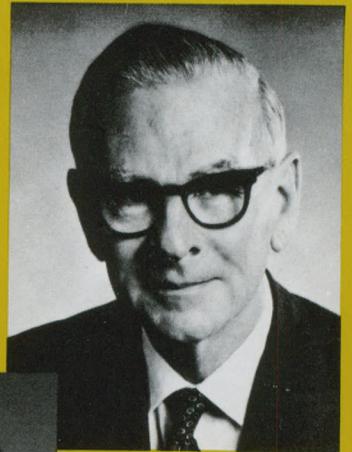


# MID-CONTINENT BANKER

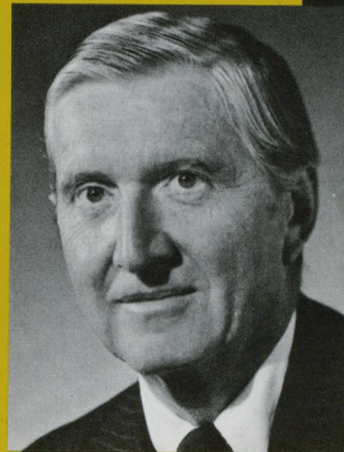
*The Financial Magazine of the Mississippi Valley & Southwest*

OCTOBER 1978

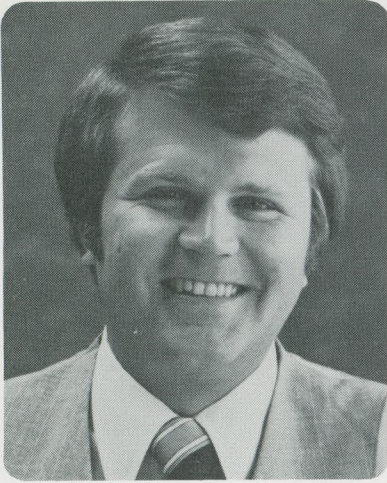
## ABA 1978 CONVENTION HAWAII



Arthur A. Milligan  
ABA President



John H. Perkins  
ABA President-Elect



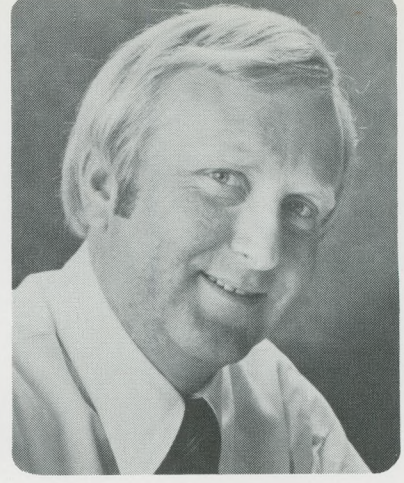
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**Operator-set automatic bag stops assure greater speed, accuracy, and efficiency.**

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**Model 936 Coin Sorter/Counter**  
Counts, sorts and totals up to 600 coins per minute, automatically delivers preset amounts to each bag.



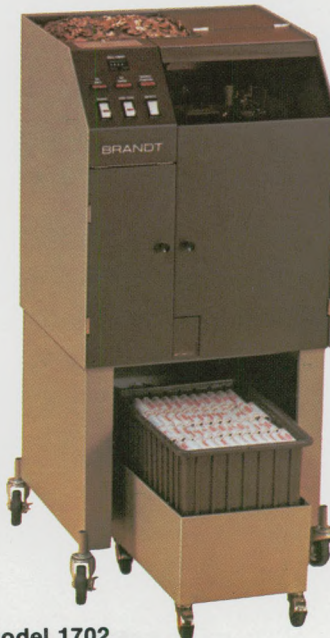
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Call your Brandt Representative for the full story this week. When it comes to Bigger Bottom Line Profits, come to Brandt for money processing answers.

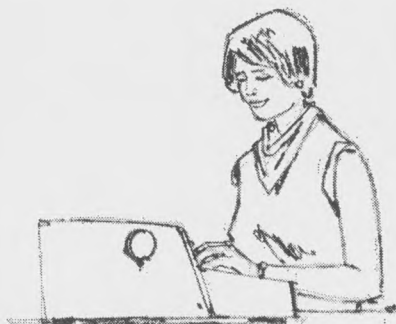
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SINCE 1890

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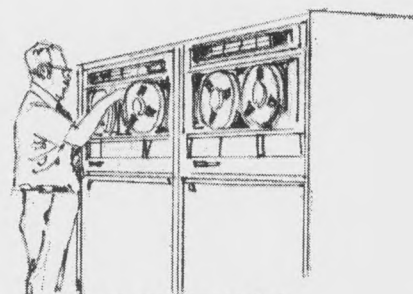
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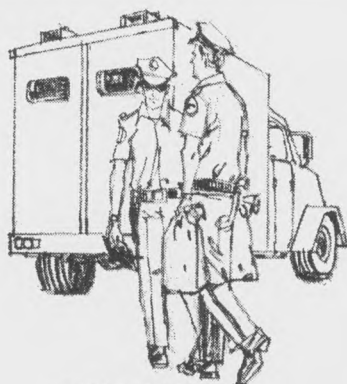
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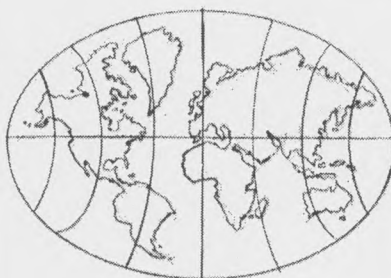
SAFE KEEPING



COMPUTER SERVICES



COIN & CURRENCY



INTERNATIONAL BANKING



BOND DEPARTMENT

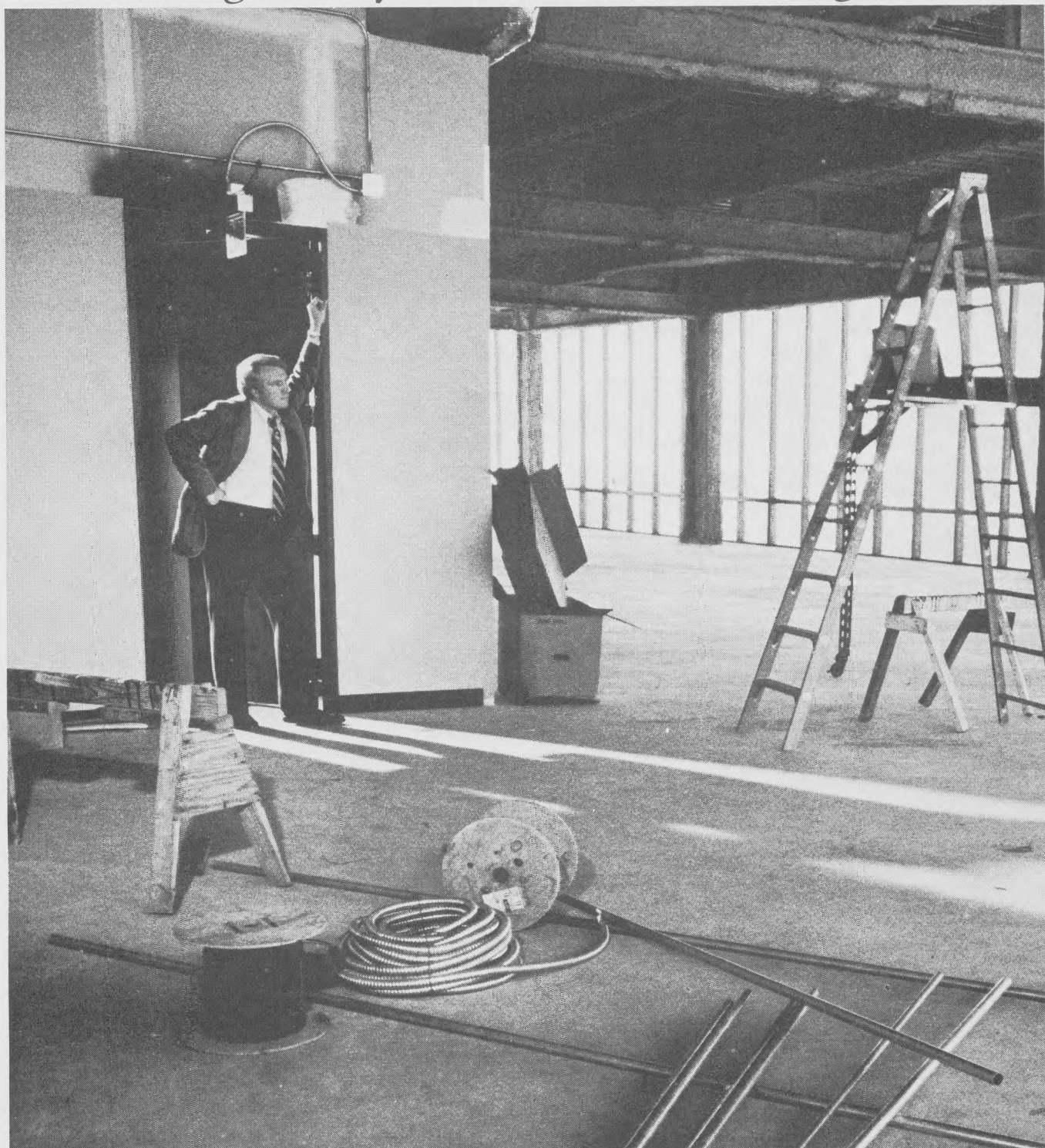
Sometimes it takes more than one to reach a goal. That is where the Whitney comes in. For over 90 years, the Whitney reputation for sound banking knowledge and reliability has been a strong factor for success in correspondent banking.

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MID-CONTINENT BANKER for October, 1978

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# MID-CONTINENT BANKER

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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.

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: BAI Bank EDP Audit Conference, San Francisco, Hyatt Regency Hotel.

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. 19-22: ABA Consumer Compliance Workshop, Dallas, Fairmont Hotel.

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

Dec. 6-8: BAI Automated Teller Machine Conference, Houston.

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

Dec. 7-8: Bank Administration Institute Seminar on Money-Transfer Developments, New York City.

Dec. 14-15: Bank Administration Institute Automation Alternative for Community Banks Seminar, Houston.

Jan. 17-19: ABA International Banking Conference, New York City, Waldorf-Astoria Hotel.

Jan. 28-31: ABA Risk and Insurance Management in Banking Seminar I&PD, San Antonio, Tex., Hilton Palacio del Rio.

Jan. 31-Feb. 2: ABA Bank Investments Conference, Chicago, Chicago Marriott.

Feb. 4-6: ABA Corporate Marketing Seminar, New Orleans, Fairmont Hotel.

Feb. 8-11: 34th Assembly for Bank Directors, Boca Raton, Fla., Boca Raton Hotel & Club.

Feb. 11-14: ABA Bank Telecommunications Workshop, Los Angeles, Century Plaza Hotel.

Feb. 11-14: ABA National Trust Conference, Los Angeles, Los Angeles Bonaventure Hotel.

Feb. 11-14: ABA Conference for Branch Administrators, Miami, Omni International Hotel.

Feb. 11-23: ABA National Installment Credit School, Norman, Okla., University of Oklahoma.

Feb. 25-March 1: BAI Bank Auditors Conference, Phoenix, Hyatt Regency Hotel.

Feb. 25-March 2: ABA Community Bank CEO Program, Port St. Lucie, Fla., Sandpiper Bay.

Feb. 26-March 1: Bank Administration Institute Bank Auditors Conference, Phoenix.

Feb. 28-March 2: ABA Advanced-Construction Lending Workshop, Norman, Okla., University of Oklahoma.

March 11-14: ABA Trust Operations and Automation Workshop, Chicago, Chicago Marriott.

MID-CONTINENT BANKER for October, 1978



# Does your correspondent bank have what it takes to be tops in the central Midwest?



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## Direct Verification: Best Audit Tool

By OSCAR W. JONES

Director, Loss Prevention Services  
Scarborough & Co., Chicago

NOT LONG AGO, two men rang the front door bell of a rather nice home. When the housewife answered, they asked if her husband was there. She smiled, said he was and turned to call him.

As she spoke, there came from another part of the house the sharp crack of a revolver. The two visitors rushed with her to find her husband, lying on the floor, critically wounded by his own hand. He was taken quickly to a hospital, where expert medical attention saved his life and put him on his feet again — to face a charge of embezzlement!

---

In direct verification, the surprise element is important; that is, no advance notice should be given bank employees. Such a "leak" would give a defalcator time to cover up what he has done or scoop up funds and take off for parts unknown.

---

He was, or at least had been up to that time, a trusted executive officer of a bank in the Chicago area. The two men in the drama were from the FBI, called in to investigate a newly discovered defalcation that had gone to \$363,000 in a relatively few months. The only reason it didn't climb into the stratosphere was because the auditors who caught it did so, not through any basic auditing techniques, but because they used one of the most powerful checks available on the accuracy of bank customer records — direct verification.

*Direct Verification.* Conventional auditing can go just so far. The finest techniques can reveal only those mis-

takes, discrepancies and frauds that take place *within the system*. But when, as in this particular case, the defalcation is based primarily on nonexistent depositors or borrowers, or when there is any fiction in transactions on which the entries are based, the only way to make certain of discovery of error or fraud is to extend the checking procedure to those outside sources — to the depositor and to the borrower. For example, there's no way for an auditor to distinguish a genuine loan from a false loan by looking at the ledgers. He simply *has* to verify it to be sure about it.

There should be no misunderstanding of the role of direct verification. It is *not* a substitute for good audits, but it *is* a logical and necessary companion piece *if* the audit program is to be most completely effective. In the case cited here, the embezzler had used the ruse of fictitious loans to make away with the funds. Audit techniques did not, indeed ordinarily could not, detect his fraud. There was just nothing out of line in the bank's internal records. But when the auditors suddenly turned to direct verification, the unsavory truth was immediately apparent in the replies — and in the statements returned because no such persons as those named could be found.

It's said the average period of good concealment is a bit over 11 years. It seems obvious that a regular program of verification would cut this period down to the point where the most that the embezzler could hope for would be a few short months between verifications — hardly worth the trouble when exposure is almost certain. The fact remains that a signed confirmation is the best possible proof of the accuracy of a customer's account. When the depositor approves his balance and when the borrower approves the amount of

his loan and the interest rate, you are well on your way to the knowledge that your accounts are in order.

Direct verification of deposit and loan accounts should occupy the most prominent place of importance in the various audit and control programs available to today's banks. A simple but effective plan for preventing or discouraging the numerous methods for manipulating checking and savings accounts can be established through a continuous program of confirmation by direct correspondence with depositors. Also, many large embezzlements involving fictitious or forged notes

---

Sometimes, direct verification has salutary secondary effects. It may activate long-dormant accounts to a bank's benefit, or it could cause small, nuisance accounts to be closed out, thus eliminating non-profitable headaches for banks.

---

would have been discovered in their early stages if the banks had been periodically confirming their note balances by direct correspondence with their borrowers. For opportunities for concealing shortages in loan operations are practically unlimited if periodic direct verification with borrowers is not accomplished.

With this in mind, here's a little about the broader technique of direct verification:

*Type.* There must be some thought given to the manner of verification. Should it be a positive verification in which the customer must answer whether his statement is correct or

(Continued on page 58)

# In the worldwide financial industry, one name stands out for complete security systems and product capability.

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## Money Sold at Discount At New Orleans Bank

Liberty Bank, New Orleans, "sold" money at a discount last summer to call attention to itself and to increase business. During June and July, the bank held a "money sale," with silver dollars going for 95¢ each (limit, one per customer). The unusual offer resulted in unsolicited radio talk-show publicity.

As the bank's president and CEO, Alden McDonald Jr., points out, "With only two branches in the city and a modest advertising budget, Liberty strives to make its investment in promotion pay off in immediate results, as well as add to the bank's image as a helpful and innovative institution."

To show the public that the "money sale" was legitimate, the bank offered savings certificates in amounts of \$250 to \$1,000 at \$5 off, which is within premium limits set by the FDIC. As an alternative, those who bought \$1,000 savings certificates could choose free gifts from a selection of carving sets and coin banks.

**NEVER BEFORE A SALE LIKE THIS ONE!**

## Liberty Bank's MONEY SALE!

NOW THRU JULY 14

GET IN ON THE ACTION! PRICES SLASHED ON GREAT "MONEY" BUYS!

<p><b>GRAND PRIZE</b> <b>\$500</b> SAVINGS CERTIFICATE!</p> <p><small>The grand prize is a \$500 savings certificate. To win, deposit \$1,000 in a new or existing Liberty Bank Savings Account and get a special "money sale" savings certificate. The grand prize drawing will be held on July 14, 1978. Open to all Liberty Bank customers who have deposited \$1,000 in a new or existing Liberty Bank Savings Account by July 14, 1978. One prize per customer. Odds of winning are 1 in 100,000. Winner must be 18 years of age or older at the time of the drawing. Prizes void where prohibited. See your Liberty Bank branch for details.</small></p>	<p style="text-align: center;">JUST <b>95¢</b></p> <p style="text-align: center;">BUY A SILVER DOLLAR</p> <p><small>Buy a silver dollar for 95¢. Limit one per customer. Open to all Liberty Bank customers who have deposited \$1,000 in a new or existing Liberty Bank Savings Account by July 14, 1978. See your Liberty Bank branch for details.</small></p>
--	--

<p style="text-align: center;"><b>OWN YOUR OWN LIBERTY BANK MILLIONAIRE'S T-SHIRT!</b></p> <p><small>Own your own Liberty Bank Millionaire's T-shirt. Buy one for \$10.00. Limit one per customer. Open to all Liberty Bank customers who have deposited \$1,000 in a new or existing Liberty Bank Savings Account by July 14, 1978. See your Liberty Bank branch for details.</small></p>	<p style="text-align: center;"><b>SAVE DEPOSIT BOXES! 1/2 PRICE!</b></p> <p style="text-align: center;">ON RENT FOR WHOLE YEAR!</p> <p style="text-align: center;"><b>FREE GIFTS!</b></p> <p><small>Save deposit boxes for 1/2 price. Buy one for \$10.00. Limit one per customer. Open to all Liberty Bank customers who have deposited \$1,000 in a new or existing Liberty Bank Savings Account by July 14, 1978. See your Liberty Bank branch for details.</small></p>
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<p style="text-align: center;"><b>SHOP LIBERTY BANK'S BARGAINS IN SAVINGS CERTIFICATES</b></p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"><b>FACE VALUE</b></td> <td style="width: 50%;"><b>NOW ONLY</b></td> </tr> <tr> <td>\$250 S.C.</td> <td>\$245</td> </tr> <tr> <td>\$500 S.C.</td> <td>\$490</td> </tr> <tr> <td>\$1000 S.C.</td> <td>\$980</td> </tr> </table> <p><small>Buy savings certificates for 95¢ off face value. Limit one per customer. Open to all Liberty Bank customers who have deposited \$1,000 in a new or existing Liberty Bank Savings Account by July 14, 1978. See your Liberty Bank branch for details.</small></p>	<b>FACE VALUE</b>	<b>NOW ONLY</b>	\$250 S.C.	\$245	\$500 S.C.	\$490	\$1000 S.C.	\$980	<p style="text-align: center;"><b>EXTRA! EXTRA!</b></p> <p><small>Deposit \$250 or more in a new or existing Savings Account and get a special "money sale" savings certificate. The grand prize drawing will be held on July 14, 1978. Open to all Liberty Bank customers who have deposited \$250 or more in a new or existing Liberty Bank Savings Account by July 14, 1978. One prize per customer. Odds of winning are 1 in 100,000. Winner must be 18 years of age or older at the time of the drawing. Prizes void where prohibited. See your Liberty Bank branch for details.</small></p>
<b>FACE VALUE</b>	<b>NOW ONLY</b>								
\$250 S.C.	\$245								
\$500 S.C.	\$490								
\$1000 S.C.	\$980								

**COME ONE! COME ALL TO THE "MONEY SALE" FREE SOUVENIRS FOR ALL-NOW-JULY 14**



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Liberty Bank, New Orleans, advertised its "money sale" in ads like this one and on TV and radio.

In addition, Liberty Bank offered T-shirts for \$2.50 each and sold more than 500 during the opening days of the promotion. Those depositing \$250 or more in savings accounts could choose from a selection of small appliances and sports equipment at wholesale, self-liquidating prices. Another "bargain" was a half-price reduction of a year's safe-deposit-box rental.

Liberty Bank offered new-car loans at the most competitive rate available among local banks for the limited promotion. Because of the full disclosure necessary in loan advertising, this feature was promoted only in statement stuffers, where there was enough room to say everything required by law.

At no obligation, the public was invited to register for a grand prize — a \$500 savings certificate. An estimated 5,000 persons deposited their entries for this at the two Liberty Bank offices.

The "money sale" was promoted with three weeks of 30-second TV commercials and daily radio spots on three stations aimed at the target audience. Newspaper ads also were used, but the major thrust was in electronic media.

To back up its promotion, the bank decorated both offices with red, white and blue exterior banners and interior pennants, posters and wall signs highlighting specific offerings, merchandise displays, etc. Bank tellers modeled the T-shirts and helped produce many of the signs and decorations.

While the promotion itself hasn't been fully assessed, a spokesman says assets grew \$2.5 million from last year-end to \$25.9 million as of June 30, 1978.

Hubert Is 20!

## Birthday Party Means Lion's Share of Fun

It was a gala affair that included balloons, cake and a meat pie when Harris Bank, Chicago, celebrated Hubert the Lion's 20th anniversary in August at the Lincoln Park Zoo.

The guest of honor at the mascot's birthday party was a live Hubert himself — the zoo's Harris-sponsored, male African lion. While he shared a meat pie with the other zoo lions, a



Harris's "spokeslion," Hubert, and his friends celebrate mascot's 20th birthday party at Chicago's Lincoln Park Zoo.

costumed Hubert handed out cake, Hubert posters and balloons to bank guests and the public.

The festivities also included a celebration at the Brookfield Zoo, where Harris sponsors another lion, and a recognition of fellow Chicagoans with the name of Hubert.

Hubert made his first appearance as "spokeslion" for Harris in newspapers in 1958. Developed by the bank's advertising agency, Hubert quickly rose to fame and became a television celebrity in 1962. According to Frank Nelson, the veteran actor who gives the lion his dignified banker's voice, Hubert is one of the bank's major intangible assets. Regular independent surveys, he said, show Hubert is identified with Harris by more than 97% of those interviewed in the Chicago area.

Hubert's guests included Ben T. Nelson, senior vice president, retail banking activities; Edward J. Williams, convenience banking division; Dr. Lester E. Fisher, Lincoln Park Zoo director; and Robert Nolan, vice president and executive creative director, Leo Burnett, Inc., Chicago, the bank's advertising agency.

# Commercial Lending

## Mini-Workshops Planned for RMA Conference

**M**INI-WORKSHOPS, group discussions and panel sessions will dominate the 64th annual fall conference of Robert Morris Associates November 5-8 at Dallas' Fairmont Hotel.

Among those who will give major addresses are Fed Chairman G. William Miller, incoming RMA President Edwin A. Schoenborn, Senator John Tower (R., Tex.), Paul Nadler and Carter Golembe. Mr. Schoenborn is executive vice president and senior loan officer, Irving Trust, New York City; Mr. Nadler is professor of business administration, Rutgers University, New Brunswick, N. J., and Mr. Golembe heads his own bank consulting firm in Washington, D. C.

The four concurrent, three-hour mini-workshops will cover: "Managing Your Loan Examination," "Develop-

ments in Commercial-Loan Training: 1978," "Loan Quality Control" and "A Wilderness Guide to Commercial-Loan Documentation."

Plenary panel discussions will be held on these subjects: "Bank-Asset Management During the 1980s, or the Future Is Not What It Used to Be," "A Practical Working Knowledge of 1977-78's Accounting/Auditing Rule Changes as They Affect the Lender" and "The Fallacies of International Lending."

The conference will feature concurrent panel sessions on: "Today's Challenges in Agricultural Lending," "Reg B — Compliance and Complexities for Commercial Lenders," "Risk Rating — Present and Future," "Industrial Revenue Bonds and Other Forms of Tax-Free Lending," "The Challenges of a Shift in Middle-Market Strategy

by the Money-Center Banks," "Commercial-Loan Marketing" and "Privacy Legislation — FCRA for Commercial Bankers?"

In addition, there will be concurrent group discussions of: "Lending to the Hospital/Health-Care Industry," "Lending to the Real-Estate-Development Industry," "Lending to Automobile and Other Dealers," "Lending to the Retail Industry" and "Lending to the Leasing Industry." These discussions will be held according to bank size as follows: \$10 million and under, \$100 million-\$199 million, \$200 million-\$499 million, \$500 million-\$2 billion and \$2 billion and over.

Conference chairman is Vincent Thompson, president, First National, Garland, Tex. ••

## Basically Optimistic Is Outlook Of Commercial Loan Officers

**S**ENIOR COMMERCIAL LOAN officers across the country remain basically optimistic about the banking industry's outlook for the next two years, despite high interest rates, inflation and the continued assault on the American dollar. This opinion was reported in initial findings from a survey of senior loan officers by the ABA's commercial lending division. According to the study, 70% of the respondents predict either moderate or rapid growth for banks in the next 24 months.

Nearly three-fourths of bankers polled said they would be hiring more loan officers during the same time period, Ralph B. Gilpatrick Jr. points out. He is chairman of the commercial lending division and executive vice president, Mellon Bank, Pittsburgh.

The survey went to 1,600 full-service banks with deposits of more than \$50 million. Responses were received from 48% or about 764 senior commercial lending officers.

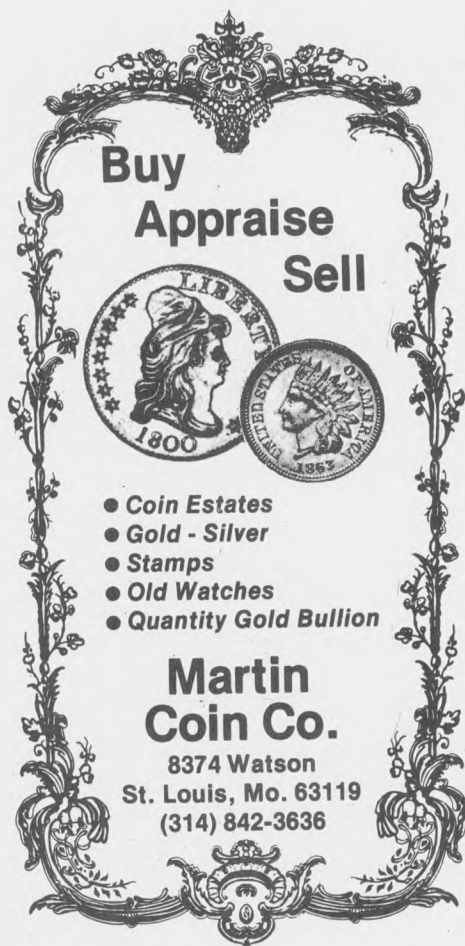
"While not all the findings are in,"

said Mr. Gilpatrick, "preliminary results of the survey point out that the general enthusiasm of bankers is tempered by recognition of problems within the economic structure.

"Over 60% of the respondents believe inflation to be a major economic worry for the next two years, although when asked of their long-range worries, bankers indicated that government legislation and regulation are equally difficult problems for the industry."

As a group, senior loan officers think the prime lending rate will fluctuate above 9% for the remainder of 1978 and into the first quarter of 1979. Very few predict it will top the 10% threshold in the next six months.

"One of the more interesting findings of the survey," Mr. Gilpatrick continues, "is the bankers' agreement that loan demand from small and medium-sized businesses is likely to increase during the next two years, while funds required by large national corporations will remain relatively



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constant. Large banks in particular are enthusiastic about loan demand from small and medium-sized businesses."

The survey shows an overwhelming majority of the respondents believe real-estate development and construction lending pose special problems for commercial lenders and that these industries should be monitored carefully during the next few years. The bankers see energy-related industries and consumer manufacturing as likely high-profit investments during the same period.

The ABA survey also inquired into internal operations within commercial loan departments, education and training patterns, manpower requirements, loan charge-off rates, salaries and many other aspects of commercial lending that are not readily available elsewhere.

The full report — complete with tables and narrative analysis — will be made available later this year by the ABA's commercial lending division.

■ **GEORGE LEHR** has been elected chairman and CEO of Traders Bank, Kansas City. A former Missouri state auditor, Mr. Lehr was formerly president of Empire Bank, Kansas City.

## New Chapter Officers Are Elected by RMA In Mid-Continent Area

**PHILADELPHIA** — Robert Morris Associates has announced the names of the new officers of its chapters in the Mid-Continent area. They took office September 1. These officers are:

*Chicago Chapter* — president, Herbert A. Dolowy, president, Lincoln National; first vice president, John L. Korun, Continental Illinois National; second vice president, Rhea P. Moody, assistant vice president, Lake View Trust; secretary, Curtis P. Goter, credit officer, Harris Trust; treasurer, Audrey G. Landerholm, First National.

*Southeastern Chapter* — president, Gerry U. Stephens, executive vice president, American National, Chattanooga, Tenn.; vice president, J. Leo McGough, executive vice president, Calcasieu-Marine National, Lake Charles, La.; secretary, J. W. Collins, president, Bank of Mississippi, Tupelo; treasurer, Clyde O. Draughton Jr., executive vice president, First National, Augusta, Ga.

*St. Louis Chapter* — president, Hord Hardin II, executive vice presi-

dent, Manchester Bank; vice president, Harold Uthoff, senior vice president, St. Louis Fed; secretary/treasurer, Donald B. Wehrmann, executive vice president, Mercantile Trust.

*Missouri Valley Chapter* — president, Robert F. Henricksen, vice president, United Missouri Bank, Kansas City; first vice president, Charles J. Tice, vice president, Security National, Sioux City, Ia.; second vice president, Robert P. Priest, vice president, Merchants National, Topeka; secretary/treasurer, G. Phillip Smith, vice president, First National, Kansas City.

*Texas Chapter* — president, Richard J. Goebel, senior vice president, First City Bank, Dallas; first vice president, Raymond G. Dickerson, senior vice president, Continental National, Fort Worth; second vice president, Robert V. Ullom, vice president, Capital National, Houston; secretary/treasurer, Robert A. Jung II, Texas Commerce Bank-Garland.

*Northern Indiana Chapter* — president, William R. Powers, vice president, Purdue National, Lafayette; vice president, M. James Johnston, vice president, Fort Wayne National; secretary, Thomas Payne, assistant vice president, St. Joseph Valley Bank, Elkhart; treasurer, Willis E. Alt Jr., vice president, First National, Warsaw.

*Ohio Valley Chapter* — president, James O. Timbrook, executive vice president, American National, Muncie, Ind.; vice president, Wesley F. Cleaves, senior vice president, Winters National, Dayton, O.; secretary/treasurer, Donald R. Lurding, vice president, Liberty National, Louisville.

According to an RMA spokesman, these chapters combined include 1,016 RMA-member banks and 3,311 individual bankers who represent the banks in the association. This is roughly 52% of total member banks and 45% of total number of representatives.

■ **DAVID C. SHINDELDECKER** has been elected president of United Missouri Bank, St. Louis. He replaces Thomas J. Wood III, who resigned. Mr. Shindeldecker started with United Missouri Bank, Kansas City, in 1976 as a vice president, commercial loans.

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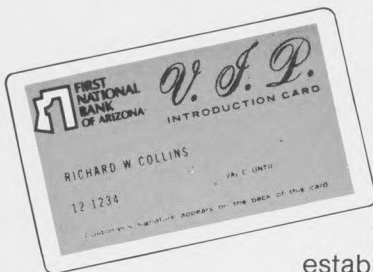




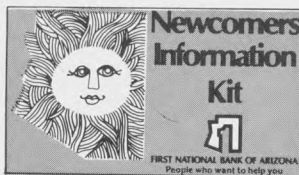
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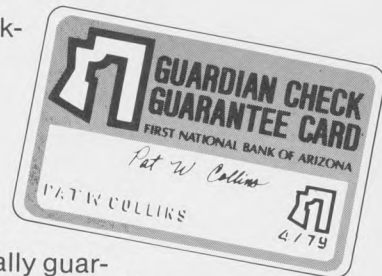


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# Community Involvement

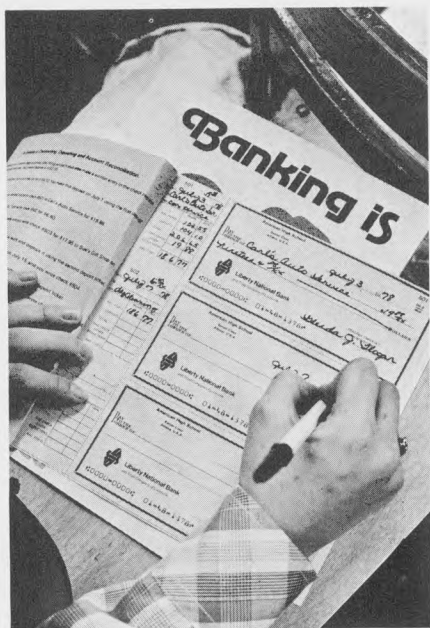
Under Bank Sponsorship:

## Students Taught Basics Of Financial Management

High school students in the Louisville area are being helped to understand the basics of financial management through a public-service program, "Banking Is." The program was begun four years ago by Liberty Na-



Clark Bush, v.p., Liberty Nat'l, Louisville, introduces basics of banking to math students at Louisville's Southern High School as part of bank-sponsored "Banking Is" program offered in 38 Louisville and Jefferson County, Ky., schools.



Southern High student uses practice checkbook to learn correct way to write check and balance checkbook. This exercise is part of Liberty Nat'l of Louisville's "Banking Is" program.

tional, and it's designed to be taught as a unit in a regular curriculum of mathematics, economics or related courses. It includes a filmstrip, cassette, overhead transparencies, study guides and practice checkbooks.

The course, approved by the Jefferson County (Ky.) Board of Education, covers these major topics: how the banking system and local banks are organized, checking/savings accounts, credit and EFTS. It's available to area students only through the bank.

Currently, 38 schools are taking part. Twenty bank representatives, mostly branch managers, work with the schools in an advisory capacity — providing materials, introducing the program and answering students' questions at the end of the program.

Southern High School in southeastern Jefferson County has been an enthusiastic program supporter. Liberty Vice President Clark Bush, manager of the nearby Indian Trail Branch, has spent many hours with this high school to make the program a success. He has worked closely with Marilyn Patterson, mathematics instructor, who has found "Banking Is" to be an "invaluable aid in teaching the fundamentals of banking" after using the program in her classes for three years. Miss Patterson was on the planning committee for Jefferson County curriculum, and it was on her recommendation that the program was approved for use in public schools.

When questioned, students in one of Miss Patterson's classes seemed positive in their responses to the program. Comments included, "I like the material because it teaches you how to write checks and how to understand the correct way to use credit." Another junior high student believes the program has been useful in making her "feel more comfortable about banking." Mr. Bush sees the program as filling a definite need in educating the students in the basics of practical financial matters and wishes that every student could take such a course.

The program is coordinated by Liberty's community relations director, Elizabeth Ruch, who recently completed an evaluation of the program and its overall effectiveness. As she puts it, "We want to make maximum use of this important educational tool."

Liberty National plans to continue offering this program to area schools as a vital first step toward a sound financial education for today's students.

## Animal Cracker

She's got a face even her mother couldn't love, but Mercantile Bancorp., St. Louis, went ahead with the adoption anyway. The newly born orangutan, who weighs four pounds and has been placed on the endangered-species list, is being sponsored by the bank through the St. Louis Zoo Friends Association.



The Zoo Parents Program was initiated to offset increasing animal food costs, and the bank's contribution puts the program over the \$100,000 mark. The baby is being bottle fed in the children's zoo nursery since her mother has not demonstrated any interest.

Mixed Media:

## Publication Shows Off Bank and Community

Charging that corporate citizenship often suffers from a "hardening of the categories," viewing actions as either profitable or responsible, a publication by Manufacturers Hanover (MHT), New York City, set out to show it's not always business-as-usual in the bank's urban affairs or urban lending programs.

The publication, which comes out about once a year, is a 24-page report in magazine format detailing MHT's urban and affirmative-action programs and listing five pages of contributions the bank has made within the city. But mixed among the usual promotional reports are interviews and photo stories with unusual persons MHT has cited for "unselfish community commitment, extraordinary personal drive and remarkable human kindness." Each is connected with the bank —

either as customer, employee or bank-supported civic-group director — and tells how he “made it and how the bank was involved.”

Among them are a playwright-who started a children's theater group in Harlem and raised the money to travel with it to Europe, and an MHT assistant vice president of one of the city's largest branches who began his career as a clearance clerk after high school and worked his way up.

The graphically designed, slick publication is circulated among 19,000 bank employees and corporate customers. It also is distributed to MHT's 200 branches, to public affairs editors, to economic publications and to local legislators. Said Michael J. O'Neill, corporate communications, “We started it as a way to generate new ideas, to give customers an idea of what we are doing — and to let them tell us what we *should* be doing.”

*Samaritan Honored:*

**Banker Receives Award For City Leadership**

Jim Hotham, senior vice president, Zion (Ill.) State, has been given the “Golden Deed Award” by the Zion Exchange Club.

Mr. Hotham has a long record of contributions to the Zion community, among them president of Zion-Winthrop Harbor Beach Park Chamber of Commerce in 1952 and eight years as Zion city treasurer. The award was for his leadership in initiating a park district and in developing a Lake Michigan source of water for his community.



Jim Hotham, s.v.p., Zion (Ill.) State, accepts Zion Exchange Club's Golden Deed Award. His wife helps him display awards.

*\$200 Encouragement:*

**Bank Sponsors Scholarships For Finance and Accounting**

Victoria (Tex.) Bankshares, Inc., has begun a scholarship program to encourage qualified area residents to enter the accounting and financial fields.

Under the program, begun this year, two scholarships, each for \$200 a semester, are available for the University of Houston/Victoria campus. This year's recipients, Kathy Lynn Con-

nally of Victoria and Glenda Kay Moore of Ganado, Tex., were selected by the school's scholarship committee. Both women are accounting majors.

Two more scholarships will be awarded for the fall, 1979, semester, bringing to four the total number of scholarships to be given by the multi-bank HC, which owns seven banks and three financial service companies.

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## Meeting Challenge of Customer Resistance

By JOHN R. GINSLER

President, Financial Training Resources  
Glen Ellyn, Ill.

**T**HE CHALLENGE of all business development calls is that they seldom come off exactly as planned. You can research and plan a call with painstaking care and execute it with superior professional competence. In spite of this, however, you're likely to encounter some form of resistance, because you're dealing with a human process subject to all the human fallibilities present in transmitting and receiving ideas.

*Types of Resistance.* Resistance you encounter occurs in either of two basic forms — active or passive.

Active resistance can occur anywhere in a sales call — early, midway or as you seek decisive action. It's the most demanding and challenging form of resistance, since it's stated in the form of objections, rejections or rebuttals to what you're communicating. Typical statements of active resistance include: "I'm satisfied with my present bank." "You can't do anything that my present bank isn't able to do." "We're not big enough for another bank." "Your bank is too big for us." "We had a bad experience with your bank." "Your bank is not convenient." "Your charges are too high." "Your terms are too restrictive." "That wouldn't work in our situation." "I couldn't get my people to accept the change this involves." "We're not interested," etc. Passive resistance normally occurs at the end of a sales call as you seek decisive action. It's expressed in the form of indecision, hesitancy or reluctance to act. It's not quite as difficult to cope with as active resistance, since it does indicate nominal interest and acceptance of what has been communicated. Normally, you don't get as far as seeking action, unless a customer sees some merit in what you're proposing. However, it still is a selling challenge, because if passive resistance is not resolved, it leads to time-consuming

delay and subsequent inaction. Typical expressions of passive resistance include: "I'd like to think about it." "Perhaps sometime in the future." "We're too busy now." "I'd like to discuss this with \_\_\_\_\_." "I want to see what other banks can offer." "We're not ready for this right now," etc.

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**Assuming the other guy is getting your message as clearly as you think you are communicating it is a common communications failing. To avoid misunderstanding and rejection of your ideas, test and check his understanding.**

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*Causes of Resistance.* Resistance is symptomatic of a breakdown that has occurred in the communications process. Consequently, the starting point for resolving resistance is to get at what is causing it, so you can treat the cause not just the symptom. The primary causes of resistance include:

1. *Incomplete or Inefficient Communication.* We are not IBM machines programmed to communicate with 100% efficiency. As a result, imperfections do occur both in transmitting ideas and information to a customer and in receiving and interpreting ideas and information. This leads to misunderstanding, distortions of meaning and subsequent resistance. Factors that contribute to communications inefficiency include:

• *Use of Abstract Words* that are necessary in explaining ideas, but which can convey different meanings to different persons. For example, the word "lockbox" may be viewed as a

means of managing cash flow by one customer, but be interpreted as a means of protecting valuables by another.

• *Failure to Communicate in Terms Relevant to a Customer.* When a customer can't see the value of what you're communicating, he quickly tunes out and turns off.

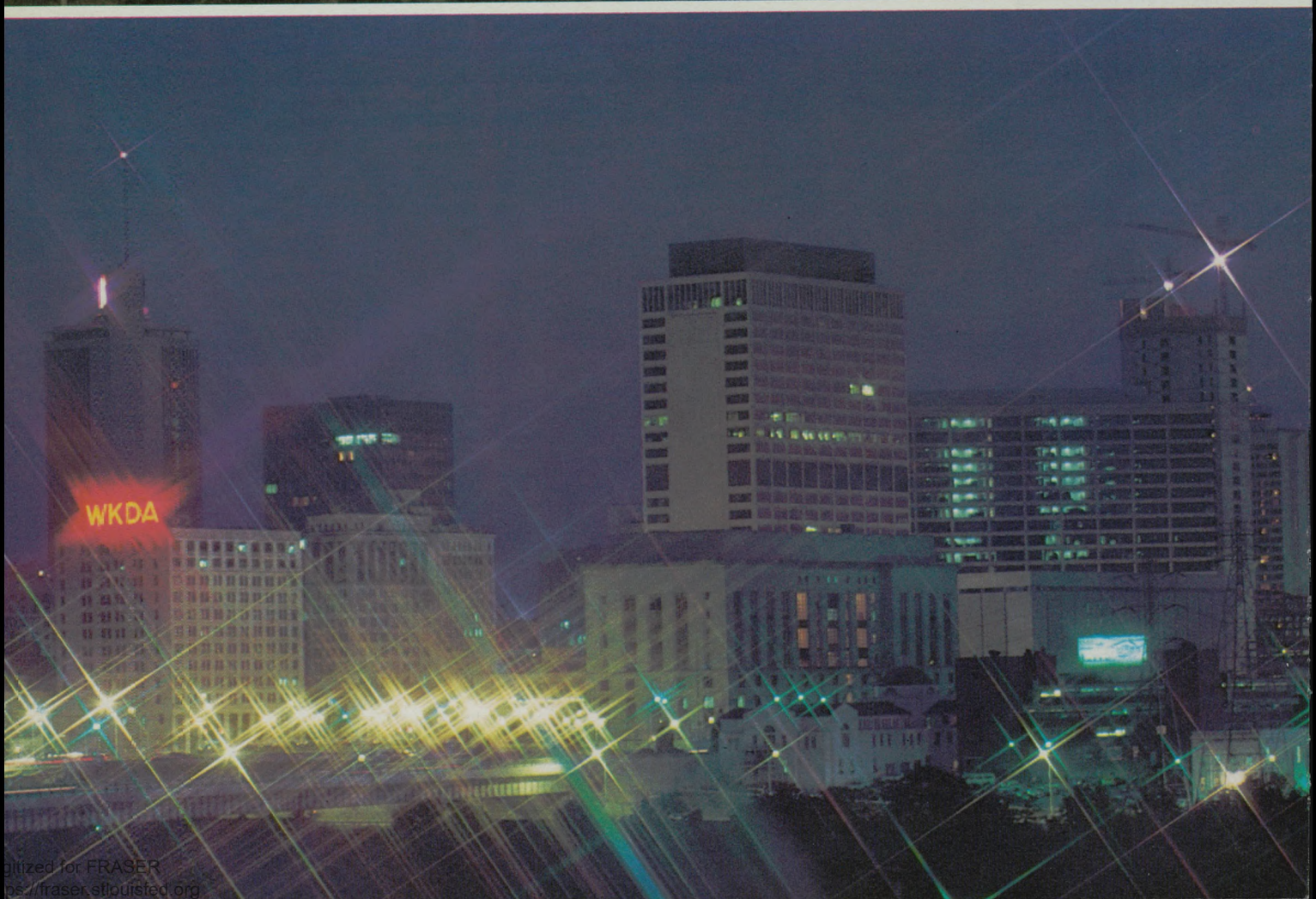
• *Failure to Test and Check Understanding.* A common communications failing is to assume the other guy is getting the message as clearly as you think you are communicating it. When you fail to test and check his understanding, it's easy to generate misunderstanding and rejection of your ideas, no matter how good they may be.


• *Imperfect Listening.* It's estimated that most of us listen with less than a 25% level of efficiency. The result — most of what you communicate gets lost along the way, producing distortions in understanding and resistance.

2. *Emotional Reaction to Communication.* Effective communication essentially is a reasoning process. However, since all of us are a mixture of both reason and emotion, customers don't always react reasonably to your reasoning. Factors in their emotional makeup that contribute to this include:

• *Fear of Change.* Since change involves the unknown, we all tend to fear and resist it, because we're not sure about its consequences and whether we can control it. It's not that people don't change, because we're changing continually. But we all prefer evolutionary change that occurs slowly so we don't feel it, rather than quick, revolutionary change where we feel its sharp impact. This is evident in the resistance to technological change that has been occurring in banks recently. For example, direct deposit of social security checks was heralded by the gov-

**“...At Manufacturers Hanover, we fully understand that — for all the technology and growing sophistication of banking today — correspondent relationships are still a one-to-one business. A business that requires bankers of the highest caliber to bring money-center services to urban and community banks across the country...”** —Llewellyn Jenkins  
Executive Vice President





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IMPAC is the name of MHT's revolutionary securities system for immediate and accurate reporting, processing and settlement.

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MHT is a leading advocate of book-entry depository processing. With MHT as your custodial bank, you "piggy-back" on our membership in the Depository Trust Company—and gain substantial savings in the holding and handling of certificates.

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Federal Funds  
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ernment and banks as a safe, easy, convenient way for senior citizens to deposit their social security checks each month — all good, logical reasons. Yet, a sizable percentage of the elderly have resisted use of the service because of fear of losing control over their checks and losing the opportunity for monthly social contact at the bank.

• *Habitual Resistance to Change.* We feel comfortable and secure in doing things a certain way for a long time. Many habits die hard because we don't have to give them a lot of thought to get an expected result. However, new methods require a change in thinking and practices. It takes considerable time before we become comfortable with them. We'll often stick with some habits, even when they're not good for us, because we've become accustomed to them. This is why many customers find it difficult to change banks or particular banking practices, such as changing from passbook to statement savings, even when the change appears to be more beneficial.

• *Prejudice and Stereotyping.* Our personal likes and dislikes color our thinking and reactions about other people and cause us to jump to generalized and often irrational conclusions about them. You hear this in such statements as: "All students are radicals; all hard-hats are conservative; all bankers are tightfisted; all banks are the same, and all salesmen are liars." While we can always find some people who fit our stereotypes, there are countless numbers who don't fit into these oversimplified generalizations. While the generalizations may not be valid, they contribute to such emotional reactions as: "You banks are all alike — you don't care about the little businessman." "Your trust people are cold and indifferent." "I could never get my people to accept the change this involves," etc.

3. *Rational Reaction to Communication.* Not all resistance is emotional in character. A considerable portion has its roots in the reasoning process and is caused by the customer's careful and deliberate evaluation of what you're communicating. Factors that contribute to rational resistance are:

• *Desire to Be Sure and to Get More Facts.* The smart customer frequently raises resistance, not because he rejects the idea, but because he's testing its validity and soundness. For example, when a customer raises resistance about charges or fees, he frequently is testing your pricing policy to determine how firm it is and whether he can gain sufficient values to warrant what he must pay. If you meet his test of

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**Many customers find it difficult to change banks or particular banking practices because it's human to stick with some habits, even if they are not good for them, because they have become accustomed to them.**

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value, he'll usually accept your price as fair. If you don't meet his test, he'll either reject your proposition as unsound or expect price consideration.

• *Complacency With Status quo.* When a customer's existing bank relationship or current practices appear to be providing all that he expects of them, it's only reasonable for him to want to maintain the status quo and resist change.

• *Bad Past Experience.* When a customer has had a specific bad experience with your bank, such as a loan turndown or prior ineffective service, it's perfectly reasonable for him to doubt and question your desire and capacity to serve his current needs. Dealing with this cause is made difficult by the fact that it also contains considerable emotion.

*How to Resolve Resistance.* Dealing successfully with the various underlying causes of resistance so it can be converted to the understanding, acceptance and action you seek involves the following three requirements:

1. *Positive attitude* that motivates you to deal constructively and confidently with the resistance you encounter. Some people view resistance combatively. They feel the customer is questioning their integrity and judgment. This causes them to defend their viewpoint with argument, which polarizes thinking and causes the customer to harden his viewpoint, rather than modify it. Another reaction is to view resistance with mind-numbing fear or as an insurmountable roadblock. This causes the banker to agree with his customer's viewpoint, "I guess you're right, and I'm wrong." This merely serves to reinforce his viewpoint, rather than change it. In contrast to these two extremes, the effective sales communicator views resistance in these positive terms:

• *Resistance is not absolute, but a relative viewpoint subject to change.* An absolute can be defined as "an unchanging constant, true through all time, regardless of point of reference."

Based on this definition, it's evident that few things in this life or on this earth are absolute; certainly *not* the statements of resistance that you encounter. While one can argue how to define an absolute truth, it's essential to view resistance for what it is — a relative statement of truth as viewed by the customer, possibly true under some circumstances and at certain times, but subject to change when viewed from a different point of reference and when facts can be supplied to warrant a change. For example, when all that a customer has to judge a service by is price, it almost always will appear to be too high. However, price is a relative fact. When you relate it to the values and benefits it represents, the customer then is able to perceive it as an attractive price.

• *Resistance expresses a desire for more facts.* As indicated earlier, resistance often is raised to draw out information and to test the validity of the idea. It's an essential ingredient of evaluation. For example, when a customer raises resistance such as — "It seems to me I could get the same thing from my present bank" — what he frequently is seeking are facts about why your bank is different and the added values that you can supply. When viewed in this sense, resistance is to be welcomed, not feared.

• *Resistance expresses a desire to be sure.* Change of any kind breeds fear and insecurity. None of us wants to make bad decisions and be subject to criticism or possible loss. Hence, when confronted with decisions, it's natural to be careful and deliberate. When a customer says, "I'd like to think about it" or "I'd like to discuss this with my attorney," he's not rejecting the idea, but expressing the natural desire to be sure. Your task is to communicate the facts and evidence that will reassure him.

• *Resistance is a sign of interest.* It may not express the kind of interest you want, but when resistance is raised, it does indicate the customer is hearing you and is involved in the communications process.

While a positive attitude motivates you to react to resistance with confidence, the two following requirements are essential to dealing with it with competence.

2. *Facts, logic and evidence* are needed to effect a change in a customer's viewpoint. To resolve resistance you must be able to:

• Replace misunderstanding with facts that produce understanding.

• Replace fear and doubt with logic  
(Continued on page 52)

## Oklahoma Bank Uses EFT to Move To No. 1 Spot in Its Market

A BANK in Oklahoma's third-largest city has used electronic funds transfer not only as a defensive move against potential "EFT invasion" from outside the city, but has become recognized in the process as having one of the most successful systems in the nation.

Also, Security Bank of Lawton has moved from the No. 2 bank in the market, a position it had held for many years, to No. 1 in both capital structure and total assets, says a bank spokesman.

Security Bank's system started with 11 point-of-sale terminals, expanding to 21 terminals and one automatic teller machine now on line.

In its first year, the system brought in over \$6 million in deposits, with an average of \$445,800 per month coming through the POS terminals and \$221,000 per month through the ATM.

From an initial level of 400 transactions a month, the system moved up to an average of 309 per day — and in December, Security's EFT system went out in front of Oklahoma's statewide EFT networks and systems by recording more than 13,000 transactions, says a Security spokesman.

To get a clear picture of Security's success with its system, it's important to examine the circumstances that led to its entry into electronic banking.

Security Bank, a downtown Lawton bank, found itself facing erosion of its consumer base by smaller, suburban banks located closer to outlying residential areas. Compounding this problem was urban renewal, which already had cleared out a good portion of Lawton's downtown shopping area.

An EFT system appeared to be the most viable solution to Security's problems. Already, numerous banks around the country were reaping the benefits of increased market shares through implementation of EFT programs.

Trips were made to various banks with EFT programs throughout the U. S., to compare and contrast the different systems. It was decided that an EFT system would be installed at Security, using the best features of the other programs already in existence.

The only major concern about the success of the program was — would the public accept a "computerized" form of banking?

The advertising agency for Security Bank, Ross Cummings & Co., realized the potential problems in gaining public acceptance of a totally new concept of banking. Other programs of this type reportedly were being greeted by lukewarm acceptance elsewhere in Oklahoma. However, in all cases, the new systems were being presented to the public in the light of their space-age computer electronics. The bank's management and the advertising agency reasoned that this approach would create doubts rather than consumer confidence.

The agency proposed that a human, convenience-oriented approach be used throughout all phases of the promotion. POS terminals became Neighborhood Teller terminals; transaction or debit cards became Neighborhood BanCards, and the whole EFT system was termed "Neighborhood Banking."

Since the system initially consisted

An update on the Neighborhood Banking System at Security National, Lawton, Okla., shows continued growth. It was announced in August that Citizens Bank, another Lawton bank, had decided to join Security's system after about a year of looking into other state systems.

According to Brian Hooper, senior vice president and cashier, Citizens Bank, "Our decision to go with the Neighborhood Banking System was based on the fact that it is well accepted locally, well advertised and continues to show a high volume and usage from month to month." Citizens Bank is projected to go on line by November 1.

Jim Vineyard, systems manager for Security, said that as of August, average monthly transactions were up 50% over 1977. Mr. Vineyard added that because of this growth in monthly transactions, Security is projecting installation of 10 new POS terminals and two new ATM locations before year-end.

exclusively of POS terminals, Security Bank's next step was to sell the idea of the terminals to local merchants. Advantages of having an in-store terminal were discussed from the viewpoint that not only would it help the bank, but it also could benefit the store's business by increasing store traffic, cutting bad-check losses and giving the merchant a certain amount of free advertising.

It worked. The offer attracted the interest of Lawton merchants, and, by the kickoff date, Security's Neighborhood Teller terminals were in 11 locations.

With a good campaign theme and participation of local merchants assured, it now was time to launch the full promotion.

Prior to the actual operation of the Neighborhood Banking System, Security Bank launched an introductory phase aimed at informing the public of the convenience of transacting banking a few blocks from home in informal surroundings, without going to the bank lobby downtown. A series of newspaper ads and radio and TV spots explained the uses of the card and emphasized the accessibility of the 11 locations.

Newspaper ads included maps showing locations of terminals and described the transaction procedure. Television advertising demonstrated the actual procedure, and radio commercials advised customers of the stores featuring the terminals. Point-of-purchase banners, signs and decals provided visual tie-ins at terminal locations. Purpose of these ads was to emphasize the ease and safety of the actual transaction and the convenience to the public.

Near-saturation media promotion continued for several months. New stores with terminals were added, and after nine months an automatic teller machine — christened the Neighborhood MiniBank — was installed on Lawton's busiest traffic artery, adjacent to growing residential and commercial areas. The grand opening was a great success. Drawings were conducted for prizes and games and live music attracted some 3,000 Lawtonians — including newspeople from all media — who showed up on a hot summer night.

Security Bank has drawn praise from Thomas L. Mills Jr., formerly assistant

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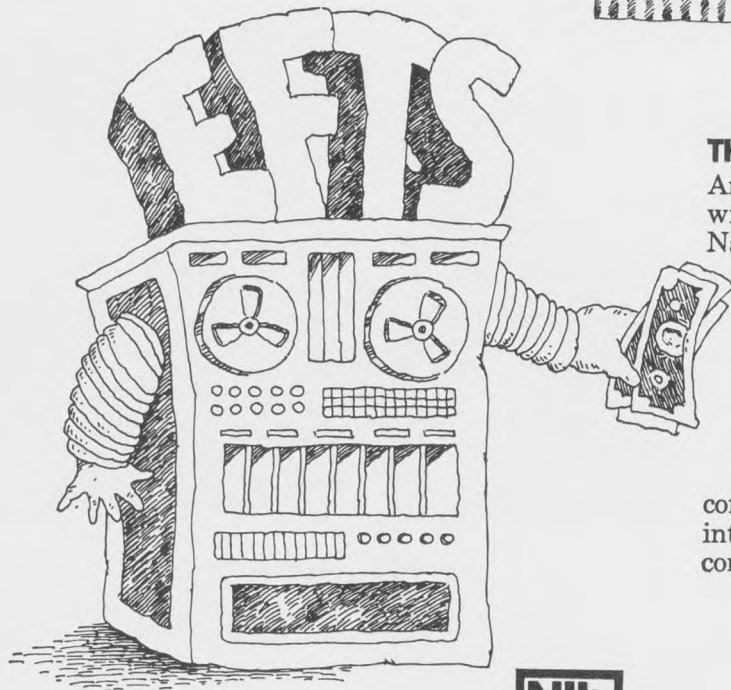


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vice president and communications manager, First National, Atlanta, and now with Datatrol, Inc., Hudson, Mass. Mr. Mills says, "Security Bank has the most complete and successful automatic-transfer-of-funds system for deposits and withdrawals in the United States." ●●

#### **A. H. Raven Heads LAMACHA; John Tullos Named VP**

Arthur H. Raven, vice president, Bank of New Orleans, has succeeded John A. Rehage as president, Louisiana-Alabama-Mississippi Automated Clearinghouse Association (LAMACHA). Mr. Rehage is vice president, First National Bank of Commerce, New Orleans.

Other new LAMACHA officers are: vice president, John B. Tullos, executive vice president, First National, Jackson, Miss.; secretary, William E. Deneke, senior vice president, Merchants National, Mobile, Ala.; and treasurer, Rudolf H. Brunken, electronic data processing auditor, National American Bank, New Orleans. Special advisory member to the board is Benjamin Wade, assistant vice president, New Orleans Branch, Atlanta Fed.

#### **BAI to Hold ATM Conference In Houston Dec. 6-8**

HOUSTON — The Bank Administration Institute will hold an automated-teller-machine conference here December 6-8.

Topics will include: status and future of ATMs in banking's service array, cost analysis and transaction fees, piggybacking and sharing, security of on- and off-premises ATMs, comparative locational analysis and impact of automated tellers on branch requirements, cooperative and interchange programs, teller staffing and market share.

There also will be an extensive display of the latest ATM equipment and technology.

#### **MAPEX in St. Louis Becomes Part Of Nationwide ACH System**

ST. LOUIS — The Mid-America Payment Exchange (MAPEX) became part of a nationwide network of automated clearing houses September 11. MAPEX is the ACH serving the St. Louis zone of the Eighth Federal Reserve District.

Now that MAPEX is part of a nationwide network, its member financial institutions can transfer payments electronically, through the net-

work, to other financial institutions anywhere in the country. Likewise, MAPEX can receive and forward to its members payments from any financial institution in the country that belongs to another ACH. For example, a St. Louis-based firm with plants in several cities across the country can issue virtually its entire corporate payroll electronically through its local MAPEX-member bank. Through MAPEX and the nationwide ACH network, each employee's pay can be deposited directly into his or her account at nearly any financial institution in the country.

The Fed coordinates movements of electronic payments among the network's ACHs in 32 major cities.

MAPEX, founded 2½ years ago, now has about 200 financial institutions as members.

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Head of National Banking Division  
Morgan Guaranty Trust Company*

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- lending to a correspondent against a pool of retail receivables such as installment loans, charge cards, mortgages.

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## Electronic Teller Terminals to Speed Operations

A NEW computerized system of electronic teller terminals and associated data communications equipment valued in excess of half a million dollars is being installed at Bank of Indiana, headquartered in Gary. The new system will replace all teller machines at 90 windows in the bank's 16 offices.

When completed early next year, the electronic changeover is expected to be the largest on-line bank system in northwest Indiana.

"The new machines, utilizing the most recent sophisticated technology available, will now make several banking advancements possible and pave the way for more services and conveniences for our customers," said James L. Dandurand, president, Bank of Indiana.

With 35,000 DDA accounts and 50,000 savings accounts, the bank's av-

erage transaction volume — especially during peak periods — has increased rapidly. By automating the processing of these accounts through on-line operations, the bank expects to increase the speed and accuracy of window transactions while shortening customer lines. The bank also anticipates its teller training program will be reduced from three weeks to one week.

The bank is installing TRW validating and receipting terminals, passbook print stations and terminal processors that are placed in strategic locations to concentrate messages before they are sent to the data center. This on-line network design is said to minimize the number of long distance phone lines being used, to speed transaction time, to provide local totaling capability and to increase network and computer operations efficiency.

Another advantage of the network,

according to Mr. Dandurand, is that it places Bank of Indiana in a position to expand customer services quickly. "We can add capability to accept magnetically encoded credit or debit cards at any time," said Mr. Dandurand. "This will allow us to bring automated teller machines and other EFT terminals at retail locations into our on-line system when required."

Going on line is expected to improve the bank's internal operations. With updated customer account balances plus hold and stop payment information available at each window, check losses are expected to be reduced. Because the system double-checks information prior to validating and encoding, fewer exception items are expected to be encountered. Teller balancing is expected to be reduced from 30-40 minutes to 8-11 minutes.

"Our move to on-line operations," said Mr. Dandurand, "gives us a cost-effective solution in meeting our needs for increased internal effectiveness while improving service to our customers."

The electronic terminals, which will comprise the largest installation of TRW equipment in the Chicago metropolitan area, have been made to meet the needs of Bank of Indiana. The keyboard configuration, for example, required the coordination of several bank departments as well as the cooperation of teller supervisors and trainers.

Included in the 32 transaction totals the terminals will display are installment and commercial loan payments, savings deposits and withdrawals, money orders, fees collected and utility bills. A special feature will be an account inquiry key that provides the teller with immediate access to an account's current balance with the amount and date of the last deposit or withdrawal. A savings passbook imprinter, as an accessory to the terminals, now makes available the convenience of automatic updating for the previous five quarters.

The bank took nearly a year to research several systems and study equipment in operation at various banking centers in three states. ●●

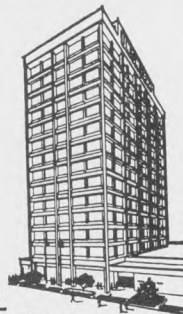


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# The Banking Scene

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## Is 'Merchant Banking' on the Horizon?

By DR. LEWIS E. DAVIDS

Illinois Bankers Professor of Bank Management  
Southern Illinois University, Carbondale

SEVERAL years ago, many commercial bankers were stunned to learn of the Hinkey Dinkey supermarket EFT program in Lincoln, Neb., set up by an aggressive S&L. Supermarket customers found the several Hinkey Dinkey locations to be most convenient for the transaction of their banking business.

The marketing projections of First Federal S&L, Lincoln, originator of the EFT system, were considerably below-target as to volume, debits originated and credit-deposits resulting from the service. Many more shoppers than anticipated deposited their weekly payroll checks as they passed through the checkout counters after purchasing their groceries.

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**"The fact is that some S&Ls that quickly jumped on the EFT bandwagon found that the service didn't result in the growth and profit that had been anticipated."**

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Since then, large and small banks have committed a good deal of time, effort and resources to researching this type of operation. EFT equipment manufacturers have done likewise and bankers throughout the nation have debated hotly whether they should fight the EFT monster — which they hold constitutes unauthorized branch banking. Some have concluded that, if they can't beat the S&Ls on the EFT issue, they had better join them. Others have opted for a delaying action.

It can be generalized that the larger institutions, with their greater financial resources and ability to hire highly trained EFT specialists, have viewed EFT as an opportunity to gain a com-

petitive advantage over smaller institutions.

Executives in smaller banks and S&Ls, rightfully concerned about the not inconsiderable expenses of EFT, have often opted for legal opposition. They have voiced concern that this EFT revolution would lead to a monopolistic situation. Banking and financial institutions recognize the difficulty in competing with large institutions, be they banks, S&Ls or nationwide chains.

At the national level, former Comptroller of the Currency James Smith decided that EFT terminals were simply communication devices and that a transaction wasn't consummated until it reached the bank's computer. This took EFT out of the branching category and made large national banks happy and many more small banks unhappy.

The Supreme Court's overruling of the Comptroller's position reversed the situation. Some individuals had difficulty understanding how the Clayton Antitrust Act — which had become effective decades before the concept or development of electronic technology had taken place — should be the legal reference for a situation that certainly had not been or could not have been anticipated by the writers of the act.

Now is a good time to take a more dispassionate view of the issues. The fact is that some S&Ls that quickly jumped on the EFT bandwagon found that the service didn't result in the growth and profit that had been anticipated. There probably are valid reasons why this is so. What works in one geographic area and time may not work in another situation.

Stores differ in their response to an EFT "marriage" with a financial institution. Staffing and customer convenience aren't simply a marketing

question. Mind-boggling legal and security questions of contingent liability and the like must be resolved.

One West Coast retail chain has S&L branches in its structures. Other S&Ls have leased space in supermarkets. These facilities release the store's cashiers from the burden of cashing checks for customers. Some S&Ls provide only limited service with live personnel. Others rely on automatic teller machines with various on- and off-line computer-related capabilities. Still others appear to prefer free-standing locations at shopping centers for their automatic tellers.

Again, the empirical track record appears to be quite mixed. One bank's automatic teller at a busy location has

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**"While supermarkets generally have been amenable and cooperative with S&Ls and banks, it's known that the major chains . . . are not sitting idly by."**

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generated a fantastic volume; however, most users were querying their account balances. A competitor's full-service ATM, located a block away, generates minimal traffic that is generally limited to weekends.

State laws have widely different EFT branching features. Some state that ATMs must be physically attached to a bank's building. Others hold that the units must be on the bank's property but do not have to be attached to a building. This permits ATMs to be used as part of a drive-up operation. In some states, generally considered to be unit-banking states, EFT-ATM terminals are found at retail locations.

For example, First National, Great Bend, Kan., with assets of about \$50



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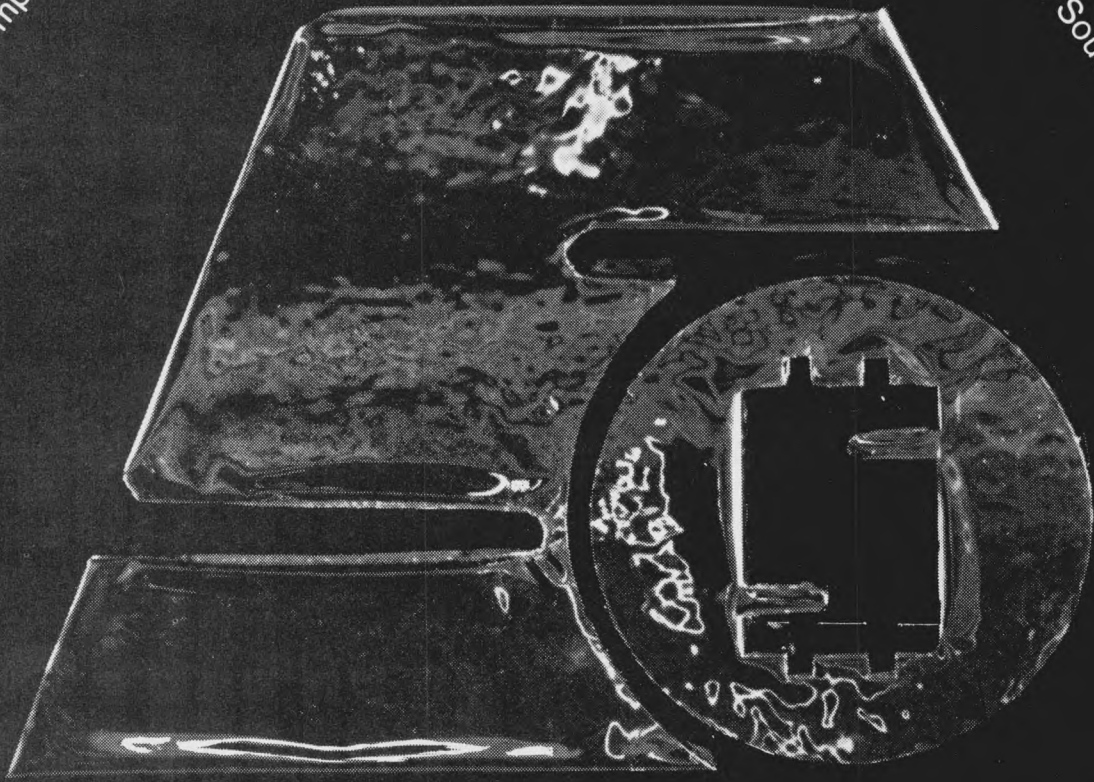
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million, recently became the first commercial bank in Kansas to offer EFT services at retail locations.

One interesting thing about its operation is that the bank's supermarket mini-branches are operated by store employees, who operate the system with encoded plastic cards that have been issued to customers by the bank. This probably cuts down the high rate of errors made by customers unfamiliar with proper procedures.

I assume that the bank has been counseled on the legal ramifications and has adequate insurance coverage. But the issue of whether a supermarket checkout clerk acts as an agent, principal or in some other capacity to the bank is a very important one to both the bank and the merchants.

Some of the Jewel Food Stores in Illinois are using a supermarket terminal system that permits customers to draw cash from the bank to settle their purchases of merchandise. Management of the sponsoring bank — which is under \$30 million in size in an area of less than 3,000 people — is reported pleased with the resulting growth in deposits and new accounts generated by the system.

Since some merchants in parts of Illinois are open around the clock, full time banking has become a reality there.

An official at Oregon Bank, Portland, has said the only important service the bank's customers can't get at their supermarket terminals in Safeway stores are safety deposit boxes. Who knows, perhaps Safeway will provide safe storage facilities next to its freezers some day. Then bank customers will have no reason ever to visit their bank. This makes some conventional bankers wince. One major New York City bank has learned that some of its customers haven't been in the bank for decades.

Think of the irony of it! Federal and state bank regulators increasingly are insisting that banks clutter their lobbies with a wide range of posters on a wide range of topics, such as nondiscrimination in credit, Truth-in-Lending, etc. This comes at a time when direct deposit of checks is being encouraged by those same government bureaucrats!

Will there be a day when those expensive bank buildings at prime locations become technological anachronisms? Will the supermarkets have to post bank-related flyers next to signs the merchants must post on the carcinogen properties of saccharin?

Merchant-associated EFT is operating successfully in Kansas, Mis-

souri, Illinois, Indiana, Michigan, Ohio, Oregon and New Jersey. It appears that S&Ls have some greater legal maneuverability and flexibility over commercial banks. They also have that interest-rate differential.

One of the interesting aspects of many of the more innovative EFT approaches is that relatively small banks often are ahead of their larger cousins. They haven't given up but have taken the initiative.

While supermarkets generally have been amenable and cooperative with S&Ls and banks, it's known that the major chains, such as Sears, Montgomery Ward, Penney's, etc., are not sitting idly by. More than one chain store executive has indicated that he has had extensive experience in the use of computer terminals at checkout counters.

With today's high interest rates and disintermediation, there's strong motivation for such organizations to intermediate the funds of their customers and use them for financing, not only their working capital, but the consumer credit needs of their captive finance companies.

In Europe, the term "merchant banker" is quite commonly used. Will

it find similar use in the U. S. in the days ahead? ●●

### Mike Moody Elected President Of Swigsbie's Freshman Class

Mike Moody, vice president, First National, Weatherford, Okla., was elected president of Class XXI during freshman-class elections the first week of the 1978 session of the Southwestern Graduate School of Banking (Swigsbie) at Southern Methodist University, Dallas.

Other class officers are: first vice president, Neal Johnson, presidential assistant, First National, Artesia, N. M.; second vice president, Elaine Butler, assistant vice president, Capital National, Houston; secretary, Carole Smith, marketing/business development officer, First National, Little Rock; and treasurer, Bill May, investment officer, Commercial National, Little Rock.

Don A. Hughes, vice president, Arlington (Tex.) National, was given the 1978 Spirit Award.

The school completed its 21st session July 28, with presentation of diplomas to 229 graduates.

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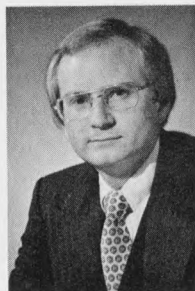
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Associate Member, Oklahoma Bankers Association

# NEWS OF THE BANKING WORLD

• **Arthur F. Burns**, former chairman of the Federal Reserve Board, has joined Lazard Freres & Co., a New York City investment banking firm, as a senior adviser. In his new position, he will consult on financial matters with special emphasis on international activities. Mr. Burns is currently a fellow at the American Enterprise Institute and a lecturer at Georgetown University, Washington, D. C.



MUNSELL



LOUDEN

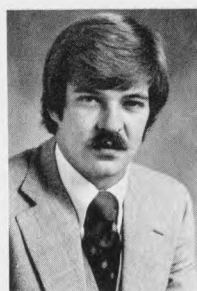


MILLER

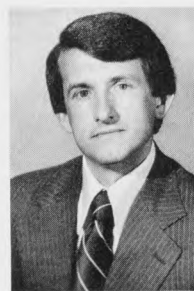


BURNS

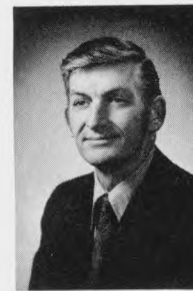
• **Lynn H. Miller** has joined Houston's Bank of the Southwest as executive vice president and advisory board member. He most recently was president, Mercantile Trust, St. Louis. Mr. Miller joined Mercantile in 1974 and became its president in January, 1977. Before going to St. Louis, Mr. Miller spent 26 years with Chicago's Northern Trust.



ERDEL



MATTHEWS



FISHER

• **Stephen E. Erdel** will be traveling northern Missouri and Arkansas for Commerce Bank, Kansas City, in his new position as assistant vice president in the correspondent department. Mr. Erdel formerly was assistant vice president, Commerce Bank, Mexico, Mo.

• **James E. Louden** has been named office manager at First National of Chicago's new representative trust office in Scottsdale, Ariz. The office will open this month. Mr. Louden is a tax attorney and vice president of the bank.

• **John F. Fisher** has been elected vice president of Central National of Cleveland's national division, corporate banking department. Mr. Fisher joined Central's management development program in 1974 and was assigned to the national division as corporate banking representative. He was elected assistant vice president in 1976.

• **Robert E. Matthews** has been appointed general auditor for the St.

Louis Fed. He will direct periodic audits and examinations of the Fed and its branches in Little Rock, Louisville and Memphis. Mr. Matthews has been with the Fed since 1969. Prior to that, he was assistant general auditor for the Philadelphia Fed.

• **Claude E. Munsell**, president and a director of General Telephone Co. of Michigan, was elected to the board of Detroitbank Corp. and its principal subsidiary, Detroit Bank. He is also a member of the board of Hackley Bank, Muskegon, Mich.

• **Continental Illinois National**, Chicago, filed an application with the Fed for permission to establish an international banking subsidiary corporation: Continental Bank International, Miami. Roger E. Anderson, chairman of Continental Illinois Corp., said the subsidiary would serve the international financial needs of correspondent banks, corporations, government entities and individuals in the Caribbean and Latin markets.

• **Charles E. Bartling**, president of CEBAR Communications, Inc., Evanston, Ill., is now vice president of the Bank Marketing Association. At the 1978 American Society of Business Press Editors convention, he was named honorary lifetime executive vice president.

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## Comptroller Calls for McFadden Act Review

**T**HE COMPTROLLER of the Currency has called for a more competitive environment for the commercial banking industry through relaxation of government restrictions against branch banking.

In a speech in Chicago before the Association for Modern Banking in Illinois, John G. Heimann said the opportunity to create that environment has been presented by a congressional mandate to review the future of bank branching and the McFadden Act.

Passed in 1927, the McFadden Act generally authorizes the establishment of national bank branches where state law permits competing state banks, as defined in the act, to establish branch offices. The act is frequently described as creating competitive equality between state and national banks.

"Today's distorted notion of 'competitive equality,' coupled with other

legislative actions or inactions, currently preserves a system that's neither equal nor competitive," said Mr. Heimann.

Some commercial banks today, the Comptroller observed, are more concerned with protecting their own markets from competitors and other commercial banks than with providing convenient banking services for the public. "The result is a doctrine that restricts banking services, reduces consumer choice and stifles competition," he said.

"It's a philosophy that can best be characterized as pro-competitor rather than pro-competitive," declared Mr. Heimann.

The Comptroller added that competition is stifled, not only by branching restrictions, but also by restrictions on the types of services commercial banks can offer and the interest they are

permitted to pay on deposits. He noted that these restrictions create a gap between what the public needs and what the industry provides, a gap that is widened further by technology available to those who choose to use it and filled by other types of financial institutions not subject to similar market constraints.

"The dynamics of the marketplace, in effect, are leaving commercial banks behind," he said.

In this environment, Mr. Heimann warned, "We must decide whether the commercial banking system will be permitted to engage its competitors on an equal basis or whether, secure in its cradle of governmental restrictions, it will be replaced, at least on the retail level, by other financial institutions that are better able to meet the needs of the banking public." ●●

### Nancy Teeters Confirmed For Post on Fed Board

Nancy Hays Teeters, assistant staff director and chief economist, House Budget Committee, was confirmed last month by the Senate for a post on the seven-member Federal Reserve Board. Mrs. Teeters, who was nominated earlier by President Jimmy Carter, will be the first woman to serve on the board. She was sworn in September 18 and fills a vacancy left by the resignation from the board of former Chairman Arthur Burns. Mrs. Teeters' term will run until January 31, 1984.

Mrs. Teeters had held her current posts since 1974. Her career, most of which has been spent in Washington, D. C., has included being senior

specialist, congressional research service, Library of Congress; senior fellow, Brookings Institution; and fiscal economist, planning/analysis staff, Office of Management and Budget.

She also has been an economist with the Fed, Bureau of the Budget and Council of Economic Advisers and has

taught at the universities of Michigan and Maryland. Mrs. Teeters was an instructor in Germany for the latter.

### Workings of Federal Reserve Described in New Film

"The Fed . . . Our Central Bank," is the title of a new educational film describing the functions of the Fed. It has been released by the Board of Governors of the Federal Reserve System.

The film goes behind the scenes to show how the Fed makes credit available for economic growth and jobs — managing money and credit, clearing checks, putting coin and currency into circulation, destroying old currency, supervising banks and administering consumer credit laws.

The film includes a sequence showing the Open Market operations of the Fed's New York trading room.

The 20-minute, 16mm film is available on a free loan basis from Association Films, 866 Third Ave., New York, NY 10022 and its 10 regional film centers, as well as from the Federal Reserve System and the 12 district Federal Reserve Banks.

### Consumerists Appointed

The Comptroller of the Currency has appointed Jo Ann Doman Barefoot director of customer and community programs and Zina Gelter Greene director of civil rights. Both will report to Cantwell F. Muckenfuss III, deputy comptroller for policy planning.

The appointments are designed to strengthen the agency's efforts in consumer affairs, civil rights and community development.

Miss Barefoot was formerly with the National Association of Realtors, the Federal Home Loan Bank Board and has served on the HUD subcommittee staffs of the Senate Committee on Banking, Housing and Urban Affairs.

Miss Greene was formerly with HUD's Office of Fair Housing and Equal Opportunity.



TEETERS



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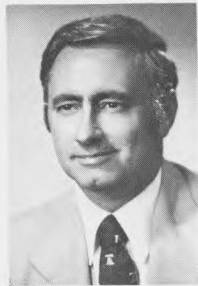




ENGEL



HOPKINS



MINER

• **Bank Building Corp.** H. Berny Engel has been promoted from a group vice president to senior vice president, Bank Building Corp., St. Louis. Joseph P. Hopkins has moved up from vice president/administration to senior vice president/administration. In

## Corporate News Roundup

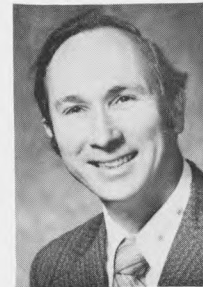
other action, BBC appointed William H. Miner sales manager, central division.

Mr. Engel joined the firm in 1965 and Mr. Hopkins, in 1967. He recently was named to the corporate planning group. Mr. Miner formerly was with Prestige Services, Inc., St. Louis, as senior associate and sales director. Before that, he was north central manager for Diebold, Inc., Canton, O.

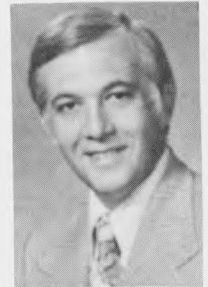
• **Associates Commercial Corp.** New headquarters city for the factoring operation of Associates Commercial Corp. is Charlotte, N. C. The division, which had been located in Chicago, became fully operative October 1 in its new offices in the Wachovia Building. Charlotte was selected primarily because of its proximity to furniture manufacturers and textile mills.

In other action, Kalman R. Kaplan

was promoted from division controller to portfolio manager in the expanded Charlotte credit office, and James M. Luchansky was advanced from assistant controller to controller. Mr. Kaplan went to the firm six years ago. Mr. Luchansky was with Commercial Discount Corp. when it was acquired by Associates Commercial in 1975.



YOST



BARONE

• **Diebold, Inc.** This Canton, O.-based firm has named Robert P. Barone vice president and general manager, automatic banking systems, and Edwin A. Yost vice president and general manager, electronics group. Mr. Barone joined the firm in 1971 and most recently was general manager, automatic banking systems. Mr. Yost, with Diebold since 1973, was general manager, electronics group.

• **Geo. D. Barnard Co.** James E. Brown, president, Mercantile Bancorp., has been elected to the board of Geo. D. Barnard Co., St. Louis. Joe Percy has been made executive vice president; Frank Kasal, C. N. "Bob" Schaefer and Hairl Wilson were named vice presidents; William Hefflinger was appointed controller, and G. A. Gannett was elected treasurer.

### Louis J. Orabka Dies

Louis J. Orabka, 84, chairman emeritus, Bank Building Corp., St. Louis, died of a heart attack September 6. Mr. Orabka joined the firm in 1914, a year after it was founded. For the next 64 years, he watched it grow into the nation's largest firm specializing in planning, designing and constructing financial institutions. He once described his first job with BBC as "bookkeeper, office boy and janitor." Mr. Orabka advanced to vice president in 1937 and to executive vice president in 1943, taking charge of all contract-manufacturing and operational functions. When the firm's founder, Joseph B. Gander, died in 1960, Mr. Orabka was elected its president. He became chairman and CEO in 1964 and retired in 1969, but continued as a consultant and chairman emeritus.



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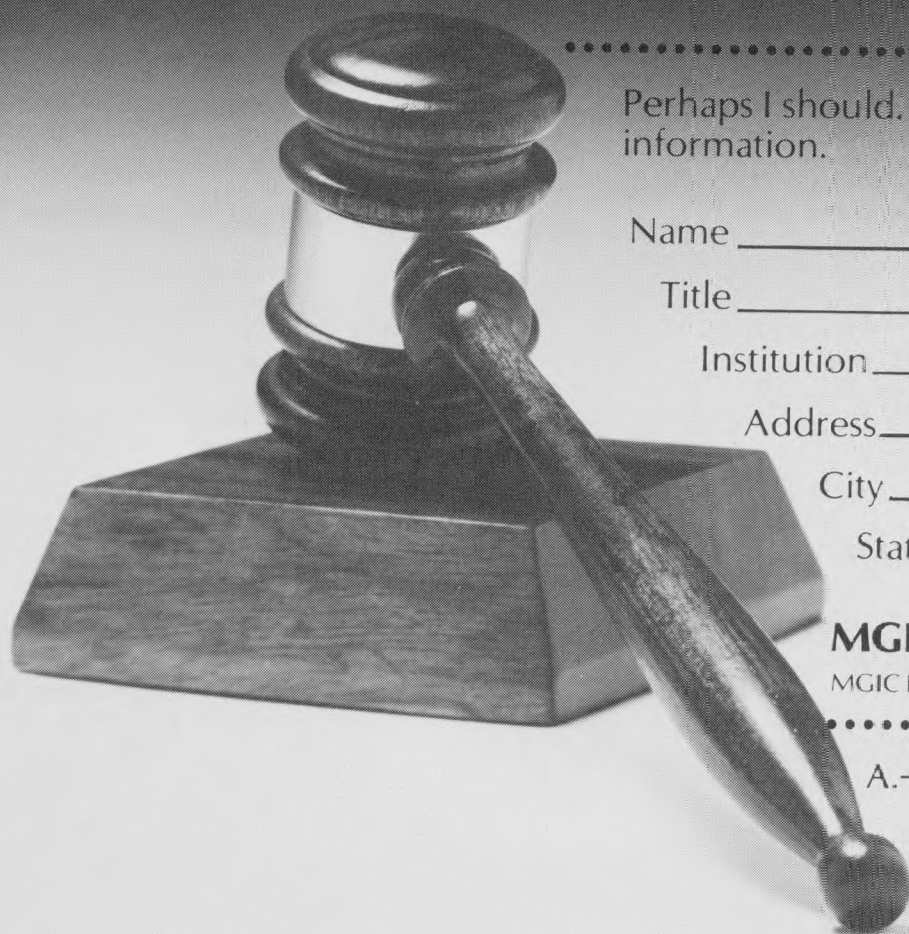
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Curving white beach at Waikiki attracts thousands of visitors annually. Located in Honolulu, 1978 ABA convention site, beach stretches from Ala Wai Boat Harbor to world-famous Diamond Head. This photo and cover photo courtesy Hawaii Visitors' Bureau. Diamond Head also serves as backdrop for beach scene in cover photo.

## *'Big Gov't,' Laws, Regulations To Be Studied at ABA Convention*

THE 1978 convention of the American Bankers Association October 21-25 will be held in Honolulu, but part of the program will be focused on the nation's capital, reflecting bankers' interest in actions taken there.

For instance, a question that seems to be on many Americans' minds these days — "Can We Contain Big Government?" — will be discussed by a panel to be moderated by Robert MacNeil. He is the award-winning executive editor of the Public Broadcasting System's "MacNeil/Lehrer Report." This panel will be held at the general session Tuesday morning, October 24.

Also in the federal area, a new feature at this year's annual meeting will be a series of workshops on how to cope with new laws and regulations. These workshops will be held Monday and Tuesday, October 23-24. In addition,

there will be meetings designed to allow conventioners to take part in dialogues with their federal regulators.

Other subjects pertinent to banking are planned:

- "Profitability and Competition"



— featuring William F. Ford, senior vice president, Wells Fargo Bank, San Francisco; and Alex Sheshunoff, president, Sheshunoff & Co., Inc., Austin, Tex. . .

Mr. Ford, formerly the ABA's chief economist, will make a six-to-eight-month economic forecast and then suggest ways to cope with what is to come.

- "Whose Bank Is It?" — featuring Samuel B. Chase, managing associate, Golembe Associates, Inc., Washington, D. C.

The convention's traditional economic investment outlook program will be held Wednesday morning, October 25. Participants will be Henry Kaufman, partner, Solomon Brothers, New York City; Leon Cooperman, partner and chairman, investment policy committee, Goldman, Sachs & Co., New York City; and Dewey

MID-CONTINENT BANKER for October, 1978

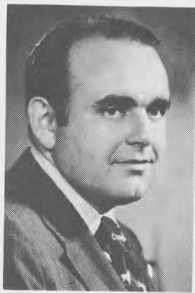


ROCKEFELLER

# ABA Convention Speakers



DAANE



COOPERMAN



MEANY



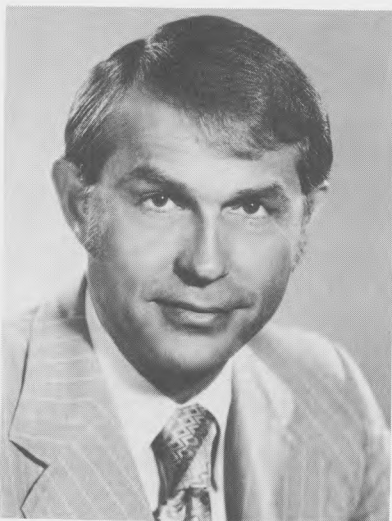
KAUFMAN



CHASE



SHESHUNOFF



FORD



MacNEIL



SISCO

Daane, vice chairman, Commerce Union Bank, Nashville. Raymond Meany, treasurer, Connecticut Bank, Hartford, will moderate this panel, which will include discussions of bond and equity markets and international development.

There also will be dozens of special-interest sessions, in which bankers will be able to hear experts discuss issues of specific interest and concern to their institutions.

Keynote speaker will be David Rockefeller, chairman, Chase Manhattan Bank, New York City, who, along with Joseph Sisco, will talk on major international topics. Mr. Sisco, president, American University, Washington, is the former undersecretary of state for political affairs. Both men will appear Monday morning, October 23, at the general business session, as will ABA President A. A. Milligan, president, Bank of A. Levy, Oxnard, Calif.

At the Tuesday general session,

### On Spouses' Program

Ronald Barnes, pres., Transitions, Inc. (formerly Menninger Foundation), Phoenix, will hold sessions on coping with leadership stress and change as part of the spouses' program during the ABA convention in Honolulu October 21-25. Throughout the convention, a parallel program for spouses will be held on a broad range of topics relating to banking and self-development.



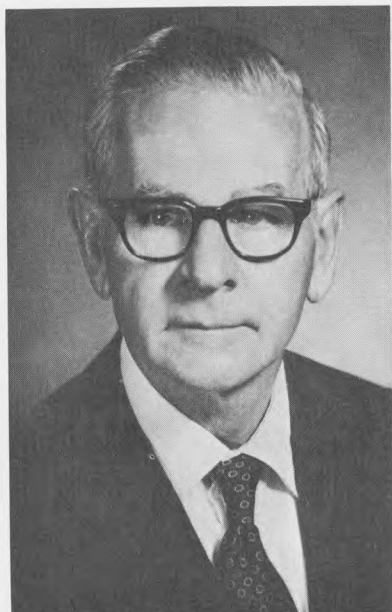
ABA Executive Vice President Willis W. Alexander will speak, and 1978-79 ABA officers will be elected and installed.

As is traditional, ABA President-Elect John H. Perkins, president,

Continental Bank, Chicago, will succeed Mr. Milligan as president. Taking Mr. Perkins' post of president-elect will be C. C. Hope Jr., chairman, First Union National of North Carolina, Charlotte. He became the official candidate last spring. Thomas E. Smith, president, Fidelity Brenton Bank, Marshalltown, Ia., will begin his second one-year term as treasurer. W. Liddon McPeters, who headed the ABA in 1976-77, will turn over his 1977-78 post of governing council chairman to Mr. Milligan. Mr. McPeters is president, Security Bank, Corinth, Miss.

The large Neal Blaisdell Center (formerly the Honolulu International Center) will be the site of the two general meetings and of the fellowship gathering. The latter will be held from 9-10:15 a.m., October 22. Hotels in the Waikiki Beach area will house all other convention activities and 200 exhibit booths. ●●

## ABA's Official Family



**A. A. MILLIGAN**  
President



**JOHN H. PERKINS,**  
President-Elect

**A. A. MILLIGAN** is president, Bank of A. Levy, Oxnard, Calif., which was founded by his grandfather and which he joined in 1940. Except for World War II service, he has been there since then, assuming his present post in 1955.

**JOHN H. PERKINS** is president, Continental Bank, Chicago, a post to which he was elected in 1973. He, too, has spent his career — since 1946 — at the same bank.

**W. LIDDON McPETERS** became president, Security Bank, Corinth, Miss., in 1962 after joining it in 1943 as a director. He served the ABA as its president in 1976-77.

**THOMAS R. SMITH** is president, Fidelity Brenton Bank, Marshalltown, Ia. He also is vice president and director, Brenton Banks, Inc., a multi-bank HC in Iowa.

**C. C. HOPE JR.** is vice chairman, First Union National of North Carolina, Charlotte, which was Union National when he joined it in 1947. He was nominated for president-elect by the ABA governing council.

**WILLIS W. ALEXANDER** is chairman, Trenton (Mo.) Trust, where he was president when elected ABA president in 1968. He became executive vice president at the end of his term in 1969.



**W. L. McPETERS**  
Ch., Governing Council



**T. R. SMITH**  
Treasurer



**C. C. HOPE JR.**  
Pres.-Elect Candidate



**W. W. ALEXANDER**  
Exec. Vice Pres.

# The Consensus Process: How It Helps ABA Speak to Congress With One Voice

By **JOHN H. PERKINS**  
President-Elect  
American Bankers Association

**F**OR EVERY trade association, there's probably a slightly different policy-making process, varying to accommodate each organization's membership and needs.

Over the past several years, the American Bankers Association has evolved a decision-making process I believe is uniquely well fitted to the needs of a profession as large and diverse as banking. Specifically, a consensus process involving some 350 bankers representing every facet of banking not only has renewed the ABA's commitment to truly democratic policy choices, but also has brought formidable "clout" to bear on the entire spectrum of our government-relations efforts because bankers all over the country become involved personally in the entire process.

More important in a political sense, the consensus process helps to ensure that those who disagree with the majority opinion, or who chose to remain silent, at least fully understand their colleagues' decision and can explain it to others who were not present for the extended time needed to understand, analyze and reach a consensus.

One of the most worthwhile aspects of the consensus process is that it allows for this "gentlemanly disagreement." When all parties have been involved in the discussion, when each and every person has had a full opportunity to argue for his approach to the issue, it's easier to respect the other person's viewpoint and understand the reasoning that motivated the majority.

Mr. Perkins also is president, Continental Bank, Chicago.

MID-CONTINENT BANKER for October, 1978



John H. Perkins nears end of busy year, during which he has been serving as pres., Continental Bank, Chicago, and as ABA pres.-elect. At ABA's annual convention in Honolulu this month, Mr. Perkins will advance to ABA presidency.

American society seems to have become increasingly combative and adversary in many of its processes, and I believe the consensus process has helped the ABA avoid an excessive measure of divisiveness and factionalism so that on the major government-relations issues we are able to speak to Congress with one voice.

That happens through banking leadership conferences the ABA calls on an as-needed basis, usually three or four times a year. The government relations council, the governing council with members from every state, leaders of the state bankers associations and of other national banking trade associations — all of them participate in banking leadership conferences. Short of the ABA's annual conventions, these conferences bring together the most representative group the banking industry has. Every element within the industry is represented — large banks, small banks, national banks, state-

chartered banks, rural and metropolitan banks.

At these conferences, the government relations council, which has the mandate of discussing the issues of the day extensively in other meetings, presents to the larger 350-banker group first the given issue and then the consensus the government relations council has developed and the reasons.

That presentation often is supplemented by government officials and others and is followed by lengthy discussion by the 350 bankers, who, in turn, register their approval or disapproval of the posture adopted by the government relations council.

The 90-member government relations council is the ABA's prime legislative and regulatory policy-making group. While its decisions are subject to review by the association's directors, the council and its administrative committee continually review federal issues as they evolve and determine the focus of the ABA's efforts on those issues.

While it was not a new idea, during my term as chairman of the government relations council several years ago, we continually noted that trade associations and other groups that deal with Congress most successfully were those that advocated a positive position, instead of simply reacting (negatively or otherwise) to proposals put forward by others. Rather than denouncing someone else's position, we believe it's much more productive to develop our own positive proposal and move ahead to advocate it in Congress.

To that end, those of us on the council at that time, working with our outstanding staff, put together four criteria the ABA uses not only to analyze





other groups' proposals, but also to develop our own posture on all public-policy issues. Those criteria ask the following four questions:

- How do bank customers benefit from the proposal?
- Will the proposal enhance the broad competitive environment? If the proposal is not pro-competitive, is it otherwise demonstrably necessary to achieve the objective of maintaining the safety and solvency of financial institutions?
- Is the proposal consistent with national economic and social priorities?
- Does the proposal provide the opportunity for competitive financial institutions to maintain viability and profitability regardless of size? Does the proposal achieve or maintain equal competitive ground rules among the various types of competing financial institutions?

Given the complexity of many legislative proposals affecting banking, as well as the political rhetoric that often disguises the specifics of a given bill, it's not easy to answer those questions in just a few minutes — or days — of analysis and discussion. Fortunately, the legislative process is such that we almost never have to make snap decisions.

From the time a bill is introduced, and as it moves through subcommittee, full committee and then through the House or Senate, the government relations council considers and discusses the bill for as long as it takes to get to the root of what it means for bank customers and banks — and to formulate a positive posture of advocacy on the issue addressed by the bill. In many cases, when it's apparent that a legislative proposal will be put forward, these deliberations begin even before a bill actually is introduced.

Banking leadership conferences truly are an exercise in participatory

democracy. Disagreements are frequent, especially at the start of a meeting. Issues are fully aired. And as these discussions continue at some length, a consensus almost always emerges — a consensus most bankers can support.

That factor completes the formula for successful government relations in Washington — compelling facts, persuasive arguments, political involvement and a united front.

In the course of discussions in our government relations council meetings and banking leadership conferences, virtually all the facts are brought forward by those who know the facts best — bankers plus outside experts at times when needed. As the facts are developed, so are the arguments, both pro and con.

With those facts and arguments in hand, both the ABA staff and bankers who participate in our leadership conferences plus other bankers from all over the country are fully equipped to take the issue to Congress or to the regulators in the best way possible — with a united front, with unassailable facts and with strong political arguments based on our personal knowledge of marketplace realities in representatives' and senators' home states.

As of this writing, numerous banking issues still are hanging fire in Congress, but the one major piece of legislation that seems likely to be enacted into law this year — the Financial Institutions Regulatory Act — is one on which we bankers have had a constructive impact indeed. (It started out as the so-called Safe Banking Act.) In more than a year of analysis and fact-gathering through the consensus process, accompanied by some of the most effective educational effort by bankers with Congress and regulatory agencies I have ever seen, that bill was transformed from something that was absolutely objectionable to something we can live with and whose passage we ultimately supported.

Using the consensus process, the ABA has developed a strong record — and an equally strong lobbying position — on a number of issues that may see final congressional action next year.

For example, we concentrated on the NOW-account issue last year, seeking a constructive approach to what began as a difficult issue. As a result of those efforts, NOW accounts are tied firmly to our goal of ending the interest-rate gap that discriminates against bank savers.

We worked at great length earlier this year on an electronic-banking-

consumer-protection bill. As of this writing, the House has passed a bill that protects the legitimate interests of consumers without hampering the future growth of EFT. On another front, the Senate has passed a bill that would take a small, but much-needed, step in the direction of simplifying the Truth-in-Lending Act.

Next year, bankers will face several relatively difficult issues, probably including congressional reconsideration of some phases of the McFadden Act and branching by financial institutions, a new thrust to reorganize the banking regulatory agencies into a single superagency, perhaps even the entire question of interest-rate ceilings. In all likelihood, the questions of Fed membership and the pool of reserves controlled by the Fed, combined with explicit pricing of Fed services, will continue to be major concerns for us in the coming year.

Remaining before us are the ABA's long-standing priorities — ending interest-rate-ceiling discrimination against bank customers, achieving a level playing field for all depository institutions, working methodically to roll back or modify costly and unnecessary federal paperwork and regulatory burdens. Through the consensus process, bankers have arrived at a highly effective way of making progress through the federal legislative and regulatory processes.

We have built a good record, one I expect we will improve on in the coming year. That depends on the 350 bankers who participate in the ABA's direct consensus process, but even more, it depends on the growing involvement of every American banker in the larger consensus and implementation process that is continually evolving throughout our industry. ●●

#### ABA Awards Fellowship

WASHINGTON, D. C. — The ABA has awarded the Whitney M. Young, Jr. Fellowship for the 1978-79 academic year to Paul D. Adams, a doctoral candidate in corporate finance, Ohio State University, Columbus. It covers Mr. Adams' tuition costs and fees and provides a \$4,000 stipend.

The fellowship is given annually to a minority-group member in the final year of a doctoral program in banking, finance, economics, business administration or related subject areas. It was established in 1971 in memory of the late executive director of the National Urban League.

# *Inflation: No. 1 National Issue— Can Bankers Help Fight It?*

**P**RESIDENT Carter has called inflation the “worst domestic problem we have,” and a recent Gallup poll shows that more than half the American public agrees with him.

Americans did not need to see the latest inflation figures to know that prices were going up. In April, consumer prices advanced at an annual rate of almost 11%. Most economists now are saying the annual rate of inflation for this year will top 7%.

It's true that the wholesale price index increased at a somewhat slower annual rate in May—only 6%, compared to almost 13% for the first quarter of this year. But that does not change the underlying trend in our economy. The fires of inflation are burning brightly again, and we must take action now to see that they do not get out of control.

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**The ABA president points out the truth of the adage that there is no such thing as a free lunch, that, one way or another, all of us will wind up paying for government services.**

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Of course, every American is concerned about inflation. But as bankers, our reasons for concern are even more compelling.

We are concerned because our customers—particularly our savers—are especially hurt by inflation. When inflation begins to top 7%, bank savers have no place to hide. They can only watch the value of their savings washed away by the tide of rising prices.

So far, at least, Americans still believe it makes more sense to save rather than spend. A recent New York Stock Exchange study shows that most

**By A. A. MILLIGAN  
President  
American Bankers  
Association**

Americans favor savings accounts, CDs, life insurance and real estate as a means of investing for the future.

But that could all change if inflation continues. People could decide to spend their savings before their money loses even more of its value. If that happens, not only banks but the entire financial system will be in serious trouble.

We bankers are concerned for another reason: We see what inflation is doing to our ability to meet the needs of our customers and communities. As inflation causes interest rates to begin climbing again, bankers once again find themselves bumping up against usury ceilings. At a time when bank regulators are trying to put together regulations to implement the Community Reinvestment Act, this nasty fact of financial life is no small concern to the banking community.

Finally, we bankers are concerned because we also are citizens of the communities in which we work. We know that inflation destroys our chances for future economic growth. We know that it eats away at the fabric of our society. We know that it can destroy this nation, both economically and socially, if it's not brought under permanent control.



If we are so concerned, what can we do?

One thing we must do is make sure we're attacking the root causes of inflation, not just its symptoms.

Almost everybody agrees about the source of our inflationary problems: government actions. You know the litany as well as I . . . continued deficit spending as we enter the fourth year of economic recovery . . . government regulation that stifles competition . . . import restrictions to protect American industries from competition with less expensive foreign products. . . . The list goes on and on.

However, government is not the only contributor to the problem. Once the inflationary spiral begins, we all attempt to protect ourselves. Business raises prices. Labor campaigns for

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**Bankers, says Mr. Milligan, know that inflation destroys our chances for future economic growth. They know that it eats away at the fabric of our society.**

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higher wages. We bankers raise interest rates to take into account expected rates of inflation. We all try to find shelter from the ravages of inflation because we expect inflation to continue, and, in so doing, we make the problem worse.

Outside factors, such as increases in the price of foreign oil, add to our inflationary woes.

If we all understand that the root of the problem lies with government, why do we find it so difficult to do something about it?

I think part of the answer to that question comes from the way we look

The ABA president believes inflation is a symptom of our unwillingness to pay for the things we want in a democracy. He adds that it stems from the fact that we live in a representative democracy, governed by men and women who periodically must take their chances at the polls.

at inflation. Because inflation hurts us in our pocketbooks, we think of it as an economic problem. In fact, it's much more of a political problem.

Inflation is a symptom of our unwillingness to pay for the things we want in a democracy. It stems from the fact that we live in a representative democracy, governed by men and women who periodically must take their chances at the polls. To stay in office, they try to do what their constituents ask them to do. And what we have been asking them to do is deliver the sun, the moon and the stars—all without raising taxes.

Somewhere along the line, we got the idea that government could solve a great many of our problems without any real cost to us. But we forgot one basic fact: All that government has—including money and power—must come from the people, from us. If we are not willing to finance government services through our taxes—and if we still demand that those services continue and be increased—government has no choice but to finance them through deficit spending. Under current economic circumstances, the result is inflation.

The adage about there being no such thing as a free lunch really is true. One way or another, we still wind up paying for government services. If the government is forced to finance its operations through budgetary deficits, the resulting inflation drives us all into higher tax brackets. Higher real estate prices mean more revenues from government in the form of property taxes. Government is in the enviable position of increasing its revenues without having to increase tax rates.

There's only one catch to this neat little arrangement: It cannot go on forever. Sooner or later, the bubble has to burst, and when it does everyone suffers—consumers, business, retired people, even government.

Even before we reach that point, however, the signs are clear that the public is fighting back against the indirect tax of inflation. For years we have talked about the possibility of taxpayer revolt. Well, in California, as I'm sure you know, possibility has become reality. California taxpayers voted yes on

an initiative that severely limits the ability of local government to tax real estate.

Proposition 13 cuts property taxes by 57%. It limits property taxes to 1% of market value and limits reassessment increases to 2% a year, as long as the property is not sold. It imposes severe constraints on state and local spending, but that's not the only reason it passed. It passed because California home owners could not swallow another round of higher property taxes merely because inflation had pushed the nominal value of their homes through the roof. They had had enough.

Proposition 13 has gained a great deal of national attention. But it's not the only symptom of the brewing taxpayer revolt. Perhaps equally important is the so-called tax-expenditure limit. By process, a state can put a ceiling on the amount of money it can collect or spend, or both.

These caps on spending already have been enacted in New Jersey, Colorado, Tennessee and Michigan. Seventeen other states are slated to consider similar proposals.

Legislatures in these states are not acting out of pure benevolence or altruism. They're acting because they are politicians, and they can read the political signs. Those signs tell them that American taxpayers have had about all they can take. They will not put up with de facto increases in their tax rates from inflation. If their state legislators won't do something about it, they're ready to take things into their own hands, as they did in California.

What's true of state and local taxes also is certainly true of federal taxes. I would be willing to bet that most taxpayers would vote for similar proposals to limit federal taxation. But there the similarity ends because the federal government can run deficits if it's unable to increase its revenues. And that is precisely what will happen if taxpayers shut off the flow of revenue to the federal government—without at the same time shutting off public demands for federal programs.

That's the crux of the problem—our demand for federal programs. We have become a nation of special-interest

groups—in our work as well as our leisure. We have become highly effective in letting government know what special programs we want for our particular group.

Today, a legislator who wants to stay in office can do so only by satisfying the largest number of special interests—consumer groups, environmentalists, labor, retired persons, farmers—even bankers. Somehow the greater good seems to get lost in the shuffle. There's no special-interest group fighting to stop inflation.

Who is at fault here—we or the elected officials? I think there's enough blame to go around for everyone.

However, sharing the blame won't stop inflation. What is needed is a change in our attitude toward government—a willingness to pay the full price for government services, and a willingness to forego those services if they are too expensive. What is needed is a change in political climate—a change that makes it political suicide for a representative or senator to vote for a program without accurately assessing its inflationary impact.

This change must begin at the grass roots, and bankers must play a key role in bringing it about. We are the financial leaders of our communities. If we don't speak out about inflation, who else will?

We must speak out at every opportunity—in our advertising, in our public relations, in our contacts with customers, in our contacts with legislators and regulators. We must organize our communities into special-interest groups against inflation, and we must make sure their voices are heard in Washington.

I don't have to point out how quickly Congress can respond to the will of the people—once the people find a way to get the message to Capitol Hill. Nor do I have to tell how difficult it can be to effect a truly significant change in the political climate of this nation. We cannot persuade ourselves that the task will be easy.

But I am convinced we at least can make a good beginning. I am reminded of an interview Katharine Hepburn once gave to *People* magazine in which she expressed her distaste for the increasing permissiveness in our society. The reporter asked whether Miss Hepburn did not think this era would pass.

"Yes," she replied, "the pendulum eventually will swing back. But someone has to begin by giving it a push."

It's time for bankers to begin pushing. ●●



# Operation Unravel:

## *ABA Gives Progress Report on Its Effort To Cut Federal Paperwork, Regulations*

**OPERATION UNRAVEL** — It sounds as though it could be a spy operation. Actually, it's the ABA's long-term government-relations effort to reduce federal paperwork and regulatory complexities with which bankers must deal.

The project, announced last fall, has three goals:

- To roll back or modify burdensome laws and regulations that have little or no benefit for bank customers.
- To prevent further layering of unnecessary bank laws and regulations.
- To provide a rallying point for bankers and their allies in other businesses, in government agencies and in Congress who are determined to combat over-regulation.

To start the project off, the ABA asked for input from every ABA committee, and suggestions went into the association's headquarters in Washington, D. C., from across the country. The greatest number of ideas were contributed by the community bankers, bank card and installment lending divisions. Most of the requests for simplification were for the Truth-in-Lending and Fair Credit Billing acts.

The ABA reports that a growing tide of anti-red-tape sentiment has been reinforced in recent months with several substantive, if modest, beginnings on the part of Congress and the Administration. Also, bankers have recorded several initial successes in their campaign against unnecessary paperwork and regulations. Where progress has been made, it has been achieved through cooperation of numerous persons and groups — bankers, bank regulators, members of Congress and Administration officials.

Regrettably, the association adds,

the past several months have seen new paperwork tangles and potential new regulatory mazes begin to loom on the horizon. The ABA suggests that concerted action can prevent these potential problems from taking concrete form.

Operation Unravel has four current top-priority items, 11 areas in which progress has been recorded since last fall, two major new regulatory tangles and some 38 items of regulatory complexity and paperwork that are long-standing targets of the program.

### **Current Top Priorities**

1. *Truth-in-Lending simplification* appears possible this year, although Congress' crowded calendar makes the prognosis doubtful. The Senate has approved S. 2802, which would significantly improve the Truth-in-Lending Act. The House Banking Committee chairman, Henry Reuss

(D., Wis.), has introduced a related measure.

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

2. *Simplification of call reports* for small banks is in the offing. All three federal banking regulatory agencies are expected to issue proposals soon to reduce the paperwork connected with small banks' quarterly income and condition reports. These changes could be made final by year-end.

3. Reducing banks' paperwork and account costs under the *federal food-stamp program* may be possible under the Food Stamp Act amendments of 1977, which eliminated the requirement that food-stamp recipients pay for their stamps. As a result, the ABA points out, there seems to be little reason for banks to continue their previous costly level of involvement in the food-stamp program. The ABA is working with the Agriculture Department to explore this opportunity for banks to cut their red-tape and accounting costs associated with food-stamp handling.

4. Repeal of the *carryover-tax-basis provisions of the Tax Reform Act of 1976* remains a distant, but necessary, goal. The provisions not only increase heirs' taxes significantly, but also make



executors' duties almost impossibly complicated. The ABA gives this example: Executors would be required to determine the value of the property at the time the decedent acquired it and then make four different adjustments to determine the property's tax base.

A bill now before the Senate would postpone the effective date of the carryover basis until the end of 1979, and the ABA is actively urging that hearings on the issue be held during the proposed moratorium — hearings that bankers hope will lead to complete repeal of the carryover basis.

### Hopeful Signs

*President Carter's Executive Order 12044* requires all federal agencies that report to the President to establish procedures for developing new regulations that increase public participation in federal rule setting; to analyze the potential impact of new federal regulations and to reform existing rules that are outdated or excessively burdensome. The Office of the Comptroller of the Currency is initiating a regulatory review under this order, while the FDIC has established a task force of senior officials to examine existing rules to determine whether they can be improved, simplified or eliminated.

The Fed has reactivated a comprehensive plan — *Project Augeas* (named for the mythical Augean stables, which Hercules cleaned after 30 years of neglect) — to review all Fed regulations by 1979, starting with rules affecting banks and bank HCs and then moving on to all other regulations, interpretations, policy letters and operating circulars.

The Paperwork Reduction Act of 1978 (H.R. 12158), sponsored by House Banking Committee Chairman Reuss, would require every new piece of federal legislation to include a paperwork-impact statement (which could help Congress avoid future mistakes like the Real Estate Settlement Procedures Act. The same measure would terminate federal agencies' authority to gather statistics unless specifically re-authorized to do so by Congress within five years after the bill's enactment. It also would simplify provisions of the Truth-in-Lending Act.

Bills now pending in both the Senate and House (S. 2 and H.R. 1756) would provide for a six-year schedule of congressional reconsideration and re-authorization of nearly all federal programs. Under such *sunset legislation*, programs not re-authorized would be

terminated automatically. The bills are intended to strengthen the congressional budgetary process, halt over-regulation and improve Congress' oversight of the executive branch. Although both bills have numerous sponsors, the pressure of other legislative business is such that only strong and visible public interest could give them a chance of being enacted this year.

"*Sunrise*" legislation (H.R. 10421), introduced by Representative Butler Derrick (D., S.C.) and 100 cosponsors, would require any new authorization bill to include a statement of specific objectives and planned annual accomplishments of the federal program or programs involved. It's intended to improve congressional oversight of federal programs by providing information on the extent to which those programs are achieving their stated objectives.

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**Operation Unravel has four current top-priority items, 11 areas in which progress has been recorded since last fall, two major new regulatory tangles and some 38 items of regulatory complexity and paperwork that are long-standing targets of the program. Truth-in-Lending simplification is a top goal of the project.**

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*The Financial Regulation Simplification Act*, which has been added to the Financial Institutions Regulatory Act (H.R. 13088), would direct all federal financial regulators to review their existing regulations to determine whether they are simple and clearly written, whether they achieve legislative goals effectively and efficiently and whether they impose unnecessary costs and burdens on the economy, financial institutions or consumers.

At the ABA's urging, the Senate Select Committee on Small Business has decided to eliminate from a pending bill a provision that would have required federal banking agencies to conduct *annual surveys of credit needs of small and moderate-size businesses* — a project the ABA believes to have dubious merit and to be costly to banks and bank regulatory agencies. Instead, the committee plans to ask regulators to recommend a less costly method of

determining small businesses' credit and capital needs.

### Preventive Medicine

One of Operation Unravel's goals is to prevent further layering of unnecessary, complex and costly regulations on banking. In that connection, two issues stand out as areas in which strong action now can prevent the future necessity of going back over old ground and unraveling mistakes made now.

1. *Regulations to be issued under the Community Reinvestment Act* could be one of the most significant and burdensome developments banking has faced in many years. Depending on how the law ultimately is interpreted by regulators, it could mean anything from universal political allocation to a declaration of intent by regulators that local lending should be encouraged. The law requires regulators to take into account a lender's record of meeting community-credit needs when regulators evaluate a lending institution's application for any change in status — new branch, new headquarters location, new HC activity or acquisition, etc.

The law is so vague that all four financial regulatory agencies — the Fed, FDIC, Comptroller and Federal Home Loan Bank Board — believe it's necessary to hold hearings in Washington and several other cities across the country to try to determine how people interpret the law. The ABA and many bankers have told regulators that only a regulation as broad and general as the law could satisfy the spirit of the law. At the most, the ABA argues, the law's requirements should be met by instructing bank examiners to work informally with lending institution boards to review local credit needs and the extent to which they are being met.

Proposed regulations implementing the CRA do incorporate the concept of having financial institutions' boards play a major role in determining and responding to local communities' credit needs. However, the proposed process for subsequently determining whether those credit needs have been met seems unnecessarily complex and inflexible.

2. A standby *gasoline-rationing plan*, which has been announced by the Energy Department, would use banks as gas-rationing coupon issuers and collectors. According to the ABA, the political and economic reality is that gas rationing isn't a matter that can be relegated safely to the distant future, but the key issue involved in the department's plan is that private businesses would be used in a potentially

# What can we do for you?

## Just ask any one of these Commerce Bankers attending the ABA Convention.



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*Chairman*



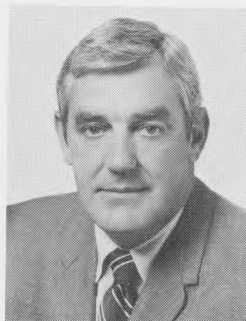
P. V. Miller, Jr.  
*President*



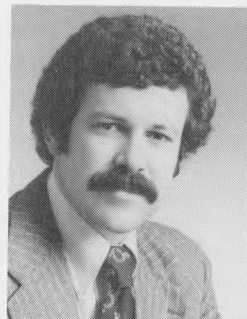
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disruptive way as agents of a costly, complex and labor-intensive government program — without reimbursement. Even with reimbursement, the ABA believes it wouldn't be practical for banks to participate in the program as it's envisioned by the government. The paper-based coupon transactions could overload banks' processing capabilities to a dangerous point; numerous additional personnel would have to be hired, and bank lobby traffic would be seriously disrupted. The ABA is working with the Energy Department toward the goal of achieving a contingency gas-rationing program that is as efficient as possible and that minimizes the fundamental inconvenience to people that's inherent in any rationing system.

Long-term targets of the ABA's legislative efforts are divided into these areas: consumer (including the

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## Conference for Executives Of Community Banks Planned by ABA for March

KANSAS CITY — The ABA will hold its first community bank executive conference March 25-28 at the Crown Center here. The theme will be "The Challenge of Managing Change: Legislation, Competition, Innovation."

According to Jack O. Weatherford, conference chairman for the ABA's community bankers division, the conference planning committee is developing a full schedule of concurrent forums, special-interest sessions and general sessions from a priority list of topics suggested by community bankers as the areas of greatest concern to them. Mr. Weatherford, chairman, Murfreesboro (Tenn.) Bank, explains that a community bank generally is identified as one with \$100 million or less in total resources. About 92% of the nation's 14,000 full-service banks are considered to be community banks.

The goal of the conference, Mr. Weatherford continues, is to provide community-bank CEOs and other senior policy-making management with one national forum specifically designed for them, an opportunity for an exchange of ideas among their peers and an exposure to people, materials and programs that will challenge management action.

"Our hope," he says, "is to foster personal growth and motivation among the attendees and encourage a greater awareness of bankers' opportunities for

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**Regulations to be issued under the Community Reinvestment Act could be one of the most significant and burdensome developments banking has faced in many years . . . CRA could mean anything from universal political allocation to a declaration of intent by regulators that local lending should be encouraged.**

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Fair Credit Billing and Equal Credit Opportunity acts), trust, funds allocation/acquisition, operations/services and general. ••

community and political involvement."

Besides the working program, there will be an educational display and an activity center. A spouses' program will be heavily focused on the conference program.

Space restrictions require that registration be limited to 700 bankers, who will be accepted on a first-come-first-served basis.

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## Agricultural Bankers to Meet In Nashville Nov. 12-15

NASHVILLE — National spokesmen in agricultural finance, federal legislators, bankers and industrial leaders will take part in the ABA's national agricultural bankers conference November 12-15 at the Opryland Hotel here.

One of the speakers will be Senator Howard H. Baker Jr. (R., Tenn.), minority leader, U. S. Senate.

The conference will feature outlook presentations on such topics as the general economy, cattle, grains and soybeans, cotton and hogs. An added feature to the outlook session will be a consumer-viewpoint presentation by Barbara Keating, president, Consumer Alert Council, Stamford, Conn.

Daniel G. Sisler, professor, agricultural economics, Cornell University, Ithaca, N. Y., will discuss world market opportunities in agriculture.

An array of forums and workshops will offer bankers ample opportunity to exchange their views with experts leading the sessions.

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## First Standards Workshop To Be Scheduled by ABA Will Be Held Dec. 13-15

DALLAS — The ABA's first standards workshop will be held December 13-15 at the Fairmont Hotel here. The program will be designed for all bankers concerned with application of standards, particularly middle managers, product-planning officers and operations officers for bank cards, checks and EFT services.

The program will feature discussions of standards issues in three key areas:

- *Bank cards* — key information on security and communications.

- *Checks* — MICR (magnetic-ink character recognition), OCR (optical character recognition) and latest check-truncation developments.

- *EFT* — consumer-network-user interface, OCR remittance bills and telephone bill paying.

Those attending will have the opportunity to take part in give-and-take discussions with those bankers and other representatives from related industries who participate regularly in the standards activities of the ABA, the American National Standards Institute and the International Standards Organization.

"What bankers will learn at this workshop and what the ABA will learn from a better understanding of bank needs during open discussion," says ABA Standards Director James T. Booth, "will influence the future direction of positions to be taken on standards for the banking industry."

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## Customer Resistance

(Continued from page 25)

and reasoning that produce belief and acceptance.

- Replace indecision and procrastination with conviction and urgency that produce decisive action.

For example, when a customer questions the amount of your charges, you must be able to clearly show sufficient values to justify them, or when he expresses concern about the inconvenience of your bank, you must be able to demonstrate sufficient compensating values to warrant trading off convenience.

3. *Effective communication methods* are needed to transmit facts, logic, evidence into a customer's mind so his viewpoint can be changed. Because of the emotional origin of much of the resistance that you'll encounter, it isn't always possible to get your facts, logic



and evidence directly into a customer's mind. His fears and doubts can cause him to build an emotional wall in the front of his mind that will deflect your reasoning, no matter how sound it may be. Effective communication methods are needed to scale the customer's emotional wall so your reasoning can be delivered into his mind to alter his viewpoint. Methods by themselves will not resolve resistance, but when properly used in combination with appropriate facts, logic and evidence, they can produce desired understanding, acceptance and action. Effective methods for resolving resistance include:

- *Ask clarifying questions* — to identify and define the underlying causes of resistance, so that you can employ relevant reasoning and methods to resolve it. Only as you understand the customer's viewpoint can you hope to change it. This method frequently is used as a preface to the other methods.

- *Describe third-party experience* — to let the customer see — through the objective experience of another customer — how and why his viewpoint can be changed. This method is particularly effective with emotional resistance, because it avoids

contention and lets the customer see the answer to his resistance without requiring him to agree with you.

- *Outweigh with benefits* — to put the customer's resistance into a balanced perspective by causing him to analyze his viewpoint in relation to the benefits to be gained by changing it. This method is particularly effective in resolving resistance involving price, time and convenience.

- *Educate by analogy* — to help the customer see through his own experience the answer to his resistance by drawing a parallel from what he knows to the viewpoint he's expressed. This method is effective with both emotional and rational resistance, since the customer supplies much of the reasoning used to modify his viewpoint.

- *Add proof of performance* — to remove uncertainty or doubt that can cause a customer to become indecisive when confronted with an action decision by supplying number proof or case proof to reinforce his conviction. This method is most effective when a customer's indecision is caused by lingering doubts about the capacity of your service and bank to deliver promised benefits.

- *Give reasons to act now* — to motivate decisive action by pointing

out disadvantages and risks of delay and stressing advantages and benefits of immediate action. This method is most effective when a customer is procrastinating because he feels no urgency about acting or because he perceives a valid reason for delay.

In our next "Let's Talk Selling" article, we shall examine how to apply each of these methods in specific detail. ●●

#### Operations/Automation Workshop Planned Nov. 15-17 in KC

KANSAS CITY — The ABA's operations and automation division will hold its central regional operations/automation workshop November 15-17 at the Radisson Muehlebach Hotel here. The workshop will focus on changes in banking and how banks can profit better by greater knowledge of the future and its effects on banking.

The program is designed for the mid-level bank officer with responsibilities in bank-operations management, data management, administrative management, program management or general management.

There will be special-interest sessions, limited to 25 individuals each, repeated up to three times. In addition, there will be a morning general session featuring an EFT symposium, to be followed by a management seminar on strategic planning in the afternoon. Peer-group sessions will offer bankers an opportunity to discuss issues and problems and share experiences with others who have the same responsibilities in similar-size banks. Each peer group will select its own topics, such as bank-operations management (from postal issues to check processing), data processing (from time sharing to equipment-capacity planning) and EFT (from automated clearinghouses to shared ATM networks).

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*Appearance  
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#### Robert H. George Dies

MEMPHIS — Robert H. George, 48, died of cancer this summer. He served Union Planters National as a correspondent-banking representative for many years. His territory covered Mississippi, Arkansas and Texas.

Mr. George, who was with the bank 25 years, was a member of a banking family. His father, the late L. L. George, and grandfather, the late Henry George, were Mississippi bankers, dating back to 1907.

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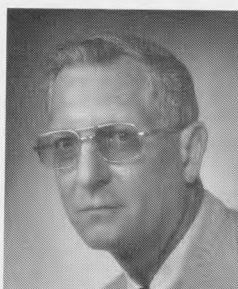
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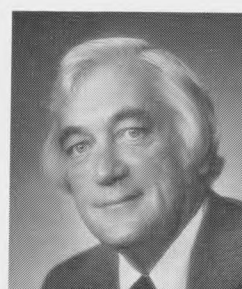
**Charles Kilpatrick**  
*15 years*



**Granville Ramsay**  
*6 years*



**Richard Fletcher**  
*25 years*

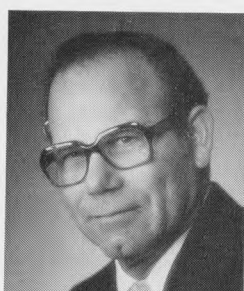


**Stuart McCown**  
*21 years*

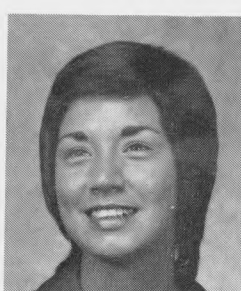
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INVESTMENT OPERATIONS**



**Margaret Colucci**  
*12 years*



**Oral Kee**  
*10 years*



**Pam Nelson**  
*3 years*



**Debbie Totty**  
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# Truth-in-Lending Holds First Place As Most Odious Federal Regulation

## *'How to Cope' Session Set for ABA Convention*

**P**ROBABLY the most popular event on the ABA convention program will be the series of workshops on how to cope with new laws and regulations.

And the second-most popular activity could well be the series of meetings designed to allow bankers to engage in a dialogue with federal regulators.

A survey of MID-CONTINENT BANKER readers reveals that Truth-in-Lending (Regulation Z) is the greatest thorn in the side of bankers, followed closely by the Real Estate Settlement Procedures Act (RESPA).

Other consumer regulations that are unnerving bankers, listed in descending order of their dislike, include the Equal Credit Opportunity Act, Home-Mortgage disclosure regulations and Fair Credit Billing regulations.

Many bankers agree that Regulation Z causes additional expense to banks and customers alike. In addition, it makes credit much more costly and harder to obtain, especially for small customers borrowing small amounts. That's the opinion of E. A. Luce Jr., president, First Security Bank, Sour Lake, Tex.

Emphasizing the cost burden Regulation Z places on banks, Leon Page, president, Franklin (Ky.) Bank, says the regulation changes so often that it's almost impossible for a bank to stay in compliance unless it hires a full-time employee to keep abreast of changes.

To make matters worse, customers don't really care about Truth-in-Lending, says an Indiana banker, and they often feel that the regulation is something the bank has imposed on its customers to make it tougher to get a loan.

A more moderate appraisal is given by Ira B. Hyde, chairman and president, Peoples Bank, Mercer, Mo. He thinks Regulation Z is OK for installment loans, but not for agricultural loans. J. F. Suellentrop, president, State Bank, Colwich, Kan., adds that Regulation Z increases the work load at the bank, but "we are somewhat used to it."

Comments about RESPA include the following:

By **JIM FABIAN**  
Associate Editor

• "It's too involved with needless paperwork."

• "It's not appropriate for small banks. The regulation has changed so many times we can't keep up with the changes."

• "It causes red tape for our customers and is just another piece of time-consuming paperwork."

• "RESPA is nonproductive and has no merit."

• "It increases costs for both the bank and the customer, causes delays and makes real estate loans much harder to obtain."

Bankers criticizing the Equal Credit Opportunity Act regulations term them a good idea that has been carried too far and unneeded regulations that cause additional costs without benefiting the public. One banker complained that the regulations cause banks to let down their guard and take credit risks they shouldn't — or wouldn't — take if it were not for the regulations.

A critic of the Home-Mortgage Disclosure Act regulation said it causes red tape for customers. "I've not had one customer who cared. The disclosure statement gets filed away with other papers and isn't used to make comparisons with rates of other lenders," the critic said.

The ABA has been supporting its members in their complaints about federal regulations, especially in the area of Regulation Z.

The ABA has charged that conflicting court interpretations of the law, combined with lengthy and complex rules issued by federal regulators, have created unnecessary complexities for lenders and escalated costs for borrowers.

"It is today almost impossible for a creditor to prepare a closed-end disclosure statement for consumer-credit transactions that doesn't violate some court holding somewhere in the country," said Walter W. Vaughan, senior

vice president, Lincoln First Bank, Rochester, N. Y., in testimony before the Consumer Affairs Subcommittee of the House Banking Committee. Mr. Vaughan is chairman of the executive advisory council of the ABA's installment lending division.

One difficulty with present Truth-in-Lending disclosure requirements is that many courts have held that secondary information contained either in consumer-loan contracts or in associated documents should be repeated in formal Truth-in-Lending disclosure statements.

"The question isn't whether the customer has been notified of the provision, but simply whether that notification should have been set forth in the Truth-in-Lending-disclosure-statement portion of the contract," Mr. Vaughan said.

Lenders have responded by lengthening their disclosure statements, creating an "information overload" that detracts from the usefulness of the disclosure statements to customers.

Mr. Vaughan said that Truth-in-Lending disclosure statements would be more useful to consumers if they simply revealed the amount financed, annual percentage rate and total of payments, as well as the number, amount and due dates of payments.

Because of the escalating confusion and complexity associated with the Truth-in-Lending Act, the ABA spokesman said, it's time for Congress to reassert its authority and to determine as a matter of legislative policy how the act's objectives should be fulfilled.

A bill to simplify Regulation Z has been approved by the Senate (S. 2802), but it's unlikely that the bill will make it through both houses of Congress this session.

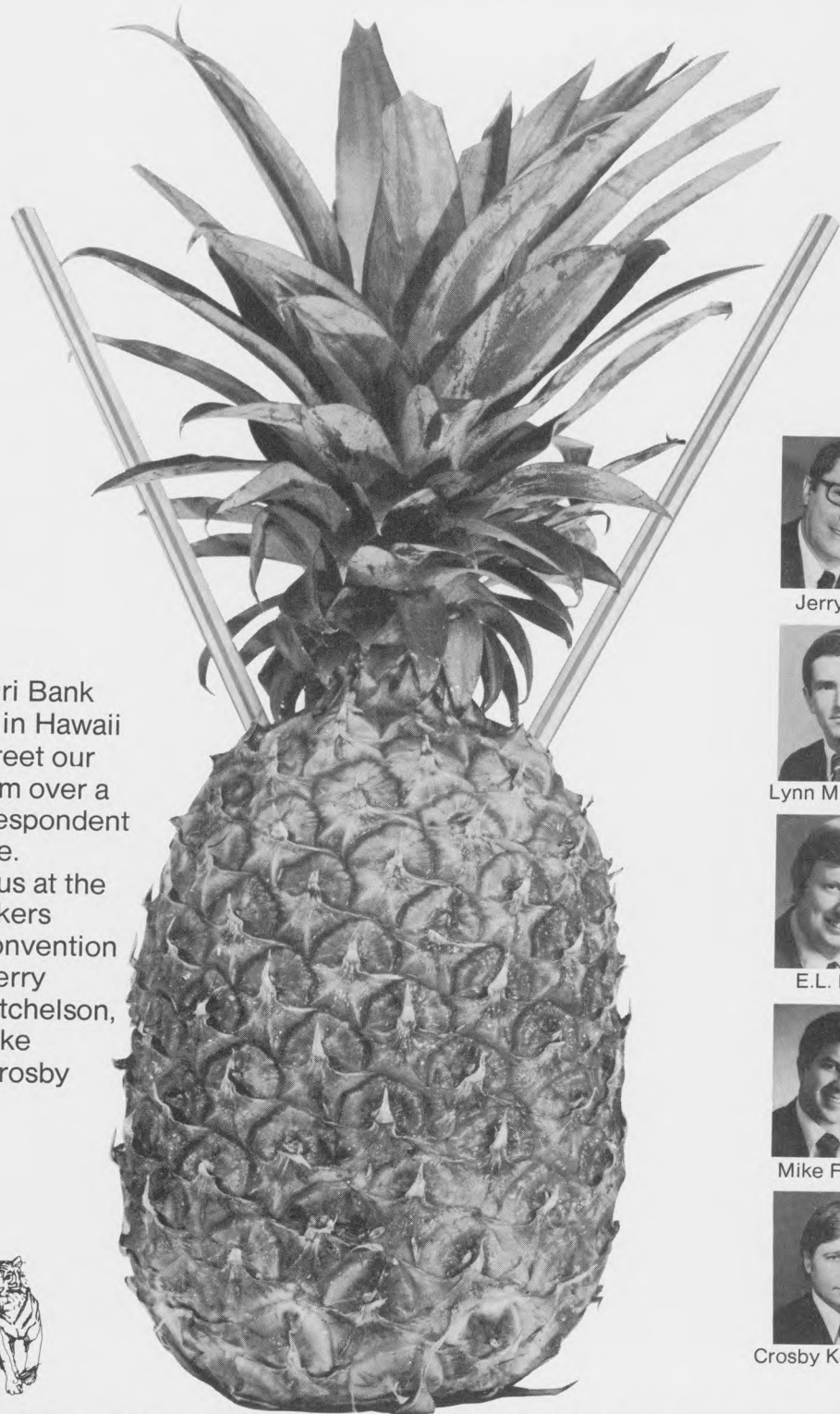
The bill would exempt agricultural loans, limit "material" disclosures and require the Fed to issue model TIL disclosure forms that would not be subject to civil-liability claims.

The new Community Reinvestment Act (CRA) is expected to be a popular discussion topic at the ABA convention

MID-CONTINENT BANKER for October, 1978



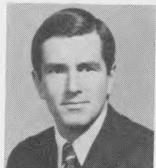
# ALOHA!



United Missouri Bank is happy to be in Hawaii to meet and greet our colleagues from over a thousand correspondent banks we serve. Representing us at the American Bankers Association Convention this year are Jerry Scott, Lynn Mitchelson, E. L. Burch, Mike Fleming and Crosby Kemper III.



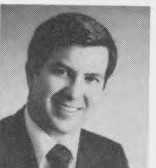
Jerry Scott



Lynn Mitchelson



E.L. Burch



Mike Fleming



Crosby Kemper III



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MID-CONTINENT BANKER for October, 1978

sessions, too.

Regulations to implement the act are designed to encourage banks to fulfill the intent of the act in their own way rather than by following lengthy regulations to the letter, said Comptroller of the Currency John G. Heimann recently.

The CRA is designed to encourage financial institutions to invest in their local neighborhoods and to show proof of such investment before any request for merger or relocation is honored by the Fed.

CRA regulations are part of a new approach on the part of regulators to relax the implementation procedure of such legislation. In effect, regulators are stating, "Do it any way you want, but do it!"

Many bankers wish such a policy could apply to other regulations, especially Regulation Z and RESPA! ●●

## Direct Verification

(Continued from page 10)

not, or should it be a negative verification in which he answers only if discrepancies are found? There are arguments both ways.

Perhaps the positive gives a certain greater degree of control, since with the negative you never can be sure whether the account is correct or whether the customer is just too lethargic to answer. Because of this, the positive form is used almost four to one over the negative, even though it requires greater thought and preparation plus handling of the mechanics.

**Surprise Element.** The program will do less than it should if advance notice is given to the bank's employees. "Leaks" give the defalcator a chance to cover up, or, if he feels pressed, to make a real haul in one big scoop, taking off thereafter for parts unknown.

But the bank must let its customers know what to expect. This is best done by explaining to new customers that it's a "regular banking procedure . . . for your own protection." To present customers with printed announcements of the bank's protective measures will prepare them for what's to come. A short description of the process and what will be expected of them is in order.

**Mechanics.** The actual verification procedure will vary from bank to bank, but there are some sound, basic rules that are good in every case. These include:

1. Seize control of ledgers or printouts at time of verification. No adjust-

ments should be allowed, nor should the ledger or printouts be released until the work is done and the accounts balanced.

2. Confirmation forms should be prepared and sent out to the selected customers.

3. As confirmations come in, they should be checked off at once. It's helpful to have a pre-numbered series so that no time need be wasted hunting through alphabetical lists and the like. This not only makes the checking easier, but makes it easy to catch omissions.

4. No confirmations brought to the bank in person should be accepted. If the customer appears at the bank with his confirmation, he should be asked to retain possession of it until he can give it directly to the auditor. Or, failing this, he should be given an envelope into which the confirmation may be placed. The envelope then should be sealed and signed *by the customer*.

5. Be certain the signatures are the same as those on file. Accept no changes or perversions such as "signed for Mr. Smith by his secretary." These are worthless.

6. *Investigate all exceptions immediately!* For here's the crux of the whole matter. Each exception is a possible source of trouble and should be treated as such.

**Number of Notices.** Second notices are usual when replies fail to come in. Beyond that, much depends on the particular account, so persons with knowledge of it should be consulted. It may be that the customer is aged or infirm or it may be that attorneys have mistakenly advised him "not to sign anything." In any case, further notices may antagonize these people, so it's well to proceed cautiously if at all. Suffice to say, these accounts should be double-checked by the auditor.

**Where to Verify.** Commercial accounts are paramount in importance. Most are agreed on the wisdom of verification in this area, and it's routine in many banks to reconcile all accounts of business firms and the like.

Incidentally, verification in the savings department may, and often does, have salutary secondary effects. In the case of long-dormant accounts, such procedures may activate them to the bank's benefit. In the case of small, nuisance accounts, the items may be closed out, thus saving banks non-profitable headaches.

Many banks across the nation are directly verifying their savings accounts 100% — at little expense to the banks. This is done by a slight programming change coupled with a rede-

sign of the 1099 form already required of banks to mail to their savings customers following the close of each year. No extra postage is necessary, since the verification form is mailed to the customer in the same envelope with the 1099 form.

On loan-department notices, it's well to show: 1. Account number. 2. Original loan amount. 3. Interest rate. 4. Number of payments made (on installment loans). 5. Amount of each payment (on installment loans). 6. Collateral involved. 7. Date and amount of last payment. 8. Present balance.

One last caution: Notices are *never* to be prepared by anyone who ordinarily handles ledgers, computer reconciliations and/or posting work.

**Response.** Responses to direct-verification notices, for the most part, are very good. In most cases, replies are over 80%, with some up to over 99%.

Direct verification has a place, a definite place, in audit control. It's one more way in which you can and should make life increasingly difficult — and certainly unprofitable — for a dishonest employee. There's no greater deterrent to crime than the knowledge that exposure is inevitable. When used properly, the verification procedure makes concealment all but impossible. It is added protection for you and for your customer. ●●

### ATMs Renamed by BofA



Bank of America has changed the name of its ATM service from "Bank-Ameriteller" to "Versatel." The new name is said to be more flexible and suggests the versatility of the services provided by the ATM, a spokesman said. BofA has five ATMs in grocery stores in Los Angeles as part of a pilot program.



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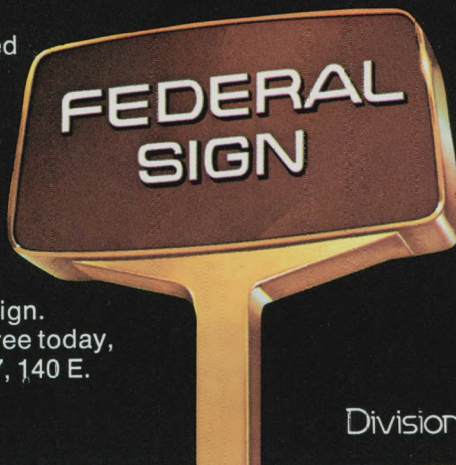
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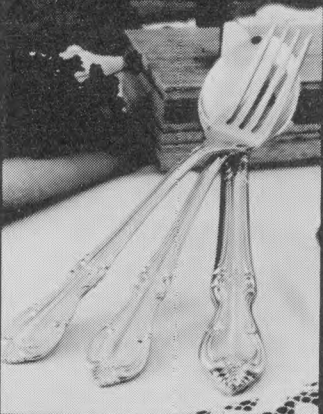
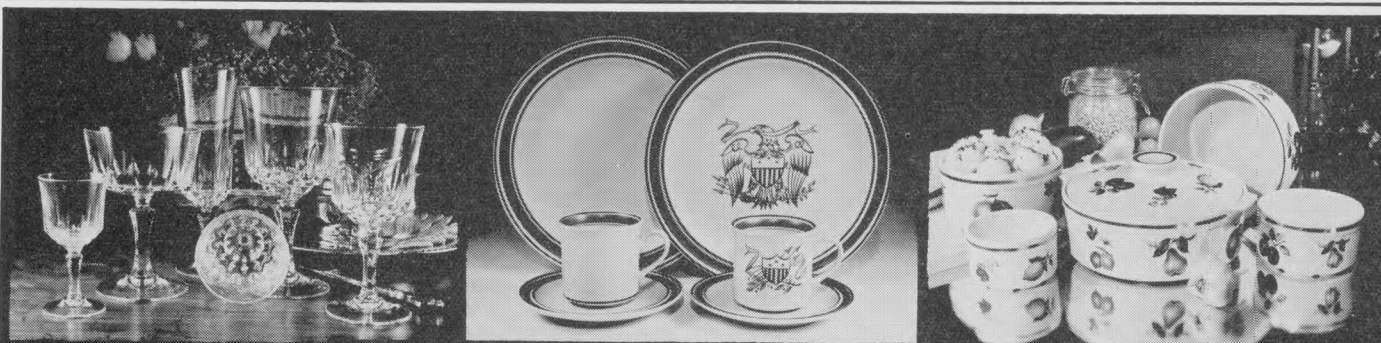
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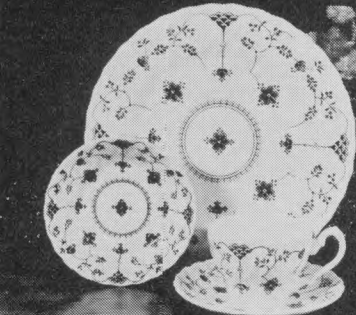
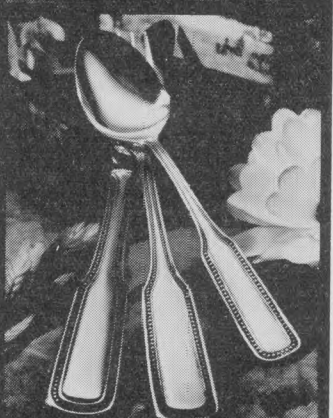
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# Shopping Sprees, Hot Air Balloon Focus Public Attention on ATMs



Indiana housewife loads up on meat during two-minute shopping spree sponsored by First Bank, South Bend, during ATM promotion at supermarket facility.

THERE ARE as many ways to promote automatic teller machines (ATMs) as there are financial institutions using them. And, as more ATMs are installed by banks, thrifts and credit unions, there's more demand for innovative ideas on how to persuade the public to want to use the machines.

The problem is to come up with intriguing promotion ideas that aren't too "far out" for the customers of financial institutions. Following are reports on several ATM promotions that have worked well for sponsoring banks. They range from food giveaways to hot air balloons and from humorous TV commercials to satellite transmission credit authorizations.

Many recent ATM installations are in grocery stores, where they are convenient to shoppers who are looking for ways to consolidate the stops they must make during the week.

First Bank, South Bend, Ind., recently installed ATMs at new full-service branches in two markets, and, when developing a market program for the units, bank officials worked closely with market managements to set up a food giveaway promotion that would underscore the bank-supermarket relationship.

During the first two weeks each new office was open, the public was invited to register for \$20 baskets of groceries, one given each day. A second drawing was held each Saturday of the grand opening period that enabled winners to take home \$100 worth of foodstuffs.

On the final day of each opening, a grand prize drawing was held. One winner at each store was given the opportunity to go on a two-minute shopping spree at the market, with First Bank paying the bill.

To publicize the grand prizes, the bank arranged for a local disc jockey to open his studio phone lines to solicit his listeners' guesses as to the retail dollar value of the food the grand prize winners would accumulate during the two-minute shopping sprees. The listener who came closest to the actual value won a duplicate of everything the grand prize winner picked up at the market.

Each shopping spree was broadcast live by the disc jockey and the grand-prize winner was interviewed on the air after the spree. The first winner picked up about \$400 worth of groceries; the second packed almost \$700 worth of items in her cart.

The level of public interest in the sprees was evident from the volume of listeners trying to call in to the radio station. The telephone company estimated that 34,000 persons tried to call the station in a one-hour period. Less than 40 could complete their calls to register their guesses as to how the

**2 for 1**

Buy one Dinner Box, get one free when you use your Third National 24-Hour Teller for \$20<sup>00</sup> or more, May 15, 1978 through June 15, 1978.

This offer is good, one per UniService Card, upon verification of your 24-Hour teller receipt at your favorite Kentucky Fried Chicken outlet. To be eligible you must take your 24-Hour Teller receipt with you, showing the date used for a minimum \$20 transaction--then have chicken on the Colonel!

"It's nice to feel so good about a meal"

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Each depositor insured to \$40,000 Federal Deposit Insurance Corporation

Newspaper ad announced two-for-one Kentucky Fried Chicken dinner offer to customers using ATM of Third Nat'l, Ashland, Ky.

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## A FEW TYPICAL EXAMPLES

1 - TRUMBULL SAVINGS & LOAN CO., Warren, Oh., beautifully illustrating their new MAIN OFFICE being dedicated this October. It replaces, in fine character, the original building they opened for business in 1889, celebrating 88 years of progressive service to their community.

2 - BANK OF MIDDLESEX, Urbana, Va., celebrating their 75th Anniversary, depicting Steamer "Middlesex" which plied the Rappahannock River at the time the Bank first started in 1902. Gave to 5000 guests of the Bank during the celebration, a "tremendous success".

3 - OLD PHOENIX NATIONAL BANK, Medina, Ohio, reproducing a painting they have of the original building the Bank started in 1857, showing the horse-drawn coach of the time, which is the Bank's trademark. 25,000 used effectively over an extended promotion celebrating 120 years of continuous service, a historical "collectors" item sought after and proudly displayed by thousands.

4 - FIDELITY TRUST COMPANY, Stamford, Conn. One of six murals in their main office, this Historic scene "First Train to Stamford, Christmas, 1848" reproduced in beautiful original colors, a tremendous success with their 1976 Christmas Club, 7200 used, with continuing requests for this "local" bit of history during the ensuing year.

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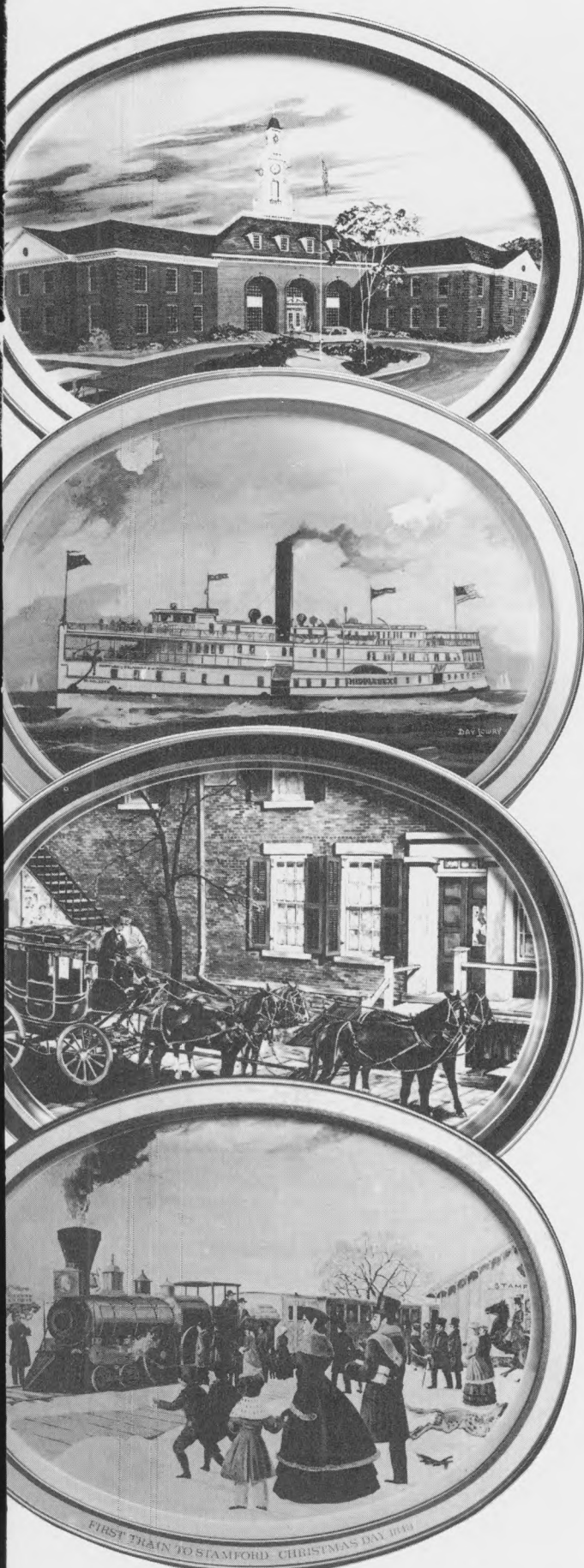
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Owl Network hot air balloon is readied for flight over Cincinnati to attract attention to network's ATMs, which operate in portions of Ohio and Kentucky.



One of six "Pockets" ATM facilities operated by First Nat'l, Stillwater, Okla. During introduction of units, transactions were authorized via orbiting satellite.



Tooth fairy TV commercial for BayBanks, Boston, is shot at Diebold National Display Center. TV spots promoted HC's ATM service using broadcast comics Bert Berdis and Dick Orkin.

spree winners would do.

The bank was pleased with the promotion. According to a spokesman, "There was superb cooperation and organization among all the parties involved, and everyone derived some benefits from the promotion. We were able to have fun and generate excitement in the community while helping some consumers cut their grocery bills. . . . The entire food giveaway program was the perfect tie-in for the opening of our supermarket branches. There can't be very many people in this market who don't know that First Bank has two full-service offices in local supermarkets."

Another ATM promotion involving food was sponsored by Third National, Ashland, Ky. Ron Dixon, marketing director for the bank, proposed that customers using the bank's ATMs from May 15 to June 15 be given the opportunity to purchase two dinner boxes of Kentucky Fried Chicken for the price of one simply by showing their ATM receipt at local chicken outlets.

The offer was publicized in the local press, on the radio and with lobby display cards, which were posted at all branches and at all Kentucky Fried Chicken outlets in the bank's trade area.

According to Mr. Dixon, the results were astounding. Interest in the bank's 24-hour teller increased dramatically, along with applications for access cards and inquiries. "A 21% increase in total number of transactions — above the normal increase expected during this period — really got the program everything we expected, and more!" Mr. Dixon said. He added that he expects the promotion will be repeated soon.

What's the best way to get college students to sign up for ATM service? Send an owl to campus!

This is what the Owl Network did this fall at the University of Cincinnati. The "owl" is really a person dressed in an owl costume. It joined freshman orientation leaders at the university as the fall term began, welcoming new students and acquainting them with some of the features of campus life. The owl's real role, of course, was to introduce incoming students to the Owl Network Day and Night Teller located at the university and to encourage students to open accounts with Central Trust, processing bank for the ATM/check guarantee network that operates in southwestern Ohio and northern Kentucky.

The owl appeared at the university's student center daily during the orientation period and met with different students and their parents each day. The owl demonstrated use of the ATM and Central Trust customer service representatives were on hand to conduct demonstrations and open accounts.

Every student watching an ATM demonstration received a poster commemorating the 3,000th hit of Cincinnati Reds baseball star Pete Rose; those opening accounts received free owl T-shirts. Owl appliques and magnets were distributed as

*(Continued on page BG/36)*

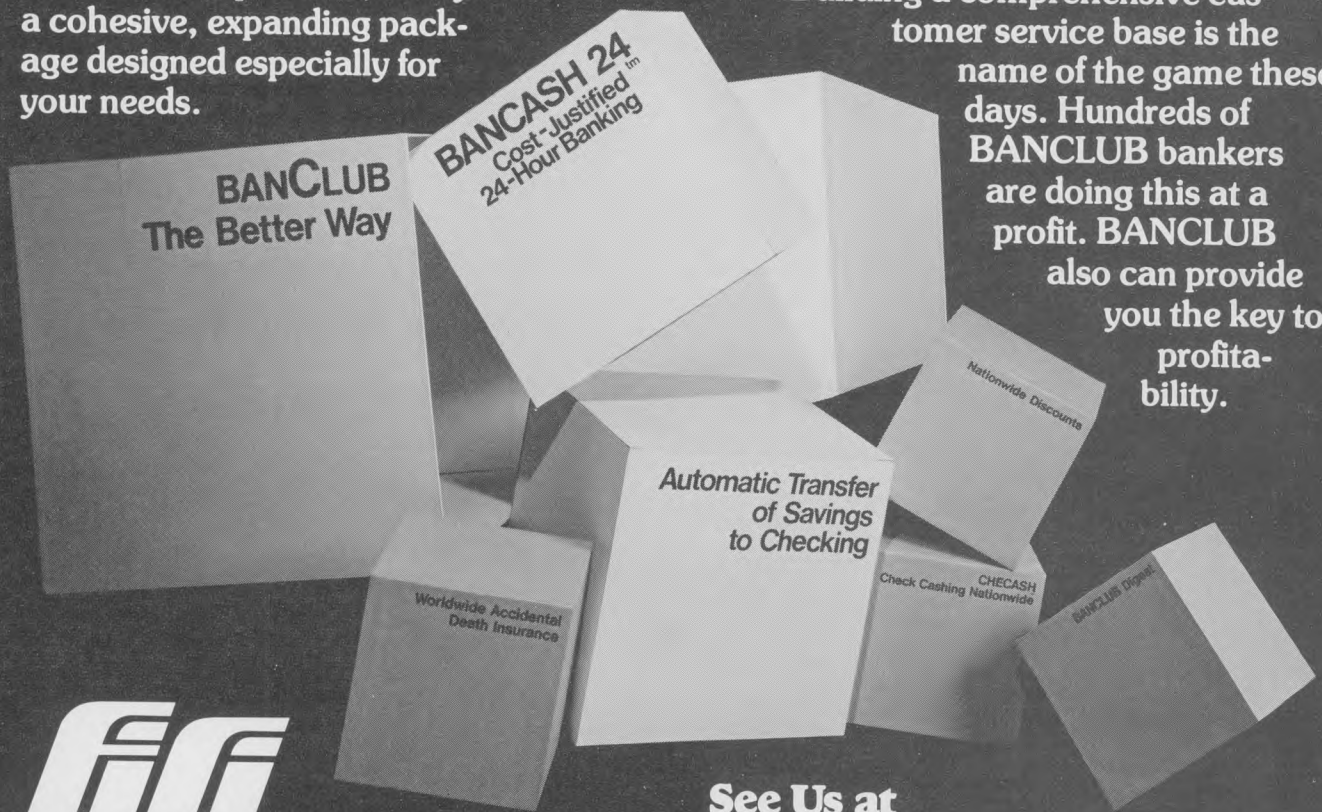


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# Firm Trains Thrift's Personnel To Give Better Quality Service

**F**OOTBALL tickets, promotions and wholesale appliances may attract new customer accounts to your shop like flies to honey, but poor customer relations won't make their stay so sweet. Train your best assets — your customer-contact personnel — in the art of consistently good customer service and you may end up with results paralleling those of Reliance Federal Savings, Jamaica, New York: current accounts maintained and new accounts developed.

In January, Reliance embarked on a customer-retention program designed to train all customer-contact employees in the areas of customer relations, cross selling and customer service. "Since our advertising slogan is 'Rely on Reliance,'" said Raymond L. Nielsen, Reliance president, "we decided that part of our marketing strategy should include a commitment to deliver even better service to our present customers."

Management went outside the organization and hired the Behavioral Consultants Division of Martin Greenfield Associates (MGA), Great Neck, N. Y. The firm held interviews with top management, visited each Reliance branch and "shopped" teller window transactions. All surveying was conducted on a confidential basis to create a trusted and relaxed environment, maximizing the flow of observations, comments and criticisms, said Burton Fischler, MGA's training director, who compiled information for the first training sessions.

The program began by training managers and assistant managers on a one-on-one basis. Two-hour

classes were conducted at the consultant's studio, a neutral environment that led to a more open attitude on the part of trainees. Participants were given an oral and a slide presentation consisting of a key word and a bold geometric design connoting the word, either "cross-sell," "telephone marketing," "customer retention" or "request action."

The presentation was reinforced with discussion questions and a written exam. Next, trainees role-played exercises on videotape that were watched on a monitor and discussed. When the training was completed, certificates were awarded to each participant.

Feedback from management trainees was favorable, so Reliance structured similar sessions for tellers. "Although providing good customer service may sound like one of the easier aspects of a teller's job," said Mr. Fischler, "it may actually be one of the most difficult to accomplish. Here's why: The customer's attitudes or moods change more frequently than do policies regarding association operations and procedures."

Tellers came from different branches, which opened up communication lines across the institution and let each person see he may not have been the only one experiencing certain problems.

The sessions were conducted in groups of three, the small number allowing the trainer to discuss branch differences, such as serving younger or older residents, blue- or white-collar neighborhoods and lower- to upper-income socioeconomic groups. Each session cost \$200, \$100 less than the firm would have charged to hold sessions at the bank and to move in all its equipment.

Tellers also used the videotape-recording equipment for role playing. They learned the best ways to handle difficult customer-contact situations, such as "available balance exceeded" situations, turning regular transactions into cross-selling opportunities and converting customers, intent on closing accounts, into high-interest certificate depositors.

Responses to the program were discernible almost immediately through Mr. Fischler's column in the Reliance house organ. Each month he included a quote relating to customer service and encouraged readers to submit anecdotes or problems.

A vault attendant wrote to say he had held a customer's baby while she completed her transaction. "She was ever so grateful," he wrote, "and she complimented me on being so friendly and obliging."

Others offered helpful hints, such as "Don't wear out the same greeting," "Slow down your expla-

*(Continued on page BG/32)*



Training for tellers of Reliance Federal Savings, Jamaica, N. Y., was held at studio of Behavioral Consultants Division of Martin Greenfield Associates, Great Neck, N. Y., considered to be a neutral environment. Two-hour classes were limited to three customer-contact personnel, giving Trainer Burton Fischler (l.) opportunity to work with individual problems.



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Especially designed for machine filling... a real time-saver. Packed flat. Instant patented "Pop Open" action with finger tip pressure. Denominations identified by color coding... 6 different standard colors.

**3 RAINBOW COIN WRAPPER**

Color coded for quick, easy identification. Red for pennies... blue for nickels... green for dimes... to indicate quantity and denominations... eliminates mistakes. Tapered edges.

**4 DUZITALL COIN WRAPPER**

Extra wide... extra strong. Designed for areas where halves are wrapped in \$20.00 packs... "red bordered window" for ease of identification. Accommodates \$20.00 in dollars, \$20.00 in halves. Tapered edges.

**9 BANDING STRAPS**

Ideal for packing currency, deposit tickets, checks, etc... do not break or deteriorate with age. Size 10 x 1/4 inches and made of strong brown Kraft stock with gummed end for ease of sealing. Packed 1000 to a carton.

**5 OLD STYLE COIN WRAPPER**

Basic coin wrapper in extra strong kraft stock. Printed in 6 different standard colors to differentiate denominations. Triple designation through colors, printing and letters. Tapered edges.

**6 KWARTET COIN WRAPPER**

Wraps 4 denominations in half size packages. A miniature of the popular "Automatic Wrapper"... 25c in pennies, \$1.00 in nickels, \$2.50 in dimes, \$5.00 in quarters.

**7 FEDERAL BILL STRAP**

Package contents clearly identified on faces and edges by color coded panels with inverted and reverse figures. Made of extra strong stock to assure unbroken deliveries. Only pure dextrine gumming used.

**8 COLORED BILL STRAP**

Entire strap is color coded to identify denomination. Printed amount appears on top and bottom of package. Extra wide for marking and stamping. Extra strong stock for safe delivery and storage. Pure dextrine gumming.

SEE YOUR DEALER OR SEND FOR FREE SAMPLES

THE C. L. DOWNEY COMPANY • HANNIBAL, MISSOURI • DEPT. F

# Year's Worth of Premium Ideas— Tie Them in With the Seasons!

By ORVILLE GOERGER, Contributing Editor

REMEMBER the old joke about the salesman who tried to sell bikinis in Alaska and snow shovels in Death Valley?

Don't snicker. Some banks' premium promotions could be just as ridiculous. At least they achieve the same effect when their premium is out of "sync" with the calendar.

With premiums, of course, being out of this time-step is not necessarily fatal. A good premium usually brings in some business no matter when offered. But even the best premium offered will get better results when there is a built-in seasonal demand for that product.

You don't believe it? Try selling snow-cones at Christmas or skis in July. It's possible, but not likely to produce record results. So why do it the hard way? Give people what they want, *when* they want it most — and results will be good.

It's easy to discover "in-season" products. Watch retail stores. Their sales success depends on good seasonal timing. Play "follow their leaders" and you won't be off target in selecting seasonal premiums.

One caution: Few premiums offer guaranteed success. Even veteran retailers guess wrong at times. That's why you see markdown sales after the season.

Remember, too, premiums do not enjoy equal success in every locality. An item may sell out in one city, but hardly create a ripple in another.

On the bright side, few premiums are "bad." Most offer customers good value and few people can resist getting something "for nothing" or at a saving. Yet it's good business to offer a product at the right time. It costs just as much to promote a moderate success as it does a blockbuster. Blockbusters give more return on your promotion dollar.

Successful premium use requires good promotion. Effective avenues are usually newspaper, radio, TV, lobby displays and direct mail.

According to one formula, you get 80%-85% of new business from present customers, only 15%-20% from prospects. So let customers know about your premium offers. Good lobby displays reach those who come into the bank; a folder enclosed with statement mailings contacts those who don't.

Mass media — newspaper, radio and TV — of course, reach both customers and prospects.

One other thing. It's helpful to plan premium promotions for the year — just as you budget. Decide now what services you will promote in 1979 and when. Then start looking for the best premiums for those seasons.

Here are several suggestions to start your thinking. Obviously, these are not the only choices, but they help illustrate how extra promotion wallop can be obtained by keeping premium offers in tune with the calendar.

Suggestions also are given for capitalizing on promotion opportunities. Again, these are merely illustrations to spark your own thinking.

## JANUARY

Blankets, a well-tested premium, are ideal for

Security Savings, Madison, Wis., took advantage of changing seasons to promote savings accounts. Items such as lawn chairs, plastic boats, picnic baskets, tennis raquets and household appliances were given in exchange for \$500 and \$1,000 deposits. Coupons entitled customers to free soft drink and flower seed packets. Large coupon could be used by savers to authorize transfer of funds from competitor to Security Savings.

Security Savings Says,

## "goodbye winter freeze... hello summer frees!"

It's been a long, cold winter. So enough! Security declares that summer has officially arrived... at every Security office. Visit us today for a warm welcome, a warm smile... and free gifts that will warm you all over!



### The Best Things In Summer Are Free!

Choose From The Best Free Gift Display In Wisconsin.

- |  |  |  |
|--|--|--|
| <ul style="list-style-type: none"> <li>Free With \$500 Deposit</li> <li>Lady Bug Radio</li> <li>Radio 7 Pc.</li> <li>Screening Set</li> <li>Elec 8 Pc. Kitchen Tool Set</li> <li>Hasan Bath Scale</li> <li>Flashing Lasers</li> <li>Electric Hot Pot</li> <li>Illuminated Magnifier</li> </ul> | <ul style="list-style-type: none"> <li>Free With \$1,000 Deposit</li> <li>Lawn Chair</li> <li>50 Ft. 5 1/2" Garden Hose</li> <li>Weather Dictionary</li> <li>80 Ft. Ductless Extension Cord</li> <li>Anchor Hooking</li> <li>Mixing Bowl Set</li> <li>12 Pc. Melamine Dishware Set</li> <li>100 Watt Hair Rhyler/Dryer</li> <li>Butylene Mitt</li> <li>Area Rug</li> <li>Summer Colonial Kitchen Clock</li> <li>5 qt. Polycro Jug</li> </ul> | <ul style="list-style-type: none"> <li>Free With \$1,000 Deposit</li> <li>One Man Vinyl Boat</li> <li>Care &amp; Repair Kit</li> <li>Chase Lounger</li> <li>Wool Bed 4 qt</li> <li>12 Pc. Clocks</li> <li>Mitts 10-Cup</li> <li>Drop Collapsible</li> <li>Victorian Table Lamp</li> <li>Vinyl Tote Bag w/ Tennis Raquet</li> <li>Summer Mitt</li> <li>Grandfather Clock</li> <li>Fitted Picnic Basket for Six</li> <li>Badminton/Volleyball Set</li> </ul> |
|--|--|--|

### Free Yourself Of The Hassle

Just fill out this coupon, bring it to any Security Savings office along with your savings passbook or maturing certificate from any other financial institution, and we'll automatically transfer your savings to Security. You'll get your free gift right away.

<p><b>free</b></p> <p><b>free</b></p> <p><b>free</b></p> <p><b>Certificate Of Summer</b></p> <p>Make a \$500.00 deposit in any Security Savings account and receive a free gift of your choice from the display.</p>	<p><b>free</b></p> <p><b>Kool-Aid</b></p> <p>The best soft drink for the hot summer months. An 8 oz. 100% fruit juice concentrate. 100% natural fruit. No artificial colors or flavors.</p>	<p><b>free</b></p> <p><b>Flower Seeds</b></p> <p>The best for your garden. 100% guaranteed. 100% natural. No artificial colors or flavors.</p>	<p><b>Transfer Form</b></p> <p>Just fill out this coupon, bring it to any Security Savings office along with your savings passbook or maturing certificate from any other financial institution, and we'll automatically transfer your savings to Security. You'll get your free gift right away.</p>
--	---	--	---

One free gift per person during promotional period. Receipt limited to Security Savings. We reserve the right to change gifts without prior notice. May limit on receipt.

**Security Savings**



Frame not included.

Give Your Customer A **Free** 8x10 Family Portrait.

You are guaranteed extra traffic when you use this unique portrait promotion.

You give a free 8 x 10 color portrait to each customer and prospective customer. Our low cost promotional package includes materials such as ad slicks, statement stuffers and radio spot copy. These items are designed to attract families into your bank not once, but twice. And our Gold Crown Portraits are sure to please your customers.

Fox Promotional Services assures that your customers receive a professional, high quality product. Our 74 years of portrait and photofinishing experience are behind every proof and portrait.

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MARKETING

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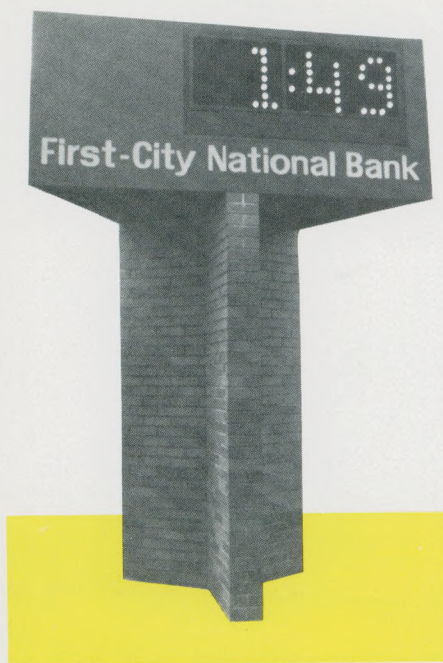
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BG/11

## New Low Cost Time/Temp Saves Energy



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Time-O-Matic, the recognized leader in the electric sign industry, has more than 3,000 time/temperature display installations around the world—some 25 years old and operating as well now as when initially installed. The new LampOmatic displays are distributed through an extensive network of area sign manufacturers. For brochure and installation near you, just dial the toll-free hot line.

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In Ill. Call Collect 217-442-0611



Box 850A, Danville, Illinois 61832

cold-weather months in most of the nation. When everyone is shivering, offer this easy, economical way to be warm and cozy. An extra blanket saves on heating bills, too, for thermostats can be set lower.

In newspaper ads, show a blizzard scene. On radio use a howling-winds sound effect. In your lobby, flank similar winter-storm visuals with an eye-catching blanket display. Use similar copy and art in statement-stuffer folders.

### FEBRUARY

Valentine's Day suggests gifts for a loved one, such as those offered in a wristwatch promotion. "The perfect gift for someone you love — or for yourself!" Costume jewelry also can serve this purpose.

Newspaper, TV and mail advertising suggests liberal use of hearts, lace and flowery language to "romance" the promotion. Radio spots can blend sales copy with a background of romantic music. Lobby displays may be framed in a huge "heart" border — with a display of old-fashioned Valentines (if available) to add extra attention value. As a further tie-in, give a "kiss" (candy) to each customer on February 14.

### MARCH

Winter-weary sportsmen start dreaming of a new season of golf, tennis and fishing. Catch their attention — and their business — by offering sports equipment as premiums.

Catch their eye in newspaper, TV and mail advertising with action pictures of various sports activities. Show short sports movies in the lobby (with continuous-play equipment). Set up a golf practice green. Stage a putting "tournament."

Fishing fans might enjoy a large aquarium stocked with a variety of interesting fish. One bank displayed a man-eating piranha and attracted huge crowds. Still another displayed an empty tank labeled "Rare Invisible Fish" and also attracted crowds.

### APRIL

Early days of spring are "green-up" times, prompting many to flex their green thumbs. Help them dream by offering plants, shrubs and trees. Invite local garden clubs — or your community's park department — to set up a living display of greenery in your lobby. Send a pack of flower seeds (suitably imprinted) with customer statement mailings.

Feature your plant giveaways glowingly in print advertising and TV. Your mailing folder enclosure — which can also be distributed via lobby tellers — can be a desire-building vehicle.

Theme suggestion: "Plant your savings here and get a garden of beautiful flowers (shrubs, etc.)." Or, "Put spring in your savings and beautiful plants in your home!"

When flower seeds are distributed, make that the start of a flower-growing contest. Entrants plant seeds now, send in pictures of their garden later — with suitable gardening prizes for winners.

### MAY

This is the time of year when America rediscovers outdoor living. It's the perfect moment to offer what they'll need to make that living even more enjoyable. Lawn furniture. Hammocks. Barbecue equipment. Lawn-care accessories. All the other things that complement a patio.

Create a patio display in your lobby, showing the premiums in a natural setting. Invite customers to try out the lawn chairs. Have the local nursery set up an eye-appealing, attention-grabbing backyard display. Put barbecue aprons on bank personnel.

Theme suggestion: "Enjoy spring days and evenings — get these gifts for luxurious outdoor pleasure!"

### JUNE

These are vacation days — when customers and their families pack their bags for memorable trips. These are also great days to offer luggage as a premium incentive. Families are growing steadily. There is always a need for more luggage. Offer them luggage at a big saving and watch them respond.

Ask a local travel agency to help with your lobby display. Show a wide array of vacation scenes and activities — with your premium luggage prominently displayed. You may even use the travel agency to help customers arrange trips.

If your newspaper has a travel section, run an ad or two there. Follow the lobby theme for visual art in newspaper, TV and mail folder. Use travel sound effects — plane taking off, bus accelerating, etc. — to back up radio copy.

Suggested theme: "Here are your bags. Start packing for your dream vacation!"

### JULY

Picnic time! The season of the year when folks pack food and refreshments and head for outdoor gatherings. Tempt them with coolers, thermos jugs, plastic dish sets, take-along games such as badminton and other traditional picnic equipment. Chances

(Continued on page BG/28)

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

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The complete guide to procedure in writing publicity releases and how to prepare them so that newspaper and magazine editors will use them; 61 pages; 12 chapters with titles such as "Constructing the News Story," "Placing the News Story," "Handling 'Sticky' Situations," "Dealing with News Media"; another completely factual, step-by-step how-to-do-it manual.

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# S&L Proves Worth of Solar Heating, Concept Provides Marketing Plan Thrust

**S**OLAR HEATING has proved itself at Home Savings' branch office in Stoughton, Wis., according to Roderick A. Ritcherson, director of marketing for the Madison-based S&L. The Stoughton Office not only saves money for the S&L, it has won fame in its area.

The Home Savings solar system provides heat and hot water for the office that opened for business a year ago last May. The solar system cost about \$18,000 and was designed to provide up to 70% of the heating needs of the office. The sum covered the cost of designing and installing the system as well as the costs of the collectors and duct work, the solar water heater, air handling and the storage facility, Mr. Ritcherson said.

The branch building is designed so that the roof,



**TOP:** Home Savings' solar branch features special architecture to blend in with Norwegian heritage of Stoughton, Wis., where it's located. Solar panels on steep roof collect energy to heat bank and provide hot water. **BOTTOM:** Three peaks of solar collectors accent roofline of State Mutual Savings office in Othello, Wash., which is said to be first solar-heated financial building in state.

which slants steeply at a 52-degree angle and faces directly south, takes maximum advantage of the sun's rays in winter. To prevent heat loss during cold weather, the roof areas have 12 inches of blown-in insulation; a vapor barrier film is on all walls and ceilings and all windows are double-glazed insulated glass.

The building is equipped with a warm-air system. Heat from the solar panels is circulated through the building by a fan that is part of an air-handling unit in the basement. The only difference between the Home Savings warm-air system and that in most homes is the heat source.

Heat is collected in 22 large flat boxes on the roof. The boxes are connected to allow air to flow through them when the system is operating.

On sunny winter days, the heated air is circulated automatically by thermostats and controls that monitor and maintain temperatures at a comfortable level. As soon as the correct temperature is reached, the control system automatically redirects surplus warm air from the collectors to an insulated "rock box" in the basement that stores heat. Should solar energy not be available when heat is needed, air is forced through the rock box where it is heated by the warm rocks. It's then circulated through the building, Mr. Ritcherson said.

To heat water, warm air is forced through a heat exchanger that preheats water in a separate storage tank. This hot water is pumped into a conventional electric water heater at a much higher temperature than ordinary water, saving electricity, Mr. Ritcherson said.

"Our building's heating bills during the first winter of operation — October, 1977, to April, 1978 — totaled just under \$186," Mr. Ritcherson said. "Our highest monthly bill was for January and totaled only \$51. Our bills for the entire winter were about 43% less than those of another of our branches of comparable size."

The construction of the branch was a newsworthy event. From groundbreaking to installation of the solar panels on the roof, the S&L received local, regional and national media coverage.

The solar office has affected the thrift's marketing program. The S&L's logo now includes radiating sun rings around Home Savings' traditional lion symbol. When the branch was opened, Stoughton's mayor declared the day "solar energy day." Grand opening prizes included an energy-saving solar-powered water heater, a solar-powered watch and a solar-powered calculator.

To encourage customers to conserve energy by  
*(Continued on page BG138)*



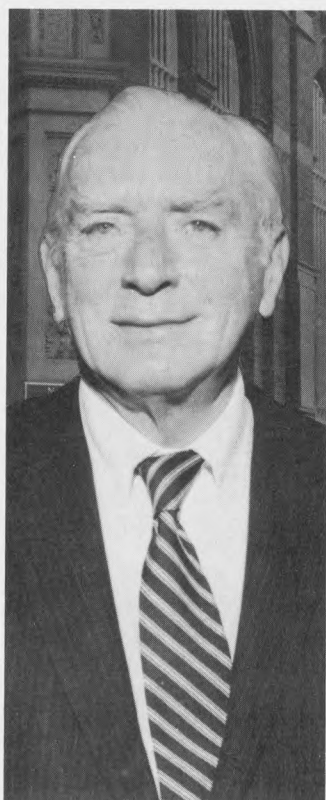
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# Residents Select Slogan for Bank; Contest Becomes Talk of Town

WHEN ELGIN (ILL.) National realized it needed a new slogan to replace its old one, "Where You Rate," it looked at 10 suggestions from a Chicago consulting firm. Then, the bank's chairman, Bill Snellgrove, and president, Lee Coffman, did something that startled some traditionalists (the bank was founded in 1892). In consultation with others, the two officers decided to ask the people themselves, whether or not they were customers, what kind of slogan they wanted.

The two officers were backed in this decision by a comprehensive marketing report they had just received. The report urged increased community involvement and said that even though more than 80% of the bank's customers were satisfied once inside its doors, much more business was becoming



Slogan contest winner Mrs. Norman Pflueger receives check for \$500 from Elgin National Pres. Lee E. Coffman (r.), as Ch. William F. Snellgrove looks on.

available in the fast-growing Fox River Valley, where Elgin is located. The self-contained city of 60,000 residents lies 35 miles northwest of Chicago (within commuting distance, but not the typical "bedroom" community like those closer to the Windy City).

What should the bank do? The report recommended the usual: becoming more of a center for community activity, with displays and various tie-in programs, increased attention to publicity opportunities and a carefully planned, long-range advertising campaign. The bank wanted to start things off by adopting a new slogan, but those suggested by the Chicago firm could be applied to banks in Caribou, Me., or Emporia, Kan., as well as to Elgin National. It was at this point that Messrs. Snellgrove and Coffman decided to ask the public's help.

After all, they noted, the local Chamber of Commerce slogan is "Elgin Has It All!" So why not put that slogan to the test and see whether the "all" included talent for creating a bank slogan?

The CofC was the first to applaud the bank's decision to draw from local resources, and a slogan contest was launched two weeks before last Memorial Day. It was to extend for a month, with \$500 to go to the winner and other cash prizes to be given 10 runners-up.

The ad campaign began with quarter- and half-page newspaper ads and dozens of daily radio commercials. A tie-in was made with the Indianapolis 500 race that was to be held on Memorial Day weekend, and the contest itself was called "Win the ENB 500." Calls and letters began pouring in as the slogan contest intensified, and as the Indianapolis race grew nearer.

Directing the campaign was Richard Jakle, president, Elgin Broadcasting Co., and head of the bank board's marketing committee. Mr. Jakle's station, WRMN, carried live daily reports from Indianapolis. The "ENB 500" commercials were aired especially during the race's time trials.

With help from Elgin National's officers, Mr. Jakle coordinated the newspaper campaign. Ad copy, which included brief descriptions of all bank services, read in part: "We're a part of this fine community, and our identity is here . . . and has been since 1892. We need your help to find our new slogan, and we know the answer is right here in the Elgin area. . . ."

Residents were urged to stop by the bank during regular business hours, and all they had to do was simply to say to any employee, "I'd like to enter the 'ENB 500' slogan contest." Cards were kept handy for anyone to complete, and an "ENB 500" box was nearby to receive the entries. Contestants also were able to mail their suggestions to the bank.

In addition to the various advertising media Elgin National was using on the contest, an effective method was simply word of mouth. The community began thinking "Elgin National Bank" in a *continuing* way, rather than casting just a one-shot glance, which often happens — even with large and expensive ads. All signs indicated that the citizenry indeed had become involved in the contest and, at the same time, was learning a lot about ENB services.

Their thoughts were running like this: "Hmm, let me see now, how can I win that contest? What kind of bank is it? What kind of slogan should it have? What do I want from a bank? What really is its role in my community? What have I thought about ENB

(Continued on page BG/25)



## now, P.O.P. displays that enhance your decor

Until now, floor stands and literature racks seldom enhanced a well conceived business decor. But now, a contemporary design has been conceived through our European design division. It can be featured in

an original contract design yet works in any existing decor. A combination of polished and brushed aluminum, the literature rack's adjustable shelves and cantilever design extends literature to the customers. The companion

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BG/17

# Map and Community Data Are Featured In Bank's Business-Development Kit

A NEW business development kit that includes a new and detailed city-county map and a special package of bank service information has been introduced by Mutual Trust Bank, New Albany, Ind. The kit also includes a collection of color-coordinated community data inserts.

Designed primarily for new residents to the community and county, the program was created to have a local appeal to upper-income, executive families looking forward to — or in the process of — moving to larger homes.

Keystone of the program is the map. Subdivisions, parks, schools and historic sites are pinpointed on both the city and county map sites, as are Mutual Trust's office locations.

The kit was designed for a variety of uses. The community data cards, for example, featuring information on local tax rates, government agencies, emergency numbers and utility services, are valuable to newcomers and established residents alike.

In addition, the companion bank

service package provides a method of conveying essential information, such as types of checking plans, interest rates on savings, etc., in a readable and manageable package. Because changes in data, rates and facilities occur so fast and frequently, the kit's components had to be designed to be updated easily and economically.

Fred Hale, vice president, Mutual Trust, said the new program is a "tangible method of getting your name out early to the newcomer market — normally before the new resident has established a local banking relationship.

"Naturally, to accomplish that task, we needed some method of publicizing the availability of the kit at points where newcomers tend to visit first," Mr. Hale continued. "We devised a 'Good News for Newcomers' card with a special questionnaire panel. The recipient simply fills the special section out and mails it back to us free of charge and we take whatever action is requested. In this way, we normally have the first opportunity to make con-

tact with the newcomer."

One of the major sources of potential newcomer accounts is real estate firms, said Mr. Hale. "We're zeroing in on realtors, for they represent the largest, ongoing source of new business for the bank."

To kickoff the program and the newcomer kits, the bank staged a banquet with over 200 realtors attending. Each firm received a quantity of "Good News" cards promoting the availability of the kit to pass along to newcomers and local citizens involved in house



Newcomers to New Albany, Ind., can obtain Mutual Trust Bank's newcomer kit with map and community data by sending in coupon included in "Good News" card pictured at top, or responding to ads in "Homes" magazine at right. Kit was developed by K. D. Stearley Advertising and Public Relations, Louisville.

hunting. The realtors were told that each kit is accompanied by a personal letter from the bank to prospective new residents, requesting their business and welcoming them to the city and county.

Results in the form of replies from newcomers using the "Good News" cards began arriving at the bank within a week after the banquet. "The program, however, wasn't designed to be a 'one shot' deal," added Mr. Hale. "We're expecting to achieve some significant numbers of new accounts month by month for quite a long time."

Although the realtors were the bank's first marketing target, a second-phase program in the form of personal visits to leading industries and upper-income apartment communities was inaugurated. To further publicize the bank's newcomer program, selected home and real estate magazines and classified columns of local newspapers received special ad copy.

"Considering the relative newness and originality of the program," Mr. Hale said, "the results we've achieved already have been quite surprising. I suppose it's that old 'find a need and fill it' axiom at work, but in any event, it's producing new contacts and new accounts — and the programs belong exclusively to us in our market." ●●

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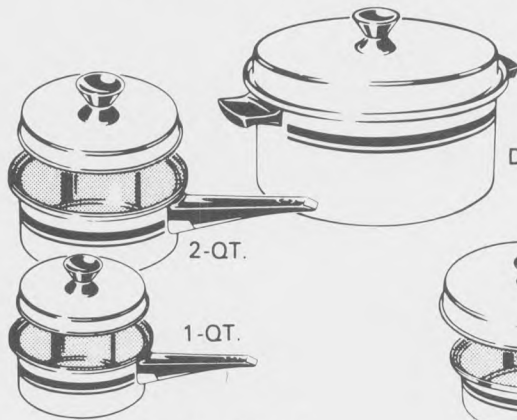
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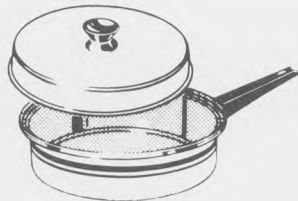
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2-QT.

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COVERED SAUCEPANS



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2½ -QT. WHISTLING TEAKETTLE  
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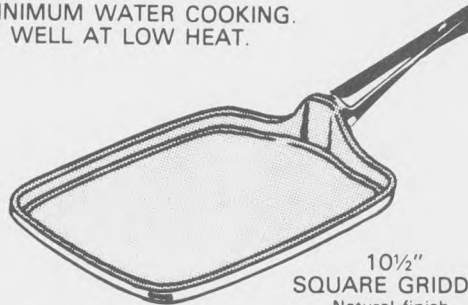
10"

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Teakettle	Free	—	—	4.25
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Sq. Griddle, 10½"	—	—	Free	6.85
1-Qt. Cov. Saucepan	—	—	Free	6.75
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# Avoid Sex-Discrimination Lawsuits By Careful Attention to Statutes

By LIPMAN G. FELD, B.S., J.D.

**I**N THIS ARTICLE I review the sex-discrimination situation at financial institutions that have job openings at any level, from top executive to clean-up person.

Note that I use the word *person*. Based on the background of unemployment discrimination, a financial institution dares not advertise for a man or woman. Sex-discrimination cases apply to discrimination against men as well as women. If all or most tellers are women, an unsuccessful, but qualified, male job applicant would be in a strong position to recover money from the institution.

A financial institution not only must comply with Title VII of the Civil Rights Act (federal), but with numerous state fair-employment laws covering the same situations. Charges under both state and federal statutes can be filed.

A financial institution can put itself at a disadvantage through the wording of its newspaper help-wanted ads. A person claiming sex discrimination can use an imprudently worded advertisement to support his or her claim for money from the institution based on wages lost through the institution's refusal to employ on the grounds of sex discrimination.

Such claims at first may appear ridiculous because they're expressed in the almost incomprehensible language of bureaucrats. However, they can cost a financial institution thousands of dollars. Even when settled for less money than asked by the Equal Employment Opportunity Commission (EEOC), a financial institution must face payment of hundreds of dollars in fees to its lawyers.

Proper wording in advertisements can be the first line of defense for a financial institution.

Following is a comparison of terms considered discriminatory and nondiscriminatory in employment advertising:

Instead of using "attractive," "pretty" or "handsome," use "well-groomed" or "presentable." Instead of using "cleaning woman" or "cleaning lady," use "cleaning" or "clean-up." Instead of using "credit girl" or "credit man," use "credit man or woman" (only when used together). Instead of using "girl Friday," use "secretary."

Rather than using "janitor" or "janitress" (each used alone), try "custodian." Instead of "maintenance man," use "maintenance work." Rather than using "female," "lady," "gal," "gentleman," use "applicant," "man or woman," "male or female."

The following words used in want ads are considered neutral as to sex preference: accountant, administrator, adviser, aide, analyst, assistant, attendant, auditor, bookkeeper, cashier, clerical clerk, closer, consultant, coordinator, counselor, custodian, director, dispatcher, estimator, executive, guard, helper, instructor, interviewer, manager, programmer, receptionist, representative, secretary, stenographer, superintendent, supervisor, technician, teller, trainee, typist, worker, writer.

In 1978 it's the boss who must be careful what questions he asks a job applicant in a work force where the number of women job applicants has increased greatly among families fighting inflation. Title VII of the U. S. Civil Rights Act has been interpreted by the EEOC to prohibit discrimination on the basis of sex-related characteristics and stereotypes. Women must not be considered capable only of doing detail work. It can't be said that men have broader vision or can bring in more business.

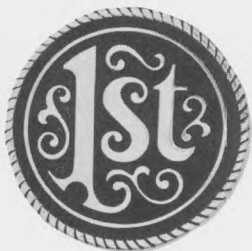
Examples of such discrimination also include a policy of denying employment to women with young children. In some situations, it's dangerous to ask for names and ages of children on the employment application. The same goes for questions at the preliminary interview. Questions concerning pregnancy also are dangerous.

Job tests given women must be the same as those given men. If a woman scores higher than a man, there must be a good business reason for hiring the man with the lower score.

The act states it shall not be an unlawful employment practice for an employer to hire workers on the basis of sex where sex is a bona fide occupational qualification reasonably necessary to the normal



# Some of Our Best Friends Are Bankers



We started out four years ago, trying to make friends in the banking industry, with our commemorative customized belt buckle programs. It wasn't easy, but our programs soon proved themselves. As of today, we have sold and serviced over 1,100 financial institutions. We have yet to fail them. Some of our customers have realized over three and one-half million dollars a week in deposits. With a record like that, it has become easier to make new friends.

## HERE IS WHAT THEY SAY ABOUT US:

Robert Lida, Director of Marketing, Fourth National Bank & Trust, Wichita, Kansas.

"Our sales of over 15,000 buckles, is testimony of the outstanding reception the buckles received in our community."

Pat Young, Vice President, Director of Advertising, First Federal, Lincoln, Nebraska.

"We feel that a promotion of this type is unique. In fact, this fall, we will be offering another series of brass buckles. This collection will be called Nebraska Wildlife."

Larry D. Brower, Vice President, First Security Corporation, Salt Lake City, Utah.

"The belt buckle program has exceeded our expectations in all respects, including buckles sold outright, and deposits generated. Consumer acceptance has been almost unbelievable."

Randy Renken, Assistant Vice President, National Bank of South Dakota, Sioux Falls, South Dakota.

"We found the buckle collection to exceed even our most optimistic projections. More dollars were taken in during this promotion, than any other previous promotion offer."

Jerry D. Turk, Vice President and Marketing Director, Louisiana National Bank, Baton Rouge, Louisiana.

"Never in my wildest expectations did I dream, or even hope that the buckles would grab people's fancy as they have."

Don W. Burks, Vice President, First Federal Savings & Loan Assoc. of Little Rock, Little Rock, Arkansas.

"The buckles helped create a good public relation image for our association, and attracted a good number of new customers. We were very pleased with the results of this program."

Al Wibergh, Vice President, Arizona Bank, Phoenix, Arizona.

"One point best summarizes our opinion and confidence in your product and that, simply stated, is that we have placed an order with you for a second new buckle program for 1978."

Our work includes corporate logos, historical landmarks, state seals, and university mascots. All of our buckles are jewelry finished, numbered for registration with the American Collector, and handsomely packaged in leather pouches. We are also licensed for most professional sports. Got a marketing objective? Give us a call. We are always looking for new friends.

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Los Angeles, California 90064  
(213) 473-4538

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operation of that particular business or enterprise. Such bona fide occupational qualifications don't legally exist in the financial industry.

For example, women bank and thrift presidents are rare. Some persons think it takes a man to run a bank or a thrift.

It's possible that the EEOC soon will cast a critical eye at chain-banking operations without at least one or two women chief executives. A well-qualified and experienced woman employee of a bank or thrift can easily build a case on improper preemployment questions or improper words used in job turndowns.

For example, customer preference for masculine bankers isn't a strong defense against turndown of a capable woman. Nor is a state law containing maximum work-hour restrictions for women, but not for men, a valid defense for a financial institution's refusal to hire a woman executive on the grounds that the previous president spent over 50 hours each week directly concerned with financial institution business. Nor will a turndown be successful based on the grounds that a married woman's first loyalty is to her family.

In addition to the EEOC, the wrong

preemployment questions can cost a financial institution money under the Equal Pay Act of 1963, which requires all employers subject to the Fair Labor Standards Act (FLSA) to provide equal pay for men and women performing similar work. This act, now administered by the Labor Department, is known as the "Wage-and-Hour Law."

If a female applicant for a teller's job is to be paid less, if hired, than a male applicant, discrimination is being practiced.

The defense that the financial institution is hiring men tellers as management trainees usually will not prevail. Extra duties must be substantial to justify a difference in starting pay. Mere differences in job title ("agricultural specialist," for example) or location wouldn't justify a difference in beginning pay.

If the male candidate for the teller's job also can handle a general ledger because he has bookkeeping experience, there would be a substantial difference. Thus, it wouldn't be discriminatory to pay him more than a woman applicant for a teller's job who doesn't have bookkeeping experience.

Finally, financial institutions may be subject to affirmative-action requirements without knowing it. Affirmative

action in a financial institution in connection with sex discrimination usually would mean special affirmative action throughout the institution to overcome the effects of past discrimination in which women have been underutilized, being employed only in low-paying jobs without real executive responsibility.

A financial institution would be subject to affirmative action if it had a contract with the federal government. Since most banks have deposit contracts with governmental agencies, they are subject to Executive Order 11246, requiring affirmative-action programs.

A financial institution in which federal funds are deposited or that handles U. S. savings bonds or notes also is subject to affirmative action and must provide equal-employment opportunity in accordance with Treasury Department rules.

The Federal Home Loan Bank Board prohibits sex discrimination.

Finally, President Jimmy Carter is setting up a more positive approach to sex discrimination than has been the case in the past. If his effort gets off the ground, the full impact will result in an even greater list of sex-discrimination lawsuits against financial institutions.

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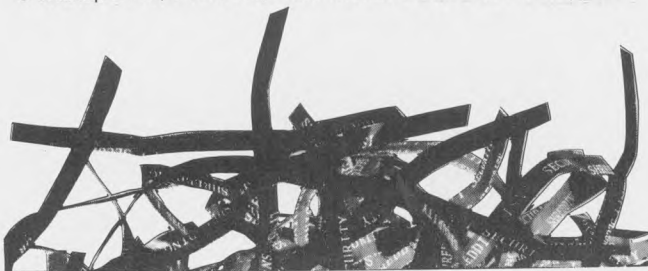
The job's done quickly. Unlike a shredder, a Security Disintegrator does not have to be fed a few sheets at a time. It will destroy bound manuals, unburst computer printout, stacks of punched cards or microfiche, whole reels of microfilm — even crumpled paper.

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## To Move or Stay Put? Points To Be Considered

It's sometimes difficult for the management of a financial institution to know whether the bank should relocate to a new building or stay put in its present location, says Burt Richmond, president, Richmond Manhoff Marsh, Inc., commercial design firm with offices in Chicago and Denver.

Financial institutions considering relocation should ponder the following questions, according to Mr. Richmond:

- **Location.** Are existing facilities accessible and convenient for employees? Are they close to public transportation for employees who don't drive? Is it easily accessible to customers? Is the location prestigious or in line with the financial institution's image? Are changes coming about in the neighborhood or within the tenant type of the building? Will these changes affect business?

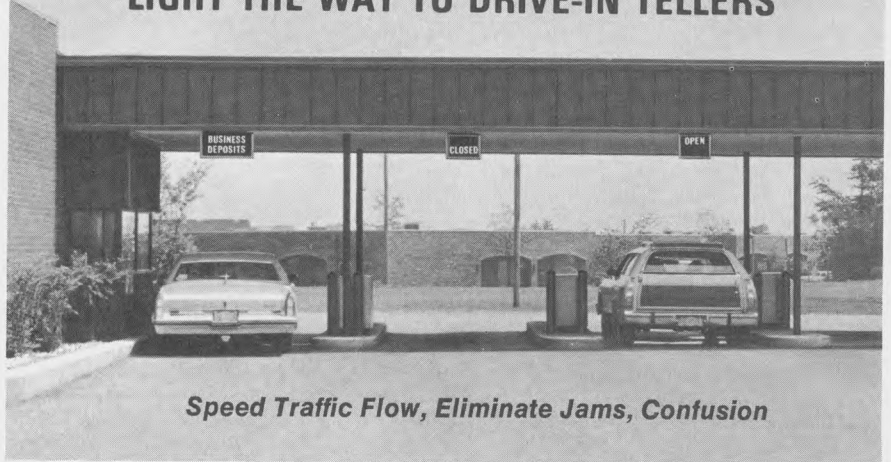
- **Space.** What are projected spatial needs of the financial institution in five years? How about 10 years? Will the present building accommodate short-and/or long-term expansion? Is the quality of the current office space good and are the premises attractive and well lighted? Is the location comfortable for employees? How much might the institution benefit from improved inner office communication in a one-level, open, high-rise design?

- **Economics.** Is existing office space adequate or does the building's inefficient layout force the company to occupy more space than is actually needed, thus increasing rent? Could rental costs be lowered by moving to smaller but more efficiently designed quarters or would higher rent diminish the savings? Would moving to an energy-efficient building lower power costs enough to justify such a relocation?

The firm's reports do not specifically recommend whether or not a financial institution should move, according to Mr. Richmond, but offer data needed to help management make a decision.

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## Singer Serenades Seniors at Bank-Sponsored Party



Singer Gordon MacRae serenaded between 3,000 and 4,000 members of Mark Twain Bancshares' "60 Plus" club last month at a St. Louis shopping center. The event was staged by the HC's banks in appreciation of the business club members bring to its banks — each member has at least one account at one of the Mark Twain banks in the St. Louis area. Club members are entitled to an array of free bank services. The club took over the entire shopping mall for the Sunday afternoon party, which also

featured a live band, a dance troupe and dancing. Food was available from mall restaurants. Photo at l. shows Mr. MacRae performing. Photo at r. was taken at special champagne reception for Mr. MacRae attended by all "60 Plus" club members maintaining at least four accounts at Mark Twain banks. Club has more than 7,000 members and is three years old. Pre-party publicity in local newspapers was responsible for new club memberships.

## Senior Citizens Gain New Importance As Profitable Customers for Banks

SENIOR citizens — those over 60 years of age — could eventually comprise the largest segment of a financial institution's customer base.

That's why many financial institutions are establishing programs for senior citizens now. Financial marketing people realize that it's good business to cultivate older customers, many of whom are enjoying generous retirement benefits and are expected to be on the scene for many more years.

One financial organization catering to those 60 and over is First Midwest Bancorp., Inc., headquartered in St. Joseph, Mo. Lead bank of the HC is First National, St. Joseph.

The HC's "Dimension 60" program was started in early 1976 and, according to Gary Mowrey, marketing director, the program has been a "great success for the First Banks." Mr. Mowrey says Dimension 60 has more than 4,500 members and the program continues to grow daily.

According to Mr. Mowrey, Dimension 60 is a program of valuable services and benefits for individuals 60 or better in age. To join, individuals must have reached age 60 and have a savings account at any of the banks in the HC's system. Members are entitled to all benefits at no cost.

Every service of the program, ac-

ording to Mr. Mowrey, is designed to make life more enjoyable for members. The services also make life easier for members — especially in regard to bank services.

Members are entitled to free photo identification membership cards, free checking with free personalized checks, free seminars on topics of interest to the older generation, a personal banker, free will and trust counseling, free traveler's checks, free investment counseling, free cashier's checks and money orders, free guaranteed check card, special discount savings at area business firms, automatic deposit of social security checks, social events, low-cost group travel and a news bulletin.

Dimension 60 was organized, according to J. M. Ford II, chairman and president of the HC, to recognize the contribution of senior citizens to the community and to fill some of their needs for information, saving money and keeping active in the community.

According to the HC's research, senior citizens comprise more than 20% of the population of the communities in which First Midwest Bancorp. affiliates are located.

Banks participating in the program, in addition to First National, St. Joseph, include First Trust and First Stock Yards Bank, St. Joseph; Home

Bank, Savannah; First Midwest Bank, Maryville; and Farmers Bank, Gower, all in Missouri.

Dimension 60 members are entitled to discounts on merchandise, services and restaurant meals at the more than 130 merchants participating in the program. All members need to do to obtain their discounts is to show their membership card.

The bimonthly newsletter includes a list of participating merchants and the specific terms of their discount pricing.

The HC sponsors a number of seminars each year for Dimension 60 members, Mr. Mowrey said. Recent seminars have covered the following topics: changes and updates on social security and medicare, how to protect one's self against theft and confidence schemes, saving money on utility payments and prescription drugs, estate planning and hearing difficulties. Average attendance at the seminars is more than 500.

A sidelight to the seminars is parties, Mr. Mowrey said. Members have been invited to Christmas discotheque parties and Dimension 60 anniversary parties. More than 800 attended the program's second-anniversary event.

Travel events have included trips to Hawaii, Mexico, Florida and the deep South, Colorado, Nashville, Silver Dollar City, Mo., and other local and distant points, Mr. Mowrey said.

Each participating bank has an employee who is designated as the Dimension 60 coordinator. This person is responsible for explaining the program to inquirers and to senior citizens' organizations. ●●

## Residents

(Continued from page BG/16)

in the past, and what do I expect for the future?"

The slogan contest started the public talking about the bank, rather than the bank's tooting its own horn. There was a ripple effect, with one person starting another person or several persons thinking about the contest and the bank.

Hundreds of persons of all ages entered the contest, including some from surrounding communities. An Elgin housewife was declared the winner, with her suggestion being, "Service to Share From People Who Care." Ten runners-up were selected, also including several who live outside Elgin, but who do reside in the bank's marketing area. Photos were taken of bank officers presenting the winner with her \$500 check. Publicity was given all winners and included a full-page color ad, "Thank You, Elgin, for Our New Slogan."

Mr. Coffman wrote thank-you letters to all contestants, including a large number of non-customer entrants, who were urged to consider ENB for future banking service. They also were asked to give permission for their slogans to be kept on file at the bank for possible future use.

The contest follow-up didn't stop there. Employees were invited to take part in a series of get-acquainted breakfasts, both to meet new officers and to get to know one another better than formerly. In this relaxed atmosphere, the new slogan was explained in detail to them, with emphasis on "people who care" making the difference between one bank and another. Earlier, the bank carefully explained to its employees that they were not eligible to enter the contest because Elgin National wanted "an objective, outside point of view."

Since the end of the contest, a spokesman says employees apparently have taken to heart the public's opinion that they are "people who care."

The staff breakfasts, with Mr. Jakle as master of ceremonies, also were used to provide tips on how to maintain good customer relations, as well as to explain the new slogan. During his talk, Mr. Jakle played radio commercials airing that particular day and featuring the new slogan. The bank's employees, therefore, were among the first to hear announcer John Doremus talk about "Service to Share From

This announcement appears as a matter of record only.

# \$2,250,000

## Heritage Bank

Milwaukee, Wisconsin

**SUBORDINATED CAPITAL NOTES**  
**9¼% due July 1, 1988 — Price 100%**

The undersigned has arranged the public sale of the Notes.



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Phone 414-334-5521

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## FIRST MISSISSIPPI NATIONAL BANK

Hattiesburg, Mississippi

**SUBORDINATED NOTES**  
**9.50% due Sept. 1, 1988 — Price 100%**  
**9.65% due Sept. 1, 1990 — Price 100%**

The undersigned has arranged the public sale of the Notes.

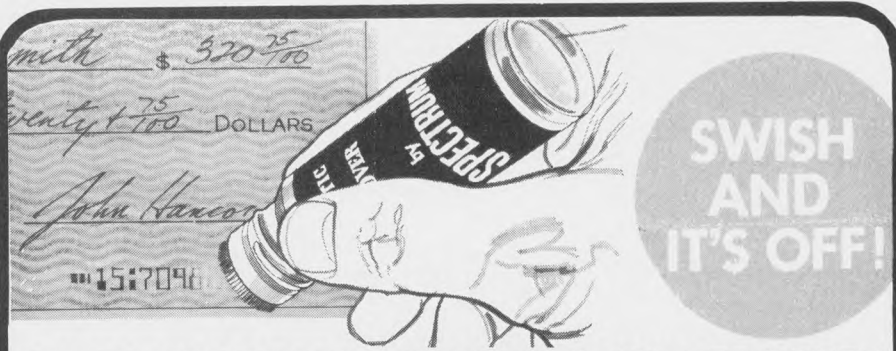


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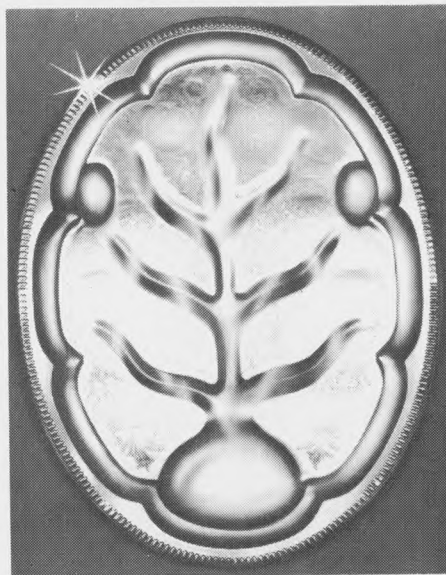
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## REDWOOD HOUSE

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People Who Care!"

Chain reaction to the contest continues. An employee newsletter that had lain dormant for a year was resumed. Employee morale seemed to improve each time the slogan appeared or was heard. The fall ad campaign features a series of "Meet ENB People Who Care" institutional messages, which include photos of and quotes from individual employees.

Although Elgin National has announced no details, a spokesman indicates there will be many other projects that will be natural follow-ups to the contest. In other words, the bank has no intention of seeing the community involvement it produced fade. As the spokesman puts it, "The people of the Elgin area have indicated they care — about the bank and its future. Together, neither the people nor the bank can lose." ●●

### New Indoor Computer Sign Introduced by One-Up

A new type of computer sign designed for indoor advertising use in financial institutions is being manufactured by One-Up, Inc., Santa Ana, Calif.

Known as the PEMS 3001, the sign flashes or pulses messages on its light-emitting diode display board in segments as opposed to the previously introduced scanning type machines. This permits users to program keyword phrases that can be played back instantaneously.



PEMS 3001 display sign (top), programmer (l.) and power pack (r.) make up new One-Up computer sign.

The unit features a variable speed control to regulate the flashing or pulsing speed of the messages as they appear on the display board. Another control permits the user to simulate a strobe effect while the messages appear. A third control lets the user adjust the light intensity of the two-inch high characters for improved visibility.

The basis system features a component design made up of a display sign, a power pack and a programmer. Once the display sign has been programmed, the programmer can be disconnected and the sign and power pack moved to any location to display the message.

# Move Away From Low Down Payments Can Hurt Earnings, Analysis Notes

THE traditional move by lenders away from low down-payment loans during periods of tight money could have a significant affect on future earnings, according to an analysis by Mortgage Guaranty Insurance Corp.

In an examination of the current state of the housing industry, Leon Kendall, MGIC president, said, "Faced with the current diminishing supply of funds, many mortgage lenders have begun rationing available mortgage money by withdrawing from making low down-payment mortgage loans. At first glance, this may seem like a logical tactic. However, more careful analysis suggests that this is not necessarily true, but is a misconception that can have a significant bearing on earnings."

Key reasons cited as having an important effect on future earnings were both short run and long run. For the near term, there's the loss of potential savings dollars. Also, there are the long-term losses due to a decline in number of middle-income Americans

able to enter into home ownership and become not only first-time but second- and third-time home owners, as well.

"When restricting loans to 80% loan to value and under," Mr. Kendall notes, "loan officers must ask themselves where the larger down payments come from. In most cases, the down payment is drawn from the borrower's (or in many cases, the borrower's parents') savings account, thus reducing the amount of funds available to the lender for future mortgages. The result is an earnings loss for the lender."

"Even if the larger down payment is made from equity on a previous home," Mr. Kendall continues, "it may still represent a lost opportunity for savings deposits. The institution's loan officers should look at the entire picture and treat the down payment as a cost/benefit opportunity."

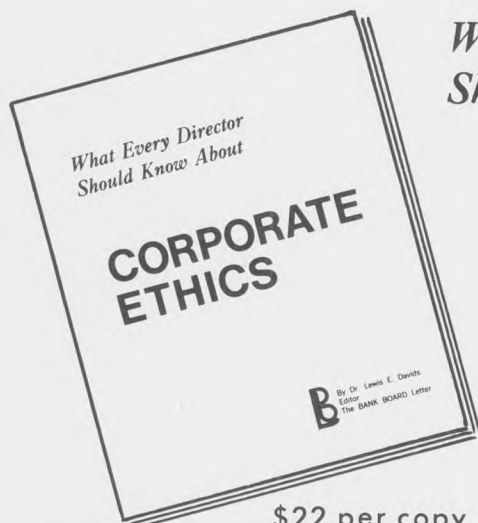
An example of this is the case of a lender committed to support \$1 million of home sales. In this situation, a lender financing 20 home loans for \$50,000 each, and restricting these

loans to 80% LTV, would pay out \$800,000 in loaned funds. The down payments represent \$200,000 of potentially lost savings deposits. If, however, the loans are made at 95% LTV, the potential for lost deposits drops to \$50,000 — one fourth of the amount produced with higher down-payment loans. Furthermore, a 95% loan insured for its top 25% represents a 72% risk to the lender.

"Even with this," Mr. Kendall points out, "it is still true that mortgage lenders can charge higher interest rates on low down-payment loans, with a net result of increased earnings."

Another point to be considered, according to Mr. Kendall, is the long-term effect on earnings caused by exclusion of young first-time home buyers from the market.

"In the case of the first-time home buyer, you have the situation of the lending community biting the hand that feeds it. These people have the income and the potential to meet mortgage payments, but lack the large down payments required by restricting funds to higher loan-to-value mortgages. If associations do not stretch to invest in these first-time home buyers, from where will tomorrow's second- and third-time home buyers come?," he concluded. ●●



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**Year's Worth**

(Continued from page BG/12)

are they will respond enthusiastically to such premiums at this time.

Once again, these premiums lend themselves to lobby displays of picnic activity. And a picnic theme provides lots of copy and art potential for appealing ads in all media.

Remember, too, the fall sports scene is just ahead and many of these picnic premiums will be welcomed by fans soon heading for football, soccer and other outdoor sports contests.

**AUGUST**

The month children dread but parents welcome — back-to-school time. Parents, beset with back-to-school bills, welcome an opportunity to save on some of their needs. Help them with premiums such as calculators, dictionaries, typewriters, tote bags and similar items their youngsters will soon be needing.

Suggested theme: "Big savings on your children's school needs!" Art: A slate bearing childish sketches of "Kat," "Teechur," etc. Use school bell sound effects on radio and TV.

Note that some back-to-school premiums — calculators and dictionaries, for example — also can be offered as helpful additions to the home, broadening the audience appeal of your promotion.

**SEPTEMBER**

This is the season of hammering and sawing and other sounds of the home-improvement worker getting ready for winter. It's an opportune time to offer the tools and accessories he needs. Almost every home needs new or replacement tools of some kind — hammers, saws, screwdrivers, wrenches, power equipment and the like. Offer a money-saving way to get them and folks will be interested.

Suggested theme: "Save money — save repair bills — with these handy to-it-yourself tools!" Lobby display idea: Set up a simulated home workshop.

Tie-in possibility: Some who respond may also be prospects for home-improvement loans. Make loan literature available at your premium desk.

**OCTOBER**

People start spending more time indoors — and becoming more aware of home furnishings. Offer them "big merchandise" items for the home — a new TV, microwave oven, reclining arm chair, dinette set and the like —

and they will be interested. Seven percent certificates, held for seven years, make such offers possible — and there are premium supply companies that make it easy to participate. (In effect, a part of the certificate interest is paid in advance in the form of the gift.)

Premium suppliers furnishing this service generally offer a complete promotion package, including all advertising materials. Gifts are shipped directly from the supplier; it is not necessary to carry an inventory at the bank.

**NOVEMBER**

The year's last months highlight two great family-feast occasions — Thanksgiving and Christmas. It's a perfect time to offer premium gifts that enhance these festive meals: Table dishes, blenders, coffee makers, cutlery, food processors, mixing bowls, sauce pans and the like.

The greater variety of gifts offered, the more people will be interested. These food-related items are popular in any season. At holiday feast times, they are especially effective.

Suggested theme: "A special treat for your holiday dinners — at big savings!" In the advertising, illustrate as many of the premium gifts as possible.

**DECEMBER**

Almost any premium offer in this season will do well — especially if also usable as a Christmas gift by the customer. A silver bowl, for example, is welcome in any home and also can be used as a Christmas gift for a friend. So offer holiday-related merchandise: gift candles, holiday decorations, silverware — even toys. This double-use potential greatly increases the attractiveness of a pre-Christmas promotion.

Suggested theme: "Save shopping money — shop at our Christmas gift bazaar!" Use lots of holiday art — Santa Claus, Christmas trees, bells, wreaths, etc., in advertising material.

These suggestions, as mentioned, are a few of the premium possibilities for any given month. They illustrate premium ideas that benefit from a special tie-in with a season.

Plan premium promotions at least three months in advance. This gives you time to uncover premiums with good seasonal "bonus" appeal. Bank magazines help you track down premium suppliers; they will help you plan productive programs for a date.

It pays to tie your premium promotions to the calendar. Why knock yourself out trying to sell snow shovels in Death Valley when it's so much more profitable to invest the same effort in Alaska? ●●

**IF YOU WINCE AT THE THOUGHT  
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BG/29

# Stalking Goodwill With Popcorn: 'Poppers' Make it Easy for Banks

**F**EW THINGS advertise themselves as well as freshly popped, aromatic popcorn!

More financial institution marketing departments are discovering this as new ways are found to use popcorn wagons on or near the premises of banks and thrifts.

Popcorn marketing has gone beyond grand openings and lending "poppers" to church and civic groups. Here's how a few banks are using their colorful wagons to "pop" success:

- The popcorn wagon at Deposit Guaranty National, Jackson, Miss., draws considerable attention to the bank's premises at Deposit Guaranty Plaza. And the bank's name, painted prominently on the popper's sides, generates free advertising wherever the wagon appears.

When the wagon was installed at the bank's plaza in 1975, Ellis "Pop" Adams was hired as popcorn proprietor. His friendly nature ("You've got to like people and popcorn and I like 'em both!") caused the local newspaper to interview him. Naturally, the story included photos of the bank's Gay 90s popcorn machine, complete with the bank's name!

The bank sponsors noontime events at the plaza with live entertainment, at which Mr. Adams gives away soft drinks, flowers and — of course — popcorn, compliments of Deposit Guaranty.



Ellis "Pop" Adams dispenses popcorn at a quarter a box at Deposit Guaranty Plaza, headquarters of Deposit Guaranty Nat'l, Jackson, Miss. "Pop" sometimes sells more than 200 boxes of popcorn each day.

A box of popcorn costs a quarter and there have been days when more than 200 boxes were sold, accounting for more than 250 pounds of corn in the average week.

- "The zest for fresh popcorn is unbelievable. We consider our machine a useful and valuable asset," said a spokesman for Kansas State, Newton. The bank's machine has been used in conjunction with Newton's annual sidewalk sale and with savings promotions sponsored by the bank.

- The popcorn wagon at Fourth National, Wichita, Kan., doubles as a piece of art in the bank's huge glassed-in concourse when it's not busy popping corn for bank visitors.

The wagon has shown up at shopping center openings, at a remote radio broadcast and at customer business openings and fund-raising events. The bank made good use of the machine when promoting its charge card — in three days 10,000 sample bags of popcorn were dispensed to those interested in signing up for a Visa card.

- In Saginaw, Mich., there's a popcorn wagon that has traveled all over the state and has been dispensing free popcorn at its home at Second National every weekend during the summer.

The wagon also has been used to help boost the city's image as part of a downtown campaign, to raise funds for a local band and to promote grand openings of commercial-customer firms.

- The wagon at Central National, Sterling, Ill., has been to bank family picnics where it has dispensed free popcorn to 200 employees and their kin and supported high school booster clubs and proms. It's even been rented to firms doing business with the bank, and it's been on the scene for such things as a "Mexican Fiesta" party for residents of Mexican heritage.

- Profits from the wagon at National Bank of Commerce, Starkville, Miss., are donated to charity. Recently, \$500 in popcorn profits went to a community fund drive and \$200 was raised for the local March of Dimes last year. When the popper is loaned, the bank furnishes a staff and supplies.

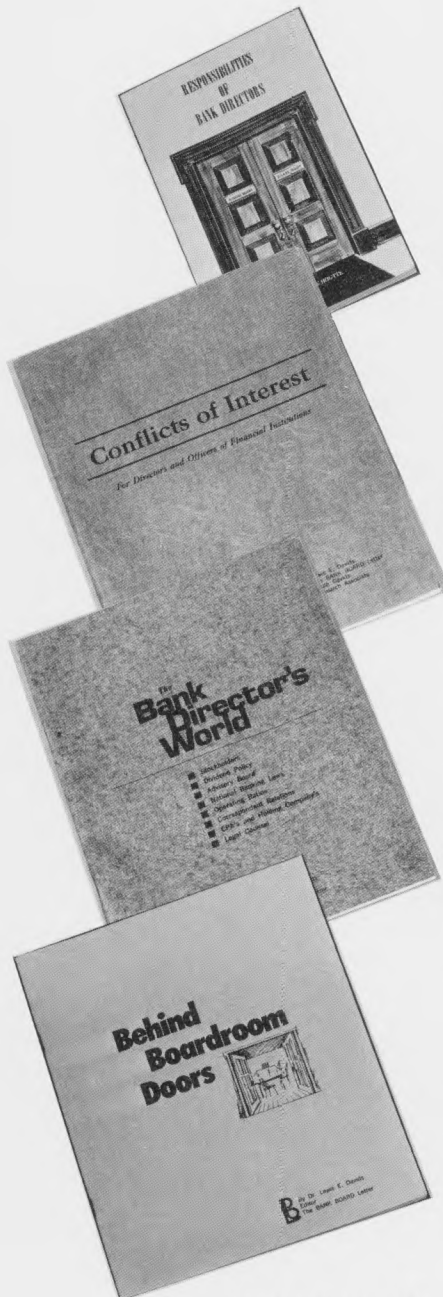
The wagon is used two days a week at the bank and is moved outside on pleasant days.

- The wagon at Citizens National, Bowling Green, Ky., has been used effectively to celebrate national events, such as the Bicentennial, when it played a part in the reenactment of "bolin' on the green." The bank has used the wagon at employee meetings and it was on the scene during a renovation promotion for Bowling Green's downtown



# Four Fact-Filled Manuals for The Bank Director

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This new, revised edition of the fast-selling Conflicts of Interest manual presents everything directors and officers should know about the problem of conflicts. It gives examiners' views of directors' business relationships with the bank, examines ethical pitfalls involving conflicts and details positive actions for reducing the potential for conflicts. Also included is the Comptroller of the Currency's ruling on statements of business interest and sample conflict-of-interest policies in use today that can be adapted by your board. Author: Dr. Lewis E. Davids, editor, The BANK BOARD Letter.

### THE BANK DIRECTOR'S WORLD

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This important manual for directors examines the bank director's relationships with the holding company, the certified public accountant, legal counsel, stockholders, correspondents and advisory boards. It includes models and exhibits to enable directors to grasp the scope of the world of bank directorship — a world that involves many complex relationships. Both new directors and veterans of the boardroom can profit from the perspective this manual offers on existing and emerging trends. By Dr. Lewis E. Davids, editor, The BANK BOARD Letter.

### BEHIND BOARDROOM DOORS

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This important manual provides insights into the fine points of bank board membership. Sample chapter topics: CEO selection, reimbursement; management audits; finding customers; board minutes; director fees, retainers; common law liability for director negligence; capitalization; influence on the economy of the community; subcommittees of the board; and many more. Also included: a chapter on how to open the boardroom doors to establish ongoing communication between the bank and the public. Author: Dr. Lewis E. Davids, editor, The BANK BOARD Letter.

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BG/31

area.

• First National, Belleville, Ill., has turned over the operation of its popcorn wagon to the Belleville Area Senior Citizens. The bank provides the wagon, which is located on the city's public square, but the senior citizens stock and run it. They keep the profits, too!

• A bank with a popular popcorn wagon never knows what form publicity about the wagon will take. Recently, Attleboro (Mass.) Trust loaned its wagon to a local church group to promote a Christmas fair. To garner free newspaper publicity for the fair, three women from the church group arrived at the bank to pick up the

wagon. Right during the bank's payday rush hour, the women got behind the wagon and pushed it out the door and down the street to the church. A newspaper photographer followed them, snapping pictures. The unusual photo that was published in the newspaper not only called attention to the church fair, but to the bank owning the popcorn wagon! ••

## Firm Trains

(Continued from page BG/8)

nations to customers" and "Go out of your way to accommodate senior citizens, especially on the days social se-

curity checks are cashed. Open some windows that normally cash checks only. Pensioners won't have to stand in long lines."

Customers also appreciated the better service. Reliance received many letters praising bank personnel by name. One man was especially thankful for the assistance he received from the bank when he took over his sick mother's account. The staff helped him fill out required paperwork, inquired about her health and even suggested proper medical care. He was impressed that the assistant manager phoned him on her day off from work to offer additional help.

Reliance has completed training 10 branch managers, eight assistant managers and 110 tellers. A customer-retention program is being developed for platform and internal personnel using the same techniques. Mr. Nielsen said he is so impressed with the program that he has planned branch-wide and inter-branch incentive programs and a system for new employees to receive training.

Said Mr. Nielsen, "At Reliance we have become acutely aware of the fact that our approach to training has enabled us to provide our employees with a training program they strongly identify with and benefit from, one that teaches them how to provide even better service to our valued customers." ••

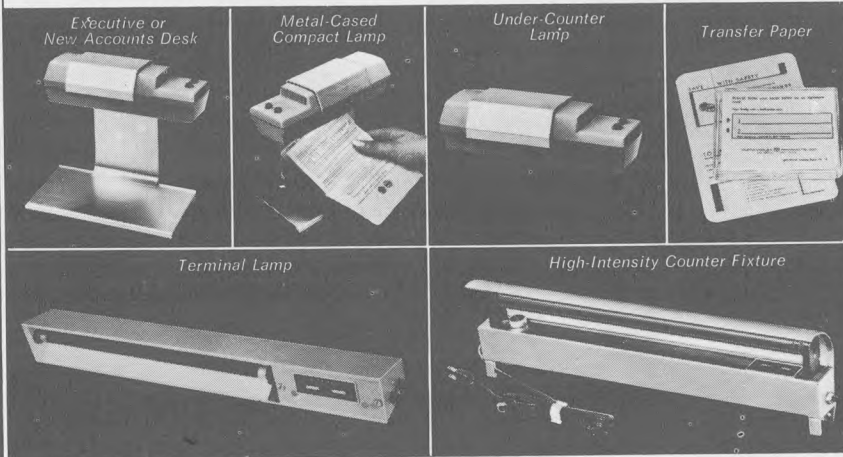
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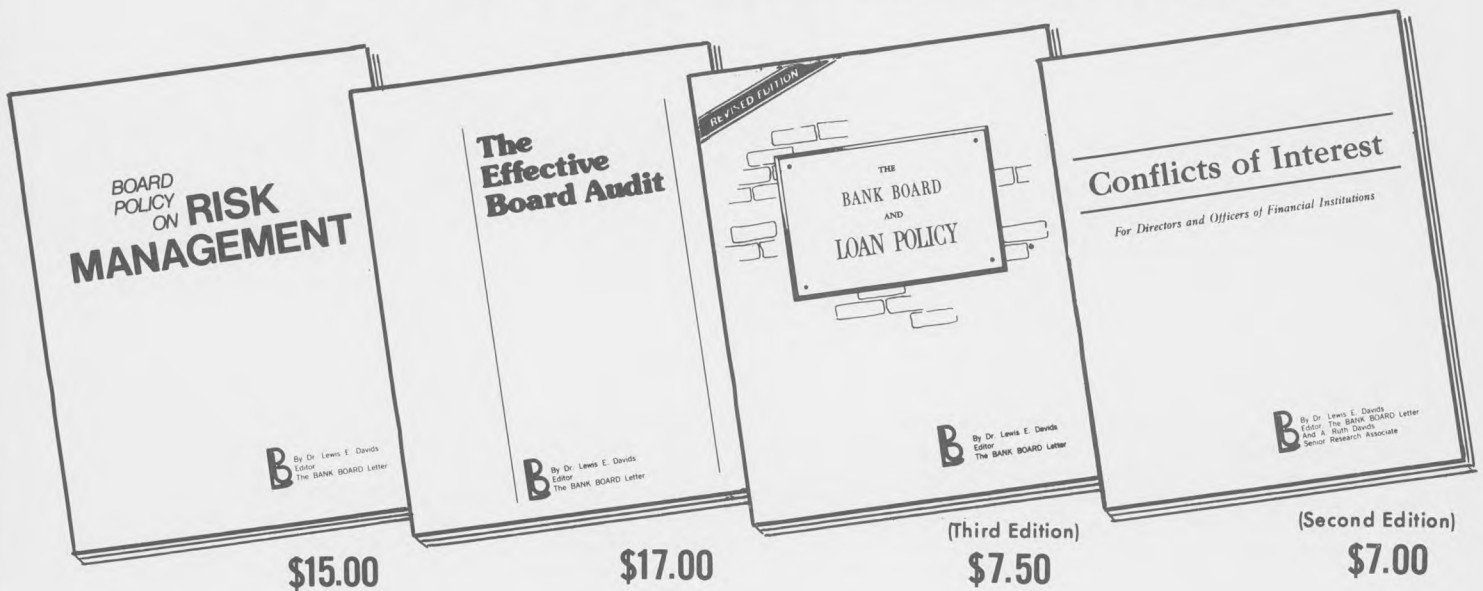
A larger size can be ordered for use as a gift for retiring personnel or as an executive gift for special customers.

Write: Buddy's Promotional Advertising, 9542 Mammoth, Baton Rouge, LA 70814.



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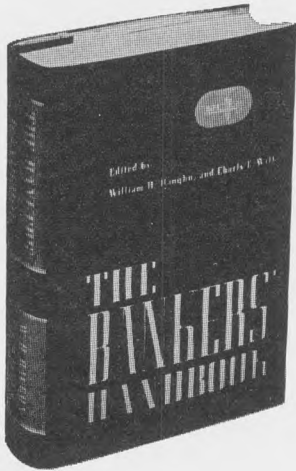
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BG/34



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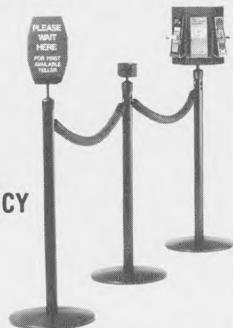
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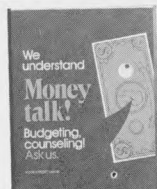
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## Shopping Sprees

(Continued from page BG/6)

souvenirs to everyone.

Another way the Owl Network's ATMs are publicized is by a hot air balloon made of bright yellow nylon and measuring 55 feet in diameter and 63 feet in height.

On the balloon's maiden flight, it passed by Cincinnati's Riverfront Stadium during a baseball game. The balloon's 28-foot Owl logos were easily identified by baseball fans.

The balloon will appear at various events, including bank openings, celebrations, balloon events, air shows and races.

A series of humorous TV commercials is credited for a large measure of the success of the ATMs operated by BayBanks, Inc., HC headquartered in Boston.

Two well-known broadcast comics made a series of TV spots promoting the HC's "X-Press 24" ATM service. The commercials were made at the Diebold National Display Center in Canton, O., where TV production crews could work out of the public's eye. Diebold ATMs are used by BayBanks.

Two spots were made. In one, comic Bert Berdis describes himself as the tooth fairy and explains how convenient X-Press 24 is for him since he sometimes needs cash "right in the middle of the night," to the obvious bewilderment of his sidekick, Dick Orkin.

In the other spot, as Bert completes an ATM transaction, Dick walks up to the machine and shouts an order for burgers, shakes and fries. Bert interrupts to explain that the ATM doesn't deliver food but does deliver banking convenience. Dick appears to understand what Bert is saying but then turns back to the ATM and shouts that he also needs an order of onion rings to go.

During the week in which First National, Stillwater, Okla., introduced its six "Pockets" ATMs, on-line transaction information was relayed to the bank's data center by way of the space-orbiting Westar communications satellite. The bank's publicity pointed out that customers using the ATM during that week were setting precedents by being the first to have their banking transactions authorized and confirmed in a couple of seconds even after a journey through space of 10s of thousands of miles.

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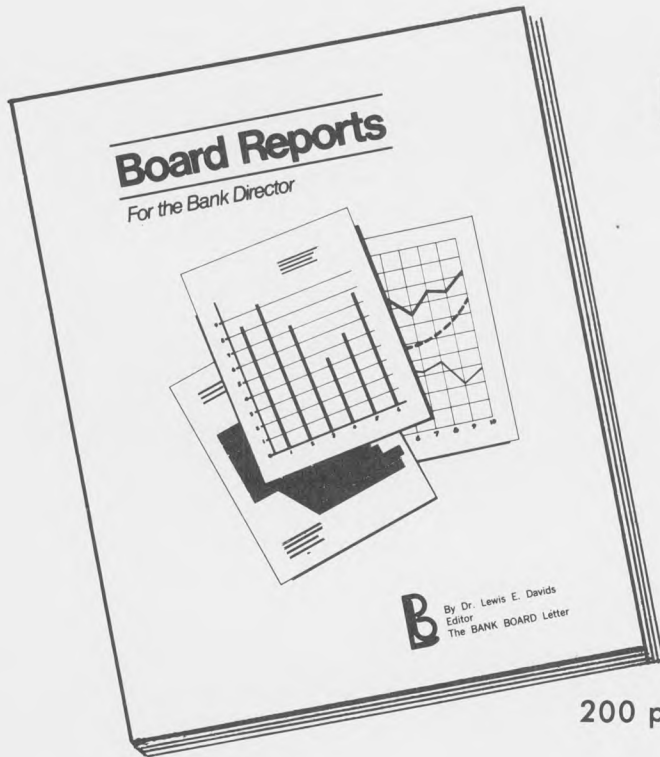
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When the customer activated the ATM, the terminal control unit (TCU) was called. The TCU then utilized land-based lines to call the earth beaming station, which, in turn, signaled the satellite. The satellite then sent the information to the earth receiving station which, again using land-based lines, communicated with the data center where the customer's files were checked. The reverse route was used to transmit the transaction authorization.

The system served to demonstrate that personal electronic banking can be immediate and available on a coast-to-coast basis, a bank spokesman said.

One of the bank's ATM facilities is located within one and a half miles of every home in the city, said bank President Thomas M. Reyburn. The bank serves 20,000 college students at Oklahoma State University, and, according to Mr. Reyburn, "By introducing EFT and joining a statewide network, we have allowed our student citizens to continue their established banking relationships in their hometown by offering them access to their accounts at our 'Pockets' locations."

To promote its new ATM, Broadway National, Kansas City, introduced its Broadway star, called "Broadway Val," to the public. The introduction was done with a Gay-90s theme and the ATM was outfitted in a beaded skirt, a feather headband and long eyelashes. During the time the ATM was demonstrated to the public, an antique player piano provided background music.

The name of the ATM comes from the bank's location, which is the corner of Broadway and Valentine.

Bank employees dressed in Gay-90s outfits during the promotion period and a bank spokesman said interest in the unit was high on the part of the public. ●●

## S&L Proves

*(Continued from page BG/14)*

making use of solar energy in their homes, the thrift lowered its mortgage rates by one-quarter of 1% per year for customers seeking loans for construction of homes that were solar heated. Five loans totaling more than \$300,000 were approved at the reduced rate, Mr. Ritcherson said.

On sun day last May, tours of the branch were given to school children and other interested individuals.

"We don't consider solar power as the absolute answer to the energy problem," said James Bradley, Home

Savings president, "but we do see it as a step in the right direction. After all, we're in the business of helping people save money. Now we're helping to save energy and our natural resources as well."

Other financial institutions will be testing their solar heating systems for the first time this winter.

State Mutual Savings, Othello, Wash., opened its solar-heated branch in July. The building is said to be the first solar-heated bank building in Washington.

According to State Mutual President Douglas G. Erwin, the sun's energy is captured by 27 sheet-metal solar panels covered with greenhouse fiberglass that are located on the roof of the building. The heat is transported through a duct to the bottom of an underground storage bin containing 350 tons of rock. A take-off from the top of the rock bin distributes the heat throughout the building via a forced-air system.

A solar display panel mounted on a wall in the branch's lobby records the outside temperature, the panel temperature of air coming into the building, the temperature of the rock bin and the temperature of the bank interior, so customers can see how the solar heating system is working.

Solar heating is expected to provide 75% of the heating needs at a new facility of Central State, Edmond, Okla. Seventy-five solar collectors provide hot water to a 4,000-gallon storage tank that can maintain enough energy to heat the building for up to three days without sunshine.

Recessed areas and bermed soil around the foundation provide additional heat retention for the new facility.

The bank is said to be the first to be solar-heated in the state, and it's become a tourist attraction, according to Jack Frisby, vice president and cashier.

He said students are doing science projects about it and many people are interested in having tours of the building.

First Federal Savings, Pine Bluff, Ark., is building what it claims to be the state's first solar-powered financial facility. It's located at White Hall, Ark.

According to Del L. Brannon, president, the solar system is expected to utilize considerably less energy than a facility of the same size powered by conventional means. The S&L's initial investment on the project, although relatively high, "will be more than offset by the energy savings in the long run," he said. ●●



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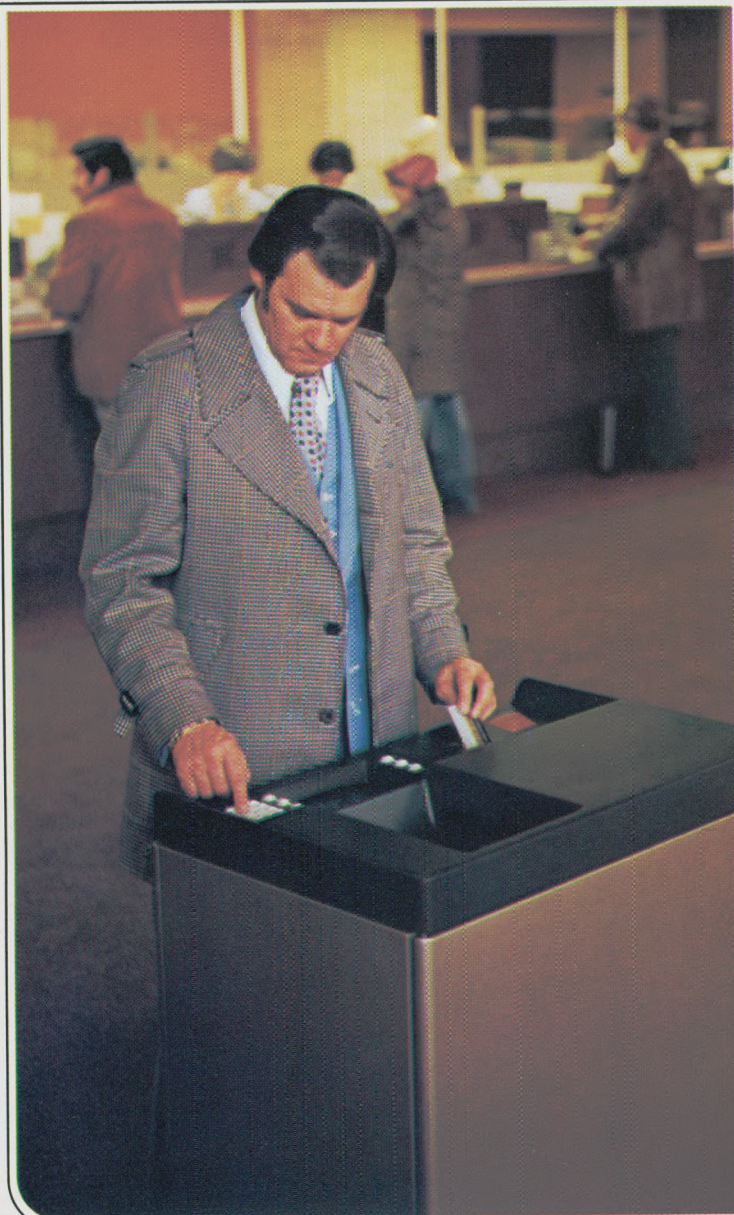
BG/39



# “Our NCR Electronic Funds Transfer System is paperless.”

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“You lose the greatest advantage of an electronic funds transfer,” maintains Joe Phernetton of Banks of Iowa Computer Services (BICS), “unless you eliminate the processing of paper. And that’s what our NCR system does for us. Last month, we displaced over 100,000 pieces of paper.”

BICS provides online paperless service to 18 banks. As well as participation in the Iowa Transfer System, the first statewide EFTS system to go into operation. Bank customers receive a printed receipt. The terminal records transactions on its journal to establish an audit trail. But all the processing is purely electronic.

BICS’ online system, including teller terminals and ATM’s, is all NCR, while master files are maintained by a 370. The NCR computer is current around the clock. The 370 is updated once a day by a simple exchange of tapes. The 370 software is untouched.

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# Banks Announce ATS Account Specifics As Implementation Date Approaches

AS THE DATE for the start of automatic transfer service (ATS) approaches, banks are announcing details of their plans for the service.

The nation's largest bank, Bank of America, San Francisco, plans to offer two ATS accounts beginning November 1. One will be an interest/checking plan and the other a savings overdraft coverage plan.

The interest/checking plan will tie a zero-balance checking account to a new special 5% savings account. Customers must deposit \$500 to qualify and the bank plans to charge a \$3 per month maintenance fee, plus 10¢ per check used. But if the customer keeps a minimum balance of \$2,000, the maintenance and check fees will be waived.

The second plan will permit customers to use a savings account as protection against overdrafts. The bank will charge 75¢ on any day a transfer is made to cover a check. The minimum amount of transfer will be \$25.

Customers with large balances are expected to use the new accounts and the bank expects 20% of its total demand deposits to be switched into the new accounts during the first year. This will include only 5% of the bank's checking account customers.

## No Delay in ATS Start

The Fed has refused to delay the implementation of automatic transfer service, which begins on November 1.

A six-month postponement had been requested by the Independent Bankers Association of New York State to give Congress time to consider legislation eliminating the interest-rate differential between commercial banks and savings institutions. Some banks had asked for a delay due to operational problems in gearing up for the program.

The IBAA charged that savings banks, with their quarter-percent interest advantage, would have an unfair competitive tool in offering ATS.

The U. S. League of Savings Associations has a suit pending against the Fed and the FDIC seeking to prevent ATS from being implemented.

First Banc Group of Ohio, Columbus, has announced its Checkable Savings Plan, a checking account with zero balance. Transfers will be allowed from savings in \$50 increments and the monthly price will be \$5 for customers maintaining a balance of \$500, plus 20¢ per transfer.

Commerce Bancshares, Kansas City, will call its ATS the "Combination Account." It will automatically combine a customer's checking and regular savings balances into the 5% savings portion and automatically switch enough funds back to cover checks written.

The Combination Account will be offered at all Commerce Bancshares affiliates.

Louisiana National, Baton Rouge, plans to offer an account called "The Money Maker" which involves no minimum balance but will cost customers \$4 per month and 20¢ per transaction for each check written. Funds will be deposited only in checking and everything over \$50 automatically will be transferred to a 5% savings account.

As customers write checks, funds will be transferred automatically to the checking account to cover them.

Northwestern National, Minneapolis, plans an ATS that will feature a zero balance checking account. Checks written on the account will create overdrafts that will be covered by automatic transfers from special savings accounts. Each transfer will be for the exact amount of the overdraft.

Customers will receive free personalized checks, free traveler's checks, free notary service and a \$3 annual credit on safe deposit rentals.

A monthly maintenance fee of \$1 will be charged, plus 25¢ for each check written. No minimum balance will be required.

Boatmen's Bancshares, St. Louis, plans to offer Option accounts at each of its affiliates. The Option Account is a combination checking and special savings account. A zero balance will be maintained in the checking account and funds will be transferred automatically from savings to checking to cover disbursements.

Pricing information was not available at press time. ●●

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# 'Pre-Authorized Transfer Service' Starts in Chicago

**A** BANK in Chicago jumped the gun on automatic transfer service last month when it began offering a unique version of the service to customers.

According to a spokesman at First Security Bank of Chicago in Water Tower Place, the bank is the first in the nation to offer a "linked" checking and savings account program, one that permits customers to receive interest on funds previously kept in regular checking accounts.

The service is called "Authorized Transfer Service" (ATS) and checks issued to account holders include an area

where customers can indicate with checkmarks if the funds for any given check should be taken from their savings account and transferred to their checking account for payment.

The program is said to have had the approval of regulatory authorities. The bank is said to be relying on a 1975 federal law that permits "pre-authorized third-party payments" for telephone transfers as well as clearance from the FDIC, which is said to have sanctioned the service through its Chicago and Washington, D. C., offices.

After November 1, the bank is expected to rename the service the "Automatic Transfer Service."

The new program is offered to current and new customers. Current customers must order new personal checks to participate. According to bank President Vernon S. Hoesch, the new check design represents one of the few major changes in standard check appearance in several decades.

According to Mr. Hoesch, First Security's ATS customers don't actually earn interest on their checking bal-

ances, but keep the money in their savings accounts until the moment it's needed for payment of a check.

"When the check arrives at the bank for payment," Mr. Hoesch said, "we transfer the money from the customer's savings account to his checking account, then pay the check. The difference is that the customer earns interest on his savings balance in the meantime, and that can be a significant amount for some depositors." First Security is located in the posh near north side area of Chicago.

"With Authorized Transfer Service the customer controls which checks generate savings transfers, with the resulting fee, and which don't," Mr. Hoesch said. "The customer can make his own judgments about the frequency and amount of transfers."

The bank makes it clear to the customer that he doesn't earn interest on his checking account balance, but "he earns interest on his savings until the moment it's needed for his checking account," Mr. Hoesch said.

The bank requires that ATS users maintain an average balance of at least \$300 in their checking account and pay 50¢ per transfer. There is no specified minimum savings account balance to qualify. Customers must maintain both a checking and savings account, which have a common number.

"Our feeling is that most users will not code each check, but only those of larger amounts that merit the transfer fee," Mr. Hoesch said. ●●

## Consumer-Credit Jump Shown in ABA Survey, But Profit Goes Down

WASHINGTON, D. C. — Total consumer credit outstanding jumped 16.9% last year, a boost over the 12.4% increase registered in 1976, according to the ABA's 1977 *Installment/Consumer Credit Report*. The report, which provides a statistical overview of bank consumer-credit operations, was the association's largest and most comprehensive, with 900 of 3,500 banks surveyed responding.

The report shows automobile-credit outstandings increased by slightly less than 20% and home-improvement credit by about 18% last year. Both were slightly under the 25% growth of the industry's key gainers, bank-credit-card and bank-check credit, but well over the 3% growth counted in mobile-home credit.

Thirty-six-month new-car loans were an industry standard. Also, while energy-conservation loans were made and promoted by a number of banks, they were not widespread in 1977.

Although gross installment-loan income was up, the report says profit went down because of loan demand and rising internal costs and the fact that banks didn't adjust prices upward. Reduced loan losses prevent further erosion of profits, says the report.

The study concludes that the 1978 consumer-credit outlook is less favorable than in 1977, primarily because factors that give consumers confidence and influence them to buy (personal-income growth, higher employment and moderate inflation rates) are likely to be less favorable this year than they were in 1977.

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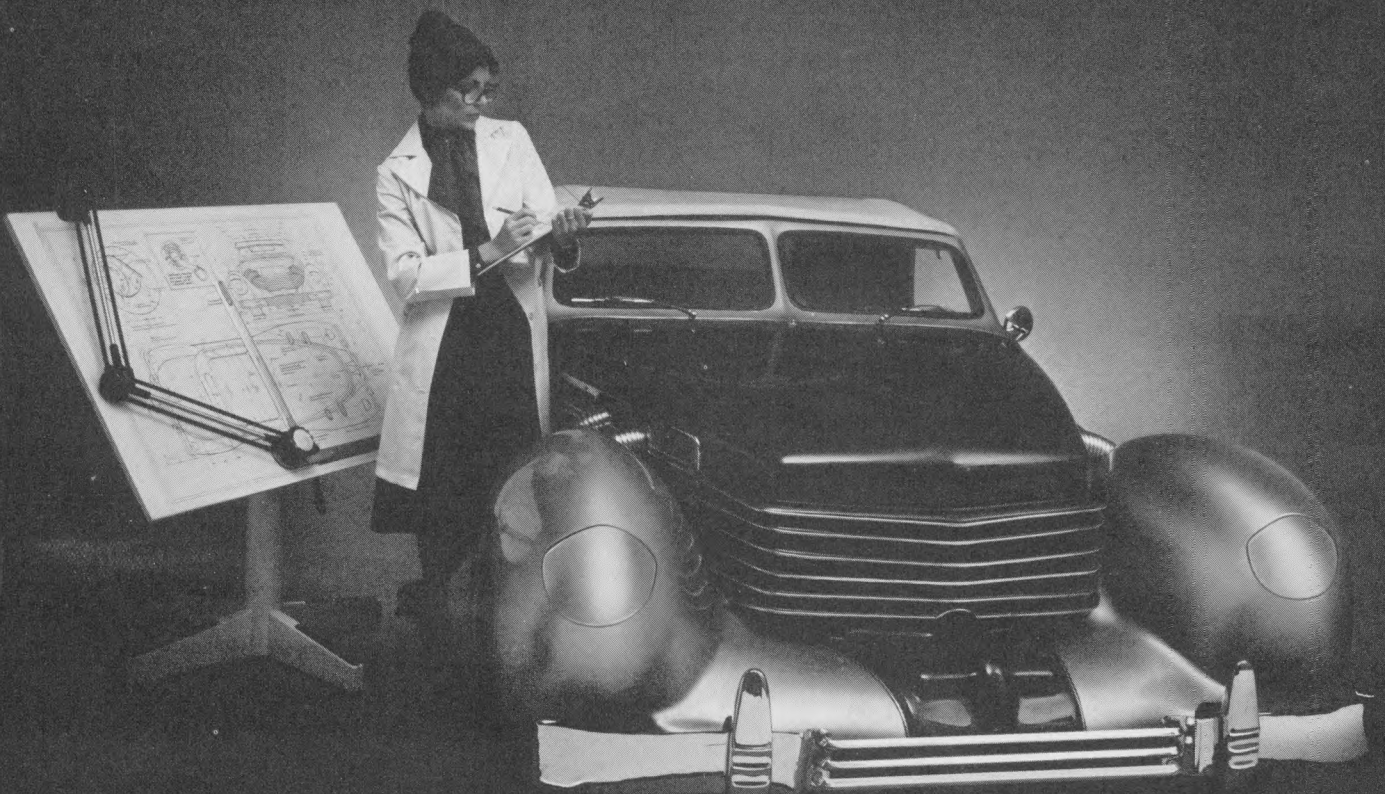


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# ABA's Personal Economic Education Course To Be Introduced in Kansas Schools

*Young Bank Officers to serve as coordinators*

---

THE ABA and the Kansas Bankers Association — through its Young Bank Officers of Kansas (YBOK) group — are about to embark on a formal economic education program for junior and senior high school students. Kansas is one of two states — the other being Florida — to present the program to school children on a pilot basis.

The program, entitled "Education in Personal Economics Program," actually formalizes the efforts Kansas Young Bank Officers have been making to spread the concept of economic education for years, said Ray Makalous, YBOK president, and vice president in the correspondent department, First National, Topeka.

YBOK members now will have a formalized economic education program, thanks to the ABA, and they will attend a workshop on the implementation of the program at the YBOK annual convention this month in Hutchinson.

The primary purpose of the program is to provide young people with realistic, practical financing knowledge to better prepare them as consumers and future banking customers, Mr. Makalous said.

"The program also is designed to make banking come alive to young people," he said. "Too often, a banker's image is misunderstood and, through the Education in Personal Economics Program, the banker can project himself to students as he is — the friendly, concerned, interested, knowledgeable business and civic leader."

Another goal of the program is to give the student public a more informed understanding of the American free enterprise system and the role banks play in it.

During the YBOK convention, each member will be given instruction on how to enter the classroom to present the economic education material. Delegates will be given guidelines, hints, instruction and materials to adequately represent the banking industry in the classroom.

At the convention, YBOK members will learn about the logistics of the program, how to develop their product and market it to educators, how to deliver the product and make the classroom presentation and how to handle post-presentation followup and bank tours.

Key to the entire program, Mr. Makalous said, is each bank's school coordinator.

"The school coordinator is responsible for making classroom presentations in the community and for conducting tours of the bank," he said. "The school coordinator also should be creative enough to generate favorable publicity through the news media for the local bank."

The money budgeted by the ABA's fund for education in economics will cover printing and mailing costs, supplies and travel expenses for YBOK members.

In addition, the ABA is providing training materials, informational brochures and training manuals.

The training materials are filmstrips and booklets covering six topics: banks and banking services, checking account management, consumer credit and loans, the business of banking, personal money management and careers in banking.

CEOs at all Kansas banks have been asked to appoint school coordinators at their banks and to support the YBOK in educating young, potential bank customers in the specifics of the industry.

The ABA will closely monitor the YBOK effort and a report will be presented to the ABA at its winter meeting in February, Mr. Makalous said.

Following the Kansas and Florida pilot programs, the program is expected to be expanded to other states.

The ABA program is patterned after one developed in Alabama, where 250 banks are helping teach students and the general public about the practical aspects of financial management, the American economic system and the role of banks. More than 2.5 million

students have participated in the Alabama program during the past 20 years.

The Young Bankers Section of the Alabama Bankers Association is the state-wide coordinator for all participating bankers in the program.

The program originated with Henry Schaub, now executive vice president, Merchants National, Mobile, in 1956. Mr. Schaub's wife, who was a school teacher at the time, realized that her students knew little about the services and institutions in their community. She arranged tours for her students and one of the stops on the tour was her husband's bank.

After speaking with the students, Mr. Schaub decided to start a state-wide organization whose primary purpose would be to present economic education to high school students.

After serving as president of the Young Bankers Section of Ala. BA, Kay Ivey, assistant vice president, Merchants National, Mobile, was loaned to the ABA by her bank so she could develop the Education in Personal Economics Program.

Many of the elements of the new program are traceable directly to the program Miss Ivey supervises at Merchants National. Prior to 1970, the bank supplied school teachers with printed materials concerning financial education. Now, the bank has formalized its school program and offers teachers an organized plan covering various bank-related topics. Merchants National works with about 10,000 students annually.

Miss Ivey said the success of the Alabama program can be attributed to the fact that Alabama bankers discuss the American economic system and the role of banks, but they don't try to sell their individual banks to the public. The bankers provide a valuable function because they are outside financial authorities who are willing to share their expertise with students. A key to the Alabama program's success has been that educators recommend the program to fellow educators. ●●

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# Do You Know How to Rate Your Bank's Performance?

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

---

*“ . . . The business of banking is affected by the monetary and fiscal policies of the federal government. In particular, the Federal Reserve System regulates money and credit conditions in order to influence general economic conditions, primarily through*

*open market operations in U. S. government securities, varying the discount rate on member bank borrowings, setting reserve requirements against member bank deposits and regulating interest rates payable by member banks on certain time and*

*savings deposits. These policies have a significant influence on overall growth and distribution of bank loans, investments and deposits and affect interest rates charged on loans and earned on investments or paid for time and savings deposits. . . . ”*

---

**WE** REMEMBER the above “axiom” from our days back in banking school! Today, it has become a familiar formula, trite from usage, which echos and reechos through the dim halls of our memory as we think of the great influences Fed policies have wielded in the past.

Fed policies always have had a significant effect on the operating results of commercial banks in the past, and *this generally is expected to continue.* However, today's banker would be wise to consider that the *precise* effect, *if any*, of such policies on the future earnings of today's banks *cannot be predicted accurately!* For today, the banking industry is encountering uncertainties of considerable magnitude. Already fueled by a seemingly runaway acceleration of inflation, the national economy — processed largely, of course, by the banking industry — is believed by many to be influenced more today than in the past by the dollar devaluation in the world money

markets. Many people now are worrying whether the Administration's anti-inflation policy will curb price in-



creases, and, if not, will the Fed continue to send interest rates even higher?

Yes, even our best recognized economists and analysts are in full *disagreement* today! Add to this gloomy picture the radical changes taking place in the world's socioeconomic systems and the big roles played in this by many large banks, and we now have the biggest uncertainty of them all “ . . . What's the future for commercial banking in the United States? . . . ”

We would quickly and severely doubt the prudence (and integrity?) of anyone bold enough to claim to be able to answer this question. Certainly, we make no such claim.

However, we do suggest that a banker, instead of attempting to answer such a complex question, ask himself a few questions about his *own* bank.

Just how well does he know his own bank?

How well does he know his *total*



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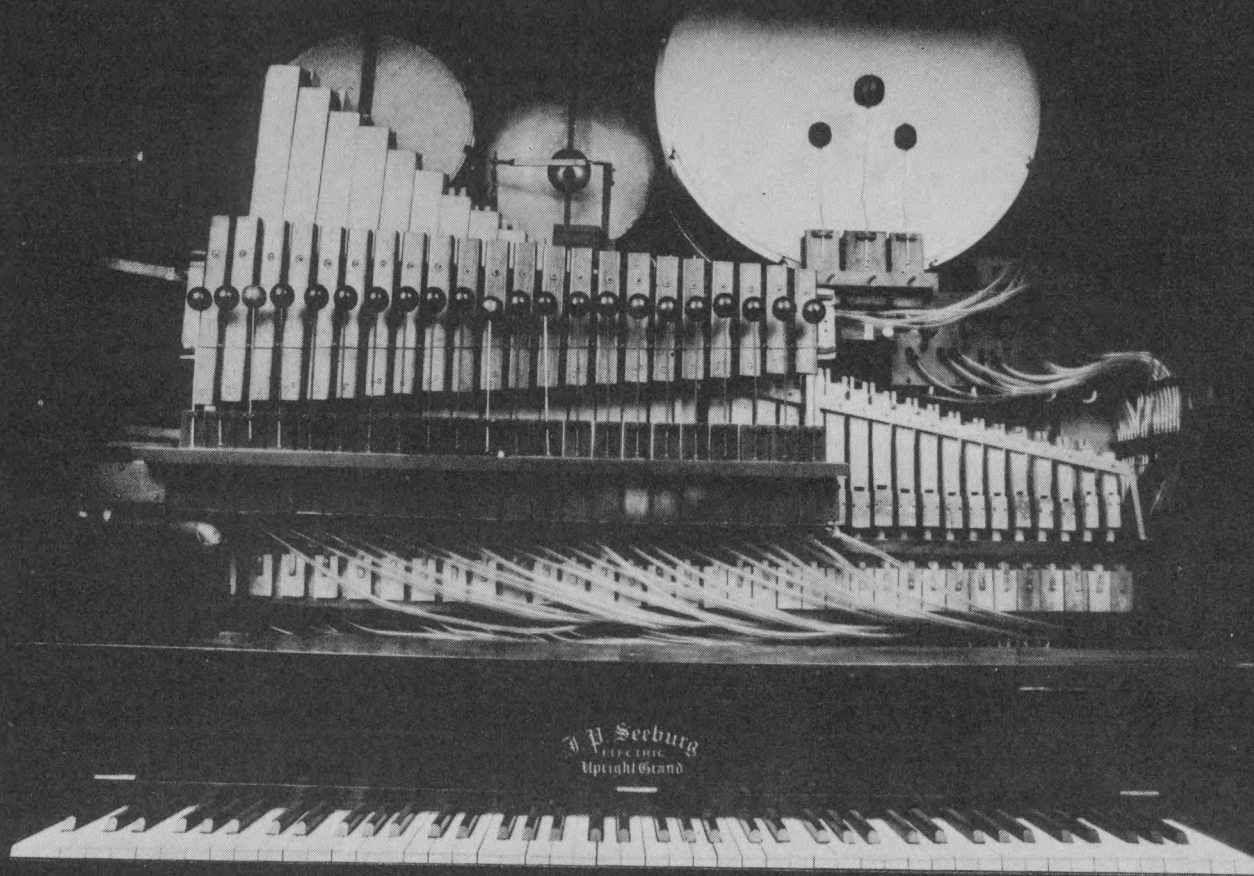


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bank and financial figures that make up his bank's balance sheet and income statement?

We often are asked by bankers just what information they should have *daily* about their banks.

Space won't allow us to list the many items of information we believe today's banker should keep abreast of. However, listed below are 35 questions relative to a bank's financial performance. We believe this list to comprise a *minimum* that the banker needs to ask himself *daily* in today's uncertain banking climate.

*Can you respond immediately to these questions?*

1. How do you compute your liquidity ratio? What is your bank's liquidity ratio?

2. What were the bank's earnings last year (after tax and loan-loss-reserve contribution)? What were the bank's earnings through September, 1978 (after tax reserve, profit sharing and loan-loss reserve contribution)?

3. What is the present federal funds rate, and is it anticipated to go up or down over the next six days?

4. What was your average loan yield and investment yield for 1977 and through September, 1978?

5. What is your present loan-loss reserve (volume amount and as a percentage of outstanding net loans)?

6. What is your bank's present time-to-demand-deposit ratio?

7. What did you pay in dividends during 1977, and what have you paid during the first three quarters of 1978?

8. How many shares of stock outstanding do you have, and what were your net earnings per share through September, 1978? What is the book value of your stock?

9. What percentage of your assets are non-earning assets?

10. What is your percentage of margin between cost of funds (interest expense) and loan and investment income (interest income); i.e., 1%-2%-3%-4%?

11. What amount of your bank's liabilities is made up of capital notes, subordinated debentures? When are they due, and what rate are you paying for them?

12. What contribution have you made to loan-loss reserve through September, 1978, and what effect does this have on your capital position?

13. What was your total capital-to-asset ratio on September 30, 1978?

14. What was your return on assets in 1977?

15. What was your return on capital in 1977?

16. What is the present rate paid on large 30-, 60-, 90-, 180-, 270- and 360-day CDs (New York and Chicago)? Do you generally follow these rates?

17. What is the advantage of municipal vs. U. S. government securities as a bank investment?

18. What percentage of your deposits do the branches contribute (average)?

19. What percentage of your loans do the branches control?

20. What is your bank's advertising budget for 1978?

21. What is your earnings goal after

profit sharing, taxes and loan-loss reserve contribution for 1978?

22. What percentage of loan (installment, commercial and real estate) — demand deposit — time deposit — market do you have?

23. What are the bank's trust assets (amount)? What were the trust department's gross earnings for 1977 and year-to-date 1978?

24. Who are the 20 top demand-deposit accounts in the bank?

25. How many checking accounts do you have? How many savings accounts do you have?

26. What dollar effect does checking-account service charges have on your earnings? That is, how much monthly income does it generate?

27. What is your bank's annual payroll expense including payroll taxes and employee benefits?

28. How do you compute the bank's bonus (profit-sharing) contribution, and how much have you reserved for this through September, 1978?

29. Who are your major correspondent-bank relationships, and what average collected balances do you keep with them for the services they perform for you?

30. What is the current investment policy of your bank?

31. What are the current yields on 90-day, one-year and five-year government securities?

32. What's the current prime rate and current discount rate?

33. What type of security is pledgeable to your city, state and county?

34. Of total bank expenses, what percentage is made up of operating expenses (those expenses other than interest expenses)?

35. Does your bank serve an "affluent" or "depressed" trade area?

These are only a *few* of the facts and figures you should be aware of before you start an analytical process for your bank during these trying times in our

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nation's economy. You will know of others more pertinent to your own bank's circumstances. Collect them; tabulate them, and use these tabulations to keep yourself *informed*, on a day-to-day basis, as to how your bank relates to the overall national banking picture. During these uncertain times, you can't afford to be even one *day* delinquent in your awareness of your bank's economic status!

No, you can't answer all the questions about the future of commercial banking in the United States! But, after all, that's really not your job! *Your* job is to contribute toward properly guiding *your* bank down the path that leads to a profitable tomorrow. To accomplish this, you will need to monitor the bank's progress as it travels in that direction. Also, you will need to *use* the data you accumulate in this monitoring process to guide you in making the sound decisions necessary in managing the bank in these perilous times.

Perhaps these few paragraphs will help propel your thoughts in this direction. ●●

## Insurance Premiums Cost \$200 Million, Bank Survey Shows

WASHINGTON, D. C. — Full-service banks paid almost \$200 million for insurance premiums last year, a confidential bank insurance survey shows. The study was made by the ABA's insurance and protection division. About 1,000 banks responded to a questionnaire intended to identify developments and trends with respect to the banking industry's insurance coverage and loss experience.

Most commonly reported types of losses identified by responding banks were from check frauds, miscellaneous occurrences such as property damage, overdrafts, stop payments and counterfeit bills, robberies, mysterious disappearances, employee dishonesty.

The survey, which was sent to 3,393 banks, selected at random by deposit size, also found that:

- About half the \$200 million paid by banks for insurance premiums was for bond coverage. Overall, total bond coverage cost banking 15.6% more in 1977 than in 1976.
- More than \$37 million in 1977 bank losses were attributed to check fraud, the type least likely to be recovered through insurance.
- Ninety-six percent of losses due to check fraud were absorbed by banks.

## A 'Roaring' Ribbon Cutting



To dramatize the commitment to maintaining fast, efficient service at its new West 10th Street Branch, American Nat'l, Chattanooga, Tenn., called on a national record-holding drag racer to "cut" the ribbon at the branch's opening. Cotton Perry is shown here roaring through a bank banner in his H-modified Perry-Headrick Chevy II. Service at the branch, located in the downtown area's "golden gateway" section, is limited to drive-up, inside teller and 24-hour ATM transactions and opening of new accounts. Thus, says Bill King, e.v.p./retail division, customers will be assured of the convenient, fast and efficient service for which the branch was designed.

Only 1% was recovered. Banks' absorption of unrecovered losses increased the actual cost of insurance-related items to several times that of the premium alone.

- Banks absorbed 48% of losses from employee dishonesty. (Because of the significant size of embezzlement losses and the sampling technique used in the survey, the ABA had expected many embezzlement losses to go unreported. Data made available by the Surety Association of America (SAA) show there were at least 33 embezzlement losses greater than \$500,000 in 1977. They totaled \$41.4 million.)

- About 87% of the banks were insured for kidnapping/extortion threats.

- Nearly 90% of the banks surveyed had comprehensive general-liability insurance, while 67% had umbrella-liability insurance.

- Among increases in bond premiums, the largest was 21% for banks with deposits of \$25 million-\$99 million.

This was the ABA's second annual confidential bank insurance survey reflecting insurance trends for the entire banking industry, says Francis H. Herndon, insurance and protection division chairman and vice president, First National of South Carolina, Columbia.

"Increasing premium costs, deductible amounts and numerous exclusionary riders have focused bank-

ers' attention on the growing and troublesome problem of securing adequate insurance," he says.

Mr. Herndon points out that bankers have taken direct steps to deter the cause of loss by installing alarms and other devices and by using audits and verifications to detect attempts at theft by employees.

"These efforts are positive," he adds, "and sometimes can be reasons seen by insurance companies to hold the line on an individual bank's premium rate."

## Memphis Banking School Gets New Name, Director

MEMPHIS — The name of the Memphis School of Banking has been changed to Mid-South School of Banking, and Clifford Y. Davis Jr. has been named director of the school. He is president, Walk, Young & Wells, Inc., a marketing management firm located here. The school's seventh annual session will be held next May.



DAVIS

According to Jack B. Donaldson, chairman of the school's board of regents, the name change resulted from a broader base of enrollment. Mr. Donaldson, executive vice president, First Tennessee Bank, Memphis, says the school's more than 200 students are from all parts of the Mid-South.

The school, organized in 1971, is an intermediate school, bridging the gap between no training and advanced banking schools. The three-year course is limited to 80 students each year, when, for one week, they attend classes at the College of Business Administration at Memphis State University. The faculty is composed of leading bankers from all over the country. The curriculum emphasizes supervisory and management principles and asset management.

Mr. Davis spent 17 years in banking before organizing Walk, Young & Wells and is a director of City National, Memphis. He was president, Bank Marketing Association, 1976-77. He has been an instructor at a number of graduate banking schools.



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# Fireworks Generated in Capital Over Fed-Membership Problem

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THE SO-CALLED Fed-membership problem has resulted in a lot of fireworks in the nation's capital in recent weeks as the House and Senate Banking committees began to consider new and radically different solutions. In fact, as an ABA spokesman points out, it rapidly became apparent that the issue before the committees no longer was Fed membership, but rather whether mandatory Fed reserve requirements could be imposed this year on all banks over a certain size.

On September 14, the House Banking Committee approved legislation that, if passed, will subject many banks to reserve requirements for the first time. Approval came despite what was described as an "ABA airlift of bankers" into Washington to lobby against the proposal.

Under this plan, all banks with \$50 million or more in demand deposits, negotiable order of withdrawal (NOW) accounts and savings accounts and \$50 million or more in time deposits would be required to hold reserves with the Fed. The legislation would impose reserve ratios in a range of 6% to 8% for demand deposits, 1% to 6% for time deposits maturing under 180 days and 1% to 3% for longer maturities.

It also would require the Fed to propose an explicit pricing schedule by July 1, 1979. However, it would not require a date by which such a schedule would have to be implemented.

The committee's bill, which would become effective next July 1, also would allow the central bank to gather liability and asset information on all financial institutions through their federal regulators for monetary-control purposes.

The ABA believes there are too many unknowns in the equations for change and continues to urge that any such massive changes as proposed require exhaustive study so that all affected groups can accurately understand what's at issue before they make any decisions.

The ABA also emphasizes that no legislative proposals connected with Fed reserves exist in a vacuum. Instead, according to the association, parallel to, but independent of, any congressional action, Fed Chairman G. William Miller has made it clear the Fed will establish explicit prices for its services to *all* users of those services. Congressional leaders support the Fed in this regard.

The net effect of the proposed legislation and Fed pricing, continues the ABA, would be that Fed-held required-reserve balances would buy no compensating services whatsoever.

As of this writing, no proposed Fed pricing system had been made public. Yet, says the ABA, even with extremely significant unknowns — the philosophical structure of Fed pricing and a specific pricing schedule — remaining to be resolved, bankers and others were being asked to endorse the entire package of changes being offered by the House Banking Committee.

The ABA believes that, without question, congressional proposals would erode the effectiveness of the dual-banking system by removing the option of alternative reserve-setting authority for banks above the specified deposit-size limit and by ending the necessity for national banks below that deposit limit to maintain required reserves. The latter result could cause a dramatic shift to national charters, seriously weakening the state-chartered

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## Interest Amendment Passed

An amendment authorizing payment of interest on reserves held at the Fed was made recently to legislation setting Fed reserve requirements. The amendment was passed by voice vote over the opposition of House Banking Committee Chairman Henry S. Reuss (D., Wis.). The amendment would authorize payment of interest on reserves unless either house of Congress acts within 60 days to strip the Fed of the authority to pay interest on reserves.

banking system, says the ABA.

Until recently, the ABA goes on, the Fed was proposing — and bankers were supporting — legislation to reduce reserve requirements for member banks, allow some form of compensation for reserve balances and establish explicit pricing of Fed services. Except for Fed pricing, all that now has been set aside.

The focus of the new proposals is not Fed membership, says the ABA, but rather the pool of bank reserves the Fed can control. Regrettably, it continues, the new proposals could interact in potentially destructive ways with Fed pricing.

The ABA continues to urge that, while study of the new legislative proposals and analysis of the probable impact of Fed pricing continue, Congress move to cut minimum statutory Fed reserve requirements, allowing the Fed, in turn, to cut actual reserve levels and thus reduce the Fed-membership burden.

In a related move, the ABA has selected Abt Associates, Inc., Cambridge, Mass., as the prime consultant to conduct a study of the possible effects of pricing by the Fed for services it provides banks.

The study, which is expected to be completed by next March, will develop alternative scenarios for the pricing of Fed services and estimate their impact on banks and, indirectly, on bank customers, says P. Michael Laub. He is the ABA's director of economic and financial research.

Arthur Andersen & Co., Washington, will conduct a portion of the study, focusing on Fed and correspondent-bank-cost data. The latter will be used to analyze the impact of Fed pricing on the banking industry's structure, including money center and regional banks, small banks, member banks and nonmember banks.

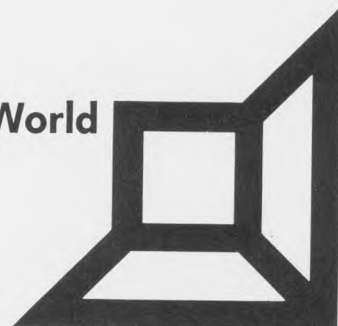
According to Mr. Laub, the study is structured to complement the Fed's current discussion of the pricing issue and possible means of easing its membership concerns. ●●

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# State/Local Tax Reform Is Not Enough: Demand Budget Cutting At Federal Level, Too

A RECENT EVENT promises to have a profound effect on the future course of our nation's fiscal and monetary policy.

On June 6, some 4.2 million California voters ratified Proposition 13 and, by their action, mandated a drastic cutback of tax revenues available for expenditure by state and local governments in that state. Their action was hailed nationally. Newspaper headlines trumpeted, "Taxpayers' Revolt Thunders Out of the West." The governor of California called it "the strongest expression of the democratic process in a decade." Words like "tax quake" emerged as additions to the lexicon of American politics.

California is only the tip of the iceberg. Citizen initiatives like those culminating in Proposition 13 currently are underway in at least 26 states. While they differ in form, they have one common characteristic. They reflect a concern on the part of many Americans that government has grown too large and expensive at a time when many citizens are feeling the pocket-book pinch of increasing inflation.

Origins of the anti-tax movement are readily discernible. They are an outgrowth of some sobering facts, among them the realization that nearly \$4 in every \$10 of national income now goes for taxes or other government receipts; one in every five workers in this country is employed at some level of government, drawing \$244 billion a year in pay and fringes; that a 1967 dollar is now worth 58¢ in purchasing power, and inflation again is accelerating.

These are disturbing facts, and they call for remedial action. Proposition 13 and similar citizen initiatives indeed do mark an important beginning effort to arrest ballooning government. But it's important that they be viewed for what they are, a beginning. It not only

By **DONALD W. MORIARTY JR.**  
First Vice President  
Federal Reserve Bank  
St. Louis

would be self-defeating, but it also would be counterproductive if we were to let ourselves be lulled into a belief that, by applying the screws on spending at only the state and local levels while at the same time ignoring spending at the federal level, we could accomplish what Proposition 13 supporters had in mind.

Essentially, anti-tax initiatives have three broad goals: 1. Reduce the total tax burden by reducing the size and scope of government. 2. Increase the efficiency of government services at all levels. 3. Reduce inflationary pressures. It has been suggested that this current taxpayer rebellion would not exist if it were not for widespread consternation about inflation. Many voters seem to believe their elected representatives are no longer capable of withstanding various pressure groups. As former Fed Chairman Arthur Burns noted about the aftermath of Proposition 13, "Congress seems to be going on its old-fashioned way. Yes, we have had a few cuts here and there, but they don't amount to much."

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Donald W. Moriarty Jr. joined the St. Louis Fed in 1968 and moved up to his present post from s.v.p. and controller in the late summer of 1977. He gave the talk on which this article is based at a meeting of the Society of Logistics Engineers in St. Louis.



I shall try to point out some reasons why, unless we look beyond city hall and the state capitol and address our attention to what's happening in Washington, these efforts will not achieve their intended goals.

There are various reasons why the federal level presents a potentially more productive target for spending-control efforts than state and local governments. Actually, state and local governments are necessarily constrained in their spending because they must meet current expenses out of current income and can borrow only for capital expenditures financed by bond issues, which usually require voter approval. In contrast, the federal government does not have to seek voter approval or even raise taxes to increase its expenditures beyond its revenues. This is because the federal government has the authority to engage in deficit spending and can monetize its debt through Federal Reserve purchases of government-debt instruments on the open market. It gives the federal government access to the printing press, a "privilege" denied other levels of government.

Evidence shows that this privilege has been utilized extensively over the past decade. Total federal borrowing in the 10 years from 1967 to 1977 amounted to \$250 billion, of which \$50 billion was monetized or purchased by the Fed. This translates into an expansion of \$125 billion in the money stock, a 44% increase. Such rapid monetary expansion, outpacing the nation's production of goods, has been a principal cause of inflation.

Furthermore, taxpayers are better able to exercise control over local government spending than they are of the spending of federal dollars. New local and state expenditures generally are evaluated on a case-by-case basis; es-





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pecially if they entail an increase in taxes. If a city or county or state wants to expand its police force, develop a new park system or build new roads, the proposition usually is aired thoroughly in the local press, and the taxpayer has an opportunity to express an opinion on the issue. Furthermore, if the expanded program entails an increase in property taxes, the increase is dramatically visible to the taxpayer at the time he receives his annual property-tax bill.

Not so at the federal level, where the very vastness of the budgeting process makes citizen scrutiny exceedingly difficult. Individual programs comprising the federal budget are so numerous and complex that they are beyond the ability of most individuals to comprehend. Furthermore, the practice of withholding federal taxes through payroll deduction reduces the impact and visibility of the federal tax burden as compared with local taxes. Finally, when federal expenditures are financed by deficit spending, and the debt is monetized by the central bank, the inflationary effect is not felt until several years later. Then it's too late to block the expenditure.

The relative remoteness and vast scope of the federal budgeting process make that level of government much more susceptible to influence from special-interest groups than in the case of state and local governments. Anyone familiar with the Washington scene knows of the enormous influence wielded by lobbying organizations representing all kinds of constituencies who share a common interest in the seemingly inexhaustible fountain of federal funding. Taxpayers, by and large, are not fully aware of the clout exercised by special-interest groups in achieving legislative support for federal expenditures in behalf of programs in which they are interested. This phenomenon does not exist to the same extent in state capitols and city halls, and, where it does exist, the citizen has a better opportunity to become aware of what's going on.

Still another reason for not concentrating solely at the state and local levels is the tendency for those jurisdictions, when deprived of the ability to support their own activities, to look to federal funding as a means of filling the void. But once federal involvement is solicited, dependence on this new funding source becomes greater and greater.

Statistics show that federal involvement in support of states and localities already has reached alarming proportions. In 1977, all levels of government

spent a total of \$621 billion, of which \$265 billion represented state and local spending. During the same 12-month period, the federal government transferred \$67.4 billion to states and localities in the form of revenue sharing and grants-in-aid — or about 23% of all state and local receipts.

So there's every reason to believe that, if current efforts to reduce government spending are successful at the local level, states and localities will attempt to tap the ever-expanding resources of federal government to meet any shortfall that may occur.

Finally, and perhaps most importantly, we must curtail federal deficit spending if we want to impede inflation. To understand why, perhaps we should consider just how the federal government goes about raising money to finance its spending.

The federal government can raise money in one of three ways. The first and most obvious way is through collection of taxes. Paying for increased expenditures by increasing taxes avoids inflation, but does create political problems for elected officials because increased taxes tend to displease voters, and displeased voters tend to vote elected officials out of office.

A second way government can raise money is by borrowing from the private sector. The federal government borrows money by selling government securities. When the Treasury borrows from the private sector by selling bonds to the general public, it must compete with all other borrowers for available credit dollars. Such competition for available credit usually causes interest rates to rise. And high interest rates, like high taxes, are politically unpopular.

There's a third way to satisfy spend-

ing demands at the federal level. It's a little more tricky in that it provides the government with more money, while at the same time it gives the appearance there's no additional cost to the taxpayer. It entails a bit of financial wizardry that works like this: The Treasury offers securities on the open market. The Fed accommodates the needs of the Treasury by purchasing other government securities in the same market. For every bond the Fed buys, the Treasury has more money to spend without interest rates being forced up and apparently without the taxpayer contributing a cent. Sounds good, doesn't it? Well, you know that you can't create something from nothing. The secret of this process is that it's really only a sophisticated version of the old printing-press trick: The government needs some money; so the government prints itself some money. But the cumbersome printing press is eliminated.

The only refinement in the new version is that when the Fed buys Treasury securities, money is created not in the form of dollar bills, but as reserves of commercial banks. Generally, banks hold reserves as a percentage of the level of their deposits. In the case of banks that are members of the Fed, their reserves are held as balances at the local Federal Reserve bank. Because the so-called monetization process is one that largely involves the New York Fed and other New York banks, I will use them as an example. The New York Fed, acting on authority of the Central Bank policymaking body — the Federal Open Market Committee — will purchase U. S. Government securities, a form of federal debt. It pays for the securities with a check payable to a New York securities dealer who, in turn, deposits the check with his bank. A key step is taken at this point. When the check is cleared by the New York Fed, it's credited automatically to the reserve account of the member bank by the full amount of the check. If the reserve requirement were 10%, the banking system could in theory now expand its deposit by 10 times the amount of the cleared check. But for various reasons, the multiplier between new reserves and the level of new deposits is not 10 times, but about 2.5 times the amount of new reserves, as noted earlier. So we can see that, although no printing press, per se, is involved, the results are exactly the same.

For simplicity purposes, the deposit level of which we are speaking closely approximates the nation's money supply. Thus, through the monetization

### Bank Bookcover Bonanza



Heritage/Standard, Evergreen Park, Ill., remembered back-to-school time this year by handing out children's book covers decorated with the country's presidents. Tony O'Grady, aud., and Barbara Sherman, exec. sec., display them to area children.

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process, the total stock of money expands. And, if the total stock of money grows more rapidly than the total quantity of goods and services available for purchase, we have inflation, which we all know is presently accelerating at an alarming rate.

Let no one be misled into believing that monetization of the federal debt protects the public from the burden of higher taxation. Inflation is a real form of taxation. The erosion of purchasing power is in itself the equivalent of an added tax. As economist Milton Friedman has noted, the only difference between the usual form of taxation and inflation is that "inflation is the only tax that can be enacted without a vote."

So what of Proposition 13? June forecasts indicated many dire prospects, including speculation that Los Angeles would release more than 8,000 employees and that San Francisco transit fares would double. Reports on the consequences to date reveal that Los Angeles adopted a no-layoff policy and that San Francisco's cable-car fare remains a quarter. The expected \$7-billion first-year property tax shortfall is being soothed by the diversion of \$5 billion from state-tax surpluses. The state also was expected to take over \$1 billion in county outlays for welfare, food stamps and health. Efforts also were reported to nullify the intent of Proposition 13 by compensating local governments for lost revenues through imposition of new fees, added taxes on businesses and other assessments. In general, the reaction has been one of cushioning the impact to the greatest extent possible through use of alternate revenue sources.

California's governmental reaction to Proposition 13 certainly is not atypical of what probably would happen in any other state that passes similar legislation. To be sure, there have been and continue to be notable examples of frugality in the local sector, with major cities — New York, Boston and Newark are recent examples — tightening their fiscal belts with massive layoffs. Again, these are isolated instances. And it's clear that Proposition 13 proponents will not achieve their goals if they persist in concentrating solely on the local level. The mere shifting of program-support responsibility to the federal government promises serious repercussions for local communities.

With federal funds come many strings. Under locally financed government, people are free to choose between residing in areas that provide

many public services (and collect commensurate taxes) and those that impose lower taxes and offer fewer services. This is an important element of our national commitment to individual freedom that is lost to a great extent with increased dependence on federal taxing and spending.

In short, as a result of intervention by higher governmental bodies, local autonomy for program control will be lost or at least severely curtailed; program selection and funding will be made in a distant city or state and for reasons not necessarily tied in to the best interests of those persons who would be affected; and improved governmental efficiency and control of bureaucratic expansion — goals of Proposition 13 advocates — probably would suffer irretrievably.

Another real problem is the potential long-term impact of the assumption of former local authority by state or federal agencies. When the need for funds is immediate, it's difficult to turn down federal intervention, particularly in the form of block-grant aid to assist a financially distressed program. But the long-term view must be considered at the same time. For instance, what are the implications if the city or state in question would have to hire additional employees to qualify for federal benefits? Simply, when federal money becomes the sole support for key programs, many states become inextricably tied to the Washington funding source and would encounter serious trouble if that source should be cut off. A University of Chicago economist was quoted as saying that "many cities have become fiscal junkies of the federal government."

So I would repeat that, in our determination to reduce our tax burden and lessen the impact of inflation through more effective control of government spending, it's important to apply a wide-angle lens and view government spending in its entirety. This is not to suggest that the current tax initiatives at state and local levels are not steps in the right direction. Rather, it is an observation that unless government spending is reduced at the federal, as well as state and local levels, the total cost of government will not be reduced. It's true that the tax burden may be shifted around or might become less obvious, but it would remain, and someone would have to pay for it.

The spirit of the Proposition 13 legislation will not be carried out fully as long as there's a higher authority to which the case for continued support can be appealed. And the highest au-

thority — the federal government — will remain receptive to such program involvement as long as it can provide financial assistance while condoning large deficits, encouraging forced expansion of the money supply and thereby fueling inflation. And inflation will levy the ultimate tax on the well-meaning citizen whose only "sin" in voting for Proposition 13 was one of omission — failing to take a broader view of the possible ramifications of a proposal that will not have any real impact on the federal government like the fiscal restraints the voters have placed on California.

It's clear that we no longer can content ourselves with narrow solutions to the problems of taxation of inflation. Voters in this country are showing renewed concern for their own destiny and that of their nation, and it's important that elected officials and leaders of organizations spawned by activists like Howard Jarvis take a realistic view of the problems they wish to address. It would be ironic, indeed, if the taxpayers' revolt were to halt at the local level and not to permeate the federal bureaucracy, where the real problem lies. It's up to each of us as bankers, to speak out and, wherever possible, to act decisively to see that total government fiscal responsibility is achieved and that the new taxpayer awareness as demonstrated in California and elsewhere is properly nurtured, intelligently directed and pursued with vigor. If we do so, and *only* if we do so, will the economic, political and social future of our nation be secure. ●●

#### **Directors' Assembly Planned For Nov. 9-12 in Phoenix**

PHOENIX — Thirty-six faculty members from banks, regulatory agencies, banking associations, universities and law firms will conduct the 33rd assembly for bank directors November 9-12 at the Arizona Biltmore here. The program will be directed by Roger A. Lyon, president, Valley National of Arizona, Phoenix.

The subject matter will be focused on relationships banking, Congress and the regulatory agencies have to one another and developments that will affect banks during 1979. Special discussion sessions will consider current banking legislation, regulation and policy changes, banking's response to NOW accounts and EFTS and services an outside director should perform for his bank, both in the independent bank and the bank belonging to an HC.

The 34th assembly will be held February 8-11 in Boca Raton, Fla.

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# Louisiana Buckle Collection Premium Offer Scores High at Louisiana Nat'l, Baton Rouge

**P**REMIUMS have proved themselves for Louisiana National (LNB), Baton Rouge, where for the last 15 years LNB has offered a grab bag of good things ranging from bibles to wigs.

But nothing has taken off as fast nor brought the bank more new accounts than the Louisiana buckle collection, the latest in a special premiums series called the Louisiana Collection.

"Never in my wildest expectations did I dream, or even hope, that the buckles would grab people's fancy as they have," LNB Marketing Director Jerry Turk says.

In the first three weeks the buckles were offered, LNB sold 1,500 and during the initial 13 weeks of the program deposits topped \$10 million.

"The buckles were hot items and they pulled in money fast," Mr. Turk claims.

And he goes to his research department to back up his claims.

"Twice in the decade and a half we have been offering premiums we have researched our account base to learn what good our promotions were to us. We found out. We know that savings accounts opened through premiums stay longer with LNB and build faster than do other savings accounts.

"And we know from experience that if we offer a quality product that the consumer perceives as a good buy, then that premium is going to move, and move well."

The buckle promotion began in March and by the end of August some 6,700 buckles had been either sold or given away to LNB depositors, while another 11,000 buckles had been distributed through 22 LNB correspondent banks in Louisiana.

"Perhaps it's the casualness of the times with blue jeans and work shirts and changing styles that made the buckles a timely item. I think so. But we didn't jump into them right away, not the first time Heritage Mint out of Los Angeles approached us with the idea," Mr. Turk says.

"That was three years ago. Frankly, we saw their quality, knew they were fine items, but we just didn't feel there were enough prospects out there. But we kicked the idea around for two



Louisiana Gov. Edwin W. Edwards (r.) holds Louisiana Buckle Collection he received from C. W. McCoy (l.), pres. & ch., Louisiana Nat'l, Baton Rouge, and Jerry Turk (c.), bank's marketing dir.

years and decided to tie the buckles into our state's history as part of our Louisiana Collection which began with a Bicentennial collection of fine china dinnerware with plantation homes depicted on the plates.

"And what more can I say but that it worked. It has definitely paid off."

The buckle collection was originally conceived as a set of three, but a fourth, the Louisiana State University

(LSU) Commemorative, was introduced in September as an addition to the collection.

The buckles are made of heavy solid brass, are hand cast in sand molds and are then finished in three handwork steps to bring out their deep-relief sculpture.

Designed by artist Jim Leonard of Baton Rouge, the collection includes, in addition to the LSU buckle, the 1812 State Seal, traditional and historical buckles.

The State Seal has outsold each of the other two by about two to one. The historical buckle shows the six flags that have flown over Louisiana since 1776 and its shield highlights historic Louisiana moments. The traditional buckle spells out "Louisiana" inside an oak leaf border. Both were necessary to satisfy the tastes and imagination of a wider market.

Measuring approximately three-and-a-half inches by two-and-a-quarter inches, the large buckles are supplemented by smaller dress buckles. High-quality leather belts also are available on request.

The pricing schedule for all buckles, large or small, is \$14.95 with no deposit; \$10.95 with a deposit of \$100-\$1,000; \$6.95 with \$1,000-\$5,000, and free for deposits from \$5,000 up.

Mr. Turk points out that premium promotions for LNB do well for about 13 weeks and then taper off. This has been true for the buckles.

The two previous standout promotions were for dinnerware and stainless flatware, which were each associated with deposits over \$10 million but which took two and three times longer to hit that mark than did the buckle promotion.

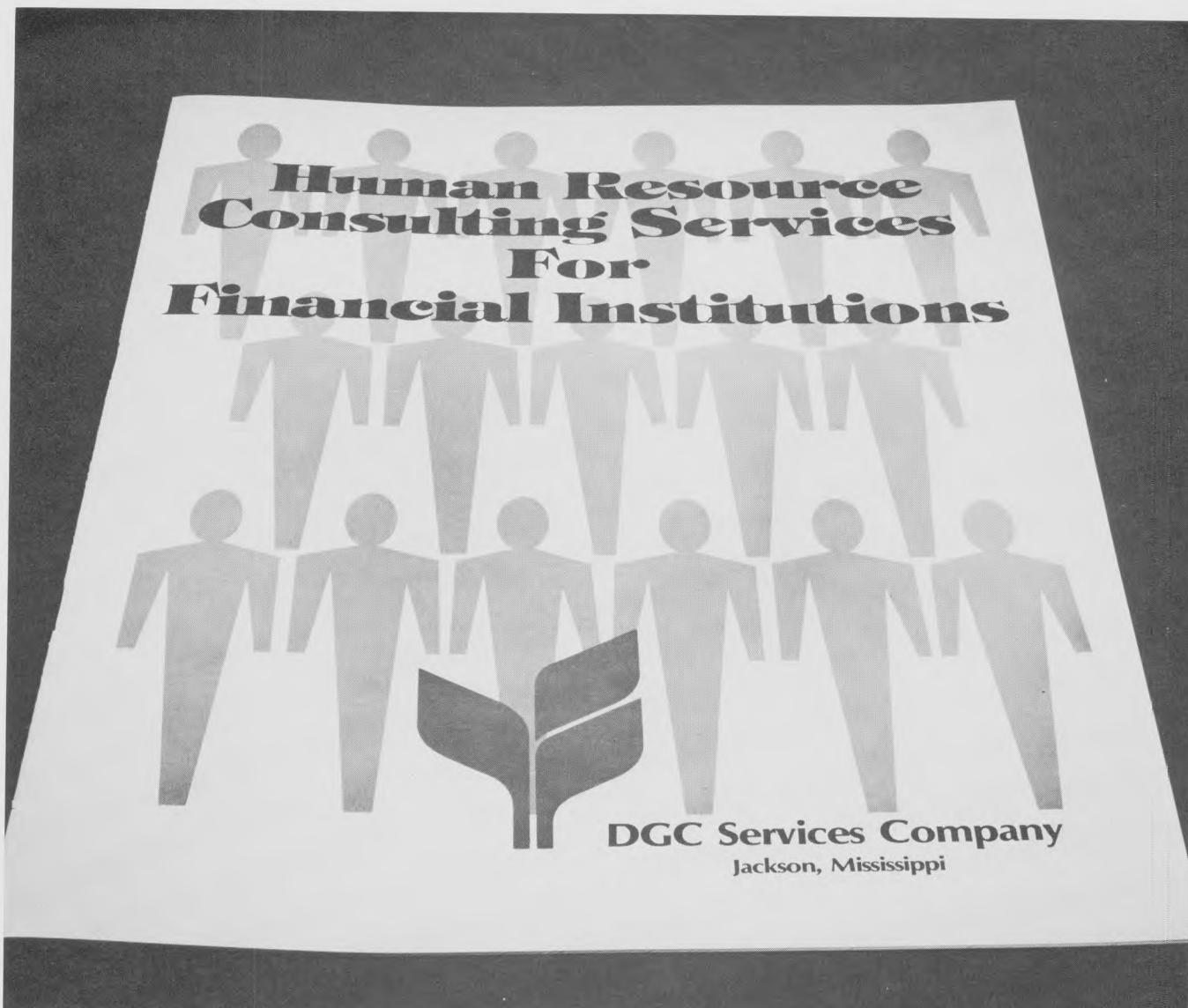
New deposits, though, are not the only reason LNB uses premiums.

"We feel that by offering a top-quality product that promotes the image of our state and ties into the 'Louisiana' in Louisiana National, we are enhancing our image as a bank," Mr. Turk says.

The Louisiana Department of Commerce and Industry also feels the buckles are image builders and bought 100 as gifts for use in their efforts to bring new business into the state.



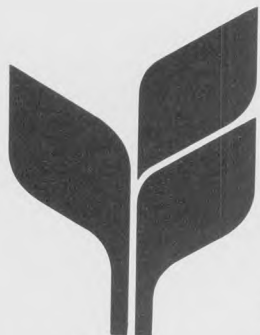
Three of the four brass buckles offered by Louisiana Nat'l, Baton Rouge, make up original buckle collection. They could be ordered singly or in this group, complete with plaque. Buckles snap off so they can be worn as well as displayed. Buckle premium brought in \$10 million in business during initial 13 weeks.



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MID-CONTINENT BANKER for October, 1978

# Ambitious Goals Outlined at AMBI Meeting As Association Organizes for 1980s

**L**EADERS of the Association of Modern Banking in Illinois (AMBI) revealed their ambitious set of goals for the coming five years at last month's annual meeting in Chicago. The goals showed that the association is living up to its annual meeting theme, "Organizing for the 80s."

Outgoing AMBI President Loren M. Smith and AMBI Executive Vice President James B. Watt outlined the goals during the association's business meeting. Mr. Smith is chairman, United Bank of Illinois, Rockford.

He stated that the organizing plan of action was formulated after AMBI's close-call legislative defeat in the Illinois legislature last year. In order to give the association more stature among legislators, he said, AMBI is embarking on a five-year plan of presenting high-quality programs designed to further AMBI's major thrust, which is modernization of Illinois' banking structure.

Mr. Watt, appearing with Mr. Smith, said that, in the next five years, AMBI hopes to reach the point where it is the best-regarded full-service banking association in Illinois and that it will be recognized as such by associations such as ABA. He added that he expects AMBI to be the dominant banking political force in the state and that the association will advance professionalism through education, through federal legislative information and through effective association fiscal and administrative management. He also said AMBI will attempt to increase

By **JIM FABIAN**  
Associate Editor



**William C. Harris (l.), commissioner of banks & trust companies for Illinois, and Ray G. Livasy, pres., Millikin Nat'l, Decatur, and pres., Electronic Funds Illinois (EFI). Mr. Harris reported on state of Illinois banking ("very good") and Mr. Livasy reported on the status of EFI.**

its membership base.

Mr. Smith said AMBI's activities will fall into four categories: legislative, membership growth, education and organization/administration. He said AMBI's leaders see thrifts and credit unions as banking's most threatening form of competition and that this competition is forcing bankers to accept the inevitability of change.

Bankers have a choice to make, he said, either to help mold this change or ignore it, and the latter choice would be disastrous.

Mr. Smith sees AMBI's role as one of trying to establish a common ground within the banking industry in Illinois

so that legislative compromise can be achieved.

Mr. Watts said AMBI is developing a strong central office and that the association will depend on the political involvement of its members to help AMBI make friends in the state legislature.

Methods of influencing legislators will include contact bankers, key bankers and the new AMBI/PAC. Contact bankers are encouraged to meet with legislators and file reports on legislative issues. Key bankers are "assigned" to specific legislators as AMBI "ambassadors." AMBI/PAC raises funds that are distributed to friendly candidates running for public office.

AMBI/PAC's goal for this year is \$100,000 and the PAC's purpose is to show those running for public office that the association does not desert its friends in their time of need and that AMBI is determined to see its legislative program passed.

Member communication tools are being strengthened, Mr. Watt said. "The Springfield News Briefs" will report on the legislative sessions; "AMBI Alert" will circulate special news bulletins to the membership, and a telephone chain will be utilized for immediate action affecting proposed legislation as needed.

In the area of improving public understanding about the need for revised banking statutes, Mr. Watt said news releases detailing the problems caused by antiquated bank statutes will be circulated and solutions will be presented. Studies by college people will be utilized to provide background information in this area.

More advertising will be done by AMBI and news briefings will be held

**AMBI officers for 1978-79 include (from l.) Loren M. Smith, ch., United Bank of Ill., Rockford — ch.; William E. Weigel, e.v.p. & CEO, First Nat'l, Centralia — pres.; William R. Wandrey Jr., pres., Midwest Nat'l, Moline — v.p.; Richard M. Bishop, pres., First Galesburg Nat'l — v.p.; John E. Brubaker, e.v.p., First Nat'l, Springfield — treas.; A. Andrew Boemi, ch. & pres., Madison Bank, Chicago — sec. During convention new Pres. Weigel pledged to make innovative banking practices a reality in Illinois and called for a personal commitment of time and resources on part of all AMBI members.**





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throughout the state for the news media.

Mr. Smith said task forces will be created to carry out research work in the areas of legislative review. Experts will identify questionable legislation and specialists will review such legislation in an attempt to come up with recommendations for improving it.

Mr. Smith said the AMBI leadership intends to increase the association's membership by improving the associa-

tion so that it will be more attractive to bankers in the state.

The new membership expansion program will be announced shortly, he said. He reported that AMBI's membership rolls grew more than 12% last year.

At the end of the business meeting, AMBI's new officers were announced. They are: Mr. Smith as chairman, succeeding Gerald Sinclair, executive vice president, Salem National;

William E. Weigel, executive vice president and CEO, First National, Centralia, as president, succeeding Mr. Smith; Richard M. Bishop, president, First Galesburg National, and William R. Wandrey Jr., president, Midwest National, Moline, as vice presidents; A. Andrew Boemi, president and chairman, Madison Bank, Chicago, as secretary; and John E. Brubaker, executive vice president, First National, Springfield, as treasurer.

Mr. Sinclair reported on AMBI's structure commission, stating that a statewide survey of banks indicated there was agreement that thrifts and CUs are banking's major competitors, that unit banking would be gone in five years and that bankers could live under a new system of banking statutes. The commission's goal, he added, was to establish policy to obtain the broadest appeal to all bankers in Illinois. Input for the survey included the 100 largest banks holding membership in the Illinois Bankers Association and 107 chain bank groups operating in the state.

The commission reviewed banking statutes in all 50 states in order to find ideas for a compromise plan it presented recently.

The plan calls for abandoning traditional branch banking concepts in favor of a small number of limited-service facilities. Under the compromise plan, banks would be authorized to establish only one additional limited-service facility per year in each of three years, making a total of five limited-service facilities per bank after three years (two have already been authorized).

The present limited-service facility statutory home office protection rule, which prohibits a bank from establishing a limited-service facility within 600 feet of another bank, would remain in force.

The additional three limited-service facilities could be located anywhere within the county in which the bank is located or 10 miles from the bank, whichever is greater.

The compromise proposal would permit 101 of the state's 107 banking chains to organize their banks into regional multi-bank HCs. Five banking regions would be established and regional multi-bank HCs would be authorized to operate in any two contiguous regions, one of which must be the region in which the home office is located.

HCs would be permitted to acquire existing banks within their area of operation with regulatory agency ap-

## Luncheon Speakers at AMBI Meeting



PERKINS

HEIMANN

CONNOR

Keynote speaker at the AMBI convention last month was John H. Perkins, ABA president-elect and president, Continental Illinois National, Chicago. He spoke on the 95th Congress and its accomplishments.

He suggested that Congress adopt a go-slow approach before it considers final passage of a reserve requirement bill tentatively approved by the House Banking, Finance and Urban Affairs Committee. It will take time, he said, for the major changes in industry structure provided by the bill to be fully comprehended.

He added that the bill might solve the Fed membership problem, but, as was learned with the Truth-in-Lending legislation, "it's extremely difficult to change a law once it's enacted, no matter how unworkable it proves to be in practice."

John G. Heimann, Comptroller of the Currency, and acting chairman, FDIC, told AMBI members what they wanted to hear, namely, that prohibitions on branch banking as outlined in the McFadden Act curtail competition and hinder the banking industry.

During the question period, Mr. Heimann said changes to the Community Reinvestment Act will be minor and that the act gives bankers a chance to back up what they've been saying all along about investing in their local communities.

In answer to another question, he said his office is concerned with the cost of compliance with consumer-related regulations and all regulations are being reviewed to see if any can be eliminated. He added that regulatory agencies are trying to examine banks from the standpoint of intent, rather than by adherence to long-winded regulations.

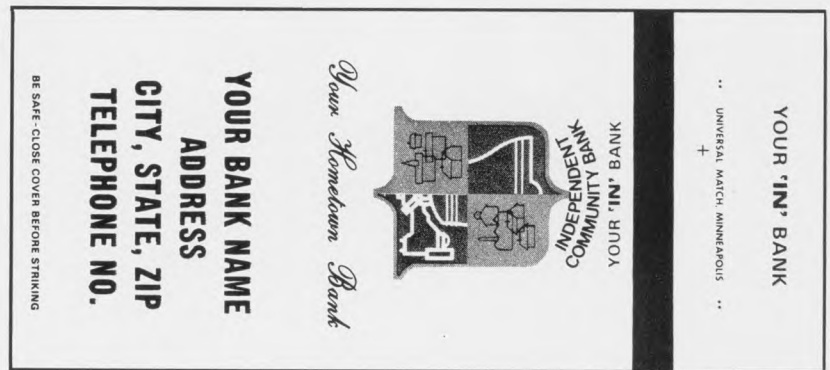
David E. Connor, chairman of AMBI/PAC and president, Commercial National, Peoria, said AMBI is playing catchup in fund raising for the forthcoming election campaigns. He said AMBI/PAC was a long way from achieving its goal of \$100,000 and he urged bankers to contribute and encourage others to contribute to the fund.

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proval.

HCs would be authorized to establish only five newly chartered (de novo) bank affiliates with a limit of one per county. All of the newly chartered banks must be within the permissible geographical areas.

After the proposal is enacted, newly chartered banks couldn't be acquired by the HCs until they have been in existence for five years.

These proposals offer some relief to everyone, said Theodore H. Roberts, executive vice president, Harris Trust, Chicago, appearing with Mr. Sinclair. And the proposals are designed to enable all Illinois banks to agree on the issues and form a solid front in support of them, he said. He described AMBI's compromise action as "taking one step back from branching in order to take two steps forward later."

He emphasized that the proposal doesn't guarantee victory in the 1979 Illinois legislature, but that it constitutes a beginning in the right direction.

Ray Livasy, chairman, Electronic Funds Illinois (EFI), and president, Millikin National, Decatur, said 50% of AMBI members belong to EFI. The organization's goal is to provide an EFT delivery system when it's possible to do so by law. He said the organization is developing a check cashing program, details of which will be announced soon. To critics of EFI charging delays in taking action, he said the organization had no intention of rushing into a program because too much was at stake. He said EFI is confident of success in building a system that will serve all Illinois banks.

He announced the formation of an EFI legislative committee that will include participation on the part of all Illinois banking associations, including the presidents of the three associations and five other bankers. He said the work has been slow, but much progress has been made. The goal is to arrive at EFT legislation that banks can support in the 1979 legislature. He added that arriving at a consensus is a challenge, but "the more we talk, the better are chances of achieving our goals."

A parade of speakers crossed the AMBI platform during the meeting, including Comptroller of the Currency John G. Heimann; ABA President-Elect John H. Perkins; former Agriculture Secretary Earl L. Butz; and Louis Rukeyser, host of Wall Street Week, TV program on the PBS network. ●●



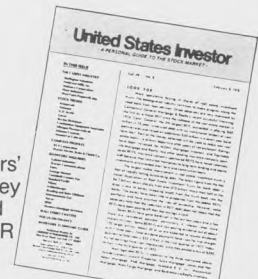
**TOP:** Taking part in AMBI business meeting were (from l.) Gerald Sinclair, e.v.p., Salem Nat'l, and outgoing AMBI ch.; Loren M. Smith, ch., United Bank of Ill., Rockford, and outgoing AMBI pres.; James B. Watt, AMBI e.v.p.; and Theodore H. Roberts, e.v.p., Harris Trust, Chicago, member, AMBI structure commission. **BOTTOM:** Ill. legislators taking part in panel at AMBI convention included (from l.) Rep. Gilbert L. Deavers, assistant minority leader, Illinois House of Representatives; Sen. Thomas C. Hynes, pres., Illinois Senate; Sen. David C. Shapiro, minority leader, Illinois Senate; Rep. William A. Redmond, speaker, Illinois House of Representatives.

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ington, D. C., High Point, N. C., Atlanta and Miami, as well as the company's factoring center in High Point. The division's manager is Irwin Teich, senior vice president, who was appointed to the post last April. He had been regional manager in the Los Angeles office.

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# United Missouri, Kansas City, Hosts 1,600 At Correspondent/Corporate Conference

By **JIM FABIAN**  
Associate Editor

**A**PPROXIMATELY 1,600 individuals from the banking and corporate communities of the Midwest took part in the annual Financial Conference sponsored by United Missouri Bank, Kansas City, late in August.

The bank's guests filled the meeting rooms of the Radisson Muehlebach Hotel for business sessions, ate a buffet luncheon at the sprawling Kansas City Convention Center and received political insights at the Municipal Auditorium on the first day of the two-day meeting.

The primary reason for the large turnout was the speakers appearing on the afternoon program — William F. Buckley, publisher of the *National Review*, and U. S. Representative Jack F. Kemp, co-author of the Kemp-Roth tax cut bill in Congress.

Congressman Kemp's theme was restoring incentive to America through a sound tax program.

"The real problem with our American economy today," he said, "is that incentive is being taxed away." He said that taxes at all levels now constitute more than 44% of the national income. This policy tends to strangle the private enterprise economy's ability to create jobs and generate higher real incomes, he said.

Representative Kemp wants to reduce all individual income tax rates by about one-third, reduce the corporate tax rate by three percentage points and increase the corporate surtax exemption to \$100,000 to help small business obtain expansion capital.

He said his program is designed along the lines of a program proposed by President John F. Kennedy in 1963 which resulted in high real investment growth, a low inflation rate, great real industrial output growth and fast-growing real disposable income.

He called on Americans to make their wishes known regarding taxes by contacting their congressmen.

Mr. Buckley commented on the world scene in his unique manner.

Bankers attending the conference attended special-interest sessions on a number of topics, including agriculture, leasing and investments.

Joe Kropf, livestock analyst for Livestock Business Advisory Services, Kansas City, presented a market outlook at the ag session.

He predicted that cattle prices would be generally on the uptrend for the next three to four years as cattle inventories continue to be reduced. The first increase in cattle inventory isn't expected until 1981, he said.

He predicted that cattle inventories probably will peak by 1985-86; that choice fed steer prices will average between \$50 and \$55 in the fourth quarter of 1978 and between \$52 and \$57 for the first quarter of next year; that choice 600-700 pound feeder steer prices will be in the \$57 and \$62 range in the fourth quarter and between \$60 and \$65 in the first quarter of 1979; and that choice 400-500 pound steer calf prices will average within the \$68 to \$75 range from next month through March, 1979.

Choice-fed steer prices will continue in an uptrend throughout 1979, he said, with average quarterly prices between \$55 and \$65 during the last



**R. Crosby Kemper, ch. & CEO, United Missouri Bancshares and ch., United Missouri Bank, gave opening remarks at conference.**

three quarters of 1979; choice 600-700 pound feeder steer prices will average between \$62 and \$72 next year; and choice steer calves weighing 400-500 pounds will trade at prices over \$75 by the fall of 1979.

During the next six to eight months, supplies of fed cattle will be moderately larger than the same month a year earlier, Mr. Kropf said. Monthly placement of feeder cattle in feedlots will be slightly larger than last year. The excellent prospect for a large corn crop and subsequent low feeding costs will encourage large placements and feeding to heavier weights, he added.

He predicted a strong demand for beef for the next 18 months, due to increasing consumer disposable income. He said that higher retail beef prices will appear to be bargains compared to the prices of many other food and nonfood items.

He said the hog cycle is in its third year of expansion, which is longer than normal. The expansion has been moderate when the substantial profit margins of producers over the past two years is considered, he said.

Some weakness in hog prices is expected this month, followed by higher prices into January, he said. The winter price rally will improve prices to the low \$50s, but a downturn in March and April may drop prices below \$40. Price strength from May to July, 1979, will likely be moderate.

The last half of the 1979 price outlook is difficult to project, he said, but the average price is likely to be in the low \$40s.

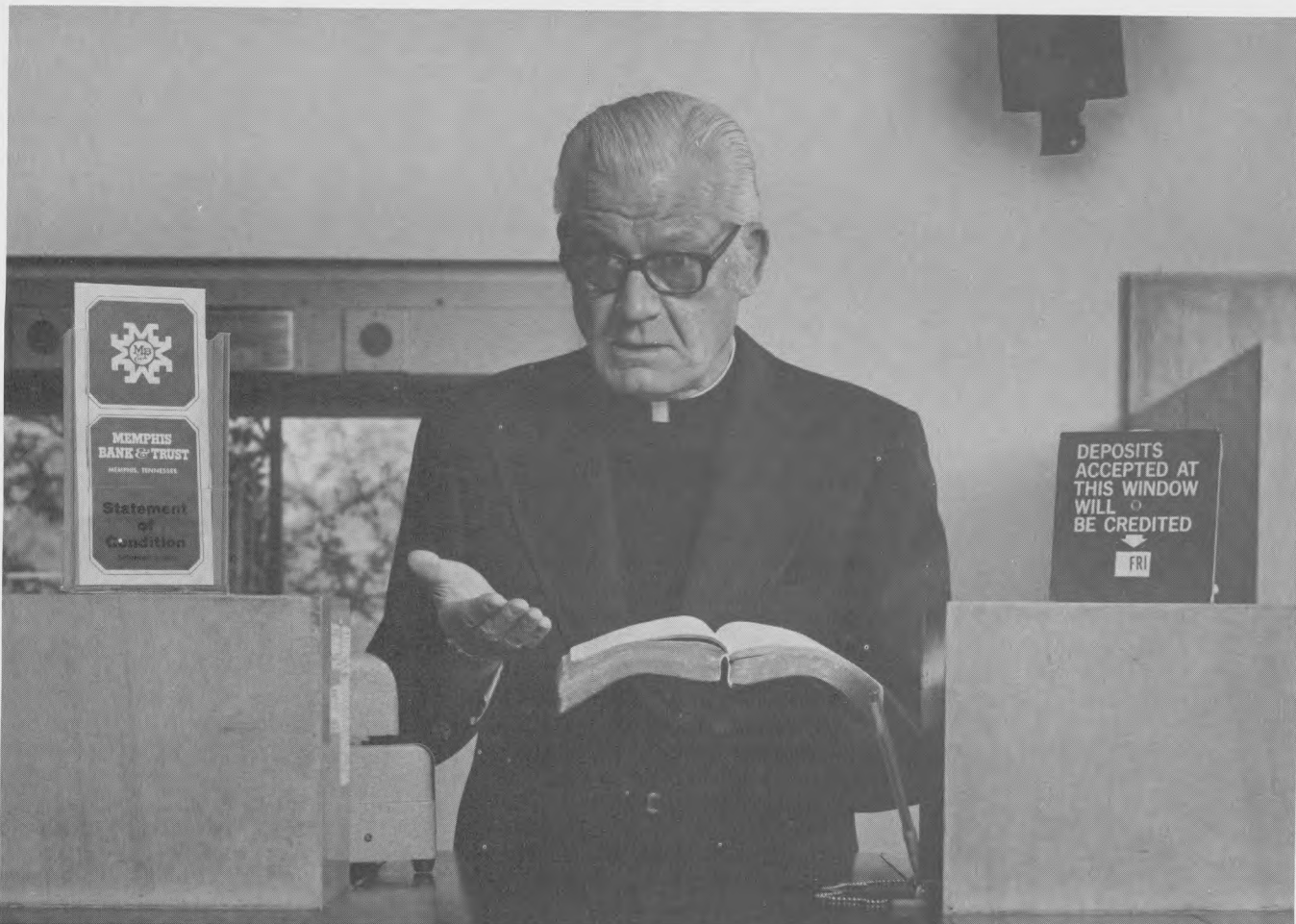
Turning to the grain market, Mr.



**Joe Kropf (l.), Livestock Business Advisory Services, Kansas City, spoke at ag session during United Missouri correspondent conference. At r. is bank host Gene Davenport, a.v.p., agribusiness dept.**



**Press conference featured U. S. Rep. Jack F. Kemp (l.) and William F. Buckley (c.), publisher, National Review. At r. is R. Crosby Kemper III, who introduced speakers to capacity crowd in Municipal Auditorium.**



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(Advertisement)



During conference, correspondent bankers attended showing of "Insights," film made by Missouri Bankers Assn. Bank host at session was E. L. Burch (l.), s.v.p., shown with MBA Executive Vice President Robert W. Crawford.

Kropf said feedgrain prices will remain under pressure for the near-term. Barring an early frost, a 6,500-million-bushel corn crop is expected.

He predicted that Russia will buy closer to five million tons of corn for 1978-79 versus 12 million the previous year. So, exports will be 100 million bushels lower next year than this year.

A 5%-6% increase in domestic corn consumption is predicted for 1978-79.

Wheat prices will continue to receive support from good export interest, he said. From time to time, as farmers make sales of their wheat crop, prices will decline, but the underlying trend will remain up for the near-term.

Soybeans and product markets will remain firm until production is more certain, he said. Bean prices could decline 10% into harvest, he added, but the demand for beans, meal and oil is expected to be good and prices will recover into winter. ●●

### Books Published by Banks in Alabama and Oklahoma Commemorate Milestones

When banks reach milestones, they try to commemorate them in various ways so as to create good public relations. Two Mid-Continent-area banks — one in a large southwestern city and the other in a small northeastern Alabama town — chose to commission books about themselves, their officers and their communities as their way of observing certain memorable events.

In Centre, Ala., with a population of 3,000 and a trade area of 20,000 persons, Farmers & Merchants Bank reached two milestones in 1977 — completion of a new building and its 60th anniversary. In appreciation for

customers' and friends' support that enabled the bank to need a new home and to stay in business 60 years, the bank asked the Idea Agency, Montgomery, Ala., to prepare and write a book. The objective was to combine the histories of the bank and of Centre and to pay tribute to past and present bank officers, employees and directors.

Called "Heart Strings and Purse Strings," the book was written by Edwin Strickland and Charles Burns. It's subtitled "The Bank With the Heart of Gold," which is F&M Bank's slogan.

The 164-page, hardcover book tells how Mary George Jordan Waite switched from being a teacher of English and a librarian at Cherokee County High School in Centre to becoming president of F&M Bank on the death of her father, J. Oleus Jordan, in 1957. Mr. Jordan had brought the bank from being a small institution in 1923, when he became its CEO, to one with assets of \$5 million when he died. Then, in the 21 years that Mrs. Waite has guided the bank, its assets have grown to \$38 million. As the book points out, Mrs. Waite is known not only in her own city, but throughout Alabama and the U. S. as well. She became the first woman president of the Alabama Bankers Association (in 1971) and the first woman to head a state bankers association anywhere. She combines being chairman, president and CEO of the bank with being a wife, mother and grandmother. In addition, Mrs. Waite is active in many banking organizations, and her volunteer activities range from the Centre Chamber of Commerce, which she served as president for two years, to the American Cancer Society, Future Farmers of America, Boy Scouts of America and 4-H. She also is active in her church.

Although the book pays special tribute to Mrs. Waite, it also spotlights in words and pictures — past and present officers, directors and employees.

In Oklahoma City, the \$436-million Fidelity Bank became 70 years old last April 6 and, in commemoration, published a book called "The Life of a Successful Bank, 1908-1978." It was written by Odie B. Faulk, Pendleton Woods and Welborn Hope. Mr. Faulk has written about 30 books and is editor of the "Trackmaker" and "Horizon" series of books published by the Oklahoma Heritage Association. Mr. Woods is director of "Oklahoma Living Legends," an oral history program conducted for the Oklahoma Historical Society at Oklahoma Christian Col-



lege. He also is an editor and author or co-author of books. Mr. Hope is known as Oklahoma's "tramp poet," and his works have been published in *The New Republic*, *Saturday Review* and *Poetry Magazine*.

The book is described as the story of Fidelity Bank — its people, officers and directors, customers and fellow residents of Oklahoma City.

The hardcover book, containing 88 pages, takes readers from April 6, 1908, when the bank was founded as First State, through the first World War, a switch to a national charter and adoption of a new name — Fidelity National — in 1921, the Great Depression, the second World War, another name change — to Fidelity Bank, National Association (N. A.) — in 1970, up to the present. It spotlights Chairman Jack T. Conn, former president of both the Oklahoma Bankers and American Bankers associations, as well as many other past and present officers and directors. The book pictures and describes the bank's former homes and Fidelity Plaza, which the bank occupied in 1972.

#### Banking School Students Pick Class Officers

The classes of 1978 and 1979 from the Graduate School of Banking, University of Wisconsin/Madison, have chosen their class officers.

The class of '78 has chosen Robert W. Klockars, vice president, Farmers State, Lindsborg, Kan., president. R. Steven Robb, vice president, Iola (Kan.) State, was elected vice president; Peggy M. Howard, cashier, Bank of Wolcott, Ind., was elected secretary; and Michael D. Hogg, executive vice president and CEO, Texas Commerce Bank, Houston, was chosen treasurer.

For the class of '79, Burtwin L. Day, president, Benton County Savings, Norway, Ia., was elected by the juniors to be president. Thomas H. Peters, vice president, Gary (Ind.) National, was elected vice president; Ann Kramer, vice president and cashier, North Point State, Arlington Heights, Ill., was chosen secretary; and Bonnie L. Morrow, assistant vice president, First National, Elkhorn, Wis., was elected treasurer.

With Don Quixote's Help:

#### Bank Unveils New Program By Offering Free Movie

First National, Wauwatosa, Wis., invited the public to a free showing of the movie, "Man of La Mancha," as a way to introduce its new savings program. The movie stars Peter O'Toole, Sophia Loren and James Coco and is the musical story of Don Quixote.

The program, called Tosa First Savings Club or TFS (true financial security), offers a high-interest savings account, increased banking benefits and special monthly club activities. Membership requires a minimum deposit of \$1,000. Members receive membership cards and badges and check-guarantee stickers to increase acceptance of personal checks.

Among the monthly activities is a monthly free movie at a Wauwatosa theater, where "Man of La Mancha" was shown. Bank officers believe these activities, especially the free movies, will appeal especially to senior citizens.

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John E. Karn, pres., First Stock Yards Bank, is flanked by Mike Million (l.), panel moderator, and dir., St. Joseph Market Foundation, and William F. Wachendorfer, panelist representing Graham Grain Co., St. Joseph.

## Cattle, Hog, Corn Prices Predicted At Annual Market Day in St. Joseph

By JIM FABIAN  
Associate Editor

MARKET predictions for 1979, made by panelists at last month's 22nd annual Market Day Conference in St. Joseph, Mo., included the following: The price for fat cattle is expected to peak at between \$55 and \$60; hog prices won't exceed \$50; the price of corn will stay at about \$2 and the top price for feeder cattle will be in the \$70 range.

Conference sponsors were First Stock Yards and First National banks, St. Joseph, members of First Midwest Bancorp.

The predictions were made at the close of the day's sessions. The day began with tours of Missouri Chemical Co., manufacturer of chemicals for agriculture. Following the tour, the two busloads of guests were dropped off at the new cattle auction center at the St. Joseph Stock Yards to see the new auction floor that is a giant scale that automatically weighs each group of cattle being auctioned and then posts total and average weights.

A summary of the livestock market for September 6 was presented during the luncheon, after which guests adjourned to the St. Joseph Country Club for a speech on ag imports and exports and the panel discussion.

A summary of panelists' remarks follows:

*Feeder Cattle.* The number of ani-

mals is down 7% from a year ago. This decline should improve prices for the next couple of years. It came about because producers were in cash bind situations due to low beef prices. This caused them to cull their herds and sell off cattle.

Heifers will continue to be marketed through the fall months to enable cattle people to benefit from current higher prices and to improve their cash flows. Feed lots hold 20% more heifers this year than last; heifers make up 48% of slaughter animals, which indicates that cattle people are not building up their herds now.

The large corn crop that is expected will be a plus factor in feeder prices. The supply of hay is up due to plentiful rain during the summer.

Almost 5% less beef is being marketed this year than last, which is resulting in less beef consumption by consumers. Increased pork and poultry production is hurting cattle people and is forcing them to investigate adoption of a marketing program for beef.

*USDA Programs.* Three million dollars in set-aside payments are now being made in Missouri and \$25 million in farm storage loans have been made in the state. Considerable grain loan activity is expected this fall. A logistics problem is occurring in the takeover of the 1977 corn and milo crops, which is taking place at the same time that the new crop is being harvested.

Two hundred million bushels of corn

have been deposited in the government grain reserve program, but another 300 million bushels are needed to fulfill the program. Twenty percent of the acreage for the 1979 wheat program has been set aside.

*Pork.* Prospects for the hog man look good down the road, despite the flap over nitrates in bacon. Demand for pork is good and pork producers are doing well with their marketing efforts. The quality of meat is improving and a large price fluctuation is seen, both for the near- and long-term. Average weight of fat hogs is dropping, which is a good sign. Producers are optimistic on hog prices for 1979.

*Fat Cattle.* The market is as healthy as it's ever been. The only problem is a lack of animals. Producers still are not over the psychological effects of the Carter Administration's imported beef program. Cattle prices are expected to rise, which is good news; but cheap feed is resulting in overweight animals, which is bad news.

"Agriculture's best hedge against the uncertainties of the future is to do its very best to find new opportunities for expanding exports," said Lloyd D.



H. H. "Beanie" Broadhead (l.), ch., host bank, and Lloyd D. Miller, Market Day speaker and senior consultant, American Angus Assn., St. Joseph.



Don Ebersole (l.), pres., Bethany (Mo.) Trust, and Benton O'Neal, s.v.p., First Nat'l, St. Joseph, one of host banks sponsoring market day.



Trio of retirees includes (from l.) Tom McCullough, former pres. and dir., First Stock Yards Bank, St. Joseph (host bank); Don Smith, formerly with State Savings, Bedford, Ia.; and Merritt Blanchard, formerly with host bank.

Miller, speaking on the importance of imports and exports to farm markets. Mr. Miller, who retired in May as executive secretary of the American Angus Association, St. Joseph, is now senior consultant for the association. He also is a director of First Stock Yards Bank.

Projects promoting exports have been the major force behind the sixfold gain in U. S. farm marketing abroad since 1958, Mr. Miller said. "Today's farm and trade problems call for even greater efforts if U. S. agriculture is to maintain its ascendancy in the world market," he added. These efforts include the opening of an agricultural trade office in London, with others planned.

The question is often asked why the U. S. doesn't export more beef, Mr. Miller said. Historically, the U. S. has been known as the high price market of the world, which has made it an importer and not an exporter. With currency realignments and increasing demand for beef abroad, Mr. Miller said, this price disadvantage has changed. "Several countries have higher beef prices than we do," he said.

He said that opportunities to export beef to Japan, western Europe and other areas should be more fully exploited. He cited a case of progress in this area when the Honda Co. of Japan, using a ship that brought 2,880 autos to this country, took back to Japan 120 slaughter cattle averaging 1,380 pounds each when they left the feedlots.

"In the past," he said, "our producers, packers, feeders and others haven't been sufficiently interested in export trade. The emphasis has been to produce beef for the home market and only a relatively few brave individuals and firms have tried to export beef. This is beginning to change."

He said that grain-fattened choice beef is known and appreciated only in Canada and Japan. Few consumers in the rest of the world are acquainted with U. S. choice beef. He said the

U. S. Meat Export Federation was created in 1976 to lead an industry-wide thrust for the expansion of overseas markets for livestock and meat products. The federation has opened offices in Tokyo and London.

Mr. Miller said that many countries prefer to import raw materials rather than finished products in order to utilize facilities and labor within their countries. "This policy accounts for large purchases of feed grains, soybeans and other feedstuffs by such countries as Japan, Russia, the Netherlands and many others," he said. "Actually, the U. S. can produce high quality choice beef from its feed grains at home cheaper than people can in other countries.

"If we increased our beef production and fully used our processing capacity, technology, economies of large scale operations and modern performance tested beef cattle, both the U. S. consumers and people overseas would benefit from our greater efficiency in converting feed to food."

He said there are definite cost savings in shipping one pound of processed, ready-to-cook beef in place of 12 to 15 pounds of grain.

Exports of livestock, meat and livestock products reached a record \$2.1 billion in 1977, illustrating the growing impact of the American livestock industry on foreign trade, Mr. Miller said. Exports of livestock and livestock



Harry Lanpher and George Constant, a.v.p. and s.v.p., respectively, Trenton (Mo.) Trust, receive spatulas from Josie Wood and Carolyn Bieri at Market Day registration desk.

products this year are expected to reach \$2.3 billion. Most of this increase is due to the expansion of beef and hide sales to Japan, unexpected demand for tallow and significantly higher unit values partially caused by inflation and changes in international currency rates.

Live cattle exports are expected to continue at the same pace this year as last, he said. Larger shipments of breeding animals have been offsetting the reduction in the movement of slaughter cattle.

"Much more attention is now being directed toward increased market access where we enjoy a competitive edge and tremendous growth potential. The U. S. is the most liberal import market in the world and it's high time we received guaranteed access to other countries. With reciprocal market access and the possible elimination of some of the trade barriers, the potential for export meat sales is estimated to be at least \$3 billion annually," he said. ●●

## ACORN Again Asks Fed To Stay Proposed Merger Of Mo. Multi-Bank HCs

A new roadblock was thrown up last month before the proposed merger of Manchester Financial Corp., St. Louis multi-bank HC, with Commerce Bancshares, Kansas City-based multi-bank HC. The Association of Community Organizations for Reform Now (ACORN), a St. Louis citizens-action group, filed a petition with the Federal Reserve Board to stay the merger pending the outcome of the group's request of the U. S. Court of Appeals in Washington, D. C., to review the Fed's approval of the merger.

ACORN initiated action opposing the merger last winter under the Community Reinvestment Act of 1977 (CRA). In an unprecedented move, the Fed held a hearing last March in St. Louis on the proposed merger, with representatives of ACORN and the two HCs presenting their cases. In June, the Fed announced approval of the merger and reaffirmed its decision in August.

Following announcement of the reaffirmation, Manchester Financial Corp. set November 1 as the date on which it will ask its shareholders to approve the merger. As of press time, this meeting was still going to be held unless the Fed accedes to ACORN's request to stay the merger.

# Marketing Communications, CUs, ATS Presented at BMA/MBA Seminar

A SELECT group of bank marketing people spent a day last month boning up on the myths and realities of marketing communications at the 1978 Marketing Seminar sponsored jointly by the Illinois-Missouri Bank Marketing Association and the Missouri Bankers Association in St. Louis.

"Banks have created an image with the public whether they realize it or not," said keynote speaker Donald McCoy, president, Communications Centers of America, St. Louis.

He said a recent Gallup poll shows that the public ranks banks in 13th place in their efforts to make the community a better place to live. Churches, civic groups, retailers, newspapers, TV and radio stations all rank ahead of banks in this area.

But the same poll showed that bankers, as individuals, ranked fifth because of their honesty and ethical standards, Mr. McCoy said.

"The bank customer," Mr. McCoy said, "believes he will be talked down to by the banker. He doesn't like to be evaluated or approved for a loan."

Mr. McCoy said that bankers desiring to improve the public's perception of banking should strengthen marketing efforts and realize that every person working for a bank — every act created by a bank — gives off a signal to a customer or a potential customer. "It's not what the bank thinks it's accomplishing, but what the customer perceives the bank is accomplishing that counts," he said.

He suggested that the marketing department isn't the only section of a bank involved in the selling of bank services. "Every employee is a full participant and a bank must understand its own personnel and its own policies," he said.

Once a bank has complete knowl-

edge of its personnel, its policies and its strengths and weaknesses in services — in addition to knowing as much as possible about its market area — it will be able to take advantage of opportunities and overcome obstacles that might be hindering its acceptance by the public, Mr. McCoy said.

Bankers were asked to consider credit unions to be partners rather than competitors by Merritt Heddon, general manager, Scott Credit Union, Scott Air Force Base, Ill. He suggested that banks and credit unions should explore the possibility of establishing correspondent relationships because the average credit union is too small to supply its own support services.

He said credit union members are requesting more sophisticated financial services from their CUs and that CUs are looking to banks to provide these services via correspondent setups. He said that bank profits lie in servicing CUs, such as in the area of data processing.

He predicted that about 15% of the CUs in Illinois, for example, will eventually reach the assets size of \$1 million necessary for them to provide mortgage loans to shareholders. But these 15% will rely heavily on banks for support services.

Mr. Heddon said bankers should not fear CU competition, since most CUs are too small to offer much competition to banks. The median size of CUs in Illinois, he said, is 300 members, with about \$260,000 in assets. The average loan size is \$1,200 for a two-year period.

He said that banks should leave the small loan area to CUs, the mortgage loan area to thrifts and reserve commercial business and CU servicing for themselves.

He also predicted that CUs will be



Eugene A. Leonard (l.), s.v.p., Mercantile Bancorp., St. Louis-based HC, and Lawrence W. Kown, pres., Madison Financial Corp., Nashville, shared ATS podium at marketing seminar.

taxed within two years, removing one of the competitive advantages they currently have over banks.

"Bankers are in the tool and die business," said Eugene A. Leonard, senior vice president, Mercantile Bancorp., St. Louis, at the closing session of the seminar. "We either tool up for automatic transfer service (ATS) or we die!"

He predicted that banks will see their demand deposit totals decline after November 1, the date ATS becomes effective. He added that bankers shouldn't expect to see a lessening of bad checks after ATS has been implemented, since most account holders who write such checks don't have any savings to transfer to checking accounts to cover the deficits.

He advised bankers to consider their customers and their competitors when making ATS policy. He sees ATS as a step toward a trend to single, multi-purpose bank accounts.

Bankers shouldn't be concerned if a competitor establishes a price for ATS that's lower than their bank's price. In fact, they should be relieved, said Lawrence W. Kown, president, Madison Financial Corp., Nashville, who shared the ATS podium with Mr. Leonard.

The reason they should be relieved, he said, is because the competitor who posts the lowest price for ATS is going to become known as the "garbage collector" of non-profitable ATS accounts.

The real question bankers should be asking themselves, Mr. Kown said, is "How are you going to effectively deliver ATS to your customers?"

He said he sees low volume usage of ATS, with smaller banks handling the record keeping manually, at least at first.

He recommended that ATS be tied in with a bank's package plan, so that the cost of publicizing it can be spread over the other services in the plan.

Don't emphasize the cost of ATS, he added, but the service it gives the customer. ● ●



LEFT: Larry Bayliss, pres., Illinois-Missouri Bank Marketing Assn., and v.p., Boatmen's Nat'l, St. Louis, is flanked by keynote speaker Donald McCoy (l.), pres., Communications Centers of America, St. Louis, and Pat Lea, pres., Missouri Bankers Assn., and pres., First Nat'l, Sikeston, Mo., at marketing seminar. RIGHT: Pat Bartsokas (r.), a.v.p., First Nat'l, Belleville, Ill., with representatives of advertising agencies. They are Ben Fitzpatrick (l.), v.p., Keller Crescent Co., Evansville, Ind., and Peter Smith, D'Arcy-Mac Manus & Masius, Inc., St. Louis. Mr. Fitzpatrick was a seminar speaker.

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# Kentucky Bankers Attack CUs, Usury Law During Annual Convention in Louisville

**T**AXATION of credit unions and the inequities of the state usury law held the spotlight at last month's 84th annual convention of the Kentucky Bankers Association in Louisville.

The KBA passed a resolution calling on Congress to enact legislation to provide for taxation of credit unions on the same basis as other financial institutions. The resolution noted that tax subsidies such as those given credit unions aren't warranted for financial institutions of demonstrated strength and diversity. It was noted that the tax-exempt status of credit unions has served to subsidize the growth of some CUs to the point that they have become quasi-public thrift institutions.

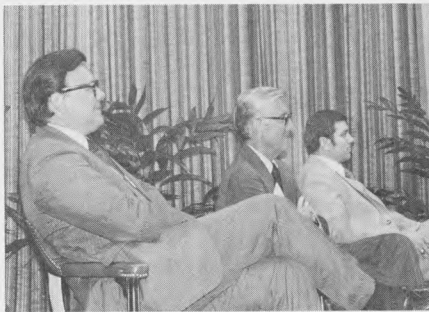
A resolution on the usury law situation in Kentucky called on the KBA legislative committee, directors, officers and staff to work with state legislators to study alternative solutions to the problems created by the present usury statute prior to the next general assembly in 1980.

Many Kentucky bankers have been reluctant to make simple-interest, single-payment loans because the rate limitation squeezes profit margins when the cost of obtaining money is considered. The present statute prescribes an 8½% limit on all loans of \$15,000 or less.

The low interest rate has prompted investors to seek better returns on their money by switching to states that don't have restrictions and that can result in a shortage of lendable funds in states like Kentucky.

The interest rate on loans over \$15,000 is negotiable.

By **RALPH B. COX**  
Publisher



Speakers at Monday morning session of KBA convention included (from l.) Donald W. Moriarty Jr., 1st v.p., St. Louis Fed; John H. Perkins, ABA pres.-elect, and pres., Continental Illinois Nat'l, Chicago; and Kendall S. Reinhardt, v.p., Citizens Fidelity, Louisville.

The usury rate resolution was passed despite opposition from Kentucky Banking Commissioner John Williams, a former KBA president. Mr. Williams said he opposes any revision at the present time because legislators might find it politically unpopular to support changes that could result in higher costs for consumers. He also called attention to the fact that most Kentucky banks' earnings are up.

The KBA also took action to stymie the growth of thrifts in the state by calling on Congress to subject federally chartered S&Ls to the same branching limits that apply to state-chartered institutions.

Kentucky bankers appear to be against implementation of automatic transfer service on November 1. Outgoing KBA President Tom Juett,

president, Citizens State, Wickliffe, said the service will add to the profit squeeze at Kentucky banks. Although most Kentucky banks will be offering the service, many bankers expressed doubts about being able to price the service profitably, due to lack of pricing expertise.

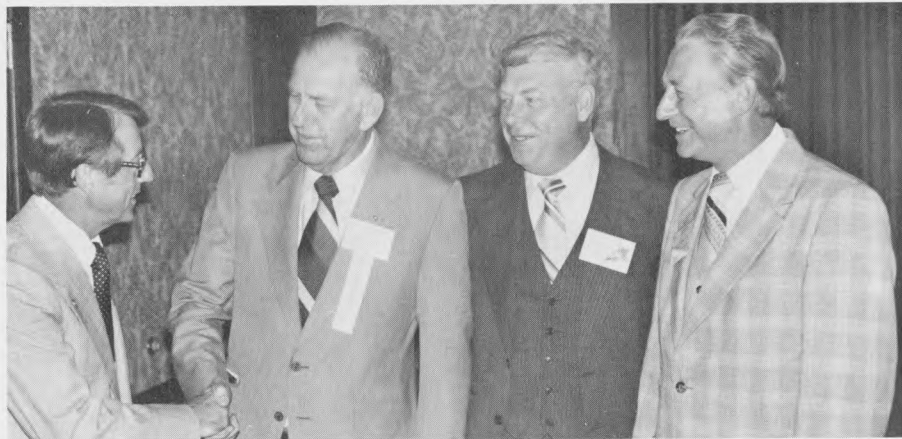
Inflation was a major topic at the convention. Donald W. Moriarty Jr., first vice president, St. Louis Fed, pointed out that "We can't have the government deliver more services without increasing taxes, without increasing interest rates or without an acceleration in inflation. We can't have higher wages than productivity dictates without more resultant unemployment or without an acceleration in inflation."

He pointed out that "the bill for the free ride we want to take, presumably at government expense, eventually returns to us in the more subtle form of higher prices."

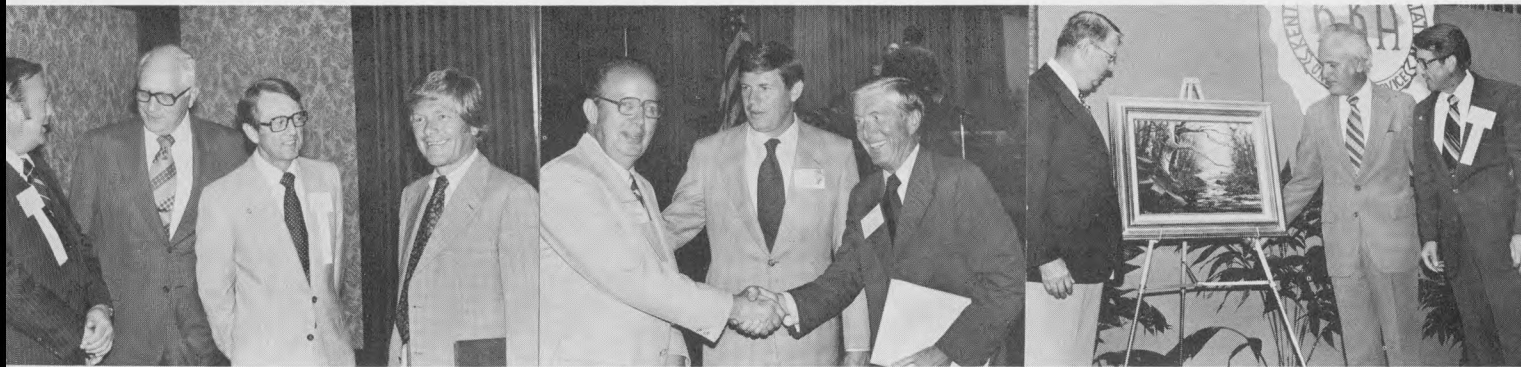
He added that, while price increases are obvious to most people, the severity of the inflation problem is most deceptive to the man on the street who believes he is keeping pace with rising prices because his paycheck is increasing, too.

Higher income tax brackets and the falling purchasing power of the dollar nullify the impact of many years of steady wage increases, he said.

Governor Julian Carroll also spoke on inflation. He told the bankers that he is working to combat inflation on the national level as chairman of the national governors' conference as well as chairman of a coalition of mayors,



Outgoing KBA Pres. Tom Juett (l.) congratulates incoming officers Pat McCuiston, pres.; Vernon J. Cole, pres.-elect; and Floyd T. Hensley Jr., treas., at KBA convention.



**LEFT:** (from l.) Robert E. Sutherland, outgoing KBA treas., and pres., Wilson & Muir Bank, Bardstow; Richard Van Hoose, pres., Kentucky Council on Economic Education, Louisville; outgoing KBA Pres. Tom Juett; and Peter D. Louderback, Peat, Marwick, Mitchell & Co., Newark, N. J. Messrs. Van Hoose and Louderback were convention speakers. **MIDDLE:** (from l.) O. T. Dorton, pres., Citizens Nat'l, Paintsville, is congratulated for being elected to the ABA's governing council for a two-year term by ABA

Pres.-Elect John H. Perkins (r.), who spoke during meeting of ABA members during KBA convention. In center is John W. Woods III, Third Nat'l, Ashland, ABA v.p. for Kentucky. **RIGHT:** (from l.) Kentucky artist Walter A. Smith Jr., shown with his painting "Otter Creek," which was presented to Kentucky Gov. Julian M. Carroll (c.) at convention. Looking on is KBA Pres. Tom Juett.

county officials and governors.

He added that the state is playing a leadership role in the establishment of a federal energy program.

Kendall S. Reinhardt, vice president, Citizens Fidelity, Louisville, spoke on the impact of financial legislation and regulations on the banking industry. His talk was based on his award-winning speech given at the recent AIB convention.

He said that many current regulations were hastily drawn and are ill-conceived, causing more problems than they resolve. He cited the Real Estate Settlement Procedures Act, which originally provided for a 12-day advance disclosure of closing costs.

When it went into effect, he said, the consumer found that he had to wait these additional days to settle his loan. This feature has been amended due to complaints from banks and customers.

Nearly every time a regulation is amended, banks have to change or replace their printed forms, he said. Someone has to interpret the changes, oversee the printing of new forms, educate personnel on the new procedures and ensure compliance.

The complexity and frequency of regulatory changes has resulted in the extensive use of legal counsel and an overhaul of advertising programs. The end result is a substantial increase in operating costs, he said.

He said the long-range answer is to ensure that banks perform in such a manner as to forestall additional regulations of this type.

During officer elections, Pat McCuiston, chairman and president, Planters Bank of Todd County, Trenton, was named KBA president. New president-elect is Vernon J. Cole, executive vice president, Harlan National, and chairman and president,

Guaranty Deposit Bank, Cumberland. Floyd T. Hensley Jr., chairman, executive vice president and cashier, Taylor County Bank, Campbellsville, was elected treasurer.

New directors include Robert L. Shoulty, president, Farmers National,

Danville; Clay Parker Davis, president, Citizens National, Somerset; and W. J. Scheben Jr., executive vice president, Community Bank, Erlanger. ●●

#### KBA Passes Resolutions

A number of resolutions were passed during the recent Kentucky Bankers Association convention in Louisville, giving a good indication of the problems bankers in that state are facing.

Resolutions included:

- A call to seek alternative solutions to the problems created by the Kentucky usury statute that holds interest rates to 8½% on all loans under \$15,000.

- A request that federal regulators recognize the counterproductivity of overregulation and take immediate steps to lift the resulting burdens.

- A statement of opposition toward efforts to centralize credit allocation and a call to regulators to ensure that any assessment of a bank's lending record in connection with the Community Reinvestment Act take into consideration a bank's obligation to follow safe and sound banking practices.

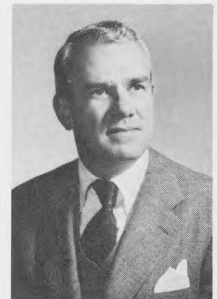
- A request to keep the McFadden Act in force and to make it apply to thrifts and CUs, too.

- A statement opposing compulsory Fed membership and holding of reserves at the Fed by nonmember banks.

- A call to tax CUs as other financial institutions are taxed.

- A request that Kentucky bankers grant permission to KBA/PAC to solicit officers and directors for contributions.

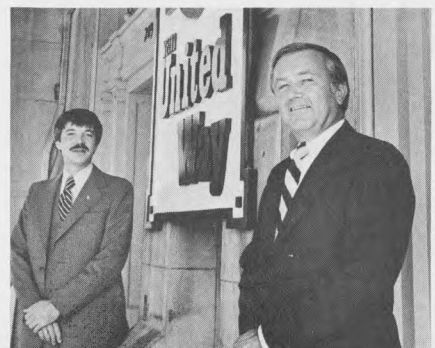
MILES



■ A. STEVENS MILES, president and CEO, First Kentucky National, Corp. and First National, Louisville, has been elected president of the board of the Greater Louisville Fund for the Arts. John W. Barr III, chairman First Kentucky National Corp., was reelected to the Fund for the Arts board for an additional three-year term.

#### Phelps Heads Campaign

J. W. Phelps (r.), pres., Liberty National, Louisville, is the general chairman of the 1978 Metro United Way campaign, which covers counties in Kentucky and Indiana. He will be working with Ran Holcomb (l.), the campaign director and funds raised will be used to support 65 area member agencies. Interestingly, the Metro United Way offices are located in the former Liberty National Building in Louisville.



# NEWS

## From the Mid-Continent Area

### Alabama

■ SOUTHLAND BANCORP., Mobile, has announced the retirement of Ernest F. Ladd Jr., chairman, president and CEO. Mr. Ladd is a former president, Alabama Bankers Association. He will remain a director of the HC and its affiliate, Merchants National, and has been designated chairman emeritus of the HC. He has been succeeded by Ken Lott, formerly president, and now chairman and CEO, Merchants National. At the bank, Carl E. Jones Jr. has been named president and director, succeeding Mr. Lott. On retirement of Garet V. Aldridge this month, Thomas A. Horst Jr., executive vice president, will become assistant to the chairman, and William B. Inge Jr., executive vice president and trust officer, will head the trust department. Also promoted were Melvin R. Coxwell, Robert G.



LOTT



LADD



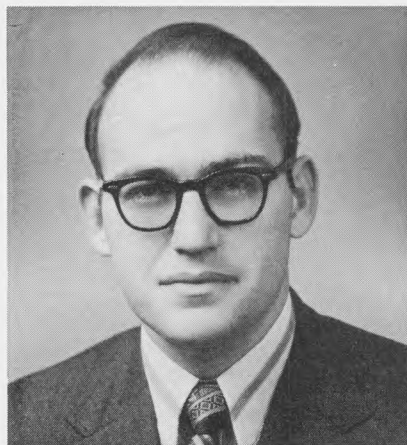
C. E. JONES JR.

Myers and Robert E. Wojohn to senior vice presidents.

■ FIRST NATIONAL, Mobile, promoted Henry G. Richardson Jr. to assistant vice president from trust operations officer. The bank also announced the appointments of David E. Younce as assistant vice president in the retail division and Steven M. Barone as branch officer in the retail division. Jack F. Busby has joined the bank as assistant cashier.

■ D. PAUL JONES JR. has been named senior vice president, general counsel and director of Central Bancshares of the South, Birmingham. Mr. Jones, a former partner in a Birmingham law firm, is a member of the lawyers committee of the Association of Bank Holding Companies.

■ COMMERCIAL GUARANTY BANK, Mobile, announced the promotion of Richard R. Brady to assistant vice president and trust officer.



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of First Alabama Bank of Montgomery, N.A.

**First Alabama Bank**  
of Montgomery, N.A.

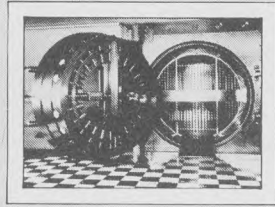
### Arkansas

■ PATRICK McKAY has joined Bank of Marvell as vice president and loan officer. Mr. McKay formerly was with First National, Ashdown, as president.

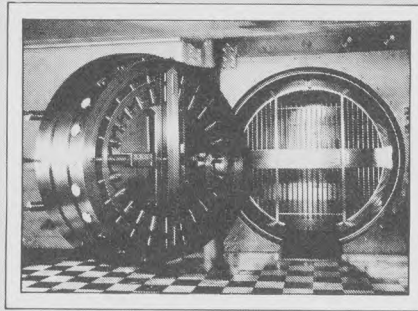
■ E. RAY CLINTON, former systems and programming officer, has been named systems and operations officer, automated services division, Simmons First National, Pine Bluff. Donald V. Green has been promoted to automated customer service officer. He was formerly an administrative assistant, automated services division. Jerry L. Smith has been promoted to accounting officer from accounting supervisor.

■ NEWTON COUNTY BANK, Jasper, has promoted George Landrum to cashier and Kathleen Breedlove to assistant cashier. Mr. Landrum is a former assistant vice president who has worked at the bank since 1973. Mrs. Breedlove joined the bank in 1967 and is a secretary/receptionist in charge of new accounts.

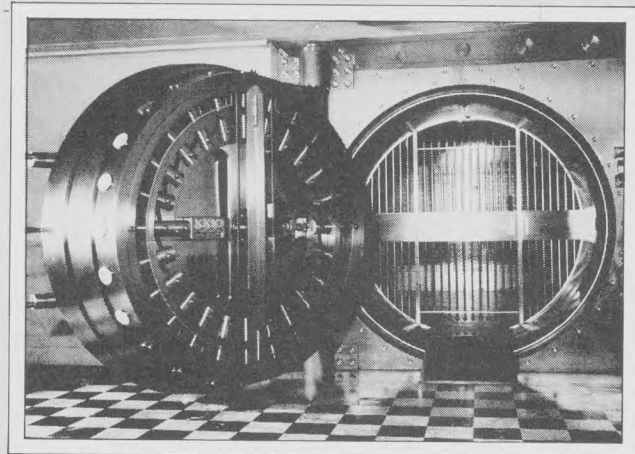




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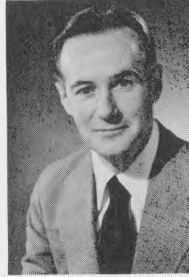
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## Illinois

■ **AMERICAN NATIONAL**, Chicago, designated President Michael E. Tobin as chief executive officer, shifting the designation from Chairman Allen P. Stults. The shift was made in anticipation of Mr. Stults's retirement at the end of the year.



TOBIN



SIZER

■ **THOMAS R. SIZER**, an attorney, has joined Harris Bank, Chicago, as vice president in the corporate activities office. Formerly, Mr. Sizer was vice president in the office of the corporate secretary, Manufacturers Hanover Trust, New York City.

## Two Reference Books That Aid Bank Executives In Lending Decisions

Here are two books that can be helpful to bank management.

**THE BANK BOARD AND LOAN POLICY (\$7.50)**. This manual enables bank management to be a step ahead of regulators by providing loan and credit policies of numerous well-managed banks. These policies, adaptable to any situation, can aid your bank in establishing guidelines for lending officers.

**THE BANKERS HANDBOOK (\$35.00)**. Edited by William H. Baughn and Charles E. Walker (former ABA executive manager and former Assistant Secretary of the Treasury). This book is considered the most complete and definitive reference source covering current banking practices. It places the money knowledge of 90 of the country's leading bankers at the fingertips of the reader in a concise, analytical style. Easy to use: contains 11 major sections, 87 chapters. Over 1,200 pages!

To order, send check (in Missouri add 4.6% sales tax) to: **THE BANK BOARD LETTER**, 408 Olive, St. Louis, MO 63102.

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### ICBI Seeks Moratorium

SPRINGFIELD — Support for a moratorium on bank-structure legislation in Illinois has been requested of the Association for Modern Banking in Illinois and the Illinois Bankers Association by the Independent Community Banks in Illinois.

The ICBI wants to end, at least temporarily, brick-and-mortar-branching and multi-bank-FC legislation. According to the group's president, Gene L. Kirk, executive vice president, First State, Calumet City, many bankers across the state have responded favorably to this suggestion. He adds that these bankers agree with the ICBI that such a moratorium would improve chances for enactment of an equitable EFTS law in Illinois. As a result of this response, the ICBI decided to make a formal request for moratorium support from the IBA and AMBI.

In calling for a halt to legislation on brick-and-mortar branching and multi-bank FCs, the ICBI indicates that it's aware of two basic factors:

*First*, the structure issue has created divisiveness in Illinois banking for many years.

*Second*, EFT is a relatively recent development, and its technological impact and the many questions it raises deserve the full, undivided attention of the entire industry and the General Assembly without the divisiveness of a struggle over structure.

■ **CONTINENTAL BANK**, Chicago, has appointed John A. Redding, head of the bank's energy and mineral resources division, a senior vice president. In this position, Mr. Redding, who was a vice president, has worldwide responsibility for corporate

### Banking Center Opened



Chicago's mayor and his wife, Mr. and Mrs. Michael Bilandic (l.), joined Edward Byron Smith, ch., Northern Trust Corp., in cutting the ribbon that officially opened Northern Trust Co.'s new Oak Street Banking Center last month.

lending to energy-related companies. The bank also has elected the following vice presidents: John M. Busscher, bond and money market services; G. Douglas Hurley, Charles A. Huston, Dirk B. Landis, Randal B. Nelson, David R. Rhodes, commercial banking services; Neil R. Gunn, multinational banking services; David S. Conley Jr., James A. Crawford, Karlheinz Peter, operations and management services; and Roger B. Gatewood, real estate services. Continental has named Barry L. Clark, Stephen J. Krelle and Joseph A. Piraro second vice presidents in the bond department. In other action, the bank opened two suburban representative offices for trust and investment services last month — one in Oak Brook and one in Northbrook. Each unit is staffed by two financial planning officers and a staff assistant.

■ **EDGAR F. CALLAHAN**, director of financial institutions, announced formation of a committee to study consumer finance laws in Illinois. The committee will study overlapping legislation in consumer credit and will offer proposed changes to the General Assembly when it convenes in January.

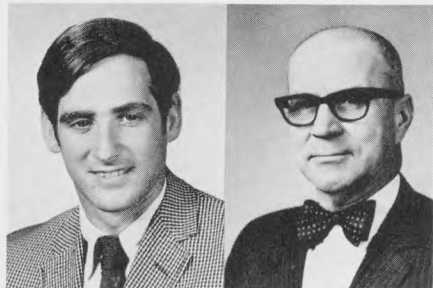
## Indiana

■ **EDWARD MANGONE** has been elected senior vice president of retail banking, St. Joseph Bank, South Bend. He has had more than 18 years' experience in the financial field.

■ **INDIANA NATIONAL**, Indianapolis, has made the following changes in its executive personnel: John Walsh was named president of the bank's property management subsidiary, Indiana Properties, Inc.; Vice President Eldon Campbell has assumed direction of the bank's public relations and community affairs activities. Mr. Walsh was vice president and PR director of the bank. Promoted to vice presidents in the branch system are: Jack C. Frayman, Allisonville Road; Daniel T. Gillespie, Pendleton Pike and Post Road; and John E. Hollett, Illinois and Westfield. In the financial controls division, there have been two promotions: Steven J. Schenck, vice president and assistant controller, and William R. Austin, vice president and assistant controller. James E. Friars, Speedway Branch, has been promoted to assistant vice president.

## Kansas

■ R. J. "JAY" BREIDENTHAL JR. has been promoted from senior vice president to executive vice president, Security National, Kansas City. In his new post, he is responsible for virtually all the bank's daily operations. Mr. Breidenthal, who joined the bank in 1969, is the grandson of the late Maurice L. Breidenthal Sr., who was the bank's first president when it was



BREIDENTHAL

DOMER

formed in 1933. In other action, Security National made R. R. Domer assistant to the president and George Breidenthal Jr., credit administration officer. Mr. Domer had been executive vice president, and George Breidenthal had been assistant operations officer.

■ CITIZENS STATE, Paola, held open house last month to celebrate its 75th anniversary. Cash gifts of \$200 as first prize, \$100 as second prize and \$50 each for eight winners were given away. Recipients were chosen from those who registered at the open house September 10. William Schwartz, a native of Germany, founded the bank in 1903 after having helped organize Bank of Louisburg in 1880. When he died, the Paola bank's presidency went to his youngest son, Thomas Edward "T. E." Schwartz. Now holding that post is the latter's son, L. M. Schwartz Sr., who joined the bank on a part-time basis in 1932 and full time in 1935. The fourth generation of the Schwartz family is represented at Paola State by David Schwartz, cashier and assistant trust officer, son of L. M. Schwartz Sr.

### John L. Peterson Dies

John L. "Pete" Peterson, 71, v.p., Security Nat'l, Kansas City, died September 17. He started his career in 1924, when he was 16, with the old Security State, KCK, and spent the rest of his life with that bank and its successor, Security Nat'l. Throughout much of his career, Mr. Peterson traveled throughout Kansas calling on the bank's correspondent-bank customers. Most recently, he headed safekeeping operations. Mrs. Peterson died just three months before her husband did.



■ DERYL K. SCHUSTER has joined Liberal's First National as president and CEO. Earlier this year, he resigned as executive vice president, Overland Park State, to run for the U. S. Senate. Mr. Schuster entered banking in 1957, left in 1966 to be Kansas administrative assistant to Senator Pearson for 2½ years and then joined the Small Business Administration. He spent eight years with the SBA, first as Wichita district director and then as regional director, overseeing Kansas, Missouri, Iowa and Nebraska.

## Kentucky

■ R. HELM DOBBINS has joined Liberty National, Louisville, as an assistant vice president in the national division of the corporate banking group. Mr. Dobbins formerly was affiliated with Mellon Bank, Pittsburgh, and Morgan Guaranty, New York City.

■ DAVID BECKER has joined Second National, Ashland, as a vice president in the mortgage loan department. Mr. Becker formerly was with Wachovia Mortgage Co., Wilmington, N. C. In other action, Second National expanded its facilities to rural Boyd

County, opening a branch called Meade Station. Don Smith, vice president, is the manager.

## Louisiana

■ RICHARD E. HYSOM has been promoted to senior vice president of First National Bank of Commerce, New Orleans. Mr. Hysom is manager of the personal banking division and First Bankcard, Inc., a subsidiary of First NBC. He was a vice president.

■ GAREY M. TRAHAN has joined Bank of New Orleans as vice president and manager, real estate division. Mr. Trahan has seven year's experience in real estate lending and management. Rosemary N. Cambre has been appointed assistant cashier. Formerly a safe deposit vault supervisor, Miss Cambre also is treasurer of the Women's Bond Club of New Orleans.

■ FRANK E. LEWIS has been named manager, Greenwell Springs Road Branch, American Bank, Baton Rouge. Mr. Lewis formerly was employed in the insurance field.

■ JOHN A. REHAGE was elected a senior vice president, National Bank of Commerce in Jefferson Parish, Jefferson. Mr. Rehage joined the bank after 22 years of service with First National Bank of Commerce, New Orleans, where he was a vice president.

■ MICHAEL M. BUSH has joined Continental Bank, Harvey, as vice president and commercial loan officer. Mr. Bush previously served as vice president and commercial loan officer for Jefferson Bank, Jefferson.

## Mississippi

■ WILLIAM J. HARRELL has been elected senior vice president and trust officer at Mississippi Bank, Jackson. Mr. Harrell, a lawyer, formerly served



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as a senior administrative and legal officer in the trust division at National Bank of Commerce, Memphis.

## Missouri

### Consumer Finance Conf. To Feature Talks, Panel And Workshop Sessions

ST. LOUIS — The Missouri Bankers Association's consumer finance conference November 8-9 will feature concurrent workshop sessions on "Maximum Interest Rates and Costs," "Leasing and Lease Financing," "Repossession and Collection Costs," "Insurance Follow-up" and "Regulations and Compliance." The sessions will be held on the first afternoon and will be repeated twice. The conference will be held at the St. Louis Marriott, with Robert F. Haake Jr. presiding. He is chairman, MBA consumer finance committee, and vice president, Southwest Bank, St. Louis.

Keynote speaker will be James Smith, senior vice president, Security

Pacific National, Los Angeles. "Advertising, Public Relations and Marketing" will be discussed by Arthur Zeis, Advertising Associates, Inc., St. Louis. Then, Messrs. Smith and Zeis, along with Richard Pflieger and William E. Smith, will take part in a bank presidents' panel. Mr. Pflieger is chairman and president, Bank of St. Ann; William Smith, president, Exchange Bank, Richmond.

The following day, November 9, a legislators' panel will open the meeting and will be followed by talks on "State of the Automobile Business" and "Take a Look at Your Business." The former will be given by Dave Sinclair, Dave Sinclair Ford, St. Louis County, and the latter by Robert Shanahan, executive vice president, Liberty National, Buffalo, N. Y.

The meeting will be opened November 8 by MBA President Pat Lea, president and CEO, First National, Sikeston. There will be a banquet and entertainment that night.



CURL

POELKER

■ **BOATMEN'S NATIONAL**, St. Louis, has named two vice presidents and a trust officer. They are: Gregory L. Curl, vice president and staff loan officer, loan administration; and Eugene B. Poelker, vice president. David G. Hendrix has been named trust officer.

■ **JAMES E. DENNY** was elected vice president and C. Edwin McCaskill Jr. was promoted to assistant vice president of Mercantile Bank, St. Louis. The following assistant vice presidents in data processing were named: David W. Carter, Donald C. Froehlich Sr., Pat R. Mobley and Jerome P. Shaw.

■ **C. B. WALKER** has been elected vice president of United Missouri Bancshares, Inc., Kansas City. Mr. Walker is a former district supervisor of Creditrith Financial Corp. in Kansas and Oklahoma.

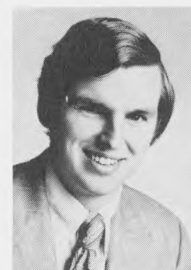
■ **FIRST NATIONAL**, Kansas City, has made changes within its trust department: Anita B. Butler and Michael



BOSCHERT



WALKER



PATTON



BUTLER

DENNY



J. Patton, trust officers, were promoted to vice presidents. Donald O. Borgman, assistant trust officer, was promoted to trust officer. Jean F. Bishop, John E. Frerking, John D. Hauser and George A. Knittle were elected assistant trust officers.

■ **COMMERCE BANK**, Kansas City, named two assistant vice presidents in its metropolitan division: John McGee and Steven Stoecker. Mr. McGee formerly worked as a representative in the national and correspondent division. Mr. Stoecker has worked for the bank five years and was an assistant manager in the credit department.

■ **GREGORY E. POTH** has joined St. Louis County Bank, Clayton, as vice president of a commercial banking division in the corporate banking department. Mr. Poth formerly was an assistant vice president, Mercantile Trust, St. Louis.

■ **TOM BOSCHERT**, executive vice president, First National, St. Charles, has been named director of the Mid-America Solar Energy Complex by

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Governor Joseph Teasdale. There is one director from each of 12 states in the energy complex. In other action, Alan D. Pohlman has been named assistant cashier and consumer compliance officer of First National.

■ **UNITED MISSOURI BANK** of Blue Valley, Kansas City, has elected Charles F. Mehrer III chairman and CEO. Mr. Mehrer began his career in 1958 with City National (now United Missouri Bank), Kansas City, and was the former president of Red Bridge Mercantile Bank, Kansas City. Most recently, he served as president of Reese Enterprises, Inc., Raytown.



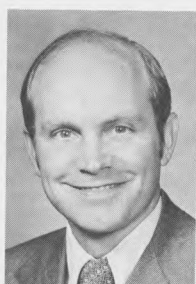
RICHMOND



MEHRER



ENRIGHT



SPRONG

■ **ROBERT F. KEATLEY** has resigned as chairman of the executive, trust and investment committees and as a director at American National, St. Joseph. The bank has realigned senior management personnel as follows: Gerald R. Sprong has gone from president to chairman and CEO. Charles K. Richmond has been named president. He was formerly board vice chairman. W. F. Enright Jr. has gone from board chairman to chairman of the executive committee. Mr. Sprong continues as president and CEO of the bank's HC, Ameribanc.

■ **JOHN W. KOEHLER, M.D.**, was elected to the board of First National, Joplin. Dr. Koehler maintains a private practice of internal medicine. Clifford E. Wert was elected assistant cashier of the bank and has been assigned to the commercial lending division. Mr. Wert formerly was with Community National, Joplin.

■ **ROBERT B. MULLEN** was elected vice president and chief operating officer, Oakville Bank. Mr. Mullen previously was with Jefferson Bank, St. Louis, as assistant vice president for two years and Jefferson-Gravois Bank, St. Louis, for 25 years.

■ **JUNE WALTHALL** has celebrated her 25th anniversary with Community Bank, Warsaw. Miss Walthall began in 1953 as a teller-bookkeeper and is a vice president in the loan department.

## New Mexico

■ **GERALD D. MUSEGADES** has been elected vice president, New Mexico Bank, Hobbs. He has charge of the new mortgage loan department. Prior to moving to Hobbs, Mr. Musegades was vice president and assistant manager, main office, United National, Sioux Falls, S. D.

■ **JOHN A. FOUST** has been promoted to assistant vice president and Bender Branch manager, First National of Lea County, Hobbs. Mr. Foust had been the branch's assistant manager since 1977. Pete Leyva has been promoted to assistant cashier and assistant branch manager. Mr. Leyva joined FNB in 1975 and had been with the real estate department.

■ **CECIL BOWEN** has been made cashier, Ruidoso State. Mr. Bowen was formerly a Dallas Fed bank examiner.

■ **WESTERN BANK**, Alamogordo, celebrated the grand opening of its building last month with the theme, "Banking Through the Years." Celebration events contrasted old banking ways with new ways used today. The opening included music, awards, historical coin and currency exhibition and an antique car show. Food was sold at old-fashioned prices, such as homemade ice cream, fresh popcorn and lemonade for a nickel.

■ **SOUTHWEST NATIONAL**, Hobbs, has opened a temporary, modular trailer facility on its permanent site. Construction of the permanent building will begin in October and should be completed within one year. The bank received approval in June from the Kansas City Fed. The bank was formed by Southwest National Corp., Albuquerque, HC which also owns Southwest National Bank, Albuquerque.

## Oklahoma

■ **CHARLES A. VOSE JR.**, for the past three years president, First National, Oklahoma City, has been named president, First Oklahoma Bancorp., parent company of the bank. He continues as the bank's vice chairman. Promoted to bank president was Dale E. Mitchell, formerly executive vice president and head of investments at the bank. The HC's executive vice president and chief financial officer,

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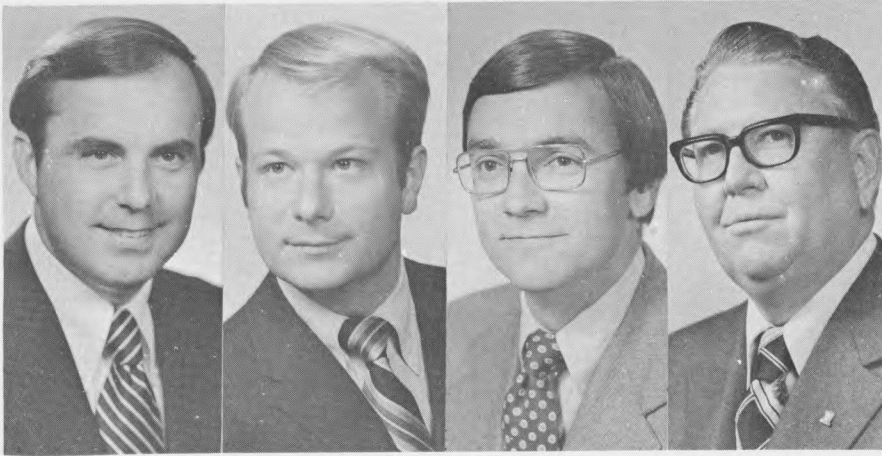
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**MITCHELL**

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**BEHNKEN**

**HOYE**

Edward M. Behnken, was elected a director of the HC, as was Mr. Mitchell. L. Dean Hoye moved from president of the HC to vice chairman. Mr. Vose had been HC vice chairman and director since 1974. Mr. Mitchell went to the bank in 1975. Mr. Behnken joined the HC in 1972, and Mr. Hoye went there eight years ago.

■ **MICHAEL CARROLL** has been promoted to trust officer, First National, Oklahoma City. He will supervise the accounting section of trust operations. Before going to First National, Mr. Carroll was with Daniel International.

■ **DAVID CRAIN** has been named assistant vice president and auditor, Penn Square Bank, Oklahoma City. Mr. Crain has been Penn Square's auditor for six years.

### Hospital ChecOKard

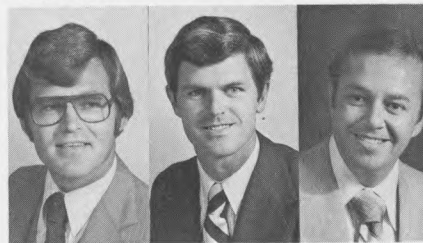


Liberty Nat'l, Oklahoma City, has installed a ChecOKard Banking Center next to the Baptist Medical Center Canteen. The center serves customers of Liberty and 14 other Oklahoma banks. Customers can make checking and savings transactions and inquire about balances. A receipt is issued and the transaction is automatically recorded in the customer's banking records, regardless of the participating bank with which the customer has his account. ChecOKard representative Kathy Walters (l.) explains the system to hospital personnel while Harry L. Wilson, v.p., development and community relations, and Linda Moore, Liberty Marketing officer (r.) look on.

■ **ANTHONY D. ALLEN** has been named assistant vice president and credit review officer, Fourth National, Tulsa. He is head of credit analysis operations.

### Tennessee

■ **PARK NATIONAL**, Knoxville, has named Robert M. Calloway Jr., David W. Farr and Benny J. Rolland vice presidents. Mr. Calloway joined the correspondent department from Third National, Nashville. He was pre-



**ROLLAND**

**CALLOWAY**

**FARR**

viously associated with North Carolina National, Charlotte, and National Bank of Commerce, Memphis. Mr. Farr, head of real estate lending, was previously with Birmingham (Ala.) Trust National. Mr. Rolland, now auditor, also was with NBC, Memphis.

■ **DON A. SHRIVER** has been named vice president, and Peggy S. Johnson has been named assistant vice president, Third National, Nashville. Mr. Shriver is Midwest manager, national accounts. Mrs. Johnson is manager, South Nashville Office.

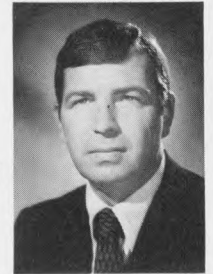
■ **JOHN EDWIN CROCKETT** has joined City National, Memphis, as vice president, commercial loans. Mr. Crockett, who has been in banking 11 years, was formerly vice president, First Tennessee Bank, Memphis.

■ **NORMA WILHELM** was pro-

moted to assistant cashier, Commercial & Industrial Bank, Memphis. She is assistant to the financial officer and started with the bank as an accounting clerk in 1972.

### Texas

■ **H. DAN SHANNON** has been named manager of the correspondent department, Fort Worth National. He is a vice president and joined the bank in 1975 as a trust officer. Mr. Shannon



**SHANNON**

will report to Frank Mackey, senior vice president and manager of the correspondent/national accounts group. Mr. Mackey had been serving as manager, correspondent department.

■ **RICHARD A. DURHAM** has been elected vice president and auditing officer, and William L. Sturhan has been promoted to assistant vice president and auditing officer, First City National, Houston. Mr. Durham joined the bank in 1976 after five years in a public accounting firm. Mr. Sturhan joined First City National in 1976 after working with a bank and public accounting firm in Chicago.

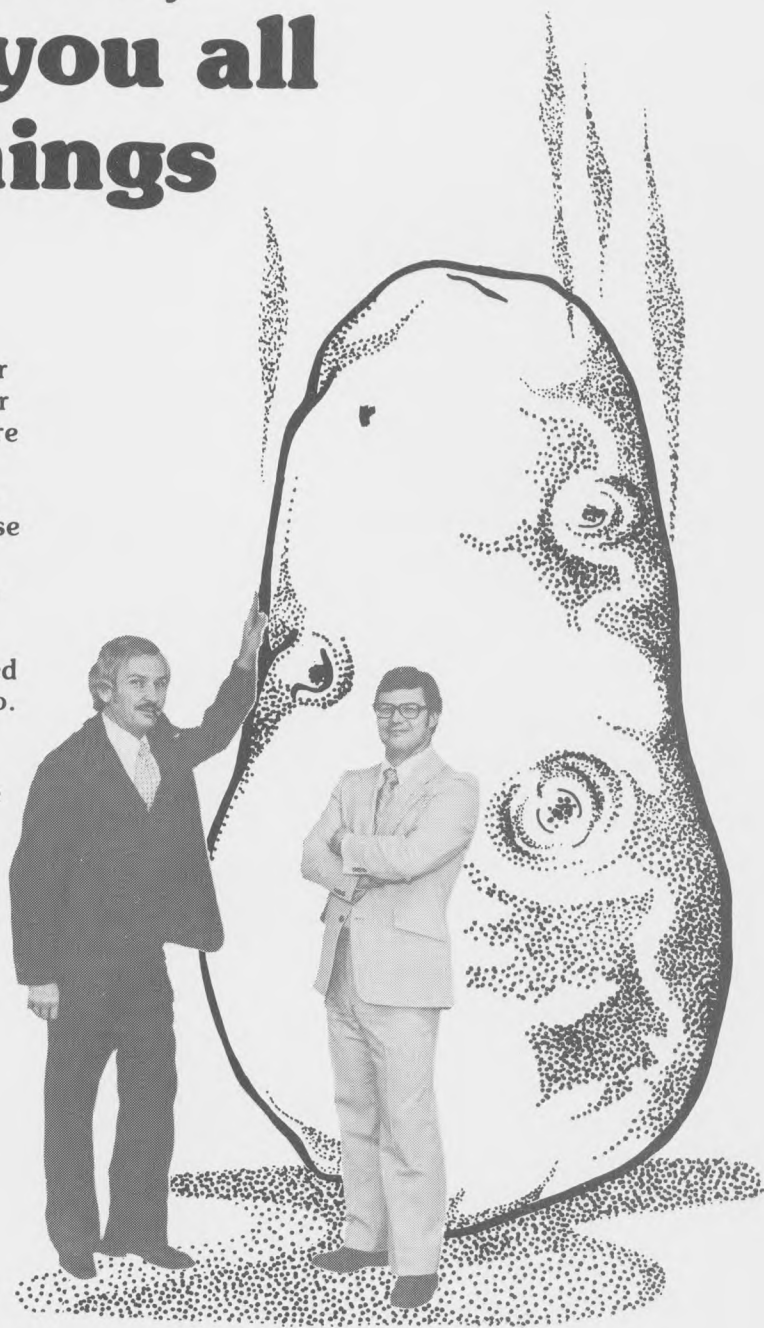
■ **EUGENE C. FIEDOREK** has been elected executive vice president and manager, petroleum and minerals department, Republic National, Dallas. He succeeds Ed E. Monteith Jr., who retired to enter a private business venture. Mr. Fiedorek joined the bank in 1965 as a petroleum engineer, advancing to vice president in 1969 and to senior vice president in 1976.

■ **HOLT HICKMAN** has been named to the board of Southwest Bancshares, Inc., Houston. Mr. Hickman, president and chief executive officer, Lone Star Manufacturing Co., also is a director of Continental National, Fort Worth, an affiliate of Southwest Bancshares. In other action, the following vice presidents have been named at Bank of the Southwest, Houston, another affiliate: John W. Norris, Jerry M. Brewer and Dale S.

# Bob and Larry will handle your hot potatoes, and give you all the trimmings to boot!

They are quick about it, too. Whether it's high-speed cash letter clearings or fast-action on overlines, overnight wire transfers or excess of federal funds, when it's too much for you to handle alone, Bob and Larry can handle those "hot potatoes" to get you the results you want. And they'll give you all the trimmings to boot.

Get to know Bob Rook and Larry Reed at the First National Bank of Amarillo. They are fast-action correspondent bankers backed by the expertise and strength of the largest, and one of the oldest banks between Ft. Worth and Denver. Give them, or any of the 99 officers and directors at the First a call. They'll handle your hot potatoes fast, and see to it personally.



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National Bank of Amarillo

Correspondent Banking (806) 378-1747, P.O. Box 1331, Amarillo, Texas 79180  
MID-CONTINENT BANKER for October, 1978

O'Reilly. William H. Elliott was named assistant vice president, and Rebecca A. Bruckner was promoted to accounting officer.

■ HUGH McDANIEL has been appointed vice president and loan officer, Parker Square Bank, Wichita Falls. Mr. McDaniel has more than nine years' previous experience as a loan officer for another bank and for a finance company.

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### EQUIPMENT FOR SALE

THREE RT 2001 Burroughs Remote Teller units with printers for transaction data. On line capability available late October. Contact E. Carroll Culpepper, Vice President, Merchants National Bank, P.O. Drawer 2527, Mobile, AL 36622. Area Code 205-690-1042.

## MISSOURI DEPARTMENT OF REVENUE ANNOUNCES COMPETITIVE BID PROCEDURES

The Department of Revenue will be investing all available funds under its control on a competitive basis. Banks in Missouri interested in bidding on these funds should submit their names and addresses to: Investment Officer, Department of Revenue, P.O. Box 475, Jefferson City, MO 65101. Detailed bid procedures will be provided to all responding banks.

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### Robbery-Reward Program

HOUSTON — The Houston Clearinghouse Association is offering up to \$5,000 for information leading to arrest and indictment of persons involved in bank robberies as part of a new reward program.

The FBI, the Houston police department and the Harris County sheriff's department are working with the association to solve Houston's bank robberies, which have been increasing. Photographs and composite sketches of four suspects involved in July and August crimes, the first suspects covered by the reward program, have been displayed in area banks.

Persons with information about the suspects are encouraged to call the police department or the FBI. Police have promised to protect informants' identities.

"The association is confident this reward program will help produce information about the city's unsolved bank robberies," says Fred J. Redeker, executive vice president of the association. "The Houston reward program has been modeled after some very successful programs in other metropolitan areas in the nation. We have developed one we are confident will work in Houston."

### TEMPORARY BANKING FACILITIES

Portable units for lease or sale. Units available throughout the Mid-Continent area—5' x 8', 8' x 20', 12' x 40', 14' x 70' and 28' x 70'. MPA SYSTEMS, 4120 Rio Bravo, El Paso, Texas 79902 (915) 542-1345.

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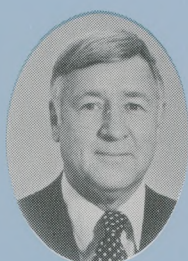




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Part of 273 years of banking experience. Boatmen's has a team, your team, of correspondent bankers that know every phase of banking... because they learned from the ground up. They understand your problems and are ready to serve your needs. Boatmen's, 273 years of correspondent banking experience.

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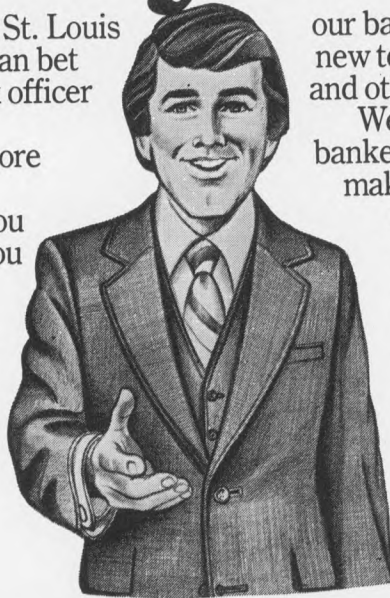
# What you see.

When First National Bank in St. Louis is your correspondent bank, you can bet you'll see your own personal bank officer on a regular basis.

And if you need to see him more frequently, you will.

Of course, he's available to you by phone almost every day. So, you can get fast, on-the-spot service whenever you need it.

Your First National Banker really knows his business—and how it can help your business. He'll keep you up-to-date on all



our bank's services, on recent legislation, new technology, competitive practices and other developments.

We put a lot of faith in our correspondent bankers. We give them the authority to make decisions for us and to make loans in our behalf. You can put your faith in them, too.

If you're not already seeing a First National Bank in St. Louis correspondent banker, you should call Chuck Betz today at (314) 342-6386. He'll make sure you see one soon.

# What you get.

Good as he is, your correspondent banker cannot do all the work connected with your bank's account.

That's why First National Bank in St. Louis maintains special staffs to give you daily assistance for daily needs.

For example, our people have developed "Rabbit Transit" check-clearing systems that can improve your earnings, because your transit items become collected balances rapidly.

Another way we can help you is with our Fed Funds, investment and safekeeping capabilities. Our performance record in this area is highly regarded throughout our industry.

We also offer your bank the services of our skilled data processing team. They can bring to your operation reliable and sensible systems for getting your work done.

Our capacity for overline lending, based

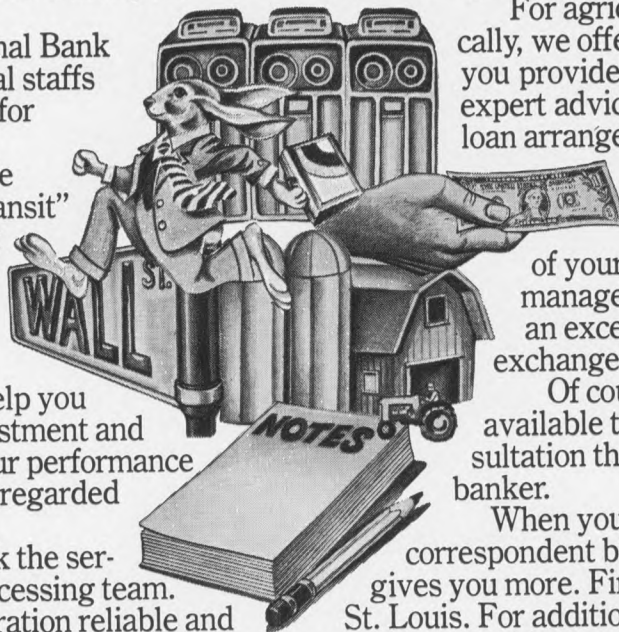
on our sizable assets, allows you the opportunity to make larger loans than you otherwise might.

For agricultural loans specifically, we offer specialists who can help you provide your customers with expert advice as well as flexible loan arrangements.

We sponsor timely seminars where you and other top management of your bank meet with the top management of our bank. This is an excellent opportunity for us to exchange ideas and share expertise.

Of course, we are always available to you for individual consultation through your correspondent banker.

When you want to get more from a correspondent bank, get with the bank that gives you more. First National Bank in St. Louis. For additional information or an appointment with a correspondent banker, call Chuck Betz at (314) 342-6386.



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