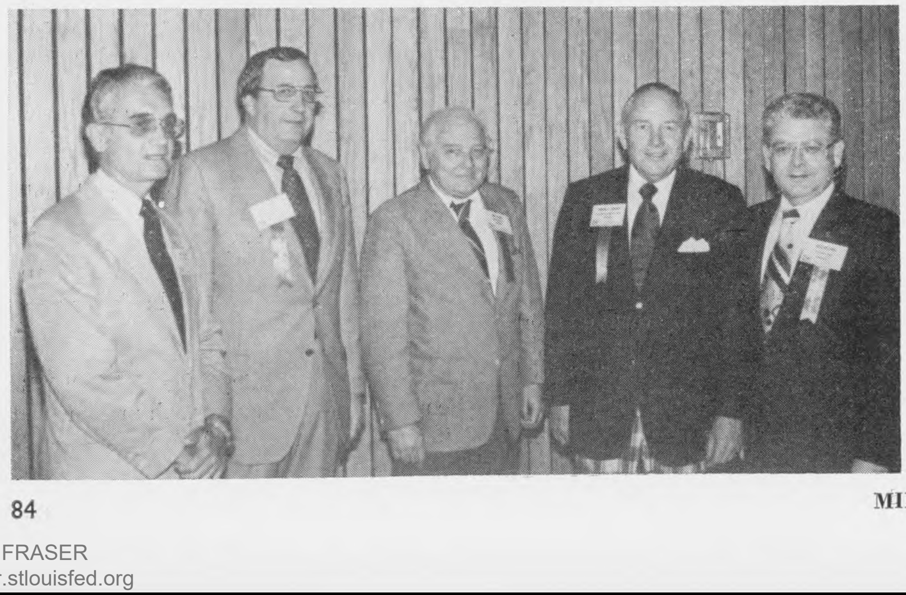
Mr. Perkins said the regulators told Congress that the only legislation needed is the Financial Institutions Supervisory Act amendment, an industry-supported bill that gives regulators more pinpoint powers to correct rare cases of abuse.

He predicted that the battle over the Safe Banking Act would be touch and go, with no assurance of victory. "Our chances of getting a law . . . we can live with are immeasureably greater than they would have been had we not shown responsible and far-sighted leadership based on a strong industry consensus and a willingness to follow through with personal effort," he said.

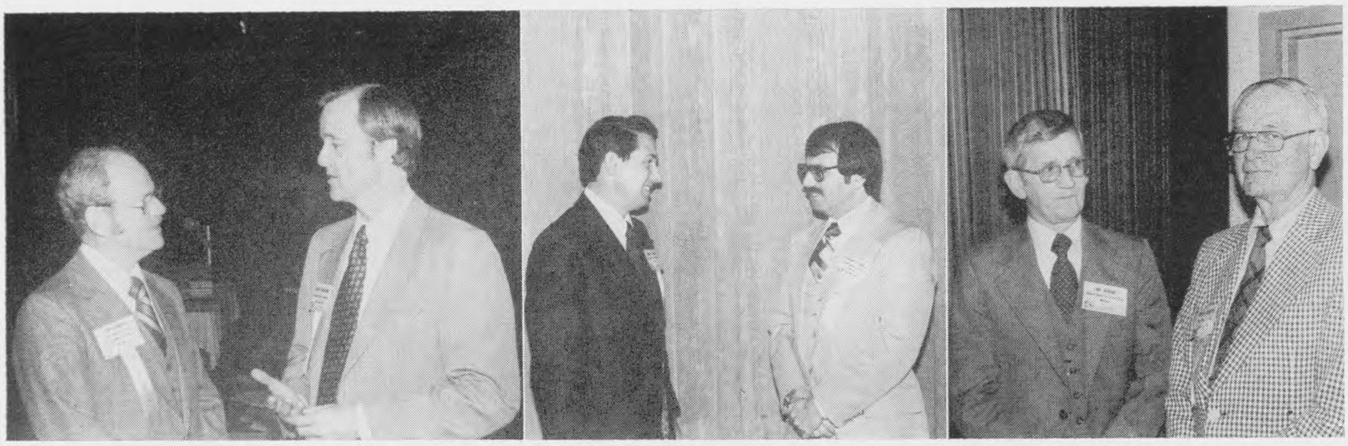
Mr. Perkins also called attention to the Labor Reform Act. He said that banking has been singled out by organized labor as one of its prime targets for future organization drives. He added that the bill is an "unfair and unneeded attempt to slant the rules in labor's favor."

The image of banking really is a reflection of the opinions concerning banks and bankers held by persons having varying degrees of knowledge of the services provided or of the bankers providing them, said George A. LeMaistre, FDIC chairman, speaking at the general business session.

"The degree of accuracy depends on the knowledge and experience of the person formulating the opinion and the



TBA officers for 1978-79 are, from l.: Dan B. Andrews, 2nd v.p.; James R. Fitzhugh, 1st v.p.; George R. Taylor, pres.-elect; Andrew Benedict, pres.; Jack R. Bulliner, ch.



LEFT: Anthony C. Cremerius Jr. (l.), a.v.p., Memphis Br., St. Louis Fed, and Edgar W. Armstrong Jr., dir., ABA's insurance & protection div., were speakers at TBA state and national bank div. meeting. CENTER: Charles P. Wilson (l.), pres., Commercial Bank, Paris, and outgoing ch., TBA independent bankers div., introduced Terrance H. Klasky (r.), leg. counsel, IBAA, at independent bankers div. breakfast. RIGHT: Roy Jackson (l.), reg. dir. for FDIC's Memphis region, chats with his boss, George A. LeMaistre (r.), FDIC ch. Mr. LeMaistre was speaker at convention business session.

closeness and frequency of his contacts with bankers, his skill in observing and his ability to reason," Mr. LeMaistre said.

The opinions of bank customers are important, he said, because the images customers have of banking help determine the statutory framework within which bankers and regulators operate.

Banking in general rates high with the public. A recent opinion survey showed that the public ranks banks third highest among business firms. First and second place rankings are held by airlines and the aluminum industry. Hard on the heels of banking is the thrift industry, ranked fourth, Mr. LeMaistre said.

Among people who are familiar with the various types of financial institutions, banking ranks in first place in seven out of eight categories of service, ranging from low interest rates to convenience of location.

But, Mr. LeMaistre cautioned, credit unions were ranked highest in the top category—low interest rates. He also said that if more people were familiar with credit unions, they would probably switch their allegiance to CUs from banks.

He hailed the work of Tennessee bankers in repealing the state constitutional usury ceiling last year. He termed the 56% "yes" vote a "tribute to your efforts in generating an understanding on the part of voters of the way the financial system operates and the effects of usury ceilings on the availability of credit."

Yet, he said, the task hasn't been completed. A favorable statute must be passed by the legislature. In order to do this, he added, "you need to keep on carrying to the electorate and their representatives the message of economic reality and truths rather than myths, half-truths or hopes."

He advised Tennessee bankers to go out and compete for deposits in order to have loanable funds, now that the handicap of the usury ceiling has been removed.

"Don't rely on Regulation Q, other regulations and statutory provisions to protect your turf for you," he said. "If you ask for freedom on setting rates to be charged on loans made by you, you can't logically ask to have the rates of interest you pay on deposits held down by other, but related, regulations.

"After you have the loanable funds, go out and lend them to credit-worthy customers," Mr. LeMaistre said. "Show them that there's something for them in the banking system."

He also advised bankers to "run scared," because the financial world is becoming more competitive each day.

"Your competitors are not just the regulated depository institutions," he said. "They are all participants in the money markets, much of which is unregulated."

Outgoing TBA President Jack R. Bulliner, chairman and president, First State, Henderson, called on his fellow bankers to unite in an effort to "take a genuine interest and concern for our fellow man, to be dedicated and loyal to whatever we do and to make of ourselves more useful and worthwhile members of society.

"Because much has been given us, much is expected of us. We must now dedicate ourselves to restore that sense of patriotism, moral courage and individual initiative that has served us so well in the past. As a people dedicated to mediocrity and peace at any price, we are doomed. As free people, glorifying in our individuality and sustained by a firm faith in ourselves and our God, we are united, together, in the only true way."

Mr. Bulliner was elevated from TBA president to chairman at the convention and Andrew Benedict, chairman, First American National, Nashville, assumed the post of TBA president.

George Robert Taylor, chairman and president, Merchants Bank, Cleveland,

Officers Receive Plaques

Unique mementos of this year's Tennessee Bankers' Association convention were presented to 1977-78 officers of the association and principal convention speakers at this year's meeting.

George R. Taylor, chairman and president, Merchants Bank, Cleveland, and TBA first vice president in 1977-78 (at right in photo), had plaques made featuring the convention program page from the May 1 issue of MID-CONTINENT BANKER. The page includes the photos and biographies of each TBA officer as well as the convention program. Pictured with Mr. Taylor is TBA Outgoing President Jack R. Bulliner (l.), chairman and president, First State, Henderson.

The page from the magazine was reproduced in metal and affixed to a wooden background designed to be hung on the wall of each officer's office.

It's a first for the TBA!

John H. Perkins (l.), ABA pres.-elect, convention speaker, chats with James A. Webb Jr. (c.), ch. & pres., Nashville CityBank, and W. C. Adams (r.), ABA v.p. for Tenn., and pres., Bank of Maryville.

was elected president-elect; James R. Fitzhugh, president, Bank of Ripley, became first vice president; and Dan B. Andrews, president, First National, Dickson, assumed the second vice president post.

Elected directors were John W. Andersen, president, First National of Sullivan County, Kingsport (East Tennessee); James A. Webb Jr., chairman and president, Nashville CityBank (Middle Tennessee); and Andy Newmon, president, First State, Kenton (West Tennessee).

Elected to head the independent bankers division were Jeffery A. Golden, executive vice president, City Bank, McMinnville—chairman; J. D. Clinton, vice president, Brownsville Bank—president; and J. H. Muse, president and cashier, Farmers State, Mountain City—secretary-treasurer.

New chairman of the national bank division is E. B. Thoma III, president, First National, Tullahoma.

Heading the state bank division are J. W. Hudson, president, Bank of Madisonville—chairman; William Smith, president, Bank of Commerce, Woodbury—vice chairman; and B. H. Draughn Jr., president, First Trust, Oneida—secretary-treasurer.

Charles R. Miller Jr., chairman, Citizens Bank, Cookeville, was elected to the ABA's governing council. • •

• **American Bankers Association.** "Contingency Plans in the Event of a Postal Interruption" is the title of a publication prepared by the ABA's postal service task force that again is being offered to bankers as the possibility of a postal workers' strike looms. Contracts will expire July 20. The plan was drawn up in cooperation with the Fed for use if a suspension of the private express statutes is announced by the Postmaster General. Cost of the publication is $5. Write: ABA Order Processing Department, American Bankers Association, 1120 Connecticut Avenue, N. W., Washington, DC 20036. Specify order No. 06890.

'Q' Doomed?

(Continued from page 10)

(including small-denomination subordinated debentures).

Recently, George LeMaistre, FDIC chairman, opined that Regulation Q should be repealed. The sooner that is done, he said, the better.

With few exceptions, the S&L industry would object to Q's repeal, as long as the existing interest differential is permitted. Most bankers would like Q to continue, but with the interest-rate differential removed.

A growing proportion of bankers have developed a number of techniques, some apparently bypassing Q's intent, when they are faced with customers who are dissatisfied with the rate they receive and who plan to withdraw their time deposits. At least one New York thrift packaged participations in large-denomination CDs, which carried a higher yield than passbook savings accounts. You can imagine commercial bankers' reaction to this!

But where were those funds attracted? Often, to higher-yield government securities or top-rated bonds of prime corporations—or to hybrid securities, such as those issued by "Ginny Mae."

For the past several years, failing banks and S&Ls haven't been liquidated as readily as in the past. Rather, they are merged into stronger institutions, which typically pay premiums for sound assets of problem institutions. The FDIC assumes the substandard assets for a future workout. Also, the FDIC often lends funds to the assuming bank for the takeover. Thus, while shareholders of a troubled bank may be wiped out, holders of subordinated debentures will come through the ordeal relatively unscathed.

Similarly, thrifts now are increasing their capital bases through use of subordinated debentures, which can be sold to thrift depositors who threaten withdrawal or disintermediation to competitive higher-yielding securities.

On the sidelines are a number of organizations, major national merchandisers, for example, that pay above-Q interest rates on credit balances of their credit-card users. Merrill Lynch, Pierce, Fenner & Smith, Inc., is pressing to link a check-like draft to credit balances which will earn interest on customers' accounts. Somewhat similar techniques have been used for many years, even by small loan companies.

Today, Q appears to have developed many fractures and bypasses. Most bankers and politicians with whom I discuss this support Q's extention, not for a year at a time as is typical, but for a longer period, say five years.

A smaller number side with Chairman LeMaistre, preferring Q's demise. Most regulators recognize this as a politically sensitive "hot potato."

Time will tell which side will prevail. Either way, bankers will face times ahead calling for abandonment of complacency and recognition of a need for increased competition for time deposits from open-market instruments and innovative nonfinancial institutions.

Leading commercial bankers and trade associations once held that thrifts were no competitive threat to banking as long as the interest-rate differential didn't exceed 1/2%.

At press time, Senator Thomas J. McIntyre (D.,N.H.) had proposed a well-supported bill to permit commercial banks (that want it) the power to offer the equivalent of interest-paying checking accounts. Thrifts that oppose this movement may ponder the words of Maurice Mann, past president of the Federal Home Loan Bank of San Francisco: "It's only a matter of time before Q's differential is eliminated." • •

Agencies Adopt Uniform System To Rate Soundness of Banks

A uniform interagency system for rating the condition and soundness of banks has been adopted by the Fed, the FDIC and the Comptroller.

The system has two main elements:

• An assessment by examiners of five critical aspects of a bank's condition and operations, including capital adequacy, asset quality, management ability, earnings quantity and quality and liquidity level.

• A combination of these basic factors into a composite rating of a bank's condition and soundness. Banks will be placed in one of five groups ranging from those that are sound in almost every respect to those with excessive weaknesses requiring urgent aid. Group 1 will be the best and group 5 will be the weakest.

The new system is expected to provide a basis for comparable judgments by supervisors on all of the nation's federally insured banks.

CONVENTION REPORT

Inflation, Energy Problems Spotlighted At Missouri Bankers' Annual Meeting

By ROSEMARY McKELVEY
Editor

ENERGY AND INFLATION, probably two of the most important issues facing this country today, were discussed at the Missouri Bankers Association's 88th annual convention in St. Louis last month. Convention entertainment activities and exhibits were in the new Sheraton Hotel, while business sessions were held in the new Cervantes Convention Center across the street from the hotel.

The inflation topic was handled by Robert S. Strauss of Washington, D. C., special counselor on inflation to President Jimmy Carter. According to the Texas-born Mr. Strauss, inflation is not due to an overheated economy; it's a wage-price push, in which everyone grabs to protect himself or herself against the future. As he put it, "We almost have a looter philosophy in which it's 'Let me grab mine and run.' "

Mr. Strauss said that if this attitude is to be eliminated voluntarily without government intervention, business and labor leaders "are all going to have to slow it down a little bit" when they make price and wage decisions.

The President's counselor maintained that the Carter Administration will not impose wage and price controls, but he believes there is realistic hope of combating inflation despite annual federal budgets of $60 billion. He explained that this is possible because the nation is not experiencing "a deficit-controlled or interest-controlled inflation."

During his talk, Mr. Strauss announced that St. Louis bank executive S. Lee Kling had been appointed his assistant in the fight on inflation and would accompany him around the country asking for business and labor cooperation with the President's voluntary anti-inflation program. (See related story in Banking World section.)

The Energy Problem. Earl K. Dille, executive vice president, Union Electric Co., St. Louis, speaking on energy, said that this country is involved in a fuel crisis, not an energy crisis.

"For many years," he continued, "our energy economy has been influenced by false market signals, which, in turn, were caused by government controls on pricing and production. The present and inevitable result is that now we are using the most of those fuels we have the least of and the least of those fuels we have the most of. The time is getting very short, and we must start letting natural economic forces control our energy decisions. The alternative is to enter a period of privation and recession that could make the 1930s look like the Golden Age."

With the help of slides containing charts and graphs, Mr. Dille demonstrated how short we are going to be on various fuels by the end of this century. He also discussed various alternatives to oil and natural gas, which presently account for the vast preponderance of our energy usage. He pointed out that it's known that coal and nuclear resources can replace much of this oil and gas requirement, "if we are allowed the time and money to construct the capital facilities needed."

Mr. Dille discussed solar power, including the solar-assisted heat pump; windmills; ocean tides, which have been harnessed to generate electric power; geothermal power, or the harnessing of natural geysers; and fusion generation of power, which utilizes the principle of the hydrogen bomb.

Then, Mr. Dille pointed out that, in addition to developing new sources of energy, it's also necessary to continue research into more efficient means of transporting this energy. Extra-high-voltage transmission systems, cryogenic cables and coal-slurry pipelines, he continued, will all have an impact on our ability to move power from one place to another and, consequently, on our ability to optimize our overall energy utilization.

Mr. Dille defended nuclear power plants, saying that since the first commercial nuclear plant went into service at Shippingport, Pa., in 1956, no member of the general public or plant-operating forces has ever been injured in a nuclear incident.

State of the Association. Instead of just the traditional president's report, conventioneers this year heard from all four top MBA officers: President Mills H. Anderson, chairman, Bank of Carthage; Vice President Pat Lea, chairman/president, First National,

NEW MBA officers are (l. to r.): treas., Lee Huddleston, Kansas City; v.p., S. K. Turner, Kirksville; and pres., Pat Lea, Sikeston.

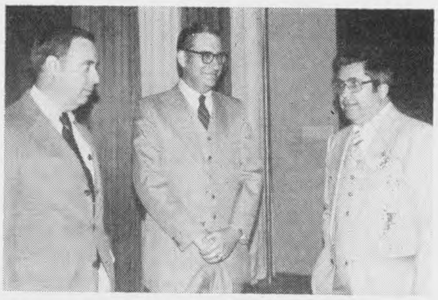
Sikeston; Treasurer S. K. Turner, president, First National, Kirksville; and Executive Vice President Robert W. Crawford, Jefferson City.

President Anderson listed some of the MBA's legislative accomplishments of the past year: a recodification of the state banking law, with an accompanying authority to charge a $10 minimum on loans; rewriting the multiple-loan law; permitting bank customers more than one loan under the Small Loan Law; creation of a Common-Trust Law, which expanded investment opportunities for bank customers; passage of an exemption to the Corporate Farm Law, which expanded trust departments' abilities to serve agricultural and rural customers; and, most recently, a bill—at the time of the speech not yet signed by the governor—allowing loans to be made in certain facilities. This latter was correctional, said Mr. Anderson, and should forestall much litigation on the subject.

The MBA president also spotlighted laws that were defeated through MBA efforts and that would have jeopardized banks' opportunity for reasonable profit.

During his report, Mr. Anderson announced creation of the MBA's political action committee. Through MOBANC-PAC, bankers can make personal contributions of money to legislators and candidates they believe will help banking causes. According to Mr. Anderson, this program has been carefully drafted, with the strictest respect to laws governing such activity.

He also alluded to the advertising kit—developed by the MBA's marketing/public relations committee—which has been utilized by 29 member banks at a minimal cost and which will be expanded in the future.



Charles S. Betz (l.), 1978 MBA convention ch., visits with Earl K. Dille (c.), e.v.p., Union Electric Co., convention speaker, and Pat Lea, who moved up from MBA v.p. to pres. during convention. Mr. Betz is v.p., First Nat'l, St. Louis; Mr. Lea, ch./pres., First Nat'l, Sikeston.

If he were to evaluate his administration, Mr. Anderson would single a more dynamic legislative commitment as his major thrust, and to strengthen this legislative commitment, the MBA has a new staff member, Richard Mason, who became director of governmental affairs June 1. Mr. Mason, who holds a marketing degree from the University of Missouri-Columbia, formerly was engaged in fund-raising activities with the Missouri Division of the American Cancer Society in Jefferson City.

As part of his presentation, Mr. Anderson introduced the incoming association regional vice presidents, who will take office at the regional meetings next fall. They are: *Group One,* J. W. Ballinger III, executive vice president, Bank of Cairo; *Region Two,* Larry Richards, president, Community Bank, Chillicothe; *Region Three,* Charles D. Maxwell, executive vice president, Farmers State, Cameron; *Region Four,* Paul E. Warren, senior vice president, First National, Liberty; *Region Five,* Robert E. Findley, executive vice president, Colonial Bank, Des Peres; *Region Six,* Doyle Horne, president, Missouri Delta Bank, Hayti; *Region Seven,* Charles Spangler, president, Aurora Bank; *Region Eight,* Waldo F. Mottaz, president, State Bank, Hallsville.

Vice President's Report. MBA Vice President Pat Lea said he intends to pursue the development of greater acceptance of the banking industry before the state and federal governments and will encourage full participation in the newly created Missouri bankers political action committee. To complement the necessary program of political participation, Mr. Lea reconfirmed an announcement made by Executive Vice President Crawford at the bank management conference on the desirability of presenting a program to the membership involving "compliance" with the many federal and state laws, rules and regulations. The incoming MBA president emphasized this doesn't mean he concurs with the interpretation of the new regulations.

"You will see in the immediate future," continued Mr. Lea, "a concerted effort to develop training techniques that will allow you and your employees to understand fully how to comply with the multitude of laws that we now work with every day. This compliance program will receive high priority together with an improved program of federal legislative reporting.

"An additional goal is to encourage each of you to participate voluntarily in a role that could bring about a rate

R. Quinn Fox (standing, l.), a.v.p., First Nat'l, St. Louis, and sec., MBA 50-Year Club, is pictured with new club members (all standing): Ralph A. Bertel (2nd from l.), e.v.p., American Nat'l, St. Louis; Ralph T. Haynes (3rd from l.), pres., Carroll County Trust, Carrollton; George F. Benner (2nd from r.), v.p., South Side Nat'l, St. Louis; and Roland Petering, Mercantile Bank, Kansas City. Seated are newly elected 50-Year Club officers: Edward H. Schoor (l.), retired officer, Mercantile Trust, St. Louis; and A. F. Berger, pres., Citizens Bank, Owensville. Mr. Schoor is club v.p., and Mr. Berger is its pres. Club now has 163 members.

reduction in the cost of our bankers blanket bond."

MBA Executive Vice President Crawford announced that, at the Monday night party (May 15), he had arranged for Missouri state legislators to attend, and he asked conventioneers to "work them well"; that is, take that opportunity to present banking's story to the lawmakers.

New officers. As is traditional, Vice President Lea succeeded Mr. Anderson as president, and Treasurer Turner moved up to vice president. Elected treasurer was Lee Huddleston, president, Country Club Bank, Kansas City.

ABA Officers. Elected to the ABA's governing council for two-year terms were Mr. Anderson and William W. Quigg, executive vice president/trust officer, Central Trust Bank, Jefferson City. • •

Recession in 1979? Investment Panel Says Yes At Missouri Convention

An economic recession in 1979 was predicted at the MBA convention by a panel of investment bankers. It will be the result, they said, of consumer realization of inflation.

Panel members were: moderator, Frank K. Spinner, senior vice president, First National, St. Louis; William F. Enright Jr., chairman, American National, St. Joseph; Harold R. Hollister, senior vice president, United Missouri Bank, Kansas City; Richard L. Johannesman, senior vice president, Mercantile Trust, St. Louis; and Walter E. Knowles III, senior vice president, Commerce Bank, Kansas City.

According to the panel, the country is on the up slope of an economic cycle and will reach the peak during the last quarter of 1978. Therefore, it's time to lengthen investment to three to five years because a recession means lower interest rates. Thus, it's best to invest through a recessionary period.

Bankers were warned to be cautious of agencies, to watch their historical spreads, and if they're too wide, to buy government bonds. The audience also was warned to be wary of Freddie Mae and Ginnie Mae pass-throughs. As for tax-exempts, panelists advised that, although they haven't reached their peak, they are near it. Thus, they advised buying long, not short, and buying quality issues.

Speaking on the Fed, one panelist said the new chairman, G. William Miller, has turned out to be refreshing, seems to have the fortitude to stand up and be counted, to be willing to listen and learn. However, he added that Mr. Miller's test still is in front of him.

The Fed, said the panel, has two problems: 1. Lower price inflation at home. 2. Defend the dollar on international markets. It also has two options: 1. Supply money to the private sector as it needs it. 2. Cut off the money supply and drive interest rates higher.

The panel described the government's tax policy as confusing, the income tax as an abomination and recommended lowering the capital-gains tax.

LEFT: Pat Lea makes his first appearance as MBA pres. at final convention business session May 16. He is ch./pres., First Nat'l, Sikeston. RIGHT: Missouri Governor Joseph P. Teasdale gives luncheon speech May 16 at MBA convention.

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CONVENTION REPORT

Kansas Bankers Prove They 'Can Do It' At Annual Convention in Topeka

By LAWRENCE W. COLBERT, Assistant to the Publisher, and JIM FABIAN, Associate Editor

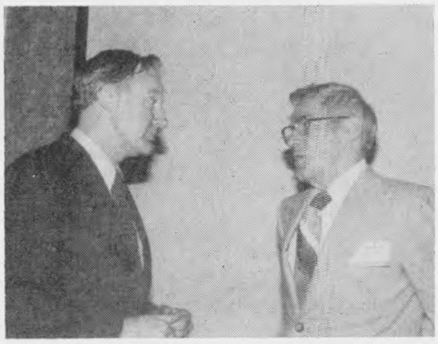
THIS YEAR'S Kansas Bankers Association convention theme was "You Can Do It!" And the officers of KBA proved they could do it—they managed to stage a convention with only one business session (a trend that is catching on at other state association conventions) that involved only two major speeches, only one of which directly concerned banking.

They also proved at their 91st annual convention in Topeka last month that they could keep more than 1,500 attendees happy despite windy, rainy weather by scheduling ample amounts of golf, tennis, entertainment and food.

The first serious item on the convention calendar was a showing of a "CBS Reports" TV program about bank regulation. The film, which was aired earlier this year over the network, addressed the regulatory situations in Texas and Wisconsin. Interviews with banking commissioners of both states left the impression that state supervision is in poor hands.

Outgoing KBA President Elwood Marshall, president, Home Bank, Eureka, commented on the affairs of the KBA during his term of office at the business session.

"Except for our inability to take a stand for or against the so-called 'facilities bill' in this year's legislative session," he said, "we have been highly successful in influencing all the legislation affecting banking."



Robert J. Robel (l.), ch., Kansas Energy Council and professor of environmental biology at KU, visits with outgoing KBA Ch. Floyd V. Pinnick, pres., Grant County State, Ulysses, during convention business session.

Chief among the bills KBA has influenced as they passed through the Kansas legislature are: S. B. 950—amendment in financing statement statute; S. B. 517—usury increase on real estate loans; S. B. 549—reporting death of joint depositors to revenue department; and S. B. 516—unclaimed property to be turned over to the state treasurer.

Mr. Marshall urged every Kansas banker to give serious consideration to making a personal contribution to Kansas BankPac. He said these contributions would insure the legislative future of Kansas banks.

Mr. Marshall reported that the KBA had made great strides through its insurance and protective commission in reducing group insurance costs and increasing coverage for Kansas bankers. He said that substantial cost savings have been made in the KBA Blue Cross-Blue Shield plan, also.

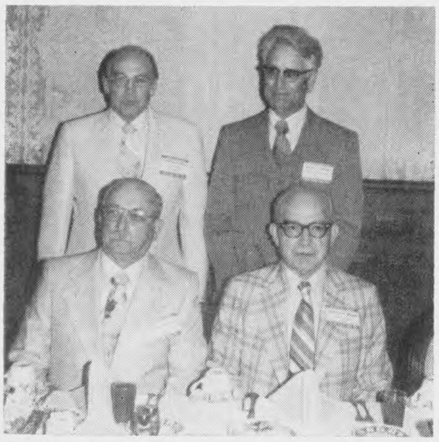
He said that a "much better understanding" has been reached with the business school at Wichita State University. Starting last April 1, the KBA no longer sponsors a chair of bank management at the school. The chair has been replaced with a bank management program in connection with a degree in business administration. A grant of $7,500 is being made to the university in support of the new program and a recommendation has been made that the university award from three to five $500 scholarships to students in their junior and senior years of the program.

Also, he said a special task force of area bankers has been created to build around this program a learning/working experience for those students who desire to participate. The program is the idea of Clifford W. Stone, chairman, Walnut Valley State, El Dorado, and Larry K. Williams, president, Halstead Bank.

Mr. Marshall commented on three new areas where the KBA is providing educations to its members to encourage professionalism in banking.

- The real estate lending task force has been charged with a full appraisal of what secondary markets exist for real estate loans and how Kansas banks could use these secondary markets safely to become a force in real estate lending.
- The newly established committee

KBA officers for 1978-79 pose after business session at convention in Topeka last month. They are (from l.) John C. Schmidt, treas.; Linton C. Lull, pres.-elect; W. C. "Dub" Hartley, pres.; and Elwood Marshall, ch.



New members of KBA's 50-Year Club gathered during convention last month. They are, standing: Chester W. Oberg (l.), Clay Center, and Ralph J. Brown, Oberlin. Seated: Clyde L. Carter (l.), Russell, and Noah V. R. Morris, Augusta.

on bank investments has developed and will present a KBA investment handbook to KBA members.

• A committee on commercial lending has been formed to provide KBA members with more expertise in that area to complement their activities in ag and consumer lending.

Mr. Marshall announced that the KBA is a participant in a program conducted by the ABA's education policy and development division involving a plan of action to improve the image of banking in the public eye.

The KBA board turned the program over to the Young Bank Officers of Kansas, who have come up with a plan to train six regional reps who will be assigned to conduct economic workshops for teachers at Kansas colleges this summer. They also will conduct a formal training workshop at the YBOK convention in October.

KBA has also been active in cooperating with the ABA in developing a program for outside directors, Mr. Marshall said. The purpose of the program is to inform these directors of their responsibilities. The first outside bank directors seminars will be held in July at Topeka and Wichita.

Robert J. Robel, chairman of the Kansas Energy Council, threw a scare at bankers during his major address on the energy situation by stating that the U. S. could not conduct a full-scale war of any duration because of its dependence on foreign oil to fuel its war machine.

He said there is no energy shortage at this time in the U. S., but that there is a grave national energy problem, which is shortage of inexpensive domestic energy supplies. This problem is pervasive, he said, in that it affects the economy, controls industrial development and establishes foreign policy.

To solve our national energy problem, he advised, we must decrease energy consumption and increase domestic energy production. "To neglect either side of the energy equation is shortsightedness, which will result in devastating consequences for this nation within the next decade. You as influential business leaders must be informed and conversant in energy issues and pass that information on to your associates. Each of you must be aware of federal action and help mold an effective national energy policy. Intelligent decisions and actions today will help avoid economic chaos tomorrow."

ABA members' meeting was conducted during KBA convention by L. W. Stolzer (c.), ch. & pres., Union Nat'l, Manhattan. At l. is outgoing KBA Pres. Elwood Marshall. At r. is incoming KBA Pres. W. C. "Dub" Hartley.

Six veteran Kansas bankers were inducted into the KBA's 50-Year Club during the convention. Each was given a plaque signifying he or she had been active in banking for the required number of years.

Honored were: Ralph J. Brown, Farmers National, Oberlin; Noah V. R. Morris, Prairie State, Augusta; Clyde L. Carter, Russell State; Chester W. Oberg, Union State, Clay Center; G. S. Yantiss, Union State, Olsburg; and Elwood C. Yoder, Citizens State, Cheney. Mrs. Yantiss and Mr. Yoder did not attend the convention.

Mr. Oberg has the distinction of being part of the only father-and-son team in the 50-Year Club. Frank Oberg, father of Chester, was inducted into the club in 1951. Together, the two Obergs have a total of 115 years in the same bank.

W. C. "Dub" Hartley, president, Miami County National, Paola, was inducted as president of the KBA to succeed Mr. Marshall, who became chairman of the association. Mr. Hartley was elevated from the president-elect position. New president-elect is Linton C. Lull, president, Smith County State, Smith Center, and John C. Schmidt, executive vice president, Exchange Bank of Schmidt & Koester, Marysville, was inducted as KBA treasurer.

Newly elected representatives of the six regions of KBA were inducted at the convention. They are: Norman B. Dawson, president, Manufacturers State, Leavenworth—region one; Dean W. Daniel, president, First National, Coffeyville—region two; H. L. Schram, chairman and president, Morrill & Janes Bank, Hiawatha—region three; William W. Altman, president, Home State, Clearwater—region four; Ronald R. Louden, president, Citizens State, St. Francis—region five; and James D. Herrington, chairman and president, Coldwater National—region six.

John J. Sullivan Jr., president, Mid-American Bank, Roeland Park, was elected to the ABA's governing council for a two-year term. • •

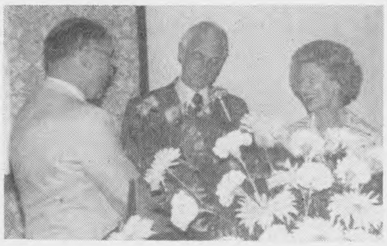
Roger Kirkwood to Retire

Roger D. Kirkwood, KBA public relations director, was honored at the KBA convention for his 16 years' service to the association. He will retire July 1.

Mr. Kirkwood joined the KBA in 1962, following service as director of the Kansas Centennial Commission, which administered observance of the state's 100th birthday. Prior to that, he was editor and assistant publisher of *Kansas Business* magazine and *Midwest Industry* magazine, state and regional industrial publications. His earlier journalistic positions included work on daily newspapers and with the Associated Press in Topeka.

His assignments with the KBA have included editing *Kansas Banker* magazine, and serving as secretary to the advertising, marketing, agricultural and commerce and industry committees. As director of public relations, he was always on the scene at KBA events and was easy to spot, due to his stature, distinguished silver hair and ever-popping flashbulbs.

Mr. Kirkwood plans to remain in Topeka to do free-lance writing and to serve as a private consultant.



KBA Exec. V. P. Carl A. Bowman (l.) congratulates Roger Kirkwood (c.), retiring KBA dir. of public relations and association sec., on Mr. Kirkwood's 16 years of service to KBA during convention last month. At r. is Mrs. Lynn Kirkwood.

CONVENTION REPORT

Call Made for More 'Texas-Style' Leadership; Cheever Elected President at TBA Meeting

By LAWRENCE W. COLBERT, Assistant to the Publisher

MORE TEXAS-STYLE leadership on a national scale was called for by ABA President A. A. "Bud" Milligan, president, Bank of A. Levy, Oxnard, Calif., at the recent 94th Texas Bankers Association convention in San Antonio.

Mr. Milligan encouraged bankers to put their leadership qualities on the line to combat inflation, which, Mr. Milligan said, is the nation's number one problem at this time.

Mr. Milligan said he favors "the tell it like it is and let the chips fall where they may" approach that was displayed by Texas bankers earlier this year during the ABA's leadership conference of governing council members. He said he was pleased to see that more bankers are showing more of that sort of Texas-style leadership.

Outgoing TBA Pres. Charles L. Childers (l.) pins badge of office on incoming TBA Pres. Charles E. Cheever Jr. following election of officers at convention.

He praised Fed Chairman William Miller's statement that the Fed can't be expected to do it all when it comes to halting inflation. He echoed Mr. Miller's comment that private industry —like government—must exercise some restraint if inflation is to be controlled.

What this means to bankers, he said, is that "we ought to take a look at the long run and perhaps be a little less quick to raise our interest rates every time the indicators justify doing so."

He said that, if inflation isn't brought under control, bank profits will suffer in the long run. It's a case of sacrificing a little short-term profit for a long-term benefit, he said. "I think it's a sacrifice we can afford to make," he said. "In fact, it's a sacrifice we can't afford not to make."

He added that leadership by example, which the above would be, is the most effective kind of leadership. It's the kind of leadership that will carry over into other areas, he said. It will blunt the efforts of those who seek to restrict banking unduly through measures like the Safe Banking Act. It will answer those who would bring about credit allocation through misuse of the Community Reinvestment Act.

Leadership by example is the sort of leadership the entire banking industry must show. It will benefit banking and the nation, he said.

Leonard L. Berry, chairman, department of marketing, Georgia State University, Atlanta, spoke on the forces for change and the new financial services consumer.

He sketched five forces for change in America that he believes hold significant implications for banking. They are new demographics, rising level of education, new values, new economic realities and the growing poverty of time.

He said these forces for change are related. For example, educational gains are contributing to the emergence of the new values and the new values, in turn, are giving new meaning to a variety of time-using activities.

States have the opportunity to strengthen regulatory postures, said Joseph E. Jones, executive secretary of the advisory council of the Conference of State Bank Supervisors (CSBS) to the TBA state bank division.

Mr. Jones cited the growing political power and prestige of the states in national affairs and noted, with enthusiasm, the evolving commitment of state governments to bank regulatory excellence at the state level.

As evidence of this commitment, he pointed to a resolution recently adopted by the National Governors Association supporting the integrity of state authority over the banking structure and pledging itself to an active defense of that authority to the maintenance of strong state banking departments and to the eventual realization of supervisory parity for state bank regulators with the Comptroller of the Currency.

Mr. Jones also noted the strong support given the concept of duality in

New TBA officers for 1978-79 include Charles E. Cheever Jr. (l.)—pres.; and R. M. Duffey Jr. (r.)—v.p. In center is outgoing Pres. Charles L. Childers, pres., Tyler Bank.

recent speeches by state officials.

According to Mr. Jones, a continuing commitment to the maintenance of bank regulatory excellence by all state administrations and legislatures is the most important of four elements that, over time, all state bank regulatory systems must possess if the dual-banking system is to survive. The other elements are: adequate numbers of competent, well paid personnel, including such specialized personnel as legal counsel, EDP and trust examiners and long-range planners; financial resources sufficient to assure continuous high quality training for all levels of department personnel; and banking laws and regulations that are clear, concise and responsive to the needs of both the banks and the public they serve.

Mr. Jones said the CSBS's primary goals are "the preservation of a responsive, efficient decentralized state bank regulatory structure solidly based on optimum performance of the supervisory/examination functions by all state banking departments."

He outlined a number of CSBS's current representational, educational and research activities aimed at accomplishing these goals.

He suggested that the conference's primary contribution to the individual state banker is "the maintenance of your unique freedoms to do business."

Remember, he said, and cherish the fact that banking services in this country are a competitive enterprise in an economic system that, while closely regulated, is still by far the freest anywhere on earth. And, he added, it is the checks and balances inherent in the dual-banking system, and only those checks and balances, that assure this freedom.

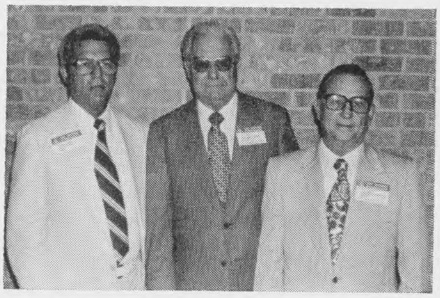
He challenged his audience to help make the evolving commitment to regulatory excellence on the part of the states a reality. "Everyone interested in the integrity and viability of state governments has a golden opportunity to strengthen the relative position of the states in one of the most viable areas of dual authority—the regulation of banks," he said.

Resolutions adopted during the convention expressed the TBA's mounting concern regarding the continuing usurpation of legislative prerogatives by federal boards and agencies. It cited the fact that about 400 new laws are enacted by the Congress each year but that some 40,000 new rules and regulations come forth from the various federal administrative agencies, each having the same force and effect and providing for substantially the same penalties as an act passed by Congress.

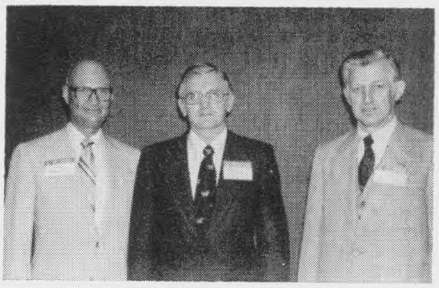
This usurpation has caused the channels of commerce to become needlessly clogged with regulations that are staggering in number and frustrating in complexity—and the cost is usually born by taxpayers.

A copy of the resolutions is to be forwarded to each member of the Texas congressional delegation.

Speakers at TBA convention included (from l.) Joseph E. Jones, Conference of State Bank Supervisors, Washington, D. C.; Leonard L. Berry, Georgia State University, Atlanta; Paul S. Nadler, Rutgers University, New Brunswick, N. J.; and John J. McKetta, University of Texas, Austin.



New officers of TBA state bank div. pose with retiring Ch. Warren P. Duren (c.), pres., Mills County State, Goldthwaite. At l. is Grady H. Langford Jr., pres., West Bank—div. sec. At r. is M. L. Everett, pres., Washington County State, Brenham—div. ch. New v. ch., Stephen T. Jordan, pres., First City Bank-Farmers Branch, is not pictured.



Retiring ch. of TBA nat'l bank div., C. W. Jones (l.), ch. & pres., Mercantile Nat'l, Corpus Christi, poses with new v. ch., Thomas G. Parker (c.), ch., First-Taylor Nat'l, and Glyn Gilliam, pres., Graham Nat'l, new sec. Not pictured is new Ch. Gene H. Bishop, ch., Mercantile Nat'l, Dallas.

Transfer Workshops Set

The ABA will hold two workshops in the Mid-Continent area designed to assist bankers in planning for and assessing the financial impact of automatic transfers from savings to checking to cover overdrafts.

The workshops will be held July 11 at the Houston Hyatt Regency Hotel and July 18 at the Hyatt Regency O'Hare Hotel, Chicago.

The one-day sessions will include a description of the federal regulations authorizing the transfers, financial implications of the service, an operations overview and a review of marketing planning.

Registration and reservation information is available from George Shutt, director, marketing division, ABA, 1120 Connecticut Ave., N. W., Washington, D. C. 20036.

Another resolution honored Lee L. Wilborn, the TBA's first education director, who is approaching retirement after serving the association for 10 years. Mr. Wilborn was cited for his contributions both to banking and to the public good, and especially for telling the story of banking to the youth of Texas.

New elected officers for 1978-79 include Charles E. Cheever Jr., president, Broadway National, San Antonio—TBA president; R. M. Duffey Jr., chairman and president, Pan American Bank, Brownsville—TBA vice president; and Robert B. Lane, chairman and president, Clifton Bank—TBA treasurer.

New officers in the national bank division are Gene H. Bishop, chairman, Mercantile National, Dallas—chairman; Thomas G. Parker, chairman, First-Taylor National—vice chairman; and Glyn Gilliam, president, Graham National—secretary.

M. L. Everett, president, Washington County State, Brenham, was elected state bank division chairman. Stephen T. Jordan, president, First City Bank-Farmers Branch, was elected vice chairman. Grady H. Langford Jr., president, West Bank, was elected secretary. • •

Oklahoma Branching Issue Unresolved As Comptroller Misses Meeting

By LAWRENCE W. COLBERT, Assistant to the Publisher

OKLAHOMANS expecting to hear the Comptroller of the Currency announce a long-awaited decision on the legality of branching by national banks in their state were disappointed last month. Comptroller John Heimann had to cancel his appearance at the Oklahoma Bankers Association convention due to illness, and his deputy, Charles B. Hall, chief national bank examiner, declined to read Mr. Heimann's speech. Mr. Hall told the audience that the announcement would be made public by Mr. Heimann in the near future.

The Comptroller's ruling is expected to have a profound effect on the banking structure of Oklahoma. He has been considering a 1976 application by First National, Okmulgee, to open a full-service branch within the city limits, despite the state's strict anti-branching law.

Last January, Mr. Heimann said that, while there was considerable merit supporting the bank's application, he planned to delay a decision until the Oklahoma legislature had been given another chance to modify the state's anti-branching law. However, the state senate's banks and banking committee was unable to agree on any changes.

Walter V. Allison, OBA pres., presiding at convention, delivers president's message.

The state's unit-banking law has been in the news for several years and bankers attending the convention were urged to try to resolve the issue soon.

Incoming OBA President William Rodgers Jr., president, Security Bank, Blackwell, told the delegates that the issue of branching, or some kind of multibank holding company policy, "must be resolved, now."

He said that, while state bankers have failed to reach a compromise, other financial institutions, such as S&Ls and credit unions, are increasing their competition for depositors and borrowers.

"If we don't serve customers in all areas of service, someone else will," Mr. Rodgers said. "We have the capability to compromise. We have to get emotion out of the issue," he added.

Mr. Rodgers was elected to the association's top post during the convention. Elected to serve with him for 1978-79 were W. L. Stevenson Jr., chairman, Central National, Enid—president-elect, and J. H. Patten, chairman and president, Security National, Norman—treasurer. Elected as Oklahoma representative to the ABA's governing council was Glen P. "Red" Ward, president, Arkansas Valley State, Broken Arrow.

Outgoing OBA President Walter V. Allison, chairman, First National, Bartlesville, announced plans by the University of Oklahoma at Norman to establish a chair of banking in the university's business college. Mr. Allison urged bankers to assist in raising the $750,000 needed to establish the program. "I urge you to participate by investing in the bankers of tomorrow," he said. He told the 1,200 bankers attending the convention that the university plans to offer a major in commercial banking as part of the program.

The mood of America was the topic of a speech given by George L. Gallup Jr., president, American Institute of Public Opinion. After giving his view of the public's mood about various topics on the national scene, such as inflation and wage and price controls, Mr. Gallup reported on attitudes related to banking.

He said there was both good and bad news about how the public views the institutions that handle their money.

The good news is that banks and the banking industry continue to be among the most respected institutions in this

Outgoing OBA Pres. Walter V. Allison (l.) poses with new Pres. William W. Rodgers Jr. (c.), and new Pres.-Elect W. L. "Bud" Stephenson. Not pictured: J. H. Patten, new treas.

Among speakers at OBA convention were (from l.) Norman Vincent Peale; Charles B. Hall, chief national bank examiner, Comptroller's office; and George Nigh, Okla. lt. gov.

country, Mr. Gallup said.

Furthermore, the public tends to rate the ethics and standards of behavior of bankers as "high" or "very high," placing them near the top of the occupations tested. This attitude is prevalent despite the Bert Lance affair of last year, but it doesn't reflect reaction to recent action by federal regulators accusing Mr. Lance of civil fraud, Mr. Gallup said.

About three in 10, or 31%, of Americans give bankers a "very high" or "high" rating in terms of honesty and ethical standards, 50% a rating of "average" and only 9% a rating of "low" or "very low," he said.

Bankers ranked fifth in a list of 20 selected occupation groups who were rated on honesty and ethical standards by a representative sample of the U. S. public, Mr. Gallup explained.

Topping the list are clergymen, with 62% of those polled giving them a "very high" or "high" rating, 30% a rating of "average" and 6% a rating of "low" or "very low."

Next are medical doctors, followed by engineers and college teachers. Then come bankers, policemen and journalists, followed by lawyers, undertakers, U. S. senators, business executives, building contractors and U. S. congressmen.

After congressmen come realtors, insurance salesmen, local political officeholders and labor union leaders.

At the bottom of the list are state officeholders, advertising people and car salesmen.

Ratings given bankers in terms of honesty and ethical standards are highest among the up-scale groups—college-educated, higher-income groups, he said. Ratings also are highest in the South. Actually, he added, bankers find a more trusting population in the Midwest and South than on either coast. And people over 50 rate theim higher than those under 50.

There's somewhat of a mixed picture on the question of public attitudes on the job bankers are doing for the nation, Mr. Gallup said. About 50% replied that bankers are doing a "good job," but 37% said they were doing only a "fair job" and 9% said a "poor job."

Among the key complaints respondents had are that banks are "too big and impersonal," are "condescending" and are "not innovative in serving the public."

A sharp difference in the rating of banks in regard to their effectiveness in community betterment was noted by Mr. Gallup. Residents of big cities were more critical of banking's role in the community than were residents of small towns.

Mr. Gallup concluded by stating that there is evidence to indicate that the

Report Has Magazine Look

The 48-page annual report of BancOklahoma Corp., Tulsa, looks, feels and reads like a news magazine. That's because the first year the bank was in its Bank of Oklahoma Tower was an eventful one, according to Eugene Swearingen, chairman and CEO.

". . . our assets grew 14.2% to \$911 million. Loans were up to 20.2% and deposits, 7.1%," Mr. Swearingen said. Local newspapermen contributed articles about the bank and its activities to be included in the report and an interview with Mr. Swearingen conducted by the business editor of the *Tulsa Tribune* doubled as a letter to shareholders.

TOP: Mr. Allison (l.) pins badge of office on Mr. Rodgers following election of officers at OBA convention. Mr. Allison is ch., First Nat'l, Bartlesville, and Mr. Rogers is pres., Security Bank, Blackwell. MIDDLE: Mr. Allison (r.) unwraps gift of luggage presented by Mr. Rodgers. BOTTOM: Linda Rodgers, wife of incoming OBA pres. (l.), presents token of appreciation to Mrs. Walter Allison, wife of outgoing pres.

mood of America is on a decided upswing. The somber post-Watergate mood has given way to an increase in national pride, he said. • •

Chase Information Center Open to Business Public

NEW YORK CITY—The information center of Chase Manhattan Bank has announced that it will offer its research and library services to the business public on a fee basis.

The center has more than 22,000 books, 2,450 subject industry files and 1,100 periodical titles and is staffed by professional librarians with expertise in the special needs of banks.

Sources will include 40 on-line automated data bases, some maintained and operated by various Chase information services subsidiaries.

The center is equipped to perform research and provide source documents on questions such as:

• What are the current and projected prices for the various types of steel and the overall prospects for the industry over the next five to seven years?

• Which companies have left New York City over the last five years?

• What are the names and addresses of the correspondent banking offices of each of the 50 largest banks in the U. S.?

• Can I get the 10K and annual report on each company in the high-fashion garment industry?

The information center also offers a document-retrieval service, taken from 11,000 reports on publicly held corporations filed with the SEC. These include annual reports, 10ks, 8ks, 10qs, prospectuses, registration and proxy material.

Services of the center are available on a per-use basis or by yearly retainer.

First Oklahoma Bancorporation Completes Private Placement

First Oklahoma Bancorp., Oklahoma City, has completed a $10-million private placement with an institutional investor. The six-year note issue provides for equal principal payments at the end of the fourth, fifth and sixth years. Proceeds from the financing will be utilized for expansion of the HC's leasing and industrial finance activities.

The issue received a rating of AA- and a commercial paper rating of A-1.

'Contributors' Program Rolls On

Willis J. Wheat (r.), s.v.p./marketing, Liberty Nat'l, Oklahoma City, presents a check for $1,875 to John Patterson (l.), pres., Oklahoma Theater Center, as John E. Kirkpatrick, Oklahoma City business and civic leader, philanthropist and Liberty Nat'l director, looks on. Mr. Kirkpatrick's participation in the bank's "Contributors" program made the contribution to the center possible. This is a business/community development program for the bank's directors. It offers contributions by the bank to predesignated nonprofit charities and civic groups in proportion to new business solicited for Liberty Nat'l by individual directors. Since December, 1975, the "Contributors" program has generated more than $42,000 in contributions. Mr. Kirkpatrick also qualified for the Everest Award, one of six achievement levels named for deceased bank directors who were leading "contributors" to their bank and community.

CONVENTION REPORT

Political Candidates, Inflation Share Spotlight At Arkansas Meeting in Hot Springs

By RALPH B. COX
Publisher

HOT SPRINGS became a senatorial stumping ground during this year's Arkansas Bankers Association convention, held last month. Those in attendance heard three candidates take to the stump to gain favor as the successor to Kaneaster Hodges Jr., who was named to fill out the unexpired term of the late John L. McClellan last year.

Arkansas Governor David Pryor and U. S. Representatives Ray Thornton and Jim Guy Tucker took the podium during the first general business session of the convention and gave their views on banking topics and the economic situation.

Mr. Tucker opposed some features of President Carter's tax reform program affecting bankers. The President proposes changing the tax treatment of reserves for bad debts. He said banks have been allowed to deduct artificially inflated reserves for bad debts in order to protect the banking system from catastrophic losses, but Mr. Tucker said experience didn't support the President. He said he would oppose that change.

He also opposed Administration proposals to place new limitations on bank loans to insiders. He said the proposal would be terribly restrictive to small banks in the state. He also opposed features of the tax reform package that would place new restrictions on small industrial bond issues and allow local governments to receive federal interest subsidies in lieu of having municipal bonds carry tax exemptions.

Mr. Thornton said he had supported a bill to exempt large commercial loans from the state usury law.

All three candidates discussed a deficit spending policy for the U. S. Mr. Thornton said passing a constitutional amendment to prohibit deficit spending isn't the solution to the U. S.'s economic problems. Both Messrs. Tucker and Pryor have advocated such an amendment.

Two other principal speakers appeared during the convention, both bankers. W. Liddon McPeters, chairman of the ABA's governing council, and president, Security Bank, Corinth, Miss., said that inflation is the single overriding issue for all Americans and, thus, is the number one concern of banking.

"Inflation is important, not just because of what it does directly to our industry," he said, "but also because the health of our industry is directly dependent on the overall health of the country."

He said that while labor and management have an equal obligation to fight inflation by exercising restraint in their demands, "a balanced budget must be part of any rational program to control inflation without increasing unemployment or stunting economic growth."

Mr. McPeters said that beyond private-sector restraint and a balanced federal budget, America must face up to its energy crisis and redesign tax policies to encourage new business investment and higher productivity.

He said a realistic inflation-control policy will require courage. "But the American people are ready for it.

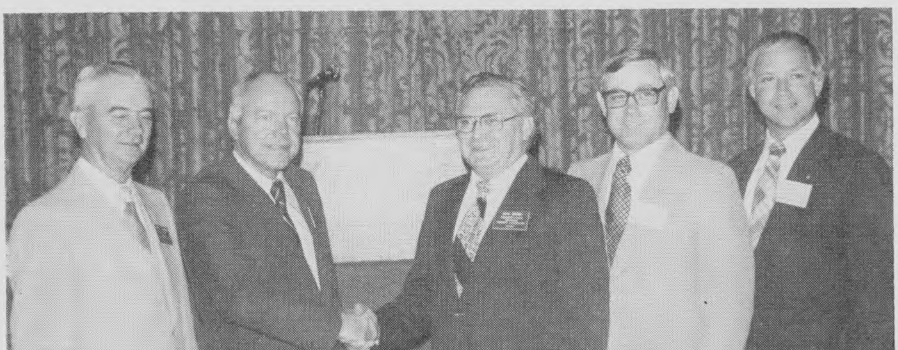
"We are in danger of viewing an underlying inflation rate of 6% tolerantly, even gratefully," Mr. McPeters warned. "We come to attention abruptly, however, when we understand that a so-called 'acceptable' inflation rate of 6% translates into doubling of prices every 10 or 12 years."

He called on our national leaders to take steps to reduce the inflationary spiral engulfing the nation.

What was termed a "flying jawbone" approach to inflation was assailed by Eugene A. Leonard, senior vice president, Mercantile Bancorp., St. Louis.

The very nature of markets causes prices to fluctuate in response to changes in supply and demand, he said. "It's not only unfortunate but just plain wrong to automatically equate such price changes with a lessening or worsening of inflationary pressures," he said.

He termed the Carter Administration's approach to inflation as a reply from the past. "In fact, the Administration's 'flying jawbone' has already



Ark.BA officers for 1978-79 are congratulated by outgoing Pres. Cecil Cupp Jr. (2nd from l.). From l.: James C. Hobgood, pres.-elect; Mr. Cupp; Doyl E. Brown, pres.; Joe S. Hiatt, v.p.; William H. Brandon Jr., treas.

LEFT: Speakers Eugene Leonard (l.) and C. C. Hope compare notes. Mr. Leonard is s.v.p., Mercantile Bancorp., St. Louis. Mr. Hope is nominee for ABA pres.-elect for 1979 and v.ch., First Union Nat'l, Charlotte, N. C. CENTER: Liddon McPeters (l.), ch., ABA gov. council, and pres., Security Bank, Corinth, Miss., poses with outgoing Ark.BA Pres. Cecil Cupp Jr., pres., Arkansas Bank, Hot Springs; and incoming Ark.BA Pres. Doyl E. Brown, pres., First Nat'l, Wynne. RIGHT: Bessie Moore (l.), exec. dir., State Council on Economic Education, with Mr. Cupp and Bruce Loftin, Jr. Bankers pres., and a.v.p., First Nat'l, Fayetteville.

You can't win 'em all, said our photographer as he developed these photos of Ark.BA past presidents! Our apologies to those whose heads have been "shaved" a little too close for comfort! Past presidents gathered for traditional social hour during convention.

been hurled squarely at cattle farmers and the Council on Wage and Price Stability has said it would welcome another consumer boycott of meat as a means of fighting inflation."

Mr. Leonard defined true inflation as a broad monetary thrust on the level of all prices generally, caused by excessive total spending in relation to output. It's more or less visible in specific markets depending on supply and demand conditions at a particular moment.

In the long run, he said, the Fed determines the supply of money even if it doesn't always control it. And, in the final analysis, only the government can contain total spending and thereby bring inflation under control.

There's a price to pay for this action, he added. "If and when it does this, the price to be paid is yet another recession—one that could have been prevented a year or two ago had the government learned from the mistakes of the past. In the meantime, we will 'pay' in other ways, including higher prices and through exposure to ill-fated government anti-inflation programs and diversionary tactics aimed at blaming the victims instead of the perpetrators."

Mr. Leonard pointed out that the economy has a built-in six to seven percent inflationary thrust that will continue to accompany fluctuation of prices, predicated on supply and demand. He cited as examples the recent increase in meat prices while at the same time prices of computers and desk calculators have declined, all directly related to supply and demand.

He said the underlying inflation can be cured only by curtailing the rate of monetary growth—a task that rests squarely on the shoulders of the public sector.

Bessie Moore, executive director for the State Council on Economic Education, described the progress of the council's program. She said that Arkansas school teachers have won a quarter of the national honors in this area, indicating that the state's program reaches the right people.

The program is helping to finance a national "trade offs" educational TV series and guides for elementary students, history teachers and other educators who reach all walks of life.

Bankers can be proud of the fact that they have participated heavily in this program with their time and financial contributions, she said, thus fostering better understanding in Arkansas regarding the functioning of the nation's economic system.

C. C. Hope, vice chairman, First Union National, Charlotte, N. C., and nominee for ABA president-elect, described the ABA's consensus process of establishing policy for the association and its approach to legislation in Washington. Final decisions on all major policy issues are determined by a majority vote of the governing council, he said, but only after a painstaking gathering of information from various sources, including banking leaders.

The council does change its mind, he said. He cited a council position stating that EFT terminals should not be considered as branches. When other members of the council pointed out that such a policy would be in violation of some state laws and that many bankers were opposed to the position, the council voted to reconsider its stand.

The North Carolina banker urged bankers in all states to participate in the consensus process by communicating directly with their ABA governing councilmen.

During the convention, Doyl E. Brown, president and trust officer, First National, Wynne, was elevated from president-elect to president, succeeding outgoing President Cecil W. Cupp Jr., president, Arkansas Bank, Hot Springs. James C. Hobgood, chairman, Merchants & Planters, Arkadelphia, was elected president-elect. New vice president of the association is Joe S. Hiatt, chairman and president, American State, Charleston. New treasurer is William H. Brandon Jr., president, First National of Phillips County, Helena.

William H. Kennedy, president, National Bank of Commerce, Pine Bluff, was elected to a two-year term on the ABA's governing council. • •

Credit-Life Sales

(Continued from page 16)

mum compensation allowed by state law. Thus, a national bank may not place its credit-life-insurance coverage through one of its directors unless the director is willing to forego all commissions. Admittedly, this is a strict interpretation in instances where the director is an outside director and owns only a nominal amount of the bank's stock. Perhaps the regulation should be amended to allow a director in this position to receive commissions paid directly by the underwriter. This would allow a national bank to continue placing its credit-life coverage through the agent it always had used.

On the other hand, contractual relationships between a bank and its directors are subject to close scrutiny by the Comptroller's Office. In a recent speech before the Texas Bankers Association, the Comptroller reminded his audience that in 1976 the office, after first soliciting public comment, had issued a policy statement governing applications for mergers, branches and the like, which states that insider transactions generally "should be avoided." The Comptroller went on to say, "In light of this policy, I encourage you to explore alternatives to any contractual arrangements between your banks and insiders before asking the Comptroller's Office for approval" on an application. Thus, it might run counter to the agency's tendency to discourage insider transactions if the Comptroller's Office proposed an amendment to the regulation exempting outside directors owning a nominal amount of bank stock from receiving credit-life commissions.

Whether an amendment to the regulation will be proposed may in part depend on the demand for it. The half dozen comments received to date do not seem to warrant such action. Either the matter is not of great concern or our interpretation is not that well known.

The third area that may generate amendments to the regulation is in the definition of credit life insurance. This problem arose when an insurance company asked whether group mortgage life insurance and mortgage cancellation life insurance was covered by the regulation. We responded in the negative pending further study of whether this type of insurance is sufficiently similar to credit life insurance to be within the regulation's scope. At the same time, we warned that exclusion of mortgage cancellation life insurance and the like from the regulation's coverage should not be interpreted as allowing officers and inside directors to receive and retain commissions from the sale of this kind of insurance.

As a supervisory matter, the Comptroller's Office believes that officers should not receive and retain profits generated by services rendered to bank customers. It's totally improper and unsound for officers to utilize bank premises, customers, personnel and goodwill for their own personal gain. Any income from such activities, including sale of any kind of insurance, should be credited to the bank or the activity should not be carried out at all.

Finally, we are concerned about proposals now being circulated by insurance companies suggesting that individual bankers whose banks can sell up to a specified amount of credit life insurance each year make a personal investment in a newly formed credit life insurance company to underwrite or reinsure credit life policies. In the press release announcing the new credit-life-insurance regulation last September, the Comptroller indicated his concern about banks that contract with insurance companies owned or controlled by bank officers and directors. Our interest here is twofold. In light of the Comptroller's views on insider transactions as contained in the previously described Texas Bankers Association speech and in the 1976 policy statement on corporate activities, is it desirable for officers and directors owing fiduciary duties to invest in a credit life insurer and then arrange for the bank to obtain its credit-life-insurance coverage from that company when other alternatives are available? Would such an investment encourage investors to "push" the sale of credit life insurance so hard as to increase the possibility of a violation of the antitrust laws and the anti-tying provisions of the Bank Holding Company Act amendments of 1970? These are among concerns we will be studying on this particular issue.

Before closing, I want to mention a ruling issued by the Comptroller's Office April 4. As indicated earlier, the Independent Bankers Association of America has challenged the validity of the Comptroller's new credit-life-insurance regulation. Shortly after the suit was filed, the IBAA suggested that its members consider establishing a trust to hold all commissions or other income generated from the sale of credit life insurance while this litigation works its way through the courts. The April 4th ruling states that the Comptroller's Office has no objection to this suggestion, but does have reservations about certain language in the trust instrument drafted by the IBAA. Specifically, the office objects to a clause in the IBAA Model Trust providing that the trust shall receive only the net income from credit-life-insurance sales after deducting all expenses, including overhead and salaries. The ruling said these expenses may not be deducted unless they represent reimbursements to the bank for costs incurred and expensed by the bank. In other words, according to the ruling, ". . . there should be no situation where an amount is deducted from the gross commissions and then paid directly to an officer or employee or an officer's insurance agency. We would regard such action as a violation of §2.4(a) of the regulation and an unsafe and unsound banking practice."

Finally, the ruling advised that the Comptroller's Office will not allow the trust to be terminated and its assets to be returned to the grantor without a court order approving the same. The office may oppose any such order, regardless of the outcome of the two suits now pending on the credit-life-insurance issue. • •

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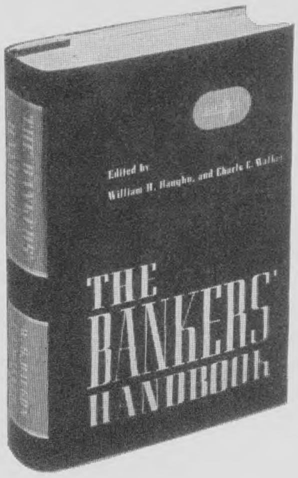

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The manual also is helpful in updating annual shareholders' meetings at a time when stockholders are becoming more insistent on receiving meaningful information at annual meetings and in annual reports. **No. 102, $8.00 each.**

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• **Policy Statement for Equal Employment Opportunity.** 4-page study contains suggested Equal Opportunity Program aimed at preserving a bank's eligibility to serve as federal depository. **No. 112, 2 copies for $1.**

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NEWS
From the Mid-Continent Area

Alabama

■ TWO OFFICERS of First Alabama Bank, Birmingham, have been elected officers of First Alabama Bancshares, Montgomery-based bank HC to which the bank belongs, in a reorganization of the investment department. Sam F. Malone, vice president, bond department, was named HC investment officer. George R. Frame, also vice president, bond department, was made assistant investment officer of the HC. In other action, First Alabama Bancshares elected three new directors—W. Houston Blount, Willard L. Hurley and J. E. Beasley Jr. Mr. Blount is president, Vulcan Materials Co., Birmingham; Mr. Hurley is president/CEO, First Alabama Bank, Birmingham; and Mr. Beasley is chairman, Sweet Sue Kitchens, and chairman, First Alabama Bank, Athens.

HURLEY BEASLEY BLOUNT

■ MARY GEORGE JORDAN WAITE is serving on the National FFA (Future Farmers of America) Foundation, headquartered in Madison, Wis. As a member of the campaign team, she advises the foundation on its annual fund drive and its development and endowment programs. She is chairman and president, Farmers & Merchants, Centre.

■ FIRST NATIONAL, Decatur, has promoted Lawrence E. Sturges to vice president, Bayne J. Vaughan Jr. to assistant vice president and John C. Bolton to assistant cashier. Mr. Sturges joined the bank in 1976, going from First National, Birmingham, which—like First of Decatur—is an affiliate of Alabama Bancorp. Mr. Vaughan, with the bank since 1973, is manager, Highway 31 South Office. Mr. Bolton has been in the installment loan department since joining First National in 1976.

■ FIRST NATIONAL, Mobile, has appointed John H. Gillis a vice president/commercial loan officer and J. David Richardson a mortgage loan officer. Mr. Gillis has several years' banking experience, chiefly in international banking, commercial lending, loan administration, documentation and portfolio management. Mr. Richardson formerly was with an Atlanta realty firm.

Arkansas

Water-Resources Report On Arkansas Available From Commercial Nat'l

LITTLE ROCK—A report dealing with conservation and management of Arkansas' water resources now is available on request. Called "Arkansas Water: A Fragile Wealth," it's the 1977 report of Commercial National's national advisory board.

Conclusions reached by the board recommend a course of action that will ensure Arkansas a plentiful supply of this most basic and precious resource, according to a bank spokesman.

In summary, the report's conclusions are:

1. Arkansas has abundant water resources. The state should be cautious about sharing these resources with adjacent jurisdictions, but not unduly alarmed because recent information indicates the economic unfeasibility of diverting the water. Certainly, the state should not let concern about this distract it from solving current problems.

2. Top priority should be given to developing a comprehensive, long-range statewide water-management plan, and it should be updated continuously. Agencies administering water- and sewer-development funds should be required to coordinate their activities with the plan.

3. The riparian doctrine is too narrow. (Riparian relates to living or located on the bank of a natural watercourse or, sometimes, of a lake or a tidewater.) Changes are needed in Arkansas' water laws to allow for transferring water between watersheds and for mandatory registration of water diversions.

4. Groundwater supplies are being depleted rapidly in the Grand Prairie and in South Arkansas. Besides using alternate irrigation methods, Arkansas farmers should start meaningful planning now to substitute surface water supplies for groundwater and not wait until a crisis develops.

5. The state should play a more aggressive role in helping counties develop sound floodplain-management plans to comply with the National Flood Insurance Act of 1968.

6. Non-point pollution, especially agricultural runoff, constitutes a major problem in Arkansas. State leaders involved in "208 Planning" must recommend a plan of education/persuasion, economic incentives, police powers or a combination of the three to get farmers to adopt and practice conservation-treatment programs.

7. If studies of a chloride-control project for the Arkansas River prove it's economically feasible, Arkansas should pledge immediately its support and cooperation to make the plan a reality because it will bring numerous benefits to the state.

This publication is the seventh report of the national advisory board, which was formed in 1971 as a group of Arkansas natives who have achieved international prominence as business leaders. Commercial National says their leadership produces $25 billion annually in goods and services and employs more than 530,000 persons. It's the only board of its kind in the country and offers a unique opportunity for Arkansas to reap the benefits of the concern and experience of these dedicated men, according to the bank.

For a copy of the report, write: William H. Bowen, president, Commercial National Bank, Second and Main, Little Rock, AR 72201.

W. M. Campbell Dies

FORREST CITY—W. M. Campbell, 61, who headed the Arkansas Bankers Association in 1968-69, died recently after an 18-month illness. He was ch., First Nat'l Bank of Eastern Arkansas, where he spent his entire banking career and which he once served as pres./CEO. Mr. Campbell also was active in the American Bankers Association.

■ JAMES W. TICE has been appointed a consultant service manager for the southwestern division of Bank Building Corp., located in Dallas. He will represent the firm in Arkansas, operating out of Little Rock. He was a commercial real estate broker in Huntsville, Ala., and a Pitney-Bowes sales representative, also in Huntsville.

TICE

■ DAN HENDRICKS has been elected vice president, commercial loans, First State, Springdale. He joined the bank in 1973 and was formerly assistant vice president, commercial loans.

■ EARL L. McCARROLL, president, Farmers Bank, Blytheville, has been appointed a director of the Memphis Branch of the St. Louis Fed. He succeeds the late William M. Campbell, chairman, First National of Eastern Arkansas, Forrest City. Mr. McCarroll's term ends on December 31, 1979.

■ WILLIAM DOUGLAS GLOVER, president, First National Bank of Eastern Arkansas, Forrest City, also has been elected chairman to succeed the late W. M. Campbell.

■ FIRST STATE, Springdale, has named Jack Shrader assistant manager, installment loans, and Wesley Robinson branch manager and loan officer. Mr. Shrader was formerly with Commercial Credit Corp., Springdale, and Mr. Robinson was formerly with Northwest National, Fayetteville, and Commercial Credit Corp., Springdale.

■ PULASKI BANK, Little Rock, has elected Phil Elbert vice president, medical division, and named Rufus A. Martin Jr. special projects coordinator.

■ WORTHEN BANK, Little Rock, has promoted Charles Peden to vice president, consumer division; Grover Richardson to assistant vice president, consumer division; Ron King to trust officer and Tom Narrell to assistant trust operations officer. Mr. Peden, who joined the bank in 1975, is manager, branch administration. Mr. Richardson is a credit card marketing officer. Mr. King is responsible for administration of personal trusts and estates in the trust division. Mr. Narrell went to Worthen last February and plans and supervises operations in the trust division.

Illinois

■ CONTINENTAL BANK, Chicago, has named Joseph W. Saunders manager, personal banking activities, at 231 South LaSalle Street and facilities administration; Richard C. Bowers manager, remote-facilities administration; and Dan R. Dixon manager, Near North Office, succeeding Mr. Bowers. Mr. Saunders and Mr. Bowers are second vice presidents, and Mr. Dixon is a personal banking officer. The bank also announced elections of Vernon R. Loucks Jr. and Thomas H. Roberts Jr. as directors of the bank and its HC, Continental Illinois Corp. Mr. Loucks is president, Baxter Travenol Laboratories, Inc., and Mr. Roberts is chairman, DeKalb AgResearch, Inc. William G. Karnes, retired chairman, Beatrice Foods Co., and Joseph S. Wright, former chairman, Zenith Radio Corp., did not stand for reelection to the Continental board in conformance with the board's retirement policy.

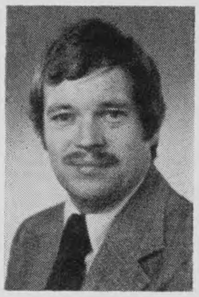
■ KARL H. KLEIN has retired as senior vice president, Heritage Bancorp., Chicago, after 20 years' service. He received a Paul Revere silver bowl on behalf of all Heritage banks, and each bank's name was inscribed on the bowl. In addition, Mr. Klein received a table clock, inscribed with his years of employment.

■ ROBERT E. KENNEDY has moved up from executive vice president to president, Heritage Standard Bank, Evergreen Park. He also is on its board. He has been a banker 25 years.

A 100-Year Friendship

Stephen R. Green, a.v.p., Mercantile Trust, St. Louis, presents a century plaque to Robert Crawford, pres., and W. K. Crawford Jr., e.v.p., Murphy-Wall State, Pinckneyville. The plaque, presented at a dinner in St. Louis, represents 100 years of correspondent relationship between the two banks dating back to 1877.

BANKS



■ JOHN A. BANKS has joined National Boulevard Bank of Chicago's correspondent bank division as vice president. He formerly was vice president, commercial loan division, City National, Detroit. The bank promoted James F. Dickerson from assistant cashier to assistant vice president, Robert T. Swatek to auditing officer and Timothy J. Towle to assistant cashier.

■ DET STEWARD has joined Chicago's American National as agricultural representative in the correspondent division. He had been senior vice president, Lapeer County Bank, Lapeer, Mich., the past 10 years. Before that, he was a dairy farmer until a back injury forced him to give up that job.

■ NATIONAL BANK OF CANTON has opened its new Chestnut Facility, which is complementary in design to the Main Bank. The facility has six tellers stations, an employee lounge, a utility room and vault. A 24-hour ATM called "Nutshell" is located just inside the front entrance. A drive-around lane provides access to four drive-up stations and a night depository. The official grand opening was held April 17 through May 12.

■ EMMETT P. MALLOY JR. has been elected vice chairman, First Security, Oak Brook. He has been a director since 1975 and is president of a liquor store chain.

■ CHARLES H. SHEESLEY has been promoted to president, State Bank, Orion. He joined the bank 39 years ago and had been senior vice president and cashier since 1976. Also promoted were Willard H. Kerr, from president to chairman, and La Verne M. Johnson, from vice president to vice president and cashier. All three serve as directors.

■ ROBERT L. HALL has been elected president, Alton Banking & Trust. He joined the bank in 1976 as vice president and director and was elected executive vice president last year. He was formerly with Webster Groves (Mo.) Trust and Empire Bank, Springfield, Mo. Other promotions saw Paul

C. Johnson elected executive vice president and Ruby M. Fritz, senior vice president and secretary, appointed chief operations officer. Mr. Johnson joined the bank in 1954, and Mrs. Fritz has been with the bank since 1946.

■ FIRST NATIONAL, Belleville, has acquired property adjacent to the main bank building and plans an immediate expansion of 6,000 square feet to house its correspondent banking department, proof and transit, accounting and credit card division. Additional expansion projects are expected to be completed by January 1 and April 1, 1979. Edgard Kimball has retired as a director of the bank, having served since 1963. He is a retired architect. Mr. Kimball now is director emeritus.

Indiana

■ INDIANA NATIONAL, Indianapolis, has promoted the following: M. William Manion Jr., manager, credit department, to vice president; Warren L. Smith, from marketing officer to assistant vice president, marketing division; and Warren E. Teague, to assistant vice president, domestic and international loan operations, banking services division. Shareholders of Indiana National Corp., the HC to which the bank belongs, have elected five new directors: Clinton G. Ames Jr., president/chief operating officer, Inland Container Corp.; James K. Baker, executive vice president, Arvin Industries, Inc., Columbus, Ind.; Lloyd J. Banks, president, Blue Cross of Indiana; Hayward Campbell Jr., vice president, Lilly Research Laboratories, a division of Eli Lilly & Co.; and John Burnside Smith, president/CEO, Mayflower Corp. Two new bank directors also were elected—Louis J. Jenn, president/chairman, Jenn-Air Corp., and Malcolm McVie, executive vice president, Eli Lilly & Co. Both are on the HC's board.

■ PEOPLES BANK, Portland, has elected C. Douglas Williams president and Elizabeth Starbuck a director. Mr. Williams was formerly executive vice president and cashier. Miss Starbuck is vice president.

Kansas

■ HOWARD GUNKEL, senior vice president and trust officer, Emporia State, has been elected president of the KBA trust division. Elected president-elect was Roger Viets, vice president and trust officer, Union National, Wichita. New secretary-treasurer is Robert W. Loyd, senior vice president and trust officer, Commercial National, Kansas City.

■ NATIONAL BANK of Wichita opened a new detached facility in the Westlink Shopping Center recently in conjunction with the celebration of the bank's 14th anniversary. The new facility features three drive-up lanes, lobby service and safe deposit boxes. It will be open 70½ hours each week.

■ FOURTH NATIONAL, Wichita, has named Leon Greene marketing officer, computer services division. He has had experience with IBM and with commercial banks.

■ CENTRAL BANK, Wichita, has elected Robert G. Wall vice president, commercial loan department. He has spent eight years in commercial lending.

■ HAYSVILLE STATE has started a $575,000 expansion and remodeling project that will encompass 5,300 square feet of floor space. Included in the plans are a redesigned lobby, new customer service area, additional offices and five drive-in teller stations. Completion is expected late this year.

Died: Floyd E. Lull, chairman, Smith County State, Smith Center, on April 10. Floyd Lull was the father of Linton Lull, the bank's president, who was elected president-elect, Kansas Bankers Association, for the 1978-79 term. Floyd Lull was KBA president in 1948-49 and had been in banking since 1919. He became a member of the KBA 50-Year Club in 1969.

Bankers, Start Running!

To promote Kansas bankers' health, Murray Lull, v.p., Smith County State, Smith Center, announces formation of the Running Bankers of Kansas (RBOK).

Mr. Lull points out that—following the theme of the KBA's 1978 convention, "You Can Do It"—Kansas bankers interested in regular exercise through running (plodding, trotting or jogging) can promote two loves, banking and running.

RBOK membership will be evidenced by owning and wearing the official RBOK running shirt—bright yellow with black lettering that proclaims "Kansas Bankers Are Great People to Run Around With!" This official shirt may be obtained by sending shirt size (S, M, L, XL) and $5 to cover *lifetime* dues and costs of the shirt, postage and handling to: Murray Lull, Box 307, Smith Center, KS 66967. Each additional shirt costs $5, too.

The first annual RBOK convention will be held at the Lake Atwood 10-Mile Road Race in Atwood July 29. As Mr. Lull predicts, the RBOK Track Club will field its "finest."

■ THE FED has approved the acquisition of Condon National, Coffeyville, by Coffeyville Financial Corp., a new HC.

Kentucky

■ FIRST NATIONAL, Louisville, has promoted the following: from senior operations officer to operations manager, Clifton J. Haysley; from operations officer to senior operations officer, Carl M. Thomas; from assistant banking officers to banking officers, Norman L. Owens and Dennis C. Phillips; and to assistant banking officer, Bernard S. Fineman.

■ LIBERTY NATIONAL, Louisville, opened its 39th branch May 1 in the Westport Plaza Shopping Center. Operations are being conducted temporarily in a trailer while construction is

being completed on permanent quarters. During the two-week grand opening, visitors received a Belle of Louisville serving tray, and those opening new checking or savings accounts were given copies of the book, "Travels Through Kentucky History." Manager of the new branch is Ed Ludwig, formerly assistant manager, Indian Trail Branch.

■ CHARLES P. HARRIS II has been promoted to north central area manager, bank/systems division, Diebold, Inc., Canton, O. Among areas served by Mr. Harris is Louisville.


HARRIS

■ CITIZENS FIDELITY, Louisville, has promoted Senior Vice President Frank Knego from manager/data services division to manager/operations division. In his new post, he oversees the functions of both operations and data services. Fred Gronbacher, formerly vice president and head of systems development, has been advanced to senior vice president and manager/data services. In other action, the bank has named the following vice presidents: John G. Osborn III (also in charge of systems development); John L. Hoffman (also in charge of technical services); Willard A. Irving, branch administration; John L. Kjera, time credit; Robert R. Robinson, bank card service center; and Carl I. Lutnick, commercial lending. New assistant vice presidents are Granville Beam, systems area; Gerald Allgeier Jr., time credit; John Pendergrass, commercial lending; and C. Lloyd Collins and Donald W. McKenney, both in automated customer service department, correspondent banking division.

■ FIRST KENTUCKY TRUST, Louisville, has promoted Robert C. Amshoff and Steven C. Prince from operations officers to senior operations officers and J. Paul Bryne from corporate trust officer to senior operations officer.

■ CITIZENS NATIONAL, Bowling Green, has elected Beverly K. Spangler assistant cashier. She joined the bank in 1975 as an adjuster/consumer loan department and was named a junior loan officer last year.

Louisiana

■ JOSEPH N. TRAIGLE has been elected president/CEO, American Bank, Baton Rouge. He also was named executive vice president/chief operating officer, Great American Corp. Max Pace was elected chairman of the bank and senior executive vice president of the HC. J. Clifford Ourso Sr. was elected chairman emeritus of the bank and president and chairman of the HC.


TRAIGLE


DEMING

■ JOHN W. DEMING, M. D., was elected chairman, Guaranty Bank, Alexandria, April 10 to succeed Morgan W. Walker. Mr. Walker retired after having been a director of the bank 38 years and chairman eight years. He is connected with three businesses. Two other directors also retired—F. Hugh Coughlin and W. F. Cotton Sr., who served 24 years and 33 years, respectively. Mr. Coughlin is a former chairman, Central Louisiana Electric Co., Inc., and Mr. Cotton is chairman, Cotton Bros., Inc. Two new board members were elected—R. Gene Cotton, president/CEO, Cotton Bros., and Jeffie J. Horn, a rancher. Dr. Deming, who practices in Alexandria, was elected to Guaranty Bank's board 24 years ago.

■ LINDA DEAN has joined Continental Bank, Harvey, as assistant vice president in charge of operations/loan officer at its Metairie Office. She has been a banker since 1963.

Mississippi

■ THOMAS M. WEBB has been promoted to vice president and manager, Planters Bank, Ruleville.

■ DEPOSIT GUARANTY NATIONAL, Jackson, has promoted Christine O. Comfort, Joe R. Foster and Robert M. Massey Jr. to vice presidents. Miss Comfort joined the bank in 1942 and is manager of corporate business development. Mr. Foster has been with the bank since 1960 and is in the loan review department. Mr. Massey, with the bank since 1969, is director of personnel and employee relations.

■ BANK OF VICKSBURG has promoted Cecil Simmons Jr. to vice president and Carolyn Wilkerson to assistant vice president.

■ CITIZENS NATIONAL, Pascagoula, has promoted Paul Monroe to vice president, William G. Buckner to lending officer and June Mignault to branch manager.

■ BANK OF QUITMAN has promoted Ben Morehead, Ernestine Ulmer and Sherry Hutto to assistant cashiers.

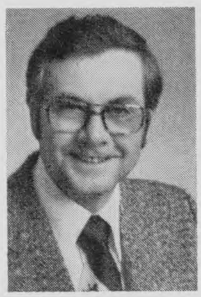
■ JAMES B. "RANDY" RANDALL III has joined Planters Bank, Indianola, as vice president.

■ RANDY CHEATHAM has been appointed loan officer at Citizens Bank, Philadelphia.

■ ART GENTRY has been promoted to cashier, Security Bank, Amory.

Missouri

■ UNITED MISSOURI BANK, Kansas City, has elected the following vice presidents: George E. Crews, who is in the correspondent bank division, where he works with banks in the metropolitan Kansas City area; and Ted H. Borgman and Eugene J. Calcara, installment loan division. Named assistant vice presidents were: Randall J. Klein, David A. Bear and Nannetta M. Hughes. Mr. Klein is in the investment department, where his responsibilities include portfolio and sales services to banks in Missouri, Kansas and Arkansas. Mr.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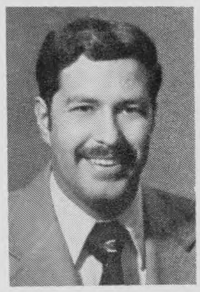
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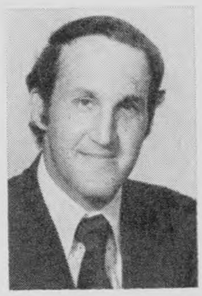
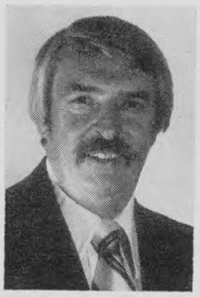

KLEIN

Bear (whose photo appears in the Oklahoma news section) is in the correspondent bank division and travels in Oklahoma and Colorado. Mrs. Hughes is in the safe deposit vault division. She also was promoted to vice president, United Missouri Safe Deposit Co. Steve Panknin was elected bond investment officer, investment department. His responsibilities include portfolio and sales services to banks in Kansas, Oklahoma, Nebraska and Colorado.

■ WILLIAM D. BAGOT has been elected an assistant vice president, correspondent bank division, Boatmen's National, St. Louis. Russell E. Spaulding Jr. has been named a correspondent bank officer. Mr. Bagot has 10 years' banking experience, and Mr. Spaulding has been a banker 19 years. He formerly was auditor, National Stock Yards National, National City, Ill., which no longer is in existence.


BAGOT


SPAULDING


BOND


MAHONEY


BRAUDE


WHETSEL

■ FIRST NATIONAL, St. Louis, has promoted Morris L. Bond, manager, item processing/check collection, from assistant vice president to vice president. He heads the newly created accounts services division, operations department. The bank has a new director, Richard J. Mahoney, executive vice president, Monsanto Co., St. Louis, and advisory director, Robert H. Quenon, president/chief operating officer, Peabody Coal Co., St. Louis. Shay Eikner has been transferred from National Bank in North Kansas City, where she was international banking officer, to a similar post at First National. Also promoted at First in St. Louis were: from commercial banking officer to assistant vice president, Gwen A. Moore; to commercial banking officers, William H. Broderick and Margaret L. Howerton; to cash management officer, William J. Luehrmann; and to international banking officers, Richard A. Nagel and Robert J. Stegmann.

■ EDWARD W. WHETSEL has moved up from vice president to senior vice president, Manchester Bank, St. Louis, which he joined four years ago. Before that, he was with C.I.T. Financial Services 22 years.

■ MERCANTILE TRUST, St. Louis, and Mercantile Bancorp., St. Louis, have announced some appointments and elections. At the bank, Thomas M. Fitzgerald has been elected a vice president and is responsible for division B, central group, regional banking. He joined the bank in 1972. Robert N. McDowell has joined the bank as assistant vice president, central group, regional banking, going from Security National, Kansas City, Kan., where he was assistant vice president. He calls on banks in northern Missouri and Kansas. New bank assistant vice presidents are Herschel C. Lynch, Jean M. Listrom, Kevin C. Burns and John T. Lamping, while Joan L. Machlis has been named community development officer; Karen Schriver has been promoted to an assistant trust officer, and Andrew J. Martignoni Jr. was advanced to assistant data processing officer. At Mercantile Bancorp., John H. Obermann was elected a vice president, where he will coordinate business-development activities for a number of Mercantile affiliate banks in the St. Louis area. He remains president, Mercantile Commerce Trust Co., St. Louis, one of the HC's affiliates. Richard E. McGee, HC public relations officer, has been promoted to manager, public relations division, marketing/communications department. A new HC director is Joe H. Hunt, vice president/operations, Southwestern Bell Telephone Co., St. Louis, who also is a Mercantile Trust director. Wesley J. Barta, chairman, Chromalloy American Corp., St. Louis, has been elected a director of the HC.

■ MICHAEL BRAUDE has advanced from senior vice president to executive vice president, American Bank, Kansas City, which he joined in 1974. Also promoted were Wilson W. Siemens, from vice president to senior vice president, and Steven Stricker, from assistant vice president to vice president.

■ COMMERCE BANK, Kansas City, has elected David A. Dodge vice president, national accounts division, with primary responsibility for the Mid-Atlantic area. The bank also elected J. Daniel Stinnett deputy general counsel/assistant secretary and Carol L. North and Harold D. Marshall personnel officers. Mr. Stinnett also is deputy general counsel/assistant secretary, Commerce Bancshares, where T. Alan Peschka was made treasurer. He is senior vice president, secretary and general counsel, Commerce Bank.

■ ST. LOUIS COUNTY BANK, Clayton, has formed an international department, with Vice President James Yang as its head. He recently joined the bank, going from Commerce Bank, St. Louis. County National Bancorp., the bank HC of which County Bank is the principal subsidiary, has elected John M. McIlroy Sr. an advisory director. He is president, Community State, Bowling Green, senior partner in a law firm and president of an abstract company, both also in Bowling Green.

■ CHIPPEWA TRUST, St. Louis, has elected John W. Stevenson vice president, commercial/real estate loan department. He formerly was assistant vice president/loan officer, Commerce Bank, Kirkwood.


OBERMANN


FITZGERALD


McDOWELL


McGEE

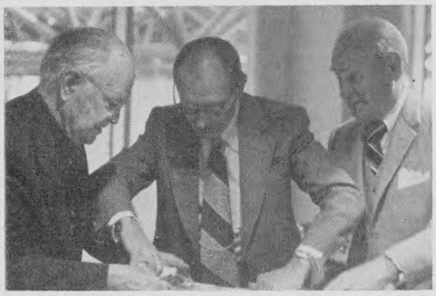

BARTA


HUNT

Harold Smith Retires as V.P. Of Boatmen's National Bank

ST. LOUIS—Harold H. Smith has retired as vice president, Boatmen's National, where he was in the correspondent banking department, calling on Missouri banks.

Mr. Smith joined the bank in 1929 and became a vice president in 1964. During World War II, he served as a Navy flight instructor.



Harold H. Smith (c.), retiring as v.p., correspondent banking dept., Boatmen's Nat'l, St. Louis, opens present at retirement party bank gave for him. Assisting Mr. Smith are two other retired officers of Boatmen's, Clem T. Kelly (l.), former v.p., and David L. Colby, former s.v.p.

Retirement will mean Mr. Smith will have more time than formerly to spend with his family, as well as with his horses and dogs. Mr. Smith learned to ride and train horses early in his life at the U. S. Army Battery in St. Louis, where he earned 10¢ from each soldier whose horse he tended. In later years, he worked at a riding stable, repairing saddles and taking groups of children on trail rides. Now, he has his own registered horses and purebred hunting dogs.

■ FIRST NATIONAL, Kansas City, has promoted Jennifer D. Nicholson from assistant trust officer to trust officer and Ralph E. Day and William T. Marks to assistant trust officers. Miss Nicholson joined the bank in 1972; Mr. Day, in 1975; and Mr. Marks, in 1976. First National Charter Corp., the bank HC of which First National is the leading subsidiary, elected these directors: Robert F. Jackson Jr., HC president; M. Leon Hall, chairman, Webster Groves Trust; Charles E. Curry, chairman, Home Savings Association; E. M. Douthat Sr., chairman, Locke Stove Co.; and Arthur Mag, attorney with Stinson, Mag, Thomson, McEvers & Fizzell.

■ BETTY McKINNON has been elected chairman, Metropolitan St. Louis Group, National Association of Bank Women, for 1978-79. She is assistant cashier, Edwardsville (Ill.) National, and succeeds Emma Scholl, senior vice president, Florissant Bank. Other new group officers are: vice chairman, Charlotte Temple, personal banking officer, First National, St. Louis; secretary, Lyla Rehbein, cashier, Bank of O'Fallon, Ill.; and treasurer, Leanna Rodenmeyer, loan officer, Big Bend Bank, Webster Groves. They will take office in October.

New Mexico

■ JIM A. SANCHEZ has been named vice president in charge of consumer lending and of the dealer division at Albuquerque's Fidelity National. He will develop the new dealer division, which is designed specifically to buy indirect paper from car and mobile home dealers in the Albuquerque area. He has 11 years' experience, primarily in dealer and consumer lending.

■ ROSWELL STATE has been cited by the New Mexico American Legion for its efforts in employing older workers. Sixty-six percent of the bank's employees are between the ages of 40 and 60.

■ AMERICAN BANK OF COMMERCE, Albuquerque, has named T. D. Stroud executive vice president and Dennis W. Falk senior vice president. Both men were formerly with Amarillo (Tex.) National. Mr. Stroud succeeds Phil White, who has joined Citizens Bank, Albuquerque, as president.

■ FIRST NATIONAL, Farmington, has begun construction on a four story building on Broadway between South Orchard and Commercial streets, directly east of the bank's present building. The 60,000-square-foot building will include an underground parking area. Completion is expected next year.

Largest Stockholder Meet Held

What is said to have been the largest stockholders' meeting ever held in New Mexico was conducted recently by Bank Securities, Inc., at the Albuquerque Convention Center. More than 2,000 stockholders and guests heard Dr. Norman Vincent Peale, guest speaker. Photo shows Dr. and Mrs. Peale (c.), flanked by Mrs. Bonnell and Ted Bonnell (l.), HC chairman, and Bob Hoffman, president, Albuquerque Chamber of Commerce. The public was invited to hear Dr. Peale. The HC's lead bank is American Bank of Commerce, Albuquerque.

■ BANK OF SANTA FE opened two new offices recently. They are the De-Vargas Mall and St. Michael's offices. Total cost of the two buildings was $1.5 million.

■ SECURITY NATIONAL, Roswell, has elected Steve Henderson and Thomas K. Denton to its board. Mr. Henderson heads a real estate firm and Mr. Denton is president of a local soft drink bottling firm.

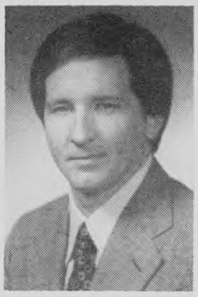
■ AMERICAN BANK OF COMMERCE, Albuquerque, has named Ben Wyne, senior vice president, manager of the commercial banking department and Fred Vogl, senior vice president, manager of the branch administration and marketing and business development departments.

■ FIDELITY NATIONAL, Albuquerque, has elected William E. Adams to its board. He owns and operates Bien Muir Indian Market Center on the Sandia Pueblo Reservation. He is the former president and controlling stockholder of Dallas International Bank and First National, Canyon, Tex., where he still is on the board. Mr. Adams is a former director of American National, Amarillo, Tex.

Oklahoma

■ FIRST NATIONAL, Bartlesville, has announced the election of a new director, O. W. Armstrong, and retirement of another, Harry Brookby. Mr. Armstrong, vice president/treasurer/assistant secretary, Phillips Petroleum Co., also was elected to the board of First Bancshares, Inc. Mr. Brookby, a director since 1974, was given an engraved resolution honoring his years of service on the board.

■ FIRST NATIONAL, Oklahoma City, has elected four new officers: vice president, First Arcade Bank, Eugene Boles; to assistant vice presidents, correspondent banks, Jerry L. Hudson and Thomas E. Sherman; and assistant vice president, international department, John G. Robin Jr. Karen K. Coit was promoted to assistant cashier/money transfer. Mr. Boles formerly was with Central Bank, Birmingham; Mr. Hudson comes from Bank of Oklahoma,



HUDSON

SHERMAN

BEAR

Tulsa, and joined First of Oklahoma City last March; Mr. Sherman was with Bank of Newcastle; and Mr. Robin was with New Orleans' Hibernia National. Mrs. Coit joined the bank last August.

■ DAVID BEAR, who travels in Oklahoma and Colorado for United Missouri Bank, Kansas City, has been elected assistant vice president in the correspondent bank division. He joined the bank in early April, going from Farmers & Merchants Bank, Huntsville, Mo. He also was supervising examiner with the Missouri division of finance for six years.

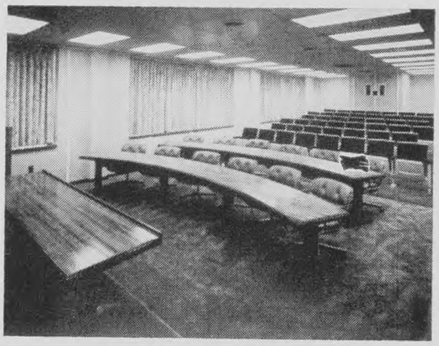
■ FIDELITY BANK, Oklahoma City, celebrated its 70th anniversary recently with a day of events capped by ribbon-cutting ceremonies for its expanded Express Bank. The expansion created seven drive-up teller windows and six teller positions inside the building at a cost of $575,000. The celebration included free refreshments and band music, and those attending were offered pieces of special anniversary cakes.

TOP: Fidelity Bank's remodeled drive-up bank was dedicated during bank's 70th anniversary. BOTTOM: Express Bank opening ceremonies featured talk by Jack T. Conn, bank chairman, at podium.

■ JON W. McHUGH has been promoted to assistant vice president, Nichols Hills Bank, Oklahoma City. He works in the commercial loan department.

Tennessee

New Auditorium Opened



Memphis Bank has opened this auditorium facility to be used at bank board meetings, for staff training seminars and for presentations to customers. Color scheme is brown, blue and wheat, and the walls are covered with Belgian linen fabric. The project was under the direction of Arrow Business Services, Memphis.

Texas

■ FIRST NATIONAL, Amarillo, has promoted Steve Hipes from commercial loan officer to assistant vice president. Vice President Hayden Hardin has been transferred from the installment loan department, where he was manager, to the commercial loan department to serve as a loan officer. Jim Melton, formerly assistant manager/installment loan department, has been named its manager. He is a vice president. Assistant Vice President Hershel Kime has been named assistant manager/installment loans. He was manager/credit card department, a post now held by Assistant Cashier George Reeves. Lee Anne Lewis has been appointed a commercial loan officer.

■ JOHN W. HUGHES and James B. Trimble have been named vice presidents, Bank of the Southwest, Houston. Mr. Hughes, also a trust investment officer, has 12 years' experience as a financial analyst with major investment firms. Mr. Trimble is manager/commercial section, Southwest corporate department. The bank has elected a new director, Theodore C. Rogers, president, National Supply Co., and vice president, Armco Steel Corp., parent company of National Supply.

HUGHES

TRIMBLE

■ ELVIS L. MASON and Rawles Fulgham have been elected vice chairman and president, respectively, of First International Bancshares, Dallas. W. Dewey Presley elected early retirement and resigned as president/chief administrative and financial officer of the HC. He has been named executive committee chairman, a post reserved for non-officer directors of the corporation, and will give consulting and advisory services to the board. Mr. Mason continues as chairman/CEO, First National, Dallas. Mr. Fulgham had been HC vice chairman since 1976 and previously was president of First National.

MASON

FULGHAM

■ FROST NATIONAL, San Antonio, has promoted William J. Galbreath, Doug Riden and F. Bernard Slomchinski to vice presidents; Robert W. Hunt and Marcus P. Rogers to assistant vice presidents; and elected Vaughnell R. Glass assistant trust officer. Mr. Galbreath joined the bank in 1976, Mr.

GALBREATH RIDEN SLOMCHINSKI

Riden in 1973 and Mr. Slomchinski in 1975. Mr. Slomchinski was also elected vice president, Cullen/Frost Bankers.

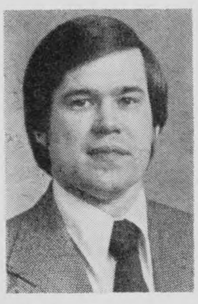
■ WESTERN NATIONAL, Odessa, has opened permanent quarters in the west Odessa area. The bank has two buildings comprising more than 10,000 square feet of space. The main building houses tellers, vault, officers and has a customer lobby. The second building is a drive-in with six customer lanes and one commercial lane. The bank opened for business in temporary quarters last June.

■ REPUBLIC NATIONAL, Dallas, has named Al Muirhead to assist correspondent bankers with their operational questions and information needs. He has been vice president/manager, automated customer services, since 1965. In his new capacity, in the cash management division, Mr. Muirhead becomes a primary information source for correspondent bankers on legislation, new equipment, analysis, clearings, methodology and new banking techniques as they develop. He joined Republic National in 1950.

■ FROST NATIONAL, San Antonio, has promoted Robert D. Furner to senior vice president/data processing; William D. Hales, vice president/consumer loans; Edwin M. Krause, vice president/item processing; and Paul J. Olivier, assistant vice president/account services.

KRAUSE

FURNER



HALES

A newly elected officer is Stuart Wester, assistant vice president/trust. Mr. Furner joined the bank last year; Mr. Hales, in 1974; Mr. Krause, in 1961; and Mr. Olivier, in 1976. Mr. Wester has been there since February. At Cullen/Frost Bankers, Inc., Robert S. McClane has been promoted to executive vice president/secretary-treasurer. He joined Frost National in 1962 and went to the HC in 1973 as senior vice president/secretary-treasurer.

■ FIRST CITY NATIONAL, Houston, has elected Ralph S. O'Connor to its board. He is president, Highland Resources, Inc.

■ VERNON L. PECKHAM has been promoted to senior vice president and executive committee member at Republic National, Dallas. He joined the bank in 1974 as a vice president to manage commodity loans in the international department.

■ HARRY GENE VOIGT has been elected an accounting officer at National Bank of Commerce, San Antonio.

■ RONNIE J. CASEY has joined Southwest Bank, Fort Worth, as vice president and manager of the real estate department.

Mississippi Convention

(Continued from page 77)

expressing support for BankPAC, savings bonds and responsible government.

R. D. "Bobby" Gage III, president, Port Gibson Bank, was elected MBA president for the 1978-79 term, and Paul W. McMullan, chairman and CEO, First Mississippi National, Hattiesburg, was elevated from treasurer to vice president. New treasurer is Don F. Calfee, president, Rankin County Bank, Brandon.

Elected to the MBA's executive committee for three-year terms were Sterling B. Crawford, president, Monroe Banking, Aberdeen; A. David Califf, president, First National, Clarksdale; J. M. Sessions III, president, Commercial Bank, Woodville; and Thomas G. Barksdale, chairman, Merchants National, Vicksburg.

R. Ben Lampton, vice chairman, First National, Jackson, was elected to serve a two-year term on the ABA's governing council. • •

• Index to Advertisers •

AL ACKERMANN — KEN BROWN — CHARLIE EATHERTON — BOB HELFER

ERNIE HELLMICH — PHIL SETTERLUND — HAROLD SMITH — TED SMOTHERS — BILL SPRINGER

PHIL ISBELL — DON BALDWIN — VIC GRANDA

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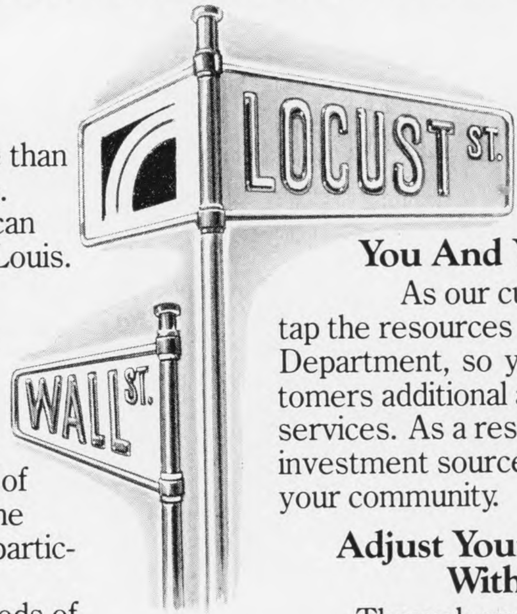

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Of course, we offer a wide range of bank investment opportunities. But we also offer you a staff of investment specialists to sort out the options most suitable to your own particular circumstances.

Our people understand the needs of commercial banks, and they can give you on-the-spot answers to your investment questions. Through them, you can take advantage of all the investment services of First National.

For example, we are a major dealer and underwriter of municipal securities, U.S. Treasury and Federal Agency securities, as well as a market maker in a variety of short-term money market investments.

We buy and sell for you at the best prices available, and through our Portfolio Analysis Program, we provide a complete set of informational reports from which to analyze your bank's portfolio for the most efficient return on your investment.

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Through our Federal Funds Desk, we can insure quick investment of your excess funds or help to provide a source of liquidity — performed at competitive rates. We buy and sell Federal Funds continuously, dealing in a large daily volume for our customers.

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