# MID-CONTINENT BANKER

*The Financial Magazine of the Mississippi Valley & Southwest*

AUGUST, 1978


# Agribusiness

## Outlook for Farmers Improves for '78: 20% Income Rise Seen

Page 39

## Global Bill Payments Speeded by Updating Collection Rules

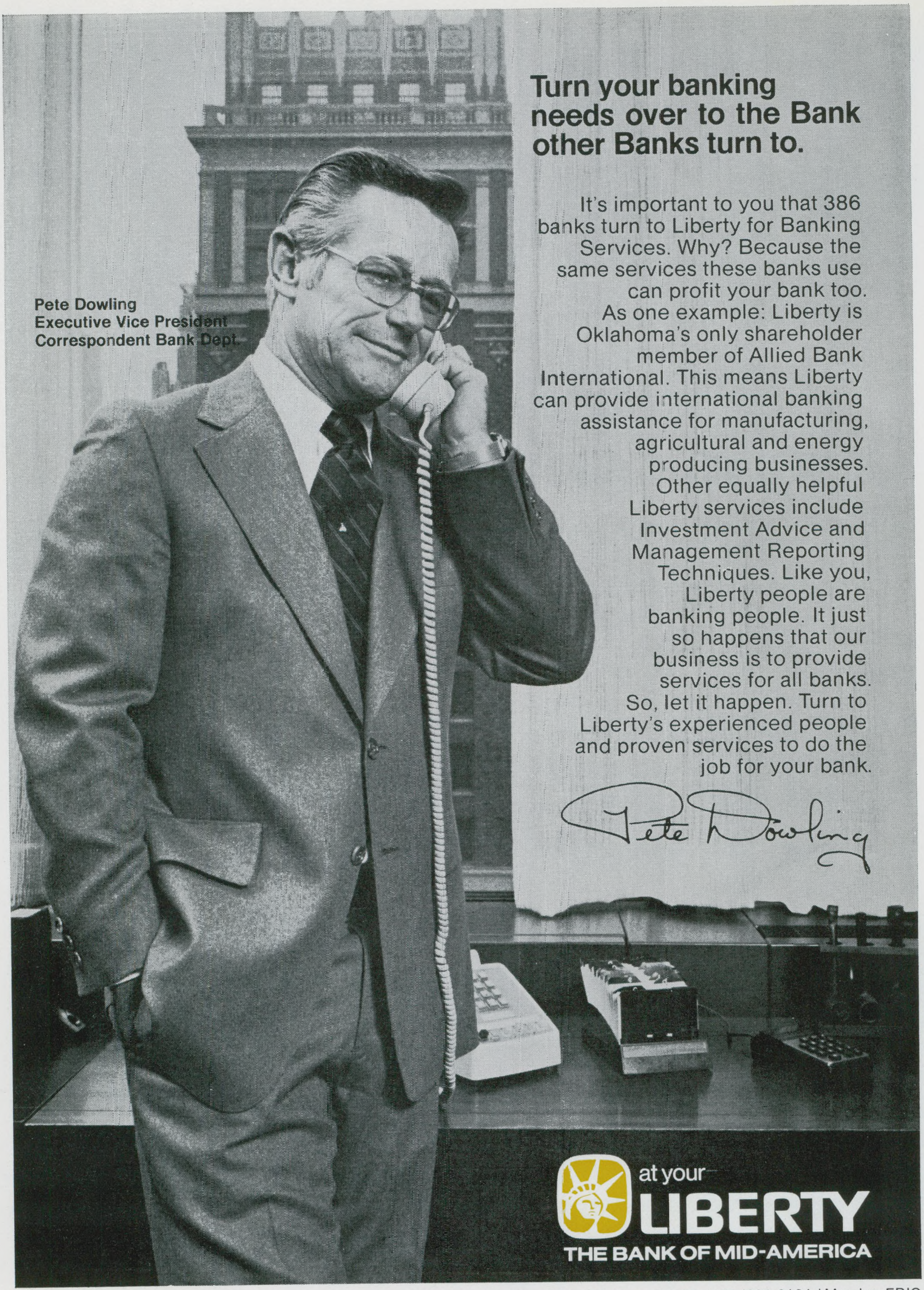
Page 70

# International Banking

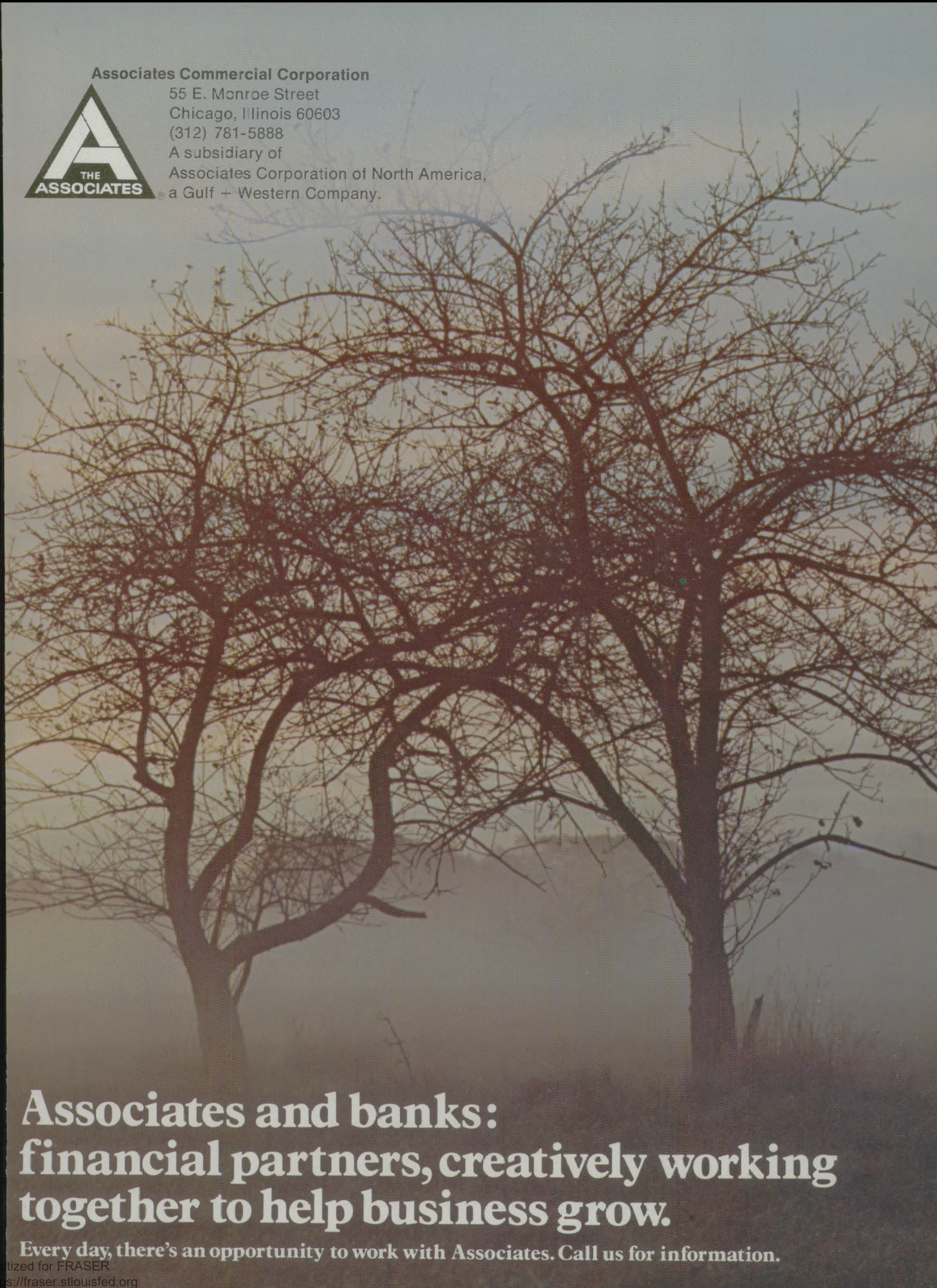
## Bank, SBA Cooperate To Finance Showboat For Missouri Town

Page 46

# Community Involvement




The Liberty National Bank and Trust Company / P. O. Box 25848 / Oklahoma City, Oklahoma 73125 / 405/231-6164 / Member FDIC


Associates Commercial Corporation
55 E. Monroe Street
Chicago, Illinois 60603
(312) 781-5888
A subsidiary of
Associates Corporation of North America,
a Gulf + Western Company.
THE
ASSOCIATES
Associates and banks:
financial partners, creatively working
together to help business grow.
Every day, there's an opportunity to work with Associates. Call us for information.

# When Commerce Bank handles your credit card processing your profits start now, not 5-10 years down the road.


**Immediate profits for your bank.**

Other bank credit card processing programs can take years to become profitable for your bank. With Commerce, however, there are no development costs charged against your accounts. You get immediate earnings from both merchant and cardholder activity, plus greater income potential.

You deal with full-time bank card representatives whose sole function is to make sure that both you and your customers get knowledgeable, prompt, courteous service.

And you have the assurance of working with the most experienced credit card center in this part of the country. One with an unequalled, ten-year record of customer satisfaction.

Last year, we provided a full range of credit card services to over 250 banks, 15,000 merchants and more than 500,000 cardholders. Our Visa sales volume alone placed us among the top card-issuing banks in the nation.

Whether you're just starting your card system or are already operating one, talk to your Commerce Correspondent or contact the Bank Card Center direct. Find out how your bank can immediately profit from our service.

**Commerce Bank of Kansas City** NA

MEMBER FDIC

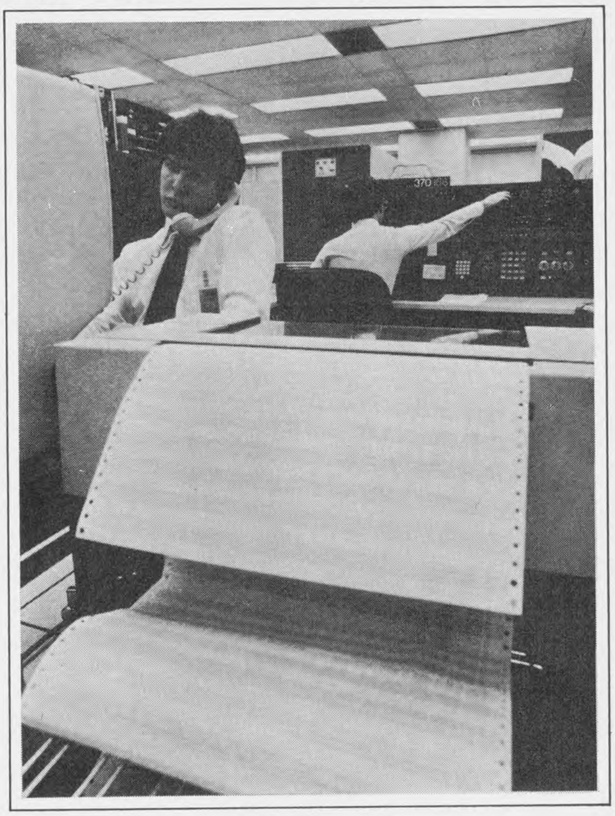
10th & Walnut
(816) 234-2000

MID-CONTINENT BANKER is published 13 times annually (two issues in May) at 408 Olive, St. Louis, Mo. 63102. August, Vol. 74, No. 9
Second-Class postage paid at Fulton, Mo. Subscription: $11.

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

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

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



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

# Republic National Bank is Dallas.

A Republic of Texas Company
Member FDIC

# MID-CONTINENT BANKER

*The Financial Magazine of the Mississippi Valley & Southwest*

**Vol. 74, No. 9** **August, 1978**


## FEATURES



## DEPARTMENTS



## CONVENTIONS



## STATE NEWS




## Editors

**Ralph B. Cox**
Publisher

**Lawrence W. Colbert**
Assistant to the Publisher

**Rosemary McKelvey**
Editor

**Jim Fabian**
Associate Editor

### Advertising Offices

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

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

Subscription rates: Three years $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.**

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


## Convention Calendar

**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.

**Sept. 24-29:** Graduate Institute of Bank Marketing, Los Angeles, University of Southern California.

**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. 29-Nov. 3:** ABA National Personnel School, Norman, Okla., University of Oklahoma.

**Oct. 30:** ABA Certified Commercial Lender Examination, Norman, Okla.

**Oct. 30:** ABA Certified Commercial Lender Examination, Chicago.

**Nov. 5-8:** Bank Administration Institute Community Bank Presidents Forum, Phoenix.

**Nov. 5-8:** Robert Morris Associates Annual Fall Conference, Dallas, Fairmont and Dallas Hilton hotels.

**Nov. 8-10:** ABA Mid-Continent Trust Conference, Chicago, Drake Hotel.

**Nov. 8-10:** Association of Bank Holding Companies Fall Meeting, Mayflower Hotel, Washington, D. C.

**Nov. 9-12:** Assembly for Bank Directors, Phoenix, Arizona Biltmore.

**Nov. 12-15:** ABA National Agricultural Bankers Conference, Nashville, Opryland Hotel.

**Nov. 12-15:** Bank Marketing Association Officer Sales Call Training & Train the Trainer Seminar, New Orleans, New Orleans Hilton.

**Nov. 12-15:** Independent Bankers Association of America Bank Ownership Seminar, Las Vegas, Nev., Sands Hotel.

**Nov. 15-17:** ABA Operations & Automation Regional Workshop, Kansas City, Radisson Muehlebach Hotel.

**Nov. 15-17:** Bank Administration Institute Financial Accounting & Reporting Seminar, Atlanta.

**Nov. 15-18:** ABA Trust Real Estate Workshop, Phoenix, Hyatt Regency, Phoenix.

**Nov. 19-21:** ABA Consumer Compliance Workshop, Dallas, Fairmont Hotel.

**Nov. 26-Dec. 7:** ABA National Commercial Lending School, Norman, Okla., University of Oklahoma.

**Dec. 7-8:** RMA/BAI Seminar on the Auditor's Role in the Loan-Review Process, Denver, Brown Palace Hotel.

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

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

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

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

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

**We're with you.**

**MERCANTILE BANK**

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

# Dynamics of Public Funds

*By Dr. Lewis E. Davids*
**Illinois Bankers Professor
Of Bank Management
Southern Illinois University
Carbondale**

PRIOR to 1974, the largest account at many banks was the U. S. Treasury's T&L account. Granted, such an account was volatile and didn't stay in the bank as long as most other sizable accounts did, but it was significant.

However, in 1974 the Treasury — in response to political pressure and the high interest rates prevailing at that time — tended to reduce its working balances in commercial banks, and, in effect, moved them more rapidly to the regional Federal Reserve banks.

Sometimes it did this to such a dysfunctional extent that it was forced to move funds the other way and redeposit some of the balance from the Federal Reserve Bank back into the T&L accounts in commercial banks. This hasn't been a frequent occurrence, but it's an indication of how disruptive the Treasury's movement of funds could be at times to the stability of the overall economy.

In the same period, there was a dramatic increase in state and municipal funds in banks. More and more government agencies insisted on being paid interest for their deposits. Their demands were met by banks, though reluctantly.

However, in the background, another development was to be noted — the desire of S&Ls, mutual savings banks and even credit unions to obtain the right to hold federal and municipal funds. A large part of this desire was due to the recognition on the part of these competitors to banks of their narrow base. Also, there was a recognition that the institutions increasingly had been faced with disintermediation of funds to the higher interest rates of the market.

In fact, it may be said that almost every individual and corporation has become — in varying degrees — much more sensitive and concerned about interest rates. Part of this was due to

the publicity about Truth-in-Lending, Regulation Z.

A large part of it was due to the increased perception by more people that the days of low interest rates had ended and that, for the foreseeable future, higher interest rates would prevail. With high interest rates — some-

**". . . almost every individual and corporation has become . . . much more sensitive and concerned about interest rates."**

times double what they had been a decade earlier — earnings on idle funds became much more important. Then, too, the Hunt Commission's Study on Financial Institutions focused attention on many problem areas, including that of public funds.

Many bankers are aware of legislation signed by President Jimmy Carter last October, authorizing the Treasury to make considerable changes in its cash-management procedures. Implementation has been postponed until later this year from the original July date.

The changes can be broken down into several major points. One is that for the first time other financial institutions — that is, S&Ls, mutual savings banks and credit unions — now will have the opportunity to hold Treasury funds.

Obviously, if there's an S&L in your community, that institution probably will be seriously considering whether it's worthwhile to seek U. S. funds. If it does, there's one thing your bank can count on — its share of public funds probably will go down.

Whether the S&Ls, mutual savings banks or credit unions in your area will seek these funds, however, will be tempered considerably by the fact that they will have to pay the Treasury interest on balances held longer than one day. In other words, if the deposit is for two, three or four days, the institutions will have to pay interest on those funds for each day.

Of course, holding funds for one day can be profitable, but it's my opinion that banks under, say, $25 million probably would find this a marginal type of activity. In a similar context, S&Ls, mutuals and credit unions will have somewhat similar types of expenses when moving funds on a short-term basis.

However, we do have S&Ls that are in the billion-dollar category. Some have literally dozens of branches. There's no question that such S&Ls and mutuals have the sophistication to handle interest-free one-day money.

One of the interesting aspects is that all depository institutions will have to pay the Treasury interest on balances held longer than one day. However, since the reserve requirement range depends on the type of bank and its chartering agency and, historically, the commercial bank's reserve requirement has been higher than that of other financial intermediaries, obviously the financial intermediaries will have a more attractive base for obtaining Treasury funds.

For the commercial banker seriously interested in cost figures, a

# Why send a courier to do a computer's job?

**Introducing T.N.T., Third National Transmission.** The system that lets you keep the work in the bank instead of having to bank on the courier.

You can have T.N.T. simply by phoning your Third National Correspondent banker. A computer can be installed right in your bank. A computer that offers limited data processing of its own, and a more expanded capability when linked to Third National's computer.

Here are some other things you should know: T.N.T. is a link to future EFT developments. ON-US items never leave your bank. You'll have complete control of input and balancing functions. It greatly reduces your dependence on courier schedules. There's no requirement for technical training of personnel. And there's a lot more.

We'll be happy to give you a free demonstration of Third National Transmission. Just contact the Third National Correspondent Banker who serves your area today. Our Tennessee WATS line is (800) 342-8360. In neighboring states, dial (800) 251-8516.

THIRD NATIONAL BANK

IN NASHVILLE

document called "Report of a Study on Tax and Loan Accounts, Department of Treasury," published in June, 1974, is available. It appears that the Treasury is relying on this and similar studies it has made on an on-going basis. It's interesting to note that previous studies by the Treasury had shown it was getting a fair amount of service for the funds it left in banks on an interest-free basis.

Obviously, if banks and S&Ls are going to have to pay interest on public funds, they're going to look to the cost of providing individual services for the Treasury, such as the cost of each federal tax deposit and the cost of issuing and redeeming series H and E bonds. Recognizing this, the Treasury proposes to pay 50 cents for each federal tax deposit a depository receives.

The roundness of an amount such as 50 cents shows that it's not closely tied to cost studies. In fact, as bankers well know, the cost of servicing any account varies over time. If the Fed's "Functional Cost Analysis for 1976" is used, for banks up to $50 million, a deposit transaction typically costs 16.266 cents; for banks from $50 to $200 million, the cost is 17.700 cents; and for banks over $200 million, the deposit cost is 22.154 cents per item. On this basis, the 50 cents for each federal tax deposit would appear to be reasonable.

**". . . if there's an S&L in your community, that institution probably will be seriously considering whether it's worthwhile to seek U. S. funds."**

On the assumption that the Treasury has a similar type of philosophy in reimbursement of depositories for other types of services, it would appear that some similar margins may be anticipated for other services. Of course, there are other expenses, such as the remittance of funds to the Treasury and the monthly account maintenance fee. For example, account maintenance per month has ranged from a low of $2.21 to a high of $3.01, as shown by that same Functional Cost Analysis by the Fed.

Most S&Ls, mutuals and credit unions use commercial banks for clearing items. Now may be an opportune time to talk with such customers to learn how they perceive their new role in deciding whether or not to become a Treasury depository.

If they decide to become a depository, they have an option. It's whether to operate under a remittance or what is called a "note option." A note option would be the payment of interest while the remittance would be the switching of funds after one day.

Banks and S&Ls can reverse their decision should their circumstances change. Many smaller banks may not be too certain as to which route they should take. It might be well for them to call their city correspondent and ask for advice on the topic. ••

## 32nd Directors Assembly Scheduled Sept. 2-5 In Colorado Springs

COLORADO SPRINGS, COLO. — Talks and discussions at the 32nd assembly for bank directors September 2-5 at the Broadmoor here will consider director organization, information transmittal in banks, formulation of policy and developments in regulation and legislation.

Special discussions will examine technological and competitive changes and challenges in banking and problems faced by trust departments.

The special program for spouses will include talks on "What Every Intelligent Person Should Know About Banking," "What You Should Know About the Economy," "Social Responsibilities of Banking" and "Trusts and Financial Management."

Besides senior bank officers, the faculty will include regulators from state and federal agencies, executives from national and state banking associations and attorney and account specialists in banking.

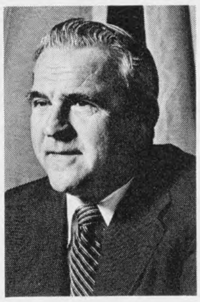
Co-directors of the assembly are Walter V. Allison, chairman, First National, Bartlesville, Okla., and J. William McLean, chairman, Liberty National, Oklahoma City. The assembly is cosponsored by the Foundation of the Southwestern Graduate School of Banking at Southern Methodist University, Dallas, and the Oklahoma Bankers Association.

The 33rd assembly, the last this year, will be held November 9-12 at the Arizona Biltmore in Phoenix.

## NEWS OF THE

# BANKING WORLD


BAGY


BROWN


EHRHARDT

• **Richard J. Bagy** has been promoted to banking officer, Mercantile Trust, St. Louis. He calls on bank and corporate customers in part of Missouri and all of Arkansas and Mississippi. Mr. Bagy joined Mercantile in 1976 and became a banking representative in the central group in 1977.

• **Bennett A. Brown** has been affirmed as president and CEO, Citizens & Southern National, Atlanta, by the bank's board. He has been CEO the past four months. Mr. Brown joined the bank in 1955 and once was vice president and division manager, correspondent banking.



• **George Ehrhardt Jr.**, president, Colonial Bank, Waterbury, Conn., has been elected chairman, Bank Administration Institute. He also is head of BAI's executive and finance committees. As institute chairman, Mr. Ehrhardt succeeds Horace Dunagan Jr., president and CEO, First State, Caruthersville, Mo. Mr. Dunagan continues to serve on the executive committee for a year as immediate past chairman.

• **Robert V. Lindsay** will become executive committee chairman, J. P. Morgan & Co., Inc., and Morgan Guaranty Trust, both in New York City, at year-end. Now an executive vice president of the bank and head of personnel and services, Mr. Lindsay will succeed Ellmore C. Patterson, who will reach retirement age of 65 in November. Mr. Patterson was chairman and CEO from 1971 until assuming his present post last January. He will continue as a director of the HC and bank. James O. Boisi and Dennis Weatherstone will become vice chairmen of both companies. Mr. Boisi is executive vice president of both, and Mr. Weatherstone is executive vice president and treasurer of the bank. The three officers named to new posts will be elected directors of the HC and bank and also will become members of the corporate office, the senior policy and planning group, along with Chairman and CEO Walter H. Page and President Lewis T. Preston. John P. Schroeder, now vice chairman and a corporate office member, has elected to retire at year-end, when he will become 60.

• **Roy L. Ash**, a former director, Office of Management and Budget (OMB), Washington, D. C., has been made a director of Bank of America, San Francisco. He is chairman and CEO, Addressograph-Multigraph Corp., and a director, BankAmerica Corp.

• **Donald R. Grangaard**, chairman, First Bank System, Inc., Minneapolis, has been elected chairman, Association of Bank Holding Companies, and will be its CEO during the coming year. Donald L. Rogers, Washington, D. C., was reelected association president and continues as chief administrative officer. Frederick R. Deane Jr., chairman and president, Bank of Virginia Co., Richmond, was advanced to chairman-elect and will be in line to succeed Mr. Grangaard next year. Paul Mason, chairman, First United Bancorp., Fort Worth, was elected vice chairman.

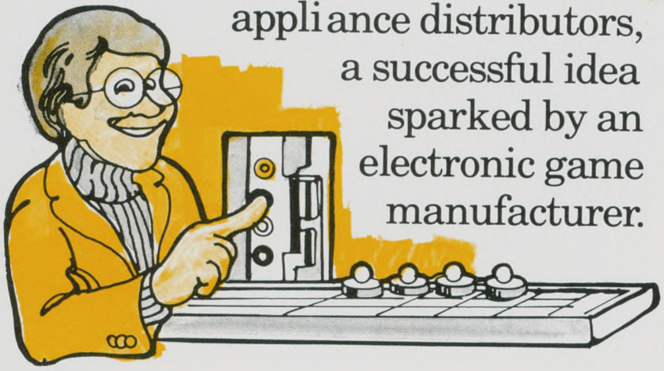
• **Donald P. Jacobs**, dean, Graduate School of Management, Northwestern University, Evanston, Ill., has been named the Gaylord Freeman distinguished professor of banking. The Freeman chair was established in 1976 by Northwestern's board of trustees in honor of the retired chairman of Chicago's First National for his leadership in banking and long service as a Northwestern trustee. Funding for the chair is being provided by First National.

### Paul L. Stansbury Dies

**Paul L. Stansbury, 65, who headed the Consumer Bankers Association in 1975-76, died June 23 in Phoenix, where he was retired s.v.p. and v. ch., senior loan committee, Valley National of Arizona. Mr. Stansbury, nationally recognized for his consumer-credit work, served as ch., Interbank Card Association and Internat'l Communications System, Inc. He also was a trustee, Graduate School of Consumer Banking, University of Virginia. Mr. Stansbury entered banking in 1941, joined Valley Bank in 1948 and retired in August, 1977.**

# Ideas to grow on.

Our ideas have helped banks make financing possible for a frozen fish distributor who wanted to increase his catch, beefy feedlots, bushels of grain dealers, a whole range of appliance distributors, a successful idea sparked by an electronic game manufacturer.



We've made it possible to shell out to peanut processors and we even helped a tire distributor get rolling.

*For all kinds of borrowers, all kinds of banks, making growth-companies bankable is our business. It's good for your business. Our name is Collateral Control Corporation. Get to know us.*

Innovators, with capital ideas.

Collateral
Control
Corporation

Receivables Certification • Inventory Certification • Field Warehousing • Participation Leasing

**Offices in 36 financial centers. Call (800) 328-1434 or (612) 222-7792 for location nearest you.**

# Master the 'maze' to

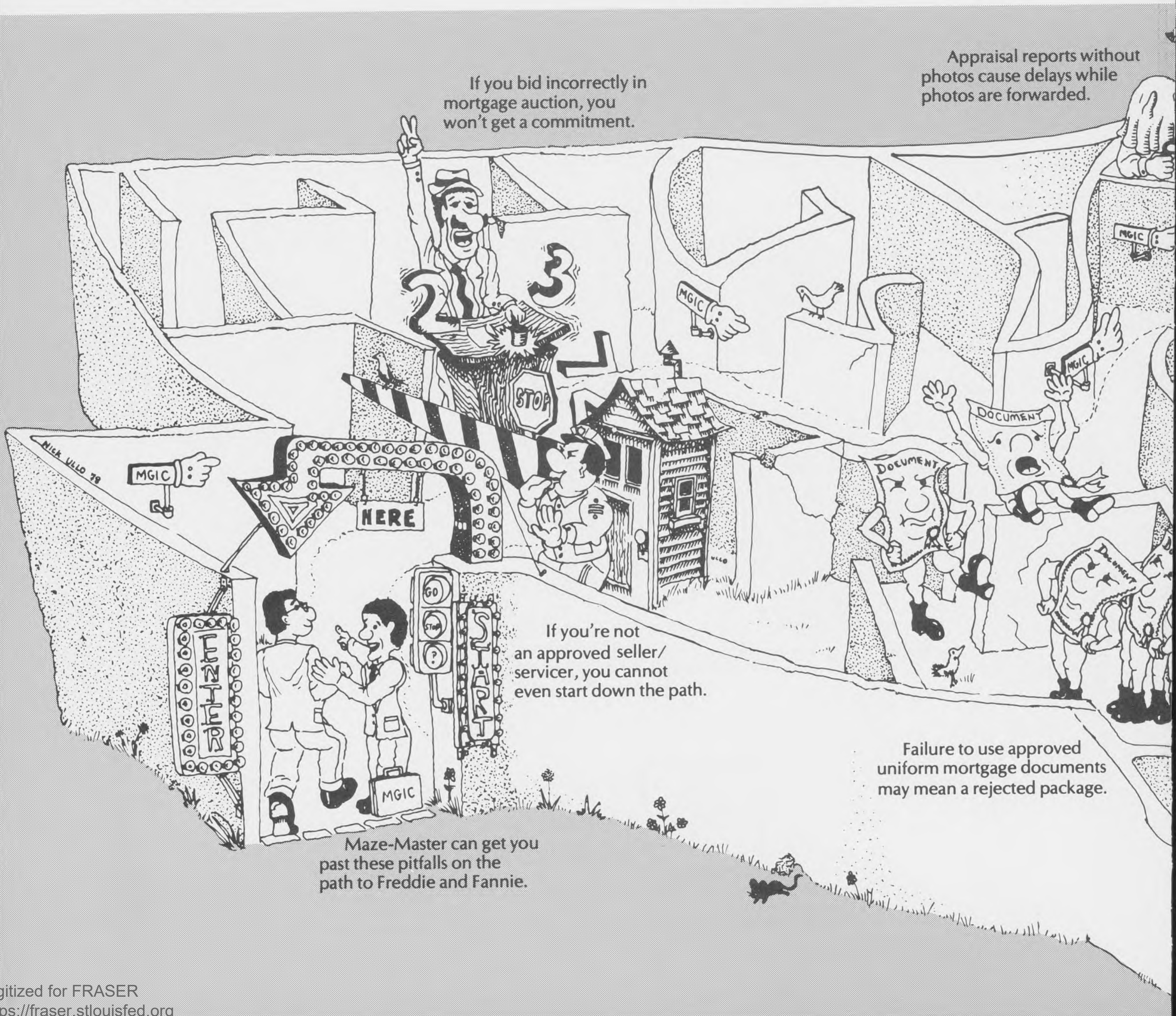
Money is getting tighter. So more and more lenders are going to Freddie Mac and Fannie Mae for mortgage money. To a lender using them for the first time, the route to these valuable secondary market sources can appear to be a labyrinth of complicated forms.

Initially this "maze" may confuse even the most dedicated mortgage lender. And delays and rejections caused by procedural errors can mean lost revenues for lending institutions.

But MGIC's new Maze-Master kit eliminates the pitfalls along the path to Freddie and Fannie. It covers every aspect of selling mortgages to them: how to become an approved seller/servicer; how to get a forward commitment; how to package loans for sale, etc.

MGIC's Maze-Master shows you how to avoid time-consuming and costly mistakes lenders most often make. Such as the seven pitfalls visualized below.

And MGIC offers you more than a kit.



# Freddie and Fannie.

Our representatives are available to advise you on all other secondary market alternatives, including private investors, state housing finance agencies and mortgage-backed securities.

So if your institution is setting out on the road to Freddie and Fannie, you should fill out the coupon to get your Maze-Master kit, or contact your MGIC representative.

Let MGIC show you the way to Freddie's and Fannie's funds.

To: The Maze-Master 6194
Mortgage Guaranty Insurance Corporation
MGIC Plaza, P.O. Box 488
Milwaukee, Wisconsin 53201

☐ Please have your representative provide me with MGIC's Maze-Master kit.

☐ Please have your representative contact me about other secondary market alternatives.

Name ______________________

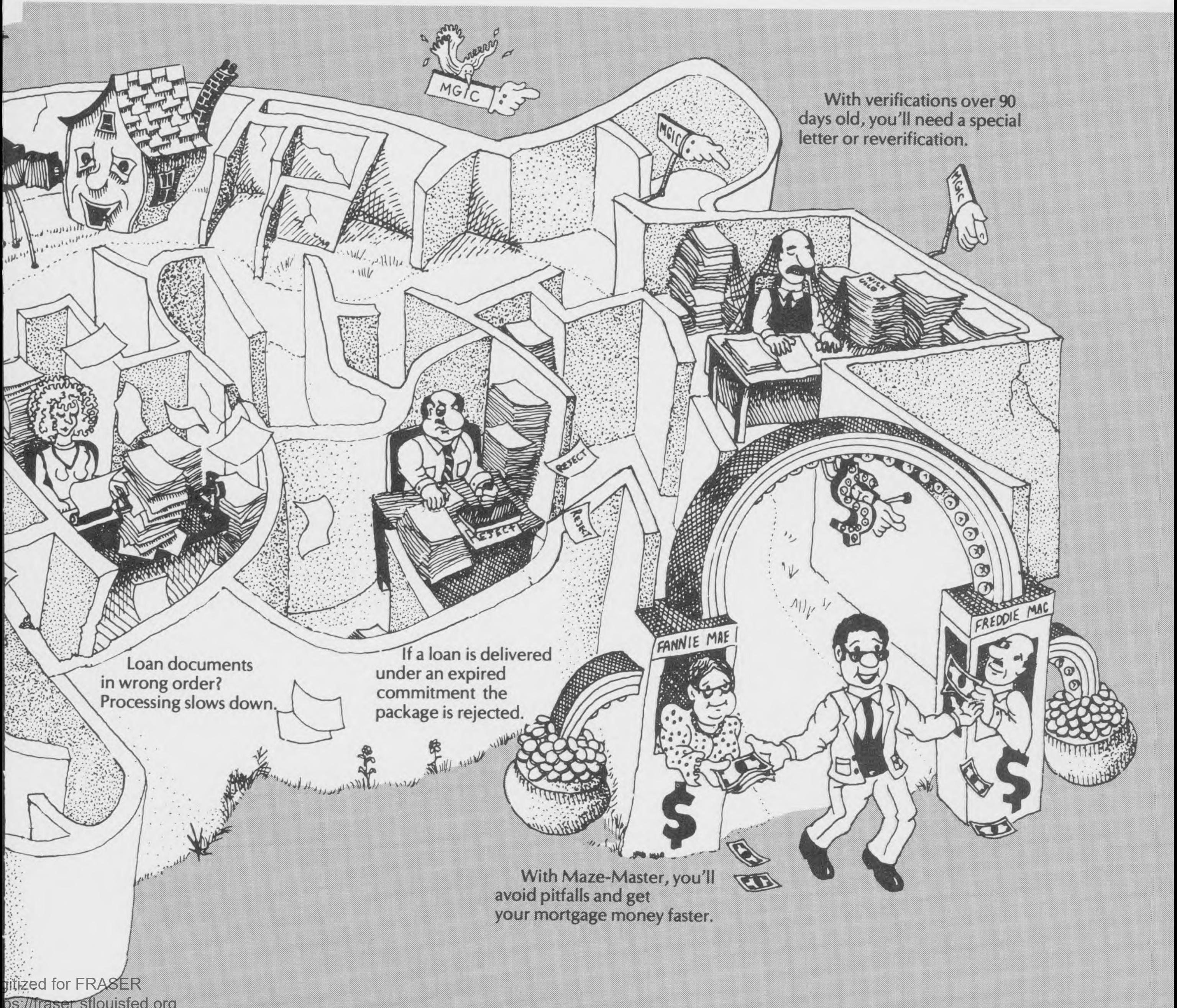
Firm ______________________

Address ______________________

City ______________________

State ________ Zip ________

MGIC



# No Summer Doldrums in Congress

## *Bank-Related Issues Continue to Be Debated*

THE ONLY Washington institution that seems able to complete its business before the "dog days" of late summer is the Supreme Court. All other members of the Washington community — Congress, executive agencies, trade associations — remain at their posts as the 95th Congress works its way through its second session.

Although the legislative process of winnowing out worthwhile and needed proposals from those that are less desirable is well underway, at this juncture numerous major banking issues remain far from a final decision. The central question now is which of the remaining proposals will be enacted into law — and in what final form.

**. . . when too many controversial items are added to a bill they can have the combined effect of causing the entire package to fail to become law.**

As Congress works toward this year's elections, a sense of urgency makes itself felt in numerous ways. For example, "pet" legislative projects of a representative or senator may be attached to a bill that is thought to have enough momentum to make its passage likely. However, when too many controversial items are added to a bill they can have the combined effect of causing the entire package to fail to become law.

The "bottleneck" effect also becomes important as Congress moves toward adjournment. In recent Congresses, fewer than 1,000 of approximately 30,000 bills and other measures introduced have been enacted into law, and a concern for bankers is that needed legislation — such as Truth in Lending simplification — not be set aside in favor of other legislative business.

With these and other considerations in mind, ABA's government relations council met during late July to review the major national-level banking issues now pending in Washington. That meeting served as a prelude to wider consideration of the same issues by the 350-member banking leadership conference later this month. Invited to join the government relations council for that conference will be the members of ABA's board of directors and governing council, as well as the leaders of the state banker associations and other banking trade associations.

Among the issues they will consider are:

*Financial Institutions Regulatory Act.* (H.R. 13088), formerly the so-called Safe Banking Act. The name change reflects the substantial improvements made in the bill, first by the House Financial Institutions Supervision Subcommittee and later by the House Banking Committee. When it was introduced almost a year ago, the bill was so punitive and destructive that it was labelled totally unacceptable.

Following lengthy consideration of the bill and the adoption of numerous changes in it, what emerged from the House Banking Committee was a bill that generally could be supported by bankers — a constructive counterpart to a Senate bill which would strengthen regulators' enforcement powers.

The ABA is concerned with three troublesome provisions that remain in the bill: Language which would allow the Federal Home Loan Bank Board to grant transaction-account powers to federal S&Ls in states where state S&Ls have that right; a provision that would allow existing state-chartered mutual savings banks the option of converting to federal charters without reference to state laws governing MSBs' commitment to housing or to branching restrictions; and a section that would preempt state laws on insider loan limits by applying the national bank insider single-borrower limit to all executive officers and major shareholders of state-chartered banks.

Improvements made in the bill so far are the result of a spirit of constructive compromise on the part of many members of the House Banking Committee, as well as the efforts of hundreds of bankers to explain the real-life implications of the bill to committee members.

**The central question now is which of the remaining proposals will be enacted into law — and in what final form.**

*Federal Bank Commission.* Consolidation of the bank regulatory agencies into a single, super agency is the goal of the Federal Bank Commission Act (S. 2750). It's expected that the Senate Banking Committee and Governmental Affairs Committee will hold joint hearings sometime in August on the proposal, which dates back several years.

Present banking regulation structure reflects the central concept that representative government should involve a system of checks and balances on the power of central authority. Because consolidation of the federal bank regulators would concentrate too much power in a single agency and weaken the dual banking system, any improvements or streamlining of bank regulation should be made within the existing regulatory framework.

The current system of dual alternatives has given regulators strong incentives to achieve proper balance between fostering innovation in the public interest and protecting the viability of banking.

*Electronic Banking Legislation.* As

(Continued on page 26)

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

## Guidelines Proposed by Five Agencies On Equal-Credit-Opportunity Act

THE FIVE federal agencies that regulate banks, thrifts and credit unions have issued proposed guidelines for enforcement of the Equal-Credit-Opportunity Act, its implementing Regulation B and the Fair Housing Act. Comment should be sent by September 1 to Equal-Credit-Opportunity Guidelines, Room B-4017, Washington, DC 20551.

The five agencies that announced the proposals are: the Comptroller of the Currency, FDIC, Fed, Federal Home Loan Bank Board and National Credit Union Administration.

This was the second set of uniform guidelines worked out jointly by federal regulators for enforcement of a major consumer-credit-protection statute and proposed for comments. The agencies currently are considering the first set, which was for enforcement of Truth-in-Lending and its implementing Regulation Z.

Draft guidelines proposed include the following remedies for specific violations of the Equal-Credit-Opportunity Act, Regulation B and Fair Housing Act. The proposal was accompanied by comments to illustrate implementation of these suggested remedies.

1. If applications have been discouraged on a prohibited basis, the creditor would be required to solicit credit applications from the discouraged class through affirmative-action advertising subject to review by the enforcing agency. The creditor also may be required to inform interested parties that it pursues a nondiscriminatory lending policy.

2. If discriminatory elements have been used in credit-evaluation systems, the creditor would be required to re-evaluate — according to a written, nondiscriminatory loan policy — all credit applications rejected during a period of time to be determined by enforcement agencies and to send letters soliciting new applications from individuals rejected on a discriminatory basis. Any application fees paid previously by these applicants would be refunded, and no new application fees would be charged prior to acceptance of an offer.

3. Where a creditor has charged a higher interest rate on a prohibited basis or required insurance in violation of the Fair Housing Act or the relevant section of Regulation B, corrective action would be taken in the form of reimbursement or adjustment. In other cases where more onerous terms have been imposed, such as a discriminatory down payment, the creditor would be required to notify applicants of their right to renegotiate the credit extention. The creditor also would be required to offer to release the applicant from such illegally required terms and to reimburse the applicant for illegally required payments.

4. If a cosigner has been required on a prohibited basis, creditors would be required to offer to release any unnecessary cosigner from liability or to substitute a new cosigner if the applicant's choice had been restricted on a prohibited basis.

5. Creditors failing to provide appropriate notices of adverse action must send such notices to all applicants denied credit within 25 months of the date of the compliance examination.

6. Creditors failing to maintain and report separate credit histories for married persons would be required to obtain such information, to reflect participation of both spouses on joint accounts and to report information properly. They also must notify joint-account holders that either spouse may want to re-apply for credit denied since January 1, 1978, on the basis of insufficient credit history.

Specific sanctions also were proposed for failure to collect information for monitoring purposes and for termination of accounts on a prohibited basis. Such accounts would be returned to their previous conditions, unless evaluations justified other actions. • •



### Self Examinations Begun By FDIC, Fed as Steps Toward Regulatory Reform

Both the FDIC and the Fed have begun self examinations. The FDIC has established a task force to evaluate its procedures for developing and reviewing its regulations. The Fed is reviewing all its regulations and related interpretations and rules to determine whether they need modernization or can be improved otherwise.

Foremost among the FDIC's task force functions is a review of existing FDIC regulations to determine whether certain of them can be improved, simplified or eliminated. The review, according to FDIC Chairman George LeMaistre, is focused on the original purpose of and continued need for each regulation. Efforts are directed toward eliminating those no longer needed and toward determining whether purposes behind those still needed can be achieved more efficiently in some other way. In addition, a cost-benefit analysis will be conducted in evaluating some regulations.

As a first step toward regulatory reform, the FDIC is asking for suggestions from banks, bank trade associa-

# The Pro Formers

## Shouldn't your bank forms be in their hands?

It takes a lot more than just a printing press to satisfy a bank's forms needs. It takes specialized equipment and materials, a rigid quality control program, and a production system that will provide forms quickly and correctly. But mostly, it takes professionals who understand the unique forms needs of banks and how best to satisfy these needs.

This is exactly what you get when you place your forms needs in the hands of the **Pro Formers** at Deluxe. These professionals know how to design and produce forms that will help your internal operations function smoothly and efficiently.

There are standard forms to fit practically any need, including: Overdraft Notices, Charge Back Forms, Debit and Credit Forms, Cash In and Cash Out Tickets, Control Documents and Savings Deposits and Withdrawals; to mention a few. In all, there are more than 80 standard forms. If you can't find one to suit your needs, a custom form can be prepared for a modest one-time make up charge. Orders are produced within 10 days of receipt, or earlier if needed, and the standard Deluxe guarantee applies. If you are not completely satisfied, the job will be rerun at no charge!

Make sure your internal operation runs smoothly. Use the **Pro Formers** from Deluxe. For a catalog, price list and order information, contact:

**DELUXE**
CHECK PRINTERS. INC.
FORMS DIVISION/P.O. BOX 43497/ST. PAUL, MINNESOTA 55164
1-800-328-9584

tions, the public, government agencies, public-interest groups and other interested organizations on how the corporation can improve its regulations. Suggestions and views should be submitted in writing to: Office of the Executive Secretary, FDIC, Washington, DC 20429. Attn.: Task Force on Regulations.

The FDIC task force is being coordinated by FDIC Director William M. Isaac. Its chairman is David B. Jacobsohn, special assistant to Director Isaac.

The Fed's review will take place in two stages. Regulations affecting commercial banks, bank HCs and other institutions outside the Fed will be examined first. This will be followed by review of all other Fed regulations, interpretations, policy letters and operating circulars.

A study of the format of the Federal Reserve Board's 26 regulations will precede study of their substance. This preliminary review will determine whether recommendations should be made to the board for changes in the regulations' organizational structure, whether they should continue to be labeled by letters of the alphabet or identified in some other way and whether they should be grouped, consolidated, combined or otherwise changed in presentation.

This will be followed by substantive review of system regulations under guidelines approved by the board in authorizing the project. The guidelines call for taking a new look at regulations and related rules to determine whether a regulation in whole or in part is required by law, costs and benefits of each regulation, whether statutes underlying regulations need revision and whether there's a more desirable nonregulatory alternative to resolving issues the regulations address. All regulations are to be redrafted to incorporate changes approved by the board.

Finally, a system is to be created to preserve the improvement made, in future regulatory structure and content.

The review, which is being overseen by Governor Philip C. Jackson Jr., and any regulatory revisions or recommendations to Congress for legislative changes are expected to be accomplished by the end of 1979.

### Less Statistical Reporting Required by Fed Board

The Fed has approved two actions that reduce the burden on commercial banks of statistical reporting to the board.

It has discontinued the annual collection of data from all the nation's banks on their outstanding loans to customers other than dealers made for the purpose of buying or carrying securities.

It also has discontinued monthly collection from a sample of 72 banks of data on such loans.

It was found that these reports had little value since such bank credit varied little from year to year and other sources of relevant information are now available.

The Fed also reduced from monthly to quarterly the reporting by some 240 banks on interest rates charged on various types of consumer loans.

## Washington Wire

*(Continued from page 22)*

of this writing, EFT consumer protection bills were awaiting debate by both the Senate and House. Although the ABA was working to remedy certain flaws in both bills, the two measures are seen as generally not prejudicing the future development of new electronic services for bank customers.

A major flaw in the House bill is a provision that would require discriminatory pricing of EFT services — prices not lower than those for conventional paper-check transactions.

*Interest Rate Ceilings.* Re-extension of the Interest Rate Control Act, which otherwise would expire December 15, will once again raise the issue of the interest-rate gap between what banks and thrift institutions can pay their savings customers. (Originally, the act established interest-rate ceilings for thrifts, but since 1975 it has required the quarter to half-point interest-rate gap as one of its provisions.)

Consistent with long-standing policy, the ABA will urge that the interest-rate differential be deleted from that law and that the power to set all interest-rate ceilings be returned to the financial regulatory agencies.



Some Washington observers are speculating that legislation to extend the Interest Rate Control Act may be attached to some other bill in the final stages of consideration. However, at present, the form such legislation will take is unknown.

*Federal Reserve Membership.* At least one of the methods proposed by the Federal Reserve to make Fed membership less costly — the payment of interest on required reserves held by the Fed — is being scrutinized by the leadership of the House and Senate Banking committees. The Fed also is proposing to set prices for the services it provides to financial institutions and to reduce the levels of required reserves. However, it will not begin charging for its services until it's free to begin paying interest on required reserves. The Fed also is seeking legislation authorizing it to set reserve levels for transaction accounts at all types of financial institutions offering such accounts.

The ABA has asked some 13 selected economic consultants and accounting firms to submit proposals for a study that would develop alternative scenarios for the pricing of Fed services and estimate their impact on banks and bank customers. Such a study would complement the Fed's current discussion of the pricing issue and possible ways to ease its membership problem. • •

### Market Day Set for Sept. 6 By First Midwest Affiliates

ST. JOSEPH, MO. — The 22nd annual Market Day, cosponsored by First Stock Yards and First National banks, affiliates of First Midwest Bancorp., will be held September 6.

Registration will begin in the lobby of First Stock Yards Bank at 9 a.m. and will be followed by tours of the Missouri Chemical Co. in St. Joseph and the new Cattle Auction Center at the stock yards. A luncheon will be held at the Hoof and Horn Steak House adjacent to the bank and a report on the current day's market will be given.

The afternoon session will start at 2 p.m. at the St. Joseph Country Club. Speaker will be Lloyd D. Miller, senior consultant, American Angus Association, St. Joseph. His topic will be "Imports and Exports: What They Mean to Farm Markets." A panel discussion of present and future trends in livestock and grain marketing is scheduled for 3 p.m.

The traditional social hour and steak dinner will conclude the event.

# Talking the Customer's Language

By JOHN R. GINSLER

President, Financial Training Resources
Glen Ellyn, Ill.

A DISTINGUISHING characteristic of professional sales communication is the ability to transmit need-satisfaction to a customer by helping him recognize and define needs that warrant change and helping him see how the bank's services can satisfy the needs.

The ability to deliver appropriate need-satisfaction to a customer begins with a thorough knowledge of the services and capacities at your disposal. How to develop and organize such knowledge was discussed in a previous article.

**"A professional problem-solver must select and communicate a combination of services and capacities relevant to a customer's needs that will provide him with a sound basis for making decisions."**

Knowledge of your services and capacities means little until you communicate what you know in terms the customer can understand, relate to, believe in and act on.

*What to explain.* To enable a customer to perceive how and why his needs can be satisfied with your help, you must decide what to explain to him. You're not trying to overwhelm him with a smorgasbord of services and capacities — "Here's our checklist of 38 different banking services. Do you see any that interest you?" This is the mark of a peddler rather than a problem-solver. This approach will confuse rather than enlighten the customer.

A professional problem-solver must select and communicate a combination of services and capacities relevant to a customer's needs that will provide him with a sound basis for making decisions. Explaining how and why you can satisfy his needs involves the following:

1. Select primary and supporting services that will enable you to explain how and why his needs, as defined during the call, can be satisfied; convey an impression of value compared to competitive alternatives; and provide a factual basis for making an action decision.

2. Select organization and personal capacities that will enable you to establish your qualifications and credibility to deliver the benefits and values implied by your services and differentiate your bank and yourself from its competitors.

Example: If a customer needs a more flexible approach to financing his growth, services you might explain could include capital forecasting, flexible financing, the bank's lending limit, its experience with growth companies and your assistance and counsel.

*How to communicate services/capacities.* Communicating the understanding and conviction a customer needs to properly evaluate and act on the services and capacities you propose involves the following communication procedure:

1. Identify the service or capacity by putting a name tag on it, so both you and the customer are tuned in to what you're about to explain.

Example: "The key to preserving your estate assets against unnecessary taxes for the maximum benefit of your family is the estate planning assistance that our trust department can provide in conjunction with your attorney."

2. Define function and features by explaining the purpose of the service or capacity, what it includes, how it works, how it satisfies customer needs or produces desired benefits.

Example: "In helping you develop an estate plan tailored to your specific needs, both now and in the foreseeable future, our trust department planning specialist will help you inventory your assets to determine their nature, ownership and true value. He'll help you define your goals — what you want done with your assets. He'll explore the various options available to accomplish your goals, such as the use of gifting, the use of trusts and the possible use of a buy-sell arrangement for your business. Based on this discussion, he'll help you and your attorney with whatever assistance he may require in drafting the necessary instruments to implement your plan, such as an updated will or trust agreement."

3. Translate into benefits by relating the specific need-satisfactions or values the customer can expect to receive from the service or capacity. This is the most crucial part of your explanation, since it enables a customer to evaluate the service or capacity in terms relevant to him by answering the question — "What's in it for me?"

**"Use effective language. Words can have a significant effect on a customer's ability to understand, accept and act on what you explain."**

Example: "Through estate planning assistance such as this, you will be provided with a plan that reflects both current and future needs. You will improve control over your assets by specifying how you want them distributed. You will have added peace of mind knowing that you've made proper provision for your family. You will be able to provide for the assured continuity of your business that you've worked so hard to build. And, your estate should be able to realize some significant tax savings by having a plan that will protect your assets against unnecessary taxes."

4. Affirm with proof to add validity and credibility to your benefit claims. As you translate a service or capacity into benefits, it's not unusual to encounter customer skepticism or doubt

due to fear of change, recognition that you are paid to make claims and a desire to test the validity of your claims. Types of proof you can use to reinforce your benefit claims include:

Number proof — cite number of customers or volume of service use to show breadth of acceptance.

Example: "Last year our trust department provided estate planning assistance for 82 customers with a total asset value of over $40 million."

Case proof — cite specific results realized by a customer through use of the service to add to its credibility.

Example: "As a result of the estate planning and investment management assistance provided to a successful doctor, he was able to avoid unnecessary taxes of more than $100,000 based on the current value of his estate, while saving considerable time and expense in managing his invested assets."

Use proof selectively to reinforce benefit claims. Not all claims will require proof. A good way to judge whether it's needed is to ask yourself — "If I had to evaluate the benefits of this service, would I doubt them?"

5. Test for understanding and acceptance to confirm the accuracy of what the customer perceives about the service or capacity, to clarify any misunderstanding, to flush out any resistance and to check the customer's readiness to act on what you've proposed.

This is one of the most crucial elements in the whole communication process, since it's easy to lose people along the way unless you provide an opportunity for feedback. Two types of questions you can use to encourage customer feedback are:

Closed-end test question — best used with simpler points of explanation to confirm understanding.

Example: "Can you see how planning assistance such as this will improve control over your estate assets?"

Open-end test question — best used with more complex points of explanation since it calls for a fuller response.

Example: "What's your reaction to the added control and significant tax savings this planning assistance will provide?"

When a customer's response to your test question is affirmative, it's a signal to move on to your next point, or proceed to seeking action if your explanation is complete. If a test question flushes out misunderstanding or doubt, answer it by re-explaining the point being questioned or by presenting additional explanation.

*How to add clarity and impact to your explanations.* The explanations you deliver to a customer can be made more understandable, interesting and appealing by following these communication principles:

1. Divide lengthy explanations into smaller parts. When explaining a complex service, it's not unusual to lose a customer along the way due to inefficient listening and the tendency of the mind to wander after a few minutes. You can minimize this as you subdivide the lengthy explanation into smaller parts, tie specific benefits to related features, use number cues to guide your explanation and test understanding along the way.

Example: "The flexible financing our bank can provide to implement your growth plans has these distinctive features:

"First, breadth of financing. Through a single, well-balanced resource, we can provide financing to satisfy your short-term working capital needs, your intermediate equipment needs and your longer-term plant-expansion needs. This assures the right kind and amount of funding for varying requirements at the right time. It saves you the time and effort of having to shop around to satisfy your various money needs and can result in savings in borrowing costs. Can you see the advantage of having a complete borrowing source like this to draw on?

"Divide lengthy explanations into smaller parts. When explaining a complex service, it's not unusual to lose a customer along the way due to inefficient listening and the tendency of the mind to wander after a few minutes."

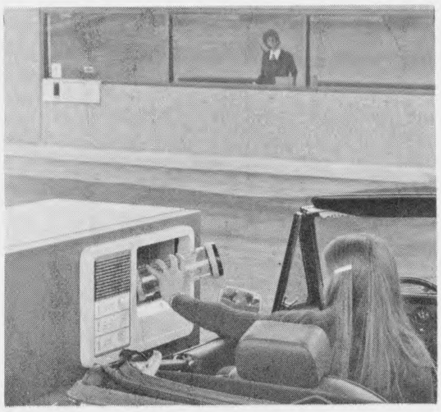
"A second important feature is the depth of our lending capacity. Our lending limit is $1 million, which means we can handle your total requirements within our bank without having to shop around to satisfy your needs. This enables you to react more quickly to growth or special opportunities. Can you see how this can facilitate your growth plans?

"A third feature is our ability to budget financing to your actual use of funds. What this entails is . . ."

2. Use effective language. Words can have a significant effect on a customer's ability to understand, accept and act on what you explain. The language you use in explaining services

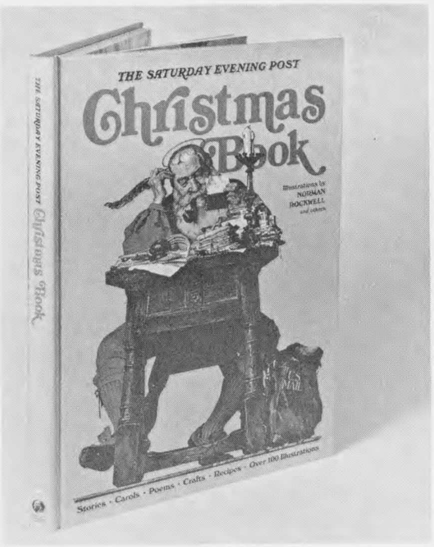
(Continued on page 87)

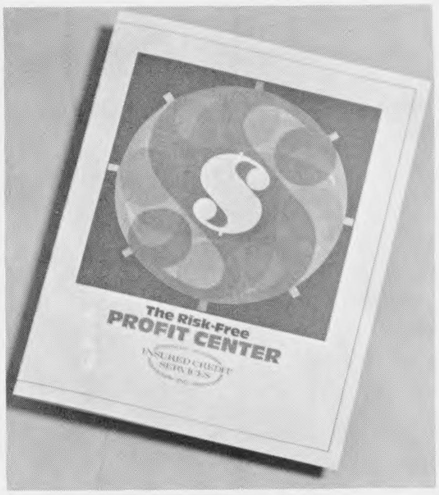
# New Products and Services



• **Mosler.** This firm has introduced the latest in its remote-transaction systems, the Trans-Vista III, which is designed with three major objectives: cost, reliability and features. According to the manufacturer, costly frills have been eliminated without sacrificing quality performance. Trans-Vista III offers a single 4½-inch pneumatic tube; the carrier is presented horizontally and can be returned to the teller on demand. A safety door frame prevents the door from closing on a customer's hand and automatically detects improper placement of the carrier in the unit. Because the customer unit is closed whenever the carrier is returned to the teller, there's no need for manual night doors. Write: Mosler, Department PR-143, 1561 Grand Boulevard, Hamilton, OH 45012.

• **National Ban Cal.** This premium firm has arranged to market "The Saturday Evening Post Christmas Book," a hard-cover volume featuring more than 100 color reproductions of Christmas paintings by Andrew Wyeth and Norman Rockwell. The book also includes Christmas stories, holiday crafts, songs and recipes for traditional holiday foods. The firm is offering the book to banks as a fall and winter promotion. Used with a $5 coupon, bank customers can buy the $9.95 retail book at the bank's cost of $4.95. Write: National Ban Cal, P. O. Box 417, Orange, NJ 07051.




• **Insured Credit Services, Inc.** Now available from this firm is a new brochure detailing opportunities for lending institutions in the property-improvement-loan area. Called "The Risk-Free Profit Center," the brochure features information on the property-improvement-loan field in general as well as specific ways ICS can tailor programs to take advantage of the market. Write: Insured Credit Services, Inc., 307 North Michigan Avenue, Chicago, IL 60601.

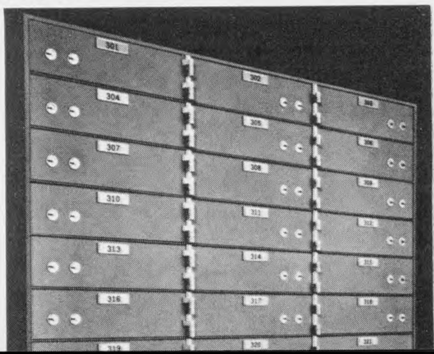
• **Bank Building Corp.** This firm has published a 12-page, two-color brochure announcing 1977 design award winners. The brochure illustrates the 12 financial institutions that received the first design award, awards of excellence and awards of merit in the 1977 design-awards competition. The competition is held to stimulate and recognize excellence in design and planning work done by Bank Building.

Write: Public Relations Department, Bank Building Corp., 1130 Hampton Ave., St. Louis, MO 63139.


• **Federal Sign Division.** Federal Signal Corp.'s Federal Sign Division has introduced the FED 5000, a new computerized interior communications system that, according to the manufacturer, effectively displays safety, merchandising, public-service, security, directional or motivational messages by changing illuminated displays with four- or six-inch letter heights. Series of messages unique to each user's needs are placed by them into the system through a typewriter-like keyboard. Message content may be changed at a moment's notice. For greater impact, Federal Sign suggests varying messages among flashing, traveling or stationary modes with letters and numerals in single or double stroke. Pictorials also are available, and time-and-temperature can be interspersed automatically within series of messages. The FED 5000 system may be used in tandem with the larger FED 3000 electronic message center for exterior display.

Write: Jack Buckley, marketing planning manager, Federal Sign, 140 East Tower Drive, Burr Ridge, IL 60521.

• **LeFebure Corp.** Modular safe deposit boxes—called Mod 22—featuring double-key-change locks enable banks to reset customer seven-tumbler locks on the premises when a customer surrenders a box. The UL-listed locks need not be disassembled or replaced, and locksmith services are not required, according to the manufacturer. The guard key also may be reset at any time, a feature that enables nests of boxes to be moved to a new location and immediately matched to the guard key of boxes already on the premises. Write: LeFebure Corp., P. O. Box 2028, Cedar Rapids, IA 52406.



# Corporate News Roundup

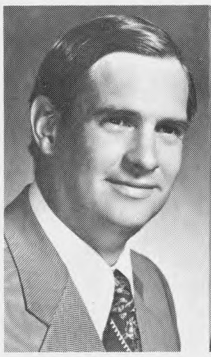
• **Walk, Young & Wells, Inc.** Clifford Y. Davis, immediate past president, Bank Marketing Association, has resigned as an officer of Memphis' City National to devote full time to Walk, Young & Wells, Inc., a 2½-year-old Memphis marketing management group. Mr. Davis entered banking with First National, Memphis, in 1961 as a management trainee and, in 1969, was promoted to senior vice president and marketing director. In 1970, he became vice president/corporate planning, First Tennessee National Corp., parent HC. In 1975, Mr. Davis joined City National as an officer and director and will continue on the bank's board.

HOWE

DAVIS

• **Bank Building Corp.** Jack Howe has been named vice president, business development and marketing, of this St. Louis-based firm. He is responsible for selection of new-business opportunities for BBC, including acquisitions, and participates as executive director, corporate planning group. Mr. Howe, who joined the firm in 1973, continues as general coordinator, marketing activities, and assists group vice presidents in developing and carrying out various marketing programs. Before taking his latest post, he was corporate vice president/marketing at BBC.

• **Lawrence Systems, Inc.** Robert P. Ziomek has been named executive vice president and chief operating officer. He formerly was vice president/finance and chief financial officer, F. & R. Lazarus & Co., a division of Federated Department Stores, Inc. Before going to Lazarus, Mr. Ziomek was vice president, CNA Financial Corp. In other action, Lawrence named Robert F. Gooding vice president and regional sales manager. He is based in the Southeast regional headquarters, located in Atlanta. Mr. Gooding had been an account executive, national accounts, Hibernia National, New Orleans.



BARTOO

GRADY

**Diebold, Inc.** This Canton, O.-based firm has announced two appointments: Donald F. Bartoo as marketing services director and Lydia A. Grady as customer relations representative. Mr. Bartoo joined Diebold in 1973 and has held several posts, including development of an effective recruiting program and TABS marketing program. Before going to Diebold, he spent 10 years with Burroughs Corp. Mrs. Grady was executive director, Old Dominion Chapter, Cystic Fibrosis Foundation, Richmond, Va.

### ABA's Bank Card Convention Planned for Sept. 10-13

DALLAS — The 1978 national bank card convention, sponsored by the ABA, will be held September 10-13 at the Fairmont Hotel here.

Topics will include social responsibility of the banking industry in a plastic environment, bank card's role in retail-banking strategies, processing alternatives, perspectives on EFT, competition from other financial institutions and living with EFT legislation and/or the lack of it.

Speakers will include D. W. Hock, president, Visa U. S., San Francisco; John Reynolds, president and CEO, Interbank Card Association, New York City; and Senator John Tower (R.,Tex.), member, Senate Committee on Banking, Housing and Urban Affairs, and ranking minority member, Financial Institutions Subcommittee.

Your bank helps provide the lifeblood for an entire community. You handle the day to day transactions that keep businesses and people working. And when that really complex deal comes along, well, you'll have to handle that, too. That's when you find out what your correspondent bank is made of. Because if the correspondent you pick won't go that extra mile for you, then nothing else counts.


At First in Dallas we understand. So when we do business with any business, we give you just what you expect from yourself: results. Results. The real measure of a bank.

**FIRST IN DALLAS**

First National Bank in Dallas. Member F.D.I.C.
A subsidiary of First International Bancshares, Inc.

# Employees Learn How to Please Customers

AN IN-HOUSE human relations training program is being administered to branch customer contact personnel at National Bank of Commerce, Memphis. The program is entitled PACE, which stands for "Personal and Customer Effectiveness."

Developed by the bank's ombudsman, Dee Turner, the program is being presented to personnel at each branch three times this year in an effort to reach every branch employee. A different session is given at each branch each quarter.

"The importance of enjoying people and working with them to satisfy their needs as our customers is paramount to a branch person's job as a 'customer contact' employee."

The sessions begin at 7:30 a.m. with coffee, donuts and a film on human relations. Mrs. Turner then discusses ways in which branch personnel can develop good customer relations and handle people effectively.

During the sessions, employees are invited to voice their opinions about the film and anything else that might be on their minds.

Most sessions are limited to 45 minutes to one hour in length and they can be scheduled during the afternoon if employees prefer.

In addition to showing the film, the bank distributes various articles on topics such as why people choose a bank, why they decide to leave a bank and what customers expect of bank personnel.

Sometimes quizzes are administered and graphs and charts are used to emphasize certain points. Employees are usually asked to give their views on what they would like to discuss during future meetings.

"PACE is an outgrowth of the quarterly 'rap sessions' held last year for employees who deal with customers," Mrs. Turner said. "Customer relations is a matter that concerns us all. They don't just happen, but are built moment by moment, one customer at a time, by each of us."

The film shown during the first quarterly session attempted to reveal the frustrations that may develop between customers and bank personnel when things are seen from two different viewpoints. Employees are reminded that each person has his own perspective about any situation.

NBC is presenting the PACE program, Mrs. Turner said, because management is beginning to realize that it's not so much the price of service as it is the warmth of service that enables a bank to keep its customers satisfied, thus promoting customer loyalty. The key, she says, is for employees to become more naturally effective.

Paul Calame, director of branch administration for NBC, stressed the fact that "the importance of enjoying people and working with them to satisfy their needs as our customers is paramount to a branch person's job as a 'customer contact' employee.

"Our total reason for being is to individually serve our customers and prospects within the branch team environment," he continued. "It's hoped that, through the PACE program, we can provide some tools for use in branch personnel becoming better 'customer contact' people. To our customers and prospects, the people in the branches are NBC."

"... we really do have good customer relations employees working for NBC ... but it's only human nature to want to be better and do a better job."

All branch employees receive a PACE manual, created by Mrs. Turner, and "Inside NBC," a manual that focuses on the organizational structure of the bank. The PACE manual reinforces the programs put on by Mrs. Turner with articles and quizzes. The "Inside NBC" manual provides descriptive material about the functions of each bank department and tells readers where to go to obtain additional information about various departments.

"I feel we really do have good customer relations employees working for NBC," Mrs. Turner said, "but it's only human nature to want to be better and do a better job." • •


Dee Turner (standing), ombudsman at NBC, Memphis, conducts PACE employee training program at one of bank's 22 branches. Purpose of program is to teach branch employees how to be more effective with customers, thus retaining them as customers.

■ DENNIS J. McDONNELL, vice president, bond and money market services department, Continental Bank, Chicago, is the newly elected president, Chicago Municipal Analysts Society. Another banker, Carolyn Skibo, Northern Trust, is the new secretary.

# Outlook for Farmers Improves for '78: 20% Increase in Net Income Seen

THE NATION'S farmers should enjoy about a 20% increase in net income this year, said Terry L. Francl, agricultural economist at Continental Illinois National, Chicago.

That prospect is in sharp contrast to last year, he added, when net farm income totaled $20.4 billion, a drop of $1.5 billion from the previous year.

Since this decrease was a continuation of a five-year slide in real net income, he said, it raised concerns about the ability of farmers to service a growing debt burden. "Those concerns should be eased by the current income outlook, although crop farmers in some areas may continue to face a somewhat tenuous situation," he said.

While most crop prices have posted significant gains from their harvest-time lows last summer and fall, many feed grain and wheat farmers still would like to see price levels that provide for a more adequate return to land and management after covering operating costs, Mr. Francl said.

In particular, young farmers who purchased land in recent years as well as farmers who have experienced weather-induced crop failures may continue to experience difficulty, he said.

"A stronger world market for farm products has improved the crop price picture," he said. "Adverse weather has caused cutbacks in crop production in many parts of the world, which, with heightened demand for agricultural commodities, has pushed prices for the majority of products — especially grains — equal to or above year-earlier price levels. As a result of the higher prices and increased volume, total U. S. agricultural exports most likely will reach $26 billion this year, producing a $12 billion agricultural trade surplus."

He added that livestock producers, meanwhile, have benefited from marked increases in cattle and hog prices because beef production is expected to decline about 5% this year and pork production will increase less than was forecast.

Although poultry supplies should rise by about 7%, he said, this increase will not be enough to overcome the drop in red meat production and total meat supplies will decline about 1% this year.

Receipts from sales of livestock have had a sharp 16% jump in the first half of this year, Mr. Francl said, reflecting increased prices resulting from tighter supplies.

"Overall farm income this year should total between $24 and $25 billion," he said. "This prospect bolsters the finding of a recent farm credit condition survey that, in general, shows marked improvement in the credit situation of farmers.

"At any rate, the seriousness of that situation, which received so much attention last year, may have been somewhat overstated. The rise in aggregate farmland value continues to outpace total increases in credit being utilized by farmers. While farm debt rose from $59 billion in 1972 to $119 billion in 1978, the value of farm real estate also more than doubled, appreciating from $217 billion to $479 billion."

Although there are rather extreme variations from farm to farm, he said, the farm sector still represents one of the best debt-to-equity ratios found in any industry. ● ●

# Tighter Credit Seen Developing in Ag Lending Area

A SPOT CHECK of correspondent bank department agricultural specialists reveals a tightening of credit on the part of big-city bankers that is making demands on ag lenders for more expertise in evaluating the farming techniques of customers.

"Farm debt has increased and will continue to increase due to the need for additional operating funds," said Earl N. Haldeman III, assistant vice president, First National, St. Louis.

The need for funds has now reached a level where city correspondents are being asked to assist in financing producers. Likewise, there's a tightness of loanable funds in city banks, but they still are able to help creditworthy producers, Mr. Haldeman said.

The situation in the area of land financing in Illinois and Missouri sees continuation of refinancing to longer terms, less activity in expansion of farms and more concern for liquidity, Mr. Haldeman said.

Previously, he said, financing of real estate purchases by country banks has caused them to have liquidity problems and they are now needing help to handle operating loans, not due to overline conditions but to liquidity conditions.

"There is extension of loans," he said, "but more for the purpose of allowing producers to delay marketing grain than to an inability to pay."

The overall quality of loans and ability of borrowers to repay has improved with the increased livestock and grain prices, Mr. Haldeman said. In general, he added, the credit situation is better than it was a year ago.

"However, the cash flow hasn't improved to such an extent as to correct the problems that high-priced land purchases have caused for some borrowers," he said.

"As money has been getting tighter, I observe more selectivity in loans being made," said Gene Davenport, assistant vice president, United Missouri Bank, Kansas City.

Mr. Davenport thinks that, generally, grain farmers are financing even or slightly worse than they were last year. Livestock and grain-livestock combination farmers generally have improved their financial position.

"Those farmers maintaining similar debts generally have substantially increased livestock inventories," he said.

Agricultural banks are experiencing tight money conditions because many farmers chose to hold over a large portion of their 1977 crops, said William T. Springer, senior vice president, Boatman's National, St. Louis.

This resulted in farmers not repaying their loans last fall as they normally would, he added. The cost of fertilizer for the 1978 crop has been added to this burden and the result has affected ag bank deposits as well as deposits in corresondent accounts. This situation makes for high loans and overlines.

In addition, he said, farmers are thinking twice about borrowing more from banks, due to the steadily rising cost of credit.

Many farmers in Missouri are taking advantage of disaster loans, triggered by last year's drought conditions, said Edwin B. Lewis, vice president, Commerce Bank, Kansas City. Such loans have helped take the pressure off highly loaned ag banks, he added, effectively reducing loan demand. Many farmers receiving disaster aid are using half of the aid to pay off debts and the other half to help finance this year's crop.

"It is my feeling that the overall farm debt in Alabama increased substantially during the 1977 crop year," said Paul L. Ash, assistant trust officer and farm manager, First National, Birmingham, Ala.

"Alabama recorded some of its worst yields ever in cotton and corn in 1977," he said. "The overall farm debt in Alabama would have been much worse if peanut production had not been the best in its history."

However, he added, state-wide farm production costs rose 10% between 1976 and 1977. This has created a credit squeeze on both the farmers and banks in Alabama.

"This year the overall cotton crop in the state is in poor condition and the price outlook is only fair. Therefore, I don't see any large improvement over last year in cotton or soybeans," Mr. Ash said.

The key to successful agricultural loans in Alabama depends on the ability of farm lenders to have enough technical knowledge in farming to determine good farm management from mediocre farm management, he said. Each year this has become more difficult. • •

---

# Agricultural Borrowers Using Futures More, Look to Lenders for Information

SIXTY-EIGHT per cent of agricultural lenders responding to a survey disclosed that use of the futures markets among their agricultural borrowers has increased in the past few years.

Another 24% saw no change among the numbers of their farm borrowers using the futures markets. Of the balance, 2% noted less use of the futures markets by their farm clients and the remainder made no reply.

The survey, conducted by the Chicago Mercantile Exchange (CME), prompted almost 500 responses from agricultural producers, bankers and other lenders in 10 states who attended a series of one-day educational seminars, called Farm Forums, sponsored by CME.

The forums focused on the mechanics of hedging on the futures markets and were designed to spur the attendees to study hedging in more detail.

"We do not intend our six-hour seminars to make anyone an expert on hedging," commented Ronald Frost, vice president of public information and marketing at CME. "Rather, we'd like to give agri-businessmen a strong foundation in the basics and then motivate them to seek further information about hedging from their county extension agent, a knowledgeable banker or a good broker. To be effective managers of the future, agri-businessmen must establish clear lines of communication and close relationships with their bankers and brokers."

Apparently, the sessions did just that, as over half of those responding sought additional information about futures trading after attending the forums.

Many of the producers, bankers and agricultural lenders who answered the survey and who looked for further information about the futures markets contacted more than one source.

Of the producers, 60% turned to a commodities futures broker and 31% contacted the agriculture extension. Another 24% of these producers referred to their lender. The balance used other information sources.

Three-fourths of the agriculture lender respondents who researched the futures markets spent time with a commodities futures broker. Twenty-eight per cent sought more advice from a commodity advisory service. Thirty-three per cent of the 120 responding bankers and lenders turned to the extension service. Other sources for information were other lenders or advisory services.

Producers and bankers agree that hedging is a good way to shift the risk of farming operations. An 82%-majority of agricultural lenders believe their loans to farmers are more secure when those borrowers hedge. And 62% of the potential borrowers responding checked "managing risk" as their primary reason for hedging.

The producers also hedged to gain first-hand experience with the markets, to top or bottom the markets or because their lender recommended it.

However, according to 86% of the responding lenders, their organizations do not encourage use of the futures markets. Instead, they provide either advisory services for potential market users or stay in the background concerning hedging. Only 1% of the lenders and bankers openly discourage hedging among their clients.

Of the 62% of the producers who said they have not traded on the futures markets since attending the forum, almost half explained that they could not trade because they don't meet contract specifications. Nearly one-fourth wanted to learn more about hedging before trading. Another quarter said the futures have not offered them a good price yet. (The survey was taken during May of this year.) Some other producers mentioned they were unable to find a cooperative banker or broker. And a small minority, 5%, do not believe in hedging. • •

# Price/Risk Management Workshops—Information Tools for Ag Lenders

A GROWING number of banks are sponsoring seminars and workshops for their farmer customers and/or downstream correspondents who are active in ag lending. Bank managements are realizing that there's a major need for organized presentations of ag-related information to customers whose well-being depends on a good grasp of such things as the use of futures markets and the protection of financial risk.

Among the banks sponsoring commodities workshops this year is Indiana National, Indianapolis, which arranged for a price/risk management workshop for its downstream correspondents conducted by representatives from Heinold Commodities, Inc.'s Farm Market Division, located in DeKalb, Ill.

According to Howard H. Beermann of Heinold, the objective of the workshop was threefold:

- To acquaint lenders with the alternatives their farm customers have in marketing farm products and specifically to inform them about the use of the futures markets in pricing grains and livestock for protection of the farmer's financial risk, equity and cash flow, all of which result in increased protection of bank loans.
- To discuss policies, procedures and proper documentation for lending futures margin money to the customer who utilizes the futures markets.

Taking part in price/risk management workshop at Indiana Nat'l, Indianapolis, were (from l.) Errol Baxter, Heinold Commodities, DeKalb, Ill.; William Shaffer, corporate banking officer, and Richard E. Bonewitz, v.p., both from host bank; and Howard H. Beerman, Heinold Commodities. Workshop guests were downstream correspondents of Indiana Nat'l.

- To provide lending institutions that want more information for their farm customers with a three-hour presentation at their locations to point out the principles of systematic marketing.

Mr. Beermann said many bankers attending these workshops are familiar with the use of futures by farmers and grain elevator managers and are encouraging further use of this tool. But others aren't very knowledgeable and some are dubious. They all want to know more, so the workshops point out the advantages and disadvantages of futures compared to cash contracting.

Every lender should know enough about futures so their customers can't "snow" them, Mr. Beermann said, yet they don't need to know every detail that the farmer managing a futures account should know.

A major portion of the workshop time is spent demonstrating a line of credit for the borrower's use to pay margin into the futures market, if necessary, when hedged, Mr. Beermann said.

Policies and procedures are discussed and documentation is furnished by providing a security agreement and assignment of the farmer's brokerage account to the bank.

"This not only provides additional collateral, but also enables the banker to monitor the farmer's transactions in the futures account and allows for improved communications among the farmer, his lender and his broker," Mr. Beermann said.

He added that his pricing philosophy is based on the farmer's individual financial risk-bearing ability and the profitability level of the present cash, cash contract or futures contract price.

"Depending on the situation and the lender's desire," he said, "the farmer may forward price a small or a great percentage of his product. It's imperative that he maintain discipline in the market and not let 'market emotion' overcome his systematic and logical pricing procedure.

*(Continued on next page)*

## *Bankers Play Larger Role in Hedging Counseling*

BANKERS are playing increasingly active roles in counseling customers on commodity hedging. Some bankers sponsor seminars showing customers the ins and outs of hedging (see adjoining article).

Some banks, not content with showing customers merely how to hedge and how not to hedge, are creating three-way agreements among their customers, their bank and commodity futures brokers.

In these agreements, in cases where the customer is a cattleman, the cattleman establishes a margin account with the bank and the broker gives the customer hedging advice and executes trades. If prices rise and the broker puts out a margin call, the call goes to the bank instead of the cattleman. The bank disperses the extra funds to the broker, with notice sent to the cattleman. If prices drop, the bank releases the extra funds. In either instance, the cattle constitute the bank's collateral. The price protection to the farmer becomes loan protection to the bank.

In most cases, bankers don't give hedging advice to their farm customers; they leave that up to the broker. Brokers usually approve such arrangements because, when the cattleman has a margin account at the bank, the broker knows he will be paid, and the bank is willing to lend more on a hedged deal, which usually results in more business for the broker.

Similar programs can be arranged for grain farmers. The same type of three-way agreement is made and banks can provide farmers with computerized records, with daily tapes on market action and with workshops to help him analyze the market.

*(Continued on next page)*

## Agribusiness Commercial Finance Role Enables Processors to Become Bankable

COMMERCIAL finance can be a significant factor in agribusiness, indirectly influencing growers and directly influencing processors, resulting in their lending needs becoming bankable, said Peter J. Levy, vice president and regional manager, Aetna Business Credit, Inc.

Commercial finance lends on collateral in the form of accounts receivable, inventory, plant and equipment and is oriented to middle-sized business, he said. Such firms usually are interested in interim financing to achieve rapid growth, to acquire another firm or to sustain or turn around an operation that has experienced recent reverses.

A number of businesses engaged in food processing that are sizable and viable forces in the marketplace were aided in attaining their positions by commercial finance, Mr. Levy said. "Obviously, the presence of active and competitive middle-sized processors is of great interest to all those engaged in agribusiness."

He presented examples to illustrate the commercial finance/food processing relationship.

Recently, he said, Aetna Business Credit helped finance the entry and subsequent expansion of a new entity in the snack-food area. Officers of a nonfood processing concern who had experience in packaged foods were eager to purchase several snack-food subsidiaries being sold by a conglomerate. Since the financing and resulting debt exceeded what their bank could be comfortable with, they turned to the commercial finance firm.

"Aetna's financing enabled them to purchase the operations, which were almost three times the size of the acquiring company. The financing was structured around 'revolving' loans based on accounts receivable and inventory and an 'intermediate term' loan based on plant and equipment for the major portion of the purchase price," he said.

LEVY

Intermediate term lending is a new development currently offered by only a few commercial finance firms, Mr. Levy said. Intermediate term loans are financing arrangements based on plant and equipment or older industrial plants and specialized equipment and usually are structured for amortization over a 10-year period.

"The ability of commercial finance to assist in rapid growth was illustrated by a loan made to a cheese processor," he said. "At a point in his company's development, the owner of the cheese processing and wholesaling company elected to expand his operation.

"This expansion required a buildup of the cheese inventory being held for aging. The financing of such an endeavor, which exceeded the bank's lending guidelines, was made by Aetna. Subsequently, a bank became a participant in the loan. Then full bank financing was arranged as the company, in achieving its growth objectives, established financial ratios conducive to bank lending."

On a number of occasions, Mr. Levy said, commercial finance firms have been called on to help food processing companies weather financial problems. The experience of a peanut processor illustrates this, he added.

During the company's relocation to larger and more modern facilities, a number of reversals were experienced that restricted cash flow and necessitated a sizable increase in the firm's debt.

"Aetna was called on to refinance the company's debt and provide additional working capital," he said. "This financing was essential in helping the processor through the troubled period. As operational problems were resolved, profitability improved sharply, allowing bank participation in the loan and, subsequently, complete bank refinancing."

These food processors, now strong middle-sized businesses, serve as good examples of how the appropriate use of commercial finance can play a significant role in the processing market, Mr. Levy said. ● ●

## Price/Risk

*(Continued from page 41)*

"He must look at the long-term profit objectives instead of the day-to-day price movements," Mr. Beermann said.

At the Indiana National workshop, many questions were asked throughout the session. Most were about minute details pertaining to the immediate discussion; others were questions about how the banker will know if his customer is speculating in the market, how to choose the proper broker, etc.

"The first question is answered by having an honest customer," Mr. Beermann said. "The second question takes a longer answer, but it was covered by discussing the commodity farm's financial solvency as well as its ability to furnish proper information and outlook for the customer. The individual broker must certainly understand agriculture, the process of hedging and remain mindful of the objectives of the farmer. It should go without saying that the broker needs a good reputation for honesty and integrity." ● ●

## Bankers Play

*(Continued from page 41)*

Bankers agree that the essence of making such agreements work is getting farmers to keep good records and making effective use of the records to assess cash flow, determine debt loads and set goals.

They also concur that the agreements protect their loans.

Using forward contracts or futures markets doesn't eliminate all risks because no one knows where the market will be when contracts mature. And no bank is fully protected if price swings are much sharper than predicted, resulting in higher margin calls that eventually swamp customers.

Commodity experts agree that it's important that farmers, brokers and bankers work out careful programs and stick with them. They should select a price, allow the markets to move up and down and intervene only if the fundamentals change. A fundamental change would be something like the corn blight of 1970 or the Russian grain deals.

Such agreements work best for well-capitalized customers, experts say. They add that hedging is never a sure thing. It can be very attractive if participants know what they're doing. But it can be disastrous if they don't. ● ●

# Decline in Farmland Price Spiral Possible, But Chances for 'Bust' Are Slim

**By JIM FABIAN**
**Associate Editor**

ALTHOUGH a slowing in the rate of ascent of farmland prices has been noted recently, there's no danger of a farmland price "bust" occurring in the foreseeable future, agricultural bankers say.

Prices have slipped a little in some areas, but this has been offset by continuously rising prices in other areas.

"Farmland prices will continue to go up as long as severe inflation exists," said Eldon H. Greenwood, assistant vice president, Illinois National, Springfield, and a vice president of the American Society of Farm Managers and Rural Appraisers, Denver. He said it would take softer commodity prices to slow the land price advance or to level it out.

Should a worldwide grain surplus develop, Mr. Greenwood said, grain prices would be depressed to the point where land debt service would become difficult for some operators. Distressed sales of land would burst the bubble because the psychology would immediately shift from one of holding land as an inflation hedge to one of not acquiring land because of its being a poor investment.

A slowdown in the increasing value of land in the next year or so is seen by John H. Hembree, senior vice president, Union Planters National, Memphis, and a member of the American Society of Farm Managers and Rural Appraisers. He sees the rate of appreciation of farmland dropping from its present 20%-25% to 5%-6% per year.

"What I'm saying is that the boom is over but we aren't in for a bust," Mr. Hembree said. "The only thing that would cause a severe decline in farmland prices would be a real recession and extremely low farm prices."

Farmland prices will continue to increase if the economy remains robust, said Carl O. Norberg, executive vice president, American Society of Farm Managers and Rural Appraisers.

"From what we have heard," he said, "farmland prices seem to have reached their peak price in various areas of the country, although there still are pockets in the Midwest and some other areas where the price for agricultural land has leveled somewhat." He added that this might be a temporary situation, depending on the 1978 harvest.

Mr. Hembree said he didn't believe Congress would permit any severe drop in agricultural prices for any prolonged period, due to the great demand for foodstuffs. "Such a policy would preclude any bust in farmland prices," he said.

Another factor that favors a continuing increase in farmland rates, although at a more moderate rate, is the availability of credit to finance land purchases, Mr. Hembree said.

"All or most of the large insurance companies are quite active in our area, as are the land banks throughout the territory," he said. And sellers of land are quite willing to carry any remaining debt on a sale for tax purposes.

"Real estate lenders are currently making term loans at considerably higher figures than they did a few years ago. They are now lending more dollars per acre than the land would have brought a few years ago. The purchaser can generally justify this stance by stating he is averaging the total cost of his holdings over the new purchase and the old holdings; and, as a result, his average value-per-acre or investment-per-acre is considerably less than the existing value of the land," Mr. Hembree said.

As long as inflation continues, he added, farmland will maintain its value in relation to the prices of other goods. As the value of money declines, land values in terms of dollars can be expected to increase.

"With all the pressures prevalent for continued inflation," he said, "I don't believe many people feel that the inflation rate is going to decline by any substantial amount."

Rather, he continued, it will probably increase to a higher level. This is one of the thoughts running through the minds of large owner-operators when they begin to think about or discuss the purchase of additional acreage.

Various factors tend to prevent any real burst of the land price bubble, Mr. Greenwood said. These include increasing militancy on the part of farmers, the ready ear they have received from politicians and the continuing pressure to use land for non-agricultural pursuits, such as homes, highways, airports, etc. These factors are visible reminders to the investing public that land is a non-replaceable and scarce resource, and, as such, is a good investment.

One of the negative aspects of the recent rapid increase in farmland prices is the enormous federal estate tax load that often results when a landowner dies, Mr. Greenwood said.

"Land price increases have been so rapid many have not realized the problem in time to implement a plan to reduce the federal estate tax bite," he said.

The blow can be softened somewhat by bringing together an estate tax planning team to help the farmer develop a plan that takes advantage of the 1976 Tax Reform Act, he said. The team should include an attorney, accountant, bank trust officer, life insurance planner and a business consultant, should one be utilized.

There's some difference of opinion among farmers whether the relief provided by the Tax Reform Act is really a blessing, Mr. Greenwood said. While it's a terrible thing for the heirs of a farmer to have to sell off acreage to satisfy estate taxes, such sales tend to benefit young farmers in the area who are looking for land to build up their estates. • •

# Case Studies Reveal How Collateral Control Can Protect Bank's Ag-Business Loans

THE IMPORTANCE of third-party collateral control in the agribusiness area is sometimes overlooked by bankers who are called on to service their agribusiness customers. Case studies from collateral control firms reveal how banks are protecting loans made to such firms.

A company that borrows heavily on a seasonal basis to purchase agricultural products and process goods must shop around for the most attractive method of finance, said Arthur B. Adams, senior vice president, Lawrence Systems, Inc., San Francisco.

"In our present economy, especially, eligible bankers' acceptances are ideal for the purpose of financing the storage of inventory," Mr. Adams added.

**Bankers' acceptances usually aren't accompanied by compensating balance requirements.**

Bankers' acceptances are generally less costly than prime related borrowing; provide a reliable source of funds during tight money conditions; and usually aren't accompanied by compensating balance requirements that create a non-earning funds situation for the firm, he said.

Citing an example, Mr. Adams referred to a large sugar processor that engages in multimillion-dollar acceptance finance with several banks in order to pay beet growers in the fall and to take advantage of cost savings on the purchase of cane sugar during the year.

"Lawrence Systems has been called on to issue the third-party warehouse receipts required by the Fed to assure the lenders that the goods in storage supporting the acceptance are subject to Lawrence's control as an independent, financially responsible third party," he said. Fed regulations preclude the establishment or use of a warehousing subsidiary of the borrower for this purpose.

Throughout the duration of the acceptance, Lawrence monitors and guarantees the existence of the inventory in many locations throughout the U. S., reporting regularly to the banks, Mr. Adams said.

Another instance was provided by John R. Sweeney, senior vice president, Collateral Control Corp., St. Paul.

In the late 1950s, he said, a grain and feed firm with a single Midwest location was seeking to expand its credit line. The local bank sought the help of an upstream correspondent that required a field warehousing location to secure the loan.

The increased financing made possible by the warehouse receipts helped the firm launch a rapid expansion program that saw the net worth of the firm rise from about \$2.5 million to about \$40 million in 20 years. Sales went from \$40 million to more than \$300 million in the same period. The firm grew from one location to several locations in three states.

The firm markets internationally, Mr. Sweeney said, and is presently using bankers acceptances. Even though it does much of its financing in major money-center banks, it has continued a relationship with the local bank that gave it the initial growth impetus.

An instance of protecting a loan to fertilizer dealers was cited by Mr. Adams.

In 1973, Mr. Adams said, many major manufacturers of fertilizer decided to get out of the retail custom-spreading application business. New local dealers were formed to provide deliveries to farmers, but they had limited financial resources to meet demand.

Traditionally, farmers withhold payment for 120-180 days or until their crops are sold. In addition, manufacturers wouldn't supply extended payment terms to the dealers.

To provide needed funding to the dealers, Mr. Adams said, rural banks with overlines from city correspondents arranged secured finance protected by third-party controls. Lawrence Systems' certified inventory control service covered the fertilizer. Then certified accounts receivable guaranteed the validity of the accounts receivable after the fertilizer was spread and assured the lending bank that all dollars paid against the fertilizer would be paid into a designated account.

"This flexible financing has enabled fertilizer dealers all over the country to obtain needed funding on inventory and receivables ranging from \$200,000 to \$4 million," Mr. Adams said.

In the late 1960s, Mr. Sweeney said, a small farm machinery manufacturer started in a city in the heart of the Midwest agriculture belt. As its sales grew from a few local units to nationwide distribution, financing problems became somewhat acute.

Collateral Control installed an inventory certification program on the manufacturer's premises for the benefit of engine and other component suppliers, Mr. Sweeney said. Because

**Bankers' acceptances provide a reliable source of funds during tight money conditions.**

of this protection, the suppliers were able to increase the amount of their credit substantially. Payment was made as the components were released to the farm equipment manufacturer to be used in production.

As sales grew, he added, the firm started private labeling for major farm equipment manufacturers. In a four-year period, sales increased 10-fold and profits averaged about 5% of sales. Many new jobs were created and the economy was stimulated.

Mr. Adams gave an example of acceptance finance that occurs when cattle feeders require funds for cattle purchases and feed bills. Typically, 2,500 to 10,000 head of cattle are involved.

An agreement is made with the feeder, he said, by which he appoints a custom feed yard to care for the cattle. Lawrence issues the warehouse receipts to the lender, as required by the Fed for eligible acceptances, and controls the cattle in accordance with bank instructions, releasing cattle for sale and reporting deliveries as specified.

"To further protect the bank's interest," Mr. Adams said, "Lawrence field representatives regularly inspect the

*(Continued on page 60)*


In today's agricultural market, the investment is a staggering figure.

The high cost of livestock, machinery, chemicals, fuel, and fertilizer gives you all the more reason to know a correspondent bank with the resources to finance agricultural business.

In Bank of Oklahoma's agri-business department, your problems are our opportunities. Just tell us what you or your customers need. We can work out the details.

When your business requires a correspondent bank that gets down to earth . . . get down to Bank of Oklahoma. Contact Charles Rice, Department Manager, (918) 588-6254.

# BANK OF OKLAHOMA (NA)

P.O. Box 2300 / Tulsa, OK. 74192

**Our Capabilities Expand Yours**

Correspondent Bankers

| Marvin Bray | Lee Daniel | Bill Hellen | Larry Koch |
|---|---|---|---|
| 588-6619 | 588-6334 | 588-6620 | 588-6000 |

Member FDIC

# Community, Bank, SBA Cooperate To Bring Tourists to Town

## *New Showboat Means 50 Jobs for Canton, Mo.*

A NOVEL BLEND of community cooperation and spirit, entertainment, nostalgia and cultural history is found in an authentic, four-story riverboat replica that holds promise as a new tourist attraction for Canton, Mo.

Reminiscent of the 1870s, the Golden Eagle Mississippi Riverboat dinner theater replica was made possible through the investments of 160 local citizens in cooperation with the Small Business Administration, which provided a development loan through Canton State Bank. The project created about 50 new jobs for local residents.

Traffic projections indicate that more than 200,000 tourists will visit Canton and surrounding area this year. Among the area's tourist attractions are Mark Twain's boyhood home in Hannibal, Mo.; the Mississippi River locks and dams; Quinsippi Island in Quincy, Ill.; the Mormon restoration area in Nauvoo, Ill.; the new Cannon Dam recreation area near Perry, Mo.; and the River Museum in Keokuk, Ia. Floating in the midst of this tourist activity is the Golden Eagle Riverboat replica.

"Visitors to the riverboat can relive the romance of an age when paddle-wheel riverboats churned the muddy waters of the huge river. Fine food, an evening of enjoyable entertainment and the luxury of a bygone era await those who cross the gangplank of the Golden Eagle," said Canton Mayor Edwin Frye.

The grand salon, the luxurious main dining room of the replica, is decorated in elaborate riverboat style and modeled after the old packets. One of the outstanding attractions of the large dining area is the 40 by 12 foot stained-glass window which graces the center ceiling. Created by a 1977 graduate of Canton's Culver-Stockton College, the window features an array of various colors and designs.

The deep, red walls of the salon are offset by India rosewood wainscoting and white balcony trim. Floral carpet, red tablecloths, gold tableware and gold and maroon upholstered chairs complete the interior decor.

The room features a complete stage for showboat productions and a southern cuisine buffet of intriguing delicacies in the old plantation tradition. The dinner theater has a seating capacity of 350 persons.

The restaurant is operated under contractural arrangement with the Culver-Stockton College Food Service and live entertainment consisting of musicals, melodramas and vaudeville is provided by special arrangement with the Canton Festival Theater Group and the Golden Eagle Showboat Co. of young actors and performers.

The Texas deck dining room, a private dining room on the top deck of the replica, caters to private parties and celebrations and commands a breathtaking view of the Mississippi River as it sweeps westward.

A gift shop, located on the main deck of the boat, features such handmade items as country quilts, potholders, unique crafts, dolls, etc., developed by area high school and college students, senior citizens and others, thus creating a market for Canton-made products.

An added attraction in the gift shop is an 1898 ornately carved back bar and marble counter soda fountain donated by a Quincy, Ill., drugstore owner.

Guided tours throughout the Golden Eagle are conducted by authentically dressed student guides and retired riverboat captains while background music from a calliope fills the air.

The replica has a unique gingerbread-decor exterior and is named "Golden Eagle" in recognition of two earlier riverboats of the same name that once served the area.

Construction of the stationary boat began in the spring of 1977 under the

**Golden Eagle Riverboat replica is located on Mississippi River near downtown Canton, Mo. SBA provided construction funds through Canton State Bank.**

supervision of Richard Coartney. Among members of his construction crew were college and high school students, off-duty teachers and part-time workers.

The 215 by 45 foot boat was constructed with both new and donated materials, including more than 40 gallons of primer paint given by the construction foreman. Many of the interior furnishings also were donated by local citizens, including the antique soda fountain and a square grand piano. The final projected cost for the riverboat's construction and furnishings is $250,000.

The actual planning for the riverboat replica began in early 1977 when David Steinbeck, a local newspaper publisher, constructed a model of the proposed dinner theater. "It actually started many years ago when a number of us thought it would be nice to have an old riverboat here to tie the community into Canton's river heritage. No more riverboats were available and various problems arose, so about a year ago, we began to develop plans to build our own," he said.

Public interest was aroused by this idea and a group of concerned citizens visited SBA's District Director Thomas Holling in May, 1977. The SBA advised the citizens to form a development company and after a great deal of correspondence and numerous field visits, Canton River Heritage Development, Inc., a not-for-profit corporation, was formed.

The corporation investors have a diverse membership including prominent business persons and community leaders, insurance executives and small business owners.

Grand salon of riverboat seats 350 for dinner and show. Huge stained glass window graces ceiling of room. Boat was built to provide food and entertainment for local residents and tourists passing through area.

"The corporation concept realizes a dream for many area citizens and reflects a community unity that few towns can boast of," said SBA Loan Officer Bill Lee. Canton and northeast Missouri residents have invested from $10 to $5,000 in the Golden Eagle project.

To support a development company, the SBA requires a minimum of 10% injection of local monies; however, Canton's local development firm's injection was 25%, reflecting a broad-based community involvement.

Residents provided $60,000 in private-sector funding for the venture and the SBA's local development company loan was responsible for a $160,000 investment.

According to Glen A. Miller, executive vice president/cashier, Canton State, and an avid supporter of the project, "The Golden Eagle is an unusual tourist attraction representing a unique marketing mix and combining fine entertainment, southern cuisine, major economic impact and community support.

"From our first conversations with David Steinbeck on the riverboat project, we were impressed with the potential of such a unique tourist attraction for the Canton community," Mr. Miller said.

"In subsequent meetings with members of the Golden Eagle Enterprises board of directors, we encouraged the SBA community development loan approach as a viable program for financing the community project," Mr. Miller said.

Mr. Steinbeck is president, Golden Eagle Enterprises, operating firm for the boat.

"Everyone has worked hard and we've had a lot of help on the Golden Eagle," Mr. Steinbeck said. "We hope it will provide a continuing influx of visitors and tourists into the community." ● ●

## Manufacturers Hanover Buys Building, Land At 270 Park Avenue

NEW YORK CITY — Manufacturers Hanover Trust and Union Carbide Corp. have signed an agreement whereby the bank will purchase the land and building at 270 Park Avenue. The 1.2-million-square-foot structure will become the bank's world headquarters.

Beginning in 1980 and running through 1982, Manufacturers Hanover will transfer to 270 Park Avenue the staff from its current headquarters at 350 Park Avenue and certain other head offices in mid-Manhattan. About 3,000 employees will be affected by the move. Union Carbide previously had announced plans to relocate its corporate headquarters in Danbury, Conn.

This 52-story building at 270 Park Avenue in New York City will be purchased from Union Carbide Corp. by Manufacturers Hanover Trust and will become bank's world headquarters.

Purchase price for the land and building is $110 million, payable over 30 years, beginning at the time of the title closing in 1980.

The 52-story building rises 707 feet into the air. It occupies the entire block bounded by Madison and Park avenues and 47th and 48th streets. There are two sections: a 52-story tower on the Park Avenue side connected to a 12-story unit on the Madison Avenue side. It's located in a plaza-like setting, with sidewalks of pink terrazzo. More than 6,800 curtain wall units, consisting of glass, vertical mullions of natural stainless steel and black-coated stainless-steel spandrels sheath the building. A black matte finish applied to the stainless-steel spandrels reduces the reflection of sunlight.

According to a bank spokesman, the building was the first New York City structure to feature movable interior walls exclusively. More than 20 miles of partitions have been installed.


# We're glad we're here.

Welcome to our special corner of the world. We're American Bank, over 600 people and half-a-billion dollars strong. We're Baton Rouge's community bank, large enough to provide the capital and services your business needs, and small enough to make every one of your people feel right at home. We're experienced and innovative professionals, but there's more.

For all of us, living and working in Baton Rouge is a matter of pride. And that spirit is an everyday, everyway attitude at our bank, from the board room to the telephone switchboard.

Welcome. To Baton Rouge and American Bank. We're part of your new life, and we like our place.

*WRITE OR CALL:*

*Jack H. Sanders, Vice President*
*American Bank and Trust Company*
*One American Place*
*Baton Rouge, Louisiana 70825*
*(504) 357-8641*

**AMERICAN BANK**
BATON ROUGE, LOUISIANA

# Bank Plaza Used to Educate, Entertain Residents

WHEN A BANK is located on the Public Square and has a large plaza area available, what could be better than to put the area to use to present activities for the benefit of the public?

So says Pat Bartsokas, director of marketing at First National, Belleville, Ill. First National Plaza recently observed its first anniversary of service as the site of events such as a flower and plant bazaar, a pork bar-b-que cookout, a Deutschfest celebration, a fishing exhibition and numerous other celebrations, all designed to educate and entertain the public — not to mention getting the bank much valuable publicity!

**ABOVE: Every florist and nursery in town participated in the bank's annual flower and plant show. Each firm set up a display booth and took turns presenting educational presentations on a stage erected by the bank. More than 1,200 attended and many sales were made.**


**ABOVE: Popcorn wagon is operated daily by Belleville Area Senior Citizens group. Bank paid for wagon but group stocks and runs it, keeping all profits.**


**ABOVE: "First Nat'l Five," dixieland quintet, provides music at all Plaza events, courtesy of First Nat'l. Group's theme song, "We're in the Money," promotes bank services.**

**BELOW: 125th anniversary of local brewery saw some 3,500 people celebrate at First Nat'l Plaza by eating bratwurst, sauerkraut and related items, provided free by the bank. Brewery is one of Belleville's largest employers.**


**ABOVE: Pork BBQ day is annual event that coincides with sidewalk sale days in Belleville. Meat, supplied by pork producers, is grilled and served free to lunch-hour passersby on First Nat'l Plaza.**

# Morgan Guaranty Trust Company

OF NEW YORK

***Consolidated statement of condition June 30, 1978***

***Assets***

| | In thousands |
|---|---|
| Cash and due from banks | $ 5 246 572 |
| Interest-bearing deposits at banks | 6 006 577 |
| U. S. Treasury securities | 420 202 |
| Obligations of U. S. government agencies | 122 225 |
| Obligations of states and political subdivisions | 1 534 802 |
| Other investment securities | 665 097 |
| Trading account securities, net | 246 334 |
| Federal funds sold and securities purchased under agreements to resell | 948 936 |
| Loans and lease financing | 15 931 294 |
| Less: allowance for possible credit losses | 156 485 |
| Net loans and lease financing | 15 774 809 |
| Customers' acceptance liability | 1 375 209 |
| Premises and equipment, net | 122 617 |
| Other real estate | 26 653 |
| Other assets | 868 850 |
| Total assets | $33 358 883 |

***Liabilities***

| | |
|---|---|
| Demand deposits | $ 8 199 514 |
| Time deposits | 4 877 571 |
| Deposits in foreign offices | 12 687 988 |
| Total deposits | 25 765 073 |
| Federal funds purchased and securities sold under agreements to repurchase | 2 008 864 |
| Commercial paper of a subsidiary | 129 142 |
| Other liabilities for borrowed money | 1 359 662 |
| Accrued taxes and expenses | 473 958 |
| Liability on acceptances | 1 376 998 |
| Dividend payable | 27 000 |
| Convertible debentures of a subsidiary (4¼%, due 1987) | 50 000 |
| Capital notes (5%, due 1992) | 76 299 |
| Other long-term debt | 32 223 |
| Other liabilities | 454 434 |
| Total liabilities | $31 753 653 |

***Stockholder's equity***

| | |
|---|---|
| Capital stock, $25 par value (authorized and outstanding: 10,000,000 shares) | $ 250 000 |
| Surplus | 518 385 |
| Undivided profits | 836 845 |
| Total stockholder's equity | 1 605 230 |
| Total liabilities and stockholder's equity | $33 358 883 |

*Member, Federal Reserve System, Federal Deposit Insurance Corp.*

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

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

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

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

***Directors***

WALTER H. PAGE
*Chairman of the Board*

LEWIS T. PRESTON
*President*

---

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

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

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

CARTER L. BURGESS
*Chairman, Foreign Policy Association*

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

EMILIO G. COLLADO
*President, Adela Investment Company S.A.*

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

JOHN T. DORRANCE JR.
*Chairman of the Board*
*Campbell Soup Company*

WALTER A. FALLON
*Chairman of the Board*
*Eastman Kodak Company*

LEWIS W. FOY
*Chairman, Bethlehem Steel Corporation*

HANNA H. GRAY
*President, University of Chicago*

ALAN GREENSPAN
*President*
*Townsend-Greenspan and Company, Inc.*

HOWARD W. JOHNSON
*Chairman of the Corporation*
*Massachusetts Institute of Technology*

JAMES L. KETELSEN
*Chairman and Chief Executive Officer*
*Tenneco Inc.*

HOWARD J. MORGENS
*Chairman Emeritus*
*The Procter & Gamble Company*

ELLMORE C. PATTERSON
*Chairman of the Executive Committee*

DONALD E. PROCKNOW
*President*
*Western Electric Company, Incorporated*

JOHN P. SCHROEDER
*Vice Chairman of the Board*

WARREN M. SHAPLEIGH
*President, Ralston Purina Company*

GEORGE P. SHULTZ
*President, Bechtel Corporation*

# Varied Community Involvement Activities Keep Spotlight on Banks' Civic Spirit

*In Chicago:*

## Continental Bank Grant Will Help Neighborhood

The Continental Bank Foundation in Chicago is making a five-year pledge of $375,000 to Neighborhood Housing Services of Chicago (NHS) to help rehabilitate a south side neighborhood.

The grant will be used to organize, staff and administer an NHS office in the Little Village neighborhood on Chicago's near southwest side.

Continental's grant would defray costs involved in selecting the site and operational costs of salaries, neighborhood office space, equipment and supplies.

Continental Bank, along with about 50 other Chicago banks and S&Ls, has been participating in the NHS program citywide by making purchase and home improvement loans to residents. The bank also provides an annual operating grant of $35,000 to NHS, which will continue in addition to the special five-year grant.

**Typical NHS rehabilitation project carried out by rehabilitation and financial counseling from Neighborhood Housing Services. Establishment of new NHS office in Chicago's Little Village neighborhood will be financed by $375,000 pledge from Continental Bank Foundation.**

*Sea Creatures:*

## Bronze Sculptures Exhibited by Bank

An exhibit of bronze sculptures was featured by Frost National, San Antonio, in its arcade this summer. The sculptures were the work of Leslie Perhacs, who is also a naturalist and industrial designer.

The showing featured sculptures of sea creatures native to the beaches of northern and southern California. Each piece was created using the lost-wax method, a series of pourings and polishings using wax and plaster of paris as well as bronze.

*One-Minute Programs:*

## American History Series Sponsored in Little Rock

A televised mini-series promoting American history and patriotism was aired recently for three weeks in the Little Rock area under sponsorship of First National.

The series was entitled "21 Days of America" and each program was one minute in length. They were shown daily.

The series was produced in cooperation with the American Historic and Cultural Society and was designed to make the history of America "come alive" for 21 days. Each program featured a well-known personality, from former President Gerald Ford to Bob Hope.

### Preservation Loans OK'd

Approximately 9,500 FHA-approved lending institutions are authorized to participate in a new federally insured home improvement loan program geared to upgrading old buildings that qualify for historic preservation status.

It has been estimated that owners of as many as a million structures are eligible for historic preservation loans to rehabilitate, restore or preserve their buildings.

Up to $15,000 per dwelling unit, not to exceed $45,000 per structure, may be borrowed with repayment terms as long as 15 years. There is no loan initiation fee.

The loans can be made on any residential building that is listed in the National Register of Historic Places, within the boundaries of a historic district listed in the National Register or determined to be eligible for listing, either individually or as part of a district.

Further information is available from the Department of Housing and Urban Development (HUD), Washington, D. C.

**Bankers Prepare for 'Lung Run'**

**Team members from Liberty National, Oklahoma City, prepare for First Annual Benefit Run, sponsored by the Oklahoma Lung Association, by pinning identification tags on their backs to let everyone know they are running for "the bank of Mid-America." Proceeds earned by runners at so-much-per-mile went to further programs of the association.**

*Upgrade Effort:*

## Bank Boosts Neighborhood With Brochures, Loans

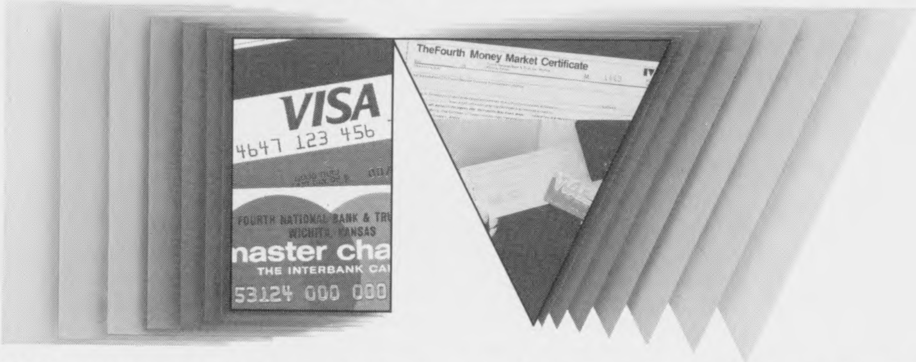
A brochure that promotes the once-decaying midtown area of Memphis as a place that is "improving with age" is being distributed by First Tennessee Bank.

The brochure, which cost $10,000 to produce, was prepared with the cooperation of members of 11 midtown neighborhood improvement associations. It is being circulated to real estate agents, lenders and interested consumers in Memphis.

The associations and various financial institutions in the city have started programs designed to revitalize the midtown area. Seven financial institutions are cooperating with the city of Memphis in a home improvement loan program targeted at six contiguous midtown neighborhoods. Loan terms are 1% below APR up to 15 years with a minimum monthly payment of $25. First Tennessee has committed $1 million to the program.

A second program has resulted in a lender being designated to accept home improvement loan and second mortgage applications at each of First Tennessee's four offices in the midtown area. Names of the lenders were circulated to neighborhood associations, which have organized informational tours for lenders to acquaint them with the neighborhoods. Re-

# There grows the neighborhood. Again.




The Kansas and Wichita economy continues to move. And The Fourth is in the thick of things with new services and expanding facilities to keep it growing.

For instance, now there are Via Lobby Tellers at every Fourth location that cut most of the paperwork from daily banking. Also, Fourth customers can now get cash advances at any Via Automatic teller...with Visa or Master Charge cards from the Kansas BankCard Center.

What's more, a growing number of Fourth customers are fighting inflation with our new Six Month Money Market Certificates. They're getting the same U.S. Treasury Bill rates that larger investors enjoy.

And coming soon...expanded facilities. Our new Operations Center in the remodeled J.C. Penney Building and additions to our popular Towne East Bank will be ready in December to serve you better.

Growth. You've come to expect it in this neighborhood.

## Statement of Condition...June 30

| ASSETS | 1978 | 1977 |
|---|---|---|
| Cash and due from banks | $112,789,000 | $ 91,741,000 |
| Investment securities: | | |
| U.S. Government obligations | 21,994,000 | 11,497,000 |
| Federal agency securities | 6,997,000 | 6,996,000 |
| Obligations of states and political subdivisions | 54,662,000 | 53,647,000 |
| Other | 1,183,000 | 1,183,000 |
| Total investment securities | 84,836,000 | 73,323,000 |
| Trading account securities | 10,010,000 | 7,573,000 |
| Federal funds sold | 32,975,000 | 20,300,000 |
| Securities purchased under agreements to resell | 29,200,000 | 30,480,000 |
| **Loans** | **338,652,000** | 284,497,000 |
| Bank premises and equipment | 25,345,000 | 25,964,000 |
| Income receivable and other assets | 7,939,000 | 5,845,000 |
| | **$641,746,000** | $539,723,000 |

| LIABILITIES & STOCKHOLDERS' EQUITY | 1978 | 1977 |
|---|---|---|
| Deposits: | | |
| Demand | $238,375,000 | $219,313,000 |
| Time | 235,552,000 | 212,153,000 |
| **Total deposits** | **473,927,000** | 431,466,000 |
| Federal funds purchased | 73,455,000 | 24,625,000 |
| Securities sold under agreements to repurchase | 31,776,000 | 24,884,000 |
| Accrued interest, taxes and other liabilities | 6,822,000 | 6,077,000 |
| Capital note | 10,000,000 | 10,000,000 |
| Total liabilities | 595,980,000 | 497,052,000 |
| Stockholders' equity | 45,766,000 | 42,671,000 |
| | **$641,746,000** | $539,723,000 |

### DIRECTORS

**A. DWIGHT BUTTON**
Chairman of the Board
***DR. CLARK D. AHLBERG**
President, Wichita State University
**LIONEL D. ALFORD**
President, Boeing Wichita Company
**HEBER BEARDMORE**
Investments & Independent Geologist
**OLIVE ANN BEECH**
Chairman of the Board,
Beech Aircraft Corporation
***MERIE BISH**
Investments
***RICHARD J. BOUSHKA**
President, Vickers Energy Corporation
**JAMES R. BOYD**
Senior Vice President
**VIRGIL S. BROWNE, JR.**
Investments
***SHELDON COLEMAN**
Chairman of the Board,
Office of Chief Executive,
The Coleman Company, Inc.

***WILLARD W. GARVEY**
Chairman of the Board,
Garvey International, Inc.
***JAMES G. GOULD**
Barnett Oil Company
**JAMES R. GRIER, III**
Executive Vice President,
Martin K. Eby Construction Co., Inc.
**JORDAN L. HAINES**
President
**LAWRENCE M. JONES**
President-Office of Chief Executive
The Coleman Company, Inc.
***WILLIAM T. KEMPER**
President,
The Kemper Investment Company
**HARRY LITWIN**
Chairman of the Board,
The Litwin Corporation
**RUSSELL W. MEYER, JR.**
Chairman of the Board and President,
Cessna Aircraft Company
**W. R. MURFIN**
Murfin Drilling Company

**PATRICK E. O'SHAUGHNESSY**
Vice President,
The Globe Oil & Refining Co.
**RICHARD H. PRICE**
President,
Dick Price Motors, Inc.
**H. DEAN RITCHIE**
Treasurer,
Ritchie Paving, Inc.
**E. B. SHAWVER, II**
Vice President,
Stelbar Oil Corp., Inc.
**WESLEY H. SOWERS**
Management Counsel
**STERLING V. VARNER**
President,
Koch Industries, Inc.
**ROBERT F. VICKERS**
Trustee and Administrator,
The Vickers Trusts
**DWANE L. WALLACE**
Senior Consultant,
Cessna Aircraft Company

**NESTOR R. WEIGAND**
Partner,
J. P. Weigand & Sons, Realtors
**E. V. YINGLING, JR.**
Investments
**LYLE E. YOST**
Chairman of the Board and
Chief Executive Officer,
Hesston Corporation

*Advisory Director

### HONORARY DIRECTORS

**W. DALE CRITSER**
Financial Consultant
**DWIGHT FERGUSON**
Chairman of the Board,
Bank of Woodward, Oklahoma
**A. W. KINCADE**
Chairman Emeritus,
Fourth Financial Corporation
**J. E. SCHAEFER**
Director Emeritus,
The Boeing Company

## A neighborhood bank as big as Kansas itself.

# TheFourth

Fourth National Bank & Trust Company, Wichita, Kansas 67202 Member FDIC duced rates and longer terms are available from the lenders.

*Photo Competition:*

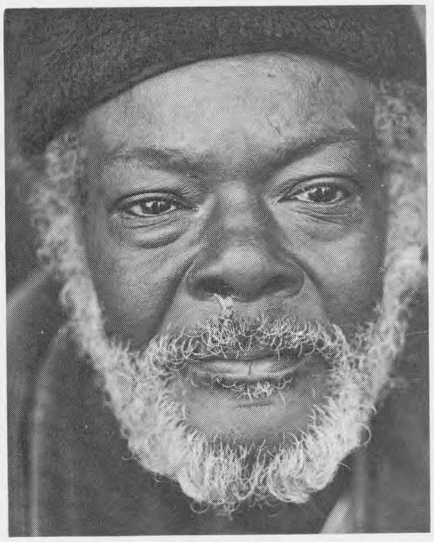
## 'Faces of Chicago' Contest Sponsored by Harris Trust

"The Faces of Chicago" was the theme of the third annual photography contest for high school students sponsored by Harris Trust. This year, the contest was expanded to include students in suburban high schools.

Nearly 1,300 entries were reviewed by the panel of judges and from the 70 semi-finalists, representing 40 high schools, 10 finalists and 10 honorable mentions were selected.

The bank held an awards ceremony to honor the winners, their teachers, principals and parents. Winning photos were displayed at the bank for three weeks and the exhibit is now appearing at the Chicago Public Library Cultural Center and is expected to be shown at other places.

Prizes were $500, $250 and $100 savings accounts and Hubert the Lion dolls for the top three winners. Honorable-mention winners each received $25 savings bonds.



**First-place winner in "Faces of Chicago" photo contest sponsored for third year by Harris Trust, Chicago. Contest was open to all high school students in Chicago area.**

*In Houston:*

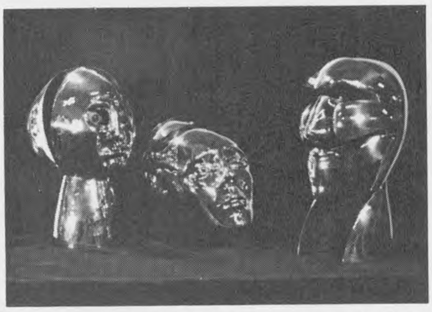
## Deaf Children Instructed On Use of Bank Services

Four students at the Houston School for Deaf Children were invited to River Oaks Bank, Houston, recently for a tour of the bank's facilities.

The event was the idea of Esther E. Hobbs, assistant vice president, who had visited the school.

Each student was given a demonstration on how to write and cash a check, make deposits and use the bank's ATM. The bank presented each student with a personal savings account and provided refreshments.

**Silversmith Display in Detroit**



**These repousse constructions were part of display of works of art done in silver, gold and other precious metals and jewels by Michigan artists and displayed recently in the main office exhibit area at Detroit Bank. The exhibit marked the 30th anniversary of the Michigan Silversmith's Guild and featured 170 pieces.**

*San Francisco Banks:*

## Corporate Responsibilities Outlined in Booklets

Corporate responsibility programs of Wells Fargo and BankAmerica Corp. have been outlined in new booklets. Both firms are headquartered in San Francisco.

The Wells Fargo booklet covers all areas of operations that have an impact on society and explores the company's role as an employee, lender, purchaser of goods and services, user of energy and resources and a member of the community.

In an introduction, Wells Fargo President Richard Cooley writes: "Because in our daily activities we are so close to the communities we serve, we believe we have a special responsibility and unique opportunities to fulfill our role as corporate citizens. And we want our relationships with customers, employees, suppliers and the general public to be in line with the high expectations society holds for a corporation like ours."

BankAmerica's booklet summarizes the general standards of conduct adhered to by BankAmerica and expected of all who serve in its name.

The code is arranged under five major categories: as an investor-owned corporation, an employer, a steward of the financial interests of others, a participant in the marketplace and a corporate member of the community.

*Near Chicago:*

## Four Oak Park Banks Win Preservation Award

Four banks in Oak Park, Ill., have been cited by the National Trust for Historic Preservation for providing funds to acquire the Frank Lloyd Wright home and studio in that Chicago suburb.

Initial acquisition funds to purchase the home and studio were provided by Avenue Bank in 1974 and long-term financing was provided jointly by Avenue Bank, Oak Park Trust & Savings, Suburban Trust & Savings and First Bank.

"Oak Park is indeed fortunate to have uncommon individuals and organizations keenly aware of the need for historic preservation and the importance of encouraging positive programs to assure stability and the dynamic quality of life found in our community," said Jerry D. Mackey, president, Avenue Bank, at the award ceremony in Washington, D. C.

**Bringing Up the Rear!**


**A three-year-old tot brings up the rear as he heads for the finish line in the children's 1,000-meter race event sponsored recently by Liberty National, Louisville. The event was part of the bank's "Run for the Arts" program to benefit the Louisville School of Art. More than 600 runners from 10 states participated in the three-race program.**

*Conservation:*

## Energy-Savings Display Sponsored by Chicago Bank

A display dealing with natural gas energy savings awareness was exhibited at Chicago City Bank recently in connection with Peoples Gas, Light & Coke Co.

Visitors to the exhibit were able to test themselves by answering numerous true-false questions on energy con-

The Land Banks have been dedicated to financing American agriculture for more than 60 years. Since farm credit is a major element of progressive agriculture, it is, therefore, important to our national economy, as well as the economy of the local communities where the money is used.

The Land Banks— cooperatively owned by farmers and ranchers—supply long-term farm real estate credit through more than 500 local Land Bank Associations within the 50 states.

Land Bank people feel that it is a privilege to work alongside the many others in the financial community who also serve rural America. We welcome the referral of any of your farmer customers.

Federal LAND BANK Association

# The Land Bank

## *The Bank of Generations*

## *...for agriculture*

**The Federal Land Banks of:**

Houston, Texas
430 Lamar 77001

Louisville, KY.
201 West Main 40202

New Orleans, LA.
860 St. Charles 70150

St. Louis, MO.
1415 Olive 63166

Wichita, KS.
151 North Main 67202

servation techniques. They also could pick up free pamphlets on how to better utilize energy-saving measures in their homes.

*'Untold Manhours':*

## Outstanding-Firm Award Given to Alabama Bank

First National, Birmingham, Ala., has been cited with an "outstanding-firm award" for its support of education by the University of Alabama chapter of Beta Gamma Sigma, national honorary fraternity for students in business and commerce.

The award cited the bank's "genuine concern for the well-being of the community and the state since the bank opened for business in 1873." Bank employees have contributed "untold manhours" of public service to the state's hospitals, universities, churches, civic and public service agencies.

*Masters Exhibit:*

## Photo Exhibit Premiers At First American Nat'l

First American National, Nashville, recently was the site of the premier showing of the 1979 Masters of Photography exhibit by the American Society of Photographers.

Included in the exhibit were 100 award-winning color and black-and-white photos by the nation's top professional photographers.

Photos represent all areas of the U. S. and form a collection of what has been judged to be the best illustrative, commercial, portrait, industrial, wedding, pictorial and scientific photos made during 1977.

### Bank Rewards Golfer

**It pays to hit a hole-in-one in Troy, Mich., as this photo attests. Several months ago, Detroit Bank-Troy's management announced it would pay $100 to anyone who hit a confirmed hole-in-one on the seventh hole at Somerset Golf Club. The announcement was part of the bank's on-going community activities. Photo shows bank President Lawrence P. Tierney presenting special golf check to lucky golfer Jean Ringler (l.) with assistance of Sandi Bishop, golf pro at the club.**

### Bank Wins 'Arts' Award

**Indiana National, Indianapolis, has won a national "Business in the Arts" award for bank programs supporting the arts in 1977. The award was in the form of a limited-edition print by a contemporary artist. The bank was cited for underwriting the costs of publishing a booklet reporting the results of a study of the financial impact of the arts on the Indianapolis economy. The impact amounts to $34 million annually. Accepting award for Indiana National is George E. Clark (c.), executive vice president. At l. is James J. Dunn, publisher of Forbes Magazine, and at r. is Robert W. Sarnoff, vice chairman, Business Committee for the Arts, co-sponsors of the award. The bank also was cited in 1972, 1973 and 1974.**

*In Missouri:*

## Community Development Spurred by State Agency

Missouri's state treasurer has developed a new time deposit program that can reward expanded community development investment practices of banks that are eligible for state deposits. The program was developed in cooperation with the Missouri Division of Community Development.

The thrust of the program is to raise the quality of urban living by encouraging banks to make loans that, because of their location or risk, wouldn't ordinarily be financed under normal lending practices.

Eligible organizations engaged in community development activities, including community-based economic development corporations or private developers engaged in community development activities, can seek loans for activities that might previously have been financially infeasible. The placement of interest-bearing state funds in participating banks can compensate for some of the risk normally associated with loans of this type.

The program was developed to increase the availability of capital for community development and to recognize the corporate social responsibility efforts of Missouri's banks.

State funds equivalent to 50% of the amount of a qualifying loan will be deposited at participating banks, up to a total of $2.5 million. About $10 million has been earmarked for the program.

# Economic Forecast, Banking in '80s Are Northern Trust Symposium Topics

AN ECONOMIC FORECAST and a look at banking in the '80s were among topics discussed at Northern Trust of Chicago's correspondent symposium June 29. More than 90 bankers from 12 states — including Illinois, Indiana, Kansas, Oklahoma, Tennessee and Texas — attended the symposium. It was moderated by N. Hall Layman, vice president, banking department.

Speaking on "Close Encounters of the Economic Kind," Robert G. Dederick, Northern Trust's senior vice president and economist, spoke on the economic outlook. "The odds," he said, "favor a slowing of the business advance to something under a 3½% rate — perhaps markedly under — by early 1979. Because of all-too-justifiable inflation concerns, monetary policy now is designed to constrain expansion. In effect, the Federal Reserve has told the Administration and Congress, 'You can either join in the effort — largely by making fiscal policy less stimulative — or you can throw all of the burden on interest rates, but either way, the brakes are going to be on.' To be sure, the goal is not to bring the upturn to a halt. Instead, all that is sought is a reduction in growth to a 'sustainable' pace.

"But, if past experience still is a helpful guide, the stubbornness of the inflation problem — coupled with the normal recognition implementation and impact lags involved in policy-making — will make attainment of the authorities' target extremely difficult. While a soft landing is possible, a somewhat bumpy one seems more likely. At the moment, I think that the chances of an outright recession are limited. Regrettably, though, the same also appears to be true of the prospect for a pronounced easing of the inflation problem."

Philip W. K. Sweet Jr., pres., Northern Trust, Chicago, is shown with Lee Phillip of CBS television, who was luncheon speaker at bank's correspondent symposium June 29. Miss Phillip is hostess for "Lee Phillip-Mort Crim Noon Break" on WBBM-TV in Chicago.

In looking ahead to "Personal Banking in the '80s," Jay K. Buck, senior vice president, and Warren L. Fellingham Jr., vice president, outlined the opportunities for growth. E. B. Lincoln III, vice president, banking, spoke on "Guidelines in Buying and Selling Banks" and took a close look at raising capital in private-placement markets.

Robert L. Yoder, senior vice president, bond department, analyzed "The Bond Portfolio" in terms of maximizing returns. "Building Bank Profits . . . Executive Incentive Compensation" was the topic handled by Michael K. Cribbs, financial management officer.

The program included a bank presidents' panel, chaired by Charles H. Barrow, senior executive vice president. There were five guest participants: Richard M. Bishop, president, First Galesburg (Ill.) National; A. Dwight Button, chairman, Fourth National, Wichita; John N. Royse, president, Merchants National, Terre Haute, Ind.; William Logan, president, State Central Savings Bank, Keokuk, Ia.; and Morton L. Monson Jr., president, United Bank of Arizona, Phoenix.

Guest Speakers included Allan F. Munro, executive vice president, Greenwich (Conn.) Research Associates; and Bill T. Meyer, president, Rohrer, Hibler & Replogle (consulting psychologists). Mr. Monro presented ideas about "Expanding Your Corporate-Banking Relationships." Mr. Meyer described "What Really Happens on Monday Morning."

The day ended with a cruise along the Chicago shoreline before a reception and banquet at the Chicago Yacht Club. Two members of the Chicago Bears football team — Johnny Musso and Dennis Lick — gave an after-dinner film presentation, "A Season in the Sun." ● ●

## New Farm Implements, Prudent Bank Financing Bolster Ag Communities

The fact that fewer farmers are required to maintain the nation's agricultural productivity means farms must operate on a larger scale with more sophisticated machines and other expensive inputs, said a spokesperson for Sperry New Holland, farm equipment manufacturing division of Sperry Rand Corp.

More and more agricultural lenders are aware that it's difficult to attract business and industry to a community that is sliding backward. By keeping farmers and ranchers adequately and prudently financed, banks are helping maintain the entire community as an attractive prospect for more nonfarm-related business and industry, the spokesperson said.

There's no question that bankers should keep themselves up-to-date on what's happening in the agricultural machinery business, the spokesperson continued. Much of the real growth of agricultural productivity in the future will be from farm machinery contributions. New seeds, fertilizers, herbicides and pesticides have increased farm productivity in the past. Machines to make the most of these advances will provide profit opportunities for farmers in the future.

Among the various farm equipment items on the market is a twin-rotor combine that yields cleaner, less-damaged grain and usually suffers less loss than conventional combines, the spokesperson said. Use of such equipment will be an important consideration as farmers expand their grain markets around the world.

An electronic metal detector is now available on several models of forage harvesters used by dairymen. The device detects nonferrous metal and shuts down the cutterhead before the metal reaches — and damages — it. The device is said to pay for itself the first time it prevents damage because repairs to a damaged cutterhead can often cost more than the detector, the spokesperson said.

Twin-rotor combine utilizes spinning rotors to thresh and separate grain. Manufacturer — Sperry New Holland — claims twin-rotor process results in less crop damage and loss.


Tom Kellogg, Assistant Vice President, Correspondent Banking Department.

As the newest member of Fourth's Correspondent Banking team, Tom comes to us with over 9 years of first hand experience in banking.

His job as Assistant Vice-President will be to put this successful experience to work for you and your customers.

Should you need commercial loan services, financial investment advice or specialized help tailored to your specific needs, Tom knows who to contact and how to get the job done.

Tom Kellogg, the man on the move for you. Call him.

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

An expert like Tom.

**Fourth National Bank**

Tulsa, Oklahoma. Member F.D.I.C.

The Bank for Banking Entrepreneurs.

## Collateral Control

*(Continued from page 44)*

brand and condition of the cattle, based on a specialized risk evaluation system. Monitoring and control services are maintained through the term of the acceptance."

Mr. Sweeney told of a forest products processor who started in business in the late 1960s with the help of a local bank that financed the processor's mill and log inventory.

"Collateral Control issued warehouse receipts to the bank that enabled it to provide a $35,000 credit line," he said. "Within 10 years, the operation had grown to a multimillion-dollar business maintaining its relationship with the local bank."

The total credit line has grown to $4 million and it's still secured by warehouse receipts, he said.

He also told of a farmer in a midwestern community who started building portable grain bins and livestock shelters. As his business grew, his credit needs increased faster than his net worth.

Accordingly, the bank required Collateral Control's inventory certification program as a condition of the increased credit, he said.

"With the expanded credit line, the company was able to increase sales from a little over $2 million to $5.5 million in five years," Mr. Sweeney said.

Lawrence Systems' secured distribution service permits a supplier to send a full line of merchandise to a customer with minimal risk, Mr. Adams said.

He told of a small company selling irrigation systems for agribusiness that had insufficient funds to buy inventories due to the seasonal buying needs of farmers.

"Foreign and domestic suppliers agreed to place substantial inventories in a field warehouse set up by Lawrence on the company's premises," Mr. Adams said, "thus enabling the company to obtain inventory as needed and pay suppliers when it withdrew the inventory from the 'Lawrence warehouse.'"

This service has helped the company grow from $1.5 million in sales in 1973 to $17.5 million in 1977, Mr. Adams said.

An alternate approach would be inventory financing, he continued, in which the manufacturer and Lawrence arrange for bank credit lines to be available to distributors. The distributors can then receive a full line of merchandise and the inventory is removed from the manufacturer's balance sheet. • •

### Chattanooga Banker's Thesis Is Honored by Stonier GSB

A thesis written by a Mid-Continent-area banker — Gerald L. Gaffner — is one of 14 chosen to be circulated in the permanent collections of three libraries. The 14 theses, written by students at the Stonier Graduate School of Banking, Rutgers University, New Brunswick, N. J., were selected by the school's library committee.

Mr. Gaffner's thesis subject is "Duties, Responsibilities and Liabilities of Directors of National Banks." He is vice president and senior trust officer, American National, Chattanooga, Tenn.

The libraries are located at the ABA's headquarters in Washington, D. C., at Rutgers and at the Harvard University Graduate School of Business Administration, Cambridge, Mass.

# HARRIS BANK®

## Consolidated Statement of Condition

| ASSETS | | June 30, 1978 |
|---|---|---|
| Cash and Due from Banks | | $ 883,034,677 |
| Interest Bearing Deposits at Banks | | 601,152,398 |
| Investment Securities: | | |
| U.S. Treasury Securities | $ 533,893,757 | |
| State and Municipal Securities | 390,639,181 | |
| Other Securities | 20,408,949 | |
| Total Investment Securities | | $ 944,941,887 |
| Trading Account Securities | | $ 279,844,361 |
| Federal Funds Sold and Securities Purchased under Agreement to Resell | | 242,900,000 |
| Loans, net of Unearned Discount | | 2,297,146,974 |
| Less: Allowance for Possible Loan Losses | | (24,681,929) |
| Direct Lease Financing | | 54,153,761 |
| Bank Premises and Equipment | | 90,823,275 |
| Customers Acceptance Liability | | 112,952,520 |
| Other Assets | | 89,168,176 |
| Total Assets | | $5,571,436,100 |
| **LIABILITIES** | | |
| Demand Deposits | | $1,337,890,778 |
| Savings Deposits and Certificates | | 836,412,191 |
| Other Time Deposits | | 979,786,545 |
| Deposits in Foreign Offices | | 902,955,411 |
| Total Deposits | | $4,057,044,925 |
| Federal Funds Purchased and Other Short Term Borrowings | | 838,798,127 |
| Acceptances Outstanding | | 114,978,140 |
| Accrued Interest, Taxes and Other Expenses | | 68,574,553 |
| Other Liabilities | | 175,794,573 |
| Total Liabilities | | $5,255,190,318 |
| **EQUITY CAPITAL** | | |
| Capital Stock ($16 Par Value) Authorized and Outstanding 3,137,815 shares | | $ 50,205,040 |
| Surplus | | 124,160,260 |
| Surplus Arising from Assumption of Convertible Capital Notes by Parent Company | | 3,819,600 |
| Undivided Profits | | 138,060,882 |
| Equity Capital | | $ 316,245,782 |
| Total Liabilities and Equity Capital | | $5,571,436,100 |

### DIRECTORS

CHARLES M. BLISS
*President and Chief Executive Officer*

STANLEY G. HARRIS, JR.
*Chairman of the Board*

BENNETT ARCHAMBAULT
*Chairman and President*
Stewart-Warner Corporation

JOHN W. BAIRD
*President*
Baird & Warner, Inc.

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

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

KENT W. DUNCAN
*Executive Vice President*

SAMUEL S. GREELEY
*Chairman*
Masonite Corporation

HUNTINGTON HARRIS
*Trustee*
Estate of Norman W. Harris

DONALD P. KELLY
*President, Chief Executive Officer*
Esmark, Inc.

JOSEPH B. LANTERMAN
*Chairman*
AMSTED Industries Incorporated

CHARLES MARSHALL
*President, Chief Executive Officer*
Illinois Bell Telephone Company

WILLIAM F. MURRAY
*Retired Chairman of the Board*

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

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

MARY PETRIE
*Treasurer*
The University of Chicago

GEORGE A. RANNEY
*Retired Vice Chairman*
Inland Steel Company

THEODORE H. ROBERTS
*Executive Vice President*

JOHN J. SCHMIDT
*President*
Santa Fe Industries, Inc.

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

**Harris Trust and Savings Bank**

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

# Want Deregulation? Then, Be Willing To Accept Less Protective Legislation

## –Such as Branching Restrictions, Interest-Rate Controls

*The views expressed in this article are Mr. Isaac's own and do not necessarily represent the views of the other members of the FDIC board.*

**By WILLIAM M. ISAAC**
**Director, FDIC**
**Washington, D. C.**

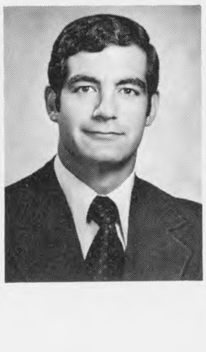
THE BANKING INDUSTRY has been scrutinized closely and often criticized during the past few years. Some view it as thriving on tradition and being unwilling to make changes, but, in my opinion, the industry has been evolving constantly to meet the demands of a rapidly changing economic and social environment.

Let's look at the record over the past 25 years. During this period, the United States has experienced increased (and increasingly mobile) population; continued economic expansion, particularly in the service industries; major new technological developments; shortages of certain resources, particularly energy producing, and dramatically changed social attitudes. Banks found that if they are to grow and to satisfy our nation's financial needs, both product and geographic markets had to be broadened significantly. In turn, this required bankers to become better business people with more sophisticated knowledge of basic management techniques, including cost controls, asset and liability management, marketing, corporate finance and personnel management.

Let me give a few statistics to demonstrate my point. From 1952 to 1977, assets of commercial banks increased from \$205 billion to \$1.3 trillion while deposits grew from \$188 billion to \$1.1 trillion. More telling is the change in the asset mix. In 1952, cash represented 22% of total assets; whereas, in 1977, it was down to 18%. Investments in securities declined from 41% to 19.2%. Net loans, on the other hand, increased sharply from 35% of total assets to approximately 53%. Within the loan portfolio, as a percentage of total assets, commercial and industrial loans increased by 50%; real estate loans rose by 40%, and loans to individuals climbed by 230%.

Banks in 1952 were essentially in the business of making short-term commercial loans and investing in U. S. and municipal securities. Since then, banks have added a substantial number of diverse types of loans — particularly in the retail or consumer sector — and increasingly have provided industry not only with a large proportion of its working capital, but also with much of its long-term financing needs.

Banks also have strived to provide more convenient services by lengthening banking hours, developing electronic funds transfer systems and expanding their physical presence in their communities. Banking offices more than doubled during the period, going from approximately 19,000 in 1952 to more than 48,000 in 1977. Many new services were developed more extensively by banks, including credit-card loans, CDs, data-processing and cash-management services, commercial and consumer leasing and commercial and consumer finance services. Larger banks expanded vigorously on an international scale, and "liability management" became the name of the game in the scramble to fund the rapid growth in assets. Low-cost sources of funds were curtailed sharply as competition for funds intensified, and businesses and then consumers became more aware of the value of their money. Finally, bankers utilized new methods of conducting business, such as bank holding companies, to allow greater operational flexibility. Holding companies now hold approximately 70% of the nation's deposits and operate over 23,000 banking facilities.



**Before joining the FDIC last April, William M. Isaac was v.p./sec./general counsel, First Kentucky Nat'l Corp., Louisville. His term is for six years.**

While banking obviously has become far more service oriented over the past quarter century, it also has encountered many new challenges and risks. Growth in the financial-services industry and a changed regulatory climate have spurred competition for banks from many sources. Banks and bank HCs obviously have become much more competitive among themselves. Competition also has come from nonbank financial institutions such as S&Ls and credit unions. These institutions enjoy certain privileges that banks do not and now are engaging in services and activities that once were the province of banks. As a result, long-established competitive barriers have been eroded.

Most recently, U. S. banks have encountered competition from foreign sources. Foreign banks have increased their presence in the U. S. and now control over \$25 billion in domestic deposits. These institutions enjoy a competitive advantage over U. S. banks in that they are able to avoid, depending on the structure of their operations, reserve requirements, deposit-insurance premiums and restrictions on interstate banking.

Moreover, there's an additional \$67 billion outstanding in commercial

paper — deposit-like funds that are obtained directly by various corporations. Of this amount, approximately $57 billion is issued by nonbank financial firms. In addition, there are large retail trade, insurance and investment banking firms that offer credit cards, loans and cash-management and other services in direct competition with commercial banks.

International banking now represents a material part of the operations of many large banks and is filtering down to smaller institutions, some of which may not have the expertise to evaluate fully the various risks involved. Asset growth has outstripped core-deposit growth, necessitating an increased reliance on less stable, borrowed funds. In addition, some banks have committed vast amounts of funds to newly developed types of lending arrangements, such as REIT loans, before fully understanding and assessing the risks.

Banks are finding themselves much more sensitive to changes in the economic environment as they further leverage their operations. The recent pattern of recession, inflation and "stagflation" accompanied by wide fluctuations in interest and exchange rates have mandated that banks constantly review their asset and liability mix, liquidity and credit standards and controls. The industry's 64% loan-to-deposit ratio in 1977 compared to 38% in 1952 almost by definition involves greater risks for the banking system.

*Looking Ahead.* Despite the rapid pace of change in banking over the past quarter century, and all of its accompanying turmoil, there remains a full agenda of issues for bankers and their regulators to tackle in the years ahead. Let's look at a few of them.

*Deregulation.* One of the most complex and difficult subjects to deal with is deregulation of the banking industry. There's no question in my mind that the banking industry is overregulated and that this situation is not in the best interests of either banks or their customers. To the extent that we regulators are responsible for and have control over the regulations, we should act promptly to simplify or eliminate them. At the FDIC, we recently established a task force for that purpose.

Probably the best example of a banking regulation that cries out for simplification is Regulation Z, or Truth-in-Lending. Before you applaud, let me hasten to state that I have absolutely no quarrel with the objective behind Regulation Z — debtors are entitled to full and simple disclosure of the basic terms of their credit transactions, and before Truth-in-Lending they were too often not receiving it. But it ought not to require volumes full of regulations, rulings and interpretations of rulings to achieve that laudable objective. Creditors ought to be able to comply with the law without having to resort to batteries of lawyers. In my opinion, it's imperative that Congress and the Federal Reserve Board act promptly to simplify Truth-in-Lending. In that process, I believe that serious consideration ought to be given either to exempting entirely small banks or at least imposing less onerous requirements on them.

Deregulation of banking, to me, involves far more than merely simplifying or even eliminating a few regulations many people might consider bothersome. Over a period of time, we also must consider eliminating some laws that restrain competition among banks and between banks and other financial intermediaries.

Interest-rate controls no longer can be justified. They clearly produce disintermediation, leading to a stop-and-go flow of funds to housing. Corporate and upper-income borrowers are benefited at the expense of small savers who have neither the resources nor the sophistication to obtain a higher rate of return on their money. Variable-rate mortgages, tax subsidies and other incentives should be put into place as alternatives to rate controls to ensure that funds will be available for housing.

Prompt and serious consideration also should be given to phasing out restrictive branching laws. The first step might be to allow branching within a certain radius or perhaps within SMSAs without regard to state boundaries. Having just moved to Washington, I find it difficult to accept the fact that I must now bank with two different organizations, one in the district, where I work, and one a few miles away in Virginia, where I live. The same situation exists in many other cities and towns throughout the country. Bank customers are the most obvious losers under this arrangement. But as competitive pressures increase from larger holding companies and from foreign banks, S&Ls, credit unions, investment banking firms, large retailers, insurance companies and the like, it's becoming more and more clear that the banking industry itself is suffering from these restrictions.

If these restrictions are phased out, we regulators must take great care to ensure that the smaller, independent banks continue in business and remain viable. One of the great virtues of our nation's banking system, in my view, is the fact that we have thousands of small, independent banks. We must enforce existing antitrust laws vigorously to control anti-competitive mergers and predatory practices. Indeed, it may even be desirable to adopt more stringent laws in this area, although I totally disagree with proposals to create arbitrary limitations on the percentage of a state's deposits held by a single banking organization.

I believe strongly in the free-enterprise system. For it to work, we must have fully competitive markets. If banks continue to operate as utilities, in a protected environment, they should expect increased government interference in their business. Deregulation, in the true sense of the word, will never come about until banks shed some of the protective legislation adopted nearly half a century ago in reaction to the Great Depression. It's doubtful that much of this legislation was justified at the time it was adopted; in any event, it probably has outlived its usefulness.

*Social Responsibility.* Banking always has been closely associated with the public interest. In the past, the public has tended to focus on issues regarding the safety and soundness of the banking industry and on its competitive structure. In recent years, Congress has identified a new agenda of social problems and has turned to the financial sector for at least some of the solutions.

We see this current of social responsibility running all through banking legislation of the past several years. It's evident in many areas — in anti-redlining laws, in truth-in-lending regulations, in credit-evaluation standards and in privacy protections. At its best, this is a desirable trend. It encourages bankers to take a greater interest in the human side of their services and to help upgrade the quality of living for everyone in their communities. It also can be profitable. Banks stand to gain more business as the financial health of their communities improves. We must recognize, however, that there's also a more ominous side to this trend. At its worst, it can degenerate into a hostility toward business that can gravely injure prospects for social and economic gains for everyone in our society.

I believe bankers can see to it that the positive aspects of social action are the ones that dominate. In the conduct of their business, they must do more to create a spirit of cooperation. They must be more sensitive to the needs of all sectors of their communities. They must communicate more effectively with the public and demonstrate that they are conducting their affairs with the best interests of their communities in mind.

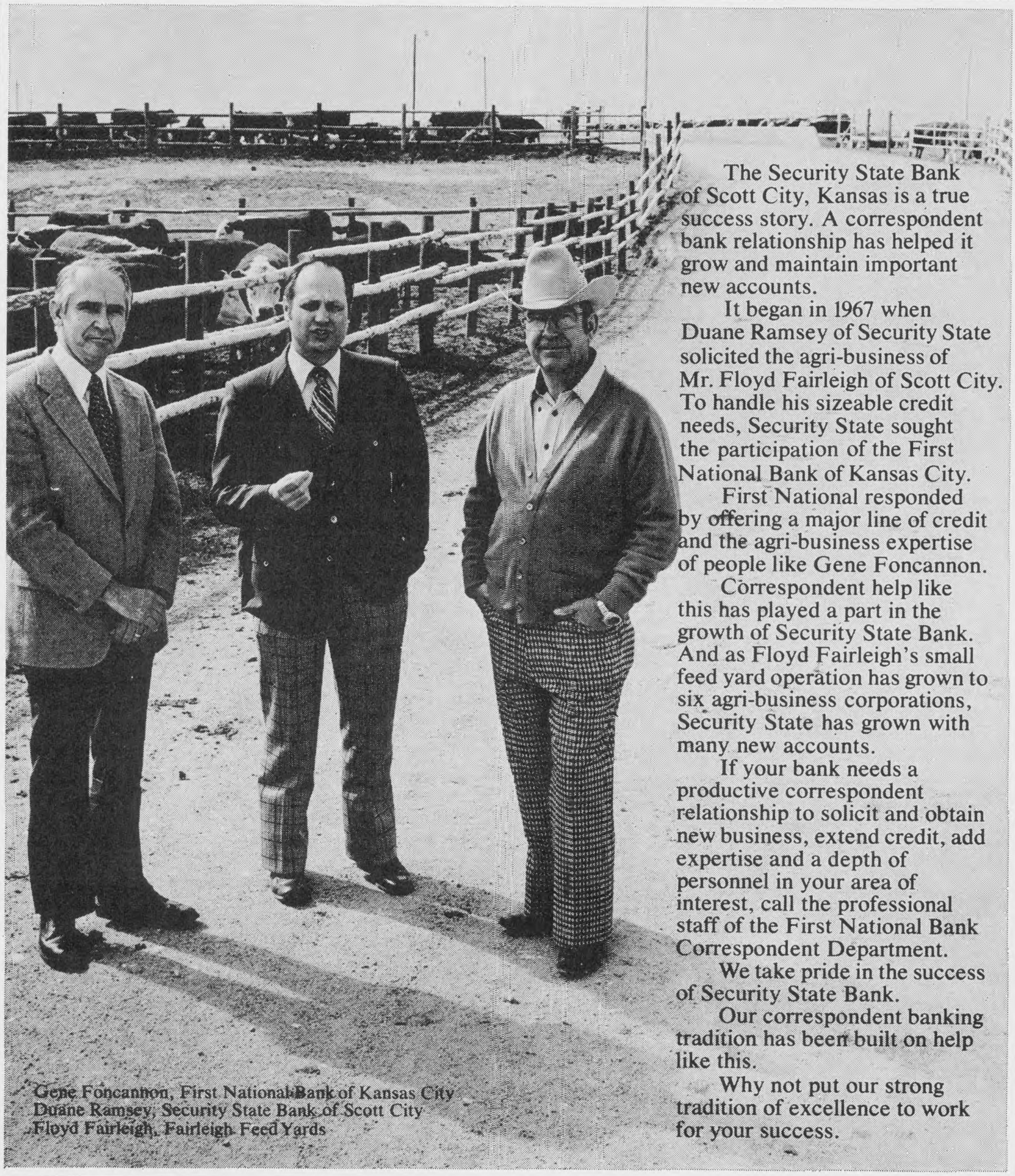
The Community Reinvestment Act is a good example of the modern kind of social-action legislation. Congress found that many low-income areas did not have an adequate reservoir of credit to finance local development. Congress also found that many banks and thrifts were making a large number of out-of-area loans, the overall effect of which was to draw money out of the communities where the funds had been deposited. The Community Reinvestment Act is designed to help reverse these patterns.

The role of government under the act is comparatively minor; it emphasizes private initiatives by financial institutions. The act calls on these intermediaries to invest in their communities wherever possible, consistent with safety and soundness factors, and to make a special effort to meet needs of low-income customers. The regulators are to determine how well each institution is complying with this goal and to take this record into account when the institution applies for permission to branch, merge or expand in various other ways. But there are no draconian penalties imposed, and no private right of action has been created. We expect that, with encouragement and leadership from the regulators, bankers will carry out the spirit of the act. It's important to recognize, however, that the act is only one possible way — and a comparatively gentle way — of encouraging financial institutions to serve this particular public need. If this plans does not work, Congress could well turn to stronger measures.

In my opinion, one of the nation's most pressing needs is to bring about full participation in our economic system by those whose participation presently is limited. Bankers, if they use their resources and ingenuity, can be part of the solution.

Bank regulators must help by providing leadership, guidance and, where possible and appropriate, incentives. We must work to understand

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



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

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

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

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

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

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

We take pride in the success of Security State Bank.

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

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

## Your success is our tradition.

**First National Bank** of KANSAS CITY, MISSOURI

An Affiliate of First National Charter Corporation

Member FDIC

better the financial needs of our society and to cooperate with banks, community leaders, public-interest groups and others to ensure that our economic system is open to everyone. Although one of our primary responsibilities is to insure the safety and soundness of the banking system, we also have an obligation to make sure that bankers know what we expect of them with respect to social legislation. Open and effective lines of communication have to be established and maintained. We have conducted seminars for bankers on a sporadic basis for various compliance matters. In the consumer and civil-rights areas, where laws and regulations have proliferated, these types of programs can be particularly helpful. I will be encouraging more extensive FDIC participation and certainly will be receptive to bankers' suggestions as to how this can be best accomplished.

**Regulatory, Enforcement Policies**

A. *Insider Dealings.* One of the hottest banking issues involves insider transactions by bankers. There's no question that there have been some serious abuses in recent years by insiders of some banks. Since 1960, we have had 106 bank failures in the U. S. In approximately 57% of the cases, abusive insider transactions played a major part in the failure, and, in another 25%, the major factor was fraud or embezzlement. These failures have cost the FDIC well in excess of $100 million and should not be taken lightly.

Yet we should keep them in proper perspective and not react with overly burdensome or punitive legislation or regulations. There are over 14,000 commercial banks in the U. S., and less than 100 have failed in the past 18 years because of dishonesty. I'm not sure we could have prevented the majority of those failures had we possessed every enforcement tool known to man.

Until recently, bank regulatory agencies were reluctant to use enforcement powers at their disposal. During the five-year period from 1971 through 1975, for example, the FDIC issued only 53 cease-and-desist orders. There has since been a dramatic change in attitude. In 1976, we issued 41 orders, and in 1977 we issued 45. When we uncover insider abuse, we bring it to the attention of the bank's full board and work with the board to remedy the situation. If that fails to produce quick results, formal enforcement proceedings are promptly commenced. Moreover, we have adopted an insider regulation that requires bank boards to review and specifically approve loans to directors and to keep a record of any dissenting votes. We have taken this approach because it helps keep down the cost of oversight, and it requires directors to take full responsibility for these transactions.

I know that nearly all banks fully support a vigorous enforcement effort by bank regulatory agencies. Abuses are not widespread, but — to the extent that they exist — they create serious problems for every bank in terms of loss of confidence and esteem, not to mention problems that stem from the resultant legislative and regulatory reaction. We at the FDIC intend to do our part to make this an issue of the past.

B. *Capital Adequacy.* Another matter of serious concern to us at the FDIC is the continuing decline of equity capital in commercial banks, a trend that has continued almost unabated since the early 1800s. As mentioned earlier, banking has grown considerably more complex and has assumed substantially greater risks during the past quarter century. At the same time, equity capital ratios have decreased, falling from 7% of total assets in 1952 to 5% in 1977. The decline has been particularly pronounced in the larger banks. The FDIC is concerned about this trend, and we have established a high-level task force to study, among other issues, the common practice of utilizing subordinated debt in place of equity capital.

**"Deregulation of banking, to me, involves far more than merely simplifying or even eliminating a few regulations many people might consider bothersome."**

C. *Credit-Life-Insurance Premiums.* A third regulatory issue I want to touch on is the practice followed in some banks of allowing officers personally to collect credit-life-insurance commissions. As you know, some feel that the profits earned from the sale of insurance should inure to the benefit of the bank; indeed, the Comptroller of the Currency has adopted a regulation requiring that national banks receive these profits. Once again, this issue is under active consideration by a task force at the FDIC. I hope that the study group will complete its work in the near future and present its recommendations to the board before the end of the summer. If the board decides to act in this area, I am sure that we will allow plenty of opportunity for public comment and will appreciate any thoughts that bankers might have.

*Consolidation of Banking Agencies.* The subject of consolidation of federal banking agencies once again is before Congress, and the proposal probably has a better chance of being enacted than at any previous time.

My position on this issue is one I have held for several years. I oppose a complete consolidation of the agencies, but I favor an alternative reorganization proposal, one that will streamline our present system while preserving the dual-banking system of which I am a strong proponent. Essentially, I believe that the formulation and implementation of monetary policy should be separated from bank supervision. In other words, the Federal Reserve Board should be removed from bank supervision and regulation, and that authority should be given to the FDIC for all state banks. I don't believe the Fed needs to be involved in bank regulation in order to carry out its monetary policy functions; indeed, it seems to me that bank and bank HC regulation amount to little more than a distraction that the Fed could do without.

Probably, the most serious inadequacy in the present regulatory framework at the federal level is the separation of bank HC supervision from bank supervision. Several recent bank failures have been caused in large part by massive unsafe and unsound practices that occurred in the bank's parent HC or its nonbanking subsidiaries. It seems to me that this problem should be remedied by giving the bank regulator that supervises the lead bank in a holding-company system the primary supervisory responsibility for the entire system. • •

**Record Six Months Reported By Master Charge in Midwest**

ST. LOUIS — Dollar volume of Master Charge card-holder transactions in the Midwest trade area increased 16% during the first six months of this year over the same period in 1977.

Master Charge card holders generated a record $465.9 million in retail purchases and bank cash advances during the six months, according to Credit Systems, Inc. (CSI). The latter is the operating center for Master Charge in Missouri, Kansas, Iowa, southern Illinois and western Kentucky.

June was the peak month during the first half, with $97 million in volume.

# Bankers Update Worldwide Collection Rules In Effort to Speed Global Bill Collecting

A TWO-YEAR effort by domestic and foreign bankers to improve international collection procedures is expected to make it easier for American firms to get their money, perhaps as early as next year.

An updating of worldwide collection rules has been ratified by members of the National Council of Committees on International Banking (NCCIB), a consortium of American banks and foreign banks with U. S. branches. The rules currently being followed were adopted in 1968 by the International Chamber of Commerce, a Paris-based organization with membership including about 50 non-Communist nations. An additional 73 nations subscribe to the rules even though they are not members of the chamber.

Although the rules don't carry the force of law or supersede the laws of individual countries, they are backed up by the "force of practice" in much the same way standards developed by rulemaking bodies of the accounting profession are in this country.

Three Chicago bankers are members of the NCCIB, which has been pressing for rule updating. They are John E. E. Biella, vice president, Continental Illinois National; V. John Chalupa, second vice president, American National; and William O. Schinagl, assistant vice president, Harris Trust. Mr. Biella is also a representative on the chamber's commission on banking technique and practices.

Mr. Biella said that it was decided that, if the rules were to be revised, they should be updated to the point where they conformed with current banking practices.

The updating idea received support because of the increased fluctuation in exchange rates of the dollar, German mark and other key currencies, he said. Because of changing rates, an exporter or buyer could find that the value of his transaction had changed considerably by the time he received his money, Mr. Biella said.

Most of the recommendations for change made by U. S. banks are included in the updated version of the rules, he added.

**International Bankers Meet**

More than 100 international bank operations people attended a four-day problem-solving session sponsored by the Mid-America Council on International Banking (MACIB) recently.

The group utilized more than 40 case studies covering various areas of international operations, including commercial letters of credit, fraud detection, paying and receiving, management and supervision, collections and foreign exchange.

MACIB membership includes domestic banks and foreign banks with domestic offices in 15 states in the Mid-Continent area. It was formed in 1971.

One of the rules would set a 90-day time limit before a bank returns unpaid collections to the buyer's bank, unless otherwise instructed.

Mr. Chalupa said that although many invoices include a payment-due clause, they often are ignored and kept in a bank's file on instructions of the customer. The customer may want to do business with the buyer again and doesn't want to run the risk of offending him.

"But our auditors are after us to clean up our files," said Mr. Chalupa.

Other changes establish the responsibility for handling documents of each bank or agency in the collection chain, the role of intermediary banks, a format for disposal of exceedingly old collections and the clarification of "subject to" and "provisional reserve" clauses that may hinder final payment.

"A buyer in a country such as Switzerland, for example, may send us a check drawn on a Swiss bank containing a phrase that payment is subject to the 'usual reserve provision,'" Mr. Chalupa said. "That means it's subject to the check writer having the money in his account at a certain time. When we send it back for payment, it bounces 10 days later. That doesn't happen often, but it does happen."

The updated rules contain a specific date when such provisional clauses take effect.

Mr. Biella said that from 3% to 4% of the foreign collections undertaken by Continental Bank meet with some delay or require extra handling.

"The real problem is with items that are disputed because of vagueness in the collection rules," he said. "It's a very small percentage of the total, but the high cost of time and money involved wipes out any profit you might make from the collection." • •

# LDC Loan Loss Record Improves

COMMERCIAL banking's loss record on international loans, including loans to the so-called less-developed nations (LDCs), is better than its domestic lending record, as borrowing countries encounter fewer problems in paying off debt and as banks tighten their controls on risk, a Chicago international banker said recently.

"While there have been a few nations encountering liquidity problems, borrowing countries with debt problems have for the most part by now become current in their obligations," said Leo C. deGrijs, senior vice president and head of the international banking department at Continental Illinois National.

"For most LDCs, the initial process of adjustment to the shocks of 1973 and 1975 has been undertaken and largely completed," Mr. deGrijs said. "Developing nations are not an undifferentiated mass, but rather individual nations with their own strengths and weaknesses which must be treated individually. Some are at the higher end of the scale of per capita income and may be termed 'semi-industrialized.' Other nations are poor, yet have 'modernizing sectors' which can have the capacity to utilize private bank credit."

The concern of those who question

(Continued on page 74)

# Bank Starting International Department Expects to Make Profit First Year

By JIM FABIAN
Associate Editor

"WE EXPECT to turn a profit within a year with our new international department," said Andrew N. Baur, executive vice president, St. Louis County Bank, Clayton, Mo., when the bank opened the department in April.

And chances are good that Mr. Baur's prediction will be fulfilled, given the potential for international banking services in the St. Louis area as ticked off by Mr. Baur and James Yang, vice president and manager of the international department.

The bank's trade area is somewhat unique in that it is the home of several large industries that deal extensively with suppliers and customers in other countries, Mr. Baur said. These industries include shoes, apparel, electronics, chemicals, hardware, food products, etc.

Today's economic situation favors both exporting and importing, he added. The declining productivity of U. S. labor and the rising GNP rate are forcing American manufacturers to import foreign supplies to keep their products competitive with foreign merchandise flooding the U. S. market.

In addition, the dollar's decline around the world has sparked U. S. firms to export more goods, which means more opportunities for U. S. banks to provide international services to their customers, he said.

The potential for a successful international department for St. Louis County Bank exists for two primary reasons, Mr. Baur said. First, the area is relatively free of incursions from foreign banks and from banks on either coast seeking international customers. This is due, in large part, to St. Louis' close proximity to Chicago and the focus on international trade there.

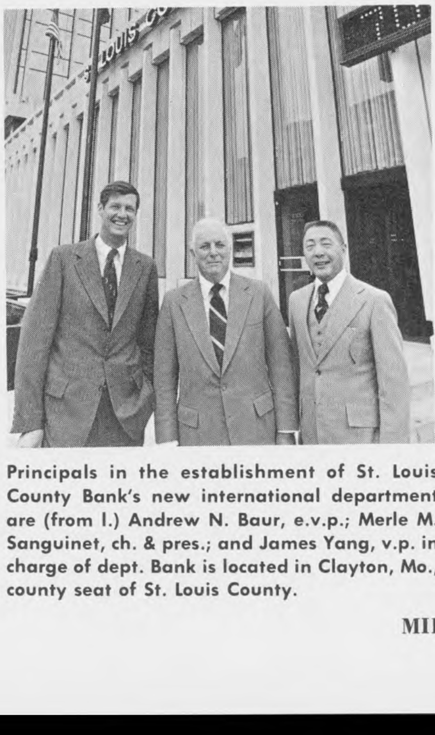
Another factor is the fragmentation caused by the unit banking statutes in Missouri, Mr. Baur added. Only three other banks in St. Louis have international departments and those departments are located in the downtown area, which is relatively far from the offices of manufacturers dealing abroad. "Our bank, located in a St. Louis suburb, is closer to the manufacturing sector."

Mr. Baur explained that \$260-million-deposit St. Louis County Bank is in a good position to offer international services because it is large enough to have a good-sized legal lending limit and it has an experienced international banker in Mr. Yang, a veteran of 25 years in international banking, most of it with Philadelphia National.

Shortly after opening the bank's international department, Mr. Yang had established correspondent ties with 60 overseas banks. He expects the number of such ties to increase to 500 in the future, thus enabling his bank to offer its customers expeditious international banking services to almost any city in the world.

Most of the bank's current and potential international customers deal with firms in Asia at present, including Taiwan, Hong Kong, Korea, Japan, India, Pakistan and Malaysia. However, business is picking up with clients that deal with firms in Europe, Latin America and Africa.

At present, the department deals primarily in letters of credit, foreign exchange and import collections, but is expanding into export collections, remittances, Exim/FCIA loans, etc., Mr. Yang said.



Principals in the establishment of St. Louis County Bank's new international department are (from l.) Andrew N. Baur, e.v.p.; Merle M. Sanguinet, ch. & pres.; and James Yang, v.p. in charge of dept. Bank is located in Clayton, Mo., county seat of St. Louis County.

He estimated that the St. Louis area imports about \$700 million worth of goods annually. He said the dollar amount of St. Louis-generated letters of credit is considerably larger than that generated by firms in Kansas City, despite the latter's designation as a free trade zone.

Mr. Yang's sales pitch to potential customers is made on a one-to-one basis. He uses the opportunities his contacts provide to "demystify" the intricacies of international financing. He said there are any number of possibilities for snags to develop when dealing across the oceans. Once a U. S. firm's management understands international financing, it's usually eager to expand its sales abroad, using the bank's international department to smooth the way.

Mr. Yang described the predicament of a local firm that manufactures emergency lights for vehicles. The firm received an order from Portugal and was at a loss as to how to go about arranging for payment. Mr. Yang saw to it that proper documentation was arranged and that the bank in Portugal made prompt payment for its customer.

"We take pains to make sure that every detail is handled correctly," Mr. Yang said. He added that, due to the rapid expansion of international business, many banks — both here and abroad — are short of experienced personnel. There are many ways an international transaction can get stalled in its journey through a bank's international department, he said. Inexperienced personnel often make errors, any one of which can hang up consummation of a transaction. It takes an experienced person to discover what went wrong in any given situation.

In addition, he said, international department personnel must be on the lookout for dishonest traders who might try to put one over on an unsuspecting customer by sending forged documentation papers when a shipment has not been sent. Since letters of credit deal with documents, not receipt of merchandise, it's important

that a bank's international department be absolutely sure that all documentation is above board.

Mr. Baur said one reason St. Louis County Bank established its international department was to keep its customers from taking their business to other banks that offer international services.

Another reason was the profit potential international services offer. International department income is derived from interest and discounts, letter-of-credit fees, bankers acceptance fees and other commissions.

Still another reason St. Louis County Bank has an international department is the fact that it's always good to have a new bank service to offer customers. "Our international department's services are valuable tools for bringing new business of all kinds to the bank," Mr. Baur said. • •

# Bankers Help Economy by Encouraging Foreign Investment

LOUISIANA ranks fourth in foreign investment among the states in the U. S. Much of the credit for this status goes to Louisiana bankers for the effort they have been making to encourage investment by foreign firms, according to Jack Sanders, vice president, American Bank, Baton Rouge.

More than $3.5 billion has been invested in Louisiana by 114 foreign firms from 23 countries, he said. Approximately 10% of all industrial investment in the state originated with foreign firms.

Major foreign investors in Louisiana are headquartered in Belgium, France, Italy, Switzerland, Holland, Germany, Canada, Japan, Luxembourg, Mexico, Sweden and the United Kingdom.

"While the facts of foreign investment are still difficult for many to accept as real and possible," Mr. Sanders said, "our shrinking world makes investment in Louisiana by foreign firms a realistic alternative to domestic investment. The banking industry is awakening to the tremendous investment potential available for its markets."

Mr. Sanders has been a member of various teams that have traveled abroad to sell the merits of investment in Louisiana.

"Our trip to southern Europe this year was an effort to create more jobs and greater opportunity in Louisiana," he said. The tour was part of a five-year foreign investment program developed by the Louisiana Department of Commerce and Industry. The program was developed because the state doesn't maintain an office abroad to serve as a liaison between Louisiana and foreign investors.

Mr. Sanders pointed out that the Louisiana investment mission makes calls only on an invitation basis. All itineraries are arranged by American Embassy economic offices in the countries involved.

This year's mission culminated in an investment by an Austrian steel mill, which expects to construct a $100-million plant that will employ between 350 and 400 workers when it opens in 1980. The steel mill is considered to be a real "plum" by Mr. Sanders, since Austria offers few investment prospects because ownership of many major industries is in the hands of banks, which, in turn, are owned by the government. There is a reluctance on the part of the government to see funds invested in foreign countries.

A Swiss-owned herbicide plant has been operating in Louisiana since 1969, Mr. Sanders said. The plant employs 650 people and has been expanded several times.

He added that Italy seems to be interested in investments in Louisiana. That country could eventually be the most productive investor in the state, Mr. Sanders said.

When mission teams talk with foreign investors, they stress the advantages the state has to offer, including three major year-round ports that give access to world and U. S. markets. Team members also emphasize the availability of air and highway transportation networks and cite the dramatic economic expansion taking place throughout the American sun belt.

"Many industrialists with capital to invest are looking for joint ventures with firms that have production and distribution knowledge," Mr. Sanders said. "One of the roles the bank can play in encouraging foreign investment is to bring the expertise of local industries to the attention of foreign investors and assist in bringing the joint venture to fruition."

Bankers realize that every effort to enhance the economic environment will return in the form of bank growth, he said. Each foreign investment made in the state has a ripple effect that permeates the entire state and, eventually, the entire nation. • •

## LDC Loan Loss *(Continued from page 70)*

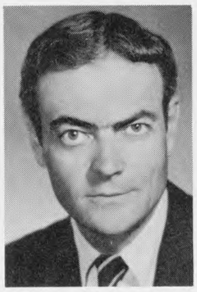
the financial health of commercial banks because of the volume of LDC loans on their books is not supported by the facts, Mr. deGrijs added, especially since in the past few years most major commercial banks have implemented international loan portfolio management systems to carefully control risk.

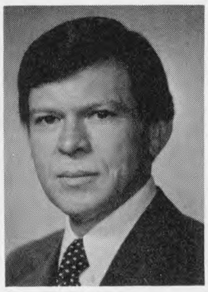
"The fact that banks approach international lending with such prudence gives additional reasons for confidence that the probability of major losses of principal is small," Mr. deGrijs said. "I think I can go further and say that, should it become necessary to delay payment or reschedule debts, that unhappy situation will occur only in the case of a very small number of countries."

Despite predictions that foreign lending by U. S. commercial banks might be "crowded out" by increasing demand from domestic clients, Mr. deGrijs said that "continuing accommodation of a growing international clientele is a high priority just as is continued service to domestic customers."

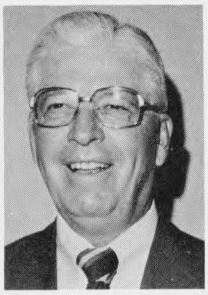
But official institutional support of the credit needs of foreign nations, such as that provided by the Export-Import Bank, also is required, he added. "Banks have in the past played a key role and are ready to continue to do so in the future," Mr. deGrijs said. "What is required is strong and coordinated action by all concerned: the LDCs, the U. S. government, international financial institutions and the international financial markets." • •

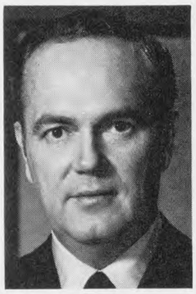
# Heimann, Butz, Perkins Set to Speak At AMBI Convention September 12-15


SMITH


HEIMANN


WEIGEL


EDWARDS


VAN METER


BISHOP


SINCLAIR

COMPTROLLER of the Currency John G. Heimann heads the list of speakers scheduled to appear at the 1978 annual meeting of the Association for Modern Banking in Illinois (AMBI), which will be held September 12-15 at the Continental Plaza Hotel, Chicago.

Also appearing on the program will be former Secretary of Agriculture Earl Butz, ABA President-Elect John H. Perkins, Louis Rukeyser and candidates for the offices of Illinois treasurer and comptroller. Mr. Perkins is president, Continental Illinois National, Chicago, and Mr. Rukeyser is host of the PBS TV series "Wall Street Week."

The convention will open at noon on Wednesday, September 13, with a luncheon at which Mr. Perkins will speak. The first business meeting will begin at 1:30 p.m., presided over by AMBI President Loren M. Smith, chairman, United Bank of Illinois, Rockford. A Loop bank annual reception will top off the afternoon's activities.

Tuesday's agenda will include a keynote address by Frank J. Bussone, vice president and chief staff officer, Dirksen Congressional Leadership Center; a look at the economy by Mr. Rukeyser; a look at the agricultural scene by Mr. Butz; and a talk by Herb Wegner, president, Credit Union National Association.

Mr. Heimann will be luncheon speaker.

The afternoon session will include concurrent option sessions on retail banking profits, trust department cooperation, EFT update and agricultural finance.



A reception and dinner, which will include entertainment and dancing, will conclude the meeting.

AMBI President Smith began his banking career in 1956 at State Bank, Kirkland. He left banking the following year to join the Chicago Association of Commerce and Industry and later joined the Atwood Vacuum Machine Co. in Rockford. He joined United Bank of Illinois in 1969 as president and was named chairman in 1977.

William E. Weigel, executive vice president, First National, Centralia, has served as an AMBI vice president this year. He entered banking in 1940 at his present bank and was elected an officer in 1945. He has been executive vice president since 1966.

Harland L. Edwards, president, First National, Evanston, also served

FOR

*EVERY* CORRESPONDENT SERVICE IN CENTRAL ILLINOIS IT'S THE

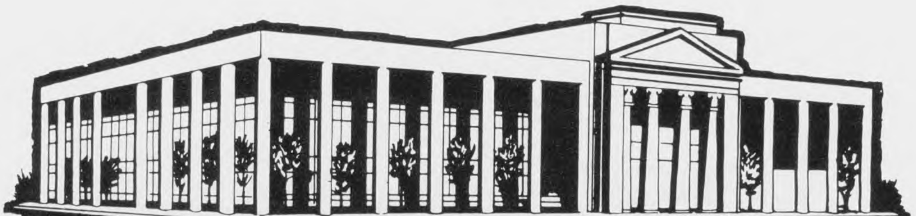
Springfield Marine Bank

A TRADITION OF SERVICE

SPRINGFIELD, ILLINOIS

OLDEST BANK IN ILLINOIS
ORGANIZED 1851
member f.d.i.c.• federal reserve system

PHONE (217) 753-6000



Springfield
MARINE BANK

1 East Old State Capitol Plaza
435 South Sixth
Member, F.D.I.C.

as an AMBI vice president this year. He became a banker in 1936 at Livestock National, Chicago. In 1946, following military service, he joined Wilmette Bank and was named president in 1961. In 1976, he moved to his present bank as president and CEO.

AMBI Treasurer is A. D. Van Meter Jr., president, Illinois National, Springfield. He joined the bank in 1964 as vice president and was named president the following year.

AMBI's secretary is Richard M. Bishop, president, First Galesburg National. He has been in banking since 1952 and joined his present bank at his present title in 1971.

Chairman of AMBI is Gerald Sinclair, executive vice president, Salem National, which he joined in 1952. He became an officer in 1955 and has been executive vice president since 1968. ● ●

## Limited Service Facilities, Multi-Bank Holding Companies Proposed for Ill. by AMBI

The Association for Modern Banking in Illinois (AMBI) has proposed the abandonment of traditional branch banking concepts in Illinois in favor of a small number of limited service facilities and expanding on the present state banking system to permit the state's chain banks to combine into multi-bank HCs.

The AMBI limited service facility proposal would permit banks to expand from two offices under present statutes to a maximum of five offices over a three-year period. The additional facilities would be limited geographically to either countywide or within 10 miles of a bank's home office.

The current statutory protection that prohibits a bank from establishing a limited service facility within 600 feet of another bank would remain in force. Banks are presently allowed one facility within 1,500 feet of the home office and a second within 3,500 yards.

The multi-bank HC proposal would allow banks to acquire existing institutions in any adjoining two of five proposed regions in the state (see map). HCs would be prohibited from starting more than one bank in any county and would be limited to a total of five new banks.

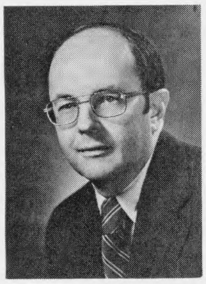
**Association for Modern Banking in Illinois Proposed Bank Holding Company Regions**


**Map of Illinois shows five HC regions proposed by AMBI. HCs would be prohibited from starting more than one bank in any county and would be limited to a total of five new banks.**

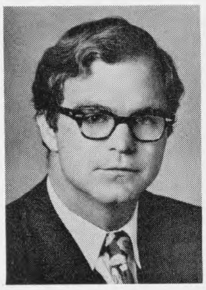
## Boatmen's Nat'l, St. Louis, Names Bush as President

ST. LOUIS — William H. T. Bush has been elected president and chief operating officer at Boatmen's National and John M. Brennan has moved from executive vice president in charge of banking to chairman of the executive committee. Both men were elected directors.

BRANDIN



BRENNAN



BUSH

Donald N. Brandin, formerly chairman, CEO and president, retains his first two titles.

Mr. Bush is expected to join the bank in November. He was formerly executive vice president, Hartford (Conn.) National. Mr. Brennan, who is also senior vice president, Boatmen's Bancshares, will be responsible for credit policy and administration for the bank and its HC.

● **MGIC Corp.** A brochure designed to supply lenders with basic information about mortgage-backed bonds and mortgage-backed pass-through securities has been developed by Mortgage Guaranty Insurance Corp. (MGIC). It's called "Insured Conventional Mortgage-Backed Certificates—the Secondary Market Tool of the 1980s." It discusses a variety of issues important to lenders interested in becoming involved in mortgage-backed securities.

Write: Jim Fletcher, Mortgage Guaranty Insurance Corp., MGIC Plaza, P. O. Box 488, Milwaukee, WI 53201.

# More Effective Board Meetings


200 pages

## Begin With More Effective Board Reports

This manual will help your bank determine the "quantity and quality" of monthly reports needed by your directors so that they, and management, can make proper decisions.

**$20 per copy**

**Edited by Dr. Lewis E. Davids**
**Editor, The BANK BOARD Letter**

Well-prepared reports are a a MUST to enable a board to identify its policy aims. . . to diagnose bank problems. . . to find solutions to these problems. . . to make choices regarding appropriate actions. . . to implement policy. . . and to evaluate the effectiveness of bank performance. Without adequate reports, a board lacks the information it must have in order to reach important decisions involving bank management.

This manual details the type of reports a board should have in order to place pertinent information at directors' fingertips. It illustrates the various formats board reports can take. . . from oral to detailed graphic presentations.

It tells how moderate-sized banks can prepare reports that normally could be afforded only by giant banks. It tells how such reports can be combined with information gained from local sources to present a clear picture of the local and national economic situation. . . a picture vital to the establishment of policies that promote bank growth.

Included are examples of written reports most needed by bank directors who desire to create policies that lead to prudent bank management. In addition to material prepared by the author, contributions by well-known bank specialists are included.

Detailed information is present on such topics as effective reporting to directors. . . board reports to shareholders. . . the report of examination. . . bank liquidity and capital analysis. . . bank operating ratios. . . management reports to the board. . . loan reports. . . financial statement analysis. . . bank market performance. . . financial information for directors. . . AND MANY OTHERS!

Order copies TODAY. Note quantity prices. Each member of your board could benefit from a study of this manual.

**QUANTITY PRICES**

| | |
|---|---|
| **2-4 copies. . . . . . . . . . .** | **$18.00 each** |
| **5-7 copies. . . . . . . . . . .** | **$17.00 each** |
| **8-10 copies. . . . . . . . . .** | **$16.00 each** |
| **11-15 copies. . . . . . . . . .** | **$15.00 each** |

**THE BANK BOARD LETTER**
**408 Olive St., St. Louis, Mo. 63102**

...................... copies, BOARD REPORTS $ . . . . . . . . . . . . . . . . .

TOTAL ENCLOSED $ . . . . . . . . . . . . . . . . .

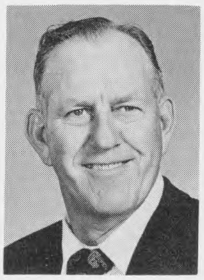
Name . . . . . . . . . . . . . . . . . . . . . . . . . . . Title . . . . . . . . . . . . . . .
Bank . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .
Street. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .
City, State, Zip . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .

(Please send check with order. In Missouri, add 4.6% tax.)

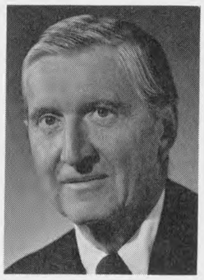
# ABA's John Perkins, Governor Carroll To Headline Kentucky BA Convention

JUETT

SUTHERLAND



McCUISTON



PERKINS

FOUR SPEAKERS are tentatively scheduled to appear at the 84th annual Kentucky Bankers Association convention, which is set for September 10-12 at Louisville's Galt House.

Heading the speaker's list is John H. Perkins, ABA president-elect and president, Continental Illinois National, Chicago. Mr. Perkins is expected to become ABA president the following month when the ABA meets in Honolulu.

Also expected to speak at the convention are Kentucky Governor Julian M. Carroll; Richard Van Hoose, president, Kentucky Council on Economic Education, Louisville; and Louis Rukeyser, economic commentator, Greenwich, Conn., and host of PBS's "Wall Street Week." Mr. Rukeyser's appearance is being arranged by the Kentucky Educational TV System in Lexington.

Convention registration is expected to be from 1 p.m. to 6 p.m. on Sunday, September 10, in the third floor lobby of the Galt House. The resolutions committee will meet that afternoon and the traditional Sunday evening reception will begin at 6 p.m.

Monday's activities will include a breakfast meeting of the KBA nominating committee, registration at 8:30 a.m., the first general business session in the Cochran Room at 9 a.m., the Kentucky luncheon at 12:30 p.m., dinners for 50-Year Club members and past presidents at 6:30 p.m. and an all-convention dance from 9 p.m. to 1 a.m.

The annual breakfast will begin activities on Tuesday, followed by a program of remembrance and the second general business session. Group presidents will meet for luncheon at 12:30 p.m.

Tuesday evening's events will begin with a pre-banquet reception at poolside at 5:15 p.m., followed by the annual banquet at 7 p.m., which will include entertainment and the installation of officers.

Presiding at the convention will be KBA President Tom A. Juett Jr., chairman and president, Citizens State, Wickliffe. Mr. Juett entered banking in 1947 at Union Bank, Lexington, now known as Citizens-Union National. He joined Citizens of Wickliffe in 1952 as cashier and has been president and chairman since 1959.

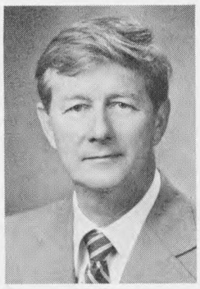
Scheduled to assume the KBA presidency at the convention is Pat McCuiston, chairman and president, Planters Bank of Todd County, Trenton. Mr. McCuiston has been in banking for more than 20 years, all of them with his present bank and with his present title.

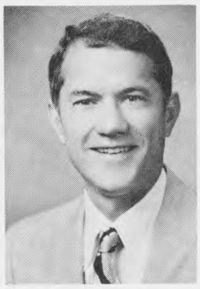
KBA treasurer this year is R. E. Sutherland, president & CEO, Wilson & Muir Bank, Bardstown. He began his banking career with Liberty National, Louisville, in 1963 and served as a vice president in the correspondent banking department. He joined his present bank in 1973 as president and CEO. ● ●

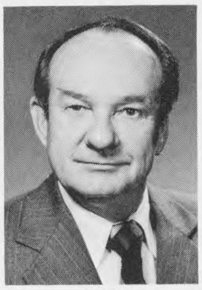
# NEWS
# From the Mid-Continent Area

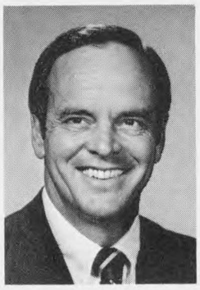
## Alabama

■ FIRST ALABAMA BANK, Montgomery, has elected M. Taylor Dawson Jr. and George T. Goodwyn to its board. Mr. Dawson owns a contracting firm, and Mr. Goodwyn is president of an engineering consulting company and a partner in a consulting engineers' firm.


DAWSON


GOODWYN


ADAMS


PATRICK

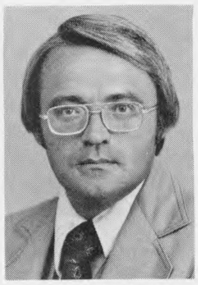

DAVIS

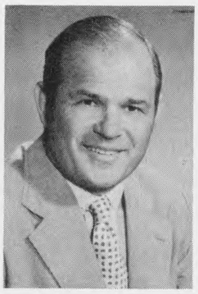
■ N. Q. ADAMS was elected president, First National, Mobile, last month, succeeding William J. Gehlen, who resigned. Clarence E. Davis was elected senior executive vice president, and Lloyd B. Patrick was made executive vice president. Mr. Adams, E. Mason McGowin Jr. and Robert E. Lowder were elected to the board. Mr. Adams joined the bank in 1951 and had been senior executive vice president since 1974. Mr. Davis, with the bank since 1935, became executive vice president in April, 1977. Mr. Patrick, who went to the bank 18 years ago, is manager, wholesale division, and had been senior vice president. Mr. McGowin owns and operates a general farming business, specializing in pecan production. Mr. Lowder is president of a mortgage firm.

## Arkansas

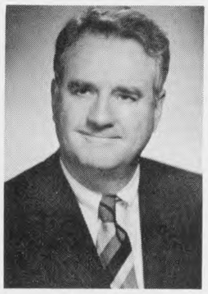
■ WILLIAM H. McLEAN, vice chairman, Commercial National, Little Rock, has been elected president, Metroplan board of directors. Mr. McLean, representing the Little Rock Airport Commission, has been a Metroplan director and treasurer four years. Commercial National has elected Harry F. Huchingson Jr., who is manager, branch administration, as senior vice president. In other action, the bank named the following vice presidents: John W. Roewe, regional manager, south region; Jim Argue, manager, marketing services; Kirk Dixon, loan officer; Wes Smelley, manager, personnel; and Gary Tarpley, loan officer. Named assistant vice presidents were: Arlene Gillam, manager, Riverdale Branch; Greer Baber, staff assistant; Roger Mayor, manager, University Branch; and Bill Miller, manager, Capitol Avenue Branch.


McLEAN


HUCHINGSON



DOYLE



KENNEDY

■ WILLIAM H. KENNEDY JR. has been elected chairman, National Bank of Commerce, Pine Bluff. His former post of president has been taken by Rodger P. Doyle, who also was elected a director. Mr. Doyle formerly was president and CEO, First National, Brunswick, Ga. Mr. Kennedy, CEO of NBC the past 12 years, is a past president, Arkansas Bankers Association. In his new post, he continues as CEO, and Mr. Doyle is chief operating officer.

■ FARMERS NATIONAL, Clarksville, has converted to a state charter, and its new name is Farmers Bank & Trust Co.

### Stobaugh Elected President Of Ark. Junior Bankers

James Stobaugh, assistant vice president, National Bank of Commerce, Pine Bluff, is the new president, Junior Banker Section, Arkansas Bankers Association.

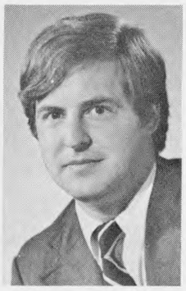
Other new officers are: vice president, James V. Kelley III, marketing director, First American National, North Little Rock; secretary, Judy Sligh, administrative officer, Citizens First State, Arkadelphia; treasurer, Gary Blenden, assistant vice president, Arkansas Bank, Hot Springs; parliamentarian, Rick Reed, assistant cashier, Farmers & Merchants Bank, Prairie Grove; and historian, Harry J. Webb Jr., assistant vice president, Helena National.

## Illinois

■ SUSAN M. RUWITCH, formerly assistant vice president, National Boulevard Bank, Chicago, has been promoted to vice president in charge of the personal bank department. Dorothy B. Gannaway was elected assistant vice president in the same department.

■ JOHN V. N. McCLURE, who is in the Southwest division, Northern Trust, Chicago, has been promoted from commercial banking officer to second vice president. John B. Schnure, Illinois division, was made commercial banking officer. In other action, Northern Trust promoted the following: to vice presidents, Dominic J. Palazzolo and Charles V. Rainwater; and to second vice presidents, William K. Reeves, Frank A. Cesario, Vincent R. DeJohn, Martin J. Joyce Jr., Bronson R. Hall, Karen B. Hatfield, Michael M. Harshbarger, William E. McClintic and John W. Weiss.

RUWITCH



McCLURE

■ HARRIS BANK, Chicago, has elected Thomas I. Hutcheson and Robert M. Tuggle vice presidents. Both are in the trust department's corporate trust and operations group.

■ CONTINENTAL BANK, Chicago, has elected these second vice presidents: John A. Goryl, Michael C. Bucell, Robert W. Hagenow, Richard J. Jurgovan, Thomas F. McGrath, Samuel Papanek III, Raymond J. Urban and Neal T. Halleran. Jeffrey A. Finlay and Kenneth G. Neely Jr. were elected trust officers.

■ WILLIAM G. CURRAN JR. has been named head of First National of Chicago's new investment banking group, formally called First Chicago investment banking group. It will coordinate the bank's worldwide investment banking activities through merchant banking subsidiaries in London, Geneva, Panama, Hong Kong, Singapore and Saudi Arabia. Mr. Curran was vice president/managing director, First Chicago, Ltd., London, which he established in 1970 as the first wholly owned merchant banking subsidiary of an American commercial bank, according to a First National spokesman.

■ HENRY D. KARANDJEFF, chairman and president, American National, Granite City, took part in the recent 25th-anniversary celebration of Boy Scout Camp Sunnen in Washington, Mo. In 1950, Mr. Karandjeff was chairman of the camp search committee and was instrumental in getting Joseph Sunnen, St. Louis industrialist and philanthropist, interested in locating this camp on Sunnen land in Washington. It was opened June 21, 1953, and on November 25, 1954, Mr. Sunnen indicated he wanted to make Camp Sunnen permanent. In 1973, Mr. Sunnen, his family and his firm made a gift of the property to the Cahokia Mound Council, Boy Scouts of America.

■ ALAN B. EIRINBERG has joined

Drovers Bank, Chicago, as senior vice president and marketing director. He also holds the latter post at Chicago's Main Bank. Mr. Eirinberg formerly headed a financial marketing consulting firm bearing his name. Before that, he was senior vice president in charge of marketing, Exchange National, and its HC, Exchange National Corp., both of Chicago.

## Indiana

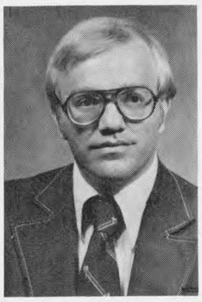
■ INDIANA NATIONAL, Indianapolis, has promoted Frank J. Hurley to senior vice president and controller and Dennis L. Bassett, James J. Lawhorn II and Michael J. Long to assistant vice presidents. Mr. Hurley is treasurer of the bank's parent HC, Indiana National Corp., and treasurer of each of its affiliates and subsidiaries.

■ KATHRYN A. DIETZ has been named assistant trust officer, Community State, Huntington. She joined the bank in 1976 and was secretary to the executive vice president.

## Kansas

■ THOMAS N. JAMES has joined Kansas State, Wichita, as senior vice president in charge of administration. He has been in banking 25 years, most recently as senior vice president and cashier, Michigan Avenue National, Chicago. Kansas State also appointed Jan L. Murphy vice president, commercial loans. He joined the bank last May, going from First National, Springfield, O., where he was vice president and senior credit officer.

JAMES



MERMIS

■ G. E. ALBAN, senior vice president, Security State, Great Bend, will retire December 31, after 26 years with the bank and 42 years in banking. Named a vice president to fill the vacancy is Stephan J. Mermis, now examiner-in-charge, Topeka district, Kansas banking department. He will join Security State in mid-September. Mr. Alban entered banking in 1936 with the old City National, Kansas City, Mo. (now United Missouri). Mr. Mermis, who worked two summers at Security State while attending Wichita State University, is the son of J. A. Mermis Jr., vice chairman and CEO of the bank and a past president, Kansas Bankers Association.

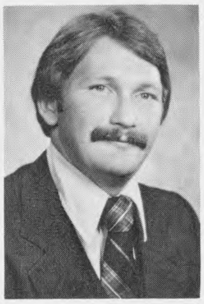
■ COMMERCIAL NATIONAL, Kansas City, has promoted Shirley A. Mattox from assistant trust operations officer to trust operations officer. She joined the bank in 1970.

■ FOURTH NATIONAL, Wichita, has named R. M. Briley a vice president. He joined the bank in 1972 and had been a commercial loan officer the past four years. In other action, the bank elected Mark Robison and Michael Hastings trust officers and Becky Robinson and Bill Akers consumer loan officers. Sterling V. Varner has been elected to the boards of the bank and its parent HC, Fourth Financial Corp. He is president, Koch Industries.

## Kentucky

■ JERRY SKIDMORE resigned July 1 from Citizens Fidelity of Louisville's correspondent banking division to pursue a career in data processing. Gerald White, with the bank eight years, has joined the correspondent banking division and is calling on banks in western Kentucky, an area formerly covered by Ken Reinhardt. Mr. Reinhardt has moved into eastern Kentucky, where Mr. Skidmore traveled.

■ ROY S. BERGER has been named assistant cashier, commercial banking division, Liberty National, Louisville. Before joining the bank last February, he was president, Rand Asset Advisory, Inc., New York City.



WHISMAN

■ L. WAYNE WHISMAN has been named a correspondent representative in Louisville Trust Bank's correspondent banking division. He went there last September.

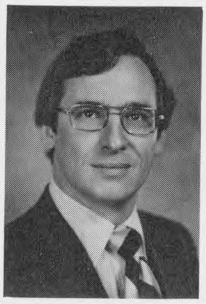
■ CLYDE H. FOSHEE JR. has moved up from counsel and assistant secretary to vice president and counsel, First Kentucky National Corp., Louisville. The latter two titles also have been given Herbert A. Zachari Jr., formerly vice president and assistant counsel. First National and First Kentucky Trust, both FKNC subsidiaries, also have announced promotions. First National promoted C. Edwin James from marketing manager to vice president and A. Brooks Pinney III from senior operations officer to operations manager. At Kentucky Trust, James L. Bailey moved up from income tax officer to senior trust officer/tax, and Arthur C. Blake and Ralph E. Francis, formerly investment officers, were advanced to senior investment officers.

■ R. DOUGLAS HUTCHERSON has moved up from assistant vice president to vice president, commercial loans, First Security National, Lexington. Elected assistant cashiers were Duane Arbegust, Wayne Good-win and John Boardman. Charles P. Partin, vice president and senior auditor, has been appointed Kentucky state director, Bank Administration Institute.

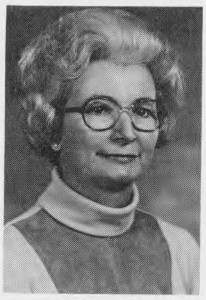
## Louisiana

■ WILLIAM B. WISDOM JR. has been made chairman of the executive committee, First Commerce Corp. and First National Bank of Commerce, New Orleans. Mr. Wisdom is president, Boston Co. of New Orleans, and vice president, General Enterprises, Inc. At First NBC, Joseph C. White and Lawrence H. Ellis Jr. were named senior vice presidents. Mr. White, with the bank since 1950, serves as assistant to the president. Mr. Ellis is president, First Commerce Financial Corp., a subsidiary of First NBC. He went to the bank in 1970.

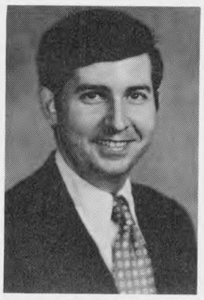
## Mississippi



COOKE



HEGWOOD

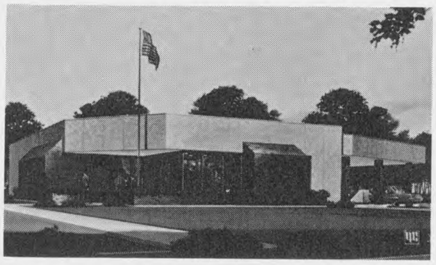


WATSON

■ DEPOSIT GUARANTY NATIONAL, Jackson, has promoted George A. Cooke to senior vice president and controller, William L. Watson III to senior vice president and Pearline P. Hegwood to vice president. Mr. Cooke, before joining the bank, was with Fidelco Associates, Inc., Philadelphia, where he was vice president. Mr. Watson joined Deposit Guaranty in 1973 and most recently was vice president. Mrs. Hegwood joined the bank in 1950 and has been assistant vice president since 1974.

## Missouri

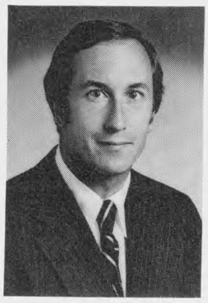
### New Florissant Drive-Up



**This is an architectural rendering of the new drive-up, walk-up facility being erected by Florissant Bank. Ground-breaking ceremonies July 12 — the bank's 74th anniversary — were conducted by Florissant Mayor James Eagan and the bank's pres., Cyril A. Niehoff. The contemporarily designed structure will contain 3,219 square feet of floor space and provide four drive-up lanes protected by a canopy. Walk-in customers will have access to a night depository and BANK24 ATM service. There also will be five teller stations in the lobby, a safe deposit vault, a private conference room and a lounge area. In addition, there will be facilities for accounting and bookkeeping functions, an employee lounge with kitchenette and a storage room. Bunce Corp., St. Louis, is the general contractor.**

■ MERCANTILE TRUST, St. Louis, has promoted Bruno C. Bucari from assistant vice president to vice president and Wayne L. Smith to assistant vice president. Mr. Bucari, with the bank since 1974, is responsible for the Middle East and African divisions, international banking. Mr. Smith joined Mercantile in 1974 and now is in the export/import division, international division. He continues as vice president, Mercantile customs services, a position he was given in 1977.

■ FIRST NATIONAL, Kansas City, has promoted Neil T. Douthat from assistant vice president to vice president, Russell D. Hammett from assistant cashier to assistant vice president and Gordon T. Brown, F. Howard Manning and Judith A. Spafford to assistant cashiers. Mr. Douthat, with First National since 1973, has metropolitan and national responsibilities, commercial banking division. Mr. Hammett, a staff member since 1960, is in commercial loans. Mr. Brown and Mr. Manning are in commercial lending, and Mrs. Spafford is a consultant and analyst, corporate banking services.



DOUTHAT

BUCARI

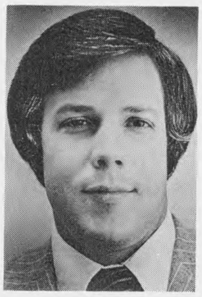
■ FIRST NATIONAL, St. Louis, has elected these assistant vice presidents: Thomas A. Coates, Wallace D. Niedringhaus, G. Mary Polson, John C. Solomon, John W. Fricke, Lawrence S. Ross and Douglas G. Smith. In addition, Steven D. Campbell has been named manager, Stadium Drive-In.

■ DIRECTORS of County National Bancorp., Clayton, and T G Bancshares Co., St. Louis, have reached an agreement in principle to merge. The agreement is subject to negotiation of a definitive merger agreement between the parties and to approval by regulatory authorities and stockholders of T G Bancshares. County National Bancorp., with assets of $381.7 million and deposits of $323 million, owns five banks. T G Bancshares, with assets of $254.9 million and deposits of $218.7 million, owns three St. Louis-area banks and Financial Computing Corp. of Missouri.

■ WELDON "SKIP" FANNEN has joined First National, St. Joseph, as trust officer. He is a May, 1978, graduate of the University of Missouri/Kansas City Law School.

■ UNITED MISSOURI BANK, Kansas City, has elected four new officers: Kent Smith, bond investment officer; Robert E. McFarland, assistant trust officer; Rudy M. Thomas, assistant investment officer; and Kenneth A. Miller, assistant cashier, installment loans.

## New Mexico



ATER

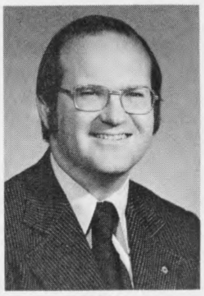
McGONAGLE

■ DAVID A. ATER has moved up from executive vice president to president and CEO, First National, Santa Fe. He succeeds Milo L. McGonagle, who will devote full time to the posts of president and CEO, New Mexico Bancorp., registered bank HC with which First National of Santa Fe is affiliated. Mr. Ater joined the bank in 1970 and has been on the board since March, 1977. In other action, First National has elected Harold Yelverton vice president and commercial lending officer. He formerly was vice president and head of mortgage lending, First National, Cortez, Colo. Margo Barr has been promoted to branch officer at First of Santa Fe; M. Nellie Ortega and Glorie Romero to loan operations officers and Carole Schupp to credit officer.

■ CATHY McCORKLE has joined Albuquerque's Rio Grande Valley Bank as assistant vice president, operations. She had been with another Albuquerque bank since 1972, specializing in operations supervision.

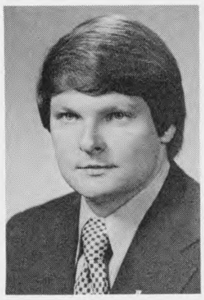
■ H. BARTON JONES has advanced from vice president to president, First National, Tucumcari. G. Wilbur Jones, formerly president, moved up to chairman and CEO. Michael A. Calbert was promoted from assistant vice president to vice president. The bank has two new officers — Judy Aragon, executive assistant, and Shirley Hartsfield, operations supervisor.

## Oklahoma


DITTRICH


KOCH

■ GAINES S. DITTRICH has been promoted to senior vice president, Bank of Oklahoma, Tulsa. Mr. Dittrich, responsible for the new markets group, banking division, joined BancOklahoma Corp. in 1974 as vice president. Bank of Oklahoma also named the following vice presidents: Larry Koch, correspondent banking; Dennis Hicks and Stanley Lybarger, metropolitan; John Rownak, national; Larry Heon, commercial real estate; Sterling McHan, information services; Jim Harris, information systems; and Bruce Berkinshaw, who also was made trust officer. Mr. Koch had been with Pioneer National, Ponca City, for 10 years. In addition, the following were promoted to assistant vice presidents: Hugh Roberson, secured lending; Gordon Kay, agribusiness; Ed Clarke, personal banking; and Michael Gibson, commercial banking.


BURGAR

■ JIM BURGAR, vice president, First National, Oklahoma City, has been made director, correspondent banking division, succeeding Dean Ingram. Mr. Ingram resigned to assume all financial responsibilities for Johnny Bench Enterprises. Mr. Burgar joined the bank in 1972. In other action, First National elected James W. Farris executive vice president. He formerly was regional director, personnel, Wachovia Bank, Winston-Salem, N. C. Carl Shortt, head of the pension and profit sharing administration area, has been advanced to senior vice president and trust officer at First National. Newly elected vice presidents are William A. Andrews, metropolitan lending, and Robert A. Horn, cash management. The bank elected these assistant vice presidents: James Barnes and Nancy Richard, municipal bonds; Ron Moreland, real estate; and Carolyn Woodward, real estate operations.

■ JAMES M. NEWGENT, president, T. G. & Y., has been elected to the boards of Liberty National Corp., Liberty National Bank and Liberty Financial Corp., all of Oklahoma City.

■ GLENN JAMISON has joined Bartlesville's First National as trust officer. He formerly was a tax consultant in private practice.

## Tennessee

■ CITY NATIONAL, Memphis, has promoted James Donald Carlisle from assistant vice president to vice president/loans. He joined the bank shortly after it was opened in 1974.

■ NASHVILLE CITY BANK has elected Arthur J. Rebrovick to its board and has promoted Jeanette Steele to branch operations officer. She remains head of teller training. Mr. Rebrovick is president, Cutters Exchange, Inc., and its subsidiaries.

## Texas

■ W. TACK THOMAS and J. Jack Hays have been elected executive vice presidents, First National, Dallas. Mr. Thomas heads the general banking division, consisting of the Southwest, energy and real estate groups. The general banking division serves correspondent bank and corporate customers in the southwestern region. Mr. Hays heads the regional banking division, which serves individuals and


HAYS

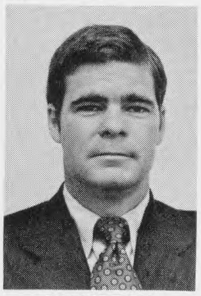

THOMAS

businesses located primarily in the Dallas/Fort Worth Metroplex. First National elected these vice presidents: John W. Daniel, Merle E. Karnes, Daniel W. Klein, L. Scott Luff and Wayne A. Tenney. In addition, the following assistant vice presidents were named: William H. Altman, Jonathan M. Clarkson, Harmon M. Cohen, Daniel E. Hergenroether, Robert L. Kay, Samuel T. Kincaid II, Raymond L. Loch, Terry J. Miller, Paul M. Moser, Kazuhide Nishino, Oscar Reagan Jr. and Jerry B. Walser. First National has opened First Dallas International Corp. in New York City. This is a wholly owned Edge Act subsidiary of the bank.

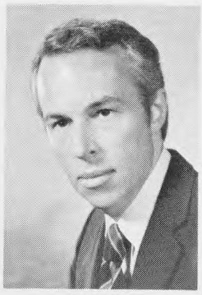

SQUIBB

■ J. DONALD SQUIBB JR. will join Dallas' Republic National September 25 as executive vice president and trust committee chairman. Currently, he is trust division head, Houston National, which — like Republic National — is a wholly owned subsidiary of Republic of Texas Corp. In his new post, Mr. Squibb will succeed C. B. Peterson Jr., who will retire December 1 after managing the bank's trust and investment department 17 years. Republic National has promoted Edward R. "Ted" McPherson to senior vice president and named him to its executive committee. Mr. McPherson, manager, corporate planning/development, joined Republic in 1973 as an account executive with one of the bank's subsidiaries, Republic National Leasing Corp. He became a bank vice president in 1976.

■ RICHARD G. MERRILL has been elected president and a director, First City National, Houston, succeeding Nat S. Rogers, who was made chairman of the board. James A. Elkins Jr., who was in the latter post, now is executive committee chairman. Robert R. Robertson, senior vice president and manager, national department, has been elected senior vice president, First City Bancorp. of Texas. In this post, he is senior credit administrator. Mr. Merrill most recently was senior vice president, Prudential Insurance Co. of America, and head of its southwestern home office in Houston. Mr. Rogers is a past ABA president.



McANDREW



MERRILL

■ BANK OF THE SOUTHWEST, Houston, has elected Ben B. McAndrew III senior vice president and manager, Southwest corporate department. Most recently, he was vice president and associate in the Houston office of a New York City-based consulting firm serving the financial industry. In other action, Bank of the Southwest elected these vice presidents: Donald R. Barber, cash management; L. Randy Fluitt, item processing; Hans I. Christensen, international credit and relations; and David V. Boone, who also was named trust officer.

■ FROST NATIONAL, San Antonio, has promoted Tom R. Garcia, trust, Gus J. Groos III, marketing, Frank J. Martinez, international, and Ray Van Beveren, commercial loan note processing, to vice presidents. Named assistant vice presidents were: Freddie T. Jones, automated services; John W. Robb, trust; Darrell Downs, note processing; and Genevieve D. Wise, marketing.

■ NATIONAL BANK OF COMMERCE, San Antonio, has elected two new board members: Irene S. Wischer, CEO and president, Pipe Line Co. and Pinto Well Servicing Co., and CEO and executive vice president, Panhandle Producing Co.; and Jack T. Williams II, head of Williams Distributing Co., Inc.

■ NEILDA OSBURN has been promoted from cashier to vice president and cashier, National Bank of Odessa. She joined the bank in 1963.

■ J. BRUCE FOWLER has joined First National, Brownwood, as auditor and marketing officer. He formerly was on Republic of Texas Corp.'s auditing staff in Dallas.

## Customer's Language

*(Continued from page 31)*

and capacities can be improved in the following ways:

Use simple and direct words that express understanding. Avoid technical "banker" language that may impress the customer but confuse him, also.

Examples: "Charge your account" is better than "debit your account," "rapid remittance service" is better than "lock box service," "protection against bounced checks" is better than "overdraft protection," etc.

Use positive words that convey belief and conviction, rather than doubt, and that portray constructive benefits, rather than negative criticism.

Examples: "Opportunity to improve" is better than "you have a problem," "your investment is" is better than "the cost will be," "improve" is better than "correct," etc.

Use words that orient what you're explaining to the customer, stress his "smarts" rather than yours and emphasize collaboration rather than contention.

Examples: "Let's examine how the service works . . . ," "Here are the benefits you'll gain . . . ," "What's your reaction to the cost savings this will provide?"

Use words that add credibility and objective support to what you're explaining.

Examples: "Our customers report . . ." or "The experience of other customers with this service has been . . ." is better than "I think . . ." or "I feel . . ."

3. Use visuals. Words convey different meanings to different people.

For example, the term "lock box" to the uninitiated may be perceived as a safe deposit box.

Visuals improve communication by converting abstract ideas into concrete or tangible form. By providing a double stimulus to the mind when used to support verbal communication, visuals increase retention and enable you to get your ideas across faster and with fewer words.

If you have any doubts about this, just look at the impact the TV in the corner of your living room has had on the behavior of your children — or your own behavior, for that matter. Exhibit #1 is an effective example of how a flowchart can be used to simplify the explanation of a relatively complex idea. Additional visuals you can use include services literature, exhibits, cost comparisons and your annual report.

A question often raised in connection with services literature and other visuals is when to use them. Some bankers are inclined to use literature at the end of a call as an afterthought — "When you have a chance, why don't you look this over?"

When used in this manner, the literature frequently ends up in the trash, since the customer attaches no more importance to it than you do.

Therefore, use your literature to support and reinforce your explanation and don't be afraid to mark it up by underlining or circling key points. This focuses attention and tailors the literature to your customer.

4. Use paper and pencil. The most effective visual aids you can use on a sales call are paper and pencil, because they're flexible, you can control them, they can be tailored to a customer's precise needs, they're economical and easy to use. And, most important, such aids add to your professionalism, rather than detract from it.

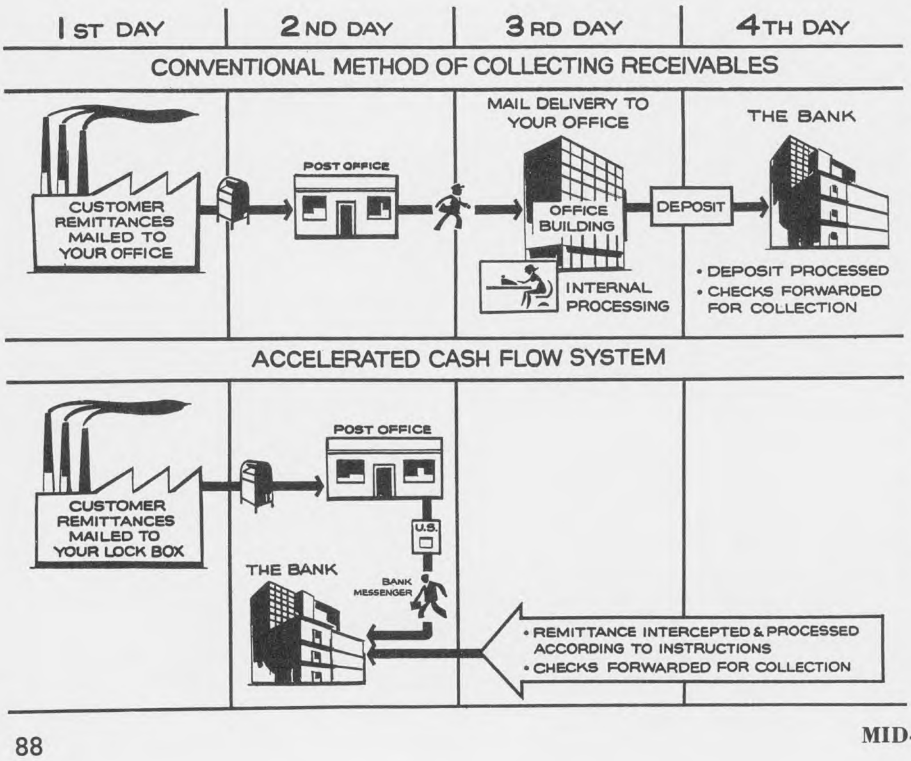
Paper and pencil visualization can be used in a variety of ways: to show difference between new system and old system; to show benefits to be gained in comparison to investment; to show the arithmetic of interest charges, investment return, cost savings, etc.; to summarize distinctive features of your proposal.

5. Show enthusiasm. A final principle of adding impact to your communication is to show enthusiasm for what you're explaining. It's not only what you say, but how you say it that builds belief and conviction. If you have doubts or reservations about a service, you're likely to transmit them to the customer.

Enthusiasm that reinforces communication must be based on your own belief and conviction that starts with a thorough knowledge of your services and capacities. It gets transmitted through positive language. And, it's implemented by showing the customer how and why your services and capacities will satisfy his needs and provide him with a full measure of value.

In our next article, we'll examine the important payoff step in sales communication — how to get decisive action. ••

Exhibit 1




## RMA Slate of Officers Headed By Schoenborn for '78-'79; Sanchez Is First VP

Edwin A. Schoenborn, executive vice president, Irving Trust, New York City, was elected president, Robert Morris Associates, on August 4.

Other new officers are: first vice president, M. G. Sanchez, executive vice president, First Bankers Corp. of Florida, Pompano Beach; and second vice president, Robert H. Duckworth, executive vice president, First National of Arizona, Phoenix.

The new officers will take office September 1.



### Index to Advertisers

DON BALDWIN KEN BROWN CHARLIE EATHERTON VIC GRANDA

BOB HELFER BILL BAGOT RUSSELL SPAULDING TED SMOTHERS BILL SPRINGER

AL ACKERMANN ERNIE HELLMICH PHIL SETTERLUND

# AL, ERNIE & PHIL...

Part of 273 years of banking experience. Boatmen's has a team, your team, of correspondent bankers that know every phase of banking . . . because they learned from the ground up. They understand your problems and are ready to serve your needs. Boatmen's, 273 years of correspondent banking experience.

**THE BOATMEN'S NATIONAL BANK OF ST. LOUIS**

MEMBER FDIC