MID-CONTINENT BANKER

NOVEMBER, 1978

ABA officers for 1978-79 include (from l.) Willis Alexander, e.v.p.; C. C. Hope Jr., pres.-elect; John H. Perkins, pres.; A. A. Milligan, ch., governing council; and Thomas R. Smith, treas.

SPECIAL REPORT

ABA's HAWAIIAN CONVENTION

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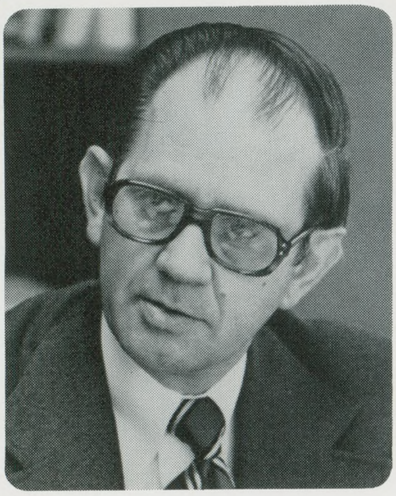
INVESTMENTS

INSURANCE



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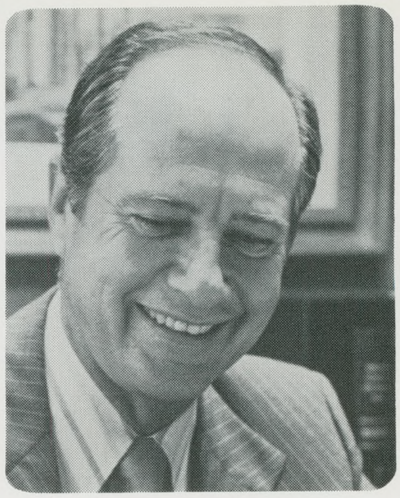

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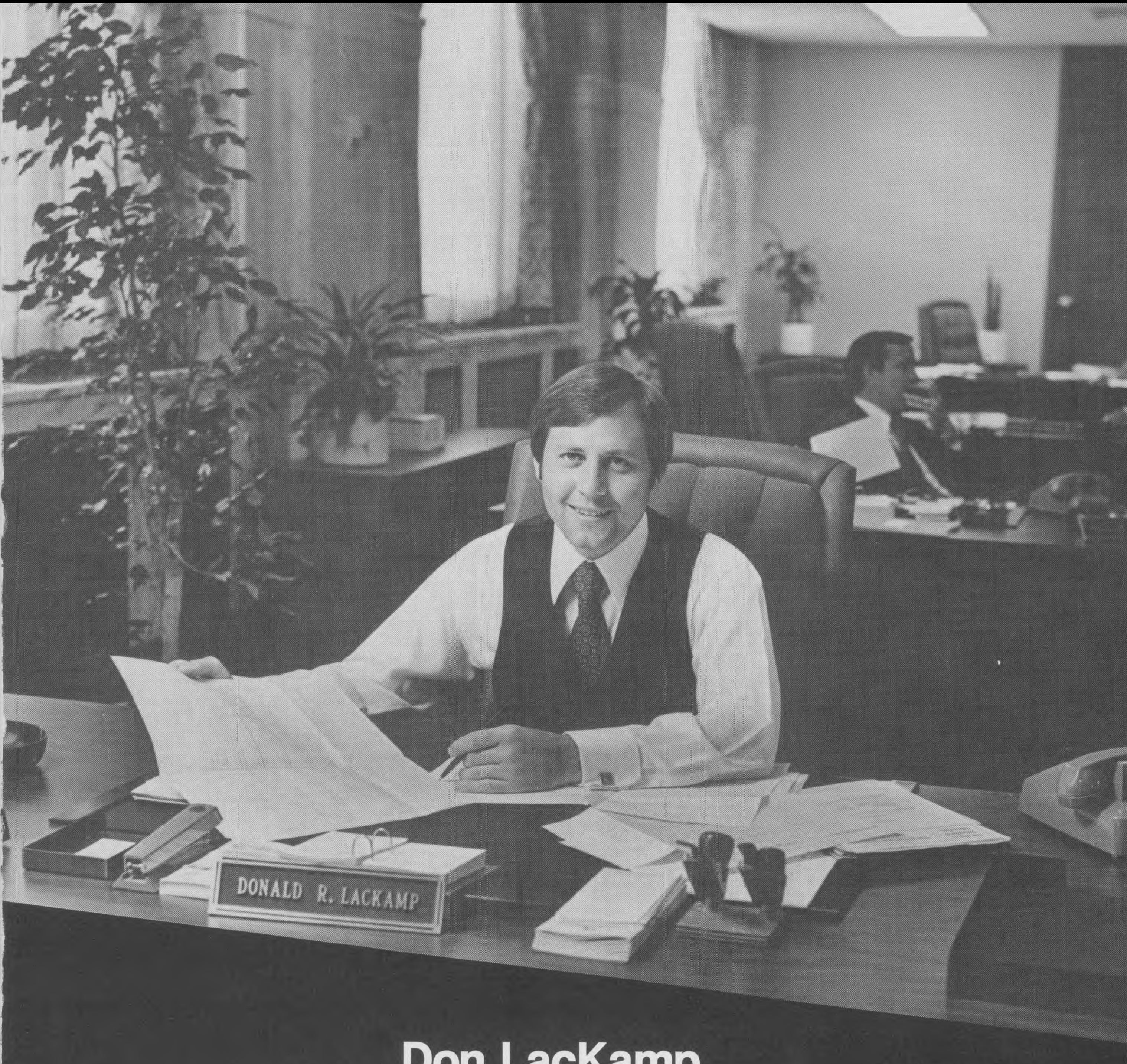
MID-CONTINENT BANKER is published monthly except semimonthly in May by Commerce Publishing Co., 408 Olive, St. Louis, Mo. 63102. Nov., Vol. 74, No. 12. Second-Class postage paid at St. Louis, Mo. Subscription: $11.


DONALD R. LACKAMP

MID-CONTINENT BANKER

The Financial Magazine of the Mississippi Valley & Southwest

Vol. 74, No. 12 **November, 1978**

FEATURES

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MID-CONTINENT BANKER (publication No. 346-360) is published monthly except semimonthly in May by Commerce Publishing Co., 408 Olive St., St. Louis, Mo. 63102. Printed by The Ovid Bell Press, Inc., Fulton, Mo. Second class postage paid at St. Louis, Mo., and at additional mailing offices.

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

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

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

Convention Calendar

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. 3-5: ABA Secondary Mortgage Market Workshop, Salt Lake City, Hotel Utah.

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.

(Continued on page 34)

Jim Fabian Resigns

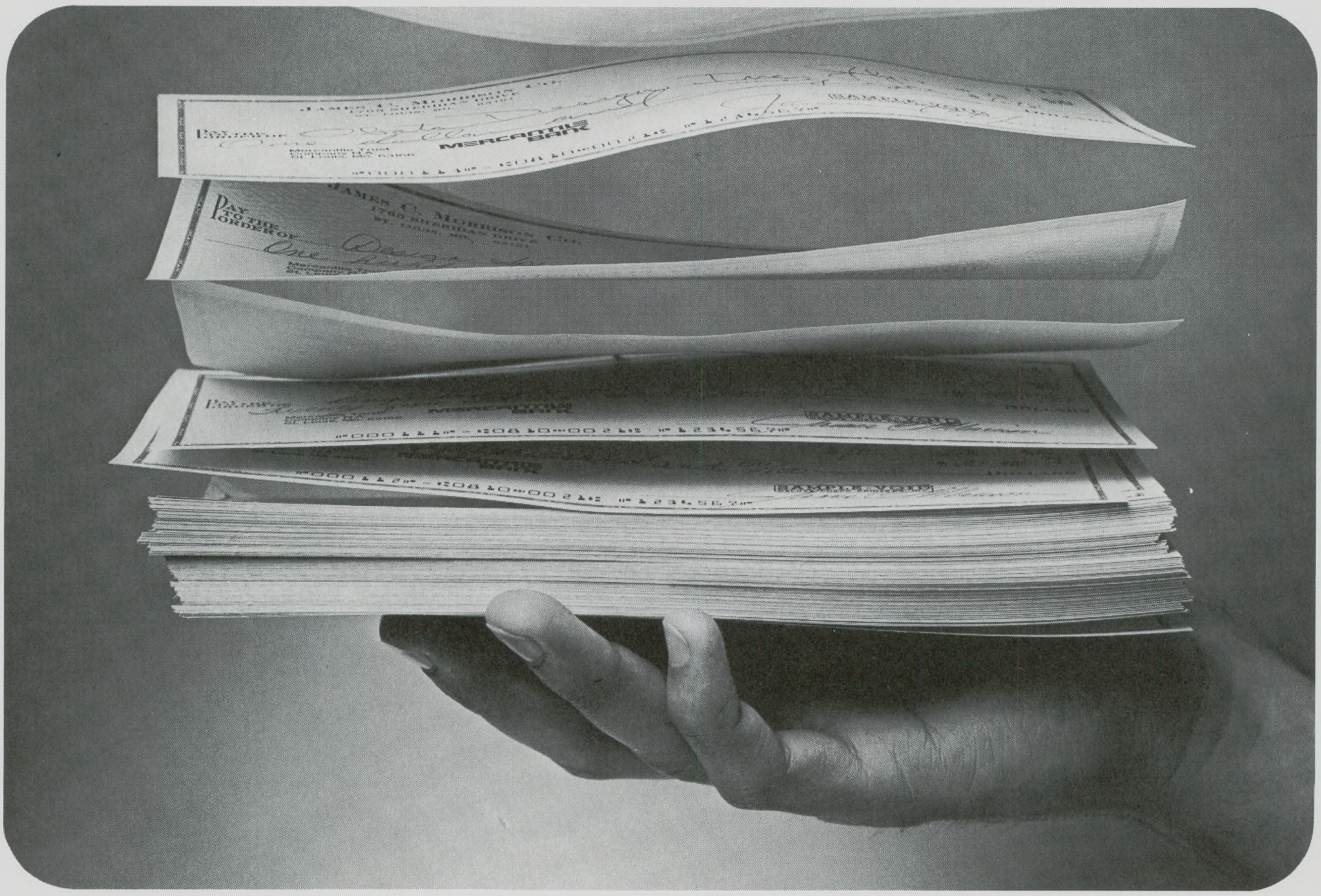
Jim Fabian has resigned as associate editor, MID-CONTINENT BANKER, effective November 15. He and Mrs. Fabian will move from the St. Louis area to Santa Barbara, Calif., where Mr. Fabian will take up new duties, as yet not announced. He joined MCB October 4, 1967.

Through his work on this publication, Mr. Fabian has made many friends among bankers in and beyond the 13-state area it serves. We are certain these friends will wish him well as he begins a new phase of his life.

Mr. Fabian has become a valued MCB staff member, and those of us who have had the privilege to work with him the past 11 years will miss the cheerfulness with which he undertook his assignments and the optimism he always showed, no matter what challenges or problems confronted him.

— The Editors

Does your correspondent bank minimize float in check clearing?



A Mercantile Banker makes it smooth-sailing.

If check clearing were a one-bank operation, it would be easy. But it isn't. It takes a solid, broad-based organization.

Mercantile has that organization — one set up to handle the two most important elements in the check clearing process.

Availability. First, there's our geographical convenience. We operate four regional computer centers to speed processing: Kansas City, Macon, Springfield and St. Louis. Over 200 direct send points to collect checks drawn on distant locations in a hurry. We continually keep tabs on airline schedules for daily deliveries to major banks around the country as well as to "remote disbursement" banks.

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Oklahoma Controversy Follows Branch Ruling

COMPTROLLER John Heimann's September 19th approval of a branch for First National, Okmulgee, in the non-branching state of Oklahoma has resulted in a court fight.

Although the bank opened the branch as soon as the ruling was made, Harry Leonard, state banking commissioner, the state banking board and the Independent Bankers Association of Oklahoma (IBAO) sought and won — on September 22 — a temporary restraining order from U. S. District Judge Fred Daugherty to close the branch. Three days later, First National's attorneys filed a motion to dismiss and plea to the jurisdiction and venue in federal court. Judge Daugherty told the attorneys, James S. Boese and R. L. Davidson Jr., that the temporary restraining order is in full force and effect and that he expects the bank to comply.

The three opponents of the ruling announced plans to go to federal court to stop the branching by national banks because, they say, present state law does not permit state banks to branch. Manville Buford, IBAO counsel, says he will ask for a full hearing in federal court in Oklahoma City and will contend that Mr. Heimann overstepped his authority. Don Kiser, an assistant attorney general and counsel for Mr. Leonard, also plans to attack the ruling in court.

"The ruling has shattered the equality principle for state-chartered and nationally chartered banks," Mr. Buford maintains.

Until September 19, Oklahoma's banks were limited to one main office and one off-premises office, with the latter allowed to take deposits, cash checks and receive loan payments, but not permitted to make loans or conduct other commercial-banking business.

The Comptroller's ruling rests on Oklahoma law permitting state-chartered trust companies to branch and offer services that virtually are "undistinguishable to consumers from services provided by commercial banks."

"National banks in Oklahoma," says Comptroller Heimann, "are permitted to compete equally with state-chartered companies insofar as branching is concerned."

The IBAO believes trust companies have limited banking functions and do not fall under federal law. A state law passed in 1976, with the IBAO's support, says that if trust companies obtain deposit insurance from the FDIC or the Federal Savings & Loan Insurance Corp., they may open branches. However, according to the IBAO, no trust company has such insurance, and so they are not banks.

The controversial branch was located in a house about a mile and a half from First National of Okmulgee's Main Office. A loan officer and a teller were on duty until the order to close came through.

According to the Independent Bankers Association of America (IBAA), Mr. Heimann's decision in First National's favor came as no surprise. The association points out that last January, the Comptroller notified the bank of his sympathies with it, but he wanted to give the state legislature time to act, and so he deferred ruling on the Okmulgee application until the legislative session was over. • •

HC Foreign Subsidiaries Affected by New SEC Rule

Investors should be provided with clearer pictures of operations by bank subsidiaries of HCs in foreign countries as a result of new accounting rules set in place by the Securities and Exchange Commission.

The new rules also set firm requirements for the disclosure by HCs of loans to officers, directors and larger shareholders and to certain of their relatives. The provision would cover any borrowing in excess of $500,000 or 2.5% of consolidated HC and subsidiary capital, whichever is lower.

The rule is said to have been spurred in part by the loans and overdrafts associated with former Budget Director Bert Lance and his family.

The final version of the rules follows the SEC's bank-accounting proposals made last December. However, the final rule permits HCs to continue reporting two final income figures — net income before gains and losses in subsidiary banks' securities trading accounts and net income after such transactions. Originally, the SEC considered specifying that only net income after securities transactions be used.

ATS Promotion Guidelines Issued by Regulators

Guidelines for promoting automatic transfer services (ATS) have been issued by federal regulators.

All advertisements and promotional materials connected with ATS should indicate clearly that the ATS involves two separate accounts — checking and savings. Banks also were advised that ads for ATS should not convey the impression that interest is being paid on a checking account or that checks can be written against an interest-bearing savings account.

Terms such as "checking-savings plan," "interest/checking plan" or "savings/checking accounts" are acceptable, according to regulators, since the wording indicates that two accounts are involved.

Banks should avoid referring to ATS as being equivalent or similar to paying interest on checking accounts. Statements such as "interest on checking," "interest checking account," "interest-paying checking plan," and "almost like interest on checking" are not appropriate because these statements don't accurately describe the nature of the service or indicate that two accounts are involved.

Interest on demand deposits is still illegal, regulators say.

It also is not appropriate to refer to an ATS as "checking on savings" or "checkable savings." These terms are undesirable because they could result in the mistaken belief that checks may be drawn by depositors against their interest-bearing savings accounts, which is legal only in New England.

Banks were reminded by regulators that depositors must be informed at the time the ATS is authorized that the bank reserves the right to require a notice period of at least 30 days of intended ATS withdrawals of savings deposits.

Congress Passes Major Banking Bill

MAJOR LEGISLATION, described by the ABA as "generally acceptable," was passed in the final hours of the 95th Congress October 15. What came out is the Financial Institutions Regulatory and Interest-Rate Control Act, which provides equality of interest-rate ceilings for banks and thrifts on savings accounts linked to transaction accounts by prearranged transfer agreements. It authorizes all financial institutions in New York state to offer negotiable-order-of-withdrawal (NOW) accounts.

Attention was focused on a Senate legislative package, although, procedurally, the bill that finally was enacted into law originated in the House. At several points, it appeared there would be no banking legislation because of objections by the ABA and bankers to totally unacceptable bills that had been put forward in the House, as well as substantial temporary disagreements between leaders of the House and Senate Banking committees.

Central element of the new legislation is extension of the Interest-Rate Control Act for two years and granting of interest-rate-ceiling equality on all savings accounts linked to transaction accounts by automatic transfers.

For example, at one juncture, a bill was introduced to extend the Interest-Rate Control Act for a year without providing rate-ceiling equality on automatic-transfer accounts. According to the ABA, this omission would have escalated discrimination against bank savers in states where mutual savings banks can offer a higher interest rate than banks.

However, the ABA and numerous bankers made it clear that if the only choice was such a bill, no banking legislation should be enacted. This stance, compared with other factors, prompted congressmen to support automatic-transfer-account parity.

Editor's Note: This column was prepared by the ABA's public relations division.

In legislation finally enacted, the central element is extension of the Interest-Rate Control Act for two years (to December 15, 1980) and granting of interest-rate-ceiling equality (now 5%) on all savings accounts linked to transaction accounts by automatic-transfer arrangements. The ABA strongly supported this measure, although the association had urged that the act be extended for only a year.

The legislative package also includes:

- Language strengthening bank regulators' enforcement powers to deal with the rare cases where abuses are found to exist. It allows them (under a carefully established due-process procedure) to issue cease-and-desist orders against bankers as well as banks; impose civil fines on bankers as well as banks and remove bank officers or directors whose actions endanger the safety or soundness of their financial institutions. This provision applies to other types of financial institutions and had been supported by bankers as a less objectionable alternative to the former so-called Safe Banking Act.
- Provisions prohibiting interlocking directors among depository institutions in the same standard metropolitan statistical area (SMSA) or in the same city, town or village. For institutions under $20 million, only the city, town or village prohibition applies. Existing interlocks would be grandfathered for 10 years, and an exemption permits interlocks among institutions for which the same group of persons owns more than 50% of the stock of the institutions.
- Language allowing regulators to require prior notice of proposed change of control of a bank or HC. Regulators then have 60 days in which to disapprove the change of control.
- A section requiring banks to report to regulators annually the aggregate indebtedness of all their executive officers and 10% shareholders and companies they control. Regulators may make such reports public on request. Also, banks must make annual nonpublic reports to regulators on loans by correspondent banks to their executive officers and 10% shareholders.
- Passed amendments to the Export-Import Bank Act that, among other things, extends the bank's authority to September 30, 1983, raises the bank's operating authority from $25 billion to $40 billion and subjects the bank to Congress' appropriations process.
- Provisions requiring that individuals be notified of any government-agency requests for their bank records. Customers will be allowed to challenge such requests. Agencies are required to follow established procedures when they seek such records and to reimburse banks for costs of providing that information.

Interlocking directorates are prohibited among depository institutions in the same standard metropolitan statistical area or in the same city, town or village. Existing interlocks are allowed a 10-year grandfather exemption.

- Electronic banking consumer protection provisions similar to those previously approved by the House after nearly a year of negotiations by the ABA and others. The provisions are seen as consistent with traditional consumer rights and protections and unlikely to hamper future EFT development.
- Provisions establishing a central liquidity facility for credit unions, with certain controls as to use of the facility as suggested by the ABA and the Treasury Department.
- Extension of federal deposit insurance to a maximum of $100,000 on Individual-Retirement and Keogh accounts.
- Language allowing existing mutual savings banks the option of switching to federal charters, with certain limits on their branching powers the ABA had requested.

The new banking law doesn't in-

(Continued on page 60)

We can solve your problem! Here's how...

We can help you find the solution to that problem lying on your desk right now. Over the long haul, we can help you grow, a little at a time, or a lot. Let's get together!

Account Services: Cash letters. Wire transfers. Coin and currency. Collections.

Loan Administration: Commercial, agricultural, and real estate overlines. Bank loan counseling.

Data Processing: "On-line" and "Batch." Checking. Savings. Certificates of deposit. Installment and commercial loans. General ledger. Automated clearing house. Automatic teller machines. Payroll.

Investment: U.S. Gov't's. Federal agencies. Municipals. Federal funds. Commercial paper. Computerized bond portfolio accounting. Pricing and counseling. Securities safekeeping.

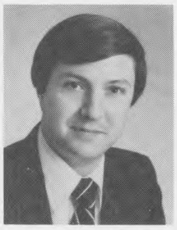
Trust: Public fund custodial accounts. Personal and corporate trusts.

Bank Cards: Master Charge. Visa.

Leasing: Direct. Or, participating.

International Banking: Worldwide correspondent network. Letters of credit. Foreign collections. Currency exchange.

E.L. Burch
Senior Vice President
Correspondent Bank Division



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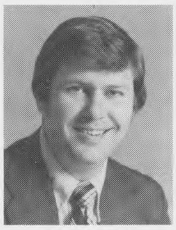

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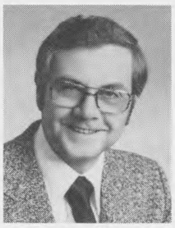

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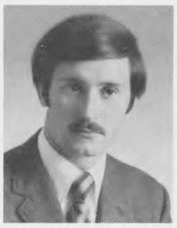

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Bank Assists Inner-City Restoration

TWO YEARS AGO, Munger Place in inner-city Old East Dallas was a declining community of substandard houses sandwiched among apartments. Today, 106 of 149 structures in the 13-block area are in some stage of remodeling, and ownership has been transformed from majority renter-occupied to majority owner-occupied.

The $2-million rehabilitation program was a joint effort of Lakewood Bank and the Federal National Mortgage Association. In the two years, Lakewood Bank originated approximately $1,700,000 in loans to buy and restore 52 homes in Munger Place. Other lenders, such as Swiss Avenue Bank and Merchants State, now are active in the area. Long-time residents also have been joining the renovation campaign by financing their own improvements.

Restoring old homes was not new to the area. Swiss Avenue, the city's first official historic district, had been rescued from decline a few years ago by the Historic Preservation League (HPL), an organization of area home owners, with a $1-million loan commitment from Lakewood Bank.

But Munger Place was different. The two-story, frame houses were smaller, and many had been converted to multi-family rental properties, which were poorly maintained by absentee landlords. The area's distinctive architecture from the late 19th and early 20th centuries often was obscured by disrepair, overgrowth or misguided remodeling.

A treasure of "Prairie School" houses was revealed through architectural detective work. A team surveyed the area under a grant from the National Trust to the Historic Preservation League. Each house was catalogued by original style, alterations and features and the area was assessed as the largest intact assembly of "Prairie School" homes in the United States.

Next, each property was rated on a 1-to-5 scale of hopeless to district landmark. Approximately 70% were rated substandard. Still, the team avoided demolishing and attempted to restore "hopeless" units.

Don Wright, bank president, says the money was only a catalyst to the project. The Historic Dallas Fund, an HPL spin-off, acquired 21 properties at the earliest stage of the program and offered them for sale. Public interest was immediate and snowballed.

Progress also can be seen, says Mr. Wright, in other Old East Dallas neighborhoods where the bank has rehabilitation loans. Lakewood Bank's property-improvement commitments now total more than $7 million. In addition, Lakewood has "packaged" 42 loans for FNMA, totaling more than $1,470,000. Another group of loans, amounting to nearly $500,000, will be offered once the appraiser certifies the homes are completely restored. ● ●

For City Neighborhoods:

Bank Loans Available For Owner-Occupied Sites

Mercantile Trust, St. Louis, in cooperation with that city's Community Development Agency, has established a $3-million mortgage-guarantee program to make funds available in deteriorating, but potentially healthy, city neighborhoods.

Owner-occupied properties containing one to four living units are eligible for loan assistance under the program. Up to 90% of the property value will be considered in the loan, and interest rates will follow the current market rate. The mortgages will be similar to other Mercantile older property mortgages except they may be paid back over a 30-year rather than a 25-year period.

The announcement was made by Mayor James Conway, who introduced the plan with Donald B. Wehrmann, executive vice president, Mercantile, and Don Spaid, community development director. Mr. Wehrmann said the program is an attempt to get more qualified borrowers into city housing to "redevelop the St. Louis corps of neighborhoods." Mr. Spaid added the loan program will aid the city because St. Louis has been suffering from a "disinvestment syndrome" for 20 years.

Financing will be easiest for property that has a median value of at least $4,000, located in blocks whose combined abandonment and vacancy rates are not more than 20%. Other areas are eligible if neighborhood or community groups, developers or public agencies rehabilitate.

For High Schoolers:

Banking Education Program Conducted by Mississippians

Four banks in Yazoo County, Miss., have been sharing the costs and responsibilities of conducting "The How and Why of Banking" in the county's high schools since 1974.

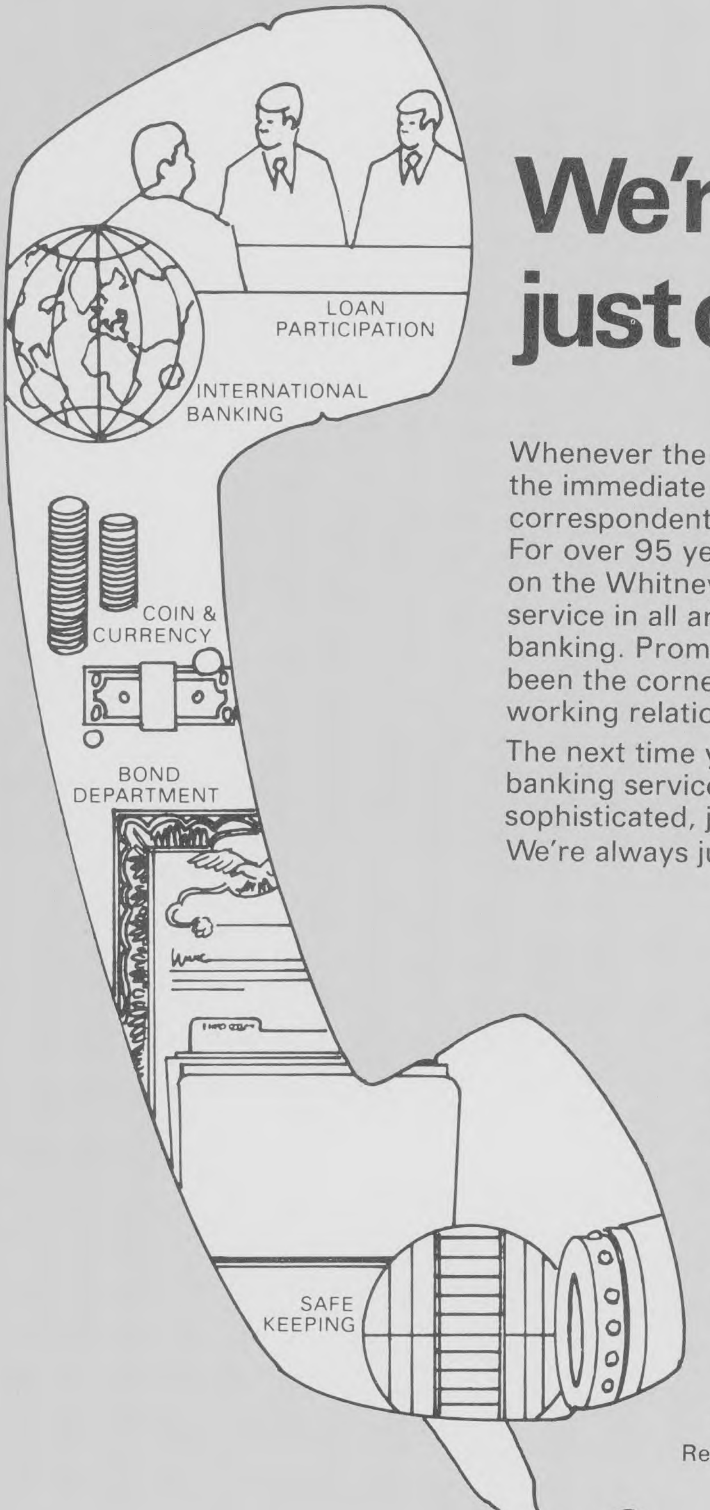
The program, which is designed to educate high school seniors about the banking industry, was started through the efforts of Delta National, Yazoo City, Miss., and the Junior Bankers Section of the Mississippi Bankers Association. The course has been taken by almost 1,300 students, 96% of whom have been awarded certificates of completion.

Banks taking part in the program, in addition to Delta National, are Bank of Yazoo City; Citizens Bank, Belzoni; and Bank of Bentonia.

The course includes a full week of classroom instruction and ends with a tour of one of the four banks. The following week, an exam is administered and certificates are presented to those receiving passing marks.

Topics included in the course are primary and supplementary bank services; savings, interest and loans; checks and checking accounts; flow and control of credit; and trends and electronic funds transfer. Students learn what determines interest rates on loans, how to make a loan, how to open a checking account, what to do with a check when one is received, maintaining records and how checks are cleared and collected.

Also included is a review of the function of the Fed, the importance of dol-


LOAN
PARTICIPATION
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BANKING
COIN &
CURRENCY
BOND
DEPARTMENT
SAFE
KEEPING

lar stability and how EFT services function.

Chairman for the program over the past year has been Joseph C. Thomas, loan officer, Delta National. He recently received a certificate of appreciation from the Junior Bankers Section of the Mississippi Bankers Association for his work with the program.

Bubbles and Balloons:

Bank Celebrates Opening Of First Parking Garage

In an effort to stimulate business and revitalize the downtown district, Second National, Ashland, Ala., opened a parking garage constructed for public use. The $2-million, eight-level parking center occupies half a city block and offers 420 parking spaces. A ramp connects the garage to one of the area's largest department stores.

To celebrate the garage's grand opening, the bank held a reception on top of the garage for merchants, officials and media. The facility was officially christened with champagne, and 90 helium balloons were released, each containing $5 certificates for deposit into a new or existing savings account. The 90 balloons symbolized the bank's 90th anniversary.

The theme of the event, "I've Been to the Top." was printed on tee-shirts, bumper stickers and car litter bags, which were given away. In addition, children received balloons and adults received tickets to a drawing for a 1978 Oldsmobile Cutlass, a grand prize chosen as an incentive to skeptical patrons who fear parking garage facilities.

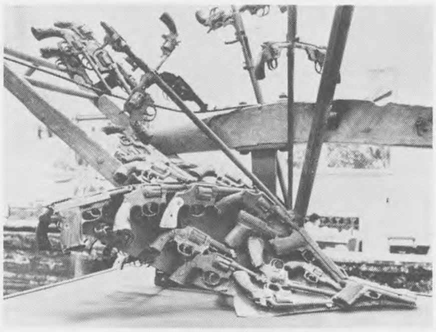
Handgun Plow:

Bank Honors Victims Of Handgun Violence

Dramatizing the "call to put down the tools of death and plant the seeds of life," renowned sculptor, John Kearney, welded inoperable handguns to a 100-year-old wooden plow to commemorate victims of handgun violence. The plow was displayed at Chicago City Bank in cooperation with the Committee for Handgun Control.

The display was a follow-up to last year's "Survival Days," which called for the voluntary surrender of firearms in Chicago, initiated by the National Coalition to Ban Handguns.

In a special presentation at the bank, cartoonist Chester Commodore gave an original drawing depicting the violence of handguns to Estelle Jacobson, president of the Committee for Handgun Control, and Connie Seals, director of the Illinois Commission on Human Relations.



As part of a community service program, Chicago City Bank displayed this handgun plow, created in memory of victims of handgun violence. Sculpture illustrates biblical passage, "And they shall beat their swords into plowshares," Isaiah 2:4.

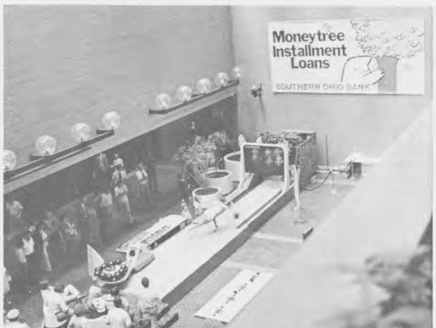
Time to Spare:

Bank Pays 10 Cents a Tenpin In Charity Bowling Tourney

It was a striking success when Southern Ohio Bank, Cincinnati, collected spare change in a two-week "Bowling for Bucks" competition. The tournament, held in the bank's lobby, raised $1,025 for a local charity and left participants on pins — and needles.

Cincinnati Mayor Jerry Springer officially opened the competition with a match against a local pro bowler. Each day radio celebrities matched bank executives and then the lane was opened to customers and passers-by. For each pin knocked down, 10 cents went to the charity.

The tournament was cosponsored by the Greater Cincinnati Bowling Proprietors' Association.



For two weeks banking and bowling coexisted as customers of Southern Ohio Bank, Cincinnati, rolled balls to raise money for charity. Customers, bank executives and local celebraties aimed for pins at 10 cents apiece.

No-Zone Industry:

Bank Releases Houston Map Showing Specific Plant Sites

A Houston map showing actual plant locations has been released by Bank of the Southwest.

Bank President John T. Cater said the maps are unique because Houston is the only major city in the United States that does not have zoning laws. Industrial maps from other cities would show industrial zones, rather than specific sites of plants, as does the Houston map.

The map identifies four groups of industries: chemicals, petroleum refining and natural gas products; primary and fabricated metals; machinery and electrical; and all others.

The maps are expected to be useful to companies that want to determine the extent and sites of industrialization in Houston and to locate customers, competitors and suppliers.

Word Processing:

Video Technology Computes Student, Community Jobs

Students and community residents will have an opportunity to learn word processing in an experimental program begun by Continental Bank, Chicago, in conjunction with William Rainey Harper College.

As part of the program, Continental has installed five word-processing machines at the college for educational and production purposes. Students will receive regular college credit for completing theory and practical experience courses. Once qualified, they could be hired by the bank on a part-time basis.

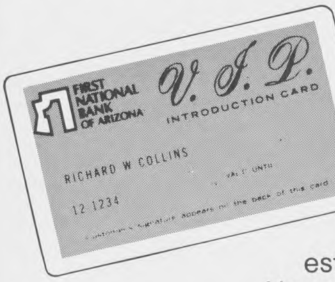
Eugene R. Croisant, senior vice president, corporate personnel services, said, "We feel this program will enable us to continue to tap additional resources for recruiting bank employees while exposing students to changes in the business environment."

Bank supervisory personnel will train and assist in the operation of the program and work closely with the college secretarial science staff. Mr. Croisant said he hoped the program also would attract community residents who have secretarial skills.

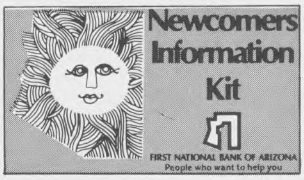
First National Bank has a warm welcome for your preferred customers moving to Arizona.

If you have a preferred customer moving to Arizona, we'd like to give him a warm welcome . . . before he arrives.

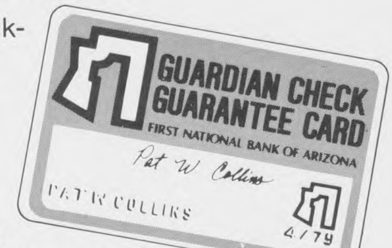
All we need is an officer's letter of recommendation from you. Then we'll immediately issue your customer our exclusive VIP check cashing card for use until his accounts are established in Arizona.



Upon presentation of the card at any of our more than 130 offices throughout the state, your customer's personal checks on your bank will be honored up to $500. No other identification will be required.



In addition, we'll send him our famous Newcomers Information Kit. It's packed with booklets, maps, and tips for new residents and contains a signature card which can be filled out and mailed to us. We'll handle all the paperwork for an easy transfer of funds for your customer so his banking relationship will be well established before his move to Arizona.



When the checking account is opened, your customer will be issued a Guarantee Card. The Guardian Card will unequivocally guarantee personalized First National Bank of Arizona checks for up to $600 in merchandise or services or $100 in cash at any of our more than 130 offices and at over 15,000 merchants statewide.

For further information and a supply of brochures describing our preferred customer service, call or write:

G. Reed Macomber, Vice President
First National Bank of Arizona
P.O. Box 20551
Phoenix, Arizona 85036
(602) 271-1471

FIRST NATIONAL BANK OF ARIZONA

MEMBER F.D.I.C. • FEDERAL RESERVE SYSTEM

Loan Charge-Off Report Published by RMA

GROSS CHARGE-OFFS of $1.95 billion, or .64 of 1% of the $305 billion of all loans outstanding were reported by 87 of the nation's 100 largest domestic banks in the seventh annual survey of loan charge-off experiences of banks belonging to Robert Morris Associates.

Loan recoveries totaled $399 million, the survey indicated. After allowing for these recoveries, net charge-offs stood at $1.55 billion, or .51 of 1% of the total loans outstanding for the year 1977.

The survey includes an international section that presents statistics gathered from 127 RMA-member banks, 84 of which are among the nation's largest.

Average international loans and deposits outstanding during 1977 stood at $194 billion. Gross charge-offs were reported to be $406 million, equal to .21 of 1% of the total portfolio, while total dollar recoveries of $63 million resulted in net charge-offs equal to .18 of 1% of all loans and deposits outstanding.

Of the 127 responding banks in the international section of the survey, only 60 reported any charge-offs. These banks reported average international loans and deposits aggregating $182 billion.

For the first time, the survey's domestic bank section provides gross and net charge-off statistics for seven different types of lending: direct real estate, loans to financial institutions, loans for purchasing or carrying securities, loans to farmers, commercial and industrial loans, loans to individuals for personal expenditures and all other loans.

The survey also presents gross and net charge-off statistics for the entire portfolio, arranged by bank asset size and Federal Reserve district. In addition, high-loss industry rankings for 1977 have been tabulated by bank asset size, Federal Reserve district and nationwide.

Due to the expanded loan data base, the results of the survey's domestic study can't be compared with statistics published by RMA in previous years.

Copies of the report were sent to RMA member banks this summer. Copies are available from the RMA Order Department, 1432 Philadelphia National Bank Building, Philadelphia, PA 19107. The price is $5 for member banks; $7.50 for nonmembers. • •

Solar Energy Legal Aspects Can Affect Loan Granting

If you were an officer responsible for real estate financing, would you approve a loan for a home or a business to be heated by a solar energy system?

"Yes, but first I would satisfy myself that the owner had provided for guaranteed access to sunlight," said a legal authority on the use of solar energy systems.

Sunlight access is the only strictly legal barrier to widespread use of solar energy collectors, says William A. Thomas, coauthor of "Overcoming Legal Uncertainties About Use of Solar Energy Systems," a book published by the American Bar Foundation.

It's obvious that direct sunlight is needed for efficient operation of solar energy collectors, Mr. Thomas says, but landowners have a right to receive sunlight only from directly above their property and not from adjacent property.

Solar energy doesn't impinge on earth from directly overhead anywhere in the U. S. except Hawaii. Thus, Mr. Thomas says, "either private or public arrangements must be made to accommodate the needs of technology to the law."

'Annual Statement Studies' Published by RMA

The 1978 edition of "Annual Statement Studies" has been published by Robert Morris Associates.

The book gives commercial loan and credit officers a tool for analyzing financial statements of customers. The information contained in the book is designed to enable bankers to see if — and how — a firm fits into a general, nationwide profile of its particular industry.

The 1978 edition contains composite balance sheets, income data and ratios on 305 different industries. It also provides 16 commonly used operating ratios, presented as medians and quartiles, for 287 industries, each divided into five sections: manufacturers, wholesalers, retailers, services and contractors. Composite balance sheets, income statements and operating ratios for each industry are listed by different asset sizes, ranging from under $250,000 to $50 million.

RMA-member banks submitted more than 52,000 statements of borrowing customers to generate data for the book. The statements were identified only by lien of business and not by company name.

'Report to Commercial Lenders' Published by ABA Division

"ABA Report to Commercial Lenders" is the title of a new monthly newsletter published by the commercial lending division in cooperation with the association's communications group.

The publication is designed to emphasize the need for two-way communication between the division and bankers responsible for the commercial lending functions in their banks, according to commercial lending division director John Clark.

"Commercial lending, like all banking, is on the threshold of big changes," Mr. Clark said. "The many things that shape commercial lending today and in the future — legislation, regulation, court decisions, competition and government actions — will be reflected and analyzed promptly and concisely."

Annual subscriptions are $15 for ABA members and $22.50 for nonmembers.

Banks & Heller: resourceful partners in profit.

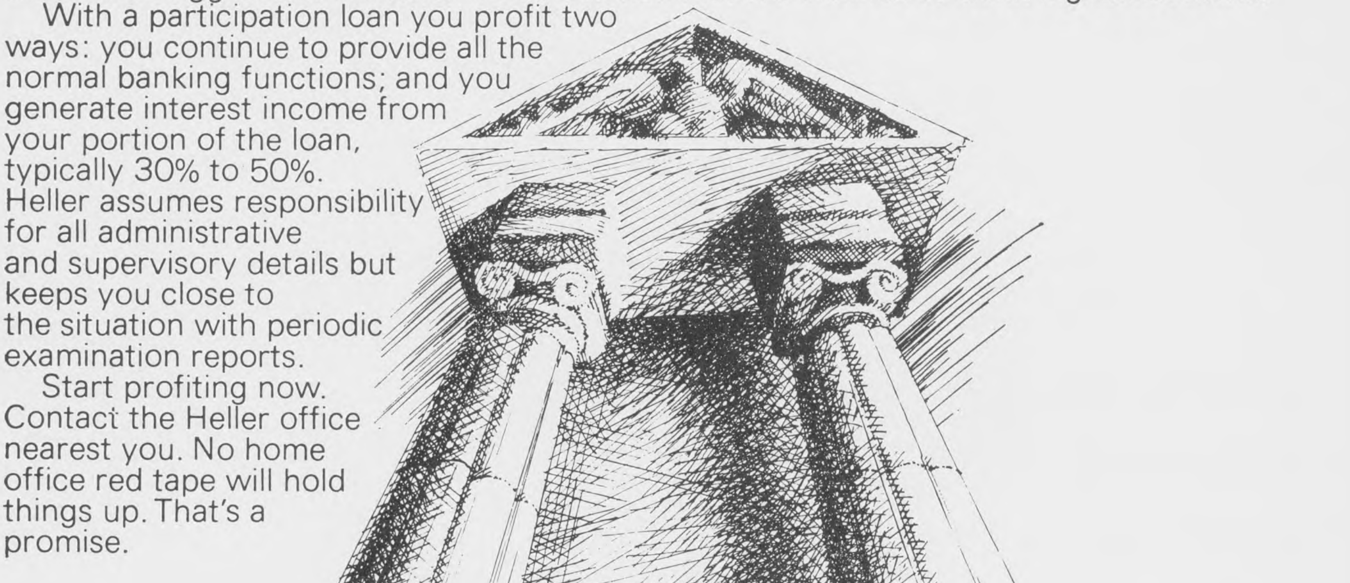
Astute bankers have found that under today's conditions, when it's more difficult to approve larger loan requests, participations with Heller make more sense than ever.

Bankers look to Heller to maximize their customers' credit availability because Heller applies financial creativity developed over more than a half-century of specialized experience in secured lending.

Hundreds of loans in our billion dollar portfolio have bank participations. Participants include about half of the nation's 25 largest commercial banks, but the great majority consists of aggressive banks of moderate size that are inclined to think big about loans.

With a participation loan you profit two ways: you continue to provide all the normal banking functions; and you generate interest income from your portion of the loan, typically 30% to 50%. Heller assumes responsibility for all administrative and supervisory details but keeps you close to the situation with periodic examination reports.

Start profiting now. Contact the Heller office nearest you. No home office red tape will hold things up. That's a promise.



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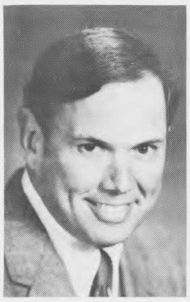
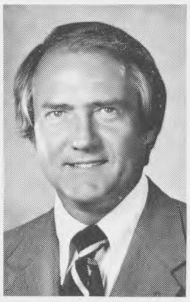
NEWS OF THE
BANKING WORLD


FARRELL


SLOANE


KELLEY

• **Neal J. Farrell,** former senior vice president and group executive for international correspondent banking worldwide, Chase Manhattan, New York City, has been elected president and a director, Mercantile Trust, St. Louis. Mr. Farrell joined Chase Manhattan in 1956 and served in a number of capacities, including group executive in charge of 65 branches on Manhattan Island. He also served in the international department as group executive in charge of Asia and Australasia prior to moving to the European sector. He will assume his new post December 1. Interim Mercantile Trust President Harrison F. Coerver continues as chairman, executive committee. He has served as interim president since July.

• **Hobert Sloane,** vice president, correspondent division, Liberty National, Louisville, has been appointed executive trustee of the School of Banking of the South by the Kentucky Bankers Association.

• **Clarence M. Kelley** has been elected to the board, Red Bridge Mercantile Bank, Kansas City. Mr. Kelley is a former FBI director and Kansas City chief of police. Before joining the bank and immediately after his retirement as FBI director, Mr. Kelley joined Diversified Management Research, Inc., Washington, D. C., as a principal and director of operations.

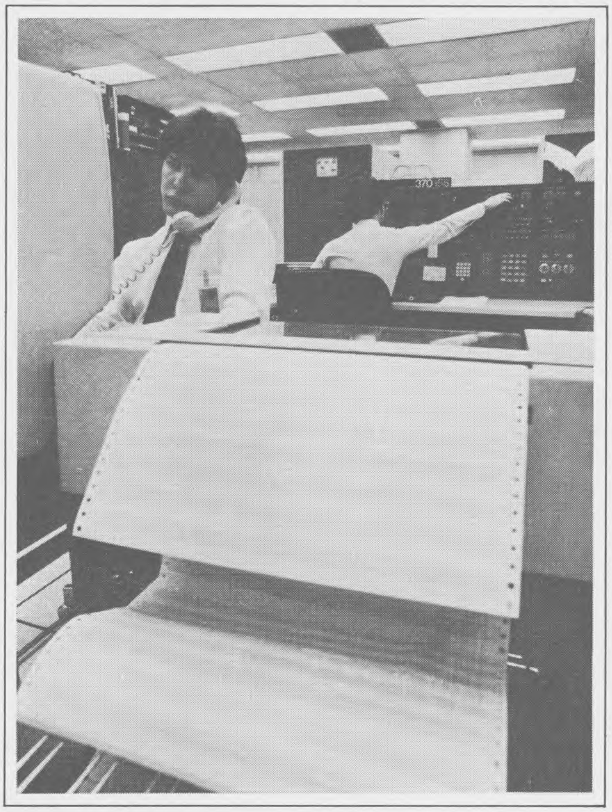
• **David B. Miller,** Rocky Mountain calling officer, Republic National, Dallas, has been named vice president and manager of a Denver-based subsidiary. The new subsidiary, which is the bank's first domestic loan production office, will develop energy-related banking relationships in the Rocky Mountain region and Canada. The Denver office will serve a 10-state area, including New Mexico and Kansas. Republic National, which has financed oil and gas since the 1930s, has expanded into coal, uranium and other mineral lending during the past decade. Purpose of the Denver office will be to enhance petroleum and mineral business development efforts in the Rocky Mountain region.

• **Harris Bank,** Chicago, has filed with the Florida State Comptroller's Office for approval to open an investment advisory representative office in West Palm Beach. The office, which is scheduled to open in 1979, will solicit and service investment advisory business, both individual and institutional.

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

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

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



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

Republic National Bank is Dallas.

A Republic of Texas Company
Member FDIC

New Travelers Check Expected in 1979

A NEW NAME is expected to make its debut in the $22.6-billion worldwide travelers check arena next year, providing a court suit doesn't delay implementation.

The Master Charge travelers check expects to take its place alongside such well-known names as American Express, Citicorp and Bank of America, which currently account for about 95% of the $15-billion U. S. market in travelers checks.

However, Citicorp has filed suit against the Master Charge venture into the travelers check arena, charging restraint of trade. The Citicorp suit contends that banks issuing Master Charge travelers checks will favor that brand over those of other firms because the checks can be sold as part of the bank's own consumer-service package.

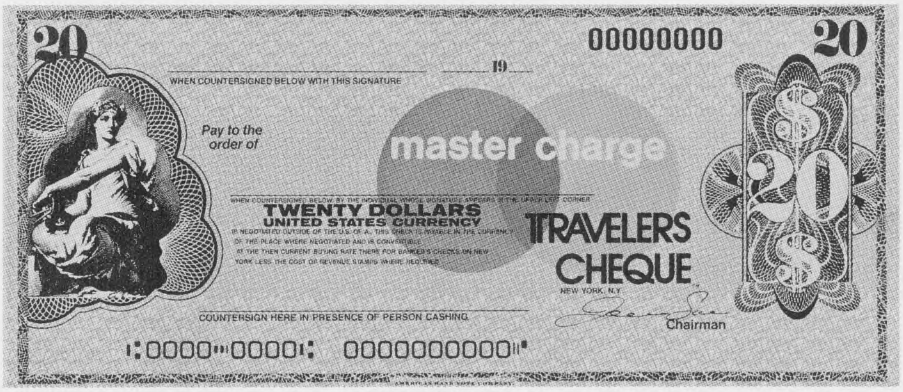
This refers to the fact that banks selling Master Charge travelers checks can sell them according to the bank's own pricing schedule. In addition, they can take advantage of check float by holding and investing proceeds.

The Master Charge organization, however, takes the position that the new service will enhance competition among issuers of travelers checks.

MCTC Corp., a central, not-for-profit corporation set up to handle the administration of Master Charge travelers checks, will take care of issuance, accounting, security, national marketing and advertising, check clearing and refund centers for banks selling Master Charge travelers checks.

An MCTC spokesman said this is being done to ensure more effective control over expenditures and to facilitate administrative flow. MCTC will be financed through a series of initiation fees, annual dues and assessments. Additional financing for the program will come from member bank borrowings, to be repaid in annual installments.

An MCTC spokesman said the corporation expects sales in North America to reach $588 million during the first year of operation. By the fourth year, sales are expected to rise to $2.3 billion.



Master Charge is placing its name on a new travelers check that is expected to make its debut next year. Checks will be issued by banks joining MCTC Corp., not-for-profit corporation that will provide administrative backup for service.

Mid-Continent-area banks that have signed up with MCTC include Bank of Louisiana, New Orleans; Union Planters and Memphis Bank, Memphis; Capital Bank, Baton Rouge; American National, St. Louis; National Bank, Odessa, Tex.; Liberty National, Louisville; and Continental, National Boulevard and Bank of Ravenswood, Chicago. • •

Record Fiscal Year Reported By CSI for Master Charge

ST. LOUIS — Credit Systems, Inc. (CSI), the Master Charge operating center for Missouri, Kansas, Iowa, Illinois and western Kentucky, has reported nearly $1 billion in business volume during the fiscal year ending June 30, 1978.

Retail purchases and bank cash advances making up the record-setting total were 17% higher than the previous year. Individual Master Charge transactions increased 15% over last year.

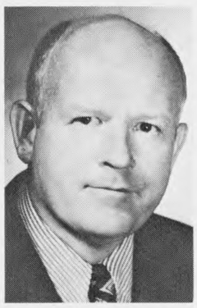
Ten CSI board members were reelected at the annual meeting: William G. Travis, vice president, First National, St. Louis, chairman; Alan B. Collins, senior vice president, United Missouri Bank, Kansas City, vice chairman.

Other board members are: Walter Beck Jr., executive vice president, First National, Kansas City; Fred A. Dunmire, executive vice president, Commercial National, Kansas City, Kan.; Charles A. Elfrank, senior vice president, Mercantile Trust, St. Louis; and James K. Figge, executive vice president, Davenport (Ia.) Bank.

Also elected were: C. Philip Johnston, vice president, Mercantile Trust, St. Louis; Paul M. Ross, senior vice president, First National, St. Louis; Ethan A. H. Shepley Jr., vice chairman, Boatmen's National, St. Louis; and Norman J. Tice, president, City Bank, St. Louis.

Richard P. Tennant was reelected president of the company, and Bruce E. Woodruff was reelected secretary.

J. C. Greene Elected President Of Monetary Card Services



GREENE

James C. Greene, vice president, Boatmen's National, St. Louis, has been elected president, Monetary Card Services, Inc. This organization serves more than 470 Visa charge-card banks in Missouri, Kansas, Illinois, Iowa and western Kentucky.

Richard A. Marks was elected vice president and treasurer. He is assistant cashier, First National, Kansas City.

You're known by the numbers you keep.

Only VISA card numbers starting with 4647 or Master Charge cards starting with 53124 are issued through one of the 278 Kansas banks who have joined with us as affiliates of the Kansas BankCard Center.

They've joined together to give customers worldwide convenience with hometown service by making everything happen here in Kansas.

Their cardholders get the best possible personal service - from approval of their application and actual production of their card to issuance of statements and receipt of payment. And most importantly, regardless of which card they use or wherever they use it, cardholders can get 24-hour authorization from the same people. And if they need a service rendered or a question answered, help is also close to home.

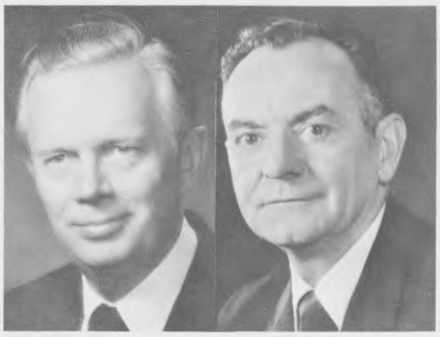
If the numbers on the cards your bank offers don't match ours, let us know. We'll help you get the numbers your customers will want to keep.

KANSAS BANKCARD CENTER

Fifth Floor, Fourth Financial Center P.O. Box 178
Wichita, Kansas 67259 (316) 261-4671

Corporate News Roundup

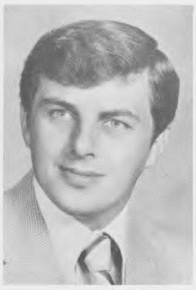
• **Associates Commercial Corp.** Russell B. Donahue has been elected executive vice president and head of the business loans division and Oran W. Hark, senior vice president, has been named head of loan administration in the firm's new business loans offices. Mr. Donahue will be marketing director. He and Mr. Hark joined Associates Commercial Corp. recently, coming from a major commercial finance firm. The firm has announced an expansion of its regional office concept, which includes establishing full-service mini-financial centers, called business loans offices, in areas where the firm's services are in greatest demand. Associates Commercial Corp. also has acquired MDC Corp., a commercial finance and leasing firm headquartered in Cherry Hill, N. J.



DONAHUE HARK

• **Brandt, Inc.** William P. Crane has been appointed a product manager and will be responsible for new product introductions including liaison with manufacturing operations, organization and conduct of training schools and correspondence with product buyers. He formerly was a service manager.

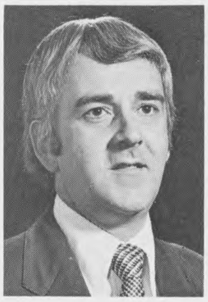
JONES



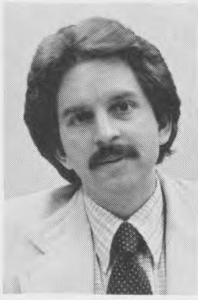
CRANE

• **Salem China Co.** Bill Jones has been appointed national field sales manager of the financial division of Salem China. He was formerly key account manager and has been with Salem for two years.

• **LeFebure.** Norman Stemm has been appointed manager of the Chicago branch of LeFebure, which is



STEMM



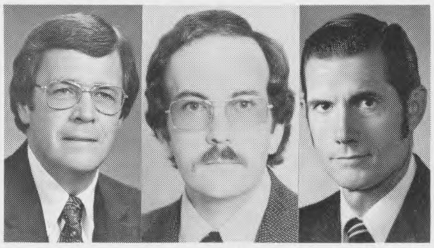
PEARCE

headquartered in Cedar Rapids, Ia. Mr. Stemm will supervise both sales and service in northeastern Illinois. He was formerly a sales engineer and joined the firm in 1970.

• **Mosler.** John N. Pearce has been appointed marketing communications coordinator in the marketing communications department. At his new post, he will be involved in all aspects of marketing communications including sales and installation brochures and the coordination of sales meetings and trade shows. He was formerly with a Cincinnati advertising agency.

• **American Express Co.** Thomas K. Myers has been appointed executive vice president-marketing for the American Express card division. He is a former chairman of a New York-based advertising agency. Four senior officers in the travel-related services group of American Express have received new responsibilities. Louis V. Gerstner Jr., executive vice president, and president, card division, has been named president, travel related services. Aldo Papone, president, travel division, and a senior vice president of the parent firm, has been named president, card division. Fred B. Petera, regional vice president, Europe, Middle East and Africa, travel division, has been elected a senior vice president and named president, travel division. George W. Waters, executive vice president and former president, travel related services, now serves as senior executive responsible for the office of strategic development.

• **Aetna Business Credit, Inc.** Ronald D. Clack has been appointed

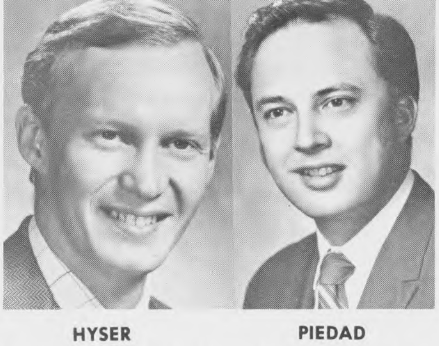


KOSS CLACK HOUSTON

eastern division controller; Lawrence S. Koss has joined the firm as manager, business development; and Robert C. Houston has joined the firm as a loan officer. Mr. Clack is responsible for financial planning, forecasting and accounting systems within the division, which serves 21 northeastern, mid-Atlantic and southern states. Mr. Koss, based in Atlanta, will cover several states, including Alabama and Mississippi. Mr. Houston, based in Dallas, will cover Texas, Louisiana, Arkansas, Oklahoma and New Mexico. Mr. Koss was formerly with Commercial Credit Services Corp. and Mr. Houston was formerly with James Talcott, Inc.

• **Rand McNally & Co.** Johns S. Bakalar has been elected vice president-finance; Bastian A. W. Knoppers has been appointed general manager, RandCard division and David A. Brown has been appointed general manager, financial systems division. Mr. Bakalar formerly was with First Chicago Investment Corp. and has been with Rand McNally as treasurer since 1976. Mr. Knoppers went to Rand McNally from Burroughs Corp. in 1975 and has served as marketing manager since that time. Mr. Brown is new to Rand McNally and formerly was with Burroughs Corp.

• **Diebold, Inc.** Christopher W. Hyser Jr. has been appointed product manager of automatic banking systems and Frank S. Piedad has been appointed manager of all automatic banking systems planning activities. Mr. Hyser joined Diebold four years ago and Mr. Piedad has been with the firm since 1970.



HYSER PIEDAD

We do our corresponding in person.

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

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

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

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

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

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

Liberty National Bank
Louisville, Kentucky

New Products and Services

• **Mosler.** A new four-color brochure highlighting Go-Anywhere American Bank Safes has been published by Mosler. Classified TL-15 (tool resistant) by Underwriters Laboratories, the safes are available as bank deposit box safes or bank cash safes. Alarm protection options are available with the safes. Write: Mosler, Department PR-154, 1561 Grand Blvd., Hamilton, OH 45012.

• **MGIC.** A new program package designed to aid lenders in the selling of conventional loans is available from Mortgage Guaranty Insurance Corp. Called "MGIC Maze-Master," the kit is a basic summary of the most commonly-used Fannie Mae and Freddie Mac conventional single-family loan-purchase programs. Included in the kit are separate brochures on FNMA and FHLMC purchase programs, a summary of FNMA/FHLMC commitment programs and a Maze-Master poster with illustrations of pitfalls to avoid. Write: Maze-Master, MGIC Plaza, P.O. Box 488, Milwaukee, WI 53201.

• **ABA.** A "Bank Card Standards Manual," containing the basic standards necessary for participation in a plastic card nationwide interchange system, has been published by the ABA's bank card division. The manual brings together all the embossing, encoding and physical specifications for bank cards plus the data format standards for Track 1, Track 2, Track 3 and the standards on formsets and descriptive statement data elements. Cost is $80 for ABA members and $110 for nonmembers. Write: ABA Order Processing Department, 1120 Connecticut Ave., N. W., Washington, DC 20036.

• **NCR Corp.** New item-processing equipment designed to facilitate the flow of checks and other documents through the nation's banking system has been announced by NCR Corp. The systems include two additional models in the firm's 7750-2000 family of proof and encoding systems and a new model of the NCR 6780 document reader/sorter. The 7750-2400 and 7750-2500 units can function either as free-standing systems or as work stations in larger on-line distributed document-processing systems. The new 6780 reader-sorter operates at speeds of up to 1,440 documents per minute and has 14 pockets for documents. Write: NCR Corp., Dayton, OH 45479.

• **Diebold.** An electronic proprietary security system called the MPS 1020 has been introduced by Diebold, Inc. The system uses intelligent terminals to monitor security-sensitive points and to communicate their security status to a central console. Each terminal unit has its own microprocessor. The system is designed to control the security in a single building or in a network of facilities and has an ability to operate over many types of data communication lines. The use of intelligent terminals as remote units enables them to maintain their functions even though communications between them and the control console are severed. Functions of the MPS 1020 are divided into five primary categories: monitoring, communication, reporting, control and recording. Write: Diebold, Inc., Canton, OH 44711.

Package Plans Cement Customer Loyalty, Enable Banks to Offer More Services

FEW FINANCIAL institutions, if any, would turn down an opportunity to provide additional services and to increase revenues by doing so. That's why many institutions are offering package plans. Recent experience has proved that these plans result in new customers, more deposits and increased loyalty on the part of customers joining the plans.

One package plan being offered by numerous banks is the New Outlooks Club, marketed by Marketing Outlooks, Inc., New York City. The plan is called "Bonus Checking" by some participating banks.

First National, Belleville, Ill., began offering its plan in 1974 because management felt the plan provided additional services to customers as well as an opportunity to increase revenue by means of the service charge levied on club members.

G. Thomas Andes, executive vice president, said the New Outlooks Club was chosen over other package plans because the marketing program and support material of the New Outlooks Club was superior to that offered by other plans.

First National's plan offers free personalized checks, direct deposit of social security checks, free travelers and cashiers checks, free bank money orders, free checking, free certified checks and bank drafts, bank-by-mail, an ATM-activating card and $10,000 accidental death/dismemberment insurance coverage.

Other services include counseling and estate planning, a national newsletter, motel discounts, vacation trip offers, auto rental and magazine subscription discounts, and other services.

Mr. Andes said the plan was sold to customers through newspaper ads and by cross-selling by new account representatives as they opened other accounts for customers.

As of August 31, about 3,500 customers belonged to the club. The total number of club members has more than doubled in the last six months, Mr. Andes said. About 30% of those signing up for the club are new customers, he added.

The base membership charge for the club is $3 per month, but joint accounts are available at $4 and family accounts at $5 per month. The family plan account covers children up to age 19.

Mr. Andes said the plan offers definite advantages to customers at a limited expense. It benefits the bank through its ability to attract new accounts.

First National, Fort Smith, Ark., was the first bank in its city to offer a package plan, according to Jim Sparks, vice president. The plan was offered early in 1975 under the title Bonus Checking and the bank is said to be the national leader in number of members; 11,000 individuals holding 8,500 accounts.

First of Fort Smith originally was going to create its own package plan, Mr. Sparks said, but changed its mind when it considered the national benefits that could be gained through a plan such as Bonus Checking.

Services offered by the plan are similar to those offered at First of Belleville; however, automatic savings, free notary service and safekeeping of wills also are offered, and senior citizens are entitled to membership at half price.

Until September 1, the cost for the plan was $3 per month, but the fee now is $5. For an extra dollar per month, members can double their insurance coverage to $2,000, Mr. Sparks said.

About 40% of those signing up for club memberships are new customers, Mr. Sparks said, and total deposits attributable to members amount to about $3 million.

The club is promoted primarily through newspaper, radio and TV advertising, supported by lobby displays in the bank's main office and five branches. Outdoor boards also have been used. When a new feature is added to the plan, statement stuffers announcing the fact are sent to the bank's entire customer base.

Mr. Sparks said that 45% of the bank's retail base participates in Bonus Checking.

One other bank in Fort Smith offers a package plan, but it doesn't include insurance, Mr. Sparks said. Insurance coverage is one of the principal attractions of the club, he said.

He feels that customer loyalty to the bank increases with club membership. "A customer would think twice before changing banks when he or she gets so many needed services for a small monthly fee." ● ●

Man Against Machine:

Millionth ATM Customer Hits $450 Jackpot

A pitting of wits against wires left a First National, Birmingham, customer $450 richer and the bank's William Teller ATM with its one-millionth transaction in less than two years of operation.

The race for riches began when Joel Cunningham made a withdrawal and was acknowledged as the machine's one-millionth customer. In recognition of this customer-service milestone, First National gave him five minutes to withdraw as much money as he could, in $50 increments, from a special teller account. The event was held at a busy downtown ATM location with a crowd of bank employees and lunchtime passersby cheering Mr. Cunningham on. When the time was up, he had withdrawn $450.

Two Birmingham television stations carried the story as a human-interest event, and the daily newspaper ran a story and photo.

To publicize its ATM's one-millionth transaction, First National, Birmingham, staged a race between man and machine. In five minutes, Joel Cunningham (l.) had withdrawn $450. William M. Fackler, marketing director, congratulates him.

How to Resolve Customer Resistance

By JOHN R. GINSLER

President, Financial Training Resources
Glen Ellyn, Ill.

RESISTANCE is a natural and normal element of most sales calls. It's caused, in many instances, by our own inefficient or incomplete communication, or, in other instances, by the customer's inefficient listening, emotional reaction to our logic or rational evaluation and testing of what we've proposed.

To resolve resistance, regardless of its cause, it's essential first to view it with a positive attitude that enables you to react to it confidently and constructively. However, to effect a change in customer viewpoint, you must, at the same time, be able to communicate facts, logic and reasons that warrant a change in his thinking. Resistance is the result of a breakdown or short circuit that occurs in communication between you and your customers. Following are practical and proved communication methods to troubleshoot and repair breaks in communication circuits as you encounter them.

Ask "Why?" and Listen. Most resistance encountered usually is stated in blunt, unclear, incomplete terms. For example, "I'd like to think about it." "I'm satisfied." "Your terms are too restrictive." "I had a bad experience with your bank," etc. The difficulty in dealing with resistance stated in this manner is that since you don't really know what the customer means, you don't know where to begin in modifying this viewpoint.

Consequently, the starting point in resolving virtually all resistance stated in imprecise or unclear terms is to clarify it by asking "Why?" and listening. This accomplishes several useful purposes:

It enables you to get at the underlying and often hidden cause of the resistance, so you can treat it rather than superficial symptoms. For example, when you encounter resistance such as: "I'd like to think about it," it could be due to any of several causes — lack of complete belief in what you've proposed, inability to perceive any urgency about acting, other priorities that command time and attention and a need to discuss the proposal with others because of limited authority, etc. Only as you flush out the true cause of indecision can you treat it with relevant and appropriate reasoning.

Use third-party experience. This simply involves relating another customer's experience with the point of resistance that's been raised and showing through his experience the facts, logic or reasons that warrant a change in viewpoint.

It can cause a customer to reduce the intensity and size of his resistance. Many points of resistance are based on outdated or stereotyped notions. By asking a customer to explain his viewpoint, you encourage him to reexamine and evaluate it. In the process, he frequently sees holes in his own reasoning and often will modify it or even withdraw it. In any case, it causes him to supply you with a clearer understanding of what he means so you are better able to supply the facts and logic needed to modify his viewpoint. For example, a customer may say "Your charges are too high!" Asking him to clarify what he bases his viewpoint on will enable him to recognize that his viewpoint may be based on hearsay rather than direct experience and that he needs more information to make a proper judgment.

It helps reduce the emotional pressure that frequently accompanies resistance so it can be dealt with through reason rather than through argument. By seeking clarification of a customer's resistance, in effect, you say: "Look, I don't want to fight with you. I'd just like to know more about the way you feel." As the customer is encouraged to talk out his viewpoint, it reduces the emotional stress of his resistance so it can be viewed objectively by both him and you.

It also enables you to control your own emotional reactions to resistance so you can deal with it rationally. When resistance is encountered, it's natural to view it as directed at you and to react to it defensively or combatively — to prove how wrong the customer is. This leads to argument, which only serves to close the customer's mind, rather than to open it. Asking the customer to clarify his resistance is like counting mentally to 10. It enables you to regroup your emotions and to organize facts and methods needed to bring about a meeting of minds.

Applying this method involves this simple procedure:

1. *Acknowledge the customer's viewpoint.* In doing so, you neither agree nor disagree with the customer, but express respect or empathy for his viewpoint and his right to state it. This takes the sharp, emotional edge off his resistance and voids the natural inclination to argue. For example: "I can appreciate how you feel." "That's understandable." "You must have a good reason for saying that." "I can

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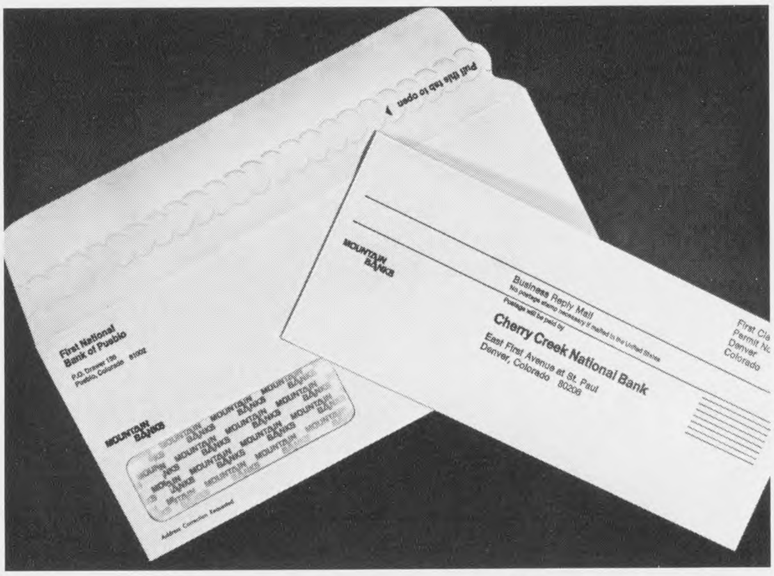

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understand your desire to be sure about this," etc.

2. *Ask the customer to clarify his viewpoint.* To encourage the customer to talk about his viewpoint, you should express a sincere desire to learn about it by asking open-end questions prefaced with "Why," "What," "When," "Who" or "How." For example: "I'd be interested to know why you feel our charges are too high, George." "To be sure I understand your feelings on this, what was the nature of your bad experience with our bank?" "In view of the benefits to be gained, there must be some question I haven't answered causing you to hesitate — what might it be?"

3. *Listen attentively.* This is the most crucial element of clarifying resistance, because only as you hear what the customer is saying can you select and apply appropriate facts and reasons needed to modify his viewpoint. It requires giving the customer your full and interested attention and letting him talk out his viewpoint without interruption. This is where many salespeople fail, since they tend to be more intent on getting their viewpoint across, rather than hearing the customer. However, as you listen with interest and empathy, it not only helps squeeze the emotion out of the resistance so it can be dealt with logically, but provides you with the understanding needed to cope with it.

4. *Provide facts/reasons to modify viewpoint.* Once you've determined what the customer means by his resistance or what's causing it, you then are in position to supply facts or reasoning needed to resolve it. This may involve explaining another feature of your service or capacities, using an example to let the customer see an answer to his resistance, putting the resistance in perspective by outweighing it with benefits, reducing uncertainty by supplying proof of performance or motivating decisiveness with reasons to act. By itself, asking clarifying questions usually will not resolve resistance. What it does is provide the understanding needed to select the appropriate logic and methods to resolve it. Hence, the method is used primarily as a preface to other methods.

Describe Third-Party Experience. A lot of resistance is charged with emotion caused by prejudice, self-interest, pride, fear of change, misinformation or hearsay information, lack of knowledge or prior bad experience. Trying to meet such resistance head on with the force of your facts and logic often leads to emotional argument, because it puts the customer on the defensive and puts you in the position of proving him wrong. Use of a third-party experience is an effective way to deal with such resistance because:

- It avoids head-against-head contention and subsequent argument by enabling a customer to "see" the answer to his resistance without forcing him to "agree" with you.
- It makes it easier to get logic or evidence into a customer's mind. Psychologically, it's much easier for the customer to say, "I see that," than to say, "I agree with that," since through examination of the example, the customer discovers the principles or facts that warrant a change in his viewpoint without losing face in the process.

Listening attentively is the most crucial element of clarifying resistance, because only as you hear what the customer is saying can you select and apply appropriate facts and reasons needed to modify his viewpoint.

- It reduces fears and doubts associated with emotional resistance by demonstrating that others have experienced the same fears and doubts, but have found an answer.

Using third-party experiences to resolve resistance involves the following procedure:

1. *Clarify resistance* if it's stated unclearly or incompletely by asking clarifying questions, as previously outlined.

2. *Neutralize with "feel-felt-found" response* to take the emotional sting out of the resistance, to establish that others have experienced the same viewpoint but have found an answer and to direct the customer toward the third-party experience that supplies the answer. For example: "I can appreciate how you *feel*, Dr. Lawson, since a number of my professional customers *reacted* much the same way when I first discussed use of our credit-card system in handling their patient billing. However, let me tell you what one of them *found* out about the point you've raised. . . ."

3. *Describe third-party experience.* This simply involves relating another customer's experience with the point of resistance that's been raised and showing through his experience the facts, logic or reasons that warrant a change in viewpoint. For example: "Dr. George Wilson is a successful internist. Like yourself, he questioned the applicability of our credit-card system to his practice. He felt it might be viewed as unprofessional by his patients. However, when I pointed out that it had been used by a number of other professionals, he decided to give it a try. He found that his patients responded enthusiastically to it, because it gave them a more convenient way to pay their bills. In three months, he was able to convert nearly half his patient billings to credit card. This enabled him to improve his cash position significantly, reduce his internal clerical time and expense and free his office assistant for more productive duties. His experience is typical of the more than 20 professionals in this area now using the system."

4. *Get back on track.* This involves testing the customer's acceptance of the facts and reasoning you've communicated to determine if his viewpoint has been changed and continuing your communication at the point where the resistance was raised. For example: "Based on Dr. Wilson's experience, can you see where use of our credit-card system could provide you with an improved and lower cost means of handling patient billings?"

Outweigh Resistance With Benefits. Some resistance is quite rational. It can be caused by reasonable doubts about the time, effort or expense required to use or implement what you're proposing. When a customer raises resistance such as: "Your charges are too high" or "You're not convenient," what he often is questioning is: "Is it worth it to put up with the expense, time or effort this change will involve?"

Outweighing resistance with benefits is an effective method for resolving rational resistance because:

- It puts resistance into balanced perspective and causes the customer to look beyond the expense, time or effort involved in a service to the benefits or values it can produce.
- It helps a customer make sounder judgments by analyzing his resistance in relation to the values and benefits he can expect to derive from what you've proposed.
- It communicates a more complete impression of value by answering the crucial question: "Is it worth it to change my viewpoint?"

Applying this method involves the following procedure:

1. *Acknowledge and clarify resistance* to avoid the tendency to argue with logic and to gain accurate under-

(Continued on page 43)

Fed Approves EFTS Network; Efficiency Improvements, Lower Costs Expected

WASHINGTON, D. C. — A national electronic funds transfer system that permits consumers and corporations to make almost any payment electronically is in operation. The system became complete recently when four automated clearinghouse associations (ACH) in the Eighth Federal Reserve District joined 28 ACHs already in the system.

The payments system network is expected to improve financial services to individuals and financial institutions and to make payment of funds more efficient and less costly.

Hooked into the system are about 9,400 banks, 1,500 thrifts and 6,000 customer corporations, according to the Fed. Any financial institution belonging to an ACH can present payment instructions to the nearest ACH for transmission nationwide. To date, most payments have been payroll deposits, payments of recurring bills such as mortgages, or other recurring amounts such as Treasury deposits for social security beneficiaries.

The network makes use of 34 computers in Fed offices. No new facilities were required.

Network activity is expected to top 250,000 items monthly and efforts to make the public aware of the new system are increasing. Financial institutions are committing additional funds to marketing and education efforts as present facilities are expanded to accommodate increased volume.

Member ACHs of the national association in the Mid-Continent area are: Alabama ACHA, Birmingham; Arkansas ACHA, Little Rock; Indiana Exchange, Inc., Indianapolis; Kentuckiana ACHA, Louisville; Louisiana-Alabama-Mississippi ACHA, New Orleans; Mid-America ACHA, Kansas City; Mid-America Payment Exchange, St. Louis; Mid-South ACHA, Memphis; Midwest ACHA, Chicago; Southwestern ACHA, Dallas and Ft. Worth; and Tennessee ACHA, Nashville.

NACHA's Annual Conference Planned for March 11-14

HOUSTON — The National Automated Clearinghouse Association's (NACHA) annual conference March 11-14 at the Galleria Plaza Hotel, will concentrate on the effect of the new nationwide interregional exchange capability.

Three workshops will cover case studies of automated clearinghouse (ACH) applications, a discussion of ACHs from the thrift-institution perspective, contingency planning discussions and presentations on marketing and operational issues.

Three general sessions will look at NACHA's present status and future applications of ACHs, consumer bill-paying services and the pricing issue.

In addition, three concurrent special-interest sessions will be conducted allowing participants to exchange ideas relating to operations, corporate customers and consumers.

Convention Calendar

(Continued from page 6)

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

Jan. 15-16: Robert Morris Associates Accounts Receivable and Inventory Financing Workshop, New Orleans, Fairmont Hotel.

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.

March 11-14: National Automated Clearinghouse Annual Conference, Houston, Galleria Plaza Hotel.

March 11-15: Independent Bankers Association of America Convention, New Orleans, New Orleans Hilton.

March 11-16: ABA National Personnel School, College Park, Md., University of Maryland.

March 18-20: ABA National Credit Conference, Phoenix, Hyatt Regency.

March 18-21: Bank Administration Institute Community Banks Presidents' Forum, Hilton Head, S. C.

March 25-28: ABA Community Bank Executive Conference, Kansas City, Crown Center Hotel.

March 28-30: ABA Trust Investments Seminar, Chicago, Hyatt Regency O'Hare.

April 1-3: Bank Administration Institute National Conference on Bank Security, Washington, D. C., Shoreham/Americana Hotel.

April 1-4: ABA National Installment Credit Conference, Chicago, Chicago Marriott.

April 5-8: 35th Assembly for Bank Directors, San Francisco, Fairmont Hotel.

April 5-8: National Association of Bank Women Southwestern Regional Conference, Tulsa, Williams Plaza.

April 7-9: Louisiana Bankers Association Annual Convention, New Orleans, New Orleans Hilton.

April 7-10: Association of Reserve City Bankers Annual Meeting, Palm Springs, Calif., Canyon Hotel.

How to Save on Unemployment Insurance

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

SOME BANKERS haven't directly considered the prospects for saving money on unemployment taxes, which are larger than they imagine. Because the impact is smaller for such taxes, which are paid quarterly rather than in one lump sum, the savings don't appear material at first. Yet a bank with long-time employees and small employee turnover can reduce these taxes to minimal amounts.

For financial institutions where management can't be bothered through lack of concern, these state unemployment taxes can creep upward unexpectedly.

Banks don't realize how much they are paying in unemployment taxes because such taxes are paid quarterly rather than in one lump sum. Banks should learn how to minimize these taxes.

The taxes are based on a percentage of salary, but are not based on the entire wages or salary paid an employee. For example, the percentage could be based on the first $4,200 or the first $6,000 or even on the first $10,000 of salary paid depending on the particular state law. If care is taken to fight unjust claims and to keep employee turnover at a minimum, the percentage of salary paid in unemployment taxes can fall to 1% or even less.

Let's look at a 20-employee bank situation to illustrate the fluctuating expense of these taxes. The amount of salary subject to the tax in this particular state I choose for my example is $6,000. The cost is constant because bank officials want to be nice guys and don't bother to battle unjust claims. The 20 employees at $6,000 salary or wage coverage mean that $120,000 out of salary paid is subject to the tax percentage imposed each year. Depending on the astuteness or laxity of management, the percentage of unemployment tax paid each quarter could be 1%, 3% or 4%. The quarterly payroll covered by the unemployment-tax report to the state will average $30,000. The alert bank with 20 employees whose tax percentage is 1% could be paying $300 a quarter or $1,200 a year. This means $100 per month in unemployment tax expense.

If the claims for unemployment benefits by ex-employees grow and because of the extra pay-out the tax increases to 4%, the tax no longer is $300 per quarter, but $1,200 per quarter or $4,800 per year, a constant monthly expense of $400.

What do I mean by being a nice guy at termination?

Here are some examples.

• A woman is constantly absent or late on the job, increasing the work load on other employees. She thinks she's getting away with her erratic working habits because of her charming personality. Never does her boss admonish her or make notes on the days she breaks the rules. Finally the boss says, "Peg, this just isn't working out. Your work is not up to __________ Bank standards. I'll have to let you go."

Peg can receive unemployment insurance benefits that will help move upward the bank's unemployment insurance tax percentage on the total $120,000 of unemployment insurance. The covered pay thus becomes a direct financial punishment for unemployment-insurance negligence. Because of what she was told at termination, the record will show she was discharged for inefficiency, not for breaking rules. It could be a different result if she were advised in advance, frequently admonished and a record kept of her noncooperation. Remember the difference between 1% and 4%. It's possible to have a 0% tax or 5%.

• A male teller fabricates records and steals nearly $4,000 before he's caught. Confronted with statements of depositors and fellow employees, the teller signs a full confession. Everything is hush-hush. The bank has a $1,000 deductible on its insurance policy covering employee dishonesty.

The culprit raises the $1,000 to cover the deductible. The teller knows his position full well. Says he to the banker boss, "The bank is out nothing. You will even be better off with your loss ratio and have to pay less insurance premiums on your bond if I get another job and pay off the bonding company.

"I can get a better job with more pay at the __________ Bank. If you show on my records that I resigned to accept a better pay job with __________ Bank, your bank will end up better off."

Mr. Feld describes some horrible examples of how banks can be hit with high unemployment insurance payments if they are not alert as to how to reduce the number of claims.

The banker sees the logic in all this. But he's not as astute as his dishonest ex-teller. When the teller quickly loses his new job with __________ Bank, the culprit can draw unemployment benefits directly affecting the account of his original employer and not the new bank, which has put him to work for only a short time at higher pay before his weakness again is discovered. In most states, you cannot fight a "quit for higher pay."

• The bank manager felt sorry about the termination of his cleanup man, who was over 60, who suffered from a

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Mr. Feld, a Kansas City attorney, has written more than 400 articles and two books and is involved in discrimination cases in his legal work.

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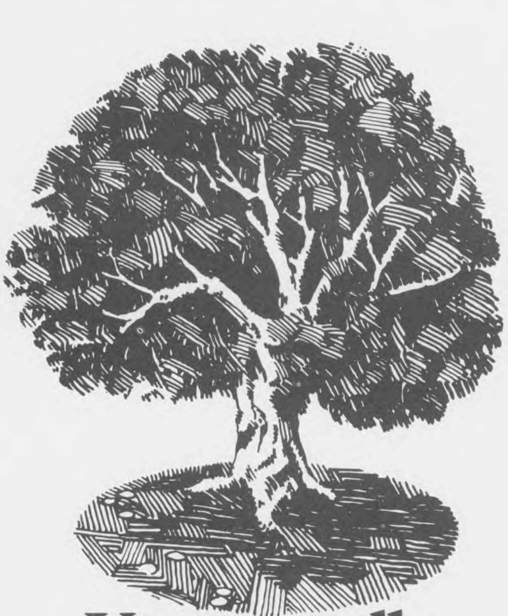

You can tell a lot about a corporation by the way it grows.

- Our lead bank, National Bank of Detroit, is the largest in Michigan and eighteenth in the U.S. with assets of $8 billion.
- Five other subsidiary banks strategically located throughout the state of Michigan bring the total number of retail banking offices to 122.
- Full-service offices in London, Frankfurt and Tokyo, plus financial affiliates in Europe and Asia.
- Additional domestic subsidiaries engaged in mortgage banking, consumer finance and credit life insurance.

Our growth is made all the more significant to investors because of consistent profitability. In the last ten years, for example, earnings have grown at a compound annual rate of 9% and dividends paid to our shareholders have increased at a compound annual rate in excess of 7%. This earnings growth over the past decade compares favorably with that of the banking industry and the Standard & Poor's 500 (Composite) stock index.

National Detroit Corporation is listed on the New York Stock Exchange (ticker symbol NBD) and our latest financial reports are available by writing to our Financial Communications Department.

CONSOLIDATED BALANCE SHEET
September 30, 1978
(dollars in thousands)

ASSETS

Cash and Due from Banks (including Foreign Office Time Deposits of $812,446)	$2,002,553
Money Market Investments:	
Federal Funds Sold	948,650
Other Investments	33,145
	981,795
Trading Account Securities—At Lower of Cost or Market	1,625
Investment Securities—At Amortized Cost:	
U.S. Treasury	514,192
States and Political Subdivisions	773,016
Federal Agencies and Other	33,442
	1,320,650
Loans:	
Commercial	2,302,443
Real Estate Mortgage	887,836
Consumer	485,097
Foreign Office	414,899
	4,090,275
Less Reserve for Possible Loan Losses	53,406
	4,036,869
Bank Premises and Equipment (at cost less accumulated depreciation of $54,987)	72,210
Other Assets	261,606
Total Assets	$8,677,308

LIABILITIES AND SHAREHOLDERS' EQUITY

Deposits:		
Demand		$1,995,445
Certified and Other Official Checks		524,348
Individual Savings		1,418,367
Individual Time		905,839
Certificates of Deposits		775,233
Other Savings and Time		118,738
Foreign Office		1,118,856
		6,856,826
Other Liabilities:		
Short-Term Funds Borrowed	$918,588	
Capital Notes	75,584	
Sundry Liabilities	286,994	1,281,166
Total Liabilities		8,137,992
Shareholders' Equity:		
Preferred Stock—No Par Value	—	
No. of Shares		
Authorized 1,000,000		
Issued —		
Common Stock—Par Value $6.25	75,953	
No. of Shares		
Authorized 20,000,000		
Issued 12,152,465		
Capital Surplus	179,999	
Retained Earnings	287,916	
Less: Treasury Stock—162,573 Common Shares at cost	(4,552)	539,316
Total Liabilities and Shareholders' Equity		$8,677,308

Assets carried at approximately $531,000,000 (including U.S. Treasury Securities carried at $18,000,000) were pledged at September 30, 1978, to secure public deposits (including deposits of $33,838,058 of the Treasurer, State of Michigan) and for other purposes required by law.

Outstanding standby letters of credit at September 30, 1978, totaled approximately $32,000,000.

NATIONAL DETROIT CORPORATION
National Bank of Detroit
611 Woodward Avenue, Detroit, Michigan 48226

DOMESTIC SUBSIDIARIES: Grand Valley National Bank, Grandville; National Bank of Dearborn; National Bank of Detroit; NBD Commerce Bank, Lansing; NBD Insurance Company, Detroit; NBD Mortgage Company, Detroit; NBD Port Huron Bank, N.A.; NBD Troy Bank, N.A.; Instaloan Financial Services, Inc.

disease that made his arms shaky, had no savings and had an elderly wife to feed. So when the custodian was discharged, he was given two months' pay — one month's pay for termination pay; the other for two years' accumulated vacation. The custodian expressed no grief for the bank and immediately requested unemployment insurance benefits from the state. The bank has grounds for protest both during the two months the custodian was paid and afterward since the ex-custodian was unavailable for work because of sickness.

• Laura is a handy girl around the bank. She'll work several months and then stop working. The bank is lax about unemployment claim follow-up. She always manages to terminate under circumstances where she gets partial, if not complete, unemployment benefits. True, she doesn't always tell the truth, but her claim is not disputed. Oddly enough, the bank's personnel department always finds a place for Laura when she wants to return to work.

Bankers are warned to never disregard a letter from their state unemployment services announcing that a former employee has filed for benefits. Reasons given by such an employee for termination should be studied to see whether the claim is justified or whether it should be opposed.

Benefits paid the unemployed are not meant to encourage unemployment. Laura gets paid $56.32 per week of full unemployment, but the money paid, even though it's below the minimum wage, is not subject to income tax. Laura goes back home to live with her mother and father at no expense.

What would be starvation pay to the head of a family turns out to be a highly desirable allowance to daughter Laura who works at one bank or another from time to time. So Laura learns how to get tax-free paid vacations. She retires with an allowance from the state, using her former bank employer's tax money to subsidize her vacations. If one bank does not rehire her, another will! The sum of $56.32 per week for 26 weeks doesn't seem like big money; yet multiply it out, and it comes to $1,464.32. If the bank allows three or four employees like Laura to come and go as they please, you can see that the increase in unemployment tax can be tremendous.

Finally, there are four basic money-saving points to remember about state unemployment insurance claims.

Persistency: Never disregard the notice when any letter comes from the state unemployment service announcing a former employee has filed for benefits. Study the reasons the ex-employee gives for termination to see if the claim is just or whether the claim can be opposed.

Immediate Action: Never set aside the claim for later study. Persistently read the letter and make a decision one way or another to fight or to lose money. The claim for benefits must be answered in a definite number of days, such as five or 10. Don't delay or you will lose your rights.

Social Security Number: Be certain your reply is sent to the proper unemployment office address, and be sure your reply contains the prime identification required — your ex-employee's social security number.

Certainty: Be certain your reply is not a generalization, but contains specific dates and specific facts you can back up if there's an appeal.

Carefully check whether the claimant was really employed by your bank. Sometimes, the last name has been changed through marriage. Every once in a while, you get a phony name, but if you take no steps to protect the bank, the increase in taxes is not phony. ••

TBA Offers Career Packet

A package of materials on careers in banking is available from the Tennessee Bankers Association (TBA) for use by school and civic groups.

The "What About Banking?" program includes a slide show and accompanying brochures. It was compiled by and is distributed by the TBA's young bankers division.

Topics covered in the slide show include information on specific types of careers in banks, such as teller, loan and credit officer, investments officer and operations department personnel. Specialized job opportunities also are described, including computer operators and programmers, international department personnel and public relations and advertising positions.

The accompanying brochures deal with the service role of banks, the kinds of jobs available, career and educational qualifications needed, working hours, salary and benefits and the employment outlook for the field.

The Effect of Inchoate Law on Bank Policy

By DR. LEWIS E. DAVIDS

Illinois Bankers Professor of Bank Management
Southern Illinois University, Carbondale

"INCHOATE" LAW, developed by Professor Adolf Berle in *Power Without Property* and *Legal Problems of Economic Power*, has become famous among lawyers. Webster's Dictionary defines it as: "to begin, just begun; in the early stages; incipient, rudimentary." But, Dr. Berle refers to a more subtle concept: When public expectations are not met, legal sanctions are developed or "discovered" to achieve public goals by reinterpreting existing laws. Sometimes even public pressure is not needed — just the will of a strong President, governor, mayor or activist bank regulator.

"Bank regulators, who previously viewed decisions by measuring the impact of the action on the bank's solvency, now are pressuring for 'socially good' actions."

By not responding to exterior pressure, banks could be subjected to punitive conditions they otherwise could have avoided by complying with the public's interest, even though it may be undesirable. Economist and Nobel recipient Milton Friedman agrees with this idea. He says only by supporting and defending corporate obligations to accrue profits can the company grow strong and be a good citizen in the community. He stresses that business profit must be viewed over a significant time period; windfall profits could be misinterpreted as monopolistic action. Dividends attest to a healthy company growth, which means more benefits for society in the form of increased company employment, tax payments and capital acquisition for expansion and reasonable support of community betterment.

In a philosophical context, this is the fundamental concept of a "prudent man," meaning the bank executive is not prudent when he establishes policies that may backfire on the institution—triggering inchoate law.

Policies are not static or carved in unalterable stone. What was considered good policy at one time can be poor policy at another. Business conduct standards have undergone remarkable changes since the Code of Hammurabi thousands of years ago. In the last two decades there probably have been more changes in bank policy than in the last century.

The "Golden Rule" may be an exceptionally good guide to policy, but is not easy to apply in today's society. For example, whom should the bank director represent in the controversial area of redlining? Should it be the shareholders, the depositors, the borrowers, the community? What about the employees and the regulators?

The board must weigh the consequences of its policies over time. It's not easy; there are strong pressures on the board to be all things to all claimants. Almost unlimited demands can be made on the limited resources of the bank. The board should cooperate with top management to establish policy to prorate those resources—money, manpower, materials, time and space—to their maximum benefit.

Sociologists and bankers agree that recently there have been "increased levels of anticipation"; increasing numbers of vocal segments in society have made known their demands. In several urban states the demand is for banks to fund investments in "socially good" activities rather than in safer, more remunerative loans and investments. Is a home mortgage to a marginal borrower in a deteriorating neighborhood likely to produce benefits to bank-interested parties? Do these benefits compare to a commercial loan to a merchant or manufacturer with an established credit record?

Remember why commercial banks were called commercial banks. Their major function was to finance commerce, not consumers. Some small banks still hold to this. Are they to be condemned by the public because they elected to serve that market? Why should society or government regulators be critical of an institution that has limited its sphere of services or geography?

"When public expectations are not met, legal sanctions are developed . . . to achieve public goals by reinterpreting existing laws."

One of the major criticisms of holding company operations is that such operations have become too diverse and often expand over state borders. Since the 1930s, banks have expanded; in the 1960s, the Comptroller of the Currency encouraged national banks to innovate. Soon they were leasing, providing computer services, working with travel agencies and financing offshore expeditions with Eurodollars. Many banks were highly profitable, but some, like Franklin National of

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New York and First National of San Diego were not. In defense, state-chartered banks asked for and usually got "wild-card" legislation, permitting them the same powers or powers similar to those of national banks.

Parallel development was taking place in Washington and in state legislatures. Power was expanding but in a less direct sense. Bankers increasingly were advised that if they wanted legislative authorization — for a new branch or facility, or to relocate — they had to commit themselves to accomplish what the regulator wanted. This included hiring and promotion practices, "socially good" lending or purchasing illiquid securities such as housing bonds. Sometimes it included "purchasing" and absorbing a problem bank. Jawboning and open-mouth operations were reinforced when the carrot of granted permission was held out — provided the bank agreed to do something it would have preferred not to do.

Bankers suggest a paradoxical situation has developed in the last few years. Bank regulators, who previously viewed decisions by measuring the impact of the action on the bank's solvency, now are pressuring for "socially good" actions. These actions tend to work in a negative direction to their intent.

When banks had fairly high ratios of capital to liabilities, the losses such "socially good" actions produced were absorbed more readily than they can be in the future if the ratios of capital to total liabilities continue to drift downward.

These same bankers observe a stiffening of the spines of bankers who increasingly are not accepting the inchoate actions of federal and state regulators. ● ●

Customer Resistance

(Continued from page 33)

standing of the resistance when it's stated in unclear or incomplete terms. For example: "I can appreciate your not wanting to spend any more than you have to in settling your estate. But, so that I have a clearer understanding of your views on this, why do you feel the charges of our trust department would be too high?"

2. *Restate resistance as a question* to confirm your understanding of the customer's viewpoint and to put the resistance in a form that encourages rational analysis, rather than argument. For example: "As I understand it, Mr. Townsend, you are questioning whether there are sufficient values to be gained by having our bank's trust department serve as the executor of your estate to warrant the fees that are involved. Isn't that right?"

3. *Add up the benefits and compare* what the customer will gain with what he must invest or give up in modifying his viewpoint. This can be communicated with maximum effectiveness by using a "balance sheet" to visualize the comparison. For example: "Let's analyze what you'll gain by using our bank's trust department as your executor in comparison to the modest fee that will be involved:

"*You'll invest* executor fee of ___% of estate value.

"*You'll gain:*

● "Professional expertise in performing varied and complex executor duties that can result in significant dollar savings by protecting an estate against unnecessary taxes and improper claims, maintaining and enhancing value of invested assets, efficient handling of estate details resulting in lower legal expenses.

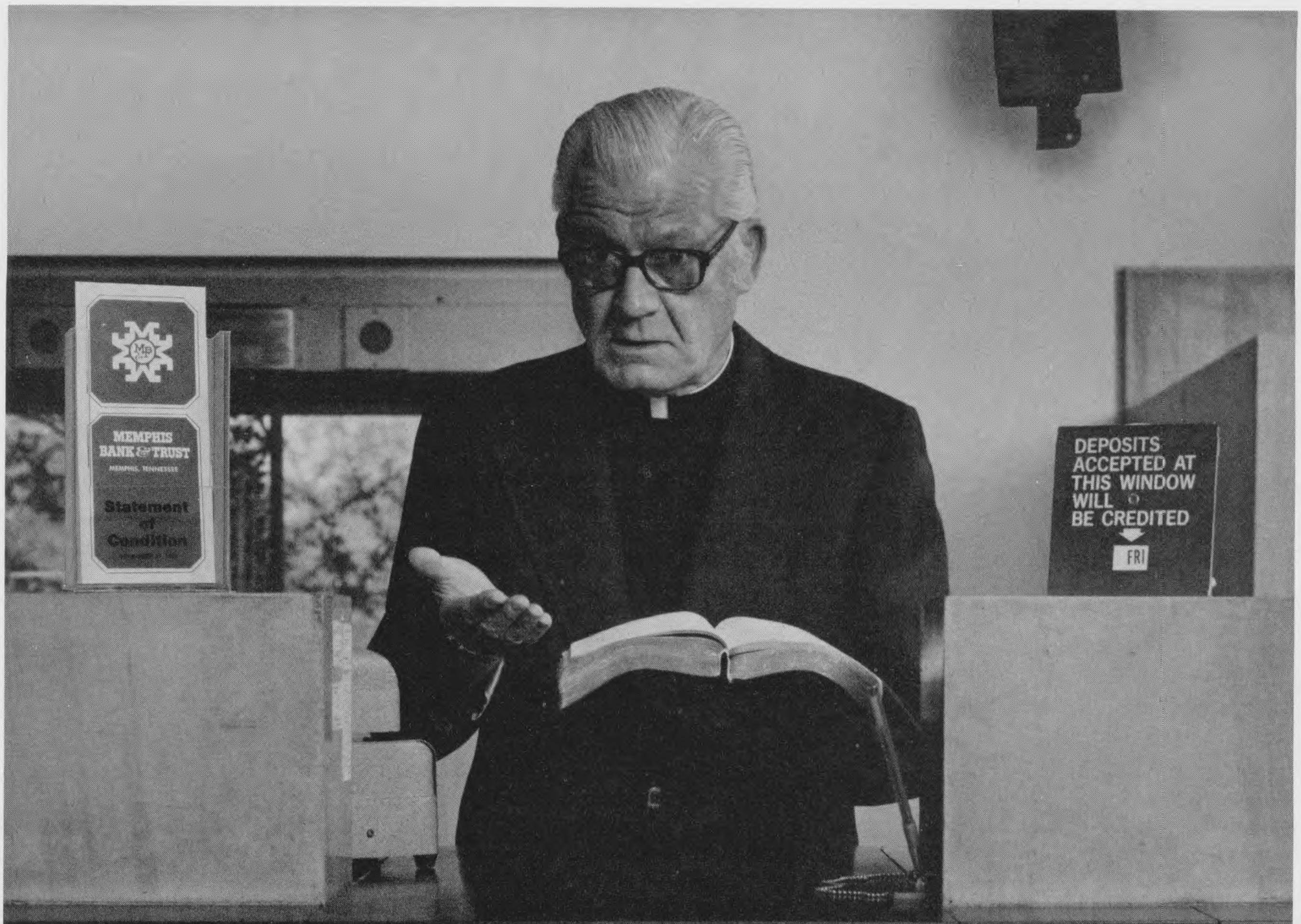
● "Full-time attention devoted to performance of executor duties that results in quicker settlement of an estate and prompt attention to beneficiaries' needs.

● "Continuity in performing executor duties because of our corporate structure, assuring uninterrupted professional performance that you contract for.

● "Financial responsibility in handling an estate's assets that protects the estate, while avoiding a costly bonding fee."

4. *Get back on track* by testing the customer's acceptance of the values you've communicated and determining whether he's ready to proceed. For example: "Based on this, can you see how our trust-department fees are more than paid for by the values and savings produced for your estate?"

In our next "Let's Talk Selling" article, we shall conclude our examination of how to resolve resistance by discussing three additional methods — use of analogies in resolving both emotional and rational resistance, use of proof of performance to convert uncertainty into conviction and use of reasons to act to motivate decisive action. ● ●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For Installment Loans:

Computerized System Features Total Collateral Protection

IN INCREASING NUMBERS, installment-loan bankers are turning away from conventional insurance follow-up systems and turning toward a more effective and viable system of total collateral-protection management. The computerized program offers accurate and reliable monitoring of insurance while protecting the bank's loan portfolio against loss resulting from repossession or default by the customer due to uninsured damage.

Donald R. Simmons, vice president, Purdue National, Lafayette, Ind., became a pioneer of this trend when his bank signed up for National Underwriters' collateral-protection insurance (CPI) early in 1975.

Mr. Simmons decided to try a computer program because he was faced with two problems:

1. It was costing the bank a lot in time and personnel to follow insurance manually in a bank as large as Purdue National. Tracking insurance involved constant researching of files for insurance and a never-ending search for canceled and expired policies.

2. The element of human error was always present. Thus, no matter how efficient the Purdue National program was, Mr. Simmons was uneasy.

The solution: a totally computerized system such as CPI, in which National Underwriters successfully integrates every facet of a bank's internal insurance and title administration.

Now, with CPI, says Mr. Simmons, he is at ease, especially with the errors-and-omissions coverage included under the program.

"It has been proved in several instances that human error is there, and our new insuror always is ready, willing and able to take care of the situation," he says.

CPI is different from traditional types of single-interest insurance in that policies are written solely on customers who will not, or cannot, provide their own insurance. Mr. Simmons considers single-interest insurance fair because "this type is charged only to the accounts directly affected. Customers who create the problems should bear the burden of the cost," he says. Policies are canceled immediately if the customer furnishes his own insurance or pays off the loan.

The bank's program is simple, yet sophisticated. The insuror uses data received daily from the bank to create a "borrowers' list," which is an alphabetical listing of all customers with secured loans and their collateral. In addition, the borrowers' list details the insurance status of every borrower, as well as the title status if the bank has chosen to take advantage of the insuror's free title follow-up. Barbara Smith, insurance administrator for Purdue National, finds the borrowers' list invaluable.

"If a customer calls, I have a full record of his account at my desk without going to the file," she reports. She also finds two features of the computer printout particularly helpful: printing refund figures for customers with VSI insurance and cross-referencing loans, such as a comaker or a business, where a secondary name may relate to the primary borrower.

A weekly update of insurance information instructs the computer to generate notices for those customers without insurance or whose insurance has expired or been canceled. The bank remains in full control of the program as the computer sequence stops when valid insurance or title information is entered into the system; and the notices, in pre-addressed mailers, are sent to the bank for review and distribution. Three types of letters notify the customer of his current insurance status, and all are followed two weeks later by a final insurance reminder. Both notices are courteous, yet firm, with the second notice defining the term and cost of the insurance.

Bankers are finance minded, and so Mr. Simmons initially was apprehensive about the money required to operate such a program since policies originally were written from the last

TOP: Donald R. Simmons, v.p., Purdue Nat'l, Lafayette, Ind., has worked since 1975 with Nat'l Underwriters' collateral-protection insurance (CPI), which is described in article beginning on this page. BOTTOM: Barbara Smith, insurance administrator, Purdue Nat'l, describes borrowers' list as invaluable part of CPI.

date of known insurance coverage to the loan's maturity date. With banks granting longer contract terms, this necessitated payment of large premiums for 36- and 48-month policies. However, single-interest policies now can be written for a year at a time under a new annual term option.

A common, and understandable, concern of many bankers interested in a program of collateral-protection insurance is: "Will we have a difficult time collecting the premiums? Is it likely that we will face a great number of charge-offs?" Mr. Simmons, with almost four years' experience in working with collateral-insurance programs, has encountered "no major problems with collection." He explains, "Our system of adding the premium to the end of the loan, without altering payments, finance charges or delinquent status, has worked well." The overwhelming majority of auto loans are paid off early, and if the loan does run to maturity — since the bank holds the title — the loan will not be closed nor the title released until the customer pays for his policy.

While most single-interest insurance affords coverage only to the bank, under CPI, coverage may be passed on to the borrower through the "borrower-option" clause of the policy. Because the borrower can file a claim with the insurance company, the bank is not forced to repossess collateral that's damaged or stolen. It's estimated that one out of every five repossessions occurs for that reason. Both Mr. Simmons and Miss Smith have found claim procedures easy to implement and claim settlements equitable.

"As a result of the program, we've been able to significantly reduce losses due to damage on repossessions," Mr. Simmons says.

Skeptical bankers may wonder about customer reaction to the program. Mr. Simmons describes Purdue National as "conservative and consumer oriented, desirous of fulfilling the needs of the community." He doesn't consider placing insurance on a customer out of line with that philosophy. "My only intent is to ensure that the bank's collateral is protected properly, as required by the contract." Because insurance follow-up is so accurate, most borrowers never receive notices, but if a customer does call with a question, Miss Smith explains, "I can tell him exactly what has happened on his account."

What she appreciates most about CPI is that she is "on top of my work and in tight control." She states that the current system of insurance control

New-loan and paid-loan information is transmitted from Purdue Nat'l, Lafayette, Ind., to computer (shown here) at Nat'l Underwriters' office in Indianapolis.

is much more accurate and efficient than tracking insurance manually because of the various reports and time-saving procedures built into the system to assist in maintaining records and speed up document processing. One aspect of the program, a unique system of handling insurance mail, saves Miss Smith at least three hours' filing time a day and an hour in searching for insurance records.

Mr. Simmons also recommends the program for its efficiency and accuracy. "We are confident that the insurance follow-up is as accurate as it can be."

He also likes the flexibility of the program as well as the insuror's innovativeness. He cites the example of the firm's offering annual term policies. The company saw a need for such an option, developed it into a workable alternative to full-term insurance and began offering the plan immediately to its clients. Also, Purdue National's new-loan and paid-loan information is transmitted via computer tape to the insuror's computer, a big time-saver for a bank as large as Purdue National.

With a rapidly expanding installment loan department, Purdue National has found a reliable and efficient method of handling "uninsured borrowers," and service to the customer has not been diminished in any way.

McGillicuddy Named Ch., CEO, Manufacturers Hanover Bank, HC As Successor to Gabriel Hauge

NEW YORK CITY — John F. McGillicuddy has been elected chairman and CEO, Manufacturers Hanover Corp. and Manufacturers Hanover Trust. The election becomes effective April 1, 1979, when Gabriel Hauge, present chairman, reaches retirement age. Mr. Hauge is expected to continue as a director of both firms. Mr. McGillicuddy will remain as president, a post he has held since 1971.

Other senior-management changes saw Harry Taylor and John R. Torell III elected vice chairmen and directors of both firms, effective immediately. They succeeded John A. Waage, vice chairman, who retired October 31.

Manufacturers Hanover Trust has elected Dwight G. Allen and Edward A. Farley executive vice presidents. Mr. Allen succeeds Mr. Taylor as international division head and Mr. Farley succeeds Mr. Torell as metropolitan division head. Both had been senior vice presidents and have been elected to the bank's general administrative board.

Donald G. McCouch and Donald H. McCree, senior vice presidents, have been elected to the additional positions of deputy general managers of the international division and W. Trevor Robinson was elected senior vice president of the bank. He is in charge of the London Branch.

The bank also has appointed five additional senior vice presidents: Merrill O. Burns, financial services group;

New management team at Manufacturers Hanover Corp. and Manufacturers Hanover Trust, New York City, will include (from l.) John F. McGillicuddy, ch. & CEO; John R. Torell III and Harry Taylor, both named v.-ch. and dir.

Nathaniel S. Howe Jr., national division; Edward A. Jones Jr., national division; Irwin L. Kellner, economics; and Charles H. McCabe Jr., marketing. Tilford C. Gaines, senior vice president, will have the additional designation of chief economist.

As of April 1, the bank and the HC will function under an office of the chairman concept with Messrs. Taylor and Torell participating with Mr. McGillicuddy in the direction of both firms.

Mr. McGillicuddy joined the bank in 1959 as a management trainee. Mr. Taylor has been with the bank since 1969. Mr. Torell joined the senior management team in 1970.

Property-Improvement Loans Add Stability to Portfolios

By WILLIAM F. SCHUMANN, President, Insured Credit Services, Inc., Chicago

THERE IS no better time than right now for lending institutions to change their consumer loan portfolio mix and upgrade it with more property-improvement loans.

We are now in the early stages of a boom period in property-improvement activity. Fueling this boom are three major factors:

- Dramatic increases in the cost of buying a home, forcing people to add-on rather than move.
- Rapidly accelerating energy costs.
- The prospect of government tax credits for energy-related property improvements.

What we're seeing today is a repeat of the mortgage-money crunch of a couple of years ago. Mortgage money is drying up and where it is available, rates are once again headed toward double-digits. At the same time inflation has created a situation where moving to a larger home is no longer affordable. So, families that would "normally" be moving to get that fourth bedroom or family room are unable to do so. Instead, they are improving existing properties and creating an enhanced lifestyle by adding on or including amenities that weren't available when they originally bought the house.

There are also the "traditional" elements of the property improvement lending industry. Even if there were no mortgage crunch or inflationary pressure, studies show that one in every five houses today needs major improvements like plumbing and electrical updating. And as people seek to improve the "quality of life," we are seeing more luxury improvements like swimming pools, tennis courts, patios and greenhouses.

Energy Costs Going Through the Roof. Next, let's look at the cost of energy. It's going through the roof. Prices of petroleum-based fuels have more than doubled over the last three years. Electricity costs have increased from 25% to 40% in the last 18 months and natural gas has increased by more than 30% the past year in most parts of the country.

What this does to the consumer is create a strong desire to do something about energy conservation. Because many don't have the funds necessary to do this kind of work, they will be coming — in increasing numbers — into financial institutions for energy-conservation loans.

Proposed Government Incentives. Finally, there are the Administration-proposed conservation incentives. When passed by Congress, this aspect of President Carter's energy policy will create tax *credits* for energy-related property improvements.

We expect these incentives will give a tremendous push to the property-improvement loan industry. Normally, the industry has been growing by a healthy 10% a year. In 1977 industry sales were about $30 billion. Normal expectations for 1978 would have been $33 billion. Because of government incentives, we anticipate maybe another $5 billion in industry sales. That's an added push of 17% above the 10% growth.

Beware of "Suede Shoe" Salesmen. However, this bonanza in property improvement loans also has brought the "suede shoe" salesman out of the closet. This modern-day con artist is easy to recognize. The "suede shoe" salesman always specializes in areas ripe for consumer fraud. Today energy conservation has all the ingredients to fit the swindler's classic mold.

The two areas where the con artist is concentrating are solar heating and insulation.

The big problem with solar energy is that it is not yet cost-effective. Despite the salesmen's wild promises, a solar heating system simply won't pay for itself as well as has been said. Solar heating is in its infancy. It's what the Model T was to the auto industry. It takes a long time to go from a Model T to a Cadillac.

Even in high sun areas — current hot spots for "suede shoe" salesmen — solar heating units are taking considerably longer to pay for themselves than the five to six years the salesmen are claiming.

Beware of the solar-energy salesman who is peddling his paper on a "pays-for-itself" in five to six years kind of deal.

Insulation Pitfalls. Trouble area No.2 is insulation. It's relatively easy to get into and doesn't require a great deal of capital. Insulation has become a good sideline activity for many home-improvement contractors and it seems everybody is hopping on the bandwagon.

Insulation is similar to the waterproofing schemes of four to five years ago. The problem is you don't know whether you've got a botched-up job until it's too late, because you can't *see* the improvement. You didn't know the waterproofing job failed until the flood hit; you won't know the insulation isn't effective until the cold weather hits. In both cases, by the time you realize you've been taken, it's too late.

Precautionary Measures. There are ways to guard against the "sharpies." For example:

- Know your project. Know the facts and statistics about insulation and solar energy. For example, thickness means very little to insulation, it's the R-value that counts.
- Know your dealer. Make sure he's

reputable and local. Check the Better Business Bureau. Look at previously completed jobs. Visit his sales office. Find out about those doing the selling and learn their backgrounds.

• Know your law. Make sure you have a reasonable contract. Make sure the dealer is operating with a building permit, if required. Make sure the improvement meets the zoning regulations and local ordinances.

• Know your borrower. Make sure he's aware of what he is getting into, and make sure he has the ability and willingness to repay your loan.

Property Loans vs. Auto Loans. Putting the con artist aside, the current energy/inflation situation makes the property-improvement loan highly attractive for lenders. It's an especially good opportunity for institutions to diversify.

There are roughly three times as many auto loans as property improvement loans in most portfolios today. But remember what took place just three years ago when we had another kind of energy crisis — the gasoline crunch. The bottom fell out of the auto-loan market.

One of two things happened at that time with imbalanced portfolios top-heavy in auto loans. Either quality dropped because lenders were scurrying around trying to maintain their outstandings and having to let down credit bars or outstandings dropped and control of funds decreased with regard to consumer lending.

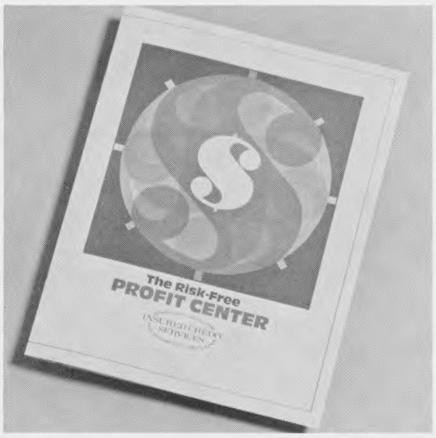
Financial institutions can't afford to put all their eggs in one basket. Sound lending dictates a more balanced portfolio, and there is no better diversification in consumer lending than property-improvement loans.

Higher Quality Borrower. Still another reason so many financial institutions are becoming more interested in property improvement loans is borrower stability. The property-improvement borrower is probably the most stable in any loan portfolio. He is investing in his most valuable asset. Collection costs are consistently lower than on any other type of consumer loan and risk of loss is minimized. Moreover, there is stability of the collateral. Homes are an appreciating asset while auto loans, for example, are depreciating assets.

But above and beyond all these arguments, the "clincher" is bottom-line yield. A property improvement loan generally has double the bottom-line yield of the auto loan, after deducting operating expenses and money costs. Acquisition costs initially are not a lot different. The costs of handling the loans once they are on the books is about the same. Yet with a property-improvement loan, the bottom-line yield is significantly greater.

Risk-free Profit Center. What makes this all the more attractive is that the lender can insure an entire property improvement loan portfolio against losses. Property improvement loans truly provide the lending institution with a risk-free profit center, and the timing couldn't be better to take advantage of this opportunity. • •

Lending Brochure Offered



A new brochure entitled "The Risk-Free Profit Center" details opportunities for lending institutions in the area of property improvement loans. The brochure features specific ways loan programs can be tailored to take advantage of the property improvement market. Write: Insured Credit Services, Inc., 307 N. Michigan Ave., Chicago, IL 60601.

Bank-Robbery Funds for FBI Cut 10% by Congress

WASHINGTON, D. C. — Congress rejected the Carter Administration's request for a 20% cut in funds for FBI investigations of bank robberies, but did agree to a 10% reduction.

Senator Charles McC. Mathias Jr. (R., Md.) led the effort in the Judiciary and Appropriations committees and on the Senate floor to hold the reduction to 10%. He said he would "continue to monitor the role of the FBI in apprehending bank robbers to determine what level of funding is required in future years."

The senator questioned whether local law-enforcement officials were either willing or equipped now to assume duties the FBI historically has had in probing and preventing bank robberies. He chaired a Senate Judiciary Committee hearing that uncovered much reluctance on the part of both local law-enforcement officials and banking associations to see the FBI limit its bank-robbery-investigation role.

The FBI appropriation reduces the FBI's funds for its bank-robbery investigations by $2,591,000 and would eliminate 101 permanent positions. The President originally asked for a reduction of $5,182,000 and a reduction of 202 jobs.

Private Telephone Network To Highlight ABA Workshop

LOS ANGELES — Progress on a private bank telephone network feasibility study will highlight the 1979 bank telecommunications workshop February 11-14 at the Century Plaza Hotel. The meeting is sponsored by the ABA's operations and automation division.

The workshop will include general discussions of voice and data telecommunication with specific attention given to credit authorization, cash management, correspondent bank services, international banking, securities and money trading and bank security systems.

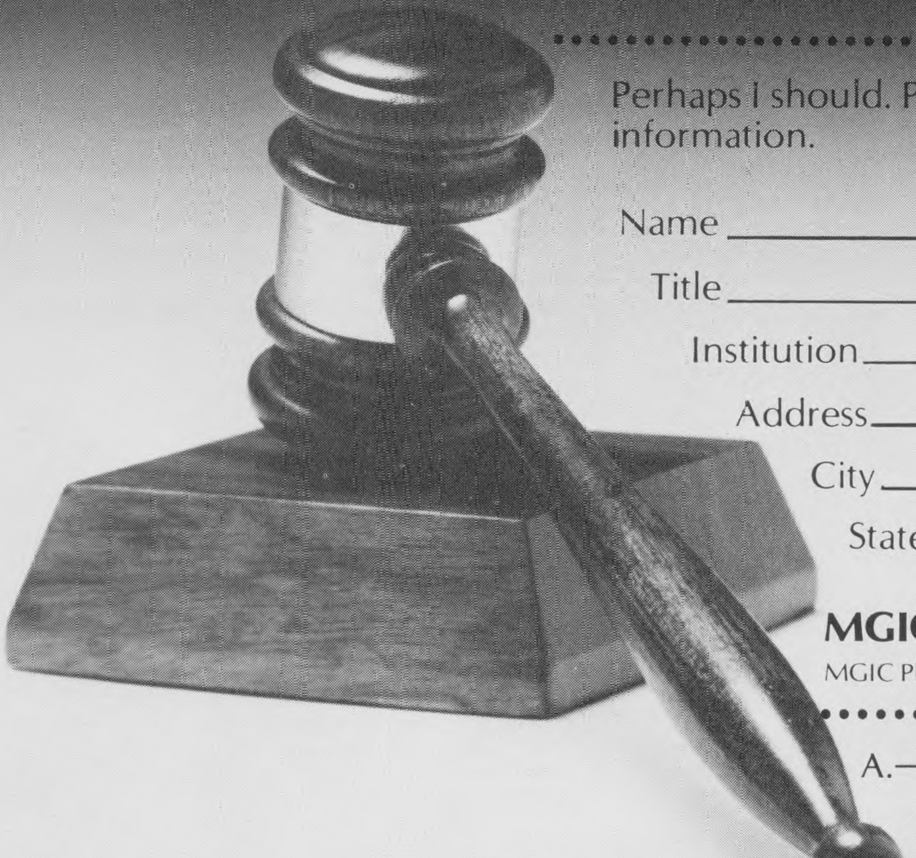
The workshop is expected to attract several hundred bank telecommunicators, including bank operating officers, administrative vice presidents and telecommunications systems managers. It also will feature the largest exhibit ever presented of systems, equipment and services.

Dividend Reinvestment Plan Offered by Continental

CHICAGO — A dividend reinvestment plan allowing stockholders to acquire additional shares without service charges or brokerage commissions has been offered by Continental Bank, a subsidiary of Continental Illinois Corp.

Stockholders may automatically reinvest their cash dividends and make additional cash investments in the corporation's stock, accruing compound stock growth and dollar cost-averaging through regular purchases. No minimum frequency is required for additional cash investments, which may total up to $3,000 per quarter if no single investment is less than $25. Participants can withdraw accumulated shares from the plan in certificates or in cash and the corporation absorbs all charges and commissions.

The plan has been offered to the corporation's more than 19,000 stockholders.



Insurance-Oriented Bankers Tell How They Promote Coverage That Protects Borrower and Bank

By JIM FABIAN, Associate Editor

YOU HAVE to believe in your product when you're a loan officer offering credit life, accident and health or mortgage insurance to a borrower, says Paul R. Kuenzel, assistant vice president, Bank of Washington, Mo., who is proud of his institution's reputation as an "insurance-oriented" bank.

When a borrower understands the benefits such coverage can offer, he seldom rejects it because of the additional cost, Mr. Kuenzel says.

He believes in credit life, accident and health and mortgage coverage because he's seen the benefits firsthand, as has his associate, Robert L. Vossbrink, executive vice president.

For instance, the bank financed a new auto for a man who was involved in an accident one month later. The mishap laid the borrower up for three months. Because he had disability coverage that kept up the monthly payments on the auto, the borrower could keep the vehicle. "The man had enough worries without having to be concerned about losing his auto," Mr. Vossbrink says.

Another borrower financed a pickup truck at the bank over a three-year term. After making only five payments, the man had a disabling heart attack, was unable to work and thus couldn't continue with the truck payments. The bank's disability coverage took over the payments and, even though the man isn't able to drive the truck, his wife is, with no worries about losing the vehicle.

When asked what it takes to encourage loan officers to offer credit life and disability coverage, Mr. Vossbrink responded that a desire to benefit the customer and the bank must be uppermost.

"When a loan officer becomes convinced that such coverage protects both the customer and the bank," he says, "he will take the extra time to explain the coverage and its cost to borrowers."

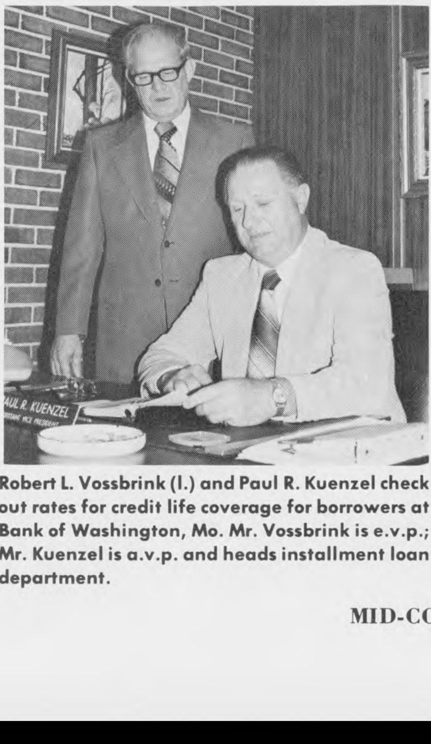
At loan officer staff meetings, Mr. Vossbrink asks those who are hesitant to offer insurance to borrowers if they would enjoy repossessing an auto from a woman whose husband had died before the payments were completed.

He also reminds loan officers that the protection not only can save the day for customers, it can preserve the good image the bank has worked to build through the years. "Just think," he says, "what the friends and relatives of a bereaved widow would say about our bank if we had to go in and repossess the widow's auto — her only means of transportation."

Mr. Kuenzel says joint credit life coverage is popular with borrowers. Since the Missouri legislature enacted a bill lowering the ceiling rate for credit life, joint coverage has become more of a bargain, he said. And increased volume resulting from the lower price has more than made up for any premium loss to the bank, he added.

Under joint coverage, both husband and wife — or some other combination of borrowers — are covered. If one person dies, the other is cleared of the debt.

A major selling point for credit life and disability coverage, Mr. Kuenzel says, is the fact that physical examinations are often not required. Of course, a customer must appear to be in good health and sometimes a few medically oriented questions are asked.



Robert L. Vossbrink (l.) and Paul R. Kuenzel check out rates for credit life coverage for borrowers at Bank of Washington, Mo. Mr. Vossbrink is e.v.p.; Mr. Kuenzel is a.v.p. and heads installment loan department.

"Since we know most of our customers quite well," he says, "we know the status of their health in most cases."

Among the reasons customers are so agreeable to signing up for credit life, disability and mortgage coverage, Mr. Vossbrink says, is the fact that most borrowers are living from paycheck to paycheck. An illness would pose a critical problem because it usually would mean a reduction in income that could affect their ability to make loan payments. A borrower covered by disability insurance knows that, if he becomes disabled for more than 14 days, the insurance will cover his payments, leaving what funds he has available to pay for groceries, or other necessary items.

Mr. Kuenzel says many customers insist on the coverage once it has been explained to them or when they take out a loan after being covered on a previous occasion. A good number of borrowers are underinsured, he says. These are the people who need credit life, accident and health and mortgage coverage.

Another reason Bank of Washington's customers are willing to take on the insurance the bank offers is the ease of paying the premiums. In the case of a 12-month loan, one-twelfth of the premium is added to the loan payment each month, so the customer hardly notices the insurance cost. This also applies to mortgage coverage.

First-time auto owners, including teenagers, also are agreeable to coverage, Mr. Kuenzel says. "These people need cosigners on their notes," he says, "and it's much easier to get a person to cosign if he is assured that credit life and disability coverage are part of the loan. The cosigner knows he will not be required to make the payments should the noteholder die or become disabled."

It's also good for a youthful borrower

to recognize the benefits such coverage holds for him, he says. Becoming familiar with insurance coverages is an important part of a young person's economic education.

Bank of Washington has a rule that no customer is forced to buy insurance coverage. It is strictly an option. Loan officers are encouraged to sound out borrowers to see if they would benefit from the coverage. "After all, someone who has adequate insurance wouldn't benefit from additional coverage, so such a person isn't encouraged to buy," Mr. Vossbrink says.

Those who are interested in credit life are presented with quotations on the five coverages available: one for the loan payment alone, one for the loan payment plus individual credit life coverage, one for the loan payment with joint credit life coverage, plus the latter two quotations with disability coverage added. Customers usually are pleased that there's such a small difference in the amount of the payment after the credit life and disability coverage have been added.

Bank of Washington has always maintained a policy of not permitting loan officers to pocket credit life proceeds. This ensures that no loan officer will be tempted to coerce a borrower into taking the coverage as a requirement for obtaining a loan, Mr. Vossbrink says.

Bank of Washington is heavy on real estate loans, with 45% of the bank's total loan portfolio earmarked for that area. About 50% of the bank's real estate borrowers have mortgage coverage, which is decreasing-term life insurance. The figure would be higher, Mr. Vossbrink says, if the bank had begun offering the coverage earlier than it did. Any loan older than 15 years doesn't have the coverage because the bank didn't offer it then.

This insurance has been beneficial to bank customers, too. Mr. Vossbrink cites the instance of a young electrician who had a $34,000 balance on his home when he was killed in an auto accident. The man and his wife had built their own home and it meant a lot to the widow to keep the house and raise the couple's children in it. Mortgage insurance from the bank enabled the widow to do just that because the coverage paid the loan off.

Mr. Vossbrink says that awareness about mortgage insurance since the bank began offering the coverage has resulted in a 40% increase in the number of home owners having such coverage in the bank's trade area. Not all this increase has been written by the bank; some of it has gone to local insurance agents.

Mr. Vossbrink says the bank is careful not to antagonize local agents by offering other types of insurance to borrowers. After all, he says, local agents are bank customers, too.

About 60% of the bank's direct and 85% of its indirect loan customers take credit life coverage, Mr. Kuenzel says. Most of the community's auto and mobile home dealers are believers in the coverage, which accounts for the indirect loan figure being so favorable.

The bank has a mobile home loan portfolio amounting to about $2 million. One borrower financed a $12,000 unit with the bank and died before his first payment was due. The mortgage insurance provided by the bank paid off the loan so the widow could remain in the mobile home.

Mr. Vossbrink says it takes very little time to get out the rate book and quote a price for insurance. "The number of customers who have benefited from such coverage is enough to make a believer out of any loan officer," he says. • •

Credit-Life Reg Still in Force, Comptroller Tells Nat'l Banks

THE COMPTROLLER issued a bulletin October 16 to all national banks, regional administrators and examining personnel that he fully intends to enforce the credit-life regulation his office originally announced in July, 1976, and which became effective last January. This regulation prohibits national banks from paying credit-life-insurance commissions to bank officers, directors, stockholders and employees because, in the Comptroller's opinion, this is an unsafe and unsound banking practice.

The bulletin, signed by Charles B. Hall, chief national bank examiner, points out that last September 13, the U. S. District Court for the District of Columbia granted the Comptroller's motion to dismiss an action brought by the Independent Bankers Association of America (IBAA) challenging the validity of the regulation — 12 C.F.R. Part 2. However, the dismissal order caused some confusion because it seemed to reduce the regulation to a statement of opinion. To clarify his September 13th ruling, U. S. District Judge Louis Oberdorfer — on October 11 — deleted the part about the regulation being just a statement of opinion.

At the same time, Judge Oberdorfer denied two requests made by the IBAA: to judge the regulation null and void and to direct the Comptroller to withhold issuance of the bulletin that was subsequently released October 16.

As a result of the court's decision September 13 to dismiss the IBAA's action without ruling on the regulation's validity, the Comptroller emphasizes that the regulation continues in full force and effect and remains binding on all national banks.

"The Comptroller," says the bulletin, "intends to enforce the credit-life-insurance regulation through all appropriate means, including the initiation of administrative proceedings, private or public as may be warranted, to determine whether an order to cease and desist should be issued under 12 U.S.C., 1818(b). In cases of first impression involving violations of the regulation, the Comptroller recognizes, as the court noted in its opinion, that a national bank may introduce evidence during the administrative proceeding relating to the safety and soundness of its practices and may challenge the regulation both during the administrative proceeding and during judicial review before the appropriate court of appeals. However, once the validity of the regulation has been upheld by a court of appeals, further attacks on the validity of the regulation in an administrative proceeding within that judicial circuit would be foreclosed, and any further attempts to justify the safety and soundness of practices that violate 12 C.F.R. Part 2 would not be permitted."

Because the regulation's validity still is in doubt, the IBAA urges that, until the court has ruled on the matter, individuals affected not act hastily if their credit-life-payment status is challenged. • •

Collateral-Protection Plan Cuts Installment Loan Risks, Protects Bank and Borrower

By JIM FABIAN, Associate Editor

Barbara Sander, a.v.p., Ladue-Innerbelt Bank, Ladue, Mo., reviews reports in connection with bank's collateral protection plan with Donald R. Brown, pres., Financial Underwriters of Missouri, Inc., agent for the plan.

A MAN FINANCES his new car with your bank. He loses his job and the car is stolen. There's still $4,000 outstanding on the loan.

What can the bank do to recover the loss? Take the customer to court, incurring legal fees and court costs, with little hope of satisfying the claim due to the customer's unemployed status? Or call on its collateral protection insuror and see the loan paid off, getting both the bank and customer off the hook? The former route would no doubt result in loss of the customer for good, while the latter probably would enable the bank to keep the customer and prevent any loss.

Many banks are choosing the latter course because of the advantages stated above — as well as others, such as reduced operating costs through use of services provided by the insuror, peace of mind that both the bank and the customer are protected and a more efficient operation.

Ladue-Innerbelt Bank, Ladue, Mo., went from an in-house insurance follow-up program to the Kemper plan for collateral protection provided by John M. Kemper & Co. early last year. Barbara A. Sander, assistant vice president in charge of the installment loan department, says she's very pleased with the service.

She's impressed by the Kemper plan because it protects both lender and borrower. The lender is protected, she says, because the plan covers every secured loan with very few exceptions, such as real property. Coverage is automatic from the day a loan goes on the books to the day it's paid off in the event the borrower doesn't provide the required coverage.

Should repossession be necessary, there's no deductible to the lender, but there is "walk around" coverage. Settlement options for the bank include the cost of repair or net loan balance, which includes the Kemper plan's own earned insurance premium, supplemental coverages for repossession expense, mechanics lien expense, towing and storage charges.

The borrower, too, is protected, Miss Sander says, because the debtor may pay a deductible and have a vehicle repaired without repossession — with no subrogation against the borrower. Approximately 80% of all claims are instituted by the borrower, eliminating the need for repossession.

Also, the plan enables banks to cut costs by eliminating the expense of a blanket errors and omission policy and by reducing insurance follow-up staff work. This means, she says, that the bank is guaranteed it will never suffer a loss due to uninsured collateral and, since the borrower also is insured, a significant reduction in repossessions is possible.

This collateral-protection plan enables banks to cut costs by eliminating the expense of a blanket errors and omission policy and by reducing insurance follow-up staff work.

Total cost of the program is borne by the uninsured borrower. Through a computer tracking system provided at no charge, the lender's internal procedures are streamlined, enabling a reduction in clerical personnel and the elimination of other administrative expenses, such as mailings, phone calls, letters, etc.

Miss Sander stresses that every vehicle that's repaired for a customer, in lieu of repossession, means a customer preserved for the lender. Also, premiums are charged to the customer's loan account, which increases the interest earned on the loan.

One thing a bank must plan for, she added, is making arrangements for collecting the premiums, which are over and above the loan payments. The bank permits a customer covered by the Kemper plan to select a payment plan suited to his means, such as deferring payment of the premium until the loan has been paid off, which amounts to extending the loan; paying the premium in a lump sum in the final installment of the loan; or making higher payments to include the premium and added interest.

About 1% of Ladue-Innerbelt's $4 million installment loan portfolio is covered by the Kemper plan, Miss Sander says. That's a much lower percentage than was anticipated when the bank instituted the plan.

Also, the bank has the option of not insuring any particular customer and can set its own waive limit. "With us, anyone owing $1,000 or less isn't covered," she said, "since we feel that this type of customer usually has proved himself to be dependable for a loan of this amount or by the time the loan gets down to this amount."

Miss Sander says the program provides a good opportunity for customers in the high-risk category to obtain the required physical damage coverage. Through the Kemper plan, uninsurable people automatically become insured, a fact that's important to any lender because the lender can't determine someone's insurability.

"The customer becomes insured simply by signing the loan papers," she says, "which is one of the nicest features about the plan."

Once it becomes known that a bank has signed up with a collateral protection firm, local insurance agents tend to become prompt in delivering proof of insurance on the part of borrowing

customers. The customer becomes more conscientious, too, Miss Sander says, because he has to go to his insurance agent to obtain coverage. If he doesn't, the Kemper plan premium will be added to his loan, with interest.

Agents don't want to offend their customers by not being prompt in discharging their duties and they don't want their customers calling them and complaining that they've been included under the bank's coverage because of an oversight by the agent.

The Kemper plan incorporates a computerized tracking system that identifies the uninsured borrower. Thus, the need for any in-house tickler system or any other costly followup program is eliminated.

Miss Sander likes the fact that training for bank personnel on how to handle the system is provided without charge and that there is always someone to call for assistance, should it be needed. "They will walk you through any transaction," she says.

While the computer-assist tracking system streamlines the lender's workload, full control of the program and contact with the customer is maintained by the bank — where it belongs, Miss Sander says.

Also, since the Kemper plan deals with source documents, the borrower's loan file is always current. That is, the exact status of a borrower's insurance coverage can be readily determined at any time simply by pulling his loan file.

Miss Sanders says she appreciates the fact that the Kemper plan is less costly than the bank's former in-house method. The bank is earning interest on insurance premiums and the program has enabled bank personnel to reduce time spent in this area from seven hours or more to 30 minutes or less per day. ••

'Crisis-Situation' Help Offered by BAI

A COMPREHENSIVE new training program designed to help banks comply with the 1968 Bank Protection Act has been produced by the Bank Administration Institute. Another objective of the program, called "Bank Security Today," is to assist banks in meeting the obligation of preparing their employees to act in predetermined, consistently safe ways during crisis situations.

"The BAI's 'Bank Security Today' is the first training program available to the financial community that covers the entire range of bank-security problems, with emphasis on the protection of all employees, customers and bank assets," says Ralph E. Anderson, BAI security commission chairman and vice president and corporate director of security, United Virginia Bankshares, Richmond. "Bomb-threat situations, fire, weather and medical emergencies also are covered."

The entire training kit consists of two workshop programs to be presented to all bank employees; four special-action modules for tellers (each module consisting of audio tape cassettes, workbooks and slide presentations); a special sequence called "A Question of Integrity," which asks and answers questions without instructor involvement, and a *Lender's Guide*.

"Bank Security Today" teaches the comprehensive, standardized security knowledge each bank employee needs, according to the BAI. It provides for the integration of individual bank policy and procedures and use of specific equipment as appropriate to a bank using the program. The workshops encourage open discussion and provide an opportunity to practice techniques. The workshops and teller modules can be used repeatedly, for both present and new employees.

The two general workshops for all employees include the following discussions:

Kidnap/extortion: handling threatening calls; reacting in hostage situations; developing a bank personal-data sheet; preventing a kidnapping outside a bank; protecting children and preparing for appropriate roles in prevention.

Bomb threats: ongoing bomb-threat precautions; procedures for handling a bomb-threat call; an evacuation plan.

Con games: types of external fraud; recognizing con artists; defenses against external fraud; roles in deterring external fraud.

Internal fraud: recognizing embezzlement; bank policies for protection; tools for detection; individual bank's policies and procedures.

Robbery/burglary: robbery techniques; guidelines for preventing robbery; established roles in robbery prevention; deterrent equipment; robbery-reaction procedures; drive-up and walk-up-teller procedures; robbery-description sheets; post-robbery roles; burglary-prevention devices; burglary-follow-up procedures; roles in coping with burglary.

Fire/storm safety: procedures for handling emergency situation; fire-safety procedures; individual bank procedures for fires and storms.

Medical emergencies: handling medical-emergency situations; researching first-aid procedures.

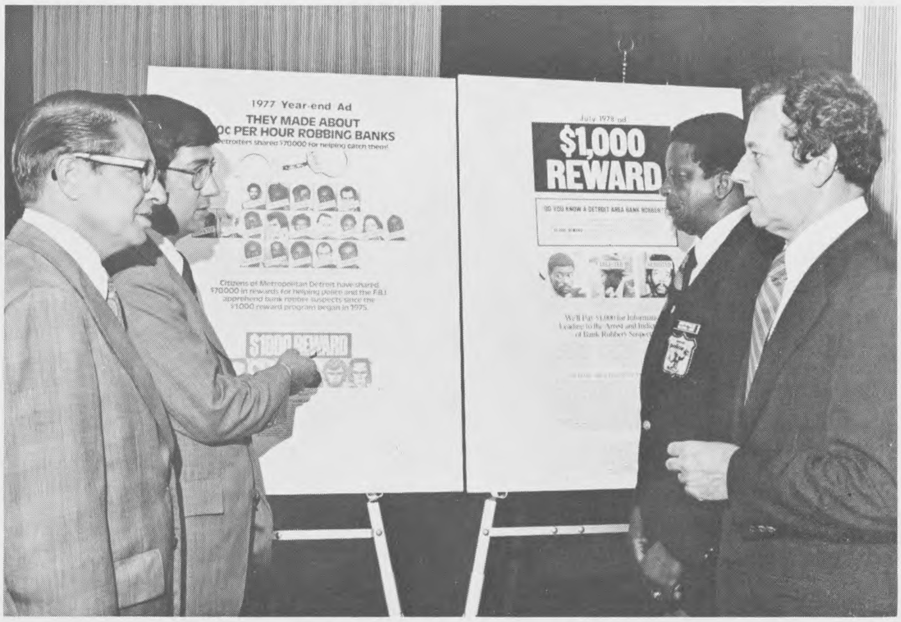
The four modules designed for tellers cover the entire gamut of fradulent practices that happen at tellers windows and how to recognize and handle them.

Check-cashing precautions: required and optional parts of a check; types of endorsements; endorsement rules and policies; tests an account must pass; legal obligations to cash checks; making a check-cashing decision; acceptable identification; requesting, examining and recording identification.

Forgery/signature verification: techniques of the forger; tracing, drawing, mirroring, freehand simulation, non-simulation; signs of forgery; determination of authorized signers; characteristics of handwriting; comparing signatures.

Detecting counterfeits: counterfeit-note reports; signs that a check is counterfeit; detecting color-copier counterfeits; types of currency in circulation; distinguishing between genuine and counterfeit currency; knowing which portraits appear on each denomination; distinguishing between genuine and counterfeit coins; handling situations involving suspect money.

Fraud: characteristics, behaviour and goals of con artists; handling suspect con artists; checking-account fraud; material alterations; savings-account fraud; fraud involving financial instruments; cash-related schemes.



Enlarged bus card advertisements calling public's attention to robbery reward program sponsored by Detroit CHA are examined by (from l.) O. Franklin Lowie, Detroit FBI; William J. Kalmar, a.v.p., Detroit Bank; William Hart, Detroit chief of police; and Francis O'Brien, FBI official from Washington, D. C. Fifty banks help sponsor the program.

Detroit Robbery Reward Program Hailed by FBI, Local Police As Most Effective in U. S.

NO ROBBERY reward program in use today in the U. S. is as effective in controlling bank robberies as the one initiated three years ago by the Detroit Clearing House Association, according to senior officials of the FBI and the Detroit Police Department.

The program was started by the six member banks of the Detroit CHA — National Bank of Detroit, Bank of the Commonwealth, City National, Detroit Bank, Manufacturers National and Michigan National. Recently, the 50th bank member joined the program. The institutions have combined assets in excess of $25 billion.

During the time the program has been in effect, 184 robberies have been solved; 82 bandits have been arrested, and $72,000 in rewards have been paid.

Information provided by the FBI shows that robberies committed against financial institutions in the metropolitan Detroit area dropped from 237 in 1974 to only 25 for the first six months of 1978. FBI figures for just the city of Detroit show that in the first six months of this year only 12 robberies were committed against financial institutions as compared to 155 during all of 1974.

The plan is modeled after one originated in Atlanta. Through the program, $1,000 rewards are paid to individuals or concerned citizen groups supplying information leading to the indictment of robbery suspects, a process that takes about 10 days following arrest. Since its inception, however, the Detroit program has been expanded to include burglaries, larceny and extortion.

During the past three years, $285,000 has been spent on the program by supporting banks. Of this total, $72,000 was spent on rewards and $215,000 on advertising.

At the time the program was initiated, ads were prepared for use in newspapers and on poster cards in buses depicting suspects and providing details about unsolved bank robberies that had occurred in the three counties making up the Detroit area. For the first 30 months, the advertisements ran monthly. The decline of area robberies permitted the CHA to widen the interval between advertisements to every other month. This year, experimentation TV spot advertising began. ● ●

Protected Work Stations Reduce Crimes

A bank has been able to reduce its holdup losses from more than half a million dollars to only $6,000 in a year's time by installation of protected work stations like those pictured. The stations, manufactured by Mosler, make use of bullet-resistive material to shield teller areas. Banks equipped with shields place warning stickers on their premises that have been said to deter criminals from even entering the bank. The manufacturer states that the teller whose station is enclosed with bullet-resistive material is far less susceptible to armed robbery than the teller who's working at an open counter. The shields also are said to help keep insurance rates down. Cash and small valuables can be passed through window by means of deal tray backed by bullet-resistive steel. Larger packages can be passed through an optional package receiver equipped with interlocking doors.

Bottled History:

Bank Shows Antiques Depicting Early Chicago

A portion of Chicago history was captured in Chicago City Bank's exhibit, "Antique Chicago Bottles." Each bottle represented a specific product's advertising used in the city during 1860-1910.

Tonic and patent medicine bottles reflected the era of the home remedy; soda, beer and whiskey bottles recalled the old eating and drinking establishments, which elaborately embossed their trademarks on the bottles so their products could be set apart from the competition.

The bank's display was in cooperation with the First Chicago Bottle Club.

Board-Approved Policy Essential Part Of Effective Risk Management Program

By DALE C. HATFIELD*
Vice President
Bank of California
San Francisco

ONE OF THE best ways to organize and administer a bank's insurance and risk management program is to begin with the establishment of a policy that has board approval.

The policy should consist of a broad statement for the risk management function and should include exposure guidelines. It should be included with the resume package of the corporate insurance program presented to the board for annual approval.

Self-insurance guidelines should be established according to the maximum exposure a bank's management wishes to assume. Application depends on an acceptable balance between premium and exposure.

Usually, the bond carries the largest deductible and a rule of thumb is \$100 per \$1 million in deposits. Another guideline includes loss equated to earnings per share. Insurance should be purchased where losses are unpredictable in nature, combining low or high frequency with high severity potential.

Total cost of the risk management department in a bank includes the sum of premiums paid, losses incurred and paid, administration costs and cost of preventive and safety features. The program should be measured by its effectiveness, considering the above costs in relation to the bank's other non-interest expenses.

The risk manager must consolidate the insurance responsibility throughout the organization. His department should assume the design, placement and administration of the corporate insurance program. He should establish himself as the in-house expert/consultant on all insurance matters. In some instances, employee benefits will be handled by a benefits committee with its own employee benefits manager.

The risk manager should be prepared to discuss major coverages — such as bankers blanket bond and directors and officers liability — with management before placement. He should be prepared to make recommendations.

Also, he should discuss coverages before placement with the people and departments being insured — for example: with the international division for international coverages; with the properties and buildings department for real and personal properties; and with the data processing department for EDP operations coverage.

The risk manager must have a high exposure throughout the bank so people with insurance or risk management problems will know where to go to get answers. All avenues of internal. bank communication can be used for this purpose.

The selection of a broker or brokers should be made with care. Expertise possessed by the broker is the most important selection criterion. The risk manager should ask himself how well the broker understands the banking business and its numerous unique exposures.

The broker's knowledge of blanket bonds is most important. And his ability to market the bank's exposures to all potential insurers is imperative. This is the only method that can assure the bank of achieving maximum coverage for its premium dollars. The broker should be a person who works well with the risk manager during periods of stress.

The number of brokers a bank should deal with should be limited to the amount of premium and commission dollars involved. Each broker assigned to the account should have sufficient commission dollars to make him vitally interested in doing his best for the bank.

The broker should be considered as a member of the bank's staff. He should supply a breakdown of his commission dollars per policy and the hours spent on the bank's account. These figures should be compared with bank staff time and salary to determine if the bank is getting its money's worth from the broker.

This type of information will enable the risk manager to determine whether the broker should be retained on a fee or commission basis.

With the fee basis, the broker will receive about 1% commission on the policy placement and the remainder of his service or hours spent marketing the policy and later servicing the account. Such a practice is becoming more prevalent each day with large and medium-sized banks. ● ●

**Mr. Hatfield is chairman of the ABA's insurance committee.*

Major Banking Bill

(Continued from page 10)

clude an earlier provision that would have severely limited issuance of standby letters of credit. The ABA had opposed such restrictions. Absent from the package are restrictions — also opposed by the ABA — on bank HCs' insurance activities.

The ABA points out that, regrettably, the law doesn't include Senate-passed legislation that would have considerably improved and simplified the Truth-in-Lending Act. However, a strong record was made on that issue, and the ABA expects action next year.

The bill does extend the present national bank single-borrower loan limit (an amount equal to 10% of capital and surplus) on all insured bank insiders, a change opposed by the ABA. However, the definition of "insiders" in-

cludes only executive officers and 10% or more shareholders. In communities under 30,000, that threshold is 18%.

Legislation dealing with Fed membership, focal point of congressional activity in early September, was delayed until next year. Fed Chairman G. William Miller and House and Senate Banking Committee leaders agreed that further study of issues involved is necessary before legislation on that matter is undertaken. The ABA had urged that such delay be allowed so that all affected parties can develop an accurate understanding of the issues. The ABA and banking leaders who set association policy will participate to the fullest possible degree in discussions of these issues in anticipation of new legislative initiatives early next year.

The ABA is conducting a study to determine the probable impact of several different approaches to pricing that the Fed may select. All these issues are expected to be prime agenda items for fall meetings of the ABA's government relations council and regional meetings of members of the governing council. Also, early next year, the ABA will sponsor a special gathering of economists from the public and private sectors to address the issues of the Fed's role in the nation's economy and the function of reserve requirements as a tool to help the Fed play that role.

In the closing days of its session, Congress approved the first comprehensive modernization of the nation's bankruptcy laws in 40 years. Such legislation had been pending for six years. The ABA had worked actively with Congress on the bill and supported the final measure, which is seen as balanced in its provisions, protecting the rights of both creditors and debtors. The legislation creates an elevated bankruptcy court system, which will be an adjunct to federal district courts, but with Presidentially appointed judges. It combines Chapters X, XI and XII of current bankruptcy law into a single chapter. The law also permits reaffirmation of debt by businesses, but not for individuals except when specifically approved by the courts and then only with 30-day rescission rights for individuals.

Effective date of the carry-over-tax-basis provisions of the 1976 Tax Reform Act was delayed to year-end 1979. The carry-over basis not only would increase heirs' taxes significantly, but also would make executors' duties almost impossibly complicated. For example, executors would be required to determine the value of property at the time the decedent acquired it and then make four different adjustments to determine the property's tax basis. The ABA supported the delay of the effective date of the carry-over basis of taxation and seeks its eventual repeal. • •

Bond-Claim Seminars Planned By Memphis' Union Planters

MEMPHIS — Union Planters National will conduct two seminars this winter designed to alert business leaders, accountants, attorneys and others to the pitfalls surrounding pursuit of bond claims. The bank has first-hand knowledge of such claims because it spent more than $750,000 in a successful 2½-year struggle to recover $10.8 million in fidelity bond claims.

Union Planters' experience will be revealed to seminar participants by speakers, who will include the bank's chairman and CEO, participating lawyers, an assistant U. S. attorney and a representative of a casualty and surety company.

According to James A. Cook Jr., senior vice president for financial affairs, seminar speakers will discuss executive infidelity, related criminal matters and pursuit of bond claims. He says particular emphasis will be placed on loss-prevention techniques.

The first seminar will be held November 30-December 2 at the Hyatt House, Palo Alto, Calif. The second is scheduled for February 15-17 at the Tamarron Resort, Durango, Colo.

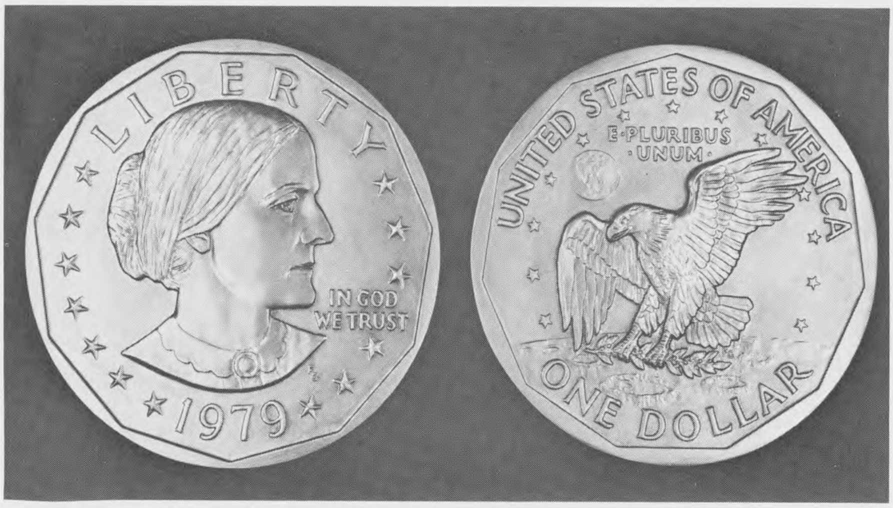
Energy-Related Businesses To Get Financial Help From New Bank Dept.

MINNEAPOLIS — In an effort to meet the growing needs of commercial customers in energy-related businesses, Northwestern National has allocated an initial $100 million for new corporate loans for a new energy/natural resources division.

The division, in conjunction with other Northwest Bancorp. affiliates, will finance the extraction and production of ore, coal, oil and gas and major pipeline construction projects in the upper Midwest and Rocky Mountain regions. The affiliates make it possible to extend the loans beyond the $100-million commitment.

The loan program, combined with others already on the books, will total more than $140 million in the energy/natural resources loan portfolio by 1982, according to John W. Morrison, chairman and CEO.

New Dollar Coin, Coming Next Year, Prompts Firm to Redesign Equipment



New dollar coin, to be issued next year, bears image of Susan B. Anthony on front, 11-sided border design on both faces and unusual pose of American eagle on back.

THE ISSUANCE of a new dollar coin next year has prompted Brandt, Inc., to announce a new product line with six-coin capability plus a conversion program for the majority of machines currently in use.

Brandt manufactures money processing equipment.

The firm also will offer certain equipment with five-coin capability, as it does now. Some equipment users, the firm maintains, process a negligible number of half-dollar coins in daily operations and will decide against six-coin machines when making new purchases.

A new, four-model sorter/counter line from Brandt, and other equipment modified to handle six coins, will be ready early next summer when the new coin is expected to be placed in circulation. Conversion kits, which will alter a machine to accept the new dollar, will be available from Brandt district managers across the nation by early 1979. Local service staffs will perform the conversions.

Each of the new six-coin sorter/counters will operate at a speed of 600 coins per minute. Electronic counting at coin exits, rather than mechanical count mechanisms, will be featured in all models. Controls against coin back-up as well as double-capacity drawers and bagging attachments are available as options.

Four models of Brandt coin packaging equipment will be converted to handle all six coins. Coin payers and changers at teller stations also will undergo six-coin modifications if desired by buyers.

Most sorter/counters produced by Brandt in the past 10 years and most packagers made since the mid-1960s can be adjusted to handle the new dollar coin at minimal cost, a Brandt spokesman said.

MBA's Legislative Program Outlined During 1978 Regional Meetings

Bob Crawford (r.), MBA e.v.p., discusses political involvement at Region Five meeting in St. Louis. At l. is Robert Finley, e.v.p., Colonial Bank, Des Peres, outgoing regional v.p.

THE RECENT regional meetings of the Missouri Bankers Association provided MBA President Pat Lea with a forum for presenting the MBA's legislative program to the membership. Mr. Lea is president, First National, Sikeston.

The MBA plans to support six bills in the upcoming legislative session, according to Mr. Lea. They include:

• *Loan List Bill.* This proposed legislation requires new loan lists submitted to the bank's board to cover all new loans of 5% of the bank's lending limit or $100,000 or more.

• *Bank Day Bill.* This bill will insure that banks offering any services on Saturday, Sunday or legal holidays will not be required to include such days in meeting clearing deadlines.

• *Usury Penalty Equalization Bill.* This proposal equalizes the penalties that state-chartered banks are subject to when they exceed the interest rate permitted by law.

• *Late Report Bill.* This item would permit reports required by the Missouri Division of Finance to be submitted up to 20 days late with no fine.

• *Division of Finance Package.* Among the aspects of this proposed legislation are an increase in the registration fee for small loan firms and a change in the standards for granting facilities.

• *Credit Insurance Bill.* This bill would permit level-term credit insurance on agricultural loans for 60 months rather than the present 36 months and would eliminate the 40% commission presently placed on fees to credit insurance agents.

Mr. Lea said two additional bills are expected to be introduced this session that the MBA will oppose.

The first is the Financial Privacy Act that would regulate credit information exchanged when lending institutions try to find or confirm information on a bank customer's credit standing.

The second is the Bank Tax Bill, a proposal to increase the present 70% bank tax.

Mr. Lea said the MBA's priority bill for the 1979 legislative session is the delinquency fee bill. "This bill will address itself to three areas," he said. "It will increase the ceiling of the Small Loan Act from the present $500 to $1,200. It will legalize the delinquency fee separate from usury charges and it will close the loophole in the usury statutes related to residential mortgage loans."

He said these three items previously have been introduced separately and have failed to pass. "It's our opinion that if we present them in this package form, the likelihood of passage will be greatly enhanced."

Mr. Lea called on MBA members to help bring the Delinquency Fee Bill to the attention of legislators. The MBA is developing a brochure that describes in detail the bill's contents. Each banker receiving the brochure will receive a request that he meet with his legislators to explain the bill and ask for support of the bill without amendment. A form will be included to enable the banker to report back to the MBA regarding the legislator's attitude on the bill.

"We believe that if we hold such meetings with every legislator prior to the convening of the General Assembly we will be in a good position to pass this bill next year," Mr. Lea said.

Mr. Lea also commented on the MBA's successful effort to defeat a proposed constitutional amendment that would have let local governments pool their funds to be invested by the state treasurer. Mr. Lea pointed out that the effort was an example of the success that's possible when bankers involve themselves in the political process.

He asked bankers to support MoBancPAC, a fund created a year ago to provide contributions for legislators running for political office. He pointed out that state-chartered banks now can make political contributions to MoBancPAC, thanks to the Campaign Finance Act that became effective last August.

Nationally chartered banks still are prohibited from making such contributions, he said, but individual contributions from national bankers are in order.

Robert W. Crawford, MBA executive vice president, also discussed political involvement at the regionals and Wade Nash, MBA staff attorney, discussed the ramifications of the automatic transfer service (ATS) that took effect November 1.

Mr. Nash cautioned bankers to learn their costs in regard to ATS and to charge customers accordingly so they won't get caught up in a no-win situation such as happened in the past with free checking.

He stressed that offering ATS was voluntary, but banks opting not to offer the service risk the prospect of losing both checking and savings accounts.

Regional officers were elected at the meetings, to take office following next May's MBA convention in Kansas City. Elected were:

Region One: v.p. — John R. Hancock, vice president and cashier, Monroe City Bank; sec. — Glenn Miller, executive vice president, Canton State.

Region Two: v.p. — Ed Robertson, president, United Missouri, Brookfield; sec. — Richard Miller, chairman and president, Merchants & Farmers, Salisbury.

Region Three: v.p. — Larry Ellington, vice president, Farmers Bank, Gower; sec. — Donald D. Folks, vice chairman, Farmers State, St. Joseph.

Region Four: v.p. — Thomas L. Palmer, vice president, Traders Bank, Kansas City; sec. — James E. Smith, executive vice president, Union State, Clinton.

Region Five: v.p. — Merle M. Sanquinet, chairman and president, St. Louis County Bank, Clayton; sec. — James W. Crismon, president, Irondale Bank.

Region Six: v.p. — Richard T. Reed, president, First Bank, East Prairie; sec. — James Moser, president, Bank of Poplar Bluff.

Region Seven: v.p. — George R. Curry, president, Central Bank, Lebanon; sec. — Roy Cochran, executive vice president, First National, Neosho.

Region Eight: v.p. — H. Duncan Edmiston, president, Rolla State; sec. — R. L. Himmelberg, president, Tri-Country Trust, Glasgow. ••

MBA's new Dir. of Government Affairs Richard Mason appeared at Region Five meeting at Breckenridge-Inn Frontenac, St. Louis.

Ground-Breaking Ceremonies Held for First Nat'l Building At IBM Plaza in St. Louis

IT WAS Missouri day at the site of IBM Plaza in downtown St. Louis October 12 as ground was broken for the new First National Bank Building, which will occupy the plaza when completed in 1981.

Ground was broken ceremoniously by a set of matched, plow-pulling champion Missouri mules, guided by handlers and representatives of the three firms developing the site: First National, IBM Corp. and Equitable Life Assurance Society of the U. S.

Following the ceremony, an old-fashioned picnic featuring Missouri-grown products was served to the music of a four-piece band. Each of the 200 business leaders attending the ceremony departed with a gift basket of Missouri products.

The object of the all-Missouri flavor at the event was to emphasize the statewide impact of the new office building/bank complex.

Site of the plaza is a two-block area bounded by Market, Walnut, Eighth and 10th streets.

The complex is being developed as a tri-venture by the three firms. Cost of the building, which includes a 31-story tower, is estimated at $48 million. The structure will contain 900,000 square feet of floor space.

During brief remarks by dignitaries, a no-strike pledge on the part of construction unions was made by Richard Mantia, executive secretary-treasurer of the Building and Construction Trades Council and co-chairman of the labor-management organization known as PRIDE.

On behalf of PRIDE, Mr. Mantia pledged that jurisdictional disputes among unions would not slow down or stop construction.

"Through PRIDE, labor and management are working side by side with one common objective," Mr. Mantia said, "and that is to make St. Louis the best labor city in the nation."

St. Louis Mayor James F. Conway noted that, "Within two years, we will see the largest building in Missouri ready for occupancy on this site. The new First National Bank Building on IBM Plaza shows a strong commitment on the part of these three major corporations to further strengthen and expand the downtown area. We are excited, not only for the partners in this tri-venture, but for what the project means to the economy of St. Louis, our metropolitan region and to the state of Missouri."

Representing the tri-venture at the ceremony were Clarence C. Barksdale, chairman, First National; John E. Guth Jr., vice president, marketing operations, IBM, Chicago; and Donald L. Bryant Sr., executive vice president, Equitable, New York.

Mr. Barksdale pointed out that the three major corporations cooperating in the project were demonstrating a strong commitment to the growth of St. Louis.

"We're proud to be a part of this dynamic team and in having a role in assuring the continued growth of the community," he said.

Mr. Guth added that IBM was "extremely pleased" to significantly increase its commitment to the city of St. Louis by being a partner "in this exciting new building. The building is yet another indication of the growth and revitalization of downtown St. Louis. IBM is proud to be a part of it."

TOP: Set of matched, plow-pulling champion Missouri mules pulls wooden plow guided by (from l.) Clarence C. Barksdale, ch., First Nat'l; John E. Guth Jr., v.p., IBM; St. Louis Mayor James F. Conway; Richard Ford, pres., First Nat'l; and Donald L. Bryant Sr., e.v.p., Equitable. BOTTOM: Mr. Barksdale conducts brief ceremonies prior to groundbreaking, backgrounded by civic and political leaders.

Mr. Bryant added that the Equitable's total mortgage and real estate investment in Missouri now stands at $406 million, with $300 million invested in the St. Louis metropolitan area.

"We at the Equitable are proud to be part of the tri-venture with IBM and First National to develop this important new building which will be an attractive and significant addition to downtown St. Louis," he said.

Fruin-Colnon Corp., St. Louis, has been selected as contractor. Architect is 3/C International, Houston.

The initial phase of the construction project calls for building a 384-foot-high octagonal tower that will be clad in bronze-tinted, low-reflectance glass, selected to complement and coordinate with both old and new buildings in the area. The tower will be located on the easternmost block of the site, with a low-rise three-story extension over Ninth Street occupying a portion of the second block. Plans call for a matching tower to be built in the future, connected to the low-rise extension on the west.

Between 5,000 and 6,000 people are expected to be employed by firms occupying the building when it's completed. ● ●

Model of new First Nat'l Bank Building, now under construction in downtown St. Louis.

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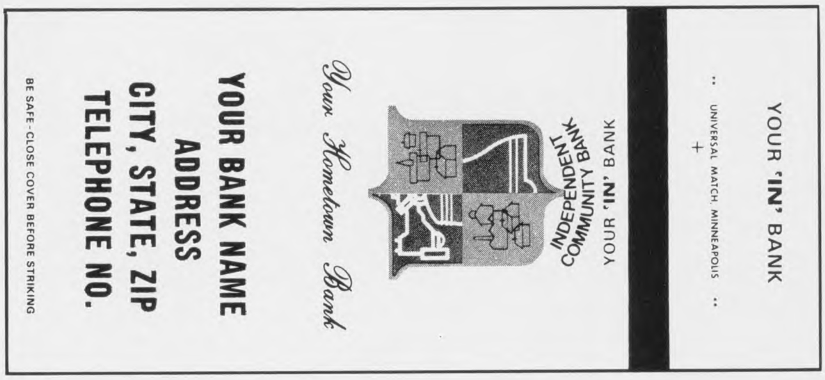

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Interest-Rate Rise, Growing Competition Share Spotlight at ABA Convention

By RALPH B. COX, Publisher
And LAWRENCE W. COLBERT, Assistant to the Publisher

BANKERS attending the ABA convention in Honolulu last month were told that the American credit markets are about to experience the most dramatic increase in interest rates since the cyclical rise began in late 1976.

This is the view of Henry Kaufman, general partner and member of the executive committee, Salomon Brothers, New York City.

"When I look at where we are now and try to assess where we are heading," he said, "the conclusions to me are most disquieting. Disillusionment and new fears are beginning to envelop the credit markets."

Mr. Kaufman cited ineffectual government policies, the illusion of liquidity which is encouraging borrowing and spending and double-digit inflation as the factors that will propel interest rates even higher than they are now.

Options available to official policymakers are few, he said. One would be to continue the current approach of feeding inflation, which would drive yields higher. A second option would be to tighten monetary policy, which in the near term would ratchet interest rates higher.

In discussing the Administration's overall anti-inflation program, Mr. Kaufman projected that the exhortation of wage and price restraint in "phase one" and the specific guidelines urged in "phase two" will lead eventually to mandatory controls.

"But the imposition of these controls will be preceded by quite a few months of double-digit inflation and accompanying excessive demands for credit," he said. While the announcement of mandatory controls would prompt a bond market rally, the longer-term significance for interest rates is far from certain, he said, pointing out that there are many imponderables.

He said that monetary policy itself is in a "no win" situation as far as interest rates are concerned. The continued liberality of monetary expansion, or its opposite, the restriction of credit availability, will each drive interest rates higher. He called the Fed to task for failing to place constraints on the spectacular growth of debt in this country.

"The Fed frankly has lacked the determination to overcome the fluidity and new resiliency of our financial system, which has been enhanced through international flows and the innovation of new and highly marketable instruments such as consumer CDs," he said.

In the final analysis, Mr. Kaufman said, inappropriate monetary policy has prolonged the viability of housing which has been a substantial contributor to inflation and, equally as important, to inflationary expectations.

Because of double-digit inflation which is "with us now and likely to be part of our economy for the foreseeable future," money is cheap in the U. S., he said. "A 10% prime rate can't really be described as inhibiting when the inflation rate is 10% and the cost of borrowing is an operating expense" so that the after-tax cost falls to about 5%.

Speaking on "How to Stop the Growth of Big Government," Murray L. Weidenbaum, director, Center for the Study of American Business, St. Louis, said if an effort to trim the size of government is to succeed, it will need the sustained interest and support of a large portion of the American people.

He recommended that such an effort focus on tax policy as the prime mechanism for achieving economy in government.

He called for a lid on the overall tax burden at the state level as the most sensible approach. At the federal level, he said the most direct method is a sustained, across-the-board reduction in income tax rates. He said the key point is to put substantial tax reduction at the top of the congressional agenda. He added that the Kemp-Roth tax reduction bill is gaining support.

The most fundamentally necessary improvement in public policy required in the U. S. today can be summed up in an admonition to government decision makers, "Physician, heal thyself," Mr. Weidenbaum said.

He added that big government needs to administer to itself a carefully prescribed dose of self-restraint. Otherwise, the aroused taxpayer will force on it a crash starvation diet which it would surely deserve.

Keynote speaker David Rockefeller, chairman, Chase Manhattan, New York City, spoke of the most pressing challenges facing banking for the balance of this century.

Among these challenges are internationalization of banking, technological change, expansion of customer services, funding growth, pricing products and — last, and the most important — competition.

Most commercial bankers are well aware that the overall position of U. S. banks in the U. S. market has eroded significantly since the end of World War II, he said. At that time, commercial banks held about half the financial assets owned by the financial services industry. Today, the percentage has dwindled to about a third because bank customers have turned to other intermediaries for banking services.

He cited the growing competition offered by S&Ls, credit unions, nonbanking firms, foreign banks and commercial paper, in addition to insurance firms, pension funds, investment banks and finance companies.

One of the reasons banking is losing out to its competition, Mr. Rockefeller said, is because bankers are too preoccupied with branching statutes, and this preoccupation, he said, has been exaggerated beyond its true importance. Such arguing has diverted bankers' attention from more critical matters, such as dealing with new competitive pressures.

He said it's critical that commercial

LEFT: Colorful Hawaiian shirts liven ABA convention exhibit center. RIGHT: Official greeters bearing traditional Hawaiian leis prepare to meet ABA delegates at Honolulu airport.

bankers pull together to compete aggressively in the business and banking marketplace.

Speaking of government regulation, Mr. Rockefeller said that citizens everywhere are coming to the conclusion that much of the protection derived from government regulation isn't worth the rising cost of providing it.

"The only way we can achieve really meaningful reform," he said, "is if we stand together as an industry . . . and speak loudly and with a common voice against those forces which inexorably are driving to divide our industry and cripple our system."

Outgoing ABA President A. A. (Bud) Milligan, president, Bank of A. Levy, Oxnard, Calif., discussed the Fed membership problem.

"We thought there was a very logical answer to it," he said. "Simply right the wrong of the hidden tax on banking through payment of interest on reserves, more flexible reserve requirements and explicit pricing of services."

But Congress came up with a different solution, he added, virtually making Fed membership mandatory, which goes against the grain of banker sentiment. Although the recommendation by Congress had attractive features, it raised two enormously complex issues: universal reserve requirements and nonvoluntary Fed membership.

Because of banker resistance, Mr. Milligan said, Congress and the Fed have come to agree that it would be better to wait until the questions bankers have on the topic are answered before proceeding.

He cited banker involvement with derailing an EFT consumer protection bill that would have thwarted the growth of EFT without doing anything to protect legitimate consumer interests. The result was that Congress approved legislation that protects consumer rights without killing EFT before it ever gets out of the starting blocks, he said.

He said the Financial Institutions Regulatory and Interest-Rate Control Act is a generally acceptable piece of legislation — thanks to banker involvement. He said the bill codifies practices and procedures that regulators have long encouraged and which many bankers consider to be good management.

Secretary of the Treasury W. Michael Blumenthal discussed inflation, which he termed a "wheel-spinning, tail-chasing process in which no major economic group has achieved any substantial gains." He said some early warning signs have appeared that signal that the economy is moving closer to the zone where demand factors will begin to aggravate the inflation problem, including a tightening of the labor market and non-union wages beginning to rise more rapidly than union wages.

"Our problem is that we are living with the heritage of neglect and inappropriate treatment of the economy by the federal government," Mr. Blumenthal said. "Previous administrations and congresses have allowed inflation to become a way of life over the past decade."

He said the responsibility for exorcising the evils of inflation from the economic system falls squarely on the government. He said President Carter is determined to exercise the leadership needed to mobilize the resources to combat inflation.

During the convention, John H. Perkins, president, Continental Bank, Chicago, assumed the ABA presidency. Mr. Milligan went from president to chairman of the governing council; C. C. Hope Jr., vice chairman, First Union National of North Carolina, Charlotte, was elected president-elect; and Thomas R. Smith, president, Fidelity Brenton Bank, Marshalltown, Ia., was reelected treasurer. • •

Tax Revolt To Spread?

Bankers attending the ABA convention were told that tax revolt measures like California's recent Proposition 13 will spread to other states as an expression of voter dissatisfaction with big government.

The prediction was a consensus of banker viewpoints expressed at an ABA banking leadership conference last August and made public at the convention.

The banking leaders thought Proposition 13 was only the beginning of a tax revolt that would spread to other states because the federal government was too big, too powerful, too centralized and too rigid.

Bankers found the following aspects of federal government to be especially objectionable: the increased paperwork burden of regulatory compliance, the inefficiency of the bureaucracy, government limitations on free competition of business, the number of areas of government involvement, the number of government administrative units and government limitations on free choice for individuals.

Bankers felt strongly that significant cuts in federal spending would have a positive effect on inflation.

Banking, Economy, Politics Discussed At First City National's Seminar

BANKING, economic and political subjects took the spotlight at First City National of Houston's 1978 executive manager seminar for its correspondent bankers.

"Where Have all the Answers Gone?" was asked by Irving Kristol, co-editor, *Public Interest* magazine; Henry Luce professor of urban values, New York University; a senior fellow, American Enterprise Institute, and a member of the board of contributors, *Wall Street Journal*. Mr. Kristol's principal thesis was that the entrepreneur is excluded from U. S. economic policy. As he put it, "The generating force of our economy is capital formation; yet economic policy ignores it."

A community bank's responsibilities were described by Horace Dunagan Jr., president, First State, Caruthersville, Mo., and immediate past chairman, Bank Administration Institute.

In a talk on "Who Makes the Rules?," Thomas I. Storrs spoke about bank regulation. He is chairman, NCNB Corp. and North Carolina National, Charlotte. "The rules of banking," said Mr. Storrs, "are, to a great extent, political rules. There are many people who are ready to write the rules for us, frequently from a narrow point of view." They include, according to Mr. Storrs, special-interest groups, members of Congress and members of their staffs, federal supervisory agencies and financial institutions outside banking.

"We have no chance of a successful and prosperous future," he concluded, "unless we participate actively in writing the rules. We have no chance of successful participation unless we make sure that we step outside a purely self-interest position and advocate rules that contribute to a sound financial system working for the success of our country."

Luncheon speaker was Joseph J. Sisco, president, American University, Washington, D. C., and former undersecretary of state for poltical affairs and the United Nations. In his talk on "International Decisions in Times of Crisis," Mr. Sisco provided background information on the Camp David talks. He had been deeply involved in negotiating the cease-fire between Egypt and Israel in 1970.

Exhibits of the bank's correspondent services were set up for seminar participants. The bank's international division, item processing department, investment division and financial planning group and First City Services Co. (data processing subsidiary of First City Bancorp. of Texas) handled these displays.

Presiding at the seminar, held at the Galleria Plaza Hotel, were J. A. Elkins Jr., chairman, executive committee; Nat S. Rogers, chairman of the board; Richard G. Merrill, president, and George L. Risien, senior vice president and manager, regional/correspondent banking department. ••

LEFT: Irving Kristol speaks to bankers at First City Nat'l of Houston's executive management seminar. Seated is Richard G. Merrill, bank pres. Mr. Kristol is co-editor, "Public Interest" magazine; Henry Luce professor of urban values, New York University; senior fellow, American Enterprise Institute, and member, board of contributors, "Wall Street Journal."

CENTER: Another seminar speaker was Thomas I. Storrs, ch., NCNB Corp. and North Carolina Nat'l, Charlotte. Seated is Nat S. Rogers, First City Nat'l ch. RIGHT: Financial planning group of First City Nat'l provided one of exhibits of correspondent bank services at seminar.

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Trade-Area Boundaries, Files of Comments Included in CRA Implementation Regulations

Federal, state agencies to evaluate banks

FINAL REGULATIONS implementing the Community Reinvestment Act (CRA) require that banks affected by the act must prepare maps delineating their community boundaries, adopt CRA statements, post CRA notices on their premises and maintain files of public comments regarding their performance under CRA.

The regulations were issued by the Comptroller of the Currency, the FDIC, the Fed and the Federal Home Loan Bank Board in October. The act takes effect November 6.

Boards must adopt CRA statements for each community served by the bank that list the types of credit being offered to the community.

The regulations were issued in response to the act's requirement that the agencies encourage institutions they regulate to help meet the credit needs of their communities, including low- and moderate-income neighborhoods, consistent with safe and sound operations.

Before issuing the final rules, the four agencies considered more than 500 letters of comment from the public that contained suggestions that enabled the agencies to formulate the requirements. The agencies are charged with evaluating the local credit services of all financial institutions they regulate.

Key factors are listed in the regulations for examiners to use in assessing a lender's record. An institution's performance will be taken into account when it applies for branches, mergers, charters and insurance, as well as in cases of certain other approvals. If the institution's performance is judged to be substandard, such applications can be denied on that basis. The regulations apply to all such applications pending on November 6 as well as to those filed on or after that date.

Views of state supervisors will be considered when state-chartered institutions apply for federal deposit insurance or other approvals.

The regulations include the following principal provisions designed to assist lenders in complying with the CRA, to inform the public and to help regulators discharge their responsibilities:

• *Delineation of the community.* Lenders subject to the CRA are required to prepare and review, on an annual basis, a map delineating the local community or communities comprising the lender's entire trade area, including low- and moderate-income areas. According to regulators, a local community consists of the contiguous areas around each office or group of offices of the institution, but doesn't necessarily take account of off-premise EFT terminals that accept deposits for more than one lender.

Three bases for delineation of a community are included in the regulations:

1. Boundaries such as those of the Standard Metropolitan Statistical Area (SMSA) or counties where an institution's office or offices are located. Where appropriate, adjacent areas may be included and adjustments may be made for boundaries such as state lines. Small institutions may delineate those areas of an SMSA or county they may reasonably be expected to serve.

2. A lender may use its effective lending territory, defined as the area where it makes a substantial portion of its loans and other equidistant areas around each of its offices, to delineate its local community.

3. A lender may use any other reasonably delineated area that meets the purpose of the act and doesn't exclude low- and moderate-income areas.

• *Community Reinvestment Act statement.* Within 90 days after the CRA takes effect, the board of each institution subject to the act is to adopt a CRA statement for each delineated local community. The statement must include the following main features:

1. The delineation of the local community.

2. A list of the principal types of credit the lender is prepared to extend to the local community.

3. A copy of the CRA notice described in the next section of the regulations.

Regulators would like lenders to include in their CRA statements a statement of how they are helping to meet community credit needs, a periodic report on their record of helping to meet those needs and how they attempt to ascertain what the needs are.

The CRA statement must be reviewed and updated annually by the institution's board.

Affected banks must maintain files of public comments about the bank's CRA performance. These files must be available to the public.

• *Community Reinvestment Act notice.* Within 90 days after the CRA has been implemented, each lender must post the following notice:

"The Federal Community Reinvestment Act (CRA) requires the regulator to evaluate our performance in helping to meet the credit needs of this community, and to take this evaluation into account when the regulator decides on certain applications submitted by us. Your involvement is encouraged.

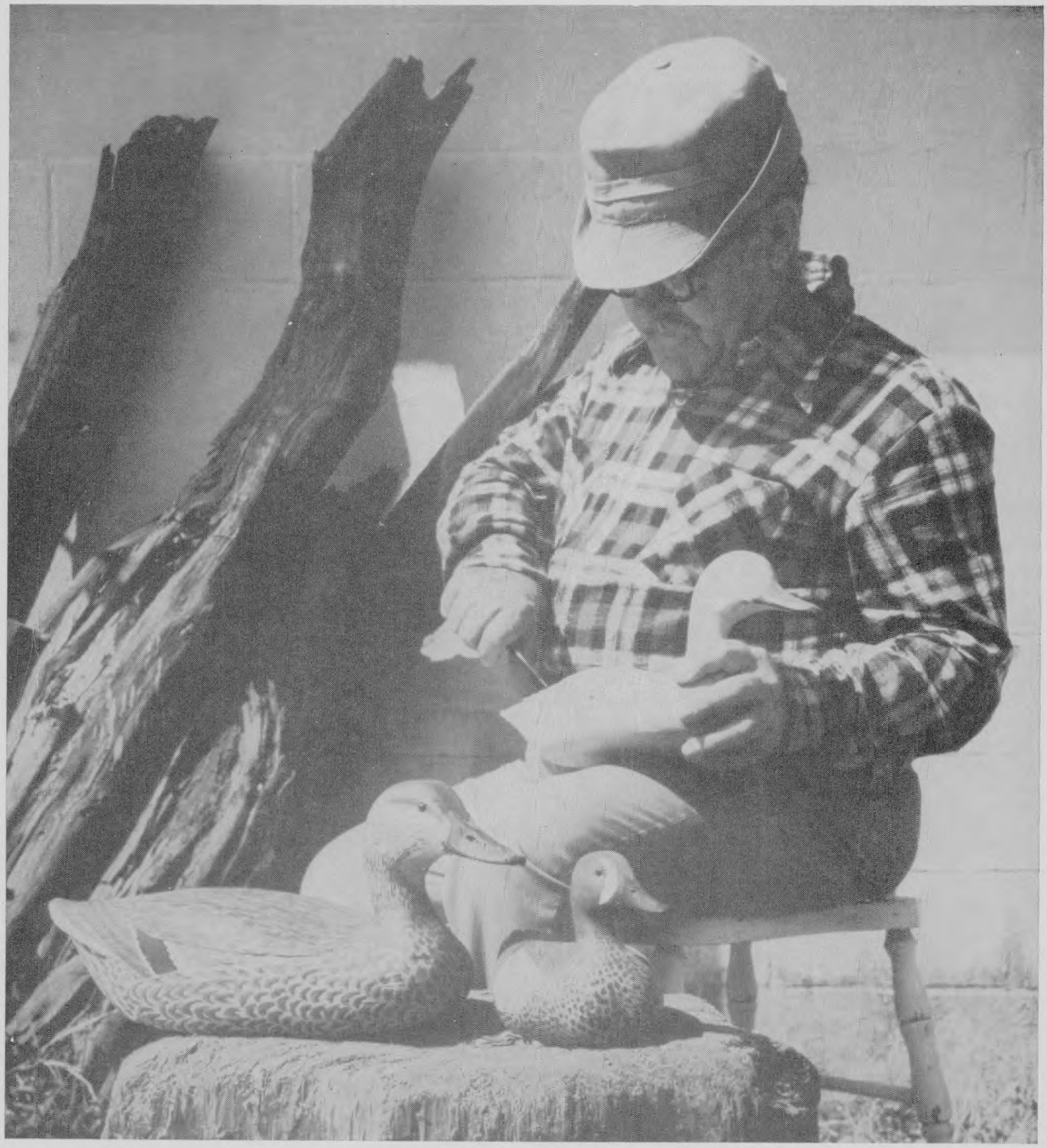
"You should know that:

"You may send signed written comments about our CRA statement(s).

"You may obtain our current CRA statement for this community in this office.

"You may send signed written comments about our CRA statement(s) or our performance in helping to meet community credit needs to (title and address of bank official) and to Community Reinvestment Officer, Comptroller of the Currency, Washington, DC 20219. Your letter, together with

(Continued on page 94)



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Consumer Protection Laws: How They Are Enforced by the FDIC

By CARMEN J. SULLIVAN, Acting Director, Office of Consumer Affairs and Civil Rights, FDIC

THE FDIC places a high priority on ensuring that the credit needs of communities and individuals are being met in an affirmative, nondiscriminatory manner.

FDIC enforcement of antidiscriminatory statutes is the subject of criticism on two sides. Consumer groups and other organizations always are concerned that enforcement efforts aren't as vigorous as they should be. On the other hand, bankers complain about the costs generated by paperwork required by regulations implementing these statutes and point out that bank customers ultimately bear these costs. The FDIC's policy is to design the most effective and efficient regulatory and supervisory mechanisms to enforce fair-lending laws.

My focus here is on the FDIC's enforcement activities in the areas of equal-credit opportunity and fair housing. I will attempt to present our initial difficulties in ascertaining bank compliance with these statutes, how these difficulties are being resolved and the direction our present and proposed enforcement program is taking.

Ten years ago, the FDIC was delegated responsibility for enforcing the Fair Housing Act. That act prohibits a bank from denying a loan or other financial assistance to an applicant for the purpose of purchasing, constructing, improving, repairing or maintaining a dwelling, or from discriminating against the applicant in fixing terms and conditions of that loan or other financial assistance because of the applicant's race, color, religion, national origin or gender.

In 1974, the Equal Credit Opportunity Act was passed which makes it unlawful for any lender to discriminate against any applicant with respect to any aspect of a credit transaction on the basis of race, color, religion, marital status, age, gender, receipt of public assistance or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act.

In 1975, the Home Mortgage Disclosure Act was enacted, requiring banks with $10 million or more in total deposits located in standard metropolitan statistical areas (SMSA) to make available to the public on request data disclosing the amount and location of their residential real-estate- and home-improvement-lending activity for each fiscal year.

Finally, in 1977, the Community Reinvestment Act was passed requiring federal financial supervisory agencies — when examining financial institutions — to encourage them to help meet the credit needs of the local communities in which they are chartered and to take into account their record in meeting community credit needs when passing on applications for branches, mergers, etc.

These four statutes are designed to eliminate discriminatory lending practices that adversely affect individuals, organizations, neighborhoods and communities. However, because discriminatory lending practices often are subtle and were difficult to detect on the basis of available records, our initial enforcement program didn't turn up many violations. With adoption of racial-notation requirements in Regulation B as amended and record-keeping and racial-notation requirements in the FDIC's Fair Housing regulation (Part 338), our ability to enforce the Equal Credit Opportunity and Fair Housing acts has been enhanced. Retention of racial, financial and other information on applicants and property that is the subject of the application are essential elements in an effective civil-rights-compliance-enforcement program.

The FDIC's initial compliance-enforcement program was limited to an evaluation of compliance with consumer laws, primarily Truth-in-Lending, as a part of the regular examination. On December 17, 1971, the FDIC's board adopted a statement entitled "Policy on Nondiscrimination in Real Estate Activities," which required a bank to give notice of equal-lending opportunity in its advertisements for loans and public disclosure of equal-credit opportunity on a bank's premises.

As of January 1, 1974, the FDIC developed a separate compliance report. This report was developed in conjunction with our withdrawal from the examination of banks for safety and soundness in three states. The FDIC continued to examine these banks for compliance with federal laws and regulations. Recognizing that there were certain advantages to the new approach, the FDIC required the use of a separate report for compliance in examinations of all state nonmember banks effective September 9, 1974.

Recognizing the need for a still more effective compliance-enforcement program, the FDIC developed and implemented a separate compliance-examination program early in 1977. Essentially, this program includes an examination of each FDIC-supervised bank at least once every 15 months for compliance with consumer-protection, civil-rights and related laws and regulations. Examiners are selected to participate in the examination program generally for a six-month tour of duty. They receive special training in consumer protection and civil rights prior to their participation in the program.

This program has resulted in a significant increase in commitment of examiner resources. It also has resulted in more thorough compliance examinations and a recognition by FDIC-supervised banks that the FDIC takes very seriously the banks' compliance with consumer-protection and civil-

(Continued on page 104)

This article is based on testimony Mr. Sullivan presented to the Commerce, Consumer and Monetary Affairs Subcommittee of the House Committee on Government Operations.

"NCR has the system for the community bank."

R. W. Zabel, President
First National Bank in Lenox, Iowa

"Ours is a $20 million community bank in Lenox, Iowa, about a hundred miles from the nearest city, Des Moines. So far that we chose to do our own processing. And NCR has provided the system we need," says Ralph Zabel, president of First National.

The system consists of NCR's interactive I-8230 low-cost computer, an NCR 775 in the proof department and an NCR record display unit on the teller line.

Formerly, three operators were busy most of the day every day, updating demand deposit accounts. Now, one operator does the proofing, automatically capturing the information on a series of four magnetic tape cassettes during the normal day. The computer reads the cassettes and updates the accounts in just two hours.

The computerized records consolidate information that was formerly distributed among up to five different sources. And all the records are instantly available through the computer or through the display unit on the teller line.

Eventually, the entire bank accounting system can go online at the bank's discretion.

Find out what an interactive NCR system can do for your community bank. Call the NCR office near you. Or write to Financial Systems,
NCR Corporation,
Box 606,
Dayton, Ohio
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Complete Computer Systems

Fed Strives to Assure Consumer Act Compliance

By PHILIP C. JACKSON JR., Governor, Federal Reserve System

THE FEDERAL Reserve Board is firmly committed to the goal of eliminating unlawful discrimination in credit transactions and to make sure that banks subject to its jurisdiction comply with these laws.

I want to discuss the topics of redlining, recent and future enforcement, civil litigation and consumer information.

Unfortunately, the term "redlining" is used to describe a wide variety of credit underwriting practices. Thus, it becomes necessary to describe the practices to which the word applies.

To some, "redlining" describes the refusal to consider loan applications relating to properties in a geographic area because of the area's racial or ethnic characteristics. That practice has been declared unlawful by the courts under the Fair Housing Act. It's also prohibited by Regulation B, which implements the Equal Credit Opportunity Act (ECOA). While it doesn't refer to the practice as "redlining," the regulation makes clear that it's unlawful to discriminate against an applicant because of the characteristics of persons to whom the extension of credit relates (e.g., the prospective tenants in an apartment complex to be constructed with the proceeds of the credit requested), or because of the characteristics of other individuals residing in the neighborhood where the property offered as collateral is located.

To others, "redlining" refers to the arbitrary refusal to consider loans in a geographic area without any apparent rational economic basis for doing so. This type of lending practice, to the extent that it may exist, is not prohibited under present federal law. While several bills on the subject have been introduced in Congress, none has been enacted.

Congress has addressed the problems that flow from this latter concept of "redlining" in a different way under the Community Reinvestment Act (CRA).

The fundamental purpose of the CRA is to help the nation's communities by emphasizing to insured financial institutions and their federal

This article is based on testimony given by Mr. Jackson before the Subcommittee on Commerce, Consumer and Monetary Affairs of the House Committee on Government Operations.

regulators that the standards imposed by federal banking statutes with regard to the "convenience and needs" of the community being served include credit as well as deposit and other services. The CRA objective is similar to that of the Home Mortgage Disclosure Act (HMDA) of 1975, although the approach taken by the CRA is quite different and promises to be far more effective than the HMDA approach. The HMDA requires major depository institutions in metropolitan areas to furnish to the public information about the location of collateral-securing residential real estate loans. This was required in the belief that local public officials and private citizens could take appropriate action on a local level if they had the proper information.

The CRA directs the four financial regulatory agencies to encourage the institutions they regulate to fulfill their continuing and affirmative obligation to help meet the credit needs of their communities (including low- and moderate-income neighborhoods) consistent with the safe and sound operation of those institutions. The board believes that the CRA approach — which permits evaluation of a state member bank's credit services in the context of local circumstances and the community's perceived needs — may prove to be a more effective way to deal with the problem of geographic redlining than a legal prohibition against geographic discrimination in the extension of credit.

At the same time, the board recognizes that a better understanding by Federal Reserve examiners and by state member banks of racial redlining and of creditor practices that result in unlawful discrimination will enhance examination techniques and will improve compliance with credit nondiscrimination laws.

To assist the enforcement agencies in monitoring compliance, Regulation B requires a creditor to request information about an applicant's race/national origin, gender, marital status, and age when it receives a written mortgage loan application for the purchase of residential real estate. This information is used for monitoring compliance with the ECOA and the Fair Housing Act.

The board has no present plans to expand the detail or scope of Regulation B monitoring information. The regulation applies to many types of creditors subject to the enforcement jurisdiction of different federal agencies. It permits an enforcement agency to substitute its own monitoring program for the one specified in the regulation. The Federal Home Loan Bank Board and the Federal Deposit Insurance Corp. have done so. The board believes it is preferable to evaluate the effectiveness of these current monitoring programs before considering more extensive data notation requirements for state-member banks.

In reviewing our recent enforcement, we find that Federal Reserve consumer affairs examinations of 861 state-member banks were conducted between April, 1977, and August, 1978, and that examiners found a total of almost 18,000 possible violations of the two acts. The vast majority are procedural rather than substantive violations.

For example, of 17,525 violations relating to noncompliance with the requirements of Regulation B, almost half related to nonconforming application forms (8,000). Another quarter in-

(Continued on page 93)

Philip Jackson Resigns

Philip Jackson has resigned from the Federal Reserve Board of Governors, effective November 17. He cited "personal reasons." Mr. Jackson, a former Alabama mortgage banker, was sworn in as a board member July 14, 1975, to fill a term that expires January 31, 1982. Governor Jackson had special responsibilities for the Fed's consumer affairs operations, including the drafting of regulations under the Equal Credit Opportunity Act.

Capital-Note Issues:

A Step-by-Step Guide On Their Preparation

By WILLIAM H. SHARP
Vice President
McCourtney-Breckenridge & Co.
St. Louis

IN RECENT YEARS, an increasing number of banks have turned to the capital note as an alternative to traditional use of equity capital. Whether the popularity of capital notes is due to the relative scarcity of equity capital in today's market or in recognition of capital notes' unique characteristics, most banks planning a capital-expansion program in the immediate future at least will consider an issue of capital notes.

Capital notes are an extremely flexible vehicle for capital expansion and can be structured in any number of ways to meet the issuing bank's particular needs. Maturity schedules may be amortized or set on a term basis to reflect the bank's own expectations as to its cash flow and extended growth rate. Call provisions allowing the bank to redeem all or part of the notes at its option after a specified period of time can be added to enable the bank to adjust its capital structure to changing market conditions. Conversion features are available to banks that wish to convert the debt to equity before maturity. In addition to the general flexibility they offer, capital notes are attractive for their preferred treatment under existing tax law and as a means of avoiding control problems that may arise from an equity offering.

Once a bank has initiated a study of its capital needs and decided on a capital-note issue, the first step should be to formulate a distribution plan. For larger banks, private placement with an insurance company is a popular source of funds, but for smaller banks, generally those under $100,000,000 in footings, main sources of distribution are the lobby sale and the underwritten issue.

Selling from the lobby has been a successful means of distribution for some banks and a disappointment to others. The most important factors in a lobby sale are the ability of the bank's market area to absorb the issue with minimal impact on the bank's time deposits and the bank's ability to prepare and present the issue to investors without disrupting the productive operation of the bank during the sales period.

In developing a successful distribution plan, the bank must understand first that, unlike some conventional bank products, capital notes are not bought; they are sold. They are not deposits, are not insured by the FDIC and must be presented to the prospect by means of an offering circular containing an abundance of legal language, which by intent or otherwise, intimidates all but the most sophisticated investors.

Many of the successful lobby sales we are familiar with have been around a core list of sophisticated investor prospects who are called on preliminarily by a bank officer and invited to participate in the proposed issue. This is a prudent course to follow for two reasons:

First, the bank can estimate the overall potential of its market area without actually committing itself to a specific distribution plan. Many banks have embarked on a capital-note campaign from the lobby only to find they had overestimated their markets and must conclude their issues far short of the original goals. In regard to amortized issues with early maturities, under seven years, the bank must allow investors 90 days to redeem their notes if the entire issue isn't sold.

Secondly, the bank is presenting its notes to a group of prospective investors who are more likely to understand the product and, therefore, more likely to be attracted to the notes. In selling from the lobby, the bank is selling a security that it cannot repurchase or allow as collateral to an investor who's likely to be a bank customer. Obviously, due care in selection of prospects and presentation of the notes can increase the opportunity for a successful offering while avoiding many potential problems of a lobby sale.

Aside from the difficulty in estimating the quantity of notes the bank can sell successfully, and the related opportunity for misunderstandings with bank-customer investors, the primary disadvantage of selling from the lobby is a general tendency to capitalize the bank's own savings and time deposits. Even to the extent that a bank meets its goal in distribution of its capital notes, some degree of deposit capitalization generally is unavoidable in selling from the lobby.

There are obvious advantages to selling from the lobby. In presenting the notes to prospects familiar with the bank's operation, the bank may enjoy a more attractive interest rate than would otherwise be necessary to attract investor participation. Further, there's no investment banking fee as is the case in an underwritten issue.

The Underwritten Issue. As investment bankers active in underwriting bank capital notes, we have found that banks choose an underwritten issue for three primary reasons: to ensure that the issue will be sold in its entirety; to avoid capitalization of deposits and to avoid the opportunity for negative customer relations arising from some misunderstanding at time of sale. In addition, approximately 50% of the banks we have represented as underwriter have previously completed a sale from their lobbies and, based

on that experience, believe staff time involved in a lobby sale is not justified when an underwriter is available.

There are two forms of underwriting applicable to bank capital notes, standby and firm commitment underwriting.

Standby underwriting involves use of the underwriter as the purchaser of last resort. If the bank is unsuccessful in distributing the notes in its market area, the underwriter purchases the remaining balance for resale. Standby underwriting assures the bank that the issue will be sold in its entirety, either by the bank or the underwriter. In this regard, the underwriter generally is involved in structuring the issue, setting up the rates and, to some degree, in the legal preparation of the issue. The investment banking fee for standby underwriting generally consists of a retainer plus an agreed sales commission on any portion of the issue the underwriter may be required to distribute.

As the name implies, firm commitment underwriting involves purchase of the entire issue at a specified date for resale by the underwriter. In addition to providing a single takedown of the total issue, the underwriting agreement also should provide some protection to the bank's market area in distribution of the notes by the underwriter and include an agreement by the underwriter to maintain a secondary market in the notes so long as they remain outstanding.

Fees for firm commitment underwriting may vary depending on services provided and issue costs included in the investment banking fee. Some underwriters include all issue costs for preparation, legal counsel, printing, etc., in their fees; whereas, others require that issue costs be borne by the issuer and base their fee solely on distribution costs.

While there's much broader interest among underwriters for the larger issues, banks issuing smaller amounts of capital notes may find an interest among regional investment banking firms. In the past, we have underwritten several issues below $1,000,000, the smallest being $300,000. Regardless of issue size, small banks that feel an underwritten issue would be in their best interest should not hesitate to investigate the matter.

Banks contemplating capital-note issues are advised to: initiate a thorough study of their market area; consult their correspondents regarding availability of underwriter assistance, if required; and confer with appropriate bank regulatory agencies prior to committing themselves to any prescribed plan of action.

As a sensible course in seeking an underwriter, we suggest that the bank consult its correspondent for names of investment banking firms active in the field of bank capital notes. In all probability, they will have been asked for this advice before and will be in a position to recommend a firm that may have an interest in an issue of the size and type proposed.

Regulatory Requirements. Capital-note issuers are subject to approval by the FDIC or the Comptroller of the Currency, depending on whether the issuer is a state or national bank. In addition, some states may find their state banking authority has a procedure to be followed in the issuance of capital notes.

Regulatory review consists of initial approval of the capital increase and a legal review of the resolutions, note form, offering circular and other documents related to the issue.

Purpose of this review is twofold; first, to confirm that the issue of capital notes is justified and, secondly, to provide mutual protection for prospective investors and the issuing bank.

Prospective bank issuers would be well advised to discuss their preliminary plans to issue capital notes with the appropriate regulatory agency. We have found the advice of the FDIC and the Comptroller invaluable in the orderly completion of capital-note issues and strongly recommend that banks avail themselves of their good counsel.

The Legal Opinion. A legal opinion is a letter from legal counsel to the effect that he has reviewed documents relating to the issue and that, in his opinion, the notes have been duly authorized and represent valid obligations of the bank. This is required as a matter of course in underwritten issues.

In our opinion, banks initiating lobby sales also should consider obtaining a legal opinion. Further counsel may be helpful in advising the bank as to the legality of its sales activities. Although bank capital notes are exempt from registration under the United States Securities Act of 1933, they are subject to provisions regarding securities-sales practices. In the sale of capital notes, an honest statement of enthusiasm by an officer of the bank regarding the relative safety of the notes, etc., could constitute an unfair sales practice. The advice of legal counsel in developing the sales presentation can avoid potential legal problems arising from lobby sales.

Summary. Capital notes have become a popular source of bank capital and, barring any substantial change in tax law or investor attitude, seem likely to continue to enjoy a wider acceptance among banks seeking capital expansions.

As a prudent course of action, we recommend that banks contemplating capital-note issues initiate a thorough study of their market areas, consult their correspondents regarding availability of underwriter assistance, if required, and confer with appropriate bank regulatory agencies prior to committing themselves to any prescribed plan of action.

Preparation pays big dividends. This is especially true in the successful completion of a capital-expansion program. ● ●

Am. Express Buys Into Firm

A group formed by American Express International Banking Corp., New York City, has purchased 35% of the total common shares outstanding of Maisons Phenix, manufacturer and assembler of single-family, pre-fab housing units located in Paris.

The transaction represents the equivalent of $50 million, of which $10 million was taken by American Express.

Money-Market Funds Gain Acceptance As Assets Rise Significantly

By FREDERICK W. NEWCOMB
Vice President
And Director of Marketing
Scudder Fund Distributors, Inc.*
Boston

SINCE the investment vehicle known as the money-market fund began to develop significant assets in January, 1973, it has gained great acceptance by bank trust departments.

A money market fund is generally considered to be a "no-load" investment company investing in interest-bearing or debt securities and paying interest on a periodic basis, generally daily. As money-market rates began to rise rapidly along with the prime rate charged by banks on short-term business loans, the attractiveness of high yields supported by a quality portfolio of diversified short-term holdings became apparent. Early skepticism, overcome by high returns and convenience, faded as individual trust officers and then entire departments started to use the new investment vehicle.

Arguments of a double-management fee were set aside as the net return to the client including a fee became higher than that available through direct purchase in the market because the fund could buy high yielding, short-term paper in large amounts.

Flow of assets into money-market funds increased with rising short-term rates, but even when rates declined in 1975 and 1976, the funds continued to attract new money.

Today the industry records itself at over $8 billion, and recent projections of $10 billion by year-end — if short-term interest rates continue to climb — seem moderate in light of the growth of the last few months.

Date	Effective Prime Rates	Assets
Jan. 1973	6	$ 7.1 million
Jan. 1974	9.75	$92.9 million
Jan. 1975	10.25	$ 2.4 billion
Jan. 1976	7	$ 3.7 billion
Jan. 1977	6.25	$ 3.8 billion
Jan. 1978	8	$ 3.8 billion
Oct. 1978	10	$ 8.5 billion

Size of the funds enables them to purchase money-market issues in large sizes. It has not been unusual for a fund to purchase Treasury bills of $25 million or $30 million, bank certificates of deposit of $10 million and commercial paper of up to $8 million at one time. In this regard, funds with diversified portfolios of Treasury and Government issues, bank CDs and commercial paper had the flexibility to seek higher-yielding categories of money-market instruments while maintaining quality standards within these groups of securities (see chart on varying portfolio composition).

The effectiveness of investment results derived from a diversified portfolio has been demonstrated by comparable returns in money-market funds with representative 90-day interest rates (see annual-report-type chart on 90-day paper and rate comparison).

SCUDDER MANAGED RESERVES - A MONEY MARKET FUND HISTORY

	1974	1975		1976		1977		1978	
	12/31	6/30	12/31	6/30	12/31	6/30	12/31	6/30	9/29
COMPOSITION OF PORTFOLIO									
Commercial Paper	35.6%	38.2%	21.8%	29.3%	35.6%	41.5%	61.2%	31.8%	39.2%
Certificates of Deposit and Bankers Acceptances	54.4%	42.0%	14.2%	11.2%	19.9%	19.6%	17.4%	62.5%	58.6%
Treasury & Agency	10.0%	19.5%	63.7%	54.9%	39.9%	30.3%	18.3%	2.9%	-
Other	-	0.3%	0.3%	4.6%	4.6%	8.6%	3.1%	2.8%	2.2%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%
MONEY MARKET FUND's ANNUALIZED NET RETURN	8.9%	5.8%	5.8%	5.3%	4.7%	5.0%	5.9%	6.8%	7.4%
REPRESENTATIVE SHORT-TERM (90 day) INTEREST RATES									
Finance Company Commercial Paper	8.81%	6.04%	5.78%	5.72%	4.66%	5.54%	6.69%	7.74%	8.86%
Certificates of Deposit	8.70%	6.60%	5.50%	5.75%	4.65%	5.38%	6.80%	8.10%	8.90%
Treasury Bills	7.18%	5.91%	5.29%	5.45%	4.41%	5.03%	6.28%	7.28%	8.06%

Besides the advantages of diversification and high yield, convenience and service-cost savings also have led to greater use by cost-conscious trust departments. There are no transaction charges to reduce the effective yield with the purchase or sale of money-market-fund shares as there are with direct purchase and sale of short-term instruments. In addition, trust-department personnel can save a great deal of time that normally would be spent reviewing short-time investments once the overall credit and research practices of a money-market fund have proved acceptable to a bank. The entire investment history should be available for comparison purposes, and a monthly portfolio listing enables the trust officer to verify whether the fund is maintaining its investment-quality criteria.

Providing information on rates of return on a daily and monthly basis is a standard practice within the industry, and most funds also will provide an interim rate for any time between month-end periods. Ability to move money by telephone and the Federal Wire System is an additional convenience by virtue of not requiring banks to change their established procedures in order to use the new service.

Adaptation of money-market-fund reporting systems to trust-department requirements also has led to convenience and cost savings and thus higher usage by the trust officer. Many trust

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departments either hire an outside software service or use internal programs to record individual accounts for their bank master notes. In either case, attendant systems costs can be reduced substantially by using the fund's sub-accounting system, which usually provides account numbers in the bank's own numbering system for bookkeeping continuity and easy account identification.

At present, more and more bank trust departments are adopting total securities appraisal and reporting systems of their own. Many of these systems are purchased or leased from outside sources, and most provide record-keeping for money-market funds.

Sponsors of money-market funds have spent a great deal of time and effort in demonstrating the benefits of their service to the banking industry. Management companies have given seminars, sponsored user conferences, written articles and made radio and television appearances on behalf of their funds.

With a large number of trust departments already successfully using money-market funds, and with growing awareness of the need for service, efficiency and investment diversification, it appears that money-market funds will continue to expand as an integral part of trust management. ● ●

Computerized Statement Spreads Aid International Bankers

NEW YORK — Computerized financial statement spreads of some 4,000 different banks around the world are being sold by Manufacturers Hanover Trust. The new subscription service is being offered publicly for the first time.

The spreads are aimed at U. S. banks engaged in international banking business, foreign banks that are expanding international trade and multinational corporations involved in choosing foreign banks.

Each spread includes a balance sheet, income statement, cash flow reconciliation, net worth reconciliation and six categories of ratios for analysis of trends. The ratios are itemized under subheadings and are computer calculated.

Each international bank statement spread is a copy of that prepared for and used by the lending officers of Manufacturers Hanover and encompasses the most recent complete four fiscal years for each overseas bank. Annually, the most recent fiscal year is added to the spread and the oldest year is dropped off to keep the spread current.

According to a Manufacturers Hanover spokesman, the spreads enable correspondent banks to greatly reduce the overhead cost and language problem associated with international banking practices. Use of the spreads also minimizes the need for gathering the information in-house.

Economic Forecaster:

Alabama Quarterly Review Discusses Economy Cycles

Alabama Bancorp., Birmingham, has introduced a quarterly economic review that will appear in major daily newspapers throughout the state. Prepared by the School of Business, University of Alabama/Birmingham, *Alabama Outlook* will keep the public informed of economic activity of interest to the state, the Southeast and the nation.

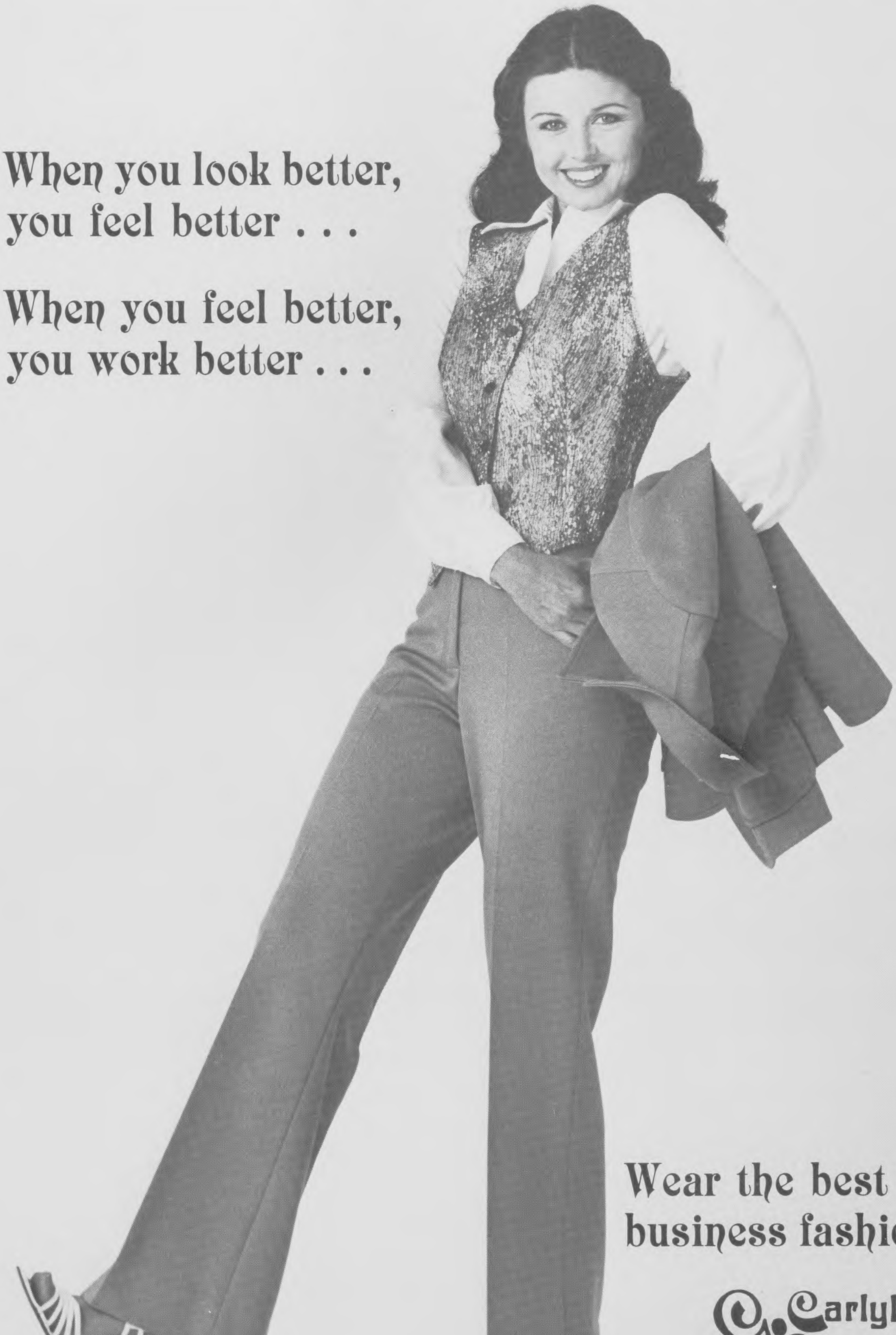
The first issue in September explored the current recessionary cycle at the national level as revealed by key economic indicators and why the Alabama economy would weather the effects of the decline better than most areas of the nation.

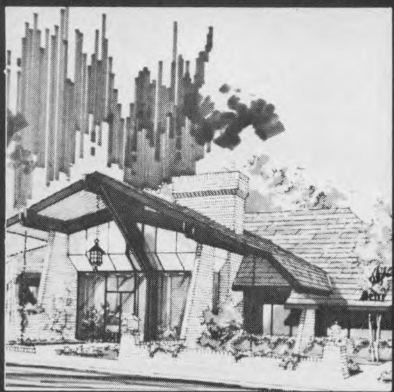
Anti-Theft System Available To Loan Customers, Drivers

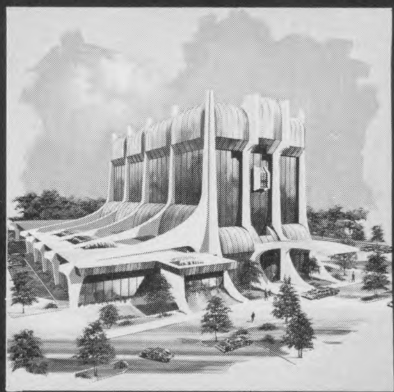
PROVIDENCE, R. I. — An anti-theft device for cars will be given away to any automobile loan customer borrowing $3,500 or more from Industrial National (InBank). The bank is using the offer as a public service aimed at decreasing the high number of auto thefts in Rhode Island. InBank will sell the Sav-Car system at cost to anyone wishing to buy it.

The system surrounds a car's starting system in armored steel and deactivates the ignition switch until an individually registered key is used. The device can be installed by most auto dealers or mechanics and also will be available from numerous auto dealerships that finance through the bank.

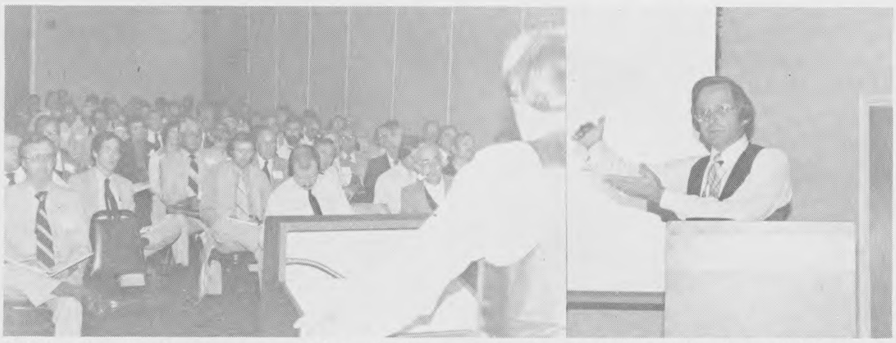
According to its manufacturer, no automobile with a Sav-Car system has ever been stolen. In addition, Massachusetts drivers get an automatic 15% discount on car-theft insurance when they install approved anti-theft systems. The device makes it impossible to "jump start" the car, spokesmen say.







DDA Interest Planning Taught at KBA Regionals



Help in planning for interest on DDAs and automatic transfers was given to bank executive officers attending the recent series of regional meetings sponsored by the Kansas Bankers Association. Presenting topic in working sessions was Carl Nielsen, chairman, department of administration, Wichita State University. Left photo shows session held in Wichita as Dr. Nielsen conducts program. Right photo shows Dr. Nielsen in action.

Fed Strives

(Continued from page 81)

volved incomplete notifications of reasons for credit denials (4,000). Failure to comply with data notation requirements (2,000) and recordkeeping violations (700) accounted for the bulk of the remaining citations. Similarly, the Fair Housing citations (about 300) related almost exclusively to failure to display the Equal Housing Lender poster.

The major substantive violation of Regulation B (almost 2,000 instances reported) related to improper requests for the signature of a nonapplicant spouse. Other substantive violations included failure to give reasons for denials and failure to report jointly held accounts in the name of each account holder.

Second examinations of 105 banks indicate that about half of them were still not in full compliance. Again, violations were largely procedural: three-fourths related to forms (65 involved applications and 15 involved statements of adverse action). A good number of these institutions have now been brought into compliance after further clarification as to what Regulation B requires. The Federal Reserve banks are dealing with the others on a case-by-case basis.

The Federal Reserve's enforcement program seeks to effect voluntary compliance whenever possible. In most instances, corrective action is initiated by bank management as a result of an on-site, post-examination discussion. Subsequently, the bank's board of directors also is apprised of the examiner's findings, and where appropriate, a special follow-up examination is scheduled.

Where warranted, the Federal Reserve Bank will take appropriate administrative action against a state member bank. That action includes proceedings under the Financial Institutions Supervisory Act of 1966, which empowers the board to issue an order requiring a bank to cease and desist from the unlawful action and to correct the conditions resulting from the violation. The board also is authorized under the ECOA to refer the matter to the Attorney General, who in turn may file an appropriate civil action.

With regard to future enforcement, the board and four other federal regulators (the Comptroller of the Currency, the FDIC, the Home Loan Bank Board and the National Credit Union Administration) have published proposed guidelines for the enforcement of Regulation B and the Fair Housing Act. The guidelines indicate the corrective actions that creditors will be required to take regarding violations discovered in the course of examinations or through investigation of complaints. The proposed guidelines do not directly require a bank to inform an applicant of violations. However, some of the corrective actions that a bank would be required to take will give notice to applicants of the bank's noncompliance (for example, the required resolicitation of applicants in cases where a bank has been found to have discriminated unlawfully).

The board does not now contemplate routinely publicizing violations of the ECOA, Fair Housing or other consumer credit regulations. If repeated violations occur and voluntary compliance is not obtained, the board could decide to make the identity of the institution public.

With regard to possible criminal prosecution against banks or their officers, there is no criminal liability provision under either the ECOA or the Fair Housing Act for any failure to eliminate discriminatory practices. Hence, the board is without authority to seek criminal prosecution.

The ECOA and the Fair Housing Act give private individuals the right to sue a creditor for unlawful discrimination. The board believes that the possibility of money damages and adverse publicity resulting from a lawsuit provides creditors with an important incentive for complying voluntarily. It is impossible to establish the extent to which the civil damages provisions have deterred creditors from unlawful discrimination, but we do know that creditors are keenly aware of the potential liability. Many of them cite their exposure to the civil damages provisions when they write to ask the board for interpretations of regulations.

Consumers can exercise their legal rights, however, only if they know about these rights. The consumer education activities of the Federal Reserve inform consumers about laws barring credit discrimination in a variety of ways:

- Through brochures explaining the

purposes and basic provisions of the statutes; about seven million copies have been distributed through creditors, federal agencies, schools, consumer organizations, civic associations and other community groups.

• Through public speeches by the staff of the Fed banks and of the board.

• Through the staff's responses to consumer complaints, including referrals for investigation.

• Through other means of an experimental character. The Reserve Bank of Chicago, for example, has been experimenting with information booths at national meetings of professional groups, and I understand that the response has been excellent.

In closing, I want to emphasize again that the board is committed to the enforcement of the laws against credit discrimination. We have already taken a number of steps toward this end. We are constantly seeking better ways to do so. • •

INTERESTing PLAN:

Bank Includes Warning In ATS Advertising

"Caution: The INTERESTing PLAN may be injurious to your financial health if you cannot be sure of maintaining a minimum balance of $1,500."

This is the wording that appears in the advertising calling attention to the new ATS service "The INTERESTing PLAN" offered by Liberty National, Oklahoma City.

The caution warning is an attempt by the bank to promote its ATS service in a responsible manner, said Chairman J. W. McLean. "As interested as we are in bringing this creative new service to our thrift-conscious checking customers," he said, "we also are determined to do it responsibly; otherwise, we would only create antagonism for the entire industry."

Liberty's ATS program includes a $4-a-month service fee, with a charge of 25¢ per check written, according to Willis J. Wheat, senior vice president and director of marketing for the bank.

Mr. Wheat said the bank researched the program and figured the break-even point for a depositor who writes as many as 20 checks per month is at least $1,500, perhaps higher, depending on activity. "We feel the customer should be warned that the only way ATS can be profitable for him is if he plans to maintain a sizable balance constantly," Mr. Wheat said.

The bank requires a minimum of $1,000 in an ATS account. If the balance is less, interest for that month is forfeited. All deposits to the INTERESTing PLAN are made to the checking account and are automatically transfered to savings. As checks come in for payment, funds are automatically switched from savings to checking.

The bank has offered a special "Save 'n' Check" program for some time that offers free checking to those maintaining a $500 balance in a savings account. A new automatic transfer option has been added to this account to protect against overdrafts. A fee of $2 is charged for each transaction.

Trade-Area

(Continued from page 76)

any responses by us, may be made public.

"You may look at a file of all signed, written comments received by us within the past two years, any responses we have made to the comments, and all CRA statements in effect during the past two years at our office located at (address).

"You may ask to look at any comments received by the Comptroller of the Currency or its regional office.

"You also may request from the Comptroller of the Currency or its regional office an announcement of applications covered by the CRA filed with the Comptroller of the Currency.

"We are a subsidiary of (name of HC), a bank holding company. Applications filed by bank HCs that are covered by the CRA are included in the Comptroller of the Currency's announcement of applications referred to in a previous paragraph."

Consumers may request to be placed on a roster of people to receive announcements of CRA-covered applications that have been filed with the supervisory agency.

• *Files of public comments.* Each lender must maintain files of all signed written comments received from the public within the past two years that refer specifically to any CRA statement or to the lender's performance in helping to meet the credit needs of its community. These files must be available to the public on request. Lenders may include their responses to such comments in the file and any comments reflecting adversely on the good name or reputation of anyone violating specific provisions of a law shall not be included. Also, files on all offices of a lender shall be maintained at the head office. Materials relating to a local community shall be maintained at an office in that community.

All letters in the files must be open for public inspection. • •

ABA Announces Changes In Three Divisions

WASHINGTON, D. C. — The ABA's international banking division became more closely related to its commercial lending and correspondent banking divisions November 1. The objective is to provide more effective liaison for and support to bankers who share common program interests.

John S. Clark, director, commercial lending and correspondent banking divisions, has assumed staff responsibility for the international division in addition to his other duties. The assistant director of the international banking division, Mary Ellen Ledwith, has joined Mr. Clark's staff and has a significant role in management of activities in the international area.

Roger Hawkins, who was international banking division director, has been given new duties relating to the bank HC area and continues as director, housing/real estate finance and bank investment divisions.

According to Donald E. Stevens, executive director of the ABA's banking professions group, the grouping of the three divisions at the staff level will permit the association to better serve the overall credit needs of smaller regional banks as well as other areas of mutual interest for those financial institutions.

Mr. Stevens points out that the liaison among the three divisions corresponds organizationally to the structure of many banks and will provide more effective communication and identification of programs, projects and government-relations issues at the bankers' level.

Mr. Stevens also says this is a natural organizational change that has been under consideration for several years.

As of November 1, 1978 regulation Q makes it legal for banks to automatically transfer funds between savings and checking accounts.

Deluxe can help.

The new regulations permitting automatic transfer of funds from savings to checking accounts to cover overdrafts and other needs offer several interesting challenges. One of these is how to handle the transactions efficiently. Perhaps we can help.

We have, for example, the Deluxe Automatic Transfer Form N2310, a standard 3 part carb-out with Customer Notification copy, Debit copy and Credit copy. These forms are economical and premanufactured for

immediate shipment.

Or, you may wish your own custom transfer forms printed to your specifications, with or without MICR encoding. There is a modest one-time make up charge (not to exceed $25), and reprint cost is at standard catalog prices.

Contact your Deluxe Sales Representative for automatic transfer forms or any other internal form. The **Pro Formers** of Deluxe help make your Operations run smoothly.

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Cities Improving Credit Ratings

NOT ALL large cities are in financial trouble, despite New York City's much publicized woes of the past few years. According to a credit study made by Chicago's Continental Bank, many large U. S. cities show stable credit prospects. In fact, says David G. Taylor, some major cities are even improving their credit ratings. Mr. Taylor is executive vice president and head of Continental's bond and money market services department.

Mr. Taylor and another Continental Bank bond specialist, Gordon E. McDanold, also report that total volume in the municipal bond market is expected to be up only slightly this year, despite a recent surge in new issues. Mr. McDanold is vice president and head of the bank's public finance group.

Continental made the credit study, which is a comparative analysis of 62 of the more actively traded city credits, to help municipal bond investors evaluate general-obligation municipals. The cities were selected on the basis of three criteria:

- A 1970 population greater than 150,000.
- A Moody's Investors Service rating of either "Aaa," "Aa" or "A1."
- Sufficient general-obligation debt outstanding to be considered a general market credit.

Mr. McDanold points out that the study helps investors in general-obligation municipals by comparing cities with other municipalities in their own rating categories.

"This gives valuable insights into the relative strengths and weaknesses of the cities and gives the investor a sound basis for making credit decisions," says Mr. McDanold.

He adds that because of the financial difficulty experienced by a few large cities, investors have become increasingly concerned about the fiscal health of all large cities. In addition, he says, because general-obligation bonds are secured by the taxing power of the issuer and not by a specific source of revenue, the riskiness of general-obligation bonds sometimes is difficult to assess.

"This study," Mr. McDanold points out, "reveals the wide disparities between similarly rated city credits and demonstrates that credit decisions should be based on more than credit ratings."

The study contains reports on these Mid Continent-area cities: *"Aaa"-rated cities* — Austin, Tex.; Dallas; Houston; Indianapolis; *"Aa"-rated cities* — Albuquerque; Chicago; Corpus Christi, Tex.; Fort Worth; Jackson, Miss.; Kansas City; Louisville; Memphis; Nashville; Oklahoma City; San Antonio, Tex.; Tulsa; Wichita; *"A1"-rated cities* — Birmingham, Ala.; El Paso, Tex.; Knoxville, Tenn.

Municipal-bond volume in 1978 should reach a record $47 billion, up $2 billion over 1977, according to Mr. Taylor. He adds that municipal-bond yields — as of this writing averaging about 6% — should continue to increase as interest rates rise during the last half of the year.

Mr. Taylor, a member of the Municipal Securities Rule-Making Board, explains that the recent increase in municipal-bond activity resulted from issuer response to changes in Treasury regulations making the refunding of existing municipal bonds less profitable in the future.

"This encouraged a number of cities to refund existing bond issues in May and August before the new regulations went into effect in two stages," Mr. Taylor points out.

Mr. McDanold says that although banks and insurance firms are major purchasers of municipals, individual investor interest in that market has increased in the past two years. He cites this reason for this development: Inflation has pushed individuals into higher income-tax brackets, thus making municipal-bond yields more attractive to them. As an example, he says a tax-exempt municipal bond with a 6% yield is equivalent to a 7.7% taxable bond for an individual in the 22% tax bracket and equivalent to a 10% taxable bond for a taxpayer in the 40% bracket. ● ●

E. Smith Elected President; Replaces R. Smith as Head At Annual NABW Convention


SMITH


ROWLAND


CROW


WEBSTER

LAS VEGAS, NEV. — Esther H. Smith, vice president, Commerce Union Bank, Lebanon, Tenn., was elected president, National Association of Bank Women, at the association's 56th annual convention here in late September. She was NABW's vice president and, in her new post, succeeds Ruth I. Smith, president, First State, Kansas City, Kan.

Other new officers are: vice president, Josephine M. Webster, vice president and investment officer, American Fletcher National, Indianapolis; secretary, Dorothy Rowland, senior vice president and community relations director, Capital National, Austin, Tex., and treasurer, Betty L. Crow, vice president, Commerce Bank, Kansas City.

The two-year terms of the northeastern and southeastern quadrant directors will be filled by Joan L. Palmer, assistant vice president and manager, Delaware Trust, Fenwick Island, and Joyce M. Hardwick, assistant vice president, Security Bank, Corinth, Miss., respectively. Each director coordinates the activities of regional vice presidents in her quadrant. The northwestern and southwestern quadrant directors, Janet G. Pender, cashier, First National, Dickinson, N. D., and Cynthia Hazeltine, assistant vice president, First National of

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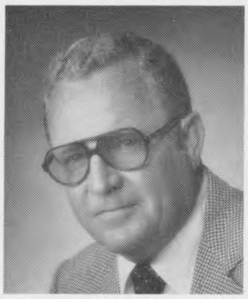
COMPARE OURS!

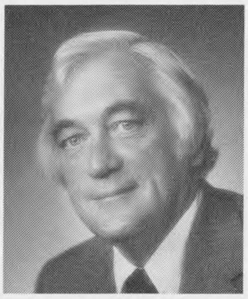
BANK ON SALES AND UNDERWRITING

Charles Kilpatrick
15 years



Granville Ramsay
6 years

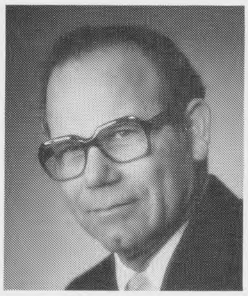
Richard Fletcher
25 years



Stuart McCown
21 years

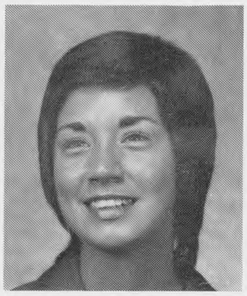
BANK ON INVESTMENT OPERATIONS

Margaret Colucci
12 years



Oral Kee
10 years

BANK ON FEDERAL FUNDS



Pam Nelson
3 years

Debbie Totty
6 years

U.S. TREASURY BILLS, NOTES AND BONDS
GOVERNMENT AGENCY BONDS
TAX EXEMPT BONDS
FEDERAL FUNDS
SAFEKEEPING OF SECURITIES
BOND PORTFOLIO ANALYSIS AND ACCOUNTING
WEEKLY MARKET REPORT

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Arizona, Phoenix, respectively, will continue to serve in the second year of their terms.

Also elected were 15 regional vice presidents who coordinate the activities of all NABW members and groups within their respective regions. The regions and their vice presidents are: Florida, Nancy A. Crotty, senior vice president, Sun Bank of Seminole, Fern Park; Lake, Geraldine D. Marston, assistant vice president, Park National, Newark, O.; Middle Atlantic, Eva T. Pantaleone, assistant vice president, Industrial Valley Bank, Philadelphia; Midwest, Faye E. Minium, executive vice president, Citizens State, Morland, Kan.; New England, H. Sylvia McFarlane, vice president and controller, Northeast Bank, Farmington, Me.; North Atlantic, Marion T. Cirello, assistant vice president, Yardville National, Trenton, N. J.; and North Central, Bernice D. Johnson, assistant vice president, First National, St. Paul.

Also serving in these posts are: Northwestern, Betty Lou Smith, assistant vice president and trust officer, Pacific National, Seattle; Rocky Mountain, Betty Shrader, vice president, First National Bancorp., Denver; South Atlantic, Anna Belle Ambrosen, market development officer, United Virginia Bankshares, Richmond; South Central, Ellen N. Cole, vice president and trust officer, Merchants Marine Bank, Pascagoula, Miss.; Southeastern, Frances J. Shipley, assistant vice president, South Carolina National, Moncks Corner; Southern, Juanita Milton, vice president, Citizens National, Bowling Green, Ky.; Southwestern, Joan Rivers, assistant vice president, Corpus Christi (Tex.) National; and Western, Sally A. Ramsey, trust officer, Security National of Nevada, Reno.

Named to the board of trustees are: Hellen H. Reese, senior vice president, American Bank, Odessa, Tex., and Karen Thomson, vice president, St. Joseph Valley Bank, Elkhart, Ind.

Second Financial Seminar Set by Nat'l Boulevard

CHICAGO — "Perspective 79" is the theme of the second annual financial seminar to be held for correspondent customers of National Boulevard Bank on November 15 at the Hyatt Regency Hotel here.

Speakers for the all-day event will include congressmen Henry J. Hyde (R.,Ill.) and William A. Steiger (R.,Wis.). Rep. Hyde serves on the judiciary and banking committees and Rep. Steiger is a member of the ways and means committee. Among other speakers set for the event is Eliot Janeway, economist.

Daniel N. Quigley, executive vice president, host bank, and chairman, Illinois Electronic Funds Transfer Study Commission, will report on the progress the commission is making toward EFT enabling legislation in Illinois.

Host for the day will be Henry Gardner, president, National Boulevard.

Representatives from about 200 banks are expected to attend.

Mercantile Goes Brazilian

ST. LOUIS — Mercantile Trust has opened a regional South American representative office in Rio de Janeiro, Brazil. The office is headed by Wilbur C. Andrews Jr., a veteran of 24 years in international banking, including 13 years in Brazil as First National of Boston's representative.

The Case for a 'Go-Slow' Approach To the Fed-Membership Problem

By JOHN H. PERKINS
President
American Bankers
Association

THE PROBLEM of Fed membership is one that goes not only to the heart of the banking industry's structure, but also appears to have profound implications for correspondent banking. Not all these implications have become clear yet.

The problem is basic: The Fed is losing members and is concerned that this loss ultimately could threaten its ability to have an effective monetary policy.

The cause of this membership loss likewise is quite straightforward: Fed members have to keep their required reserves in sterile accounts. On the other hand, nonmembers frequently have lower reserve requirements and/or the ability to keep those reserves in interest-bearing accounts or securities.

More than a year and a half ago, the Fed came forth with its plan to solve the problem. The Fed would lower reserve requirements, pay interest on required reserves and explicitly price whatever services it provides banks.

Bankers studied that Fed plan thoroughly — and I do mean thoroughly — and found it to be both direct and workable. So at a banking leadership conference last year, a consensus emerged to support the Fed plan, with a few modifications.

Then the frustration set in, because nothing happened. Why? At least partly because a new issue arose — how to replace revenues the Treasury Department would lose. Critics charged that paying interest on reserves would be little less than a raid on the Treasury by the banking industry.

Legislation recently emerged to take that criticism into account. And because this legislation was proposed by House Banking Committee Chairman Henry Reuss (D.,Wis.) and endorsed by both Senate Banking Committee Chairman William Proxmire (D.,Wis.) and Fed Chairman G. William Miller, it has moved along with unprecedented speed.

Congressman Reuss has proposed the Fed be given authority to set mandatory reserves for all banks, not just Fed members. However, he would exempt the first $50 million of time deposits and the first $50 million of combined demand and savings deposits from *any* reserve requirements. The Reuss proposal also includes a reduction in the range of reserve requirements that could be imposed by the Fed.

Not surprisingly, this plan has drawn considerable support from bankers and others. Bankers want to work with the Fed and Congress to get at the membership problem.

The bill does offer these attractions: It would lower reserve requirements immediately for Fed members; it would totally eliminate reserve requirements for more than 90% of all banks, and it would halt attrition of Fed membership of those banks over the exempt amount of reserves.

It all sounds attractive enough. Yet I feel that it would be a mistake to go full speed ahead on this plan at this time.

The banking leadership conference came to this conclusion at its meeting in late August, when it had an opportunity to hear all sides of the problem and at least begin an analysis of what turned out to be extremely complicated issues.

Arguments for a go-slow approach are substantial. Basically, though, our case is this: We, and Congress, are confronted with a far-reaching piece of legislation, the ultimate ramifications of which are so numerous that time is needed for a thorough understanding and analysis of just what is involved.

John H. Perkins gave talk on which this article is based at ABA's 1978 correspondent banking conference. Mr. Perkins, pres., Continental Bank, Chicago, became ABA pres. at association's annual convention in Honolulu last month.

Already, in fact, a few misconceptions have taken hold among some of the plan's banking supporters.

Some larger banks have been attracted by the prospect of an immediate reduction in reserves and mandatory membership for all depository institutions — including thrifts. From a legislative standpoint, the latter seems highly unlikely, although thrifts are included in Senator Proxmire's version of the bill.

Any initial reduction in reserves may or may not be completely offset in the long run, depending on future Federal Reserve price schedules. This assumes that Congress actually would permit much lower reserve levels for larger banks — an assumption that may or may not be realistic.

Some smaller banks think the proposed plan would give them what would amount to a free lunch, since they could get Fed membership — and access to Fed services — without having to meet reserve requirements.

That simply is not about to happen. The Fed is not about to give a free lunch to any bank. It has said it intends to go ahead with plans to price its services explicitly no matter what happens with this legislation. I might add that the Fed doesn't need any new legislative authority to move in this direction. Also, it must be noted that basic changes in pricing ultimately will affect all banks — large or small, member or nonmember.

Another troubling question is whether this really would enhance the Fed's ability to set monetary policy.

Fed Chairman Miller indicated to the banking leadership conference in August that the ability to adjust reserve requirements really is not an essential part of setting monetary policy.

Even if it is, one must question the efficacy of this approach. Realistically nonbank depository institutions still would not be subject to the Fed's requirements, and these institutions are gaining an increasing share of the nation's deposits. Furthermore, the percentage of total bank deposits subject

LEFT: Panelists on Fed-membership problem at ABA's correspondent banking conference are, l. to r.: Andrew J. Shepard, ch. & pres., Exchange Bank, Santa Rosa, Calif.; James E. Brown, pres., Mercantile Bancorp., St. Louis; Edward D. Dunn, Georgia banking commissioner; and panel moderator, Ronald A. Terry, ch., First Tennessee Bank, Memphis. RIGHT: Pictured during correspondent banking conference are, l. to r.: John S. Clark, director, ABA correspondent banking div., Washington, D. C.; Llewellyn Jenkins, ch. of div. and e.v.p., Manufacturers Hanover Trust, New York City; and R. Molitor Ford, ch. of conference and s.v.p., First Tennessee Bank, Memphis.

to Fed requirements would actually drop under this bill — from 73% at the end of last year to 68%, for whatever impact that may have.

It might well be that the Fed actually could solve its problem more effectively by lowering reserve requirements to the existing statutory minimums. Lowering the minimum statutory reserve to zero would give the Fed even more flexibility to pursue an innovative solution to its membership problem.

Certainly, lowering reserve requirements would not do violence, as this bill does, to one fundamental principle of Federal Reserve operations — the principle of voluntary membership. Under the Reuss proposal, banks above a certain deposit size would have no choice about their reserve requirements; they would be set by the Fed. These banks then would have access to Fed services at an unknown, future price — even if they were not Fed members. In effect, they would be Fed members in everything but name, regardless of whether they wanted Fed membership.

That brings up the question of the effect this bill would have on the dual-banking system.

Between 200 and 300 state-chartered nonmember banks would fall into the classification of banks that would have to meet Fed reserve requirements. True, they could keep their reserves with a correspondent, but the correspondent would have to pass them along to a Federal Reserve regional bank on a one-for-one basis. So the net effect would be that these large nonmembers would be paying the cost of Fed membership whether or not they actually joined.

The ABA has sounded out quite a few of these large nonmembers, and, almost without exception, they said they will opt for a national rather than state-charter if they have to meet the Fed's reserve requirements.

In 12 states, these large nonmembers have more than half the deposits placed in state-chartered nonmember banks. In three more states, they control nearly half. State banking departments often depend on banks they supervise for their revenues, so it doesn't take a degree in higher math to realize how departure of large nonmembers could devastate them. This is another area that needs thorough examination. It also will show interesting political ramifications as the bill becomes better understood.

And then there is the correspondent banker. What would this bill do to him?

It would cost nothing for a small bank to join the Fed. Thus, many would, and that would grant them access to Fed services — at a price. Large nonmembers would have to meet Fed-set reserve requirements, and they, too, would gain access to Fed services, at a price.

The Fed has said it will go ahead with its plans to price its services explicitly, so these banks would have to pay for any services they bought from the Fed. A key unknown is how the Fed finally will price these services. Therefore, the matter of how a correspondent bank can compete is a major question for the future.

Will this pricing be on the basis of marginal costs or fully allocated costs? What about an inputed profit and tax level? What about the cost of capital? What happens to float? All these are significant unknowns, and they don't even touch on the whole question of earnings allowances on balances, which obviously affect the final result.

And the Fed's pricing list presumably will not be published until next year, when it will be too late to do anything if this bill is enacted now in its present form. It takes little imagination to visualize what could happen in the marketplace simply because of this pricing decision.

There are other questions raised by this proposal. How would lowering the Fed's reserve requirements and pricing Fed services affect the Fed's income and thus Treasury receipts? It seems that several sets of theoretical figures, which do not reconcile, are being used to investigate this question. How will the proposal affect other issues on the horizon, such as consolidation of bank regulatory agencies or other important and related issues?

And what could it mean for potential legislative divisions among banks if we have one set of banking rules and laws for banks that have mandatory reserves and another set for the other banks; if we divide the system into a small group of larger banks with Fed requirements and a large group of all other banks not directly involved? Experienced people in the banking legislative area are concerned that this type of division could make it more difficult to deliver one message in an effective way on behalf of our customers when key, controversial issues are at stake.

I think it's sufficient to say that a large number of serious questions have been raised by the current Reuss proposal in the House for which we simply have not had time to find answers. Nor has there been time for a thorough analysis of even the probable answers.

If there were a real crisis, perhaps one could justify hasty action on a bill

raising this many serious questions. But there is no crisis over Fed membership. There is a real problem, and one has to share Chairman Miller's real concern about it. But perhaps that problem would be better solved through taking enough time for a thoughtful, reasoned approach that eliminates existing problems without creating new ones. ● ●

Consumer Protection

(Continued from page 78)

rights laws and regulations. In turn, banks have increased their own vigilance and most try hard to comply with laws and regulations. FDIC examiners try to assist bankers whenever possible in understanding the requirements of applicable laws and regulations.

To measure the effectiveness of our separate compliance examinations, we undertook a survey of examination reports to compare our experience under the new separate compliance-examination system with that of the old system. We found we are better able to detect instances in which the bank, either through inadvertance or otherwise, has failed to comply with consumer regulations. Accordingly, we intend to continue to examine banks for compliance in a separate examination with specially trained examiners. These examiners are helpful, not only with respect to detection of apparent violations, but also in obtaining corrective action on the part of banks.

Corrective action on violations discovered during the course of a compliance examination generally begins with the examiner pointing out to bank management the violations discovered and the corrective actions necessary to make the affected individual whole and to preclude a recurrence.

After review in the regional office, the report of compliance examination is transmitted to the bank's board. If the violations are not corrected voluntarily or satisfactorily, a strongly worded supervisory letter is addressed to the bank's directors. In some cases, the directors are requested to sign a written agreement on corrective measures. A continuation of unsatisfactory compliance generally will result in a recommendation for formal cease-and-desist action.

At the time of this writing, the FDIC's board has issued 13 cease-and-desist orders since January, 1977, in which one of the items stated was substantial noncompliance with the Equal Credit Opportunity Act and its implementing Regulation B. Corrective action required of the bank included providing rejected applicants with written notices of adverse action, designating a compliance officer in the bank, adopting a written compliance program subject to the regional office approval and providing periodic progress reports on compliance efforts to the regional director. The foregoing represents a summary of our present approach to achieving compliance with fair-lending statutes by FDIC-supervised banks.

Apart from the compliance program I have described, we have considered public release of names of institutions that have refused or failed to eliminate discriminatory lending practices.

There are two reasons why such public disclosure might not be advisable. First, disclosure could present a misleading picture unless a full explanation of the nature of the violation is given. Second, public disclosure would deny an institution the benefit of asking for an administrative hearing and the attendant safeguards such a hearing could entail. It should be noted in this regard that final cease-and-desist orders, issued after an administrative hearing or after being consented to, are available to the public on request.

The law presently doesn't authorize criminal prosecution of either a bank or its officers who fail to comply with the fair-lending statutes. However, the Equal Credit Opportunity Act authorizes the FDIC to refer cases to the Department of Justice, which may seek appropriate relief in court, including injunctive relief. The FDIC presently has no statutory authority to penalize a bank or a bank official for failure to eliminate illegal discriminatory lending practices. However, when the Financial Institutions Regulatory Act of 1978 becomes law, the FDIC will gain the power to impose penalties for violation of federal laws and regulations. If it's determined that civil penalties can be imposed for such activity by an enforcement agency under state law, the FDIC would refer the matter to the appropriate state agency for disposition.

During the course of the safety and soundness examination, bank officers are required to provide information on all litigation involving the bank, including civil-damages litigation. While litigation information is collected, it has never been collated systematically. Thus, we don't know the extent to which customers of FDIC-supervised banks have pursued such litigation as a means of corrective action and redress for discriminatory lending practices. While civil damages litigation can be an effective way of achieving general compliance with laws against credit discrimination, such litigation is expensive, time consuming and generally applicable only to the facts of the specific case adjudicated. However, we recognize that well-publicized cases involving substantial penalties can have a salutary effect in encouraging compliance.

Recently, uniform guidelines for

enforcing the Equal Credit Opportunity Act and its implementing Regulation B were proposed by those federal agencies that regulate banks, thrift institutions and credit unions. The basic objective of these guidelines is to require offending institutions to take corrective action to make amends to their customers where prohibited discriminatory practices are uncovered.

Other FDIC Civil-Rights Activities. Investigation of consumer complaints has been another means of determining compliance with fair-lending laws and regulations. Prior to the Equal Credit Opportunity Act, we received few complaints. In 1975, for example, we received only eight credit-discrimination complaints. Since that time, the number of complaints has increased. In 1976, we received 78 complaints, and in 1977 we received 219. We think this increase is due primarily to the Equal Credit Opportunity Act notice.

This notice, giving the name and address of the creditor's federal supervisory agency, has been of considerable help in assisting consumers who wanted to register a complaint of discriminatory lending practices. The FDIC has developed and distributed several information brochures to assist consumers in understanding fair-lending laws and their rights under these laws.

During the past year, we have distributed over six million educational pamphlets on antidiscrimination laws. One of these pamphlets briefly summarizes federal consumer protection statutes applicable to banks, explains how to file a complaint and provides a form for filing an inquiry or complaint. In addition, we attempt to provide every consumer who inquires or complains to the FDIC about credit discrimination with information on his or her rights under laws. We intend to expand our educational efforts with materials on our fair-housing-enforcement activities, the Home Mortgage Disclosure and Community Reinvestment acts, and the steps involved in applying for and obtaining a loan.

Redlining. The term "redlining" has evolved to mean a financial institution's restriction of credit, either wholly or partially, in the community it serves based on characteristics of the inhabitants of that community and age or location of housing stock.

Urban decay surely has been aggravated by redlining practices, as has been pointed out in congressional hearings on the Home Mortgage Disclosure and Community Reinvestment acts. But to consider redlining practices and urban decay merely as a cause-and-effect situation is too simplistic. Poverty, decline in city services due to a deflated tax base, crime, unemployment, counter-productive subsidy programs, usury laws, rent control and inflation also contribute significantly to urban decay.

Bank-agency promulgation and enforcement of regulations to prohibit redlining conceivably would ensure more equitable treatment of individual loan applicants. Such regulations really can have only a significant impact on urban decay in tandem with a united partnership at federal, state and local levels to provide adequate public services and other forms of assistance to solve urban problems.

During the past year, we have distributed over six million educational pamphlets on antidiscrimination laws.

The FDIC's legal division has advised us that we have the authority to issue nondiscrimination regulations to prohibit redlining. The legal division's view is that the FDIC may prohibit age and location of dwelling redlining practices on grounds that these practices are arbitrary and unnecessary and that they conflict with a bank's obligations under provisions of the Community Reinvestment and Federal Deposit Insurance (FDI) acts.

Specifically, the foregoing conclusion is based on the following: (1) that Congress found in enacting the Community Reinvestment Act that financial institutions have a continuing obligation to meet community-credit needs; (2) that the Senate report on the Community Reinvestment Act suggests that such an obligation always has existed under the corporation's statutory authority in the FDI Act relating to application requirements; (3) that the corporation has statutory authority under Section 9 of the FDI Act to promulgate regulations to implement the act's provisions; (4) that the purpose of the Community Reinvestment Act is to revitalize communities; (5) that the national policy as noted in the Fair Housing Act promotes fair housing; (6) that lending discrimination based on age or location of a dwelling is inequitable and has adverse effects on community development; and (7) that such an arbitrary practice can be eliminated without undue hardship to banks.

CRA regulations became effective November 6. It's expected that, under the regulations, banks will be required to publish CRA statements no later than February 6, 1979. Generally speaking, statements will include a delineation of the community and a list of the community's credit needs the bank is prepared to serve. A notice that this statement is available for public comment will be posted in the lobby of the bank so that agencies will have the benefit of the public's reaction to the bank's intentions as well as its performance. We hope banks will comply faithfully with the act's spirit as well as its purpose.

FDIC's Fair-Housing Regulation. Part 338 of the FDIC's regulations establishes record-keeping requirements for insured state nonmember banks with respect to one-to-four family home-loan inquiries and applications. In addition, each insured state nonmember bank having an office located in a SMSA and assets exceeding $10 million is required to retain credit-related information for home-loan applications.

All insured state nonmember banks are required by Part 338 to request from the applicant and to retain any information provided on the name, address, race/national origin, gender, marital status and age of persons making inquiries about applications for home loans. In addition, these banks are required to request and to retain information on the location of the property involved. If the inquirer refuses to provide information concerning race/national origin or gender, the bank is required to note the information on the basis of observation or surname.

During the course of compliance examinations and fair-lending-complaint investigations, FDIC examiners will review log sheets and loan records in conjunction with a data collection and analysis program for evidence of possible discriminatory practices concerning inquiries and applications for home loans. Banks identified as possibly engaging in such practices by the analysis system will be subjected to a more detailed examination. This data collection and analysis system is presently under development, and full implementation of the program is not expected before early 1979.

While the Fair-Housing regulations are intended to assist in detection of discrimination against individuals on the basis of race, gender, age or marital status, information required under the

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regulation on location of property and age of structure could prove useful in investigating redlining practices.

Home Mortgage Disclosure Act. In addition to using information retained by banks pursuant to Part 338 of FDIC regulations, FDIC examiners will employ Home Mortgage Disclosure Act data as an auxiliary tool in examining banks for evidence of redlining practices. Information generated by requirements of this statute includes total amount and census-tract locations of home-mortgage and home-improvement loans made by a financial institution in the SMSA during the reporting period. However, this information by itself cannot confirm or disprove the existence of redlining practices.

Possibly the most beneficial aspect of the Home Mortgage Disclosure Act disclosure statement is that it shows the extent of an institution's housing-related lending to specific geographic areas. This provides the basis to those using the disclosure statement to raise questions regarding an institution's policies in extending housing credit to particular areas. To some degree, the data also help to show availability of housing credit in specific neighborhoods. However, the usefulness of the Home Mortgage Disclosure Act data is affected by basic conceptual difficulties.

Taken by themselves, the data are susceptible to misinterpretation because they reveal little about actual demand for housing credit in specific geographic areas. Furthermore, the disclosed data cover only a portion of the total housing credit flows to a neighborhood or market area. Institutions not subject to the act can be significant mortgage originators. Credit flows within a particular area will be understated to the extent that non-depository institutions retain the mortgages they originate or sell them to institutions located either outside of the SMSA of origination or to institutions not covered by the Home Mortgage Disclosure Act. In addition, exclusion of secondary-mortgage-market institutions such as FNMA and FHLMC from Home Mortgage Disclosure Act coverage also will cause housing credit flows to be understated.

These conceptual and technical problems, as well as statutory responsibilities for enforcing the Home Mortgage Disclosure Act and for recommending improvements in the act, prompted the FDIC and the Federal Home Loan Bank Board to fund a comprehensive study of the Home Mortgage Disclosure Act. Disclosure of home loan data is effective only if the information provided is timely, accurate, meaningful and useful to potential users of the information.

While Home Mortgage Disclosure Act data appear to possess the first two qualities, there's doubt about the other two. If it's deemed appropriate to continue some form of mandatory disclosure after expiration of the Home Mortgage Disclosure Act, a more useful system of disclosure should be designed. In designing such a system, the costs to financial institutions and to the public should be determined and should be measured against anticipated benefits.

Results of the FDIC/FHLBB study should be useful in designing an effective and cost-efficient Home Mortgage Disclosure Act. ● ●

Seven-Story Facility/Office Building Being Built by Chicago's Continental

CONSTRUCTION of a new seven-story, 100,000-square-foot neighborhood banking facility and office building for Continental Bank, Chicago, began recently. The building is at the corner of Clark and Division streets.

The first floor and mezzanine of the brick and glass structure will house the bank's personal and commercial banking services. Floors three through seven, with a total of 64,330 square feet of space, will be leased to tenants. Completion of the structure is set for late next year.

A landscaped courtyard will be included at the southern perimeter of Continental Bank's new neighborhood personal banking facility on Chicago's near north side. Drive-up will adjoin seven-story building, which is scheduled for completion late next year.

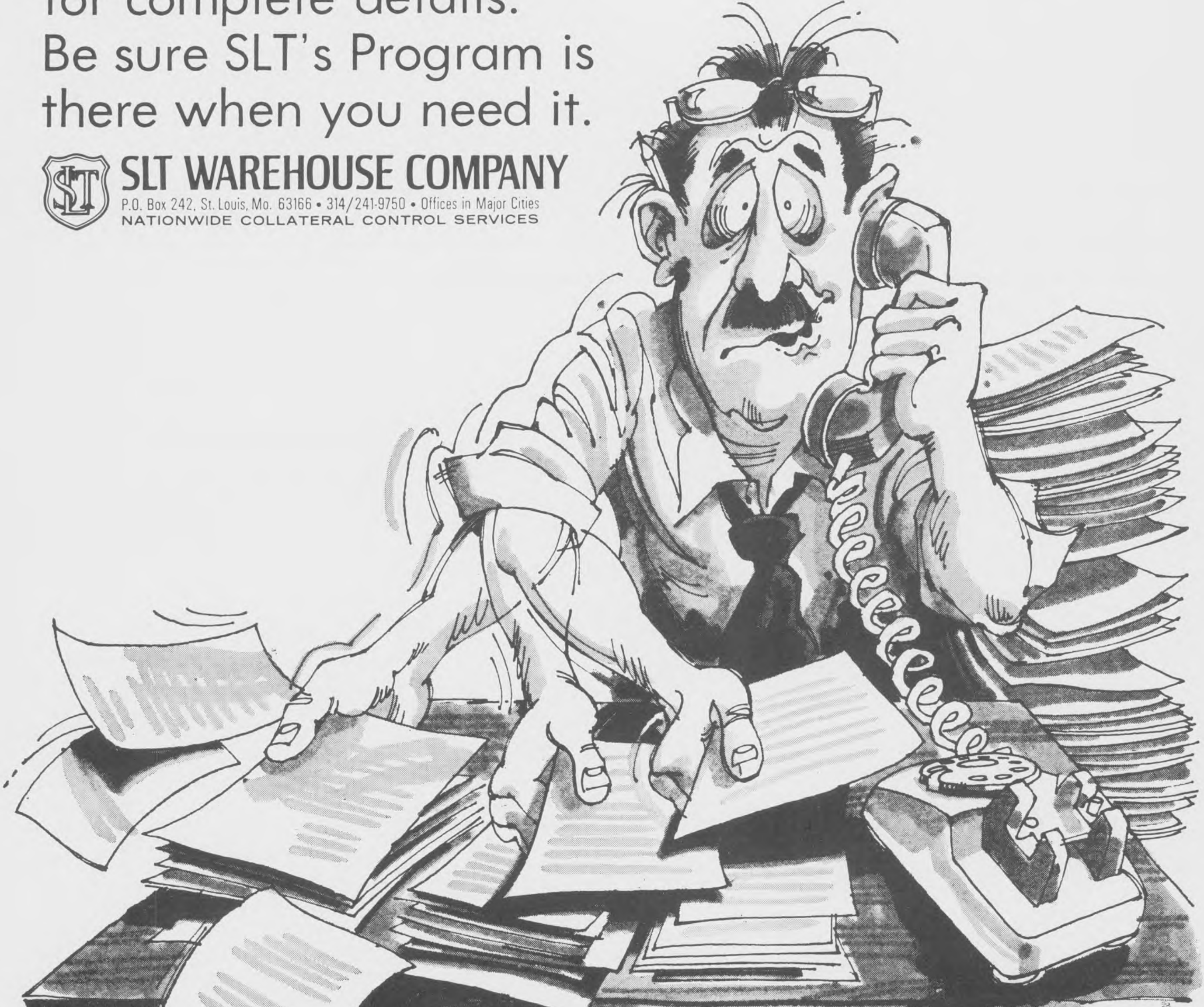
The new building will replace the bank's temporary facility, built last year. The facility's present staff of 35 is expected to increase to about 50 when the new building opens.

Teller windows will be increased from eight to 14 and four windows for commercial customers will be added. Drive-up windows will be increased from two to three.

Designer of the building is Skidmore, Owings and Merrill, Chicago. The energy-efficient structure will include insulating tinted reflective glass for all glazed portions except the ground floor lobby. Insulated brick masonry will enclose 60% of the building.

Heating will be provided by a storage-type boiler that will consume energy only during non-peak electricity consumption periods. The heating and cooling system is designed to permit conversion to fossil fuel or solar energy.

The building is the first new construction for the bank in more than 50 years. The facility serves the bank's customers located on Chicago's near north side. ● ●



NEWS
From the Mid-Continent Area

Alabama

■ FIRST NATIONAL, Birmingham, has made the following promotions: A. Fox deFuniak, senior vice president, corporate banking services department, and M. L. Kendrick, senior vice president, central information department. Other promotions are: Waymon Paul, vice president and trust officer, natural resources department; Joel D. Cornett, vice president, real estate loans; Martin Salmon, assistant vice president, properties department and Rhodes L. Watkins, assistant vice president, communications, marketing department. Three assistant cashiers have been named: R. S. Graves, credit; John S. Meriweather, comptroller's office; and Bobbie Rhodes, main office lobby branch.

■ EASTERN SHORE NATIONAL, Daphne, has become an affiliate of First Bancgroup-Alabama, Inc., headquartered in Mobile. The ribbon for the ceremony that officially annexed the bank was made of dollar bills of varying denominations. The winner of a drawing won a savings account in the ribbon amount. In other action, Clarence E. Davis was elected to Eastern Shore National's board. He is a senior executive vice president and administrative officer of First Bancgroup-Alabama, Inc. Mr. Davis also is senior executive vice president, First National, Mobile.

■ SOUTHERN BANCORP., Birmingham, has announced the retirement of board members William T. Cothran, Lee C. Bradley Jr. and William H. Hulsey. Mr. Cothran, past president of the Alabama Bankers Association, formerly was president, director and chairman, Birmingham Trust National. Mr. Bradley is a senior partner of Bradley, Arant, Rose & White. Mr. Hulsey, presently chairman of Garber, Cook & Hulsey, Inc., an investment banking firm, also is chairman, Computer Services Corp.; director, Allied Products; and chairman, Beaver Construction Co.

■ FIRST ALABAMA BANCSHARES, INC., Montgomery, has acquired First State, Cullman. It is First Alabama's 15th affiliate bank and has been renamed First Alabama Bank, Cullman.

Gentry A. Martin Dies

Gentry A. Martin, 55, s.v.p. and director of public relations, Union Bank, Montgomery, died of an apparent heart attack September 28. Before joining the bank in 1968, Mr. Martin was in the life insurance field. In 1951, he joined Guaranty Savings Life Insurance Co. as special agent and rose through several posts to sec. in 1957. Two years later, he was named sec. and asst. treas. and also was made asst. sec., United Security Life Insurance Co., Des Moines, Ia. He became sec./treas. and chief administrative officer in 1965.

Arkansas

■ WORTHEN BANK, Little Rock, has promoted six of its officers: Dwayne Cary, John Stanley and Mary Watson to vice presidents; Donnie Cook and Ed Springs to assistant vice presidents; and Thomas Narrell to trust operations officer.

■ COMMERCIAL NATIONAL, Little Rock, sponsored a meeting of its national advisory board October 3 on "Energy for Arkansas: A Challenge to Survival." The board is made up of 19 Arkansas natives who have achieved national and international prominence as business, civic and community leaders. It meets annually to discuss important state issues. Results of its energy study will be published at year-end. In conjunction with the energy meeting, the bank sponsored a lecture by John F. O'Leary, deputy secretary, Department of Energy, Washington, D. C., for the third annual distinguished lecture series, held October 13 in honor of past and present advisory board members.

■ NATIONAL BANK OF COMMERCE, Pine Bluff, has purchased land in the downtown area in order to build a new main bank building.

■ DOUG HALE has joined City National, Fort Smith, as a mortgage lending officer. He has eight years' lending experience and formerly was with National Bank of Commerce, Pine Bluff.

Illinois

■ HARRIS BANK, Chicago, has elected five vice presidents: Henry J. Piermattei, business services division; and Charles E. Wilcox, Midwest group; and in the trust department,

WILCOX

Cecil R. Coleman, employee trust; Robert L. Newman, fixed-income management section; and Arnold P. Robinson, equity research division.

■ GLENN W. RAMSHAW has retired from Continental Bank, Chicago, after more than 45 years of service. As a vice president, commercial banking services, he specialized in lending to financial institutions. Mr. Ramshaw joined the bank in 1933 as an office boy and became vice president in 1968. Continental also has made the following promotions: G. Douglas Hurley, Charles A. Huston, Dirk B. Landis, Randal B. Nelson and David R. Rhodes, vice presidents. Second vice presidents are: Margaret G. Fisher, Timothy L. Freeman, Arnold T. Grisham, Mary Kathleen S. Kenefick, Martin J. Mindling, Stanley C. Suboleski, G. Jackson Tankersley Jr., Linda Y. Walker, Ray L. Brownfield, Thomas M. Cleary, David A. Folz, Denis R. Hart, Ronald W. Landen, Deepak Dev Raj, Theodore Rodes Jr., Evan L. Evans, Jack R. Heyden, J. Lennard Barker, Jane F. Briggs, Peter G. Kamberos, Benjamin S. Phinney, John B. Sorum and Anthony W. Arredia.

■ FRANK H. CREAMER has been appointed a petroleum engineering officer, natural resources unit, Northern Trust, Chicago. He formerly was a senior engineer for Amoco International, working at Standard Oil of Indiana.

Roundup Time

Drovers Bank, Chicago, corralled a new symbol — a bull — to symbolize strength and modernity of its financial services. Drovers is located in heart of stockyards area and was named after men who drove cattle to market. Sidney J. Taylor (l.), ch., gets ready to rope bank's symbol as Frank J. Bauder, pres., looks on.

■ CHARLES L. DAILY, chairman of five individual, autonomous Illinois banks, which have their own boards, has announced the renaming of the banks to accommodate structure laws in the state. Edgemont Bank now is MidAmerica Bank, Edgemont; Lebanon Trust now is MidAmerica Bank, Lebanon; Lincoln Trail Bank, Fairview Heights, now is MidAmerica Bank, Fairview Heights; Mascoutah Bank now is MidAmerica Bank, Mascoutah; and Metropolitan Bank, Alton, now is MidAmerica Bank, Alton.

■ MERTON BALTZ, chairman, First National, Millstadt, has been awarded the Illinois Bankers Association's 50-Year Club pin. Mr. Baltz's father, the late G. F. Baltz, also was given the pin in 1953. Both the elder and younger Mr. Baltz spent 50 years with the bank, which has never been without a Baltz as president since its founding in 1903. Merton Baltz's uncle, F. L., was the first president and was succeeded in 1915 by his brother, W. N., who, in turn, was succeeded by G. F. Baltz in 1940. Merton Baltz succeeded his father as president in 1958, and his brother, Woodrow, was elected to that post this year.

Indiana

■ TIMOTHY J. FRANK has been appointed assistant cashier and Roanoke branch manager, Community State, Huntington. Mr. Frank formerly was with State Bank of Amboy as an assistant cashier and was secretary of its board. His experience is in real estate, commercial, agricultural and installment loans.

■ THOMAS D. WASHBURN has been named vice president, Irwin Union Bank, Columbus. He joined the bank as an accounting officer in 1976 and was elected assistant vice president, financial planning and analysis, in 1977. Prior to that, he was an assistant vice president and branch manager, First Virginia Bank, Falls Church.

■ INDIANA NATIONAL CORP. has announced new corporate officers and promotions in the corporation's subsidiaries. INC vice presidents are: David T. Fronek, senior vice president, loan administration, Indiana National, Indianapolis, and Donald J. Stuhldreher, senior vice president, investments, Indiana National. Robert D. Lowrie was promoted to vice president, Indiana National. Assistant vice presidents are: John W. Dyar, investment administration and portview; Jean M. Lamm, public relations; Paul N. Nobbe, 38th Street and Post Road Branch; and James R. Recker, leasing. Terry J. Sanderson has been made auditor.

Kansas

■ FOURTH FINANCIAL CORP. of Wichita's board has approved a 5% stock dividend, the fourth declared since formation of the corporation. Its principal subsidiary is Fourth National, Wichita.

■ A CHARTER APPLICATION for a new bank in Lenexa has been filed with the Kansas bank commissioner by a group of Lenexa and Kansas City-area businessmen and professionals. Initial capitalization for the proposed Country Hill State Bank will be $1.5 million. Lenexa, with a population of about 20,000 and 10,000 employed in its industrial parks, has one bank at present.

■ KANSAS STATE, Wichita, has begun a major remodeling of the first floor lobby of the Vickers-KSB&T Building. Cost of the total renovation, through its wholly owned subsidiary, KSB Building Corp., will be $300,000.

Kentucky

■ VAN C. THOMPSON has been named representative, correspondent department, Liberty National, Louisville. He joined the bank in 1977 as a

THOMPSON

management trainee after receiving a commerce degree from the University of Virginia.

■ FORD DIXON has retired as executive vice president, Second National, Ashland, but continues as a bank consultant. Mr. Dixon joined the bank in 1950 as a teller and became auditor, cashier, vice president and cashier and then executive vice president in 1966.

■ MALCOLM LEE GARDNER has been elected controller at First City, Hopkinsville. Mr. Gardner formerly was with Old National, Evansville, Ind., as an assistant controller.

■ HAROLD D. THOMAS and Tommy Cole have been elected assistant cashiers, Citizens National, Bowling Green. Mr. Thomas has been a bank employee since 1970 and previously was credit card manager. Mr. Cole has been with the bank since 1976 and was a junior loan officer prior to his new position.

Louisiana

■ W. J. "DUB" NOEL has been named senior vice president, Great American Corp., and will head banking services as senior vice president

NOEL

and cashier, American Bank, Baton Rouge, a wholly owned subsidiary. Mr. Noel, with the bank since 1964, had been executive assistant to the president.

■ M. J. "KELLY" SIMONEAUX, senior vice president and cashier, City National, Baton Rouge, has been appointed to the board. Mr. Simoneaux has been employed at the bank for 23 years and currently is serving as chief operations officer.

■ WARREN CLIFFORD JONES has been appointed vice president and cashier, Continental Bank, Jefferson Parish. The bank has offices in Harvey and Metairie. Prior to joining Continental, Mr. Jones was vice president and cashier, Commercial Bank, Metairie, for four years.

■ FRED B. MORGAN III has been appointed vice president and cashier, First City Bank, New Orleans. Mr. Morgan served as cashier at Continental Bank, Harvey, for 1½ years before joining First City.

■ LIBERTY BANK, New Orleans, has named three assistant cashiers: Irvin S. Daniel, Joseph Montelepre and Carl S. Nogess.

Mississippi

■ B. R. "RUSTY" BURKE JR. has joined Mississippi Bank, Jackson, as vice president and real estate officer and William C. Patterson has joined as vice president and security officer. Mr. Burke, who currently is serving as president of Jackson Mortgage Lenders Association, has more than 17 years' experience in mortgage lending and real estate. Mr. Patterson formerly was with First International Bank, Houston, for six years and left as a vice president and security officer.

■ HANCOCK BANK, Gulfport, has announced three staff promotions: Robert E. Anderson, to assistant comptroller; Gwen Burge, to assistant cashier; and Raymond A. Saucier, to assistant loan officer. Mr. Anderson has been with the bank five years; Mrs. Burge, 11 years; and Mr. Saucier, three years.

Missouri

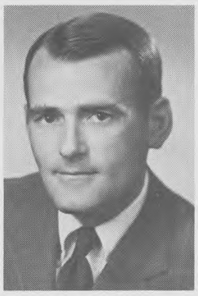
■ HARRY E. HAYNES has been elected vice president, trust investment, United Missouri Bank, Kansas City. Judy Clasen has been elected assistant cashier, international department.

■ FIRST NATIONAL, St. Louis, has announced the election of the following vice presidents: Gardner R. Lloyd Jr., John S. McCarthy and Frederick J.

Zamon. Eugene J. Meyer has been elected an assistant vice president.

■ ST. LOUIS COUNTY BANK, Clayton, has announced the election of the following consumer credit officers: Dennis L. Hassler, Gregory F. Kelleher Jr., Theresa S. Kroner and Mary B. White. All have lending responsibilities in the consumer mortgage loan division.

PFISTER



HARDIN

■ GEORGE H. PFISTER, former president and chief executive officer, Manchester Bank, St. Louis, has been named chairman and chief executive officer. Hord Hardin II has been named president and chief operating officer and a director. Mr. Pfister joined the bank in 1943; Mr. Hardin in 1972.

■ GERALD G. BROOKS has been elected assistant vice president, correspondent banking division, Boatmen's National, St. Louis. He has about 15 years' financial experience. In other action, the bank named James C. Knop assistant cashier, bond department. Mr. Knop has been in the banking field 15 years.

BROOKS

■ MERCANTILE TRUST, St. Louis, has named three new officers: Robert Anthony, investments; David S. Griesemer, trust; and Ralph W. Babb Jr., comptroller. Mr. Anthony is a former senior security analyst and assistant investment officer. Mr. Griesemer formerly was employed by the bank as a tax accountant. Mr. Babb is a former audit manager with Peat,

New Facility

St. Johns Bank, St. Louis, has opened an additional facility at 3580 Woodson Road that has more than 900 square feet of lobby space, four drive-in lanes and 25 parking spaces. Fletcher Wells II is manager of the new building.

Marwick, Mitchell & Co., where he was responsible for accounts of multi-bank HCs.

■ CHARLES R. KRUGER has been elected commercial lending officer, metropolitan division, Commerce Bank, Kansas City. He formerly served as assistant cashier, Central National, Chicago.

■ HAROLD D. LEWIS, real estate department manager, and Gary E. Mesnier, installment loan department manager, have been promoted to senior vice presidents at Webster Groves Trust Co. Both were formerly vice presidents.

■ WALTER ROCKLAGE, chief executive officer, Community Federal S&L, St. Louis, has been elected to the board at St. Johns Bank, St. Louis. Mr. Rocklage has been chairman of the Community Federal board since 1965 and assumed the additional role of president this year.

Died: James J. Hickey, 66, retired senior vice president, Webster Groves Trust, on October 9. He retired in January, 1977, after 50 years in banking, 27 of those years with Webster Groves Trust. He once was with St. Louis' First National.

New Mexico

■ ROBERT E. CLAYTON has joined Security National, Roswell, as a vice president, mortgage loans. He formerly was with First City National, Houston.

■ WESTERN BANK, Las Cruces, has announced three promotions: Margaret Rosas, assistant vice president; William F. Mayton, auditor; and Steve B. Brown, assistant vice president, commercial loans and marketing.

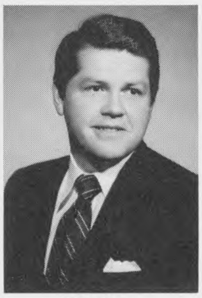
■ MALCOM PETREE has been named president, Bank Securities Inc., the HC of American Bank of Commerce, Albuquerque. Mr. Petree succeeds Kenneth Bonnell, who retired.

■ SAMMY K. PRICE has been named assistant vice president, Liberty National, Lovington. He formerly was with Farmers Home Administration as assistant county supervisor.

Oklahoma

■ FRANK X. HENKE III has been elected chairman and chief executive officer, Fourth National, Tulsa. He was vice chairman and chief operating officer. Ben D. Floyd Jr. will continue as chairman of the board's executive committee. The board has accepted the resignation of John D. Izard, president, but he will continue as a consultant until the first of the year. In addition, Tom P. Henson has been elected president, and Charles G. Meckfessel has been elected executive vice president. Other promotions are: Don Onstott, senior vice president and senior trust officer; Robert J. Roesler, vice president and trust officer; Scott Gardner, assistant vice president, operations; Richard Mawdsley, assistant vice president and assistant secretary; and Joan Brewer, assistant cashier and installment loan officer.

HENSON

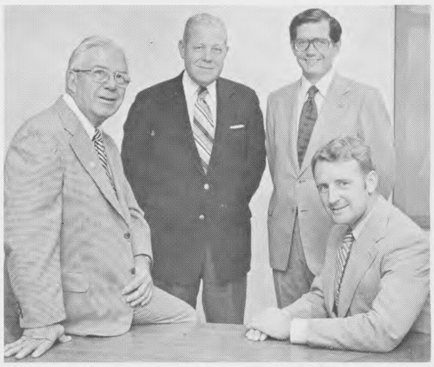


HENKE

FLOYD

MECKFESSEL

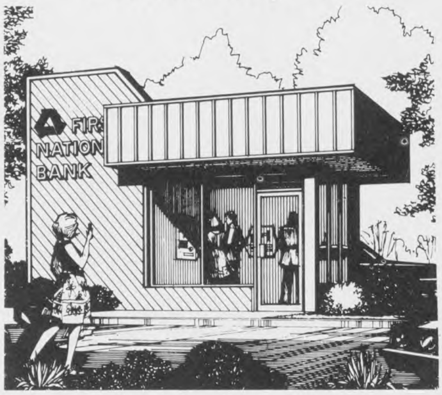
■ FIRST NATIONAL, Oklahoma City, has announced the election of four officers: Richard Stark, vice president and trust officer; Ed Wells, assistant vice president; Roger Steed, assistant trust officer; and Clinton Bowling, banking officer.



Bank of Oklahoma, Tulsa, and its parent company, BancOklahoma Corp., have revised top management. From left, Eugene Swearingen, ch., bank and HC executive committees; Marcus R. Tower, continuing as v. ch. of bank and HC and ch., credit policy and trust committees; Leonard J. Eaton Jr., ch. and CEO, bank and HC; and Samuel Banks Hayes III, pres. and chief operating officer, bank and HC.

■ EUGENE SWEARINGEN has been named chairman, executive committees, Bank of Oklahoma, Tulsa, and its HC, BancOklahoma Corp. He was succeeded in his post as chairman and chief executive officer, Bank of Oklahoma and the HC, by Leonard J. Eaton Jr., who had been president of the bank and the corporation. Samuel Banks Hayes III has taken over as bank and HC president and chief operating officer. He was executive vice president, banking division. Marcus R. Tower will continue as vice chairman of the bank and HC and as chairman, credit policy and trust committees. In addition, Bank of Oklahoma has named Charles Pyle and Tom Humphrey vice presidents, Francis J. P. Carey, vice president and account administrator, trust division, and Len Fears, vice president, data services.

Walk-In/Drive-Up ATM



First National, Bartlesville, has opened a new facility at Adams Road and Adams Boulevard, adjacent to the Quarters Shopping Center. The facility is open 24 hours and is fully automated. It has a walk-in lobby with two ATMs and a drive-up lane for ATM accessibility. The building was designed, planned and constructed by Bunce Corp., Shawnee Mission, Kan.

Complete Banking School

Five Oklahoma bankers have completed the ABA's Essentials of Banking School, a week-long intensive orientation in basic commercial banking to give bank specialists with nonbanking professional backgrounds a working knowledge of the banking business. The school, in its first year, is taught by university professors and professional bankers at Duke University, Durham, N. C. Graduates, pictured (l. to r.) are: John R. Burks, public relations and marketing officer, First Nat'l, Pauls Valley; Linda Moore, marketing officer, Liberty Nat'l, Oklahoma City; Susan Cook, management trainee, Liberty Nat'l; and Bernard Tonquest, a.v.p. and marketing officer, Fourth National, Tulsa. Not pictured is David White, cash., City Bank, Muskogee.

Tennessee

■ JAMES L. ROBERTS has been promoted to senior vice president and staff counsel, Third National, Nashville. Also promoted were: C. Kennon Buttrey, H. Ellis Holt, Lynn E. Hunt

ROBERTS

and John H. McAlister, from assistant vice presidents to vice presidents. Beth C. Stephens has been promoted from commercial officer to assistant vice president.

■ W. LANE ABERNATHY, senior vice president and trust officer, First American National, Nashville, has announced his early retirement. He has been with the bank since 1949 and was promoted to vice president in 1962, senior vice president and trust officer in 1970. In other action, Nancy Zoretic and Kendall S. Reinhardt have been named vice presidents and Richard E. Herrington was named controller.

■ JIM D. SMITH has been promoted to vice president, collection department, Commercial & Industrial Bank, Memphis. He has been with the bank since 1970.

Texas

■ FIRST NATIONAL, Amarillo, has appointed Joe Kennedy supervisor, management and operations, of all farms and ranches administered by the

KENNEDY

bank as executor and trustee. He has spent his life in Panhandle and South Plains agriculture and will be responsible for properties in the tri-state area.

■ FIRST NATIONAL, Dallas, has announced the following vice presidents: Steve Casella, money management; Richard V. Elmblad, municipal bond; Nathan O. Finke, trust business development; Perry L. Fleeman, Americas group; Karl J. Lombar, customer services; John D. Lybrand, Southwest group; Joseph J. Nostro, Americas group; and Philip R. Wood, United States and Canada group. Promoted to assistant vice presidents were: Mary Joan Baldwin, retail; Ernest C. Bryant III, credit administration; Leroy Droemer, factoring; Rowland K. Robinson, United States and Canada group; and Richard C. VanDuyne, retail.

■ DONALD G. CATES II has been promoted to assistant vice president and petroleum engineer, First National, Fort Worth. He has been assigned to the energy loan area and formerly was with Midland National, Conoco Oil Co. and Signal Oil and Gas.

■ BANK OF THE SOUTHWEST, Houston, has named the following vice presidents: Gary J. Gehring, office services, and Richard D. Moore, trust. Also named were Steven D. Gould, trust real estate officer, and William A. Neiman and Frederick Oswald, trust investment officers.

■ NATIONAL BANK OF COMMERCE, San Antonio, celebrated its 75th anniversary in October. The public was invited to attend the open house and register to win several nostalgic prizes, such as an antique rolltop desk, a 1903 $20 gold piece valued at $325, a pair of tiffany-style lamps, an antique wall clock and 75 sets of historical scenes of San Antonio.

■ FIRST CITY BANCORP. of Texas and First Security National Corp., Beaumont, have agreed in principle to merge. In other action, Gerald R. Williams has been elected executive vice president, First City Bancorp. of Texas. He also is executive vice president, First City National, Houston, the HC's largest subsidiary bank. John J. Dalnoky has joined the bank as vice president after seven years with Consolidation Coal Co., Pittsburgh.

■ FIRST PASADENA STATE has completed its enlargement and renovation program. The open-house celebration this month was a combination Veterans Day observance and anniversary for the bank, which is entering its 60th year of service. The new banking quarters feature a 16-foot-tall fountain.

■ FROST NATIONAL, San Antonio, has promoted the following vice presidents: Tex Corrigan, Charles A. Thompson and Juan J. Valdes. Jim Lohse and Dan Van De Walle have been promoted to assistant vice presidents.

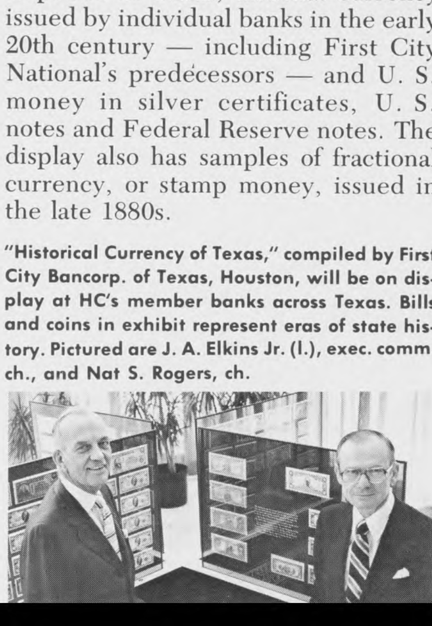
Collector's Money:

Turn-of-the-Century Monies Document Eras of Commerce

Rare coins and bills documenting history and commerce in Texas have been assembled by First City Bancorp. of Texas, Houston, for display by its 26 member banks across the state.

The exhibit, currently showing at First City National, Houston, includes specimens with a face value of about $900 and a collector's value of about $10,000. Eighteen of the 24 coins are from the United States and were issued between 1882 and 1921. The six Mexican coins were issued between 1840 and 1905. The display's 73 bills include paper money issued by the Republic of Texas, national currency issued by individual banks in the early 20th century — including First City National's predecessors — and U. S. money in silver certificates, U. S. notes and Federal Reserve notes. The display also has samples of fractional currency, or stamp money, issued in the late 1880s.

"Historical Currency of Texas," compiled by First City Bancorp. of Texas, Houston, will be on display at HC's member banks across Texas. Bills and coins in exhibit represent eras of state history. Pictured are J. A. Elkins Jr. (l.), exec. comm. ch., and Nat S. Rogers, ch.



STATEMENT OF OWNERSHIP, MANAGEMENT AND CIRCULATION (REQUIRED BY 39 U.S.C. 3685)

1. Title of Publication: MID-CONTINENT BANKER.

1A. Publication No. 346360

2. Date of filing: September 29, 1978.

3. Frequency of issue: Monthly except semimonthly in May.

3A. No. of issues published annually: 13

3B. Annual subscription price: $11.00.

4. Location of known office of publication: 408 Olive Street, St. Louis, MO 63102.

5. Location of the headquarters or general business offices of the publishers: 408 Olive St., St. Louis, MO 63102.

6. Names and complete addresses of publisher, editor and managing editor: Publisher: Ralph B. Cox, 408 Olive St., St. Louis, MO 63102; Editor: Rosemary McKelvey, 408 Olive St., St. Louis, MO 63102.

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8. Known bondholders, mortgagees, and other security holders owning or holding 1 percent or more of total amount of bonds, mortgages or other securities: None.

10. Extent and nature of circulation. The average number of copies each issue during preceding 12 months are: (A) Total No. copies printed (Net Press Run), 6,438; (B) Paid circulation: 1. Sales through dealers and carriers, street vendors and counter sales, 0; 2. Mail subscriptions, 5,630; (C) Total paid circulation, (sum of 10B1 and 10B2) 5,630; (D) Free distribution by mail, carrier or other means. Samples, complimentary, and other free copies, 370; (E) Total distribution (Sum of C and D), 6,000; (F) Copies not distributed: 1. Office use left-over, unaccounted, spoiled after printing, 438; 2. Returns from news agents, 0; (G) Total (Sum of E, F1 and 2 — should equal net press run shown in (A), 6,438. Actual number of copies of single issue published nearest to filing date: (A) Total No. copies printed (Net Press Run), 6,500; (B) Paid circulation: 1. Sales through dealers and carriers, street vendors and counter sales, 0; 2. Mail subscriptions, 5,767; (C) Total paid circulation (Sum of 10B1 and 10B2), 5,767; (D) Free distribution by mail, carrier or other means. Samples, complimentary, and other free copies, 376; (E) Total distribution (Sum of C and D), 6,143; (F) Copies not distributed, 1. Office use, leftover, unaccounted, spoiled after printing, 357; 2. Returns from news agents, 0; (G) Total (Sum of E, F1 and 2 — should equal net press run shown in A), 6,500.

11. I certify that the statements made by me above are correct and complete.

RALPH B. COX, *Publisher*

12. For completion by publishers mailing at the regular rates (Section 132.121, Postal Service Manual) 39 U.S.C. 3626 provides in pertinent part: "No person who would have been entitled to mail matter under former section 4359 of this title shall mail such matter at the rates provided under this subsection unless he files annually with the Postal Service a written request for permission to mail matter at such rates." In accordance with the provisions of this statute, I hereby request permission to mail the publication named in Item 1 at the phased postage rates presently authorized by 39 U.S.C. 3626.

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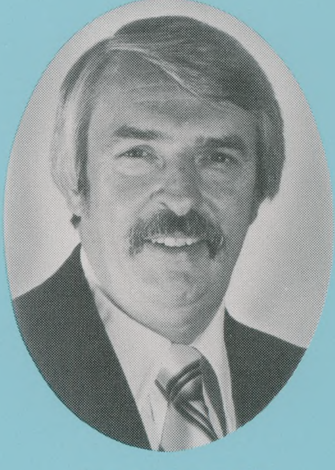
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